

Trust and reputation in mediation
Organisation of retail and wholesale trade, c. 1700 – 1900 (Finland)¹

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Jari Ojala & Jari Eilola
University of Jyväskylä

INTRODUCTION

Prologue

Anton Mäkinen, a rural trader from Suolahti, answered a special offer on flour made by wholesale trader Robert Ruth (Jyväskylä), and he believed Ruth when he said that there could be a demand for flour in the near future. As such, Ruth wanted to buy the flour, but said “because I do not have any cash, I can not define the quantity”. In August he wrote to Ruth saying that he had an urgent need for sugar and sends his “humble request” for 100 kg. However, Ruth did not answer immediately, and Mäkinen wrote “I need your answer in the next post, so I can buy from someone else - if you do not send any sugar - because I really need that sugar.” At the same time Mäkinen was having difficulties in getting out of debt to Ruth. He sent 500 Fmk to him in May and promised: “I will come to Jyväskylä at the end of this week or the beginning of the next, as hopefully I will have some more money by then.” But he probably did not come and Ruth showed signs of losing patience, because Mäkinen wrote “More’s pity that things have grown to this direction. But I bought too many supplies in the winter, when business was lively, and am now having difficulties in selling them. And I am even more disappointed in the promises you made, concerning my business, in which I believed. But in these circumstances I will try to settle my business and pay my debts as soon as possible.” Apparently this happened because he ordered sugar from Ruth in July

¹ The paper is based on our previous and ongoing research on the subject. See: Eilola 1998; Ojala 1998; Eilola 2004.

and August. He also mentioned his earlier order for meal in his letter from November. Despite Mäkinen's difficulties in getting out of debt they continued and, for instance in December, he asked, if he could pay for 50 sacks of flour the following week. All Mäkinen's letters to Ruth are full of promise that he has or will have money, which he will soon send to him.

However, these problems did not end the trade relationship between Mäkinen and Ruth for several reasons. Mäkinen had just opened his shop and these kind of financial problems were characteristic for new traders. His troubles stemmed from his bad management of his finances. Ruth also knew Mäkinen very well, as Mäkinen had earlier been his employee. He knew Mäkinen's character and, therefore, he was willing to give him more time, and eventually Mäkinen cleared his debts and stabilized his business. In fact, Mäkinen's shop was among the oldest in Suolahti in the early 1920s.²

The rather typical case of rural trader Anton Mäkinen and wholesaler Robert Ruth reveals the patterns and practises of trade in the middle parts of Finland in the late 19th century. This, at least according to a number of studies, was the time of modernisation. Though, both Mäkinen and Ruth aimed for rational solutions in their trade dealings using wealth maximising behaviour, there was still non-rational or non-economic factors prominent in their interactions. These factors include trust and reputation, which can be understood as patterns of organisational culture that are closely linked with the concept of social capital³.

From our point of departure social capital is defined as an interactive relationship between people and/or organisations. It has been suggested that once social trust as a form of social capital exists transactions become more efficient⁴. Social capital can be understood as a history-dependent article that remains within and between organisations despite the changes in personnel or time.⁵ The level of social capital in a society is – among other things - determined by very long historical trajectories⁶. The role played by the social capital is especially pronounced during the phases of change within the organisation or within its operational environment.

² Wilmi 1991, 107, 178-179.

³ As defined by Bourdieu 1979; Coleman 1988; Putnam 1993; Putnam 2000.

⁴ See e.g. Arrow 1974; Thomas 1998.

⁵ Levitt and March 1988.

⁶ Rothstein and Stolle 2002.

Research question

Patterns of wholesale and retail trade have been studied recently by a number of scholars, usually stressing the continuities, changes and trading practises in certain geographical areas and countries⁷. The studies are especially interested in the organisation of trade in local settings, e.g. stressing the labour relations and practical work⁸. The interaction between the merchants as well as between merchants and their customers are noted in a number of studies⁹, and in the Finnish case one can mention Åström 1977, Alanen 1957b, Markkanen 1977, and Aunola 1967¹⁰. The network structures of trade are usually noted in international trade¹¹ and in domestic business relations, especially during the industrial age¹², but not so often in early modern domestic trade practises¹³. On the whole, domestic trade is, at least in the Nordic countries, seldom studied, especially when compared to international trade¹⁴.

This paper aims to clarify the organisational and reciprocal relationships, interaction and structures of the retail and wholesale trade over a long period of time, starting from the period of the mid-18th until the First World War. The paper aims to analyse the trading practices in Finland during the period of ‘modernisation’. Modernisation is stressed in previous studies as having revolutionised retailing during the latter part of the 19th century in western societies. This highly debated issue is being challenged, both in terms of the concept itself and its timing. For example, Stobart and Hann have recently (2004) stated that the growing sophistication and “modernity” of selling practices, and even the specialisation in retailing had already occurred in England by the 18th century¹⁵.

‘Modernisation’ is in this paper understood as the outcome of a number of institutional innovations that took place in mid-19th century Finland. The changes in legislation provided a “window of opportunity” for new entrepreneurs to emerge, and also enabled changes in organisations and business practices. According to Douglass C. North, institutional change can bring new actors,

⁷ E.g. discussion on English case is summarised in Stobart and Hann 2004.

⁸ On Finnish case see e.g. Hentilä 1999.

⁹ About the discussion see e.g. Hoffman, Postel-Vinay et al. 1999.

¹⁰ Besides the mentioned ones see especially: Möller 1954; Aunola 1965; Markkanen 1973; Heikkinen 1988. - Also local histories have a lot to offer the study of credit trade between peasants and merchants. See e.g. Mickwitz and Möller 1984; Möller 1970; Nikander 1945, 151-161; Björkman 1916; Söderhjelm 1907-1914; Björkman 1918-1924.

¹¹ See e.g. Greif 1989; Göranson 1990; Easton 1992; Casson 1998; Ojala 2002

¹² See e.g. Williamson 1975; Useem 1984; Williamson 1985; Göranson 1990; Glete 1994; Stenlås 1998

¹³ See e.g. Dahl 1959

¹⁴ This can be detected e.g. from the Index of articles published in *Scandinavian Economic History Review* 1953 – 2003. See: Autio, Leino-Kaukiainen et al. 2004.

¹⁵ Stobart and Hann 2004, 189-190.

structures and practices to economic activities¹⁶. However, neither organisation of the trade nor the business strategies changed significantly in the case of Finnish domestic trade in the late 19th century. Credit trade was still the basis of the domestic retail and wholesale trade throughout the period in question, and even long after. The tradition or the practice of credit trade was so strong, that even cooperative societies, which were established as a critique to capitalist profit maximising, had to accept it. Resistance to it would have seen the end of several smaller cooperative societies. As such, some of them got around the problem by using “restricted credit”, which meant that the sum of money or time was restricted. They could not suppress it. The First World War changed the way of conducting business to one of advance cash purchase’s, but only temporally, and according to Päiviö Tommila people returned in the 1920s to the old practices. The strict competition with each other and with rural traders explains the willingness of cooperative societies to return to the credit trade system.¹⁷

This paper argues that one can hardly speak about modernisation in the Finnish case before the mid-19th century, mainly due to institutional constraints. However, the latter part of the 19th century witnessed a growing specialisation and a change in activities, but the old business practices were still used. Furthermore, we argue that this modernisation was highly dependent on the possibilities of the individual actors to adapt to changes, whether in terms of mental readiness for change or due to financial possibilities. We argue that due to the credit trade trust and reputation – thus, social capital, played a vital role both in retail and wholesale trade throughout the period.

Conceptualising the issue (gift, trust and reputation)

There can be no human society without two domains. Whilst the first, a domain of exchanges, includes rapid and visible changes in actions and environment, the second, a domain of cultural elements represents slow and rather invisible changes. The first one, a domain of exchanges includes whatever is exchanged and whatever the form of this exchange is - from gift to potlatch, from sacrifice to sale, or from purchase or sale. In fact, the two main types of exchange in this paper, the gift ‘system’ and the commercial economic ‘system’ are conceptions, or ideal types, of exchange behaviour. They do not represent the reality, but they are analytical models. Therefore,

¹⁶ North 1990, 73-104.

