

DANISH BANKING BEFORE AND AFTER THE NAPOLEONIC WARS: A SURVEY OF DANISH BANKING, 1736–1857

Expensive armament during ‘*The Seven Years’ War* (1756–1763) led to excessive note-issuing from the only bank, *Kurantbanken*, in Denmark. One of the consequences was that the notes were declared inconvertible in 1757. This difficult situation for the monetary system and banking in Denmark generally lasted from 1757, through the bankruptcy of the state in 1813 and the founding of the Danish central bank, *Danmarks Nationalbank*, in 1818, until the reintroduction of the silver standard in 1845.

The first two commercial banks in Denmark, *Centralkassen i Kjøbenhavn* and *Fyens Diskontokasse*, were founded in 1829 and 1846 respectively, and the latter became quite important. The first large, modern, and significant commercial bank was however the *Privatbanken i Kjøbenhavn* founded in 1857.¹

This article presents main features in Danish banking before 1857 and consists of two main chapters: the first covers the period before the Napoleonic Wars, the second deals with the period after.² Figure 1 illustrates the

1. On the first commercial banks in Denmark see e.g. Julius Schovelin (1921): *Fyens Diskontokasse 1846–1921*, Odense; Einar Cohn (1957): *Privatbanken i Kjøbenhavn gennem hundrede Aar: 1857–1957*, I–II, Copenhagen; Svend Aage Hansen (1960): *Pengevæsen og kredit 1813–1860*, Odense; Ole Lange (2006): *Stormogulen: C.F. Tietgen – en finansmand, hans imperium og hans tid 1829–1901*, Copenhagen.

2. Two other surveys in English about Danish banking are Hans Christian Johansen (1994): ‘Danish banking history’, in: M. Pohl & S. Freitag (ed.): *Handbook on the History of European Banks*, Cornwall, pp. 97–131 and Kim Abildgren (2006): *Monetary Trends and Business Cycles in Denmark 1875–2005*, Danmarks Nationalbank Working Papers 43, Appendix A: The historical origin and development of financial institutions and financial markets in Denmark – An overview, (http://nationalbanken.dk/C1256BE2005737D3/side/WP_nr_432006_Monetaere_udviklingstendenser_og_konjunkturcykler_i_Danmark_siden_1875!opendocument).

institutional development 1736-1818 and appendix 1 shows the quantity of notes circulating from 1737 to 1859.³ The article focuses on major trends in the economic and monetary development, while banking techniques, minor credit institutions or administrative and juridical aspects are not discussed.⁴ In terms of geographical scope the primary focus is the Kingdom of Denmark, although the duchies Schleswig and Holstein are also considered; for present purposes, Norway and the Danish colonies are excluded.

BEFORE THE NAPOLEONIC WARS

There were several unrealized bank projects in Denmark before the founding of Kurantbanken (the Courant Bank) in 1736.⁵ The first known endeavour is from 1624 and another was initiated in 1700 by the merchant in Bergen, Jørgen

3. Monetary matters in Denmark during the Napoleonic Wars, including the so-called bankruptcy of the state, are examined by Jørgen Steen Jensen in his article in this publication.

4. Minor institutions are e.g. The Committee for the Benefit of Trade (Komitéen til Handelens Tarv) from 1799 or The Credit Association for the House-owners in Copenhagen (see Carl Thalbitzer (1922): *Kreditkassen for Husejerne i Kjøbenhavn 1797-1922*, Copenhagen or E. Andersen (1947): *Kreditkassen for Husejere i Kjøbenhavn 1797-1947*, Copenhagen). Also omitted from this article are most of the different notes etc., which were issued in the realm during the Napoleonic Wars by different institutions and redeemed around 1813.

5. Axel Nielsen (1903): 'Danske Bankprojekter fra Tiden før Kurantbankens Oprettelse', *Nationaløkonomisk Tidsskrift*, Copenhagen, pp. 580-601.

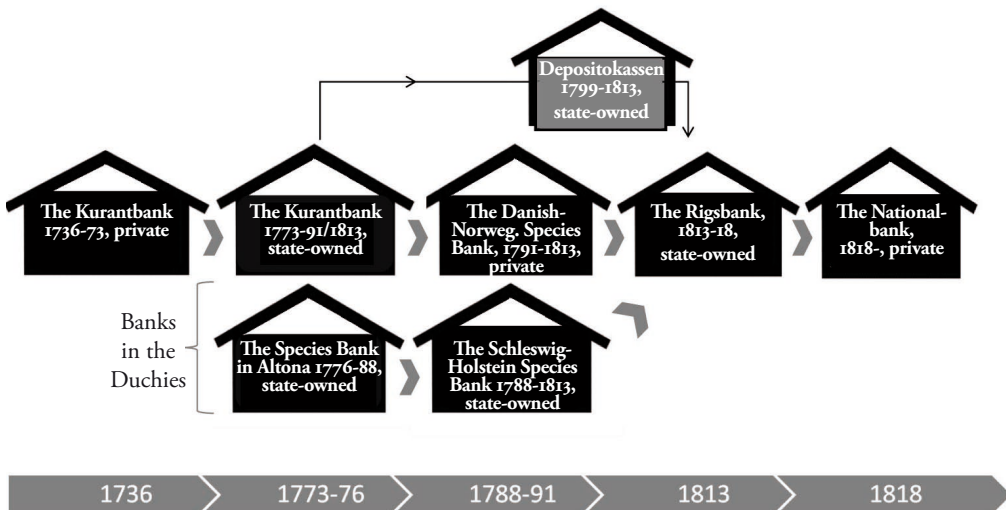


Fig. 1. Institutional development in Danish banking 1736-1818.

