

## Chapter 11 : The Estates society

*Man has been given two hands:  
One to grab & One to hold on.  
Swedish view of property rights*

The period 1809-1865, the final stage of the Estate society, was perceived by contemporaries as the 1772 Gustavian Revolution in replay, a kind of monarchic Indian summer. Most of the “feudal” privileges were gone, but it took time for the “republicans” to exploit the situation. The period is usually depicted in research as the whole social fabric cracking or falling apart, but stagnation is probably a better word. Economic expansion took place within the framework of the old industries. Agriculture flourished, but industrialization proper failed.

It has been difficult to find any research that highlights the Swedish underdevelopment. Swedish historians prefer to describe the period as an overture to the later success - the codeword is proto-industrialization. The alternative to this beguiling picture is to describe the Swedish problems: (1) Out of date economic doctrines. (2) Sweden's role as ”over-specialized” raw material producer. (3) Prioritizing social stability at the expense of economic development. Well-known phenomena in developing countries.

During the period 1809-1865, proposals were made to abolish the Parliament of the Estates, which long failed due to resistance from the nobility and the priests. As minority estates, they felt they had too much to lose. However, a number of reforms were pushed through. I describe Charles XIV John's economic policy, the land mobilization, the proto-industrialization & the legacy of the period.

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### A. CHARLES XIV JOHN (1763-1844)

Charles John's economic initiatives 1815-1818 are described in Brisman (1908), Tingsten (1931: ss. 58-280), Höjer (1943: ss. 386-450), Andreen (1958), Girod de l'Ain (1968: ss. 550-553), Åstrand (1973), Sjöberg (1978) & Sjöström (2009: ss. 74-113). Most attention has been paid to the Guadeloupe funds (see also chapter 26). I briefly describe their creation & use:

Guadeloupe is an island in the French West Indies that was conquered by Britain during the Napoleonic Wars. The island was part of the payment to Sweden for joining the 6<sup>th</sup> coalition against Napoleon. March 3, 1813, it was handed over to the Swedish royal house, as a compensation for Napoleon's seizure or threatened seizure of Charles John's French property. Under the Treaty of Paris May 30, 1814, the island returned to French ownership, but the Swedish royal house was compensated by 24 million francs (=1,056,092 pounds sterling ≈ 10 million riksdaler according to the Hamburg exchange rate 1815-16 ≈ 1.25 billion in SEK 2015). The sum was paid monthly from July 1815 to June 1816.

Prior to the election to the throne, Charles John's envoy Fournier had promised that he would pay the Swedish national debt - on June 30, 1815 = 4,155,926 riksdaler - from his own resources. This did indeed happen. 50% of the Guadeloupe funds were used for that purpose. (One third of the debt to Holland, Belgium & Genoa. The entire debt to Hamburg & Leipzig. The basis for the write-down of the debt to Holland, Belgium

& Genoa appears to have been a decision of the 1812 Parliament to write off all debts in government bonds owned by persons in France and in countries controlled by France.) The remaining 50 percent of the Guadeloupe funds were used for the support purchase of Swedish currency (25 percent), for commercial credits (20 percent) & for general purposes (5 percent). In the summer of 1817, the funds were exhausted.

Charles John's appanage was initially quite stingy, possibly because one of the arguments for electing him was that he had money of his own, but in 1812 it was raised to 100 thousand riksdaler. In 1817, he used the Guadeloupe funds to make himself financially independent of the Parliament. He managed to get it to accept an eternal interest rate of 5 percent on the half of the Guadeloupe funds he had "lent" to pay the national debt = 200 thousand riksdaler annually = double the appanage. The sum would be paid in "in eternity" to him and his descendants. However, it was not inflation-adjusted, but with time shrank to a negligible amount - from SEK 25 million (1817) to 300 thousand (1983).

