The Swedish fiscal-military state in transition and decline, 1650-1815

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1. Introduction

This paper is a brief survey of how resources were mobilized for Sweden's wars from the mid-seventeenth century up to 1815. The innovative and dynamic phase of Sweden as a fiscal-military state was already to a large extent over by 1650. This state reached its apogee on the European scene from 1630 to 1660 when it proved its ability to defeat all neighbouring states and to resist a large coalition formed against its expansion. After 1650, the Swedish political system had to solve domestic conflicts which were results of earlier resource mobilization for war: The state also had to adjust its ambitions and strategy to a new environment where competing states developed ability to mobilize resources for modern warfare.

The Swedish solutions to these problems were tested during 22 years of warfare from 1700 to 1721. The Swedish empire was largely lost but whether the cause was shortcomings in the fiscal-military system, strategic and diplomatic mistakes or lack of a sufficient resource base is far from clear. It was certainly not due to lack of domestic resource mobilization for war, as that probably reached its highest level ever in that war. The following century saw no similar resource mobilization and it may be argued that the Swedish society had developed efficient structures to resist large-scale military ambitions from the state. Sweden continued to fight offensive wars but these were started by opportunistic political leaders in the hope that they would be rapid victories or paid by subsidizes from great powers.

There are no modern syntheses of Swedish early modern financial history and no author seems to have been available to write about the subject in recent standard works on European fiscal history.1 The explanations presented in this paper are tentative and partly based on my own comparative studies of early modern European fiscal-military state formation.2

2 Jan Glete, War and the State in Early Modern Europe: Spain, the Dutch Republic and Sweden as fiscal-military states, 1500-1650, London, 2002, with more detailed references.
2. Sweden and early modern war finance

The economic aspects of Sweden's rise and decline as an early modern great power have attracted considerable interest from Swedish and Finnish historians. It might then perhaps be expected that a clear picture of how warfare was financed, neatly presented in tables and graphs, can be made. Unfortunately, this is not the case. What we have is detailed studies of the administration and politics of war finance during important periods and how that influenced military operations. These studies show that many resources, both in Sweden and in the operational theatres, were raised in such forms that they did not enter any centralized and easily available book-keeping system.³

There are also much research about how the long wars up to the 1650s caused a transfer of control of crown land to the nobility and how much of that land returned to the crown after 1680 as a result of political power struggles between the crown, the non-noble estates and the aristocrats.⁴ The Swedish tax system and the administration of the state finance have also been studied.⁵ More recently, the demographic pre-conditions and effects of the war on the Swedish population has been investigated.⁶

No attempt has however been made to summarize the total costs of war as reflected in financial records, the value of the resources raised from occupied territories and the real market value of the several hundred thousand Swedes and Finns who were either conscripted or recruited by the peasant communities as part of their tax obligations to the state. These were burdens on the society which to a large extent never entered the state's financial records. If the same number of soldiers had been raised on the market and paid by taxes, the real tax burden on the Swedish people would have become visible. That would also have made it easier to compare Swedish resource mobilisation with other early modern states.⁷

Lack of such comparisons has frequently caused misunderstandings in international historiography, which even have influenced interpretations of European history. A frequent misunderstanding is that Sweden's continental wars were paid by extraction of local resources or foreign subsidizes to such an extent that the burden of war on the Swedish population

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actually was moderate. It has even been suggested that the existence of a Swedish parliament acted as a brake on large-scale domestic resource extraction and that Sweden was lightly taxed compared to most European countries.\(^8\)

Central in such explanations is the conception that Sweden only sent small armies abroad and mainly relied on recruitment of large armies of mercenaries. The contractual system for army recruitment which was important in Europe up to the later half of the seventeenth century is supposed to have made it possible to quickly recruit large armies on credit. The Swedish invasion of Germany in 1630, generally regarded as a turning point in the war, is often used as an example. In the international literature it has repeatedly been stated that this operation was undertaken with only 13,000 or 14,000 men sent from Sweden and that it was followed by large-scale local recruitment through German military entrepreneurs which in a brief period created a much larger army (up to 80,000 men are mentioned), able to defeat the combined Imperial and Catholic armies already in 1631.\(^9\)

Sweden’s real invasion of Germany was different, and from a military perspective much more conventional. It was built on ability to overwhelm initial resistance from even a large army with brute force. At the time of the invasion (mid-1630), Sweden had an army with an effective strength of around 72,500 men, not much less than the continental adversary. Of these 38,000 were native Swedes and Finns serving in the permanent national army, while the others belonged to German and Scottish mercenary regiments, most of them in units which already had served Sweden in the Polish war. The 13,500 men who arrived in Pomerania in July 1630 were only one of several contingents of the invasion force. The rate with which strength was built up on German territory was determined by available shipping resources, not by the supply of German military entrepreneurs. Almost 6,000 men were in Stralsund already before the main invasion began, 31,500 arrived from mid-1630 until the end of the year and 20,500 more arrived in 1631 before the battle of Breitenfeld in September.

