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Denmark and Sweden in the European Great Power System, 1720-1765

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Résumé:

Cet article compare les stratégies adoptées par les deux royaumes scandinaves dans le système politique européen entre 1720 et 1765. Des recherches ont déjà souligné les différences qui existaient entre leurs politiques : le Danemark adopte la neutralité et évite la guerre, alors que la Suède se trouve impliquée dans deux conflits. L'incapacité de l'élite politique suédoise à s'adapter à la nouvelle situation politique internationale a été présentée comme l'une des principales causes de l'engagement de la Suède dans des guerres extérieures. Cet article vise à montrer tout au contraire que la différence des choix effectués par les deux pays est liée aux atouts dont ils disposent pour les grandes puissances. Les avantages qu'offre le Danemark sont davantage recherchés, ce qui permet à son gouvernement d'obtenir des subsides et des territoires sans avoir à s'engager dans une guerre, alors que la Suède a moins à offrir et se trouve par conséquent contrainte de prendre des engagements avec de grandes puissances qui la pousse à s'engager dans des conflits dans l'espoir d'en retirer des bénéfices comparables à ceux des Danois

Abstract:

This article compares the strategies the two Scandinavian states adopted in the European state system during the period 1720–65. Previous research has emphasized the difference in policies: Denmark sought neutrality and avoided war, while Sweden was involved in two wars. Inability of the Swedish political elite to adapt to a new position in the international state system has been presented as one major reason for the Swedish participation in wars. This article argues instead that the difference should be seen as a consequence of the assets the two states could offer the major powers. The Danish state's resources were highly sought after, which meant that the government could gain advantages such as subsidies and territory without fighting wars, while the Swedish state had less to offer the major powers and was thus forced to commit to one major power and war in order to try and gain the same types of benefits as the Danish state.

Mots-clés: Alliances, colonies, Danemark, système politique international, neutralité, subsides,

Suède

Keywords: alliances, colonies, Denmark, international state system, neutrality, subsidies, Sweden

In his important work on the European states system, Hamish Scott argues that during the eighteenth century, ideas about a ‘small élite of leading states exercising collective political dominance became established’. This system was built on three related developments, namely an expansion in the number of great powers as well as an increase in their influence over the wider states-system. Second, Europe’s network of reciprocal diplomatic representation was extended to all major states. Concurrently, a specific diplomatic culture developed, which was aristocratic in nature and focused on negotiations and deal-making. Third, the concept of a ‘great power’ was established and discussed among ruling elites, but also by many Enlightenment thinkers. Increasingly, it became evident that the ability to mobilize ever more human and material resources was crucial in the establishment and defence of a state’s international power. According to Scott, it was the ability of the great powers to mobilize resources in order to support international competition that was driving the development of the European great power system. At the same time, smaller and less resource endowed states experienced greater difficulties during the eighteenth century in maintaining their position in the international arena. In other words they could not compete head on with the major states, which led to a growing control of the whole state system by the great powers.¹ In northern Europe, this process of an increasing power spread between the major powers and the smaller states became visible in the first half of the eighteenth century. Russia and Prussia, which became great powers during the century,

¹ Hamish M. Scott, *The Birth of a Great Power System 1740–1815* (Harlow, 2006), 2–6.

increased their sway while former influential states such as the Dutch Republic, Denmark and Sweden were trying to adapt to new, less influential positions in the system.²

The peace negotiations at the end of the long Great Northern War (1700–21) manifested that Sweden lost its strong position in the Baltic region since its Baltic provinces and part of eastern Finland were lost to Russia, while Prussia took possession of the southern part of Western Pomerania. These territorial losses coincided with a major domestic political change following the death of the absolutist king Charles XII in 1718. A new form of government was introduced in 1719, which meant that royal absolutism was abolished while the powers of the Diet with its four estates were significantly increased. Many privileged groups, who had felt threatened by the king's increasing disregard for established political institutions, wanted to construct a guarantee against a repeat of the heavy mobilization of resources that had taken place during the last years of the war. As part of this rejection of the old regime's fiscal policies, a partial default was organized, taxes reduced and the king's leading diplomatic and financial advisor, Georg Heinrich von Görtz, was executed.³

Denmark was also heavily involved in the Great Northern War, but unlike Sweden it did not lose any territory and the political system of royal absolutism survived the mobilization of resources during the military conflict and the winding down of the war economy after 1720. The Danish king, Frederick IV strengthened his position in northern Germany by taking control of the Holstein-Gottorp ducal family's possession in Schleswig. The fact that the political system

² *Ibid.*, 19–20, 24–32.

³ Werner Buchholz, *Staat und Ständegesellschaft in Schweden zur Zeit des Überganges vom Absolutismus zum Ständeparlamentarismus 1718–1720* (Stockholm, 1979); Martin Linde, *Statsmakt och bondemotstånd. Allmoge och överhet under stora nordiska kriget* [State Power and Peasant Resistance: the Swedish Peasants and the Absolute State during the Great Northern War] (Uppsala, 2000), 245–6; Peter Ericsson, *Stora nordiska kriget förklarar. Karl XII och det ideologiska tilltalet* [The Great Northern War Explained. Charles XII and the Ideological Address], (Uppsala, 2002), 274–6.

survived the war meant that it was difficult to initiate a process of default to deal with the existing debt. Instead the regime had to honour its commitments to the creditors while reducing some war specific taxes. This was managed through a reduction in the costs associated with the military and by the reception of war reparations.⁴

Although the war ended relatively successfully for the Danish state, it became apparent that the leadership adopted a partially new foreign policy and commercial strategies in the post-war period. The king and his advisors renounced notions of territorial gains and focused instead on keeping the kingdom's existing possessions and strengthening the ties between Denmark and the German duchies of Schleswig and Holstein. A policy of neutrality was adopted, which aimed at developing the realm's long distance trade and shipping. As a consequence, Denmark experienced a relatively long period of peace. The new leadership in Sweden on the other hand did not rule out retaking the lost provinces in the future. After a period of peace during the 1720s and 1730s, Sweden became militarily involved in two wars, first against Russia in 1741 and then against Prussia in 1757.⁵

The divergence in strategy after 1720 between Denmark and Sweden indicates that the political elites in the two states interpreted the international situation and the respective realm's position in the state system differently. The question though is why their analyses differed. Was it merely caused by the Danish elite adapting to a new international situation, while the Swedish elite dreamed about past glories and were therefore unable to adjust to Sweden's new status as a

⁴ J. Boisen Schmidt, *Studier over statshusholdningen i kong Frederik IV's regeringstid 1699–1730* [Studies on the State Finances under the Reign of King Frederik IV 1699-1730] (Copenhagen, 1967), 319–37, 383–400; Ole Feldbæk, *Danmark-Norge 1380–1814*, vol. 4, *Nærhed og adskillelse 1720–1814* [Proximity and Division, 1720-1814. Denmark-Norway 1380-1814] (Oslo, 1998), 42–3; Michael Bregnsbo & Kurt Villads Jensen, *Det danske imperium: storhed og fald* [The Danish Empire. Greatness and Fall], (Copenhagen, 2004), 146–7.