¹⁷ Ranta 1970, 278-287; Tommila 1972, 473; Kuusterä 1996, 58-62.

they can function together, and economic activity of every type is produced by a mixture of the two to a certain degree.¹⁸

The second one is a domain of cultural elements in which individuals and groups carefully keep for themselves, and then transmit to their descendants or fellow-believers things, narratives, names or forms of thinking. The things that are kept are always ‘realities’ which transport an individual or group back to another time. It is beginning with these fixed, still points, these realities ‘anchored in the nature of things’ that individual and collective identities are constructed and can develop. These anchor points, as Godelier calls them, give time its duration.¹⁹

The wholesale and retail trade was largely based on social capital, namely trust and reputation between the transacting parties. Thus, the domain of exchange and domain of cultural elements were interdependent. Credit played a central role: most of the dealings were based on the credit granted by the wholesalers or retailers to their domestic customers (retailers and peasants) – money was only seldom used in transactions²⁰. The credit trade was in the best interests of both parties in the long run: traders got constant suppliers of products to be sold abroad (e.g. tar, timber and agricultural products) and peasants got security from the familiar merchant e.g. in the case of bad years. On the one hand, the wholesaler had to ensure the creditability of and trust (through reputation) his domestic (and also international) customers, and on the other hand, the customers (peasants) had to put faith in the weight of the reputation the tradesman had in order for the two parties to transact business. Therefore, production and reproduction of honour and credibility was of high value to both the transacting parties.

These relationships between the wholesalers and their customers were imbued with reciprocity²¹ or, one could say a gift system²². Therefore, it is important to notice some characteristics of that system. Firstly, it was a basic model, which was generalized to concern all kind of relationships, including exchange. Secondly, there were no free gifts.²³ The reciprocity meant an obligation to give gifts, to receive them and to give them in return. When this exchange was balanced, the relationship was thought to be in the stage of normality. Thirdly, the nature of the gift system was not necessary material: goods and money were also changed for immaterial things, which were

¹⁸ Godelier 1999, 201; Davis 2000, 8.

¹⁹ Godelier 1999, 201.

²⁰ See also: Clay 1997; Fontaine 2001; Muldrew 1998; Shepard 2000.

²¹ Kranton 1996.

²² Mauss 1990; Douglas 1996; Davis 2000

²³ See also: Douglas 1996.

considered valuable.²⁴ E.g. during the seventeenth century it became a custom that merchants fed and accommodated peasants in order to get better deals (so-called *majmiseriet*). In fact, the credit business can be seen as a form of gift system: credit was a performance, which required something in return.

The reciprocal system was also a solution to problems concerning the trustworthiness of partners²⁵. Traders used short term credit to cement their financial alliances with bankers and other investors²⁶. On the other hand, they used old-fashioned long term obligations to stabilize their relationships with their agents. A large profit or high interest was not important, and were subordinated to long term security and stability. These long term obligations also characterized the exchange between traders and local peasants.

Sources

The sources used for the study include correspondence and ledgers from seven different trading houses (Falander, Sovelius, Lang, Donner, Malm, Kyntzell, and Ruth), different kinds of records of local authorities such as probate inventories (more detailed below), which enables us e.g. to clarify the credit-chains, and court records that are important in analysing the patterns of trade in cases of conflict.

We have collected e.g. merchants' probate inventories from several towns from the period 1700 – 1914, covering over 10 000 indebted peasants. During the time of the 'merchant capitalism' all belongings of a trading house were actually belongings of the merchant himself. Therefore, in the case of death, all the property owned by the merchant house was written down on the probate inventory (sw. *bouppteckning*) of the deceased merchant.²⁷ The credits were marked in these documents as well. Although there were slight changes in the methods of writing probate inventories during the time period, the main features remained unchanged. The names of the debtors were not always listed in the late nineteenth and early twentieth century probate inventories: therefore, we do not know the number of the debtors. The total amounts of the credits are always mentioned. In some cases even stocks and obligations were written down in the credits of probate

²⁴ See also: Mauss 1990.

²⁵ Williamson 1985.

²⁶ Kranton 1996; Hoffman, Postel-Vinay et al. 1999.

²⁷ On probate inventories see especially: Markkanen 1978; Markkanen 1988b; Nummela 1995.

inventories²⁸. These are, however, separated from this study, as usually bonds were listed as their own principal group in the probate inventories.²⁹

The merchants' credits were collected in the probate inventories from the account books that the merchants had. Although there were no formal regulations to having an account book, it was in the merchants' best interest to have one. In cases where the peasant took the merchant to court over a disagreement of debt, a well-kept account book was usually enough to testify that the peasant was indebted to the merchant. Though the original account books are more or less destroyed, the probate inventories offer a view of the credit situation at the time of death.

From the credits mentioned in probate inventories one can study the importance of the credit trade. One must bear in mind that all of the credits were not issued to peasants: there were also town burghers, seamen, masters of ships, other merchants in the home town or other towns in Finland, and even large foreign trading houses, which had obtained credits from the merchants. This only stresses the importance of the credit trade, especially during a time when the banking system was not wholly developed.³⁰

The probate inventories describe the merchants' economic status in the year of their death. Therefore, it is always a matter of coincidence which peasants happened to owe money to the deceased merchant at that point in time.³¹ In the case of Kokkola we have 288 merchants' probate inventories and from Pietarsaari we have 178 merchants' or industrialists'³² probate inventories, with fewer mentions of indebted peasants than in Kokkola.

The probate inventories could be used as a source material in the study of economic activity, even though the deceased persons were old. Usually merchants continued to practice trade up until their

²⁸ As in the case of Anders Roos Sr from Kokkola. Vaasa provincial archives, Vaasa. Magistrate of Kokkola. Probate inventory of Anders Roos Sr. 9th August 1810.

²⁹ Markkanen 1977, 24-53, 158

³⁰ In the case of Kokkola the number of peasant debts is separated, so that we can study more precisely the importance of the credit trade between the town and the rural district. Due to the deficiency of the source-publication of the probate inventories from Pietarsaari (up to 1800), we can not make an exact separation in the case of Pietarsaari as in the case of Kokkola. Björkman 1929.

³¹ Aunola 1967, 23-39

³² Also industrialists' are included, as they usually had at least some kind of trade activity. The most important industrialists' were the tobacco industrialist Philip Ulrik Strengberg and chicory (later also sugar), tobacco, sawmill and plywood industrialist (Bernd) Wilhelm Schauman from Pietarsaari. Also their wives probate inventories are preserved. See: Vaasa provincial archives, Vaasa. Magistrate of Pietarsaari. Probate inventory of Philip Ulrik Strengberg 28th February 1873; Charlotta Ulrika Strenberg 4th Juny 1879; Elmi Wilhelmina Schauman 7th March 1908; Berndt Wilhelm Schauman 4th March 1912. Schybergson 1983, 35-95.

death, or at least the property of the trading house was personal property of the old patriarch until his death. The probate inventories of merchants' wives or widowers are explored as well as according to the law the assets of the husband had to be valued also in his wives probate inventory - and vice versa.³³ Some merchants had retired before their death. For example, commercial counsellor Anders Donner from Kokkola and commercial counsellor Adolph Lindskog from Pietarsaari are such cases³⁴. Some traders had assigned a part of their belongings to their successors, as in the case of Peter Malm Jr. from Pietarsaari³⁵.

To get more precise information about the trading practices and credit relationships the archives of different trading houses are used for the study. In this paper, especially the correspondence and ledgers of trading house Ruth from Jyväskylä are used. Ruth is used as an example of a new-comer from the late 19th century, in order to find out, whether the business practises were similar or significantly different during the period of “modernisation”.

The paper falls into five parts. After the introduction a short description is given to clarify the organisation of domestic trade in Finland during the period of 1700 – 1900. After that, a description of credit relationships is given, based on an analysis of probate inventories, followed by an analysis of the trading practices in the late 19th century. In conclusion, the conceptual and empirical findings are combined.