The legal issues surrounding the funds & the reasonableness of the eternal interest were discussed from day 1. The monarchic version has been that the Swedish people should be grateful for Charles John using his private wealth for the well-being of Sweden. As the Guadeloupe funds were supposed to be a substitute for the French property of Karl John, attempts have been made to calculate its worth. The figures mentioned are of the order of SEK 50 million. The republican version has been that Charles John only had the right of use; that Guadeloupe funds were therefore not his and that the interest rate was both illegal & unreasonable. However, the Parliament has never wanted to take a position on the issue, contenting itself with the fact that the interest rate was a parliamentary decision, but even that is not entirely certain. The available data suggest that the decision was taken by the Council, but in the same way as Charles John deputizing during Karl XIII's illness, the Parliament never ratified it.

Additional funds available to Charles John were the Barthélemy Fund, the Piaster Fund, the Rubel Fund & the Pomeranian Fund. These were used as collateral in loans from foreign banks, which in 1826 ended badly. In a financial context, however, everything is peanuts.

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Charles John was well read in the economic literature of the time and considered himself as knowledgeable as anyone else in the country. As a mercantilist, he sought a fixed monetary value and a positive balance of trade. As a physiocrat, he supported agriculture, forestry, communications and mining (i.e. the export industries) at the expense of other industries (which he considered "luxuries"). There is a renown statement from 1816: "It is possible that there are 300 people in this country who are more capable military men than I am. I don't know them, though I think they may exist. But I do not stand back for anyone as to high finance, for this has long been the subject of my special study."<sup>1</sup>

Charles John's attempt in 1815-1834 to restore the Swedish banknotes to their "true" value through supporting purchases, fixed exchange rates and other measures has been widely reported. Since Sweden had a silver standard, the notes were in theory redeemable in silver, but the central bank did not have enough silver in 1745, nor in 1803 to redeem them at their full value, but they were written down, a so-called coin-realization. The 1808-1809 issue of

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<sup>1</sup> Brisman 1908: s. 103-104.

the banknote to finance the Finnish War again placed Sweden in the same situation, but Charles John wanted to avoid another coin-realization, hoping that the postwar boom and his own measures would normalize the situation. Charles John's hope seems to have been to control inflation through the exchange rate, but since he did not recognize inflation as a concept, his reasoning is difficult to follow. As I understand it, he considered the depreciation of the currency to be a form of fraud & caused by currency speculators.

The mercantilists had three theories of monetary value: The quantity theory of the amount of bank notes, the fund theory of the metal value & the mortgage theory of confidence in the banking system. In practice, there was also a fourth variant, banknote mercantilism or nominalism, about credit expansion with limited collateral, a combination of the fund & the mortgage theory. The pro-Charles John line has been that his actions were correct in theory, but he lacked the resources to implement them. If you go to the references, the conclusion is rather a prestige struggle between semi-educated economists - King-Adviser-Parliament - where discussions descended into the quagmire of "the arguments are weak - raise your voice". In 1830, after 20 years and under the threat that the whole council otherwise resigning, he was forced to agree to a write-down of the nominal value of the notes to the Hamburg current exchange rate (a silver coin foot) and this to a worse rate than if he had not opposed the decision.<sup>2</sup> The defeat grieved Charles John until his death & he still in his last publication *Sur les banques* (1842) defended his policy.

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Charles John's economic policy 1818-1844 was a continuation of his economic policy 1815-1818. The conflict over the currency has already been described. It was also about tariffs and import restrictions. Swedish exports were mainly iron, timber and oats. The imports were mainly spices, spirits & luxury items. From 1823 to 1833, the Swedish customs system was gradually dismantled. This favoured trade in everyday goods. Land duties against Norway were abolished completely. The dock dues were reduced by half.