⁵ Michael Roberts, *The Age of Liberty: Sweden 1719–1772* (Cambridge, 1986), 15–16, 21–5; Feldbæk, *Danmark-Norge*, 43–4.

minor power? In other words that the Swedish elite, in its strive for regaining what was lost after the Great Northern War, disregarded economic and political realities when launching the military campaigns.⁶ Or was the divergence caused by structural factors such as the two states' economic and diplomatic position in the state system?

In this article the two Scandinavian cases are compared in order to explain this apparent divergence. The comparison is primarily based on existing literature, which means that it aims to create a new synthesis of Scandinavian developments during the eighteenth century. By relating the two cases to each other during the period 1720–65, which has been quite uncommon, a better understanding of the different forces at play and the strategies the two states adopted will be gleaned than if they are analysed separately.⁷ The analysis will principally focus on two related areas: first the diplomatic and political circumstances concerning the interaction between the two Scandinavian states and the great powers, and second the structure of the two countries' long-distance trade and the connections between these commercial activities and political decisions.

Scandinavia and the international states system, 1720–1755

International politics in northern Europe after 1720 was dominated by two interrelated processes. First, the long and increasingly global diplomatic and military struggle between Britain and France, which had started in 1689 and would last until 1815, meant that all states, including the Scandinavian ones, had to adapt to this conflict and the divergent commercial and political

⁶ Many scholars have made the assertion that unrealistic dreams were driving the decisions in Sweden. See for example Roberts, *Age of Liberty*, 15–16, 21–5; Jonas Nordin, *Ett fattigt men fritt folk. Nationell och politisk självbild i Sverige från sen stormaktstid till slutet av frihetstiden* [A People of Poverty and Liberty. National and Political Self-Image in Sweden from the late Age of Greatness to the end of the Age of Liberty (c. 1660–1772)] (Eslöv, 2000), 182–4.

⁷ H. Arnold Barton, *Scandinavia in the Revolutionary Era, 1760–1815* (Minneapolis, 1986) compares the two cases. Another attempt, which focuses on political culture, is Pasi Ihalainen *et al* (eds), *Scandinavia in the Age of Revolution: Nordic Political Cultures, 1740–1820* (Farnham, 2011).

interests of the two major states and their alliances. Second was Russia's rise as a great power. By 1740 Russia was clearly the dominant state in northern and eastern Europe. This had a direct effect on the position of the two Scandinavian states in the Baltic region, but they were also indirectly affected by Britain's and France's relations with Russia. Likewise a conflict between the major powers in a different region, such as the Mediterranean or the Caribbean, could easily spread to the Baltic and affect the Scandinavian states. However, the Scandinavian states could also utilize these great power conflicts by seeking financial support for picking a side or attracting international trade flows to its ports and merchant fleet by declaring neutrality.

Although these latter strategies were used by the two states, they could not be fully utilized in the early part of the post-war period since the British and the French had agreed to an entente following the War of Spanish Succession. The formation of the alliance between the two powers was primarily driven by the need for a period of peace after the long and very costly war of Spanish Succession. Both states therefore required time to reorganize their finances.⁸ Since the two powers guaranteed the peace settlements after the Great Northern War in general and the Danish king's possessions in northern Germany in particular, it became crucial for Denmark to support the alliance. Even more so since Russia, which opposed Britain and France, supported the interests of the Holstein-Gottorp ducal family in Schleswig and Holstein. The family constituted an alternative authority in the region and could thus threaten the Danish king's rights. Russia was involved through Peter the Great's eldest daughter who had married the duke of Holstein-Gottorp. To make things worse for the Danish royal family, the duke was the son of Charles XII's sister. This meant that Sweden too, at least theoretically, could claim to have an interest in the

⁸ François R. Velde, 'French Public Finance between 1683 and 1726', in Fausto Piola Caselli (ed.), *Government Debts and Financial Markets in Europe* (London, 2008), 142–64; Hamish Scott, 'The Fiscal-Military State and International Rivalry during the Long Eighteenth Century', in Christopher Storrs (ed.), *The Fiscal-Military State in Eighteenth-Century Europe. Essays in honour of P.G.M. Dickson* (Farnham, 2009), 36–8.

duchies. All of this made the German question and the rights of the Oldenburg family a crucial issue for the Danish state during the eighteenth century. In order to meet this challenge, it became crucial to try and isolate the Holstein-Gottorp ducal family and any power that supported their claims, and to seek the support of Britain and France. This support was for example manifested in 1726 when eight Danish naval ships of the line cooperated with a squadron of 20 British naval ships in a successful effort to prevent the Russian navy's operations in the Baltic. In 1727, Denmark joined the Anglo-French alliance in exchange for subsidies.⁹

Sweden was also affected by the Holstein-Gottorp family since the duke was one of the pretenders to the Swedish throne. In the factional politics following the death of Charles XII one network of civil servants and officers promoted the interests of the duke at several meetings of the Diet in an attempt to gain political influence. This group argued for close cooperation with Russia and was thus opposed to joining the alliance with Britain and France. The interests of the duke in Sweden were also promoted by Russia. Despite some initial successes and an agreement between Russia and Sweden in 1724, the duke failed to become king in Sweden and the duke's supporters were subsequently defeated at the meeting of the Diet in 1726/27. As a consequence of this meeting of the Diet, Sweden joined the Anglo-French alliance in exchange for subsidies.¹⁰ This decision signalled a distancing from Russia, but also that Denmark and Sweden became part of the same sphere of interest. Both states had renounced the rights of the Holstein-Gottorp family and sought to limit Russia's interest in the Baltic through cooperation with Britain and France.

⁹ Boisen Schmidt, *Studier over statshusholdningen*, 417–419; Feldbæk, *Danmark-Norge*, 53–4.

¹⁰ Olof Jägerskiöld, *Den svenska utrikespolitikens historia, II:2, 1721–1792* [History of the Swedish Foreign Policy] (Stockholm, 1957), 45–82; Bo Hammarlund, *Politik utan partier. Studier i Sveriges politiska liv 1726–1727* [Politics without Parties. Studies in Swedish Political Life 1726–1727], (Stockholm, 1985), 39–68, 143–5, 165–6.

When the Anglo-French alliance ended in 1731, the Danish leadership decided to principally follow Britain. Consequently, an agreement was signed in 1734 and then again in 1739 between the two states, which included a promise to send Danish auxiliary troops to protect British interests in Germany in exchange for subsidies. However, this did not prevent Denmark from using its position at the entrance to the Baltic to negotiate with France. In 1733, at the start of the War of Polish Succession, the Danish king agreed to let a French naval squadron enter the Baltic Sea in exchange for the amicable purchase of the valuable Caribbean island of St. Croix.¹¹ These negotiations show that the Danish state was able to use its strategic position and its army and navy as a way of extracting resources from both Britain and France. Since Denmark's navy was the biggest in the Baltic, no state could ignore its presence if it wanted to operate in the region.