ORGANISATION OF DOMESTIC TRADE IN FINLAND, 1700 – 1900

Due to the corporative system and privileges wholesale trade and retailing was concentrated in the towns and to the hands of tradesmen in the Nordic countries during the early modern period. Each town had their commercial districts, an area, in which trade was dominated by one town and its tradesmen. E.g. in Finland, the trade in the countryside was strictly forbidden up to the 1860s, with the exception of the regularly organised markets, in which the wholesale trader's from the towns sell their products and bought items from the countrymen. Of course, some amount of illicit trade

³³ Ojala 1996, 20; Markkanen 1977, 24-53; Markkanen 1988b, 59, 62; Nummela 1995, 79-80.

³⁴ Vaasa provincial archives, Vaasa. Archives of trading house Donner. Probate inventory of commercial counsellor Anders Donner 1858. Archives of magistrate of Pietarsaari. Probate inventory of commercial counsellor Adolph Lindskog 20th July 1836.

³⁵ Peter Malm Jr. had assigned most of his vessels to his son Otto Malm as well as all the outstanding accounts he had from Sweden: these credits made up 742 000 Finnish silver marks or 530 000 Swedish riksdaler riksmynnt. Nikula 1948, 334.

took place, but neither its amount nor value is possible to analyse. Both retailing and wholesale trade were in the hands of the few. Namely, town merchants and certain merchant houses dominated domestic trade in Finland. The largest houses distributed goods not only directly to customers but to the small scale traders too. Trade on credit played a crucial role, namely, cash payments were seldomly used and trade on a monetary basis came into general existence only slowly.

In Finland, certain coastal towns dominated domestic trade up until the mid-19th century. In central Finland these coastal towns included Kokkola, Pietarsaari, and Raahe. Certain rising inland trading centres (like Tampere, Kuopio and Jyväskylä) became more important especially during the latter part of the 19th century. Though most of the entrepreneurs in these towns were newcomers (especially in Jyväskylä), trading practises and business strategies were fairly similar to those in coastal towns.

Peasants carried their products to the towns in order to sell agricultural (such as butter and rye and other cereals) and forest products (such as tar and timber) to the merchants and to buy necessary products. The most important commodity in the central parts of Finland throughout the 18th and 19th century was tar, which was produced by the peasants, then delivered to coastal towns and exported especially to Britain and Netherlands. It is believed that as much as 75-90 per cent of the tar exported from Sweden in the late 18th century was actually produced in Finland. On the British markets this commodity was known by the trade mark “Stockholm tar”, and it dominated the markets to some degree up until the mid-19th century.³⁶

During the seventeenth century it became customary for merchants to feed and accommodate peasants that delivered their products to towns in order to get better dealings (so-called *majmiseriet*). Merchants even travelled to the countryside and bought tar and timber in advance and gave money to the peasants for the forthcoming products. In time peasants became indebted to the merchants. Already by the mid-seventeenth century the *majmiseriet* was formally abolished. Yet, the credit relations remained active up until the late nineteenth century, although there were attempts to abolish credit trade between merchants and peasants.³⁷ In previous research, or even in the notions of contemporary writers, one can detect a certain prejudice in dealing with this matter.

³⁶ More detailed in: Hautala 1956; Alanen 1957a; Hautala 1963; Åström 1988; Mauss 1990; Villstrand 2001.

³⁷ Alanen 1957b, 58-63, 95, 98, 116-121, 136-143, 157-158; Mickwitz and Möller 1984, 88-92. Möller 1970, 192-194; Heckscher 1936, 570, 637; Åström 1977.

Usually contemporary writers appealed against the injustice of the credit trade. They were worried about the peasants' situation as rich merchants' debtors. Usually the later studies have taken the same starting point, although there are also some studies that consider the difficulties of the credit trade from the merchants' point of view.³⁸

Each town had a trade region in the rural district of the town. The credit trade was practiced in this area. Quite obviously, the trade relations were tighter the nearer the peasant lived to the town. The cash transactions were much more pronounced with the peasants from the distant areas; simply because there were far less guarantees that the merchants would ever get their money back. Furthermore, if the merchant himself took care of the tax payments of the peasant, it was easier to have dealings with the local bailiff than with the tax authorities in some distant rural areas.³⁹

There were four major reasons why the credit trade between merchants and peasants remained important in the case of the tar-trade (or commodity trades in general) even after the *majmiseriet* was abolished. The first reason was the merchants' custom to pay afterwards a share of the profit of the exported tar to the peasants, according to the final selling price abroad (so-called "open dealing" agreements between peasants and merchants). The second reason for the credit trade was the before mentioned merchants' practise to pay the taxes of the peasants and the third reason was the slow mushrooming of the monetary economy. The fourth reason was related to the old modes of action and long term nature of the client-principal relationships. These reasons are explained in more detail below.

Open dealing agreements. Peasants carried their products, especially tar and timber, to towns. Merchants bought these products mainly for export purposes. As the final selling price abroad for, say a barrel of tar, was unknown, it was in the best interest of both the buyers and sellers that only a part of the merchandise was paid at the time of purchase. The repayment that the peasant could get as compensation in the case of a good export price was at the maximum ten per cent. Peasants, however, could get credit from merchants against the forthcoming profits. On the other hand, in cases where the price of tar abroad was actually lower than the price that the merchant had paid to the peasant in advance, the difference was deducted by adding it -or at least part of it - to the peasants' debt. Therefore, it was both in the peasants and merchants best interest to let the "market

³⁸ See especially: Nikander 1945, 151-161. Swedish National Archives, Stockholm. Städernas Acta. The customs inspectors report of Kokkola 1770-1774. Kalm-Salmenius 1754, 48-49; Hautala 1956, 244; Aunola 1967, 400-401

³⁹ On these trade regions see especially Aunola 1967, 19-23, 81-151, 401; Markkanen 1977, 75.

share” of the price be unpaid.⁴⁰ The final result of this kind of trade was that not only the peasants got into the merchants' debt, but some times the situation was even reversed, if the merchant could not pay the appreciation to the peasant⁴¹.

Taxation. During the seventeenth century a custom developed that the merchant took care of the peasants' tax payments or gave money for tax payments. This was due to the fact that the peasants could not pay all the taxes with, for example, agricultural products, yet they needed cash as well. The only way to attain enough money was to borrow it from the merchants.⁴² However, peasants' tax burden lightened during the nineteenth century⁴³. Thus, the merchants' importance as the peasants' tax-payer diminished.

The slow mushrooming of the monetary economy. The credit trade between the peasants and merchants continued up until the early twentieth century. The value of the products that peasants carried to towns did not always exceed the value of the products they bought from merchants. This was despite the fact that the peasants carried tar and timber cargoes, which were exported abroad by the merchants - with quite extensive profits. But the fact that the banking system was poorly developed before the end of the nineteenth century is even more important. Therefore, financing had to be acquired from other sources. For the peasant, the town merchant was the obvious choice. In many cases the debts that peasants owed to the merchants related to the time when the peasant purchased his farm⁴⁴. The only way to get redemption or the purchase price was to borrow it from the familiar merchant. Furthermore, peasants needed credit when they wanted to improve their farm productivity, for example, when they bought domestic animals. If a peasant wanted to improve his standard of living, moreover, by building a new house which needed windows and other valuable items, he had to turn to the merchant to obtain loan.⁴⁵

Old modes of action and long term nature of the client-principal relationships. It became a custom that certain peasants took advantage of the services offered by certain merchants. In the long run

⁴⁰ See especially: Hautala 1956, 223-257; Aunola 1967, 157.

⁴¹ See, for example: Buck 1980, 310-311. Vaasa provincial archives, Vaasa. Magistrate of Kokkola. Probate inventory of Anders Roos Sr. 9th August 1810.

⁴² The government tried to prohibit the custom where merchants paid the taxes for peasants, as in many cases merchants were not able to pay taxes at all. Aunola 1967, 84-86, 155, 256-267; Heikkinen 1993, 112-113; Hautala 1956, 234.

⁴³ This was due to the fact that the tax burden remained at the same level from the late eighteenth up until the early twentieth century, whilst peasant's incomes grew substantially. See especially: Jutikkala 1958, 381-389

⁴⁴ This happened either in the form of the transfer of a farm to a descendant, when the new owner had to pay a redemption price to the other inheritors or in the form where the farm or piece of land to be cultivated as a farm was bought from its previous owner.