Few new German military entrepreneurs offered their services to Sweden before Breitenfeld and only around 20 % of 50,000 men in the Swedish forces in Germany in September 1631 belonged to regiments organised in Germany. Most of these were however owned by Swedish-born generals working as entrepreneurs or by German and Scottish officers who had served Sweden before the invasion. They were economically interested in Swedish success already before 1630. Less than 4,000 men had been recruited by new German entrepreneurs and these new and unseasoned units were of little importance for the combat readiness of the army.\(^10\)

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Sweden’s few pre-Breitenfeld allies, primarily Saxony, had also begun to recruit armies through entrepreneurs but they could act from their position as territorial German princes and, as demonstrated in the battle of Breitenfeld, their hastily assembled regiments were not a match for the seasoned Catholic army.
Military operations in Germany in 1630-31 did not show that a large, victorious army could be improvised by contract. It rather showed that successful operations required a large army of veterans. It was Sweden's development of such an army which gave that state a key role in the German war. Seasoned regiments with cores of skilled officers and veteran soldiers were a scarce resource in Europe before the general development of permanent armies. Only after the victory at Breitenfeld, when Sweden gained control of large German territories, confiscated enemy property and looked as the power which could distribute the spoils of victory, did many military entrepreneurs begin to offer their services to the Swedish king, including their credit. For a brief period, Sweden could indeed fight a large continental war almost without Swedish resources. This was an untypical situation, however, and generalisations based on that period are untenable. After the defeat of the Swedish army at Nördlingen in 1634, large Swedish resources, mainly conscripted soldiers were yearly required to bring the war effort to a successful end. At least 70,000 native Swedes and Finns died in the Thirty Years War from 1630 to 1648.

This example shows that early modern European warfare was less dependent on market-forces than often believed. Long-term organisational efforts and domestic fiscal resources could be decisive already before 1650. No early modern state could just invite itself to other nations with many times its own population, start to raise local resources and hire mercenaries through entrepreneurs in order to conquer large territories. An invader must start from a position of military superiority and maintain that advantage by successful offensive operations in order to gain control of resources and become credible as an employer of mercenaries.

The fundamental precondition both for Sweden's expansion from 1561 to 1660 and the defence of the empire from 1660 to 1721 was the ability to quickly send a major combat-ready army, supported by a large navy to the continent. The scale of that type of warfare grew, but the principle was the same. The army must be strong enough to immediately defeat enemy forces which tried to evict it and the navy must be able to protect the lines of communication against Baltic navies and fleets sent from Western Europe. That meant that Sweden must maintain large, domestically financed armed forces. It must also have the administrative ability to mobilize and concentrate large resources; men, horses, provisions, warships and transport shipping, at the beginning of a war in order to take the military initiative and keep it. Few European states maintained large permanent armies and navies before 1650. With the exception of the Dutch Republic, none did it on the same per capita level as Sweden. Even after 1721 the number of Swedish soldiers compared to the population was unusually large and the navy was also large in a comparative perspective. The difference was that Sweden now partly relied on foreign subsidizes to maintain the appearance of a strong military power.

Historians have tried various explanations for Sweden's unusually early development of large-scale permanent armed forces and ability to launch offensives against enemies with much larger resources. Common explanations have been that Sweden had an unfavourable strategic situation (it was "encircled by its neighbours") and that Sweden's neighbours were aggressive and even threatened Sweden's independence, forcing Sweden into making pre-emptive strikes on their territories. The historiography of such explanations is not a part of this paper, but it

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13 Glete 2002, 10-41.
14 A recent restatement of this view is Lockhart 2004, esp. 13-17, 38-40.
is difficult to find the empirical ground for them. Sweden had a wide territory surrounded by more or less impenetrable forests and mountains, its neighbours did not encircle Sweden more than neighbours use to do on the European map and they did not develop fiscal and military structures able to support offensive wars against Sweden until Sweden already had robbed them of important provinces.

The most conventional explanations: an unusually favourable geography and unusually weak neighbours are those which are best supported by empirical evidence. The development of Sweden as a great power appears more as a result of opportunities than of threats. Opportunities are however open to many at the same time. It is the ability or inability to take advantage of opportunities by innovative behaviour which creates success or failure.

3. An entrepreneurial state?

Theoretically-based economic history has not been very helpful in explaining why the Swedish system for resource mobilization for war for a long time was markedly superior in an international perspective. War and European state formation has usually not been seen as the economic historians' task, in spite of that states are managers of large economic resources and their success often depends on their skills to organize these resources. Sociologists and political scientists have provided most of the theoretical explanations but, however helpful their views may be, the lack of analysis with economic concepts is sometimes embarrassing when state formation and resource mobilization is discussed. Especially the incentives for transferring resources to the state for war and the administration of resources must be studied with economic ideas about human activities in a society.