Sweden on the other hand did not have the same geographic and military commodities to offer in a negotiation. Its foremost resource was instead its army of around 60,000 men, which could be deployed in the region.¹² In 1733, France attempted to get Sweden involved in the War of Polish Succession by suggesting that Sweden initiate military operations against Russia, thus making it more difficult for the Russians to get involved in the war between Austria and France. The prize that France offered Sweden was primarily territory lost to Russia in 1721. Although many members of the political elite were attracted by such proposals, the French concentration on the conflict with Austria in combination with their unwillingness to pledge sufficient subsidies made the French proposals seem quite risky. However, an outright rejection of the invitation was never made. Instead further negotiations were initiated, at the same time as discussions with other

¹¹ Feldbæk, *Danmark-Norge*, 50; Bregnsbo & Jensen, *Det danske imperium*, 163.

¹² Fredrik Thisner, *Militärstatens arvegods. Officerstjänstens socialreproduktiva funktion i Sverige och Danmark, ca 1720–1800* [The Legacy of the Military State. The Socialreproductive Function of Military Service in Scandinavia, 1720–1800] (Uppsala, 2007), 29, 44–7.

powers continued. The negotiations eventually led to an agreement with France in 1735, which guaranteed French subsidies in return for a Swedish pledge to not support powers that were hostile to France. Concurrently, the earlier agreement with Russia was renewed, which, although every attempt was made by the leadership in Sweden to exclude the Polish question from the negotiations, signalled support for the other side in the Polish conflict. Before these issues could be resolved, the covenant with France lost its value when a peace agreement between France and Austria was reached later the same year. This agreement meant that there was no longer any need for Swedish participation in the conflict and hence no requirement to pay any subsidies to Sweden. The Swedish state could in other words not reap any financial benefits from the negotiations. In order to partly compensate for this lack of revenue, the Diet reintroduced an extraordinary tax in 1734.¹³

The parallel negotiations and the unwillingness to make a binding commitment to one major power can be interpreted as a way of trying to seek resources in the form of subsidies and security without having to get heavily involved in a conflict the Swedish government could not control. The Danish king was also entertaining ties with both powers in order to receive financial support. The similarity between the Danish and the Swedish strategies should thus be stressed. However, there was one major difference: Denmark could successfully utilize its position in the Sound and its strong navy, but also army units, to gain benefits such as the island of St. Croix, while Sweden could only offer its army. The Danish versatility, together with a strong demand for the military resources that the Danish government could offer, strengthened the Danish bargaining position. This meant that the Danish state was able to receive subsidies or other assets

¹³ Jägerskiöld, *Den svenska utrikespolitikens*, 99–118; Karl Åmark, *Sveriges statsfinanser 1719–1809* [The Swedish State Finances] (Stockholm, 1961), 157–60; Göran Nilzén, *Studier i 1730-talets partiväsen* [Studies on the Structure of Politics in the 1730s](Stockholm, 1971).

without having to fully commit to a conflict. Sweden on the other hand did not have as much to offer the great powers, which led to a weaker negotiating position. Consequently, the great powers could raise the stakes and require relatively large military commitments, such as a declaration of war or at least a costly mobilization of troops, in order to pay subsidies to the Swedish government.

The Danish and Swedish diplomatic, military and political efforts and strategic thinking did not only, however, circle around the Baltic Sea since both states were interested in the expansion of long-distance trade and the establishment of overseas colonies. This interest was driven by a common desire to profit from the increasing demand for colonial products in Europe, but also to reduce the reliance on imports from the major powers. However, the conditions for these endeavours differed between the two states. The Swedish economy was based on the export of bar iron, which primarily was sold to Britain and the Dutch Republic and then resold worldwide from there, while imports were dominated by salt and grain as well as all colonial products.¹⁴ This economic structure created limitations, especially since Sweden did not possess any Caribbean colonies or forts on the West African coast, or a company that could exploit the lucrative trade between Africa, the Americas and Europe. In order to overcome this structural weakness, several attempts were made to gain a foothold in the Caribbean after 1720. One such attempt in 1731 related to the colonization of an area in South America next to the river Barima. An expedition was sent to the region and contact was established with local tribes, but no colony was established. Another object of interest was the island of Tobago. Both in 1724 and in 1731, leading Swedish politicians such as the president of the Board of Trade, Daniel Niklas von

¹⁴ Staffan Högberg, *Utrikeshandel och sjöfart på 1700-talet. Stapelvaror i svensk export och import 1738–1808* [Foreign Trade and Shipping in the Eighteenth century. Commodities in Swedish Exports and Imports 1738-1808] (Stockholm, 1969); Chris Evans & Göran Rydén, *Baltic Iron in the Atlantic World in the Eighteenth Century* (Leiden, 2007).

Höpken, argued that the island was suitable as a place for plantations and a staple location for trade between Europe and the Caribbean. However, it did not lead to any concrete results.¹⁵

Trade with Asia was also seen as an area of expansion, but it required capital and know-how that did not exist in Sweden. Nevertheless, an opportunity arose to change this situation in 1731 when the successful Ostende East India Company was forced to close down. The men behind the operations – mostly Dutch, Scottish and English merchants – decided to seek another state’s protection in order to continue their business. Their choice fell on Sweden, which willingly accepted to house the company. Consequently, a Swedish East India Company was formed in 1731 which concentrated on the import of tea from China to Europe. Attempts were also made to establish a presence in India, but the British did not allow it.¹⁶ Another region of interest was the Mediterranean, both as a market for the purchase of imports such as salt and textiles and for the export of Swedish staple commodities such as bar iron and tar. However, in order to expand Swedish trade with the region there was a need to reduce the threat of Barbary corsairs by negotiating agreements with the Barbary States. It was also useful to strengthen ties with the Sultan in Constantinople. In a series of negotiations, treaties were signed with Algiers (1729), Tunis (1736) and Tripoli (1741). Additionally, a trade treaty was signed with the Ottoman Empire in 1737, which led to the establishment of a Swedish Levant Company in 1738. The

¹⁵ Leos Müller, *Consuls, Corsairs, and Commerce. The Swedish Consular Service and Long-distance Shipping, 1720–1815* (Uppsala, 2004), 173.

¹⁶ Christian Koninckx, *The First and Second Charters of the Swedish East India Company (1731–1766)* (Kortrijk, 1980); Leos Müller, ‘Ostindiska kompaniet – ett globalt företag i 1700-talets Sverige’ [the Swedish East India Company - a Global Business in Eighteenth Century Sweden], in Leos Müller, Göran Rydén & Holger Weiss (eds), *Global historia från periferin: Norden 1600–1850* (Lund, 2010), 192–4.

chartered company had a monopoly on trade with the Levant coast, that is, the eastern part of the Mediterranean, while the western part of the region was left open to all merchants.¹⁷

These endeavours indicate that the foundation was laid for an expansion of trade with Asia, the Middle East and North Africa, but that the Caribbean was still a weak point in the Swedish commercial system. In contrast, the Danish system was relatively stronger and more diversified. The Danish king had granted privileges to an East Indian Company, which traded with China and India. The company also controlled a small colony, Tranquebar, on the Indian subcontinent. In 1732 the company was reorganized and renamed the Asian Company (*Asiatisk Kompagni*). Denmark also had a West Indian Guinean Company (*Vestindisk-guineisk Kompagni*) which was involved in the so called triangular trade between Europe, Africa and the Caribbean. The company's operations was structured around three Caribbean colonies – St. Thomas, St. John and from 1733, St. Croix – and a number of forts and trading stations along the west African Coast. This meant that it was active, in particular after the purchase of St. Croix, in the slave trade and in the production and transport of sugar. The only geographic area in which the Swedish system had a relative advantage was the Mediterranean. It was not until the period 1747–1753 that Denmark concluded trade treaties with Algiers, Tunis, Tripoli and Morocco, securing free passage for Danish merchant ships.¹⁸

¹⁷ Müller, *Consuls, Corsairs*, 54, 57–60, 70–2; Patrik Winton, 'The Politics of Commerce in Sweden, 1730–1770', in Pasi Ihalainen *et al* (eds), *Scandinavia in the Age of Revolution: Nordic Political Cultures, 1740–1820* (Farnham, 2011), 218–23.

