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The Scandinavian Economic History Review *and the economic development of Finland*

Antonio Di Vittorio

University of Bari

There can be no doubt that the *Scandinavian Economic History Review* contains the best informed references to the current state of economic history in Finland.¹ The review first appeared in 1953, on a bi-annual basis, as the journal of the « Scandinavian Society for Economic and Social History and Historical Geography », and for nearly twenty-five years now it has assiduously pursued its original objectives. Under the successive guidance of E. F. Söderlund (1953-61), K. Glamann (1962-70) and finally H. C. Johansen (1971 to the present) the journal has provided an important debating forum both for Scandinavian economic historians and for others who are concerned with Scandinavian economic history.

Finnish economic history has received considerable attention in the *Review*, and in fact if we were to judge quantitatively from the relative number of articles concerning different areas, then Finland comes second only to Sweden in importance. It is precisely because the *Scandinavian Economic History Review* contains such a wealth of information on Finland that it is possible to trace the ways in which its economic history has developed, the sort of questions and problems which have arisen, through the nature of the articles published in the *Review*.²

The *Review* shows that one of the basic themes in Finnish economic history is that of the process of industrialization — or, more broadly, of economic growth. This is no accident. Finland in fact only achieved inde-

¹ Here after *SEHR*.

² For a note on recent trends in modern Finnish economic history, see: P. VIR-RANKOSKI, *Local History in Finland*, in *SEHR*, 1966/2, pp. 179-187.

pendence in 1917, after a long period of dependence on Sweden (XIIth century - 1809), and a shorter period of dependence on Russia as a grand-duchy (1809-1917) which was, however, of critical importance for the country's economic development. Finnish economic historians have generally felt — and this was particularly the case in the inter-war period — that political dependence was harmful, and even positively restrictive, to the country's economic growth. The different living standards evident in the 1920s in other Scandinavian countries such as Sweden and Denmark seemed to provide clear proof of this.³

Since the last war, however, economic historians in Finland have been more concerned to trace the process of national economic growth back to chronologically more distant periods, back to the start of the modern era, in order to understand better the « historical roots » of economic growth. They have also come to their task free of "ideological" prejudice, and their approach to historical problems is to adopt rigorous methods of economic analysis. This has not only meant that we now possess much more accurate information on Finland's economic history, but has also created an entirely new spirit for the way in which the Finns now view their past — and, we might add, their future.

While the issue of the nation's economic development is the topic of central interest in Finnish economic history, there are two other issues which have attracted considerable debate and discussion in the columns of the *Scandinavian Economic History Review*. The first of these are the internal problems arising from the overall process of national economic growth, even though these appear in different guises in individual branches of the economy. The other issue is that of regional economic studies, the purpose of which is to establish and create models of the ways in which the regions differed from the national process, or else to establish the degree to which patterns of regional development conformed to the national pattern.

In terms of the first of these issues, problems of population growth are taken as being of central importance for all other aspects of economic growth. Finnish economic historians have, in fact, been greatly influenced by the developments in demographic studies achieved in the Anglo-Saxon countries in particular. New archival sources (ecclesiastical and fiscal records) have been used to trace the evolution of the Finnish population, and the most up-to-date methods have been adopted for studying the "pre-statistical" period. A good example of this is provided by E. Jutikkala's article on the Finnish population in the XVIIth century.⁴ Jutikkala has used baptismal

³ For Sweden, see: *Historisk statistik för Sverige. Del 3. Utrikshandel 1732-1970*, edited by « Statistiska centrabyrån », Stockholm 1972; for Denmark: H. ASKGAARD, *Den sønderjyske industris udvikling fra 1920 til 1970*, Copenhagen 1970.