The founder of economic history as an academic discipline in Sweden, Eli F. Heckscher, made no investigation of state finance in his studies of early modern Swedish economy. He did however sketch an economic explanation of the rise and fall of the Swedish empire (1935-36). Heckscher regarded the sixteenth century Swedish state, with its tax incomes in kind rather than money as primitive with little ability to finance large-scale wars. Under Gustav II Adolf and Axel Oxenstierna a monetary based financial system developed. Heckscher interpreted this as a grand programme of modernization where customs on increased Baltic trade, taxes on mines and new industries and lease of crown land should be the future backbone of state finance. In the meantime crown land was sold, used as security for loans in order to finance war or given away for political and military service of special importance for the war efforts. In spite of that these efforts led to Swedish control of large parts of the Baltic the new incomes turned out to be insufficient and a more or less permanent financial crisis developed. From 1650 this became the central conflict in domestic politics and from 1680, the king ruthlessly reclaimed ownership of old crown land. In Heckscher's view, this was a backward-looking policy which created stable state finance in peace-time at the expense of the state's ability to take loans and promise rewards for good conduct in future wars. This lack of an accomplished financial modernization was an important cause of the final catastrophe of the Swedish empire.16
Heckscher's interpretation was made in the 1930s when little empirical research about early modern resource mobilization for war in Sweden and other European states had been made. Important parts of its empirical foundation have since been eroded. The Vasa dynasty's interest in raising customs on Baltic trade was re-dated far back into the sixteenth century by the economic historian Artur Attman (1944), who made it the central part of his explanation of imperial growth. In 1956 Ingrid Hammarström showed that the late medieval and early sixteenth century Swedish state to a considerable extent had been based on a monetary financial system and armed force paid by cash. Taxes in kind were an innovation introduced by Gustav I around 1540, not an unbroken medieval tradition. The king must have had strong incentives for a radical innovation. Taxes raised in food, iron, forest products and personal service by the tax-payers were inflation-proof in a time of rising prices and the administration of these products and services gave the state possibility to make profits on trade and channel the resource-flow in the interest of state policy.

In 1967 Birgitta Odén presented a preliminary synthesis of her own and other historians' research. She underlined that the Heckscher's dichotomy between a modern financial system based on money and a primitive system based on payments with concrete products and services was of limited value in an analysis. Ultimately, the early modern Swedish state needed products and services, not money for its ambitious imperial policy. The problem was how to get the relevant resources as cheap as possible. The dynastic state had throughout its history in a flexible way experimented with various economic, administrative and political solutions of how to mobilize such resources in the most convenient way and the reform programme of Gustav Adolf and Oxenstierna was only one of several transformations to adjust to opportunities and urgent demands. Money had been more used than Heckscher believed but access to money was of limited importance compared to access to essential resources for war at low cost.

Odén mentioned Schumpeter's famous article from 1918 about the decline of the domain state and the rise of the tax state as an inspiration but she cautioned the reader by underlining that Sweden had been rather much of a tax state since the thirteenth century. Actually, Odén's thinking was shaped by transaction cost analysis, although that concept was largely unknown, even among economists in the 1960s. It also placed the focus on the state as an innovative entrepreneur, which in a flexible way attempts to improve resource utilization. If economic and sociological theories should be used to explain state formation, Schumpeter's theory about the entrepreneurial function in economic and social life is an obvious candidate, naturally supplemented by Weberian and other theories about organisations and organisational behaviour. Economic, administrative, political and military innovations, all with the aim of making better use of available resources and reduce transaction cost was certainly of central importance for Sweden's ability to fight long wars which usually exhausted enemies with far larger potential resources.

In an economic perspective, the Swedish dynastic state acted as a factor which by intense and continuous demand reshaped the supply of resources in Sweden to suit an ambitious foreign policy based on military force. The industries and industrial skills which developed were to a high degree suited to support war efforts, the political institutions were shaped to make

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18 Hammarström 1956.
decision-making about taxes and conscription rapid and the administrative staff of the state was to a large extent occupied with negotiations with various groups in local society about how local resources best could be utilised for military purposes without fatally reducing society's ability to produce and reproduce. Several historical studies show how the system worked. Sven A. Nilsson provided a macro-level framework with his and other Uppsala historians’ studies of Sweden as a military state, where the society was systematically exploited for military purposes. Jan Lindegren has continued this with quantitative and demographic studies about the most important part of that exploitation, the large number of men serving in the armed forces. From another perspective, Eva Österberg has made micro-level studies which show the interaction between the state and the peasant communities under periods of pressure. The state was not only exploitative. It was also politically clever and administratively flexible in a way that minimized the risk for large-scale tax rebellions.21

Broad syntheses about the early modern Sweden often tend to emphasize the limitations of the resources, the backwardness of the sixteenth century state and society and the modernisation of Sweden according to European models in the seventeenth century. Sweden's armed forces were however strong in relation to available resources already in the sixteenth century and the rulers were ambitious participants in power struggles with states and combinations of states with far larger potential resources already then. The explanations must be that the state was able to mobilize an unusually large proportion of its society's resources for military purposes or it must have been able to organize resources in a superior way. If modernization is the introduction and spread of structures which we in a historical perspective know became predominant, the Swedish state was ahead the European average from sometime in the sixteenth century, gained a major advantage in the first half of the seventeenth century and then in a gradual and uneven way declined to an average European position in the eighteenth century. Sixteenth century Sweden may in important economic and cultural aspects have been backward in a European perspective but the Swedish state and the society's political institutions were already on a fast track to European modernity.