Thormøhlen (1640?-1708), who is known for having issued, privately with royal approval, the first notes in the realm in 1695. The first real and state-issued notes came in 1713 during The Great Northern War (1700-1721).⁶

The Danish rate of interest and the demands for capital were high in the beginning of the 1730s; two of the reasons for this were the rebuilding of Copenhagen after the fire in 1728 and renewed activity in several overseas trading companies. The main reasons for the founding of the Kurantbank in 1736 were a combination of the aforementioned developments in the credit market and the new more active economic policy (mercantilism), which the Danish government embarked upon in 1735. The Kurantbank was established on 29 October 1736 as a joint-stock company with royal charter, and its official name was *The Copenhagen Transfer, Exchange, and Loans Bank*. It opened for business on 11 March 1737 and was established to 1) strengthen Danish commerce and manufacturing; 2) contribute to the maintaining of the monetary system; and, 3) be completely independent from the state. However, it did receive different kinds of economic support from the state, e.g. rent and sentries. It was

6. For information about Danish bank notes, see Leo Hansen (1983): *Danmarks officielle pengesedler 1713-1983*, Copenhagen, which has a summary (14 pages) in English. For information about Thormøhlen and his notes (especially pp. 142-163), see Anders Bjarne Fossen (1978): *Jørgen Thormøhlen: Forretningsmann, Storreder, Finansgeni*, Bergen.

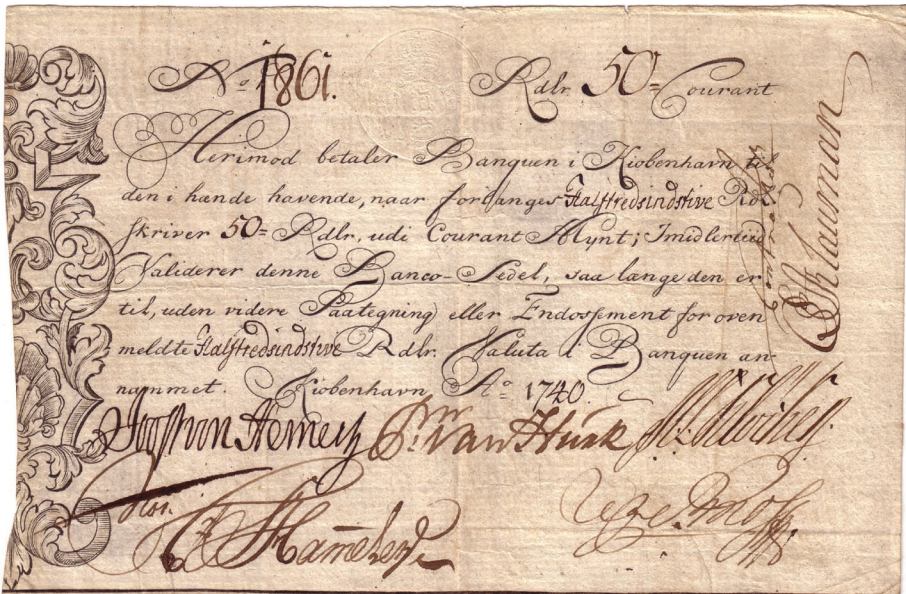


Fig. 2. Note from The Kurantbank in Copenhagen. 50 rix-dollars courant 1740. 11.3 x 17 cm. DOP 23. DOP = Hansen (1983). All the illustrated notes are from The Royal Collection of Coins and Medals, The National Museum of Denmark, and they are all one-sided.

allowed to issue several types of loans including bill discounting and deposits on current accounts, which were normal banking transactions at the time and also the case for most of the banks subsequently established. The state had only issued notes from 1713–16 and the last of these were redeemed in 1729. As the Kurantbank was given the right to issue notes in 1736 (Fig. 2) it practically had a monopoly on note issuing; a monopoly which, contrary to the case in several other countries, is a general feature in Danish banking. The notes were convertible with silver, but there was no limit to the extent of note-issuing. This lack of restriction was not uncommon for banks at that time. The notes were not a compulsory means of payment, but they were generally legal tender in payments to the state.⁷

The Kurantbank served its main purpose and extended credits to Danish commerce and industry – and only a few minor loans to the state – by issuing notes for more than 500,000 rix-dollars (1740). This created problems for the bank's reserves of silver coins; one of the key reasons was the circulation of notes – or rather the lack thereof. They were primarily used in Copenhagen, and many people wanted to convert their notes into silver, which put pressure on the bank's limited silver reserves. To stay in business the bank had to receive financial support from the state, and this support in general continued and grew until the state took over the bank in 1773. By 1740 the bank already had such bad liquidity that it had to curtail credit, which improved the bank's position in 1741, when an important change took place. The state began borrowing money from the bank in the summer of 1741, and the state's loan grew rapidly in 1742, so 6–9% of the bank's loans were directly to the state. The bank played an important role in the Danish monetary policy from the 1730s, particularly through note-issuing, and combined with the continued financial support from the state the bank took over and in collaboration with the state led parts of the monetary policy from the 1740s. This became clear in 1745, when the bank encountered problems such as, among other things, the price of silver reaching its peak in Europe, which led to a massive outflow of silver coins from Denmark. The bank turned to the king, and in the autumn of 1745 it became illegal to export coins, and the Kurantbank notes (courant notes) were made inconvertible and a compulsory means of payment. At the same time