⁴ See E. JUTIKKALA, *Can the Population of Finland in the 17th Century be calculated?*, in *SEHR*, 1957/2, pp. 155-172.

registers and poll-tax lists for the single region of Tavastland — although the findings can be generalised to the whole of Finland — to calculate the birth rate and the size of family nuclei for a large area of Finland at certain periods in the XVIIth century, in a way which is much more accurate than was possible in the past. Estimating that Tavastland had a population of 70,000 in 1696 and of 45,000 in 1654, and applying similar calculations to the other Finnish provinces, Jutikkala argued that the earlier “probable minimum” of 350,000 inhabitants for the whole country in XVIIth century, which had been suggested by S. Sundquist, needed revising. But quite apart from the greater or lesser accuracy of Jutikkala’s figures, another interesting aspect of the article lies in the connections drawn between demographic development and economic development at specific moments — and there can be little doubt that the process of economic growth was affected, by the pace of population movement, which it in turn also affected. From 421,000 inhabitants in 1750, Finland’s population had grown to 1,661,000 in 1851 and a century later reached 4,029,803. In a detailed study O. Turpeinen⁵ also provides information on the changing pace of population growth in the pre-industrial period by assessing mortality rates for the various Finnish provinces. From this it is apparent that in the period 1816-1861 the mortality rate in the towns (31.7%) was higher than in rural areas (25.9%), which Turpeinen takes as an indicator of the inability of the towns to afford their inhabitants protection against even the more common infectious diseases.

It was within the context of this human fabric in constant evolution that the different branches of the economy functioned. The most important of these branches was agriculture, for Finland has until only very recently been primarily an agricultural country and even today agriculture still plays a role of primary importance in the nation’s economy. Consequently Finnish economic historians have devoted much attention to the sector which for centuries constituted the almost unique source of the country’s wealth. It is no accident, for example, that the fame E. Jutikkala has achieved outside the circle of specialists — and he is probably the best known Finnish economic historian — results largely from his history of the Finnish peasantry.⁶

In a short but detailed article which appeared at the time of a new Swedish edition of this work, F. Skrubbeltrang⁷ described the essential stages in the evolution of the Finnish peasantry from the middle ages to the late XIXth century. Throughout this long period the Finnish peasants differed greatly in their legal position and in their ties to the land, but they constituted

⁵ O. TURPEINEN, *Regional Differentials in Finnish Mortality Rates 1816-1865*, in SEHR, 1973/2.

⁶ E. JUTIKKALA, *Bonden i Finland genom tiderna*, Helsingki, 1963.

⁷ F. SKRUBBELTRANG, *The History of the Finnish Peasant*, in SEHR, 1964/2. pp. 165-180

the true artificers of the national economy. The evolution of the peasant class was a long journey which drew to a close in the early XXth century, when the area cultivated by small proprietors expanded with the putting of much formerly uncultivated land under the plough.

But E. Jutikkala's article on the famine of 1696-7⁸ shows that this progress was interlaced with frequent calamities, especially famines of which that of the late XVIIth century was particularly severe. The shortage of wheat and other cereals (rye and oats) was such that in more than one Finnish province over 30 per cent of the population died, causing deep rents in the demographic fabric and also frightening falls in production levels; not only in agriculture, but also in fiscal revenue. Nor was there any alternative. Production techniques in modern Finland were very primitive, and A. M. Soininen has shown in a detailed study⁹ how increases in the population led to increases in production, but always as a result of extending the cultivated area by means of "burn-beating". Soininen shows that this was how the four Finnish provinces (Savo, Tavastland, Satakunta, Ostrobothnia) were internally "colonized" during the XVIIth century, and, it was this which virtually doubled the area of Finland which was settled and inhabited, in comparison with the situation in the late Middle Ages.