Modernization requires innovative behaviour and entrepreneurship. Growing resource extraction and resource organization for war indicate that a state develops three different entrepreneurial skills: political, fiscal and military. Military entrepreneurship is the organisation of efficient armed forces, a subject which in the Swedish case has attracted much interest among military historians as the cutting edge of imperial expansion. Political and fiscal entrepreneurship from an ambitious central state usually means that the state is able to increase mobilization and concentration of resources without increasing the costs of resource extraction in terms of resistance from society. In the Swedish case this was done through administrative structures which penetrated local society and made the resource base visible and accessible to the central state. This could be achieved without help from local elites, which otherwise was the normal situation in early modern Europe.22

It was also achieved through the growth of parliamentary institutions for decision-making on a national level. It might even be argued that the policy of the state developed estates and articulated interest groups on a central level in a society where earlier only the aristocracy had

been acting in that fashion. Not only the state but also the society was politically innovative. From the dynastic state's point of view, this development was favourable as the various estates and interest groups normally fought each other and did their best to ally themselves with the ruler in that struggle. One way or another, the estates tied their political interests to the success of the state and the dynastic ruler could often play them off against each other. There was no broad political alliance behind offensive wars and empire-building but there was a genuine fear of what would happen inside Sweden and in Sweden's relation to the neighbours if the Parliament failed to support the royal policy. The dynasty could use the system as long as it appeared as the best protector against political disorder, foreign invasions and a world where war was the inevitable divine punishment for human sins.

What was left for the Parliament to decide was how the burden of war should be shared. Typically the aristocracy was in conflict with the three lower estates about taxation while the state bureaucrats and officers often voted for taxes which were used to pay their wages. In the Swedish case state formation and the growth of a powerful state did not mean that the society became politically emasculated. The Parliament had become the sole channel from which the government could authorise taxes and in 1668 the Parliament took the step of establishing a bank (the present central bank, Riksbanken) under the control of the estates, not the king. This was a guarantee for that the state should not use the lender's money for policies not supported by the estates, which represented the groups that placed money in the bank. The estates proved very compliant to the rise of absolutism under Charles XI but the king's increased power was authorised step by step by the parliament and it never gave up its right to authorise taxes.

The parliament did however in 1693 authorise the king to raise extra taxes if the country was attacked, an authorisation which Charles XII from 1700 used in an extreme fashion when he raised taxes year after year without ever on his own initiative gather the parliament during the Great Northern War. It was in total contrast to his ancestors who often held sessions with the Parliament during periods of intense resource extraction, both to authorise taxes but also to use the Parliament to legitimise their policy and help the administration to raise resources. Behind the facade of outward loyalty to a warrior king in a period of crisis, the bureaucracy and the political "body" of the Swedish society in the early 1700s grew disappointed with what they saw as a perversion of the dynastic state. Heavy war taxation on the richer part of the population in the 1710s undermined the legitimacy which absolutism had achieved before 1700 by creating order in the state's financial system.

After the death of Charles XII in 1718 the four estates, the bureaucracy and the officers immediately gained political control of the state and continued to run it in an increasingly parliamentary fashion. The servants of the state, especially the officers had strong economic

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interests in upholding the system of paying wages in agricultural products as the prices were rising. The military organisation with its many officer charges was outwardly left intact but its efficiency deteriorated due to lack of training and reforms. Dyntastic power in its true sense, power inherited in a family, never returned although individual kings, Gustav III and Karl XIV Johan (Jean-Baptist Bernadotte) could exercise strong political power because they were skilled and even charismatic leaders. A politically inept king, Gustav IV Adolf was deposed by his officers and bureaucrats in spite of his formally strong power. During various political upheavals (1772, 1789, 1809) the Parliament's right to control taxation remained and in 1789 it also gained control over the state's public loans.

It is in my opinion fruitful to study the early modern European states as enterprises in protection and violence-control. The Swedish state is an unusually clear-cut case of that a dynasty in two centuries was primarily engaged in organising the state for warfare, first for control of the territory against domestic and foreign competitors, in a second phase for expansion around the Baltic and in a third phase for defence of the conquered empire. The resource base was limited but repeated innovative efforts were made to reduce transaction costs of resource mobilization. The entrepreneurial efforts were both fiscal and military: both resource extraction and the organization of the resources were step by step improved. But the dynasty was also skilled in political entrepreneurship and innovation. Resources were mobilized after negotiations with various interests groups and a major, probably decisive part of the transaction cost reduction was achieved through the use of the political system. There were few interest groups in Sweden who asked for an empire and the fact that it was created with the means they placed in the hand of their rulers for their protection was largely the result of the rulers' unusual ability to use the military resources with imagination. When that ability disappeared the entrepreneurial dynastic state was politically dead.

