
Your Majesty, Your Excellencies. Ladies and gentlemen,

1. When Jean Bernadotte landed in Helsingborg on the 20th. of October 1810 it was the first time he came to Sweden. However he did not come to an unknown territory.

Two years earlier he had resided in Copenhagen as the head of an army which had Napoleon's order be prepared to invade Sweden. Here as a preparation for the invasion he carefully studied Swedish geography, military strength, political situation and the finances of the country.

He thus also knew that Sweden had a proud history

- However in 1810 it was a very poor country and mutilated after the loss of Finland to Russia a year earlier
- The economy was in shambles with a currency which had lost 50 % of its value since the Russian war
- The state had an overwhelming debt to international bankers due to all costly wars

Sweden also had another dark side

- the king of the country Gustav III had been murdered 18 years back in time
- two years before Jean Bernadotte arrived the enemy had had plans to cut Sweden in two pieces and erase it from the world map
- the year before he arrived the king at the time Gustav IV Adolf was forced into exile after a mutiny amongst his own officers
- only five months before the arrival of Jean Bernadotte the earl marshal was murdered by the mob

2. However the man who arrived knew what he wanted. He had a vision.

Sweden was to be built up.

- He was an experienced administrator – civil and military (Hanover-Hamburg)
- He had a personal fortune – assembled thanks to big bonuses from Napoleon. He was prepared to use his money to support his work

- Napoleon's genius was a guiding light – he had seen him as the First Consul turning France from the chaos after the revolution into the mightiest country in the world.

He had thus a vision. You can afterwards almost discover a logical pattern behind what he was doing.

- A. He wanted to restore the unsound finances of Sweden and repay the overwhelming international debt
- B. He wanted to rearm the army and the navy. War was imminent.
- C. He wanted to strengthen the undervalued currency – the riksdaler – as the necessary import of food got too expensive for the poor country.
- D. He wanted to carry through an internal devaluation to regain the strength of the currency – and it should be done via improved efficiency in the economy leading to a lower cost level – the main target was the agricultural sector as it employed 80 % of the population.
- E. He wanted to reintroduce the silver standard thereby giving the currency a stable value.
- F. He wanted to build up a banking system and an infrastructure to the benefit of commercial and industrial life,
- G. He wanted to build up an educational system and introduce health and social reforms

And so he did. Thereby he laid the foundation for modern Sweden.

4. Let's have a closer look at some of these points.

There was no way for poor Sweden to repay its overwhelming international debt.

The crown prince made a controversial proposal to the parliament. Sweden should unilaterally cut down its debts by 2/3 to private bankers in areas which were dominated by French interests.

The total amount to be cut down corresponded more or less – the crown prince claimed – to losses made by Swedish merchants during the war. Napoleon should compensate the merchants for their losses but he refused to do so.

As a logical consequence Sweden must refuse to pay a corresponding part of its debts to private bankers in areas controlled by France and these bankers should in their turn collect the money from the French state. The crown prince stated. The parliament decided accordingly.

This was a dangerous move by Sweden. It could have led to that Sweden was banned from the international capital market. But luck was with the crown prince thus time as so many times before. During all the coming years he skilfully managed to overbalance the state budget and thus never needed to go back to the international bankers and ask for more money.

3. However a major debt remained corresponding to roughly 900 milj. Crowns (today's money). This was a major amount at the time put in relation to the limited wealth of Sweden. The crown prince suggested to the parliament that he and the king would pay back these remaining loans to the bankers. From their own pocket. The amount was more or less equal to the so called Guadeloupe money. We might come back to that.

The parliament accepted this generous offer and the loans were paid back. Every penny of them. In compensation for this gift the parliament decided to give the ruling king of Sweden "for ever" an annuity. This yearly money was paid to the king up till 1983. However an annuity which was worth 24 million crowns in 1814 had in 1983 melted down to 300 000 crowns.

Unfortunately the parliament and the crown prince had in 1814 "forgotten" to protect the annuity against the ravages of inflation.

4. The undervalued currency, the riksdaler, was a constant worry for the king. In secrecy he started to support the riksdaler via transactions in the international currency market. For this he used his own money and funds he had the right to use. However he lost a lot of money on these transactions. No wonder as speculations in currencies always have been very dangerous. Yesterday as well as today.

The losses came into the open and the king was heavily criticized. People argued that the currency should instead have been devalued. The king paid for all the losses. A guess is that he lost around 100 million crowns of his personal fortune in his support for the riksdaler.

Finally the currency was devalued in 1834 and the silver standard reinstated. After that Sweden had for decades a stable currency and a longstanding and successful monetary policy.

In retrospective it can be concluded that the king via his operations in the currency market succeeded to keep the value of the riksdaler stable during a turbulent period. According to my personal opinion this led to a smaller

devaluation in 1834 than would have been the case if the devaluation had taken place at an earlier point of time as his critics wanted.

The king thus did the right thing for Sweden. And again, he paid for it with his own money.

5. The target for the “internal devaluation” was obvious. It was the agricultural sector. It employed 80 % of the population and could still not produce enough food to feed the country. As tools for improving the efficiency the king used the newly founded Academy of Agriculture and rural economy associations. Everybody made a fantastic work. After ten years Sweden was no longer importing foods but exporting.