⁴⁵ Aunola 1967, 155, 254-256, 337; Hautala 1956, 232-234; Markkanen 1977, 75, 205-206

these peasants risked becoming indebted to the merchant. Although this credit trade was restricted by the government with several regulations from the mid-seventeenth century on, the close credit-based trade connections between merchants and peasants remained; simply because the trade-relations were long term by nature. Even the sons of peasants exploited the services of the same trading houses that their fathers did. The indebted peasant was not allowed to sell his products to any trader other than the one he owed money to. This was due to the agreements between merchants. On the other hand, another trader could get the indebted peasant to become his client by paying the debts he owed to the other trader. This custom was common even during the late nineteenth century. Although this custom was based on formal rules, there were also informal traditions that encouraged the peasants to practice trade with the same merchants.⁴⁶

The credit kept the farmer indebted to the merchant usually for the rest of his life. Inflation cut down the debts and the surplus obtained during the good years could in many cases be sufficient enough to exceed the debts. Even if the peasant had the money to pay back the debt, he did not necessarily do it simply because there was no need to do so. Peasants probably did not want to risk losing the trade relations: in the case of a bad year, it would be easier to obtain a loan from the familiar merchant. The merchant was also satisfied, if he could keep the peasant as his permanent supplier of tar, timber, and farm products. The credit trade, thus, was in the best interests of both parties in the long term. The indebted money sums were small compared, for example, to the value of an average farm.⁴⁷ The fact that the peasants obtained credit from merchants is related to the fact that the peasants were not poor, but on the contrary. Merchants wanted to have some type of guarantees that they could actually get their money back; the deposit for the credit was the real estate of the peasant. In the cases of larger loans merchants applied mortgages on the peasants' farms and forests.⁴⁸

There are some basic assumptions in the previous literature that have not been revisited nor been questioned. For further investigation it might be beneficial to lay more stress on the basic causes of credits and debts. First, the assumption that only a part of the price of tar was paid directly to the peasants and the last part only after the barrels were sold abroad needs more precise study. These kinds of "open dealings" were actually quite exceptional and more or less related to the times when the demand for tar was high. Secondly, a presumption that the merchants actually paid the peasants'

⁴⁶ Aunola 1967, 152-155, especially Table 21. Hautala 1956, 228-229.

⁴⁷ Markkanen 1977, 79-80, 107-108; Aunola 1967, 160-161, 165-168, 171, 271-278, 321.

⁴⁸ Hautala 1956, 229-230; Aunola 1967, 13-17, 27, 42-43, 334-342.

taxes, even during the eighteenth and early nineteenth century, or at least gave money for the tax payments as a credit for the upcoming tar and timber, has not been proven accurately enough. Without any doubt, this was a custom during the seventeenth and perhaps also during the eighteenth century, but probably not during the nineteenth century, because the peasants' tax burden lightened.

CREDIT RELATIONSHIPS IN RETAIL AND WHOLESALE TRADE: AN ANALYSIS WITH PROBATE INVENTORIES

Importance of Credit Trade - Merchants' Point of View

The role played by the credit-relationships between the retail and wholesale traders and their customers can be analysed from the merchants' probate inventories. The debts and the credits of the deceased merchants were noted systematically and in detail in these documents. Thus, the analysis of the probate inventories allows us to describe and investigate the importance and even practises of the credit trade throughout the period.

There were two different types of credits that were marked down in the probate inventories. "Certain credits" (*säkra infordningar*) were credits that could be expected to be paid back. So-called "uncertain credits" (*osäkra infordningar*) were usually old loans or credits, which for one reason or another could not be expected to be paid back. Although the uncertain credits were drawn up accurately, the sum of these credits was not always added to the gross assets of the estate of a deceased person, or only a part of the uncertain credits were added to the gross assets, for example 2-50 per cent.⁴⁹

There were only minor changes in the credits' share of the gross assets in Kokkola and Pietarsaari. Therefore, it might be appraised that the credit trade remained important for the merchants for the whole period from the early eighteenth to the early twentieth century. Especially in the tar trade payments in advance against a debenture were familiar even in the early twentieth century⁵⁰.

⁴⁹ Uncertain credits were usually old claims, but in some cases there were even recent credits written down in the uncertain credits. In some cases uncertain credits included debtors from distant areas. Aunola place the emphasis on the fact that the uncertain credits were fallen debts, which were not paid back. Aunola 1967, 65, 312-313; Grandell 1944, 222

⁵⁰ See also: Hautala 1956, 239-244.

Table 1. Pietarsaari and Kokkola Merchants' Certain Credits in Probate Inventories, Per Cent Share of the Gross Assets

Year	Pietarsaari (%)	n	Kokkola(%)	n
1710-1776	21.9	9	30.3	65
1777-1810	22.9	19	28.2	45
1811-1864	29.3	16	19.6	36
1865-1915	21.7	23	29.1	47
1710-1915	25.1	67	27.5	193

Sources: Vaasa provincial archives, Vaasa. Magistrate of Pietarsaari. Probate inventories 1720-1915; Magistrate of Kokkola. Probate inventories 1711-1913. Björkman 1929, 95-232; Björkman 1935. n = Number of merchants' probate inventories with certain credits. Total number of merchants' probate inventories are: Pietarsaari 178; Kokkola 288. Periods are chosen according to the changes in monetary units⁵¹.

According to the probate inventories certain credits constituted approximately a quarter of the merchants' gross assets in Pietarsaari and Kokkola, as seen in Table 1⁵². In Oulu (Sw. Uleåborg), in northern Ostrobothnia, the certain credits constituted usually one fifth of the gross assets of the estate in 1765-1809. About third of the merchants in Oulu did not have credits, but on the other hand, in one third of the cases the whole estate constituted from credits.⁵³ In Kokkola and in Pietarsaari the cases that all gross assets of the estate were based on credits were rare. Only in three cases did the share of the credits exceed 90 per cent of gross assets; namely, in the probate inventories of Martin Wennman and Selma Lövenmark from Kokkola, and Katharina Sandström from Pietarsaari. These were, however, cases of either retired traders, or merchants' widowers with insignificant belongings.⁵⁴

Erkki Markkanen has shown that the credit relations in rural areas increased together with the growth of the Finnish economy during the late nineteenth and early twentieth century. In the case of central Finland, however, the credit relations between peasants and merchants were rare compared to the eastern and especially to the western parts of Finland, where towns were nearer and the relations between merchants and peasants were more customary. In the central Finland the most important creditors before the banks were wealthy peasants.⁵⁵

⁵¹ For years 1711-1776 the monetary unit was the Swedish copper dalers (daler kopparmynt, dkm) or silver dalers (daler silvermynt, dsm); for years 1777-1810 riksdaler species (rdr sp). In some cases in years 1789-1810 even exchequer notes (riksdaler riksgälds, rdr rgs) and banco notes (riksdaler banco, rdr bco) were used; these are, however, noted in the basic database for the table. For years 1811-1864 the monetary unit for the probate inventories was the Russian silver rouble (Rubel Silver, RS) and from 1865 on the Finnish silver markka (smk). See more: Jörberg 1972, 78-85; Ojala 1999, 369-374.

⁵² The numbers of Pietarsaari are, however, dubious before year 1800, as they are collected from the source-publication which is not complete in respect of credits and debts. Björkman 1929, 95-232.

⁵³ Aunola 1967, 65-66, Table 7

⁵⁴ Vaasa Provincial archives, Vaasa. Magistrate of Kokkola. Probate inventory of Martin Wennman 29th August 1816; Selma Lövenmark 13th October 1897; Magistrate of Pietarsaari. Probate inventory of Katharina Sandström 13th December 1888.

⁵⁵ Markkanen 1977, 75-81, 105-108, 205-206.

It is clear that the peasants were not the only ones who obtained loans from the rich merchants. Town citizens and the other merchants at home and abroad were also considerably in debt to the most important merchants⁵⁶. Merchants even loaned money to their family members – which some times caused unexpected problems to the lender⁵⁷.

Table 2 Pietarsaari and Kokkola Merchants' Uncertain Credits in Probate Inventories, Per Cent Share of the Gross Assets:

Year	Pietarsaari (%)	N	Kokkola (%)	N
1710-1776	3.9	2	27.8	30
1777-1810	11.7	17	8.5	23
1811-1864	6.1	10	6.9	25
1865-1915	2.9	19	18.3	28
1710-1915	6.8	48	16.2	106

Sources: See Table 1.