4. Soldiers. The most essential resource

During the period of imperial expansion, Sweden fought Russia (1570-95, 1609-17, 1656-61), Poland-Lithuania (1562-68, 1600-11, 1621-29, 1655-60), Denmark-Norway (1563-70, 1611-13, 1643-45, 1657-60), Lübeck (1534-36, 1562-70) and Habsburg Austria and their several Catholic and Protestant allied in Germany (1630-48). In the late 1650s, Sweden was at war with Poland-Lithuania, Russia, Denmark-Norway, the Dutch Republic, Brandenburg and (indirectly) Austria at the same time. The overwhelming parts of these wars were fought as offensive wars on enemy territory and at the Baltic Sea. Explanations which emphasise that Sweden was a poor country which must transfer the war to enemy territory in order to survive miss the essential point that Sweden normally had the military and naval superiority to take the wars to regions where the enemies had to pay. In the war which brought down the empire from 1700 to 1721 Sweden was at war with Russia, Denmark-Norway, Saxony, Poland-Lithuania, Brandenburg-Prussia, Hanover and (unofficially) Great Britain, from 1715 to 1719 with all these powers at the same time. Even that war was up to 1713 primarily fought as an offensive continental war.

The basic resource for Sweden's ability to fight large-scale offensive wars was always the supply of native soldiers. These were raised by the local society. The infantry was up to the 1680s raised by conscription while the cavalry and seamen were recruited as volunteers but with an obligation for local society to pay and quarter them when they were not on active

service. From the 1680s the infantry was also recruited without conscription but the system required the peasant communities to find and pay the volunteers and support their families when they were in war. Gradually a system developed where soldiers and seamen normally lived in small cottages around the countryside and worked for the peasants whenever the state did not require their services. Officers normally lived in the same region as their companies and regiments, usually on farms or estates owned by the state. It was a cheap system for providing for large armed forces in peace-time as much of the military training were done in periods of low demands for agricultural work. The Swedish armed forces were in a sense a "proto-industrial" enterprise that used the fact that agriculture is a seasonal occupation. It was however also a system that strained the resources of the peasant society heavily in times of war as soldiers died in large numbers and their replacements had to be found quickly unless the peasants had to serve themselves. Much of these costs, especially for the infantry are not recorded in the state's book-keeping.

Sweden's participation in the Thirty Years War in 1630-48 was not the most demanding of its military enterprises in terms of losses (70,000 men in 18 years) of native Swedes and Finns. Such losses were on a yearly basis higher in the war against Poland in 1621-29 (around 50,000), the Northern War of 1655-60 (at least 70,000), the war of 1675-79 (70,000) and the Great Northern War 1700-21 (around 200,000). The total losses from 1620 to 1721 have been estimated to around half a million men. The total number of men recruited to the Swedish army and navy in this period has never been calculated. The average service-time of a soldier in war was only a few years, but in periods of peace (40 years of 100), the turnover of men was naturally much lower. If we suppose that 5 to 10% of men left the service every year from 1620 to 1720 due to age or incapacity to serve and had to be replaced the result is a total of around a quarter of a million to around half a million men. Added to the half million who died and had to be replaced and the 50,000 who remained in service in 1720 we get a total of 800,000 to 1,050,000 men, or 8,000 to 10,500 new recruits every year. It is very much a guess but it indicates the magnitude of the burden on the society.

The territories from which they were recruited increased its population from around 1.25 in 1620 to almost 2 millions in 1700, partly by the conquest of several Danish and Norwegian provinces in 1645 and 1658. Sweden's Baltic and German provinces are not included in these figures. These provinces' resources were used for paying hired soldiers who mainly served in the garrisons in the periphery of the empire. Sweden's population figures are in fact favourable compared to Poland and Germany which suffered enormously from the destructions of military operations. From a demographic point of view it was certainly better to invade than to be invaded and the argument was sometimes used in the Swedish parliaments in order to persuade peasants to agree to conscriptions. The drain of manpower for wars outside the country was however in a comparative perspective gigantic, especially as it was concentrated on young men who were the most productive farm labourers.

5. Taxes and custom duties

Sweden has occasionally been described as a domain state that only partly developed as a tax state in the early modern period. This is correct only in a qualified sense. What is true and important is that the state since the protestant Reformation was a large landowner and that it used its land as much as possible to facilitate military efforts. Permanent expenditures should

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28 Lindegren, Maktstaten, especially 179.
29 These figures do not include conscripted men who deserted before they entered infantry service.
30 For example in Jespersen 2000, 97-101.
ideally be paid by permanent incomes and incomes from land were regarded as eternal. The largest permanent incomes to the state were however paid by the land-owning peasants and it may be misleading to call that domain incomes. The effective collection of these permanent taxes did require an extensive fiscal organisation and once that was in place the administrative cost of raising extra taxes for war efforts was small.\footnote{Hallenberg 2001.} Furthermore, the king's right to raise soldiers was not a traditional domain income. It was derived from the peasant communities’ obligation to participate in the defence of their provinces, a duty which the Vasa dynasty with political methods extended to include warfare outside Sweden's traditional borders.