Nor were there any major improvements in agriculture later — in the XVIIIth century, and even for much of the XIXth, agricultural techniques reflected those of earlier centuries. But the structure of landownership did change, as Jutikkala has shown.¹⁰ From the early XVIIIth century it was the crofters, small and medium tenant farmers, who came increasingly to the forefront. They were endowed with gifts of tenacity and enterprise, and constituted from the XVIIIth century onwards the backbone of the Finnish economy. Jutikkala also returns to the theme of the crofters in the course of a critical appraisal of a book by V. Rasila on the origins of the crofter problem in Finland.¹¹ Their appearance and development occurred within the context of the collapse of the landowning aristocracy which followed Sweden's loss of supremacy in the Baltic — a loss which affected dependent Finland as well. The weakening of the landed aristocracy became accentuated in the early XIXth century, when the Finnish nobility were confronted with an alternative between bowing down to the authority of Czarist Russia in order to preserve their traditional power, or accepting the Swedish customs which had for centuries been implanted in them and which involved a scaling down both of their role and of their power.

⁸ E. JUTIKKALA, *The Great Finnish Famine in 1696-97*, in *SEHR*, 1955/1, pp. 48-63.

⁹ A. M. SOININEN, *Burn-beating as the Technical Basis of Colonisation in Finland in the 16th and 17th Centuries*, in *SEHR*, 1959/2, pp. 150-166.

¹⁰ E. JUTIKKALA, *Finnish Agricultural Labour in the Eighteenth and Early Nineteenth Centuries*, in *SEHR*, 1962/2, pp. 203-219.

¹¹ E. JUTIKKALA, *Origin and Rise of the Crofter Problem in Finland*, in *SEHR*, 1962/1, pp. 78-83.

The era of the crofters did not last beyond the mid-XIXth century. From then on it was the small landowner who became the most important figure in the countryside, and replaced the crofters as the most vital element in the national economy. In a subtle essay E. Markkanen has illustrated the rise of the "farmers" as opposed to the "crofters" in Finland in the late XIXth century.¹² Although the decline of the latter as a percentage of the rural population between 1850 and 1900 (11.2% to 10.5%) was not great, it was more impressive if seen in terms of absolute numbers. In addition no crofter in this period had an income over 1,000 Finnish marks, while there were farmers who earned as much as 10,000 marks a year.

It was against this agrarian background that the civil war broke out in 1917, which was a part or aspect of the civil war in Russia. The alignments were also the same: "reds" on one side, and "whites" on the other. But the positions taken by the two sides were different, as V. Rasila pointed out in an informative article.¹³ The equation "reds" tenant farmers — "whites" small landowners may seem simplistic, but it does reflect the situation in Finland accurately. This is particularly evident, as Rasila has argued, in the light of subsequent events, when the leader of the "Whites", Mannerheim, became leader of the Finnish state under pressure from those who had supported him, the landowners.

The articles concerned with agriculture in the *Scandinavian Economic History Review* touch on problems of central importance to Finland's economic development, and this is equally true of the aspects of industrial development treated there. Industrialization dates from the late XIXth century, and in particular from the 1880s. It was only then that the numbers of those dependent on industry, in the modern sense of the word, began to increase, as is shown by L. Korpelainen in the course of an essay on employment in Finland.¹⁴ Despite the stoppages caused by the civil war, by the crisis of 1929 and by the Second World War, the increase in the number of those employed in industry was not interrupted, although there was a shift from employment in industries geared to internal production to those orientated towards exports.

This tendency was evidence — or the result, if one prefers — of industrial change, of a real and proper industrial "revolution" which the country experienced in the final quarter of the XIXth century. This is confirmed by P. Schybergson's well documented essay on joint-stock companies

¹² E. MARKKANEN, *Wealth and Credit in the Finnish Country side, 1850-1910*, in SEHR, 1973/1, pp. 28-42.

¹³ V. RASILA, *The Finnish Civil War and Land Lease Problems*, in SEHR, 1969/1, pp. 115-135.

¹⁴ L. KORPLAINEN, *Trends and Cyclical Movements in Industrial Employment in Finland 1885- 1952*, in SEHR, 1957/1, pp. 26-48.

in Finland.¹⁵ Before 1869 they were very few in number (no more than a hundred), but they doubled in the years 1870-4, grew by no less than 100 between 1874 and 1889, and between 1890-4 by a further 350. By 1894 the 100 or so companies existing in 1869 had grown to over a thousand, with increases in capital formation which were more than proportional — this was distributed as follows: industry 53.1%; banks 19.1%; transport 14.6%; real estate operations 5.3%; other sectors 7.9%. The capital formation totalled 182 million marks.