7. Erik Rasmussen (1950): 'Kurantbankens Oprettelse', *Historisk Tidsskrift*, Copenhagen, ser. II, III, pp. 137–175, the article has a summary (1.5 pages) in English; Erik Rasmussen (1955): *Kurantbankens Forhold til Staten 1737–73*, Copenhagen, this doctoral dissertation has a summary (13 pages) in English; Knud Erik Svendsen (1968): 'Perioden 1700–1818', in Erik Hoffmeyer (ed.): *Dansk Pengehistorie*, vol. 1, 13–127, pp. 22ff.; Hans Chr. Johansen (1990): 'Om at skrive bankhistorie', *Historisk Tidsskrift*, vol. 90, 2, pp. 383–404; many relevant references to historic literature relating to bank history are included in this article.

the bank again started curtailing credit, and in the spring of 1747, as the silver price returned to a normal level and the different interventions worked, it was possible to abolish the legislation from 1745.⁸

In the period from the crisis in the middle of the 1740s until 1756–57 the bank managed to control and grant loans as it was supposed to; generate a satisfying dividend to the shareholders; and pay off its own debt. However, it had not been able to reduce the number of circulating notes – or at least to balance them with the ever changing silver reserves. Because of this the bank was already in a weak position before the outbreak of The Seven Years' War (1756–1763). The war led to high silver prices, difficult monetary matters in general and forced the state to take out extensive loans, especially for armament. Even though the bank tried to maintain its silver reserves, by the autumn of 1757 they were already reduced to only 4% of the circulating notes (almost 2 million rix-dollars), so virtually the same interventions as in 1745 were implemented. In addition to prohibition of coin export, the notes were declared inconvertible and a compulsory means of payment in Denmark and Norway, but not in Schleswig and Holstein – a status which lasted until the nineteenth century

8. Rasmussen (1955), pp. 34–97; Svendsen (1968), especially pp. 26–37.

	Internal debt	External bonded debt (foreign debt)	Debt to banks/debt in notes*	Total
1700	-	-	-	1.5
1730	-	-	-	3.2
1750	-	-	-	1.4
1754	-	-	-	1.1
1760	4.2	1.3**	2.6**	8.1
1763	7.8	2.6**	8.0**	17.6
1765	8.8	7.3	4.0	20.1
1774	8.9	9.8	6.5	25.2
1784	6.7	14.1	15.2	36.0
1790	12.6	18.4	15.7	46.7
1799	18.4	12.0	16.7	47.1***

Table 1. National debt (the state's debt) 1700-1799 (in million rix-dollars).

* Debt in notes is here understood as the value of notes issued by the state, and not the bank(s)' note-issuing.

** In part estimated.

*** The running debt of The Bank Institutes are excluded. The two Bank Institutes in Altona and Copenhagen were erected in respectively 1778 and 1773 by the state to perform arbitrage and the state's payments to and from foreign parts.

Source: Ole Feldbæk (1993): *Danmarks økonomiske historie*, Herning, 152.

for the Kurantbank notes. The distinction between the monetary matters of the Kingdoms and the Duchies, which later became even more pronounced, is a general theme and important for understanding essential parts of Danish monetary policy in the eighteenth and nineteenth centuries.⁹

Around 1756-57, the bank's total loan was almost 3 million rix-dollars, and only 12-13% was to the state. This proportion fundamentally changed during the Seven Years' War, since the state's huge expenses for armament were to a considerable extent financed by large-scale loans in the bank (Table 1). At the end of the war (1762) 5.5 million rix-dollars were in circulation, and the bank's total loan was 10.2 million rix-dollars, of which around 75% was to the state. Various attempts, albeit only temporarily successful, were made to reorganize the state's finances and monetary matters during the mid 1760s, in particular extra taxes, foreign loans, and the sale of Crown land. The attempts started mainly in 1764, when the situation was the worst ever: there were 6 million rix-dollars in circulation without backing in silver reserves and the state owed the bank 8.9 million rix-dollars out of the bank's total loan of 11.6 million rix-dollars. The state succeeded in bringing its Kurantbank debt down to 3.1 million rix-dollars in 1767, but it could not make ends meet without borrowing money from the bank, so its debt to the bank started rising again; by 1769 the debt was 4.7 million, and in 1772 it was 6.5 million rix-dollars. Inconvertible notes for almost 6 million rix-dollars were in circulation again in 1772. This unfortunate situation combined with, among other things, the state's increasing involvement in the administration of the bank, the Struensee intermezzo, and the fact that the state was incapable of obtaining new foreign loans, led to the nationalization of the bank in 1773.¹⁰