All war efforts meant extra taxation. Taxation was normally raised after negotiations with those who should pay it and gradually such discussions about taxation were concentrated to parliamentary meetings with the four estates. That process was almost completed by 1650. Several extra taxes were invented, mainly on the peasant society. The estates were usually deeply engaged in heated debates about how tax burdens should be divided between the nobility, priests, burghers of various professions, the king's servants, peasants who owned their farms, peasant who leased farms from the crown and peasant who leased farms from the nobility.

Custom duties were another important source of income and the state had wider latitudes to raise customs than taxes on its own. The dreams of controlling the trade between east and west and raise huge custom duties on it remained a dream as trade tended to take other routes if it had to pay heavy duties. Incomes from the Baltic and German ports under Swedish control, especially Riga were important but these provinces did also require much expenditure on local defence. Custom duties on Sweden's own export and import trade was however increasingly important, especially on the copper export. Much of Sweden's export was essential for western Europe and it continued to flow in wartime under neutral flags, through middlemen (for example Prussian Königsberg in 1717-18), by informal mutual consent (as between Britain and Sweden in 1810-12) or through a formal agreement to continue trade relations during war (as between the Dutch Republic and Sweden in 1675-78).\footnote{Indirect trade in 1716-18: Gösta Lindeberg, Svensk ekonomisk politik under den görtzka perioden, Lund, 1941, 35-48, 336-370, 385-394.}

The question if the Swedish empire was profitable for the state or a burden because of the defence cost has hardly been raised and certainly not answered. Extra taxes in the conquered Baltic and German provinces were raised after negotiations with their local estates which in practice meant the nobility and some cities.\footnote{Cavallie 1975, 155-194.} War often led to that these provinces became areas of military operations which reduced taxes and custom duties but when the Baltic provinces were in peace (especially 1660 to 1700) they were fairly profitable for the Swedish crown.\footnote{Helmut Piirimäe, "Die finanziellen Beziehungen Livlands und Estlands zum schwedischen Staat im 17. Jahrhundert", Time of change in the Baltic countries: Essays in Honour of Aleksander Loit, Stockholm, 2000, 31-56.} The loss of these provinces to Russia in the early 1700s was primarily a strategic disadvantage, not a severe financial loss for the Swedish state but they had on the average been a roughly self-supporting part of the Swedish empire. The same can be said of the German provinces. The defence of empire was hardly a financial burden in a narrow sense but if the empire attracted more enemies than Sweden without an empire, it was obviously a burden on the Swedish society to raise soldiers for imperial defence.
From 1650 to 1680 discussions about taxation was dominated by conflicts which were legacies of the great wars of expansion. Large parts of the crown domain had been transferred to the nobility by outright sale, as gifts for political and military services and in order to pay debts. The tax burden on noble land was lower than on non-noble land, even if the nobility normally agreed to pay taxes for war efforts in political compromises with the ruler and the three non-noble estates. The latter did however demand that crown land transferred to the nobility should be returned in order to increase the states permanent incomes. One solution was achieved in 1655 when the nobility agreed to return a part (in principle one fourth) of the crown land as a one-time effort to create a stable financial system. This reduktion was however not completed when the aristocratic regency for Charles XI took over in 1660. During its time at power the financial problems were never solved, in spite of the peace.  

The aristocrats were discredited by the military and financial problems which were revealed in the war 1675-79. In 1680 Charles XI, the non-noble estates and many of the officers and civil servants in the House of Nobles overruled the aristocracy and decided on a large-scale reduktion of former crown land. The legality behind this was the idea that those who had controlled the land for long periods had received incomes from it to such an extent that the state's debt had been paid. Several of the largest aristocratic landowners were also sentenced to pay large damages to the state for mismanagement during the regency. One long-term effect of this policy was that it became difficult to use crown land as security for loans.

6. Loans

The political struggle around the crown's domain land reflects that the mobilization of resources for war up to 1650 partially had been made through credits. The state's ability to spend first and pay later had been essential, possibly decisive for its offensive warfare. This was not reflected in a large state debt circulating on a financial market as bonds with fixed interest rates and it has consequently been difficult to study. Such studies would probably reveal that the supposedly primitive and backward Swedish society had a surprising capacity to extend credits to the state and that the sixteenth and early seventeenth century Swedish state in an international perspective was a surprisingly credible debtor. There was no financial revolution comparable to the Dutch and English experiences but there was no development comparable to that of Castile and Naples where a large part of the state's revenues became the property of the groups who had provided credits for war.

The most important lenders to the state may have been its own personnel. From the 1560s and up to the late seventeenth century, and again during the great Northern War it is a notorious fact that the servants of the state did not receive their wages in a regular fashion. They were paid but often one year or more in arrear. The aristocratic members of the government frequently lent their own money to pay urgent expenses or they gave their personal guarantee to merchants and military entrepreneurs who delivered goods and services on credit. This was the type of loyalty and risk-bearing for which the aristocrats demanded crown land as compensation. The Swedish state was also an important buyer of various products connected with wars and armament and merchants were often willing to sell on credit. There were also a limited but not unimportant number of families with liquid assets who were willing to lend money to the state, often with the hope of receiving nobility and crown land as reward. The

35 Wittrock 1914-17.
position of financial bureaucrat and financier sometimes became interwoven in an almost seamless fashion.\textsuperscript{38}