Charles John also supported a number of projects in the physiocratic spirit, although he did not initiate them. I have counted 20-30, but there are few details. Most famous are the Agricultural Academy, the land consolidation, the Forest Institute & Göta canal:

- The Academy was founded in 1811 with Charles John's support and he became its first president and director.
- Laga skifte (land consolidation) (1827) was a continuation of storskiftet (1747) & enskiftet (1807). It meant that the farmers' right of veto to enclosure was abolished and considerably increased the agricultural area by also cultivating common land.
- The Forest Institute was founded in 1828 with Charles John's support. It was later incorporated into the School of Forestry and the Agricultural University.
- Göta Canal was projected under Gustaf IV and completed in 1832. It has been criticized for being too expensive (just over SEK 12 billion in 1995 value) to be profitable, but I have not been able to locate the calculations for the criticism. In the 1870s, it received competition from the railroad, but "was in operation" until the

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<sup>2</sup> Höjer 1960: ss. 167-230.

1930s. The design and construction involved so many people that it has been seen as an important educational initiative for later large-scale industrial projects.

- Svenska Industriföreningen (the Swedish Industrial Society) (1832-1850) was a forerunner of Svenska Industriförbundet (the Swedish Industrial Association) (1910-). The group published a newspaper and organized exhibitions. Crown Prince Oscar was the patron. It seems to have been abandoned by its members when Charles John gained too much influence. Aftonbladet criticized it for supporting the guilds rather than free enterprise.<sup>3</sup>
- Charles John also, through his minister of finance Carl David Skogman, supported the creation of commercial and savings banks.

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It seems strange that no license to build railways was granted until after the death of Charles John. The reason seems to have been: (1) Charles John considered the iron should go on export to help the balance of trade, not be used within the country. (2) The railway competed with the land-roads & Göta Canal. (3) The nobility & the peasant estate distrusted the economic arguments about a future return on invested capital. (4) Pure anti-modernization. (5) The belief that the economy was a zero-sum game: One's profit was by necessity the other's loss. (An attitude that has gone to posterity as "the Swedish envy".) The Parliamentary decision on state-funded Swedish trunk railways (with privately funded branch lines) was taken in 1854 under Oscar I, but not completed until 1892 under Oscar II.

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## B. OSCAR I (1799-1859)

Oscar I's liberal defection is the fourth in a series of notorious flip-flops: Järta (c. 1815), Geijer (1838), Almqvist (1839) & Oscar I (1848). Until 1848, Oscar had, despite his father's admonitions, mainly focused on social issues. On economic issues, he did not have an opinion. This was changed in 1848 by reading the French economist Frédéric Bastiat. However, the reading must have been highly selective. Although a friend of free trade, Bastiat belonged to the "harmony liberal" school that opposed the interventions in the economy that became Oscar's signature: Foreign loans, industrial legislation, railways, etc. Perhaps he was forced to adopt them.

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### Land mobilization

The most important economic policy measure during the Parliament of the Estates was the mobilization of land. This was intended to: (1) increase the area under cultivation; (2) Increase yield. (3) Improve the efficiency. The area was increased by drainage and home stading. The Yield was increased by new crops (potatoes). Efficiency was increased by enclosures and mechanization. Simplified legislation redistributed the land to those who could best farm it. The creation of new entailed estates was banned. The birthright of

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<sup>3</sup> Björck 1991.

purchase and cultivation (odalrätt) was abolished. The difference between private, state-owned, and non-taxable land was abolished.

When Geijer in 1811 published his poem "The odal farmer" the 1734 Odal-law still applied: that direct descendants had a pre-emptive right to immovable property; This was motivated by the peasants' special love of ancestral land and other national romantic arguments. In the mid-1850s, however, something changed in the zeitgeist. In 1857, the Odal-law for city property was abolished. In 1863 the same for rural property. The land, in the liberal spirit, became a commodity like any other. It was the property of the individual, not the family. However, the new small holders, for which the only value of the land was its yield, were not pillars of state in the same way as the old peasant class. Geijer's odal farmer was dead. I quote the peasant politician Nils Wohlin:

"The peasant class must overcome the selfish business views, which may well in other occupations be the driving force for progress, but which are not good for a country's peasant class. This class must necessarily be inspired by other ways of thinking. This does not, of course, exclude the pursuit of maximum profitability in agriculture and the assertion of one's own economic interests vis-à-vis other social classes. But behind these business considerations must be a feeling, for the earth itself, for the memories of the fatherland and the traditions of the family, which is less relevant for other social classes. For the agricultural class, the soil must regain its special character as opposed to movable property [a heritage to be administered rather than an asset to be exploited]."<sup>4</sup>

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### The proto-industrialization

By definition, proto-industrialization was a branch of agriculture. The most common ancillary industries were distilling, wood products & handicraft:

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During the reign of Gustav III, the practice of distilling was banned, but reintroduced in 1786. With the potatoes as a raw material, the production greatly increased. The peak was around 1825; in 1855 it was banned anew. The legislation sought to protect the smaller distilleries, whose production was more directly seen as an agricultural industry, against the increasingly fierce competition from factory production.

The boozing and the temperance movement of this time are heavily publicized. Charles John was criticized for being completely indifferent to the consequences: domestic abuse, children out of wedlock, death from alcohol poisoning, etc. Not entirely fair. Charles John considered this to be outside the state's domain, but encouraged private initiatives from Peter Wieselgren and others.

His son Oscar's interest in temperance is better documented. Since 1837 he was 1<sup>st</sup> honorary member of the umbrella organization "Svenska sällskapet för nykterhet och folkuppfostran" (Swedish society for temperance & conduct). He attended meetings and wanted to set an example. Historian Carl Grimberg attributes to him the

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<sup>4</sup> Wohlin 1910: s. 106.

statement: "I have renounced spirits. But to avoid criticism that I could easily replace it with wine, I will also refrain from wine, except at supper, when prescribed by my doctor and toasts."<sup>5</sup> Oscar's interest seems to have been aroused by the American temperance preacher Robert Baird who in 1835 visited Sweden, was granted an audience & even awarded the medal of merit *Illis quorum*. A strong contrast to Baird's reception in St. Petersburg & Copenhagen where he was regarded as a socially dangerous agitator.<sup>6</sup>

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The Swedish domestic trade was until 1765 regulated so that Norrland could not trade south of Stockholm. When the ban was lifted, a shipbuilding industry in northern Sweden began. There were also a number of ironworks. The Norrland forest-farmers delivered inputs like charcoal to the ironworks; potash for the glass industry; pitch, tar and mast wood for the shipyards. At the end of the period, the Norrland sailing ships were outcompeted by the steamboat & the railway, but the English need for timber came to the rescue. For the peasants, this was a very profitable business and their oversized houses, the Norrland peasant empire, remain as a memorial. When it came to running a sawmill business, reinvesting in agriculture or even pricing their timber there was, however, a lot missing. Workers may be found in the wild, industrialists have to be cultivated. In Martin Koch's version: "For a plate of silver money, the works of the fathers were sold, sometimes for a big drink."<sup>7</sup>

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The handicraft was consumer goods such as clothes, textiles, household utensils, furniture & work tools. From 1823, the products were sold in their own shops. This was allowed as long as it was ancillary to agriculture. Over time, however, the number of landless people who, by definition, could not have any ancillary business grew. The handicraft then came into conflict with the burgher's trade and craft monopoly (the guild system). The burgher's defended this monopoly until the bitter end. Complete freedom of trade had to wait until 1865 when the burgher estate was dissolved:

Equal economic rights was long in coming. June 2, 1809, the nobility, in order to appease the peasant's estate so that Duke Charles the next day could be sworn into office, renounced their exclusive right to manors (tax-exempt large farms) in exchange for every Swede being allowed to acquire any kind of real estate including associated rights. This the burgher estate June 5 agreed to. At the time, the nobility clarified its interpretation of the agreement with "all burgher crafts, are the right for all citizens."

On 6 April 1811, a decree was issued stating that in the city, as in the countryside, permits were enough to practice a craft. Some people applied for such a permit. There was a dispute about the interpretation of the previous agreement. The Stockholm burghers ("the 50 eldest") claimed that it only meant that every person, be he or she noble or commoner, could be admitted as an apprentice and in time obtain a master's certificate & become a burgher according to the current regulations. Referring to a later law banning monopolies, as the Stockholm Chamber of Commerce had done,

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<sup>5</sup> Grimberg 1913: del 9, s. 109.