The state took over the bank by buying all of the shares with state bonds, and hence after the nationalization the state was able to 1) administrate its own debt to the bank; 2) save the interest on its Kurantbank-loans; and 3) receive the interest from the bank's loans (c. 3 million rix-dollars) to private individuals. The net profit from the nationalization was around 2-300,000 rix-dollars a year for the rest of the 1770s, and the now state-owned bank continued to issue notes and grant loans. In 1781 the number of still inconvertible courant notes in circulation had risen to almost 13 million rix-dollars, and in 1783 it was around 15.7 million rix-dollars. The state generally owed the bank 9-10 million rix-dollars in the period 1774-83. The borrowed money was mainly used to fund armament and various commercial activities.¹¹

9. Rasmussen (1955), pp. 98-127; Svendsen (1968), especially pp. 35-39.

10. Rasmussen (1955); Svendsen (1968), especially pp. 37-42.

11. Rasmussen (1955), pp. 221-261; Svendsen (1968), especially pp. 41-43.

The suspension of the convertibility in 1757 and excessive note-issuing naturally created a growing disparity between the value of rix-dollars in notes and in silver; the notes were not at par, not until 1838. Danish monetary matters were very difficult in the second half of the eighteenth century and in the first half of the nineteenth century, and quite a few financial plans to counter the unfortunate developments and to replace the existing poorer courant standard¹² with the internationally well-known and stable species standard¹³ emerged in the eighteenth century. The plans from the 1760s did not last long, and the monetary reforms of 1775-76 were not very successful, but they included the establishment of the second bank in the realm. A state-owned bank was set up in the second largest city, Altona, at the southern border of Holstein, very close to the great commercial centre of Hamburg, of which Altona is now a suburb. *The Altona Species, Transfer, and Loans Bank* from October 1776 existed

12. 1 rix-dollar courant = 20.634 grammes of silver.

13. 1 rix-dollar species = 25.282 grammes of silver.



Fig. 3. Note from The Schleswig-Holstein Species Bank in Altona. 8 rix-dollars species 1790. 16.3 x 18.9 cm.

for twelve years, but never acquired great importance, in particular because the merchants in Altona used and were depending on their connections in Hamburg. Its primary tasks were to strengthen the courant course in Hamburg and the trade in Altona by only accepting deposits on species current accounts, and all its in- and outgoing payments had to be in silver, ½ or 1 rix-dollars (species) or in bullion. The state-owned bank did not issue notes, its loans were few, and it only played a significant role by receiving deposits from merchants and various public and semi-public institutions.¹⁴

The Danish palace revolution of 1784 led to a new government and a new financial and monetary policy. One of the most important monetary reforms of the eighteenth century was made in 1788. *The Species reform in the Duchies* created and widened barriers between the Kingdoms and the Duchies in relation to banking and monetary systems. The species standard became the

14. Hans Chr. Johansen (1968): *Dansk Økonomisk Politik i Årene efter 1784: Bd. 1: Reformår 1784–88*, Aarhus, pp. 123f. (this doctoral dissertation has a summary [9 pages] in English); Svendsen (1968), pp. 42–47.



Fig. 4. Note from The Danish-Norwegian Species Bank in Copenhagen. 8 rix-dollars species 1797. 20.5 x 17.2 cm. Provenance: GP 2890: Gift from the Danish numismatist Axel Ernst (1891-1964). DOP 35.

monetary standard in the Duchies, and the difference between the species and courant standards was fixed at 100:125. At the same time the Duchies got their own note-issuing state-owned bank, *The Schleswig-Holstein Species Bank*, in Altona, which took over the bank founded in 1776. It was a new type of bank in the realm: it had strict rules for the backing of note-issuing, had silver reserves from the beginning, and only issued species notes (Fig. 3) – not courant notes like the Kurantbank in Copenhagen. The inconvertible courant notes were not a compulsory means of payment in the Duchies, and the notes from the Species Bank were stable and stayed convertible, but the number of species notes in circulation was generally below 2 million rix-dollars, which was not much compared to the courant notes of the Kurantbank. This also indicates that the circulation in the Duchies was dominated by coins. The Species Bank's activities, which like the reform of 1788 lasted until the monetary reform of 5 January 1813 (the so-called bankruptcy of the state), were generally of limited proportions when compared to the Kurantbank, but the Species Bank and the reform in 1788 were important. From 1788 until the end of the Napoleonic Wars there was no longer a monopoly on note-issuing in the realm, and even more importantly the Duchies avoided most of the catastrophic developments in monetary matters, especially with regard to inflation, which the Kingdoms underwent, particularly from 1807.¹⁵

In 1791 the state tried to introduce the species standard in the Kingdoms with little success, and as part of the reforms a new bank was founded in Copenhagen, *The Danish-Norwegian Species Bank*. It replaced the Kurantbank, but the many inconvertible courant notes continued circulating and were still a compulsory means of payment in the Kingdoms. Like the Species Bank in Altona the new Species Bank in Copenhagen had strict rules for the backing of note-issuing, but unlike the one in Altona it was not state-owned and the joint-stock company did not have sufficient silver reserves to issue many notes. It expanded its general business through the 1790s, but its species notes (Fig. 4) only made up a very small part of the means of payment used in the Kingdoms. As the international credit crisis of 1799 hit, people quickly wanted to have their Species Bank notes redeemed with silver, and this run on the bank's limited silver reserves put a stop to the bank's note-issuing. As a consequence of this, the bank had to limit its loans so severely that it virtually lost all importance, and it was finally closed in 1813.¹⁶

15. Johansen (1968), pp. 286f.; Svendsen (1968), pp. 48–68; Hans Chr. Johansen (1980): *Dansk Økonomisk Politik i Årene efter 1784: Bd. 2: Krigsfinansieringsproblemer 1789–93*, Aarhus, pp. 98–100; Michael Märcher (2009), 'Peter Uldalls rejse i 1788', *Nordisk Numismatisk Unions Medlemsblad*, pp. 55–64, especially pp. 55f.