In discussing the source of this capital, Schybergson emphasises the role of the banks but states that this should not be over-estimated because of the part played by forestry — or rather the utilization of this tremendous resource at a time when the industrialized areas of Europe were finding themselves increasingly short of timber — in the development of Finnish society. In fact Schybergson argues that the primary source of capital for nascent industry in Finland came from forestry, which is attributed the role of “primer” of modern Finnish economic growth.

On the other hand, Finland could not rely on native mineral resources for its economic growth. Although iron was exported to Russia in the period 1880-1913, for example, E. Pinkala has shown that this amounted to only a very modest proportion of Russia's imports (5-6%). Such exports seem to have reflected Finland's political dependence on Russia rather than any real possibility of the former establishing an export trade with the latter.

Finland's real resources were — and are still — closely associated with her geography — water to transform into energy, forests on which to base a timber industry or a wood-pulp industry for cellulose and paper. As J. Ahvenainen has shown in another fine essay, Finland has continued to draw heavily on her forestry resources throughout the XXth century.¹⁷ For example, between 1900 and 1935 paper production increased from 45,000 metric tons to 445,000, and then to 3,033,000 in 1970. It was forestry, then, which in Finland played the role assumed elsewhere by agriculture in financing and making possible the start of economic transformation. And, naturally, the tertiary sector also played a part in this same process.

The contribution of the tertiary sector to economic growth in Finland has been well documented right back to the start of the modern period. Again forestry products constituted the primary objects of Finnish commerce. In an interesting article, S. E. Astrom discusses timber exports in the Gulf

¹⁵ P. SCHYBERGSON, *Joint-Stock Companies in Finland in the Nineteenth Century*, in *SEHR*, 1964/1, pp. 61-78.

¹⁶ E. PIHKALA, *Finnish Iron and the Russian Market 1880-1913*, in *SEHR*, 1964/2, pp. 121-144.

¹⁷ J. AHVENAINEN, *The competitive position of the Finnish paper industry in the inter-war years*, in *SEHR*, 1974/1, pp. 1-21.

of Finland in the XVIIth and XVIIIth centuries,¹⁸ and indicates the preponderant role taken by the districts of Viborg, Frederikshaven and Helsingfors in the export of timber from the region, in contrast to neighbouring areas such as Narva and Nyen whose economy also depended on the export of timber. Åstrom also points out that the early XVIIIth century was a period of very intense exploitation of the Finnish forests, and was consequently also a period which saw a rapid expansion of the saw-milling industry and of other activities relating to the preparation of timber. Finland contributed a major proportion of the timber exported from the Baltic (in 1670, 31,000 "pieces"; in 1700, 370,000; in 1740, 850,000).

Finnish transport also had some share in this export trade, and Finland proved well endowed from this point of view. Y. Kaukiainen's article¹⁹ provides a wealth of detail on the size of the "peasant-fleet" in the early XIXth century. In 1810 there were some 335 vessels with a total tonnage of 9,250 "lasts" involved in trade in the Baltic, in particular supplying Sweden, and especially the Stockholm area, with agricultural products. Trade with Sweden remained a constant factor in Finnish commerce, even after the country became part of the Russian sphere. In proportional terms, however, its importance diminished as the century progressed, and this became evident after the 1820s. It was only in the second half of the XIXth century that Finland succeeded in establishing stable trading relations with her powerful neighbour.²⁰ As K. Hautala's article on the Finnish merchant fleet in the late XIXth century²¹ seems to suggest, the strengthening of commercial relations between Finland and Russia was part of a phase of commercial and industrial expansion in the Finnish economy rather than of the political influence exercised by Russia over its neighbour. Although drastically reduced in number and tonnage by the Crimean War, Finnish shipping was active in the later XIXth century not only in the ports of the Baltic but also in the Mediterranean and even the Americas. Following the Crimean War Finnish shipping was drastically halved from its original tonnage, but in the following years the numbers steadily increased — 110,000 tons in 1860; 136,720 in 1870 — which indicates not only the vitality of the Finnish merchant fleet, but of the whole economy in this period.²²

¹⁸ S.-E. ÅSTRÖM, *Technology and Timber exports from the Gulf of Finland 1661-1740*, in *SEHR*, 1975/1, pp. 1-14.