¹⁸ Neville A.T. Hall, *Slave Society in the Danish West Indies. St. Thomas, St. John & St. Croix* (Mona, 1992); Dan H. Andersen & Hans-Joachim Voth, 'The Grapes of War: Neutrality and Mediterranean Shipping under the Danish Flag, 1747–1807', *Scandinavian Economic History Review*, xlviii (2000), 6–9; Bregnsbo & Jensen, *Det danske imperium*, 162–4; Joachim Mickwitz, 'För rikets välmåga och "la gloire de Votre Majesté". Koloniernas betydelse i det danska riket' [For the Well-being of the Kingdom and "la gloire de Votre Majesté". The Importance of the Colonies in the Danish Realm], *Finsk tidskrift: kultur, ekonomi, politik*, 3–4 (2006); Klas Rönnbäck, *Commerce and Colonisation. Studies of Early Modern Merchant Capitalism in the Atlantic Economy* (Gothenburg, 2009), 108–23; Holger Weiss, 'Danskar och svenskar i den atlantiska slavhandeln 1650–1850' [Danes and Swedes in the Atlantic

The relative strength of Danish long-distance trade led to the development of Copenhagen as a major Baltic port which not only catered for the demand of colonial goods on domestic markets in Denmark, Norway and the German duchies, but also other regional markets in Russia and Sweden. Additionally, Denmark and the German duchies produced a surplus of grain and husbandry products which was exported to Norway and Iceland, and to other markets. Furthermore, Norway exported timber to especially Britain. All of these diverse activities strengthened the Danish state's revenues and the wealth of the merchants involved in the trade.¹⁹

However, both states' systems were weaker than for example the British, French or Spanish equivalents, which meant that Denmark and Sweden relied on the major powers' acceptance of their long-distance trade. In other words it was very difficult to protect Danish and Swedish commercial interests militarily against seizures and blockades established by the major powers. British obstruction of the Swedish East India Company's attempt to establish a presence in India in the 1730s is an example of what could happen if such approval was not given. Consequently, it was impossible for Danish and Swedish merchants and trading companies to operate without taking into consideration the interests and actions of the major powers.²⁰

Although the means could differ, it is important not to separate strategies relating to the expansion of long-distance trade from the diplomatic and military actions taken in the Baltic region. The actions were rather interrelated. Denmark's purchase of the island of St. Croix in

Slave Trade 1650–1850], in Leos Müller, Göran Rydén & Holger Weiss (eds), *Global historia från periferin. Norden 1600–1850* (Lund, 2010).

¹⁹ Klas Rönnbäck, 'Socker och slavplantager i svensk historia' [Sugar and Slave Plantations in Swedish History], in Leos Müller, Göran Rydén & Holger Weiss (eds), *Global historia från periferin. Norden 1600–1850* (Lund, 2010), 106–7; Bård Frydenlund, 'Political Practices among Merchants in Denmark and Norway in the Period of Absolutism', in Pasi Ihalainen *et al* (eds), *Scandinavia in the Age of Revolution: Nordic Political Cultures, 1740–1820* (Farnham, 2011), 243–50.

²⁰ This point is stressed by Ole Feldbaek, 'Eighteenth-Century Danish Neutrality: Its Diplomacy, Economics and Law', *Scandinavian Journal of History*, viii (1983), 15–16.

1733 in exchange for allowing a French naval squadron into the Baltic is one example. Another example is Sweden's ties with the Ottoman Empire, which not only included a commercial component, but also a clear political agenda. It was hoped that an alliance with the Sultan would create a united front against Russia: that Ottoman military forces could occupy Russia and thus form an opportunity for Sweden to move against Russia. Such strategic considerations were part of a reconfiguration of Swedish foreign policy and domestic politics. The failure of the Council of the Realm to gain something substantial from the negotiations with France in particular during the War of Polish Succession meant that the opponents of the council's policies sought to expel the president of the Chancery, Arvid Horn, and his supporters from office at the meeting of the Diet in 1738/39. The opponents' alternative to keeping all avenues open during the negotiations was to commit much stronger to one major power, namely France. In exchange for supporting French interests it was hoped that Sweden would receive substantial subsidies and an opportunity to strengthen its position against Russia, but also in other parts of the world. Since France had established good ties with the Ottoman Empire as a way of balancing the influence of Russia and Austria, it was seen as a logical step in Versailles to incorporate Sweden into the system. Consequently, there was a mutual interest in creating an alliance not just between France and Sweden, but also between Sweden and the Ottoman Empire. When the opponents of Arvid Horn managed to oust him from power at the meeting of the Diet and subsequently sign an alliance treaty with France running for ten years, which guaranteed payments of subsidies for three years from 1739, the plans could go ahead.²¹

The willingness of France to pledge these sums were strengthened by the increasing tensions between the major powers at the end of the 1730s. These tensions would result in the

²¹ Jägerskiöld, *Den svenska utrikespolitikens*, 123–136; Nilzén, *Studier i 1730-talets*.

War of Austrian Succession and the related Anglo-Spanish War between France, Spain and Prussia on the one hand and Austria and Britain on the other. Although Russia was not an active participant in the war it was important for France to keep Russian forces from intervening on the Austrian side by occupying them elsewhere. In order to promote such a situation, the Ottoman Empire was encouraged to restart their military operations and Sweden was incited to initiate a war against Russia.²² In February and March 1741 a decision was first taken to mobilize the Swedish army and then an agreement was reached between the French and the Swedish governments which doubled the yearly French subsidies. However, the payments required Sweden to attack Russia. Fiscal considerations also made it difficult to keep a mobilized army along the border without moving into enemy territory. It was in other words difficult to stop the plans after these decisions were taken. The war plans were supported by many representatives at the Diet in Stockholm, who thought that Sweden could regain territory that had been lost after the Great Northern War, but there were also several opponents who questioned the ability of the Swedish army to wage a military campaign from Finland into Russia. After long deliberations a declaration of war was eventually agreed to by the Diet in July 1741 and a few weeks thereafter Swedish forces began to cross the border. However, the advance was slow and after the Russian success at the battle of Villmanstrand no further major offensive campaigns were undertaken. Difficulties in transporting supplies to the troops contributed to the passive behaviour of the Swedish army and the eventual surrender in 1742.²³

Denmark entered the period of the War of Austrian Succession on the British side. A subsidy agreement in 1739 meant that the Danish king received financial support in exchange for

²² The general war is analyzed in Reed Browning, *The War of the Austrian Succession* (Stroud, 1994).