16. Svendsen (1968), pp. 68–80; Johansen (1980), pp. 95–98; Hansen (1983), p. 29.

The crisis in 1799 marked a new tendency in Danish banking and credit policy: the state did not help the Species Bank in Copenhagen – or private commercial activities – through the crisis, neither with financial support nor by suspending or stretching the rules for the notes' silver backing. This was to some extent a foretaste of the new contractive credit policy, which came to dominate the period after the Napoleonic Wars. The state of course took care of its own financial needs; it erected the state-owned Depositokasse (the Deposit Institute), which existed until 1813, and through it the state continued issuing inconvertible courant notes. This led to heavy, uncontrolled inflation in the Kingdoms during the Napoleonic Wars since the state's armament was largely financed by the state's excessive note-issuing. The catastrophic monetary development in the Kingdoms culminated with the so-called bankruptcy of the state, which was actually a comprehensive monetary reform on 5 January 1813.¹⁷

17. Jørgen Steen Jensen deals with the inflation, the Depositokasse, the development during the Napoleonic Wars, and the bankruptcy of the state in his article in this publication. Svendsen (1968), pp. 84–107; Svend Aage Hansen (1990): 'Pengereformen 1813 – holdninger og vurderinger', in: Ole Feldbæk & Erik Lund (ed.): *Presse og historie: Festskrift til Niels Thomsen*, pp. 69–75.

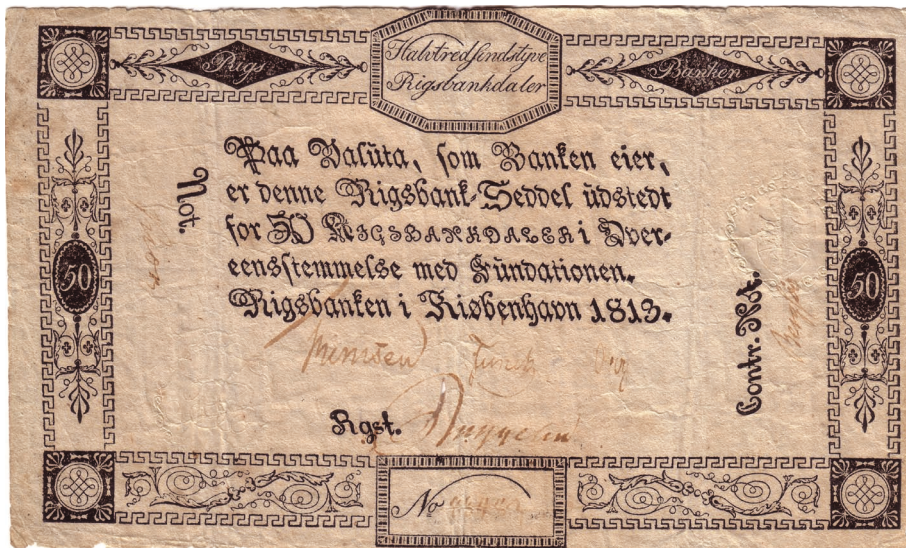


Fig. 5. Note from The Rigsbank in Copenhagen. 50 rix-dollars (rigsbankdaler) 1813. 10.2 x 17.2 cm. DOP 61.

AFTER THE NAPOLEONIC WARS

In Denmark the period from the wars to around 1830 was dominated first by a peace crisis and then by recession in the 1820s. This was followed by a long period of prosperity, *the corn sale period*, which lasted almost half a century. Trade was almost at a standstill at the end of, and just after, the wars. The crisis caused several bankruptcies, and the dependency grew, especially in relation to credit in Hamburg, while Copenhagen was hit very hard by the developments during and after the wars. The monetary system in Denmark and Norway was ruined, while it had stayed stable in the Duchies. The comprehensive monetary reform of 1813 was necessary and changed important parts of the monetary system; the reform would create a new monetary system. As part of the reform a new state-owned bank, *Rigsbanken* (the Bank of the Realm), was founded in Copenhagen and it replaced the existing banks in the realm. The bank had strict rules concerning the backing of note-issuing, which should be based on silver reserves from the so-called *Bank mortgage*. As part of the reform a compulsory 6% (silver) mortgage was placed on all real estate in both the Duchies and the Kingdoms, and this forced loan became the new monetary system's financial basis. The Rigsbank issued notes after the new monetary standard, the rix-dollar (called *rigsbankdaler* 1813-54), which was equivalent to a ½ rix-dollar in species before 1813. The old inconvertible courant notes were changed into the new – also inconvertible – rix-dollar notes (Fig. 5) at the ratio of 6:1, a considerable devaluation.¹⁸ The many newly issued rix-dollar notes were not at par and continued to be inconvertible. Even though this was one of the most important monetary problems, the notes did not reach par until 1838 and convertibility was not reintroduced until 1845. After the issuing of new notes and the exchange of courant notes into rix-dollar notes the Rigsbank's primary task was to work on establishing par, which was to be done by reducing the quantity of notes in circulation so the number circulating would be within a reasonable ratio to the silver reserves.¹⁹