The export of food thereafter continued all through the reign of the king despite an increase in the population of 36 % or around one million people. By the way the increase of the population was thanks to improved health service. Acreage increased by 40 % (land clearing and ditching) and crops went up 53 %. The farmers got better seed suited to the tough Swedish climate, better breeds of cows, sheep, horses etc.

6. Sweden was far behind in the industrialisation compared to the big powers on the continent. One reason was the lack of capital formation and banks to lend the money to those who wanted to invest. The king realised this. There was in the country only one bank who lent out money and that was the Central Bank – Riksbanken – in Stockholm. Earlier there had been some smaller private banks but they had gone bust in the aftermath of financial crisis linked to the Napoleonic wars.

The first saving bank was established in Gothenburg in 1820. Ten years later it was followed by the first private bank, Skånska Privatbanken in Ystad, Scanie. Here dynamic merchants had earned a lot of money during Napoleon’s continental blockade against England. And they wanted a bank where they safely could deposit their money. And in the very south of Sweden we also had the big farmers who followed the intentions of the king and wanted to invest more money in modern farming equipment to improve the efficiency of their farms.

The local court chaplain took the initiative to establish a bank and he also became its first manager. - we can assume that the king, as usual, was behind also this initiative.

During the following 15 years a big number of private banks were formed in most major towns. A working banking system was thereby established to the benefit of business.

7. All of us who have had business in developing countries we know what to look for before making investments. It is important not only to have a functioning banking system but also a reliable legal structure, well developed infrastructure so you can transport your goods and people and an educated work force. And a functioning government organisation is no doubt essential as well. And all this was faulty in Sweden at the time when Jean Bernadotte arrived. He understood its importance. Here he again followed in the footsteps of Napoleon.

A web of roads was built all over the country, harbours were built, regular transportation along the coasts arranged and canals built. The largest project was Göta Kanal. It was as big as Öresundsbron, in terms of money invested, has been for the Swedes and Danes of today. However it was built 200 years earlier by a very poor nation.

A functioning judicial system was erected, new laws written and courts strengthened. Elementary education was introduced. In 1823 it is said that we had 183 schools in the entire country. The number had increased in 17 years time to around 1 400. When Jean Bernadotte arrived we had only a couple of hospitals. The number was around 40 when he passed away. A poor relief public assistance system was formulated but was first introduced during the reign of the king's successor Oscar I. Like many other reforms it was studied and formulated during the time of Karl XIV Johan however introduced by Oscar I.

The organisation of the different government bodies was strengthened. And the king raised the salaries of the civil servants despite heavy criticism in the parliament. A good job must be compensated for in money he said.

8. These years were the years of associations (föreningsliv). All kinds of associations were established and often with the support of the king. These associations became a training ground for the future democracy. Here for the first time women played an active role in the discussions around the future shape of Sweden.
9. A system of committees was a novelty in the parliament. The famous "utredningsväsendet". Here laws in complicated issues like social reforms, education and monetary policies were intensively discussed between people with wide differences in opinions before it all was melted down to a proposition to be given to the parliament and to the king.

This was, and is, a slow process as we all know but diminishes the risks for unprepared and controversial laws. Controversial laws could easily lead to serious social conflicts followed by political unrest. This had been the case in many European countries; also in the king's native country France. Revolutions were common in Europe at the time.

The king was heavily criticised in the parliament and in the press for acting too slowly in implementing social reforms. The king however, a son of the French revolution, had seen the disastrous results of moving ahead too quickly in a conservative society like Sweden was at the time. Revolution was the last thing he wanted to see in his new country. Thanks to his skilled diplomacy and political manoeuvres he managed to handle critical issues in an effective and subtle way.

10. When the king passed away Sweden had lived in peace for 30 years. This had led to an increased prosperity for the country. Let us just take one figure. The GNP – the sum of all services and goods produced in the country. GNP had in real terms increased with 60 %. The increase per capita was however a more modest 17 % due to the increase in the population with as much as one million people.

11. The foundation of modern Sweden was thus laid by Karl XIV Johan and his people. However the building which was erected on that ground would be shaken many times the decades ahead before today's welfare state was finally there.

We would live through wars outside our borders, financial crisis, a continued fast growth of the population and in its footsteps famine, a big portion of the population would emigrate to North America, the rapid industrialization would move people into overcrowded towns where the workers would have to fight for their rights.

However the foundation of our modern welfare state was laid. It is my personal conviction that if this basic work had not been done with such patience and care during the reign of Karl XIV Johan the years which followed upon his death and up till the 1930-ties would have been much tougher for Sweden and could have led to serious consequences for our society and our future as a nation.

13. When the king died on the 8th of March 1844 it has been said that he on his deathbed exclaimed "Nobody has had a career in life like mine"

He could also have added “No Swedish king or queen has rendered the country such good service as I did”.

It would not have been an exaggeration.

Your Majesty, Your excellencies, lades and gentlemen I thank you for your attention.

Olof Sjöström