²³ For an overview of the war in 1741, see Roberts, *Age of Liberty*, 35–37. See also Oskar Sjöström, 'Sekreta bihangen 1741 och deras idépolitiska bakgrund' [The Secret Attachments of 1741 and Their Ideological Background], *Sjuttonhundratalet* (2008).

providing auxiliary troops to protect British interests in Germany. There was a hope that the troops could help the Austrians, but they were only passively defending George II's electorate in Hanover. Notwithstanding these military commitments, the Danish king was also clandestinely negotiating with French and Swedish diplomats about possible participation in a coalition against Russia or at least passive support for the Swedish plans. In January 1740 a secret provisional agreement was reached with France stating that Denmark would leave the British side and join France in exchange for subsidies when the existing agreement with Britain expired in 1742. However, the Danish king did not support a Swedish attack on Russia.²⁴ Consequently, he did not commit wholeheartedly to one side in the conflict.

The Swedish disastrous military predicament in 1742–43 meant that the Russians could determine the peace conditions. However, the fact that the Swedish king Frederick I did not have a legitimate heir to the throne complicated the negotiations since the issue of the succession was brought onto the table. Many, especially Swedish peasants, wanted the Danish Crown Prince as heir, while others supported Adolf Frederick of Holstein-Gottorp. The latter candidate was also strongly buttressed by the Russians. In order to strengthen the Danish position and also to potentially seek territorial gains in Sweden, Danish troops were mobilized and plans were made to invade both Scania and Bohuslän. Russia on the other hand threatened to declare war on Denmark if these plans went ahead. At the same time Britain, France and Prussia were keen to prevent an escalation of hostilities in the Baltic. These pressures meant that the Danish troops went into winter quarters on Danish and Norwegian territory and that they were later demobilized. Meanwhile, the Swedish Diet elected Adolf Frederick as heir to the throne and reached a peace agreement with Russia, which entailed a further loss of territory in Finland and

²⁴ Jägerskiöld, *Den svenska utrikespolitikens*, 133, 135; Scott, *The Birth*, 56.

the station of Russian troops on the eastern coast of Sweden to protect against a potential Danish attack.²⁵

As Ole Feldbæk has argued, the events in 1741–43 show that the Danish and Swedish states could not determine the issues of war and peace on their own, and that the Inter-Scandinavian relationship was determined by factors and events outside the direct control of the governments in Copenhagen and Stockholm.²⁶ The Swedish government's commitment to the French side in the great power conflict meant that it was French interests and the diplomatic negotiations with France that heavily influenced where and when Swedish forces should be deployed. Since the French side primarily was interested in keeping Russian forces occupied in the Baltic region so they could not be used elsewhere in Europe it was sufficient for the Swedish forces to get involved in low intensity warfare along the border in order to please the French government and subsequently receive the subsidies. Such activities were in line with other eighteenth century military operations, which primarily focused on creating an advantageous position at the negotiating table through marginal successes in battles and campaigns. However, such a relative passive strategy, which was eventually implemented on the ground, contrasted rather sharply with the bold and aggressive language used by many actors in Stockholm at the meeting of the Diet before the war. In these statements many actors expressed dreams about taking control of St. Petersburg and the former Swedish Baltic provinces. This discrepancy between words in Stockholm and actions in Finland can be interpreted as a consequence of the political process in Sweden. In other words, in order to secure the approval of the Diet it became necessary for the supporters of the war to exaggerate the war aims and the potential spoils by initiating combat operations. The military actions in Finland on the other hand were determined

²⁵ Feldbæk, *Danmark-Norge*, 54–5.

²⁶ *Ibid.*, 55.

by structural military factors such as the supply of food and the cooperation between army and navy units, as well as diplomatic demands of the French government. Ultimately, the outcome was decided more by these latter circumstances than what had been said and written in Stockholm in 1740–41.

Denmark was also involved in low intensity warfare during the period by supplying auxiliary troops in exchange for subsidies, but this was done without the same level of commitment to one major power as Sweden. Consequently, there was no requirement to declare war or to abstain from entertaining relations with both Britain and France at the same time. Such strategies involved on the one hand less diplomatic and military risk, but they limited on the other hand the potential rewards. However, concerns about the Holstein-Gottorp ducal family in combination with the apparent weakness of the Swedish position created an attractive situation in 1742 to shift policy from independence and low intensity warfare into a more aggressive strategy. The reward for such a shift seemed quite large: the Oldenburg family ruling both kingdoms and territorial gains in Sweden, but the risks also became larger. The Russian threat of war and opposition from Britain and France meant that the Danish king eventually decided to maintain the established position.

After 1743, leading Swedish politicians were trying to reduce the influence of Russia by continue to rely on the support of France. These endeavours resulted in a renewal of the alliance between France and Sweden in 1746, which included the payment of subsidies. It was important for the French state to maintain and strengthen its northern ally against the influence of other major powers in the Baltic. As part of this strategy, France also renewed the alliance with Denmark by offering subsidies in exchange for a declaration that the Danish king did not help other states militarily. Additionally, French diplomats were also eager to create stronger relations

between Denmark and Sweden. These endeavours eventually succeeded in 1749 when an alliance was signed between the two Scandinavian states. This agreement included a renunciation of Adolf Frederick's interests in Schleswig.²⁷

The French diplomatic activities during the 1740s resulted in more peaceful relations between Denmark and Sweden and that both states again became part of the French sphere of interest. However, the War of Austrian Succession did not solve any of the fundamental issues that had caused the major power conflict in the first place: British and French tensions still persisted, especially in the Americas and in Asia, while Austria was keen to regain some of the territory it had lost during the war. Concurrently, the emergence of Prussia and the growing importance of Russia in diplomatic negotiations meant that the Baltic Sea and the states neighbouring it were easily drawn into wider European and global issues.

Both Scandinavian states relied on subsidies from France as well as liquidity created by domestic banks to finance its activities. In Sweden the Bank of Sweden, which was owned by the state and administered by directors appointed by the Diet, provided loans to the government, as well as to different institutions and private individuals. The granted loans were given in the form of bank notes, which were exchangeable into silver. However, the number of notes in circulation grew so rapidly that the directors were forced to suspend the exchanges in 1745 before the bank lost all of its specie assets.²⁸ The suspension can be seen as a consequence of the war and its military aftereffects since the bank provided around 36 per cent of the resources used during the conflict. By comparison, the French subsidies contributed roughly 21 per cent to the total war expenditure.²⁹ The introduction of paper money and the growing number of bank notes in

²⁷ Jägerskiöld, *Den svenska utrikespolitikens*, 161–81; Feldbæk, *Danmark-Norge*, 55.

²⁸ Winton, *The Politics*, 224–5.