<sup>6</sup> Jansson, 2009 : ss. 103-104.

<sup>7</sup> Koch 1913: s. 88.

was irrelevant. An existing law must first be repealed before it could be replaced. And that would never happen.

During the reign of Charles John in 1818-1844, several fruitless attempts were made to reach an agreement. There were two camps. According to the peasants, the king, in normal economic matters, had the right to issue laws by a three-estate majority. According to the burghers, their own consent was also required. Several investigations were made, where the burghers gradually became more intransigent, so that upon Charles John's death the craft regulation would also apply to factories.<sup>8</sup>

With this attitude of the burghers one might wonder how any change ever came about. The answer to this seems to have been that the burghers over time were mixed up with new more cooperative groups (see next chapter). In 1846 the guild system was abolished in the countryside. 1864 also in the cities. The trigger seems to have been that the supply of licensed craftsmen never reached demand, but there was a comprehensive system of "moonlighting" & exemptions, which undermined the legitimacy of the guild system.

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### C. THE LEGACY

The 1809-1865 GNP per capita remained practically constant, despite the population growth. In the meantime, a small group of wealthy commoners (2 percent), but above all a large group of landless people, in 1865 amounting to over half the population, were added. After 1860, many of these emigrated, which has always been seen as a failure of Swedish society. In 1907-1913, the statistician Gustav Sundbärg led a comprehensive government inquiry into the matter. The report contained 20 appendices, which I here try to use to illustrate the periods legacy:

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The 1809-1860 emigration was low, but after 1860 increased when the American Emigrant Company began to advertise. There was a certain increase in emigration already during the crop failures at the end of 1830s, during the persecution of the Erik Jansson supporters in the mid-1840s & the Baptists in the early 1850s. More importantly, an increasing proportion of the population became dependent on ancillary industries for their livelihood. There was a Malthusian debate that, in line with the increase in population, this would end in a catastrophe. The fact that it was still perceived as a manageable seems to have been due to home cleavage & people "emigrating" to Norrland. In the extreme case, the family farms were partitioned down to allotments. The fact that in 1863, in the name of freedom of trade, the land became a commodity like any other facilitated the financing of emigration, which at the time was seen as a solution to the population surplus. (50 years later, it was seen as a "neo-Malthusian" drain on the Swedish man-power needed in industry.) I quote the sociologist Gustaf Steffen on the causes of Swedish emigration:

"A substantial difference between Swedish and Italian emigration now seems to be clear. Swedish emigration after 1860 has not increased with the population increase in Sweden and the general expansion of economic life in the United States, but has risen and fallen in the immediate affirmation of the economic fluctuations especially

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<sup>8</sup> Lundell 1846: ss. 182-217.

in the United States. Swedish emigration is an *economic migration*. This means that the motives of emigration are more to seek in an economic striving for progress and in the country's inertia to prepare land for it than in a sense of hopelessness over the home country's ability to feed its citizens. Such economic despair, on the other hand, is behind Italian emigration. The Transoceanic Italian exodus is an *evacuation exodus* - like the older Irish and the present Russian-Polish-Galician. It means that the economic life of the home country neither in good times nor in bad times shows sufficient progressive development to make even a decent economic existence possible for the poorest masses of the population; and therefore this emigration is rising and continuing in harmony with general economic development and shows only secondary dependence of the economic fluctuations.”<sup>9</sup>

This means half-approval of the Bernadotte industrial policy. No one starved, but the grass was greener in America. Sundbärg summarized: ”Should we seek to give in few words a few *indicia* of our own view of the causes of the great emigration, we would say, that in Sweden we took twenty years too long with the railways and thirty years too long with the universal suffrage.”<sup>10</sup>

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<sup>9</sup> Steffen 1910: s. 73.



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