The foundation of the Riksbank in 1668 did not mean a radical new departure in war finance but it was important and replaced parts of the loan earlier given with crown land as security. It provided the state with valuable credits already in the war of 1675-79.\textsuperscript{39} After the death of Charles XII in 1718 the state had a debt to the bank of 8.5 million daler silvermynt (d s) while the traditional form of raising loans with crown land as security only had provided 2.3 million d s. The total debt of the state at that time was around 64 million d s, most of which had been raised without any other security except trust in the state's ability to pay its debts.\textsuperscript{40} The financial history of the Great Northern War is to a large extent unwritten but it is obvious that the pessimistic view of leading financial administrators in 1700 that credits for war could not be raised after the reduktion was much too pessimistic.\textsuperscript{41} The state, from 1719 to 1772 controlled by the estates which represented most of the lenders, paid regular interest on its debts and repaid it in a slow process during the eighteenth century.\textsuperscript{42}

The exception was the copper coins issued by Charles XII from 1716 to 1718 as substitutes for silver coins (nödmynt) at a nominal value of 26.6 million d s. They soon lost in market value and in 1719 the estates decided to reduce their value to half the nominal value. 7/8 of the new nominal value was paid with papers, promising payment as soon as possible. These papers were eventually honoured. This sudden partial default on the debts left by Charles XII has remained famous in Swedish financial history, although it was not much different from the inflations caused by issues of paper money in Sweden's eighteenth and early nineteenth century wars. They all left domestic debts, partly paid by inflation, which was accepted as permanent losses for the owners of the paper money during reconstructions of the monetary system in 1776, 1803 and 1830.\textsuperscript{43}

Large loans to the Swedish state on the international market began to be raised only in 1766. Amsterdam firms like Hope & Co, J. & C. Hasselgren and Fizeaux, Grand & Co came to dominate the issues of Swedish state bonds. Loans were also placed in Genoa, Hamburg, Antwerp and Leipzig. The loans were raised during several decades and they were important for financing both past wars and new military efforts by the Swedish state. By 1811 the foreign debt amounted to 11.5 millions riksdaler, of which 10 millions were funded debt. Most of it was never paid. In 1812, when Sweden went to war with Napoleon, the Parliament decided to cancel two thirds of the foreign debt with the motivation that it was held by enemies, that is, it had been issued in territories which now were occupied by France. Naturally the financial markets in these regions boycotted loans to Sweden for many decades but in the nineteenth century that did not matter much as Sweden could raise large loans in Great Britain and France for investments in railways and other infrastructure projects during the industrialisation. The remaining third of the debt was paid by Great Britain which transferred the French colony Guadeloupe to Sweden (formally to Crown Prince Karl Johan personally) as a reward for Sweden's (and the former French marshal Bernadotte's) rather daring change of side already before Napoleon was defeated in Russia. The island was bought

\textsuperscript{38} Arne Munthe, Joel Gripenstierna. En storfinansiär från Karl XI:s tid, Stockholm, 1941; Fredriksson 1976, 54-72, 86-88, 110-121; Torstendahl 1979, 280-283.

\textsuperscript{39} Fredriksson 1976, 71-72.

\textsuperscript{40} 1 daler silvermynt was from 1716 equal to 1/3 riksdaler, Åmark 1961, p. 3.

\textsuperscript{41} Cavallie 1975, 94.

\textsuperscript{42} Åmark 1961, 6-15, 598-647.

\textsuperscript{43} Åmark 1961, 6-15; Per G. Andreen, Politik och finansväsen från 1815 års riksdag till 1830 års realisationsbeslut, 2 vols, Stockholm, 1958-61.
back by Britain in 1813 (and returned to France in 1814) and the money was used to pay foreign investors in Swedish bonds.\textsuperscript{44}

7. Contributions raised by armed force

Swedish resource extraction for war from occupied territories reached its apogee during the Thirty Years War. Attempts to create a similar base for the war effort in Poland-Lithuania in 1655 soon turned out to be failures due to popular resistance. Fertile Denmark was on the other hand an almost welcome addition to the list of enemies in 1657 as it provided the Swedish army with excellent conditions for provisions.\textsuperscript{45} In the war of 1675-79, a Swedish attempt of "peaceful" occupation of Brandenburg led straight to a politically undesired war in which Sweden for a change had to fight Danish soldiers on its own territory.

In the Great Northern War, Charles XII initially concentrated his efforts on defeating Poland-Lithuania and Saxony. To which extent he did that for political or logistical reasons are difficult to know for certain but it is obvious that Poland provided Sweden with a large territory from which it could feed an enlarged field army through requisitions. In 1706-07 even Saxony was occupied to force the Elector to give up his Polish crown and leave the war. When Charles XII turned east against Russia he must have hoped that a similar policy would be possible but Tsar Peter I thwarted that with a ruthless scorched earth strategy. In 1712-13 a Swedish army made a last attempt to occupy territory for resource extraction in northern Germany or Poland but the effort failed. It was never repeated.