²⁹ Åmark, *Sveriges statsfinansier*, 832–8.

circulation increased liquidity, but it also led to a devaluation of the Swedish currency on the international credit markets, which subsequently made crucial imports such as salt and grain more expensive. In order to try and counteract these currency effects, an Exchange Office was established in 1747 with explicit orders to try and stabilize the currency by purchasing bills of exchange in Amsterdam and Hamburg. The purchases were partly financed by the inflow of French subsidies.³⁰

The Danish state was dependent on financial support from the Copenhagen Courantbank, which was formed in 1737. Although it was privately owned, the state could influence its operations. For example during the preparations for war in 1742–43, the bank provided loans to the government. Like the Bank of Sweden, the Courantbank, issued a growing number of bank notes that were exchangeable into specie. However, the expansion of liquidity during the first half of the 1740s meant that this tie had to be temporarily suspended in 1745. The note expansion also had a negative impact on prices and international exchange rates. In order to stabilize the value of the Danish currency on international credit markets, the bank was given the responsibility to oversee the reception of the French subsidies. In other words, the inflow of foreign subsidies in the form of bills of exchange was thought to strengthen the value of the bank's notes.³¹

These financial similarities between the Scandinavian states manifest the important role of foreign subsidies in maintaining stability in a financial system which was characterized by government deficits and the states' attempts to promote internal cultivation through the increase

³⁰ Leos Müller, 'Economic Policy in Eighteenth-Century Sweden and Early Modern Entrepreneurial Behaviour: A Case of the Exchange Office', in Ferry De Goeij & Jan Willem Veluwenkamp (eds), *Entrepreneurs and Institutions in Europe and Asia 1500–2000* (Amsterdam, 2002), 130–1.

³¹ Erik Rasmussen, *Kurantbankens forhold til staten 1737–1773* [The Courant Bank Relations with the State 1737–1773] (Copenhagen, 1955), 34–9, 70–97.

of capital. Thus, the subsidies were not just utilized to bolster the military or to match expenses and expenditures in the government's balance sheet, but also indirectly to advance domestic production.

Such mercantilist policies also included the promotion of long-distance trade. During especially the 1750s, these activities underwent some important changes in the two states. First of all the Swedish Levant Company was dissolved in 1756 due to strong competition from especially British and Dutch merchants. The Swedish company suffered from low value cargoes from Sweden to the Levant as well as longer sailing times. The company could therefore not really benefit from the established diplomatic ties with the Barbary States and the Ottoman Empire. However, as Leos Müller has pointed out, the dissolution of the company did not mean that Swedish trade with the Mediterranean ceased to exist. Trade was opened up and the number of vessels increased. For example the number of Swedish vessels calling at Marseille grew rapidly during the 1750s.³² In Denmark a similar termination of a trade monopoly was effectuated in 1754 when the West Indian Guinean Company was dissolved. Thus, the state bought the shareholders' shares in the company, took over the administration of the three Caribbean islands and opened up the trade with Africa and the Caribbean. The reason for this shift in policy was the recognition that the company was hindering further development of the plantations as well as the sugar refineries in Denmark. Consequently, it was believed that more open trade would benefit merchants, plantation owners and the state.³³

The changes in the trade structure meant that it was primarily trade with Asia that was still conducted by chartered monopoly companies, while trade in the Mediterranean and with the

³² Müller, *Consuls, Corsairs*, 70–3, 150.

³³ Ole Feldbæk, *Danmarks økonomiske historie 1500–1840* [The Danish Economic History, 1500-1840] (Herning, 1993), 156; Rönnbäck, *Commerce and Colonisation*, 80–8.

Caribbean islands was open to all merchants. Nevertheless, direct trade between Sweden and the Caribbean was very negligible since there was no Swedish colony there. Thus, the Danish long-distance trade system was still much stronger than its Swedish counterpart since it was present in all three important regions. The only region where Sweden could play an equal or superior role was southern Europe. These systems would offer new opportunities for both states during the second half of the 1750s when the European major powers started a war with truly global repercussions. This Seven Years' War would also create great strains and risks, both financial and military in character. Ultimately, it would reshape the major powers' relationships with the Scandinavian states as well as the economic and political situation in Denmark and Sweden.

The Seven Years' War and its economic and political consequences

The Seven Years' War, which started in May 1756, was in many ways a global war with fighting on four continents. It was caused by two related struggles: the Anglo-French contest for global power and Prussia's desire to maintain and strengthen its position as a major European power. In Europe, events were strongly affected by important realignments within the international state system: France and Austria had together with Russia created an alliance with an anti-Prussian edge, while Britain had shifted from supporting especially Austria to buttressing Prussia.³⁴ This realignment, especially the ties between France and Russia, had consequences for the two Scandinavian states. Both had close links with France since the French government paid yearly subsidies, which meant that it was difficult for them to go against French interests. In other words, they could not be seen to support Prussia or Britain. Concurrently, the French-Russian alliance meant that the risks of hostile Russian actions in the Baltic diminished. Nevertheless, the

³⁴ Franz A.J. Szabo, *The Seven Years War in Europe 1756–1763* (Harlow, 2008).

heir to the Russian throne was also the duke of Holstein-Gottorp. This fact worried especially the Danish government. They therefore wanted the French to use their influence in St. Petersburg to seek a solution to the long-running territorial dispute in the German duchies. However, the proposals put forth by French diplomats were not very well received in the Russian capital.³⁵

The first reaction of Denmark and Sweden to the increasing tensions within the international state system in the 1750s was to seek a rather neutral standpoint. France was therefore primarily trying to convince the two Scandinavian governments to conclude an armed neutrality agreement which would provide protection for neutral shipping. Such a neutrality convention was reached in July 1756. It entailed a joint protection of Danish and Swedish trade against unlawful seizure by equipping a squadron of a total of 16 ships of the line that would patrol in the southern Baltic and in the North Sea. The operation was a joint exercise, since each country provided eight ships. Sweden was willing to give the convention a clear anti-British focus, while Denmark emphasized that it should be more neutral. The French and Swedish governments backed down in order to assure that a convention became reality. Thus, joint naval patrols could start after the agreement was reached. Nonetheless, it was not until 1757 that patrols actually commenced.³⁶

Sweden used its position in especially the Mediterranean to exploit its neutrality. Consequently, Swedish shipping activity in the region increased during the war.³⁷ However, Danish merchants had greater opportunities to profit from neutrality by utilizing the greater global presence of Danish colonies and trading stations. In other words, Danish ships in Asia, the

³⁵ *Ibid.*, 132.

³⁶ Feldbæk, *Eighteenth-Century Danish*, 14–15; Gunner Lind, ‘The Making of the Neutrality Convention of 1756: France and Her Scandinavian Allies’, *Scandinavian Journal of History*, viii (1983); Ole Tuxen, ‘Principles and Priorities. The Danish View of Neutrality during the Colonial War of 1755–63’, *Scandinavian Journal of History*, xiii (1988).

³⁷ Müller, *Consuls, Corsairs*, 141–154.