Uncertain credits constituted about seven per cent of gross assets in Pietarsaari, whilst in Kokkola the share was about one sixth, as seen in Table 2. If we take into account also the uncertain credits which were not included in the gross assets, the value of certain credits was still significantly larger than the uncertain credits, which were usually small and old loans to the peasants and to the town burghers⁵⁸.

The value, but also the number of uncertain credits was considerable lower than the value or number of the certain credits (Tables 3 and 4). The numbers from Pietarsaari are not necessary suitable for comparison for the period 1720-1776, as in the source publication only two merchants had uncertain credits - in Kokkola the number was at the same time 30. The average number of different debtors in probate inventories was about 140 in the case of Pietarsaari and 83 in the case of Kokkola, if we only take into account the certain credits. Furthermore, in the case of uncertain credits, the average number of debtors was 42 in the case of Pietarsaari, and 53 in the case of Kokkola, as seen in Tables 5 and 6⁵⁹.

⁵⁶ For example, wholesale trader Pehr Falc Co. from Stockholm owed money to Anders Roos Sr. from Kokkola in 1810. Vaasa provincial archives, Vaasa. Magistrate of Kokkola. Probate inventory of Anders Roos Sr. 9th August 1810. Ojala 1996, 191.

⁵⁷ For example, the grand son of commercial counsellor Adolph Lindskog from Pietarsaari had loaned a considerable sum of money to his grandson Anders Oscar Roos, despite the fact, that Anders Oscars father, Ander Roos Jr., was at the time one of the most important and prosperous merchants in Finland. Vaasa provincial archives. Probate inventory of commercial counsellor Adolph Lindskog 20th July 1836. – For more examples see Ojala 1999, 294 – 300.

⁵⁸ See also: Aunola 1967, 315.

⁵⁹ From Pietarsaari we have the number of debtors only from the year 1800 on and in the case of Kokkola the numbers are incomplete for the years 1750-1799.

In Pietarsaari credit trade was more infrequent according to the probate inventories: about one third of the probate inventories contained certain and only one-fourth uncertain credits, whilst in Kokkola about two thirds of the merchants' probate inventories contained certain credits and a little bit over one third uncertain credits. This is probably more related to the fact, that in Pietarsaari probate inventories were more frequently drawn up from old merchants or their widowers, which had already turned their business over to their successors⁶⁰. In Pietarsaari there were also more often probate inventories from small retailers, who did not have debtors at all.

Table 3. Number of Kokkola Merchants' Probate Inventories Containing Certain and Uncertain Credits:

Years	Probate inventories with certain credits (N)	Probate inventories with uncertain credits (N)	Total number of Probate inventories (N)	Per cent share of probate inventories with certain credits (%)	Per cent share of probate inventories with uncertain credits (%)
1711-1776	65	30	94	69	32
1777-1810	45	23	68	66	34
1811-1864	36	25	50	72	50
1865-1913	47	28	76	62	37
1711-1913	193	106	288	67	37

Sources: Vaasa provincial archives, Vaasa. Magistrate of Kokkola. Probate inventories 1711--1913. Björkman 1935.

The same debtor could be mentioned several times in the same probate inventory, but seldom in several probate inventories. This was due to the fact that a certain peasant could not have credit-based relations with several merchants. The situation changed after the mid-nineteenth century, when several regulations were issued in order to liberate trade.⁶¹

Another difficulty in the study of the number of debtors is related to the fact, that especially in the late nineteenth and early twentieth century, Pietarsaari merchants' or industrialists' probate

⁶⁰ Esaias Engman from Pietarsaari signed away his active business to his daughters husband Pentzin and to his son Johan Petter Engman in years 1815 and 1816. Esaias Engman passed away in 1821. Commercial counsellor Adolph Lindskog assigned his property before his death to his son Carl Salomon Lindskog. Also Olof Mellberg from Pietarsaari had shifted his property to his son Carl Mellberg five years before his death. Peter Malm Jr. delivered a part of his property to his son before his death, whilst Anders Donner from Kokkola gave up all his assets to his son Anders Donner Jr. a few years before his death. Nikula 1948, 334; Ojala 1996, 20. Vaasa provincial archives. Magistrate of Pietarsaari. Probate inventory of Esaias Engman 21th November 1821; Commercial counsellor Adolph Lindskog 20th July 1836; Olof Mellberg 28th March 1851; commercial counsellor Peter Malm Jr. 15th October 1868.

⁶¹ See especially: Hautala 1956, 239-244.

inventories the debtors are not separated in every case⁶². In practice, the modern wholesalers or industrialists could have thousands of debtors, as in the case of Alexander Finnilä from Kokkola⁶³.

In the case of Oulu in 1765-1813 no merchant had over 300 debtors. On average, Oulu merchants had 55 indebted peasants.⁶⁴ In Kokkola, the average number of indebted peasants, according to certain credits was 101, and according to the uncertain credits 55. Also the number of indebted persons, whether they were peasants or town burghers, was considerably larger in Pietarsaari and Kokkola than in Oulu. Already during the eighteenth century two merchants in Kokkola had over 400 indebted peasants: Jacob Wevilius in 1766 had altogether 474 indebted peasants and Johan Rahm in 1768, according to his wife's probate inventory, had 424 indebted peasants⁶⁵. Matts William Sneckendahl had in 1865 altogether 819 indebted peasants, Ernst Anders Forsén in 1881 had altogether 387 and in 1893 Alexander Finnilä had 2664 indebted peasants⁶⁶. Although we do not have the number of indebted persons from Pietarsaari before the year 1800, it is most likely that there were also merchants which had almost 500 indebted peasants. The trading house Malm had in 1819, according to the probate inventory of Maria Malm, over 300 indebted peasants. Jonas Jacob Forsberg from Pietarsaari had 469 indebted persons in 1837, with most of them being probably peasants. Tobacco industrialist and merchant Philip Ulrik Strenberg had in 1872 over 1000 indebted persons; also in this case, most of them were peasants.⁶⁷

Table 4. Number of Pietarsaari Merchants' Probate Inventories Containing Certain and Uncertain Credits:

Years	Probate inventories with certain credits (N)	Probate inventories with uncertain credits (N)	Total number of Probate inventories (N)	Per cent share of probate inventories with certain credits (%)	Per cent share of probate inventories with uncertain credits (%)
1720-1776	9	2	34	26	6
1777-1810	19	17	45	42	38
1811-1864	16	10	51	32	20
1865-1915	23	19	47	49	40
1720-1915	67	48	178	38	27

Sources: Vaasa provincial archives, Vaasa. Magistrate of Pietarsaari. Probate inventories 1720--1915. Björkman 1929, 95-232.

⁶² See, for example: Vaasa provincial archives, Vaasa. Magistrate of Pietarsaari. Probate inventory of Johan Jakob Lillqvist 11th October 1901.

⁶³ Ojala 1996, 206.

⁶⁴ Aunola 1967, 313.

⁶⁵ Vaasa provincial archives, Vaasa. Magistrate of Kokkola. Probate inventory of Jacob Wevilius 21st January 1767; Christina Rahm 28th November 1768.

⁶⁶ Vaasa provincial archives, Vaasa. Magistrate of Kokkola. Probate inventory of Matts William Sneckendahl 15th-17th January 1866; Ernst Anders Forsén 16th--18th February 1882; Alexander Finnilä 20th February 1893.

⁶⁷ Vaasa provincial archives, Vaasa. Magistrate of Pietarsaari. Probate inventory of Maria Malm 5th January 1820; Jonas Jakob Forsberg 22th November 1837; Philip Ulrik Strenberg 28th February 1873.