¹⁹ Y. KAUKIAINEN, *Finland's peasant seafarers and Stockholm*, in *SEHR*, 1971/2, pp. 118-132.

²⁰ H. PIPPING, *Trade between Finland and Russia in 1860-1917*, in *SEHR*, 1971/1, pp. 51-59.

²¹ K. HAUTALA, *From the Black Sea to the Atlantic: Finnish Merchant Shipping in the late nineteenth Century*, in *SEHR*, 1971/1, pp. 12-22.

²² This was also the period in which the Finnish railway network was built: see E. JUTIKKALA, *The Problem of Railway Ownership in 19th Century Finland*, in *SEHR*, 1970/1, pp. 66-68.

Interesting light is thrown on this in a very informative article by Jutikkala on the distribution of wealth in Finland in the XIXth century.²³ The fact that wealth was concentrated in the hands of certain social classes and around relatively few urban centres had important consequences for Finland's industrialization. It was this concentration which made it possible for economic undertakings to be attempted, and in fact for the process of industrial development to occur, the results and consequences of which were evident only several decades later. Turku, Helsinki, and Vaasa were the cities which in absolute terms had the largest number of landowners, while in percentage terms the Baltic cities and those to the south of the Gulf of Bothnia headed the list. In terms of average *per capita* property Helsinki (average 150 *riksdaler banco*) Turku (101) and Vaasa (128) were all well placed, even though they were preceded by Pietarssari (202) and Kokkola (160) on the northern part of the Gulf of Bothnia. The largest number of property owners with possessions valued between 1,000 and 5,000 *riksdaler banco* were concentrated in the city of Turku (176), followed at some distance by Helsinki (41), Oulu (34), Vaasa (29). The same gap is evident if we look at the distribution of those owning property worth between 5,000 and 20,000 *riksdaler banco*, when once again Turku was in first place (46) while Vaasa and Pietarssari shared second place (11). As far the distribution of property among the different social classes was concerned, first place was held by the merchants. Second came the "official", and then the artisans.

Essentially the picture of Finland's economic history which emerges from the *Scandinavian Economic History Review* is that it did not play a marginal role in the Baltic world, but was an active participant in it. The different political role assumed first by Denmark and then by Sweden in this part of Europe has had the effect of causing the economic life of the countries that came into their orbit to be neglected. This is certainly the case for Finland, for although the country was, as we have already mentioned, united politically with Sweden until 1809, it still managed to play an active part in the economic life of the Baltic and in the modern period also constituted an essential element of the Baltic economy. That this is true can be seen from the fact that Finland's economic ties with Sweden were not destroyed when the former passed into the Russian sphere of influence after 1809, but rather were only slackened, and even that not immediately but only after several decades. This is an eloquent example of the strength of the economic links which bound Finland to the Scandinavian world and also of Finland's importance for the economy of her industrious neighbour.²⁴

²³ E. JUTIKKALA, *The Distribution of Wealth in Finland in 1800*, in *SEHR*, 1953/1, pp. 81-103.

²⁴ Y. KAUKIAINEN, *Suomen talonpoikaistorjehdus 1800-luvun aikupuoliskolla (1810-1853)*, Helsinki 1970.

This general picture of Finland's economic development becomes more shadowy, however, when we move on to regional studies. These constitute the other major interest amongst Finnish economic historians in the pages of the *Scandinavian Economic History Review*. Not all the regions of Finland participated in the same degree or in the same form in the country's economic growth, and while some made a major contribution (especially the southern and western regions) others did little more than react and made meagre contributions (especially in the north and the east).