Caribbean and the Mediterranean could profit from interloping between the major powers' competing commercial systems. They could also be utilized by for example France to ship goods between French colonies and Europe in order to avoid seizures by British naval forces. Such practices were supported by the Danish state, since the government asserted the principle that Danish ships had the right to trade with the colonies of belligerent powers. Nevertheless, when ships were actually searched and seized the government often refrained from taking strong countermeasures. Explicit attempts to break blockades or ship contraband were also discouraged. Thus, individual seizures by for example British privateers were not allowed to become serious diplomatic incidents between Denmark and Britain.³⁸

At the same time as these commercial relationships were negotiated, the major powers were also concerned about the role of the Danish army in the European conflict. In 1755, Britain was hoping for a repeat of the arrangement during the War of Austrian Succession when a contingent of Danish troops was provided to protect British interests in Germany in exchange for subsidies. Such proposals were declined by the Danish government since it already had negotiated a renewal of the subsidy treaty with France. France on the other hand tried to get Denmark more actively involved in German affairs. However, the Danish government manifested its relative independence in relation to France. Thus, it declined the French suggestions, but also alluded to the possibility of intervening on Prussia's side in the conflict if it was deemed to be advantageous. Such implicit threats forced the French government to not only pay already agreed sums of support, but also provide further subsidies in order to keep the Danes neutral. In exchange for this monetary support the Danish king promised to maintain a force of 24,000 men

³⁸ Feldbæk, *Eighteenth-Century Danish*, 15; Tuxen, *Principles and Priorities*.

in Holstein.³⁹ Thus, the Danish government used its relative autonomy to extract more resources from its powerful ally at a time when the French government could not afford to create an opponent in the Baltic.

The Danish government's actions can be compared with the Swedish government's reaction to the French proposals of playing a more active role in the on-going European war. Many members of the Council of the Realm were attracted by the possibility of taking part in the diplomatic negotiations following the Prussian attack on Saxony in 1756. Some of the ambitions and priorities of the Swedish government can be gleaned from an instruction sent to the Swedish ambassador in France. In the instruction, it was pointed out that Sweden primarily should try to maintain peace, but it also warned that the warring states could make proposals that were difficult to refuse. The ambassador should therefore clarify that Sweden was willing to negotiate and take advantage of Prussia's predicament if the terms were satisfactory. A revision of the peace treaty of 1720 between Sweden and Prussia, as well as the acquisition of an island in the Caribbean was mentioned as clear possibilities if Sweden were to take a more active role. The island of Tobago was especially named as a realizable Swedish colony.⁴⁰

The statements made by members of the council indicate that they were willing to condemn Prussian actions, but they also wanted to make clear that it was impossible to take a more active role without the economic support of the French state. However, the statements showed that they only considered supporting France in the conflict. In other words, the members of the council did not attempt to extract resources from different powers or increase the resources

³⁹ Rasmussen, *Kurantbankens forhold*, 116, 128; Tuxen, *Principles and Priorities*, 213; Feldbæk, *Danmark-Norge*, 56; Szabo, *The Seven Years*, 132.

⁴⁰ Lars Trulsson, *Ulric Scheffer som hattpolitiker. Studier i hattregimens politiska och diplomatiska historia* [Ulric Scheffer as a Hat Politician. Studies in the Hat Regime's Political and Diplomatic History] (Lund, 1947), 204–5.

by alluding that supporting Prussia was an option. Like in 1740–41, Sweden was thus fully committed to the alliance with France.

In the diplomatic negotiations between France and Sweden, the French government expressed a willingness to support Swedish claims, but it also stressed that such assistance had to be marked by active military participation in the conflict. On the Swedish side, the leading officials continued to emphasize the need for additional subsidies: a 20,000 men troop contingent required a sum of 4 million livres for the first year and 3 million livres the following years. After lengthy negotiations the Council of the Realm eventually decided to send 20,000 men to Swedish Pomerania. The troops would seek to restore order in Germany in exchange for 4 million livres in French subsidies in 1757, which could be continued if Sweden raised its troop presence to 25,000 men the following years.⁴¹

The financial and political conditions for participating in the war were shaped by the negotiations with France. This meant that it became important for the Swedish army to show especially the French government that Sweden was a trustworthy ally that would take active part in the conflict. The war aims were quite general in character since the commanding general was primarily ordered to cross into Prussian territory and seek quarters there. Consequently, the army was not expected to conquer and hold territory in Western Pomerania. Instead, the Council of the Realm was hoping that Sweden would be rewarded at a future peace conference for its willing support to the allies. The subsequent military activities showed many similarities with the actions in Finland in 1741–42. Thus, the activities were characterized by low intensity warfare since they did not include any major battles or decisive actions. The struggle on the ground was primarily focused on securing supplies and trying to live off the enemy's territory as much as possible. The

⁴¹ Trulsson, *Ulric Scheffer*, 247–9, 266–7; Patrik Winton, 'Sweden and the Seven Years War, 1757–1762: War, Debt and Politics', *War in History*, xix (2012), 14–15.

Swedish army was often facing a smaller enemy force, but this was not used to control parts of Prussian territory or to lay siege to important towns such as Stettin.⁴²

Concurrently, it was important for the Swedish government to show Britain that it remained neutral in the on-going conflict between Britain and France. If Britain decided to take action against Swedish shipping in the Mediterranean or if the British decided to send a naval squadron to the Baltic, this would severely threaten the Swedish war efforts. It was therefore crucial for the Swedish government to separate the two wars: Swedish participation in the German war focused on defeating Prussian aggression and had no link to the relationship with Britain or the war between Britain and France. The Swedish government also made enquiries to make sure that Denmark would oppose a British naval presence in the Baltic. When it became apparent that no British squadron would be sent to the region the Swedish state could focus on the war in Germany, while benefitting from neutrality in other parts of the world.⁴³

Although both Denmark and Sweden used their relationship with France in an attempt to strengthen their position in northern Europe and around the world, the strategies differed. The leadership in Sweden tried to gain benefits by showing its commitment to France. They hoped that it would result in territorial gains in Western Pomerania and in the Caribbean without having to deploy the whole army in the duchy. In particular, it was seen as an opportunity to remove the relative weakness of not having possessions in the Caribbean. The strategy could thereby be seen as an emulation of the Danish policy in 1733 when the island of St. Croix was purchased in exchange for allowing a French naval squadron into the Baltic. However, the commitment was relatively risky since France could determine military and political strategies. When the alliance failed to make any progress against Prussia, Sweden did not gain anything from the commitment.

⁴² Winton, *Sweden and the Seven*, 20–1.

⁴³ *Ibid.*, 16.

Nevertheless, the commitment was the only viable option, if something tangible was to be gained from the conflict. Consequently, it was not politically possible for the Swedish state to initiate an independent campaign against Prussia. Moreover, since the resources that the Swedish state could offer were not as valuable as the ones that the Danish state possessed, it became necessary to follow a major power in order to compensate for the structural deficiencies. In 1758 and 1759, the potential ability of the Danish army and navy to seriously disrupt the military activities of both Russia and Sweden, in combination with the Danish capability to handle some of the global trade that used to be carried on French vessels, made it possible for the Danish government to extract valuable resources from France without having to commit to a war.