However, the reform's foundation – but not its aims – was quickly reduced because Norway was separated from Denmark in 1814, and because the Duchies of course wanted to keep their own Species Bank and stable monetary standard (the silver species) instead of getting poorer, unstable, and inconvertible paper money. In 1813 this had already led the government to make exceptions from the reform for the Duchies, which were allowed to keep their

18. The species notes from the Species Bank in Altona were changed 50-50 into silver and bonds.

19. Svend Aage Hansen (1968): *Perioden 1818-1914*, in: Erik Hoffmeyer (red.): *Dansk Pengehistorie*, vol. 1, pp. 131-390; Svendsen (1968), pp. 104-111. For the period 1813-1860 and e.g. about Hamburg's role, see also Hansen (1960).

silver standard. At the same time the new rix-dollar notes were not made a compulsory means of payment in the Duchies, which like the loss of Norway significantly reduced the area of circulation for the huge number of rix-dollar notes. It was also promised that the Rigsbank should, over time, pass into private ownership. Because of the exceptions, the reform did not close the gap between the monetary matters of the Kingdom of Denmark and the Duchies. The gap in relation to monetary circulation was clear, and caused problems in the monetary policy until the monetary reforms of the 1850s and the loss of the Duchies in 1864.²⁰

The worst part of the postwar-crisis seemed to be over around 1816, therefore the plan to create a privately-owned central bank was initiated, and Denmark's Nationalbank, which is still the Danish central bank, was founded in 1818 as a joint-stock company under the name *The National Bank in Copenhagen* (Fig. 6).²¹ It took over the Rigsbank and was given a royal charter for 90 years, which included a monopoly on note-issuing. In general, the monetary policy vis-a-vis the notes' rise to par as well as trade, shipping etc., seemed to be going very well in 1817-18. The bank was consequently given ambitious tasks in the charter. It was to use its surplus to raise the course of the notes until it reached par, because par was thought to be just around the corner. Secondly it should function as a commercial bank and extend credit to benefit business and the country's economic development. However, an agricultural crisis and subsequent recession hit shortly after the bank was founded, so for more than a decade the bank was in practise largely only able to work on the raise to par, which meant withdrawal (and destruction) of circulating inconvertible notes. Actually, the amount in circulation was halved from 1818 to 1835, and in the same period few loans were extended. It was a hard policy of revaluation, which intensified the recession of the 1820s. Until 1835 the Nationalbank primarily functioned as a central bank, and not as a commercial bank. For example, it had few private loans, and it refused to establish branches in other parts of the country, although the charter had made it possible. The state did not intervene in the 1799-crisis, nor did it in the 1820s, and the policy, which in some aspects was rigid, did not change during the recession. Of course the state lacked the necessary funds, but it was also, like other European governments, terrified by the popular unrest caused by inflation during the Napoleonic Wars. The Danish government preferred not to meddle in the bank's business, and it

20. Svendsen (1968), pp. 104-127.

21. On the Nationalbank before 1908 see Axel Rubow (1918): *Nationalbankens Historie 1818-1878*, Copenhagen and Axel Rubow (1920): *Nationalbankens Historie 1878-1908*, Copenhagen.

would strive to restore or keep the public's confidence in the – new – monetary system. It would rather endure a temporary recession than change, suspend or stretch the rules in the bank's charter.²²

The economic situation changed just before 1830, as the long so-called *corn sale period* began. In 1835 the Nationalbank was able to stop using its surplus on the withdrawal of notes, since the quantity of circulating notes was now reduced to a level from where the general economic growth would soon raise the course to par. Par was reached in 1838. It took the Nationalbank 20 years, but actually the lack of par dated back to 1813, or more accurately to 1757. As par was reached it became possible to reintroduce convertibility and the silver standard, which happened in 1845 after almost 90 years of suspension. With the implementation of the changes in 1845 the rules in the bank's charter regarding the silver-backing of notes kicked in, and this changed the way the bank had done business since it in 1835 stopped using its surplus on note withdrawal. From 1845 the bank's silver had to stay in the bank's vault as reserves and note backing instead of being used actively in the normal bank businesses, which had been the case since 1835. In the period 1835-45 the bank had used most of its surplus on normal bank business, as expected. It had in that period not only functioned as a 'central bank', but also as a commercial bank and had extended loans. The bank had actually increased its credit to five times as much from