In northern Ostrobothnia only six per cent of the peasants were considerably in debt to merchants during the late eighteenth century. According to Aunola the share of the indebted peasants from the peasant-customers of the trading house Sovio from Raahe 1765-1809 was about one fifth. Even in the late nineteenth century tar trade, far more tar was bought in cash, not by giving upfront payments to peasants. The town merchants were not the only ones who loaned money to peasants. Far more often the peasants were indebted to each other, especially to their relatives. Only about 20-30 per cent of the indebted peasants' recovery proceedings were applied by the merchants.⁶⁸

Table 5. Average Number of Debtors in Probate Inventories, Certain Credits:

Years	Pietarsaari, the average number of debtors	Number of probate inventories	Kokkola, the average number of debtors	Number of probate inventories
1710-1776	84	26
1777-1810 ⁶⁹	40	9	51	21
1811-1864	112	13	61	30
1865-1915	238	13	123	31
1710-1915	140	35	83	108

Sources: See Table 1. Total number of the certain debtors is 4911 in the case of Pietarsaari and 8912 in the case of Kokkola. Only the cases with accurate data are noted. Therefore, the number of the probate inventories is lower than in the Tables 3 and 4.

Table 6. Average Number of Debtors in Probate Inventories, Uncertain Credits:

Years	Pietarsaari, number of debtors	Number of probate inventories	Kokkola, number of debtors	Number of probate inventories
1710-1776	33	13
1777-1810 ⁷⁰	34	8	33	11
1811-1864	25	10	75	20
1865-1915	63	11	52	18
1710-1915	42	29	52	62

Sources: See Table 1. The total number of the uncertain debtors in the case of Pietarsaari is 1206 and in the case of Kokkola 3241.

The indebted peasants formed about 80 per cent of the number of all debtors in the case of Kokkola, both in certain and uncertain credits⁷¹. Although the number of the indebted peasants was high, their share of the value of the merchants' credits was fairly small, due to the fact that the average debts that the peasants owed to the merchants were small⁷². Only in cases where there were several or actually hundreds of indebted peasants were these credits significant to the merchants' gross assets.

⁶⁸ Markkanen 1977, 75-81, 105-108; Hautala 1956, 239; Aunola 1967, 321, 344, 355-364, Tables 68, 77, 81-82.

⁶⁹ For Pietarsaari only years 1800-1810.

⁷⁰ For Pietarsaari only years 1800-1810.

⁷¹ Ojala 1998, Appendix Tables.

⁷² Markkanen 1977, 80, 107, 158.

One of Finland's most important retail and wholesale traders in the early 19th century, Zacharias Franzén had, according to his probate inventory, 187 indebted peasants with certain credits and 242 with uncertain credits. However, the value of certain peasant credits were only around 2000 silver rubbles, whilst other domestic and foreign tradesmen owed almost 80 000 rubbles to Franzén. Thus, Franzén's role as both a retailer and wholesaler can be seen in this composition of his credit balance.⁷³ The trading house Malm from Pietarsaari is another example – again one of the most significant Finnish trading houses at the time. According to his wives probate inventory, Peter Malm Jr. from Pietarsaari had several debtors abroad in 1859. For example, trading house A. W. Frestadius from Stockholm owed about 40 000 silver rubles (about 120 000 silver marks) to Malm. Certain credits to foreign and domestic debtors made up about 250 000 silver rubles (about one million silver marks): there were no peasants included in these credits. The indebted peasants were added to the uncertain credits, with the total sum of only about 2 000 silver rubles.⁷⁴ A more precise division of credits of the trading house Malm was made 15 years later in the probate inventory of Maria Louise Malm, as seen in the following composition:⁷⁵

Certain credits (Type of credit Value in Finnish silver marks)

Town burghers	6 019:84
Loans to abroad	202 150:40
Certain credits, total ⁷⁶	208 170:24

Uncertain credits

Town burghers	2 670:28
Swedish speaking peasants	1 100:36
Finnish speaking peasants	16 596:00
According to different account books	579:25
C. J. Stybergs bankruptcy	375:00
Uncertain credits, total:	21 320:89
From which only 25 per cent is taken into account:	5 330:22

In the case of trading house Malm the peasant debtors played a minor role in the trading houses operations; only about two per cent of the credits that were taken into account were claims from the peasants. The trading house Malm concentrated on the sawmill industry and freight shipping during

⁷³ Oulu Provincial Archibeves, Magistrate of Raahe, Probate inventory of Zacharias Franzén 13th – 16th July 1852.

⁷⁴ Eight years later Peter Malm Jr. passed away. According to his probate inventory the certain credits constituted a little over one million silver marks and uncertain credits from peasants under 20 000 marks. The credits to Sweden (about 742 000 silver marks) are not included in the probate inventory. Vaasa provincial archives, Vaasa. Magistrate of Pietarsaari. Probate inventory of Charlotte Malm 14th March 1860; Peter Malm Jr. 15.10.1868. Nikula 1948, 334.

⁷⁵ Vaasa provincial archives, Vaasa. Magistrate of Pietarsaari. Probate inventory of Marie Louise Malm 11th March 1875. Her husband was Otto August Malm, the owner of the trading house and son of Peter Malm Jr.

⁷⁶ In the probate inventory also the value of stocks and obligations were added in certain credits. These constituted 826 723 silver marks. See note above.

the nineteenth century, and had only a few “traditional” dealings with peasants. Thus, the trading practices were evolving due to the specialisation and changing patterns of trade. At the same time, however, also the institutional setting of the trade changed, especially the formal institutional arrangements.

Changing organisation of the retail and wholesale trade in the late 19th century

After the rural trade was freed in 1859 many wealthy peasants started to practice retail trade⁷⁷. Therefore, the old fashion credit trade slowly stagnated. That was also due to the fact that the tar trade ceased in the late nineteenth century. The growing forest industry also had credit-based dealings with peasants. The sawmill companies gave advance payments to peasants for the upcoming timber. The credit trade changed its form but continued to be as important in the transactions between the town and the rural area as it had been over the past two hundred years.⁷⁸ As regards to the four reasons for the continuation of the credit trade stated before, most changed their shape but continued as before. Firstly, the peasants still made “open dealing” agreements – not anymore with the tar trade, but with lumber companies. Secondly, old modes of action and long term client relationships were preferred. Thirdly, though the monetary economy had not become widely used, it had already been introduced to the countryside and banks had gained an important role. However, fourthly, the merchants’ old custom of paing peasant’s taxes totally vanished.

The freedom of trade in the late 1870s diminished the importance of towns and regularly organized markets as soon there were rural traders in almost every village. Even if their shops were quite small, they were usually able to offer the most important products (for instance, coffee, sugar, rye, wheat flour and different kind of industrial textiles) which peasants could not produce by themselves. As a result peasants did not need to visit towns as often as before. This started a chain reaction: it created a need for specialization among the tradesmen in towns like Jyväskylä and traditional grocery shops gave place to more specialized shops or boutiques.⁷⁹

⁷⁷ Alanen 1957b, 212; Markkanen 1977, 79

⁷⁸ Sawmill companies even bought farms with large forests areas in the late nineteenth century. Ahvenainen 1984, 243-248; Kuisma 1993, 288-290; Kuisma 1983, 93-103. Vaasa Provincial archives, Vaasa. Magistrate of Pietarsaari. Probate inventory of consular agent John Axel Blomström 22th October 1896; Elmi Wilhelmina Schauman 7th March 1908; Berndt Wilhelm Schauman 4th March 1912.

⁷⁹ Tommila 1972

Also a transition to wholesale trade was one and an especially attractive possibility for specialization. Namely, rural traders, and especially the smaller ones and those who had just opened their shops, had an almost constant lack of cash. It was possible to get some discounts on prices and freights by buying larger amounts of groceries at once, but the rural traders did not have enough customers for large stocks. Rural traders needed middlemen who could furnish them with affordable products. Wholesale traders, who could subscribe products to several traders, both in towns and the countryside, took on this position.⁸⁰

As a result the credit relation between wholesale traders and rural traders began to remind the traditional *majmisseriet*. A rural trader had to sell on the credit, because his customers did not have a constant supply of money. In fact, their trade had a certain rhythm, which followed the seasons and the rhythm of the agricultural and forestry trade. This was due to the fact that before the invention of the railway stocks were delivered by boat. Water routs froze up in winter and therefore a rural trader had the chance to stock up only twice per year - once in the autumn and again in the spring. Newly formed logging sites as well as sowing and harvest times were also seasons of rural trade, as they brought in a lot of extra labor who needed food and other supplies. However, they had to buy these supplies on credit, as they got their first salaries some weeks or months after the beginning of the work.