8. Subsidizes

Foreign subsidizes began to be paid to Sweden during the Thirty Years War. Apart from symbolic support from the Dutch Republic and Russia around 1630, France paid substantial subsidizes during 1631-34 and 1638-48, a yearly average of 343,000 riksdaler during 18 years of war. In relation to the value of the contributions, provisioning and quarters which the Swedish army extracted from the German population (several million riksdaler every year) these subsidizes were limited but they replaced more than half of the custom incomes in Prussia which from 1630 to 1635 had given a yearly average of 620,000 riksdaler.\textsuperscript{46} Politically, subsidizes served the purpose of balancing that France's own military participation in the German War was much smaller than the Swedish, while the two powers should act as equal partners in peace negotiations.

The next major conflict Sweden was involved in, the Northern Wars 1655-60 was fought with considerable success against several enemies without major allies and without subsidizes. During the aristocratic regency for Charles XI (1660-72) Sweden had chronic problems with balancing the budget. The aristocrats were unwilling to increase taxes on themselves and they were consequently unable to persuade other groups in the society to increase their taxes. Subsidizes looked as a possible solution but the aristocrats were not interested in new wars. They searched for alliance partners who were willing to pay for a Swedish army on the

\textsuperscript{44} Åmark 1961, 619-660.
continent without committing it to actual war. Various negotiations followed, including a surprising alliance with Spain in 1668 with the aim of protecting the Spanish Netherlands from France. In the end, Louis XIV won the game for a Swedish alliance. In 1672 he promised to pay Sweden 400,000 riksdaler yearly for maintaining an army in Northern Germany. In 1674 he promised to increase the sum to 800,000 riksdaler if Sweden must enter the war. That turned out to be the case and in the following war with Denmark and Brandenburg Sweden suffered both humiliating defeats and large losses of men. Subsidizes were important for the war effort but the political lesson was to stay out of alliances which threatened to drag Sweden into large wars not in her own interest.47

That policy was, with minor exceptions upheld under Charles XI and Charles XII. Towards the end of the Great Northern War, European great power began to pay Sweden subsidizes because they were concerned about the long-term effects of Sweden's weakened position in northern Europe. France sent subsidizes from 1715 to 1721 and Great Britain from 1719 to 1721, without asking any favours in return. The new situation in northern Europe, with Russia as a great power with a considerable weight in the European balance of power created new opportunities for Sweden. Other great powers became interested in alliances with Sweden and for that purpose subsidizes were paid in a more regular fashion with the purpose of increasing Sweden' military readiness. Great Britain and France paid subsidizes in 1727-29, France from 1738 to 1743 and again from 1747. By then subsidizes had become almost a regular part of the income side of the Swedish financial system and with brief interruptions France paid until 1789. Subsidizes were much increased during Sweden's participation in the coalition war against Prussia (1757-62) and during the personal regime of the francophile Gustav III from 1772 on. For brief periods Sweden also received financial support from Russia and the Ottoman Empire.

Most of these subsidizes were paid in peace-time as part of defensive alliances. They were hardly the cause of Sweden's participation in any of its brief wars after 1721. The wars against Russia in 1741-43 and 1788-90 were fought because the regimes in Sweden erroneously believed that rapid and easy victories could be gained. The Prussian War would not have been fought without the French money, but Sweden had no alliance obligation to fight offensive wars and again victory was believed to be easy in a powerful coalition with France, Russia and Austria. Subsidizes had however become a normal part of Sweden's fiscal system and their absence would have created considerable problems and a reduction of Swedish military and naval expenditures.

After 1789, when the French money ceased to arrive, reductions became inevitable, and especially the naval construction programme was reduced. Sweden now looked for allies who might be interested to pay for increased Swedish military spending or a limited low-risk participation in the continental wars. After various frustrations, Great Britain turned out to be a reliable paymaster of a Swedish war effort. It started in 1805 when Sweden joined as a minor partner in the great alliance against France with an army on the continent. When the alliance was defeated by Napoleon and Russia changed side, Sweden became involved in wars with Russia and Denmark-Norway in 1808-09, losing Finland to Russia. Around one third of the war costs were paid by Great Britain.48 After a brief interlude in 1810-11, when Sweden and Great Britain formally were at war, the new Swedish regime under Crown Prince Karl Johan (Bernadotte) joined Russia and Great Britain as allies, again with British money as the mean to maintain a Swedish army on the continent.

47 Wittrock 1914-17, Fredriksson 1976.
48 Åmark 1961, 855.
It has often been assumed that Sweden's position as a great power was impossible to uphold without large inflows of foreign resources. The reality was different. Huge war efforts like those in the 1620s, 1655-60 and 1700-15 were made without any foreign support. Subsidizes were actually of marginal importance except in the 1670s, and then mainly because domestic politics had been locked in a conflict where foreign money looked as a convenient solution. Sweden's position as a medium-sized military power after 1721 was on the other hand to a considerable extent the result of that the European balance of power made it possible to form alliances where Sweden, thanks to its geographical position and its inherited reputation as a military power could make some profit. By the early nineteenth century, Sweden was unwilling or unable to fight wars without a massive inflow of foreign subsidizes.