22. Hansen (1968), pp. 131–196; Svendsen (1968), pp. 113–127; Johansen (1990), p. 170.

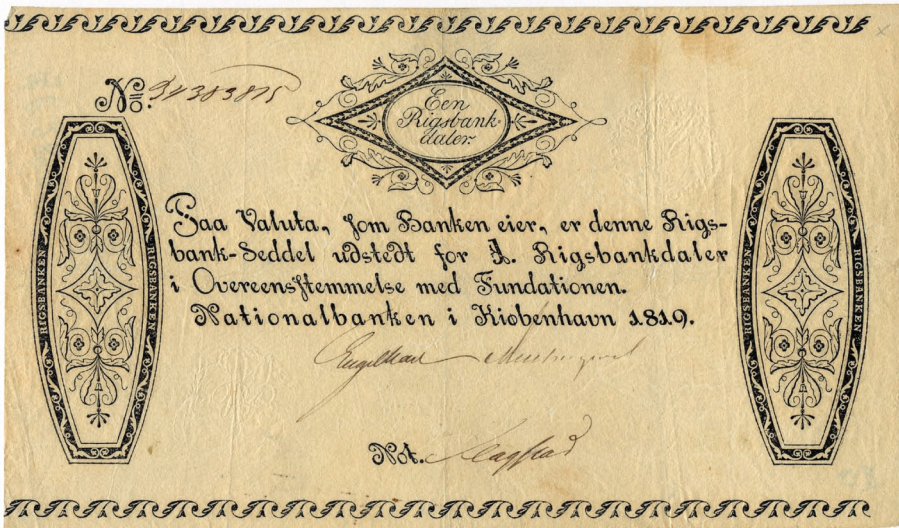


Fig. 6. Note from The Nationalbank in Copenhagen. 1 rix-dollar (rigsbankdaler) 1819. 10.6 x 18.3 cm. DOP 63.

1835 to 1845, but this development came to a halt in 1845. The bank's activities in the period changed banking in Denmark, since they among other things and besides loans, e.g. bill discounting, and other normal commercial bank activities, included the establishment of two branches in other parts of the country, respectively Aarhus in Jutland (1837-1989) and Flensburg in Schleswig (1844-1939).²³ The bank had also been able to take up the competition with Hamburg regarding parts of the Danish money market, since after the raise to par it was no longer necessary to use the well-known stable Hamburg dollar for transactions, loans etc., because the Danish rix-dollar was now a stable currency.²⁴

The period of prosperity continued, and new important players started entering the credit market, especially from the 1850s (Table 2). The recently founded savings banks, credit associations, commercial banks etc. had already gained importance in that decade, particularly from 1857 when the commercial bank, *Privatbanken*, was founded.²⁵ This was possible as the Nationalbank, the

23. Four more branches were opened later: Aalborg (1881-1972), Nykøbing Falster (1882-1964), Kolding (1901-68), and Odense (1901-89). On the branches in Aarhus and Flensburg see Michael Märcher (2005): "i Jylland ... findes faa Capitalister": et studie i det jyske Bank-Contoir i Aarhus' etablering og virke 1837-1848, *Erhvervshistorisk årbog*, vol. 54, pp. 91-114 and Ove Hornby (1975): *Striden om filialen: banksagen i hertugdømmerne Slesvig og Holsten ca. 1840-46*, Flensburg.

24. Hansen (1968), p. 197-240.

25. The first savings bank was erected in Hamburg in 1778; the first in the Duchies were in Kiel in 1796 and Altona in 1801; the first in the Kingdom of Denmark was in 1810. See H.L. Bisgaard (1910): 'Vore Sparekasser gennem 100 Aar', *Nationaløkonomisk Tidsskrift*, pp. 177-199, and Aage Lambert-Jensen (1960): *150 år med Sparekassen for Grevskabet Holsteinborg og Omegn*, Copenhagen.

	The Nationalbank	Commercial banks	Savings banks	Credit associations	The house owners' credit association
1830	7	-	-	-	7
1835	8	-	-	-	9
1840	23	-	1	-	11
1845	43	-	5	-	12
1850	46	1	10	-	13
1854	50	1	24	12	15
1859	48	9	46	40	16

Table 2. Loans extended in the Kingdom of Denmark from financial institutions (in million Danish kroner*).

* 1 krone = 1/2 rix-dollar (after 1813).

Source: Svend Aage Hansen (1972): *Økonomisk vækst i Danmark*. Vol. 1: 1720-1914, Copenhagen, 154.

period 1835-45 aside, did not extend sufficient credit, and because the international monetary crisis of 1857 hit Hamburg especially hard. The great Hanseatic city's pronounced importance on the Danish credit market was severely reduced in the 1840s-50s, a development that mainly started with the raise to par and the Nationalbank's two branches and lasted until 1864, when the Duchies were separated from the Kingdom. From the 1840s, and mainly in the 1850s with new players on the credit market, the Nationalbank changed more and more into 'only' being the country's central bank, which at that time in particular meant taking care of the circulation of notes and being the overall bank connection for the state and financial institutions as e.g. commercial banks and savings banks.²⁶ It was also in this period (1856) that the Nationalbank started using the bank rate as an active political instrument to manage the demand for loans. The Nationalbank's development into a central bank continued and was particularly strong in the 1850s-70s, when many commercial banks and savings banks were founded, but it was not until 1914 that the bank, whose charter was extended in 1907 from 1908 to 1938, became the state's only bank connection.²⁷

DANISH BANKING AND THE NAPOLEONIC WARS

In relation to the theme of this publication, two trends in Danish banking at the time of the Napoleonic Wars should be emphasized. Contrary to Sweden and several other countries it was a general condition in Danish banking that the 'central bank' had a note-issuing monopoly. The only important deviation was in the period 1788-1813, when the Schleswig-Holstein Species Bank existed.²⁸ This deviation did not evolve because of the wars; on the contrary, the wars put an end to it, since the catastrophic development in the Kingdoms' monetary system culminated at the end of the wars with the so-called bankruptcy of the state; a reform that included the creation of the state-owned Rigsbank in 1813 and the privately-owned Nationalbank in 1818. Both banks replaced the existing ones.