During the latter part of the 19th century the products exchanged between traders and peasants also changed. There were two products which took the place of tar. Firstly, there were logs and other timber, which were important for export, but also for the growing domestic industry. Secondly, the focus of agriculture moved from cereals to animal husbandry. Milk products and especially butter became desired products. At the end of the 19th century butter was one of the most important export products in Finland and it was sold, for example, to England and Denmark. But there were also domestic markets for it: there was a growing population of people, who did not gain their livelihood from agriculture. These people, who were for the most part industrial workers and landless population in the countryside, bought butter, but they were even more important as consumers of imported grain. In fact, imported wheat and rye flours were an important part of their diet.

Banking also developed in the rural districts during the late nineteenth century enabling peasants to borrow money from the banks to buy their farms⁸¹. Merchants in towns acted as the wholesale

⁸⁰ See especially: Alanen 1957b.

⁸¹ Markkanen 1977, 75, 107.

dealers for the new peasant retail traders from the 1860s onwards. For example, trader and consular agent John Axel Blomström from Pietarsaari acted as a mediator for at least 62 of the peasant retailers or rural trading companies. Furthermore, he was engaged in direct retail trade with the peasants. According to his probate inventory there were 200 Swedish speaking and 34 Finnish speaking peasants in his commercial network. The probate inventory of Emil Simelius from Pietarsaari reveals a similar kind of change from the retail to the wholesale trade. Simelius had claims from 104 indebted peasant retailers or rural trading companies as well as from 120 indebted peasants from the nearby Swedish speaking areas. The reason why the number of Finnish speaking peasants was low is related to the fact that the Swedish speaking peasants living nearby still had businesses in town, whilst in more distant Finnish speaking areas the rural retail trade was more pronounced.⁸² Alexander Finnilä from Kokkola created a trade network of his own in the rural district after rural trade was released. According to his probate inventory he had claims from 2664 different persons, mostly from peasants⁸³.

NEWCOMER IN THE WHOLESALE TRADE: THE CASE OF TRADING HOUSE RUTH, JYVÄSKYLÄ

The trading house Ruth in Jyväskylä (established in 1883) is today the oldest family enterprise in the town. It is used here as an example of a typical enterprise whose activities extended both to the retail and wholesale trade. The trading house Ruth focused on domestic trade and it usually provided the needed supplies from bigger wholesale traders or agencies (for instance, Jörgen Nissen in Helsinki and Schröder & Co. in Turku) of the coastal towns and sold them to retail traders in Jyväskylä or in the surrounding countryside. Despite this the trading house of Ruth also had some trade relations with foreign countries. The establisher of the house Robert Ruth was also interested in industry and he planned to establish, for instance, matchstick and soap factories. The Steam Bakery of Jyväskylä (established in 1906) was the only of his plans which came to fruition. In this paper we focus on Ruth's role as a wholesale merchant or a middleman between merchants of the coastal towns and rural traders. Questions concerning trust were closely connected to credit trade in relations between Ruth and rural traders. When it was a question of trust between wholesale

⁸² Vaasa Provincial archives, Vaasa. Magistrate of Pietarsaari. Probate inventory of consular agent John Axel Blomström 22th October 1896; Emil Simelius 8th August 1906.

⁸³ Ojala 1996, 206. Vaasa Provincial archives, Vaasa. Magistrate of Kokkola. Probate inventory of Alexander Finnilä 20th February 1893

merchants, it usually concerned the keeping of one's word. In both cases a partner's reputation or his good name was understood as an important precondition for trust.

Ruth opened his retail shop in 1883, but in fact he already had experience of commerce. He had circled around the Middle parts of Finland, bought butter from peasants and sold it to middlemen, for instance, in Hanko and Turku. He got a reputation as a reliable and honest man and these friendly relationships with peasants were an important basis on which his career not only as a retailer, but also as a wholesale trader rested on. If we do not take into account those customers, who lived in Jyväskylä or in the surrounding villages, a great number of Ruth's customers came from Jämsä, Petäjävesi, Korpilahti, and Keuruu. These were all parishes from where he had collected butter. During these travels he also became acquainted, for instance, with Niklas Paananen, who was a rural-policeman in Petäjävesi, but later moved into the retail trade.⁸⁴ In this trade relationship the trust was based on long acquaintanceship: partners knew each other and they also felt solidarity to each other. The same long term trust-based relationship can also be seen in the case of Anton Mäkinen, described at the beginning of this paper.

Sooner or later it became impossible to base every trade relationship on personal acquaintance. Therefore, there had to be some other ways in gaining guarantees for a partner's reliability. Ruth had sold some tobacco and other supplies once or twice to rural trader Robert Hytönen, but in 1924 Hytönen asked, if he could buy on credit. Ruth wrote to Juho Markkanen, who lived in the same district and whom he already knew and trusted: "I ask you kindly to find out if Mr. Robert Hytönen, who lives there by Tomi's canal, has capital and if he is known as a man of honor in his business dealings." Ruth also promised to compensate expenses for this favour to Markkanen. F.R. Poikolin, who mediated orders from traders Jaakko Viitaniemi, Antti Vinkka and A.T. Grönholm (all three were from Järviselkä, which was a part of the trading district of Vaasa town) to Ruth guaranteed these three new partners by writing: "The purchasers are guaranteed, and you can send [supplies] to them without a bill of exchange."⁸⁵

The trade relations and the trust between the partners were also strengthened by good treatment and presents. Ruth gave, for instance, to Johan Väistö, a merchant from Jyväskylä, a long-case clock as a Christmas present. Ruth did not direct his presents just to his partner, but he often remembered all

⁸⁴ Manninen 1994, 89,208.

⁸⁵ Jyväskylä Provincial Archives, Archives of Trading house Ruth, Correspondence (book 32), Ruth (Jyväskylä) to Tobacco mill Fennia (Helsinki) 4th September 1924 (62); to Robert Hytönen (Konnevesi) 14th November 1924 (582); Acquired letters (34) F.R. Poikolin to Ruth (Jyväskylä) 10th December 1900.

members of the family of the client. Consequently, he gave to trader Mehtonen (Korpilahti) a roll of cloth, to his wife a tablecloth and to the whole family 500 Finnish marks. When rural traders came to Jyväskylä, Ruth offered them accommodation and food – similar to the 18th century *majmiseriet*. This tradition continued up until the 1950s.⁸⁶

The sparseness of cash was not the only basis on which credit trade was built. Credit was also used as a device to cement trade relations and to bind the customer closer to the merchant. As a result the purchaser's burden of debt easily grew bigger and bigger. The problem with this kind of relationship surfaced when a trader could not offer more credit, but his customer needed it and was, therefore, unable to pay back their debts. This problem existed on the different levels of domestic trade: from a single peasant up to the import agencies. The problem of a single rural trader in getting his claims from his customers did not necessary harm a wholesale merchant to whom he owed money, as wholesale traders could also obtain money from their other customers. Ruth or other wholesalers did not usually pressure their debtors, if they themselves did not have difficulties in meeting their own obligations to their suppliers or banks. There was also the danger that if the trader waited too long they lost the possibility of acquiring at least a part of what they were owed.⁸⁷

Ruth delivered notices to those who had not paid their debts and who were in danger of losing their credit. These were usually small notices in confirmation of order, like the following from the year 1903: "I would be very grateful, if you sent the money...."⁸⁸ If this did not push a debtor to pay up, there was the possibility of summoning them to appear in court. The juridical process was usually long and it did not guarantee that Ruth would obtain what they were owed from a debtor. As such, Ruth and other wholesale traders tried to avoid using this course of action as it could have harmed their reputation among rural traders.⁸⁹

The strict competition between wholesale traders and better communication (telephone, telegraph), which made it possible to respond more quickly to changes in prices, led to withdrawals of appointed contracts. Ruth had, for instance, placed an order with the Jörgen Nissen Company (Helsinki), which specialised in importing rice from the United States. During the time of delivery, the price of rice lowered and the deal became disadvantageous to Ruth. Therefore, he called to

⁸⁶ Sariola, manuscript.

⁸⁷ Markkanen 1988a, 295-296; Markkanen 1964, 300; Alanen 1957b, 407, 419; Rautiainen 1995, 134; Viitaniemi 2003, 452-453.

⁸⁸ Jyväskylä Provincial Archives, Archives of Trading house Ruth, Correspondence, Ruth to B. Laitinen (Jyväskylä) 14th April 1903.