However, crucial decisions regarding war and peace were not in the hands of neither Scandinavian state. As Denmark was to experience, policies of the major powers could shift dramatically and thus make a smaller state very vulnerable. In January 1762, the Russian empress Elizabeth died. This meant that her nephew – Duke Karl Peter Ulrich of Holstein-Gottorp – became Czar Peter III. Soon he reversed Russian foreign policy by seeking the friendship of Prussia in exchange for Prussian support for the Czar's full Holstein-Gottorp inheritance. Concurrently, Russia promised to facilitate a peace agreement between Prussia and Sweden.⁴⁴ The leadership in Sweden was also seeking peace since it was apparent that nothing could be gained from the war and there was no political will in Sweden to mobilize further resources to improve the military outlook. Consequently, a peace agreement was reached between Prussia and Sweden that confirmed the existing borders in 1762.⁴⁵ Around the same time, Peter ordered an army of 40,000 men to attack Denmark in order to enforce his claim to Schleswig. Denmark for its part mobilized an army of around 27,000 as well as a naval force of around 20 ships to meet

⁴⁴ Szabo, *The Seven Years*, 380–5.

⁴⁵ Jägerskiöld, *Den svenska utrikespolitikens*, 212–6.

the Russian threat. Before the two armies met war was averted when Peter III was dethroned and his wife Catherine took over. The immediate threat to the Danish king's possessions in the German duchies was thereby removed.⁴⁶

Although no territory was lost and the fighting was low intensity, both Denmark and Sweden faced serious economic problems during and after the Seven Years' War. When France was unable to meet all of its financial obligations to its northern allies, the two states had to primarily rely on domestic resources to finance its military operations. One important source of revenue was bank loans. Thus, the Bank of Sweden provided over 24 million Swedish silver dalers in loans during the war, which constituted around 44 per cent of the total war costs. Government borrowing led to a dramatic increase in the number of notes in circulation, which in turn created inflation and a fall in the value of the Swedish currency on the international capital markets. The Exchange Office could not cope with such shifts and was subsequently forced to cease its operations.⁴⁷ The Danish state was similarly depending on loans from the Copenhagen Courantbank to finance its military activities. Starting in 1755 at quite modest levels, the loans were dramatically increased during the 1760s. Consequently, the government's bank debt rose from 346,000 in 1756 to 8,425,410 Danish dalers at the end of 1763. These increases meant that the exchangeability of the notes into silver had to be suspended in 1757. Concurrently, the Danish currency was increasingly losing value on the international markets.⁴⁸ Clearly, the profits from neutrality shipping during the conflict could not offset the negative economic consequences of war during the 1760s.

⁴⁶ Feldbæk, *Danmark-Norge*, 57.

⁴⁷ James Riley, *International Government Finance and the Amsterdam Capital Market, 1740–1815* (Cambridge, 1980), 144–5; Winton, *The Politics*, 226.

⁴⁸ Rasmussen, *Kurantbankens forhold*, 114–67; Riley, *International Government*, 136–7.

These financial problems led to political discontent both among wide sections of the population as well as within the elite, which forced the governments to try and reorganize the fiscal systems as well as to seek other international strategies. The interrelated system of French subsidies and paper money was simply becoming an economic and political liability. Consequently, both states tried to reduce liquidity levels and spending while seeking other sources of revenue such as loans on international credit markets. Political discontent also resulted in cries for change and the emergence of new ideas concerning the distribution of resources and the privileges of existing elites. At the same time, both states left the French sphere of interest. Denmark negotiated an alliance with Russia in 1765, which signalled an end to the long-running dispute over Holstein and Schleswig. Sweden on the other hand signed an agreement with Britain, but it did not generate any subsidies.⁴⁹ Overall, both states had to adapt to new circumstances in which it was difficult to expect subsidies from the major powers during peace time. As Hamish Scott has pointed out, the period after the Seven Years' War was characterized by financial and political reorganization as well as a reformulation of diplomatic priorities, which ultimately changed the international state system.⁵⁰

Conclusion

Developments in the period 1720–1765 clearly show that both Danish and Swedish governments realized that they could not compete on an equal footing with the major powers in the international state system. Consequently, they had to adapt to a system that was increasingly determined by the major powers. The system created hierarchies between states, but there were

⁴⁹ Jägerskiöld, *Den svenska utrikespolitikens*, 217–27; Feldbæk, *Danmark-Norge*, 57–58; Winton, *The Politics*, 227–8.

⁵⁰ Hamish Scott, 'The Seven Years War and Europe's *Ancien Régime*', *War in History*, xviii (2011).

also opportunities that smaller states could utilize. Thus, a smaller state could seek military and political support as well as economic subsidies. Furthermore, smaller states could use neutrality to seek commercial and political benefits without having to mobilize resources on a scale with the major powers. The success of these strategies was primarily influenced by the kind of resources the state had at its disposal. Denmark possessed a relatively big navy and army, which were strategically located at the entrance to the Baltic. The Danish forces could also relatively easily operate in northern Germany. Additionally, Denmark had trading companies, colonies, trading posts and merchantmen in several crucial parts of the world such as Africa, the Caribbean and India. The Danish king thereby had access to assets that were valuable to the major powers. All of this meant that he could seek a relatively independent position in the system and negotiate an extraction of resources from the major powers without having to commit to war or other significant military activities. However, the strategy required flexibility and the avoidance of issues that could threaten the territorial integrity of the realm. The situation in Holstein and Schleswig was one issue that forced the Danish state to pursue a much more active role which endangered the relative independence. Sweden on the other hand did not possess the same strategic advantages as the Danish state. It lacked colonies and a strong navy in the Baltic. The only real asset that could be used in negotiations was the army. This meant that it was more difficult to extract resources from the major powers. Arvid Horn attempted to pursue a similar strategy as the Danish government in the 1720s and 1730s, but he eventually failed. If more benefits were to be gained, many leading members of the Swedish elite argued that the only alternative option was to commit more firmly to one major power and thus try to compensate for the lack of valuable assets with loyalty. In other words, by showing that Sweden was a trustworthy ally that could play an important role, resources such as territories could be gained at

the negotiating table with the help of France. The downside of such a policy was the risk of being dragged into conflicts and wars without fully controlling the economic and political circumstances. The wars in 1741–43 and 1757–62 manifest that warfare was very unpredictable, even if it was characterized by low intensity, and that the economic and political consequences could create serious domestic as well as international problems that the major power could not solve.

The differences in strategy between Denmark and Sweden should therefore not be seen as a consequence of the Danish elite adapting to a new international situation while the Swedish elite was unable or unwilling to adjust to Sweden's new status as a minor power. The diverging strategies were instead a result of the different resources the two states possessed. Consequently, it was not possible for Sweden to receive the kind of resources Denmark was endowed with by pursuing exactly the same strategy as the southern neighbour. Similarly, the Danish state did not have to take the same risks as Sweden in order to receive subsidies and other forms of support. Nevertheless, these distinctions lost their value if and when a major power decided to use military force against the Scandinavian states. The actions of Russia in 1762 clearly show that no matter how flexible the Danish government was or how well it could negotiate, it experienced serious problems when faced with a direct military threat. Thus, the existing hierarchy between European states was ultimately based on the ability to mobilize military power and the resources to pay for the food, hay, guns, cannons and ships necessary to wage war. In such a contest, the Scandinavian states were clearly subordinate and had to accept a minor role in the international state system.