26. The Nationalbank's business with privately owned firms etc. was more or less continually reduced, and they were finally closed in 1967.

27. Hansen (1968), pp. 241-390, especially pp. 241-300; Per H. Hansen (1991): From Growth to Crises: The Danish Banking System from 1850 to the Interwar Years, *Scandinavian Economic History Review*, ser. 39, pp. 20-40.

28. See the last sentence in reference no. 4. Many different private emergency notes were issued in small amounts 1807-16. See Finn Grandt-Nielsen (1993): *Danske Billetter: lokale nødpengesedler fra Napoleonskrigenes tid 1807-16*, Copenhagen.

142 The monetary developments before and during the wars lay the foundation for the existing situation with a central bank that is not state-owned. Of course the transition from the pre-war mercantilism to the post-war classical economics was vital, as focus on avoiding inflation and creating stability and trust were emphasized. Classical economics also included quantitative thinking in relation to the number of notes in circulation and the size of the population. Demands in relation to the monetary system were current problems right after the wars, and they had to be met. This not only had to do with the situation during the wars, but also the pre-war developments and the pressure exercised by the Duchies. The key issues were the state's role and the wish for a stable monetary system and sufficient credit extensions. It is an enduring theme, as is clearly demonstrated by the current 'financial crisis' and 'collapse' of the credit system, which has initiated discussions of how - or if - the state and/or the central banks should ease the credit market and its conditions by e.g. issuing financial help through bank packages.

APPENDIX I: CIRCULATING AMOUNT OF NOTES

143

Sources: Julius Wilcke (1929): *Specie-, Kurant- og Rigsbankdaler*, Copenhagen; Hansen (1968); Svendsen (1968).

Year	Amount	Year	Amount	Year	Amount	Year	Amount	Year	Amount	Year	Amount
		1740	531	1750	1,495	1760	2,415	1770	4,352	1780	10,630
		1741	522	1751	1,718	1761	3,423	1771	4,760	1781	12,837
		1742	732	1752	1,908	1762	5,324	1772	5,700	1782	15,554
		1743	972	1753	1,843	1763	4,766	1773	6,143	1783	15,683
		1744	1,053	1754	1,787	1764	6,055	1774	6,521	1784	15,243
		1745	874	1755	1,810	1765	4,350	1775	7,190	1785	14,425
		1746	929	1756	1,941	1766	4,065	1776	7,445	1786	13,636
1737	233	1747	1,101	1757	1,927	1767	4,488	1777	8,026	1787	14,318
1738	385	1748	979	1758	1,786	1768	4,130	1778	9,729		
1739	596	1749	977	1759	2,423	1769	4,390	1779	10,317		

IA: Courant notes 1737–1787. Circulation amount (1,000 rix-dollars), end of the year.

Year	Courant	The Species Bank in Copenhagen	The Species Bank in Altona	Year	Courant	The Species Bank in Copenhagen	The Species Bank in Altona
1788	15,072		197	1801	23,955	341	1,672
1789	15,655		238	1802	24,126	231	1,762
1790	15,183		611	1803	23,211	214	1,403
1791	15,557	63	605	1804	22,286	152	2,072
1792	15,641	53	650	1805	23,981	234	2,221
1793	15,406	199	811	1806	24,947	166	1,813
1794	14,718	682	1,326	1807	30,549	192	2,124
1795	14,063	2,491	1,472	1808	34,613	258	2,000
1796	14,199	4,798	1,672	1809	35,034	201	893
1797	13,404	5,300	1,820	1810	33,664	201	1,328
1798	12,680	5,365	1,918	1811	43,887	207	696
1799	14,615	4,219	1,467	1812	80,392	125	720
1800	19,333	1,617	1,668	1813	99,090	35	842

IB: Courant and species notes 1788–1812. Circulation amount (1,000 rix-dollars), end of the year.*

* Notes from Låneinstituttet i Altona, private emissions, assignates, and treasury bills are not included. The two last-mentioned were quite important 1809–13, see Svendsen (1968), p. 87.

Year	Amount	Year	Amount	Year	Amount	Year	Amount	Year	Amount
		1820	42.6	1830	31.8	1840	28.8	1850	34.2
		1821	40.0	1831	31.4	1841	27.8	1851	28.0
		1822	37.8	1832	31.0	1842	24.0	1852	29.4
		1823	36.2	1833	29.6	1843	24.2	1853	35.8
1814**	75.6	1824	38.4	1834	29.6	1844	28.8	1854	37.2
1815	69.4	1825	36.2	1835	28.4	1845	28.2	1855	45.2
1816	65.8	1826	35.2	1836	26.8	1846	30.8	1856	42.0
1817	62.6	1827	33.8	1837	26.4	1847	32.2	1857	43.6
1818	55.6	1828	33.4	1838	27.4	1848	30.8	1858	38.4
1819	51.8	1829	33.8	1839	29.0	1849	35.4	1859	43.0

IC: Rix-dollar notes 1813–1859. Circulation amount (million Danish kroner*), 31 July.

* 1 rix-dollar species before 1813 = 2 rix-dollar 1813–1873 = 4 Danish kroner (1873).

** January 1814.