⁸⁹ Rautiainen 1995, 137-139.

Helsinki and tried to cancel their agreement. The Company explained that the cargo has already been packed on the train and the consignment notes were also underwritten. Therefore, they could not cancel the contract of sale. “I have to tell you how surprised I was when you proposed cancelling the contract, when it was completely settled and after all special conditions had been negotiated,” Nissen wrote, “I was even more surprised, because I have gotten accustomed to your sincerity even in cases, when there were no commitments.” Nissen emphasized the price of rice was not disadvantageous, but “it was so cheap, if you take the quality into account, that you could not compare it to the present prices at all.”⁹⁰

This disagreement was quickly solved, when Ruth proposed, that he would buy one of the railway carriages and Nissen would send the other four carriages to Jyväskylä in consignment. Nissen agreed to his proposition, but he was not quite satisfied: “It would not be pleasurable to see, that the good trade relationship between us has broken down. I trust you completely to solve this unpleasant situation and to take the rice so that we both can get out of this transaction with life and limb, and due to the fact that this all began from an already decided contract. I leave it in your hands.” Ruth came to a similar agreement with F.W. Mielck when they had some disagreements concerning the price of rice. As in the previous case the price had lowered during the time of delivery and Mielck did not want to shave the price as much as Ruth asked. However, in the end it was agreed that Mielck would send rice to Ruth, who would stock it until Mielck could find a new purchaser, “because we also have other customers in Jyväskylä”. Mielck also wrote, that if Ruth did not accept these conditions, they would return to the original contract.⁹¹

The following example proves that merchants cooperated despite the disagreements mentioned above. It also sheds light on merchants’ attempts to cut costs whenever they got a chance. Robert Ruth had ordered 75 sacks of semolina through L. Schröder & Co (Turku). When the cargo landed in Turku, it was noticed, that one of the sacks was missing. It was found later, but before this Schröder had already written to Ruth and asked for an invoice from him in order to apply for compensation from the shipping company. He also wrote a postscript: “We have reported to

⁹⁰ Jyväskylä Provincial Archives, Archives of Trading house Ruth, Correspondence, Jörgen Nissen (Helsinki) to Ruth (Jyväskylä) 25th September 1900.

⁹¹ Jyväskylä Provincial Archives, Archives of Trading house Ruth, Correspondence, Jörgen Nissen (Helsinki) to Ruth (Jyväskylä) 26th September 1900; F.W. Mielck (Viipuri) to Ruth (Jyväskylä) 19th June 1900.

customs that it was question of wheat grits, because otherwise we will have to pay the duty.” Ruth understood and took the hint.⁹²

There were quite draconian arguments, for instance, in the letters from Jörgen Nissen & Co. They concerned a loss of confidence and explained how great the threat over their disagreement was to the continuation of their trade relationship. However, in fact these disagreements did not have a wider influence on the relationships between these two enterprises. Despite this Ruth ordered other supplies from Nissen, who sent them to him.

This can be partly explained by the strict competition between merchants. The breaking down of the trade relationship was disadvantageous for both parties, as it caused too higher extra costs. The expenses came from the search for a new partner, from the time, which was lost during the process of familiarizing themselves with a new partner and stabilizing a new trade relationship. There were also certain risks in the search for new partners. Perhaps there was no one available or perhaps they were not as reliable as the earlier partners had been. Therefore, it was wiser to tolerate the disagreements with the old partner.

It was important especially for a seller to base his business on long lasting and reliable trade relations - even if the profit was smaller than could be made with shorter relations. This interest was not so apparent on the purchaser's side, as quickly cancelled agreements implies that they were more oriented to short term relations and greater profits or that they were at least more ready to risk existing long term relationships. However, there were also certain advantages in long term relationships for purchasers. Stabilized trade relationships with a well known seller guaranteed flexible interaction. Through being a loyal and trustworthy customer Ruth ensured that, for instance, Jörgen Nissen or L. Schröder paid attention when they

1. negotiated for prices with foreign trading houses (Cabell & Swartzkopf, Bauck & Dürkoop etc.) and flour mills
2. negotiated for shipping and freight rates with shipping companies and the railways
3. inspected arrived cargos in harbour before they sent it to Ruth or straight to rural traders after directions from Ruth

⁹² Jyväskylä Provincial Archives, Archives of Trading house Ruth, Correspondence, L. Schröder & Co (Turku) to Ruth (Jyväskylä) 22th May, 25th May, and 6th June 1900.

It also guaranteed, that they informed Ruth, when his cargo would arrive first to Finland and then to Jyväskylä. On the basis of that information, Ruth could send his offers to his customers and gain their orders in advance. This was important information for cutting down the freight rates.

CONCLUSIONS

Credit trade between the merchants and peasants benefited and hindered both parties almost equally in the long run. In the age of an undeveloped monetary economy and banking system, and in the framework of legislation, the credit trade was the only practical way to practice trade. For the town merchants, the long-living, credit-based trade relationships with the peasants in the rural districts gave themselves security - as well as for the peasants. Inflation, which was huge especially during the eighteenth and early nineteenth century, was advantageous for the peasants, as it exhausted the capital of the debt⁹³.

The formal institutional changes that took place in the mid-19th century in Finland fundamentally changed the organisation of the domestic retail and wholesale trade. It was not up until that time, when traders were allowed to open shops in the countryside, that new entrepreneurs emerged and the trade itself became livelier. However, as this paper has shown, though the formal structures of trade seemed to have been changed dramatically, the informal, more slowly changing trading practises and codes of conduct remained quite stable. Thus, the *domain of exchanges* changed, but the *domain of cultural elements* remained unchanged. In the late nineteenth century there were still at least as many or even more peasants who had debts to the town burghers than during the early eighteenth century. This was, of course, partly related to the growth of the population, but only partly. The value of the products that the peasants bought from the towns exceeded the value of the products they sold to the towns. Furthermore, the merchants preserved their position as the money lenders - even during the nineteenth century. Peasants needed money especially for buying and improving their farms.

Trust and reputation played a central role in mediation – both before and after the modernisation of the Finnish retail and wholesale trade in the mid-19th century. Social capital, as defined as an interactive relationship between people and/or organisations, formed the basis for the retail and

⁹³ Aunola 1967, 45-48; Hautala 1956, 228

wholesale networks. As our case study Ruth shows, there were reciprocal trade relations not only between Ruth and other wholesale traders, but also between Ruth and his customers. The reciprocity was based on mutual dependence. On the other hand, it was also based to partners' similar interests and values, which made their behaviour foreseeable and created an atmosphere of confidence, solidarity and safety. However, this state of confidence or trust was not stable, but it was renewed and tested all the time.⁹⁴

One can not, however, overestimate the role played by the social capital in domestic trade. First of all, the trade was business and thus, the economic gains of the actions should be taken into consideration. Secondly, there is number of cases, where social capital actually diminished the possibilities of the tradesmen and even harmed the trade. Namely, e.g. when the trade was limited only to the circles of trusted ones or when credit was given only in basis of trust and reputation⁹⁵. Mizruchi and Brewster Stearns have shown that especially in the times of uncertainty there seems to be a tendency to rely on the trusted ones in transactions. This might be less successful than the dealings with strangers, because the decisions are more based on implicit "nor-rational" factors (like trust and reputation) than e.g. on the explicit financial conditions of the customer. This might lead, according to them, to unanticipated consequences of purposive social action.⁹⁶

AUTHORS:

Jari Ojala, Ph.D., is a senior research fellow at the university of Jyväskylä and docent in business history. His previous research includes a number of publications related to the 18th and 19th century international trade and shipping, asymmetric information, trade networks, domestic credit arrangements and industrial strategies.

Jari Eilola, Ph.D, is a research fellow of the Academy of Finland at the University of Jyväskylä. He has previously studied e.g. witchcraft, peasant-tradesmen relations with court material, and is currently studying the changes in one wholesale merchant family.

⁹⁴ See also: Seligman 2000, 45-49; Kovalainen and Österberg 2000, 76-79.

⁹⁵ See e.g. Ojala 1999, 294 – 300.

⁹⁶ Mizruchi and Brewster Stearns 2001, 647 – 649.

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