The objectives and methodology of the regional studies do not differ from those concerned with national problems. Again the starting point lies in demographic studies, although A. Rosenberg's study of population mobility in the county of Uusimaa (Nyland)²⁵ remains rather isolated and it would have been very useful to compare his findings for this county with other areas. Between 1821 and 1880, which is the period which Rosenberg has studied, there was a high degree of mobility in this area, consisting of marked emigration from rural areas and clearly correlated immigration into the towns, a process which increased during the course of the XIXth century. It would be very interesting to be able to make comparisons in order to discover to what extent the economic changes occurring in northern Europe and with which Finland was in direct contact, influenced demographic mobility.

It should be remembered that the importance of agriculture never diminished, but the conditions of the peasants deteriorated between the late XVIIth and early XIXth century as a result of the pressures to improve equipment in order to meet the increased demands of a growing population. In a well documented article, T. Aunola has studied the indebtedness of the peasants of North-Ostrobothnia in the XVIIth and XIXth centuries.²⁶ Taking a sample farm, the author shows how high a percentage (30%) of the peasants were in debt at the start of the XIXth century. While the percentage of peasants in debt in the parishes of Oulu was, for the period 1765 to 1809, on average about 40%, the number of mortgage arrangements undertaken by field labourers in the area in the same period was also very high.

The manufacturing sector also responded to internal and external factors. In a very interesting essay on the changes in the domestic textile industry in the South-West of Finland, P. Virrankoski²⁷ has studied the way in which raw and spun cotton rapidly replaced linen between 1816-20

²⁵ A. ROSENBERG, *Mobility of Population in the Finnish County of Uusimaa (Nyland)*, in *SEHR*, 1965/2, pp. 163-185.

²⁶ T. AUNOLA, *The Indebtedness of North-Ostrobothnian Farmers to Merchants 1765-1809*, in *SEHR*, 1965/2, pp. 163-185.

²⁷ P. VIRRANKOSKI, *Replacement of Flax by Cotton in the Domestic Textile Industry of South-West Finland*, 1963/1, pp. 26-42.

and 1856-60 — raw cotton production rose from 3,880 “pounds”²⁸ to 143,653, and spun cotton from 170 to 22,259, so that by the mid-XIXth century the port of Turku was exporting large quantities of cotton fabric to Russia (rising from 936 “yards” in 1834 to 75,128 in 1859).

The most ambitious attempt to study the contribution made by individual regions to the nation's economic growth is that undertaken by A. Kiiskinen in his analysis of Finland's regional economic development between 1880 and 1952.²⁹ Kiiskinen's study shows how important a part in the formation of agricultural income was played by the regions of the north, the centre and the western coast of Finland in comparison with those of the southern coast, the south-west, the south and centre, and the south-east. The latter, however, all played an important part in the formation of the tertiary income, in particular the southern coastal regions. This shows how economic activity was, in the period of Finland's industrialization, concentrated in specific regions — the south and west — which assumed a leading role in the economic development of the whole country. And this was a process which was achieved without great noise and excitement, with the aim of establishing the Finnish economy on a sound basis which would avoid the existence of major imbalances between different branches of the economy and which would allow those between regions to be lessened, as far as geography and climate allowed.

Certainly the articles contained in the *Scandinavian Economic History Review* do not cover the process of economic growth in its entirety. They, do, however, present us with its most important and typical aspects and provide us with an insight into some of the most interesting problems confronting contemporary Finnish economic historians, whose interests are well captured by the *Scandinavian Review* — which also points the way to their future lines of research.

²⁸ This is « Old Swedish twenty-pound weights » (= 18,74 lbs).

²⁹ A. KIISKINEN, *Regional Economic Growth in Finland 1880-1952*, in *SEHR*, 1961/1, pp. 83-104.