Perspectives in Economic and Social History

NATIONAL WEALTH, INCOME AND THE HISTORY OF ECONOMIC GROWTH

FINLAND FROM THE LATE 19TH CENTURY UNTIL THE SECOND WORLD WAR

Heikki Mikkonen

ROUTLEDGE

“ … this is a pioneer study on the political economy of growth discourse during the 19th and 20th century in Finland situated at the tumultuous crossroads between Western and Eastern Europe.”

Lars Magnusson, *Uppsala University*

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National Wealth, Income and the History of Economic Growth

Despite its current dominant status, economic growth emerged as a field of study and as a political objective only after the Second World War. This book provides an alternative perspective to the Anglo-centric historical analysis of growth by turning the focus on Finland and other Nordic countries from the late 19th century until the Second World War. Moreover, it provides a conceptual history perspective to how economic growth can be examined before the emergence of economic growth as a concept.

This book places Finland in the context of emerging nation states of the early 20th-century Europe and constructs five competing growth conceptions: classical liberal, agrarian conservative, social liberal, social democratic, and communist. With a methodology derived from conceptual history, this book presents a framework to study economic growth in the context of nationalism. It showcases how ideas related to growth have not been synonymous with capitalism, but rather they have been connected to state-building and to comparison of economic systems. The findings of the book highlight the interwar period as a key turning point in historical analysis of growth.

This book provides a fresh and a thought-provoking account that will be of interest to students and scholars of economic history, history of ideas, development studies and degrowth, and history of capitalism.

Heikki Mikkonen is a postdoctoral researcher at the University of Helsinki and a researcher at the Finnish Academy of Science and Letters. He holds a PhD in History from Tampere University. His current research projects explore invocation and contestation of expert knowledge in political discourses and aim at a comprehensive mapping of scientific life in the republic of Finland since 1918.

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1 Introduction

In January 2020, an American investment bank, JPMorgan Chase, sent a report to its clients. The report was commissioned by one of the biggest financers of the fossil fuel industry and authored by two economists. They warned their readers about the potentially catastrophic consequences of ongoing climate change. The alarming tone of this unpublished document was seized on by the media. According to the climate report, the human species could cease to exist if no action is taken to tackle the growth of carbon dioxide emissions in the atmosphere. In many scenarios, increasing temperatures, extreme weather conditions, and diminishing water supplies would create feedback loops that could escalate global famines and wipe out entire species. According to the British daily newspaper *The Telegraph*, these climate-related processes could have "a devastating impact on economic growth and the stock market".[1]

Considering that the climate report and the publicity it aroused labelled a mass extinction – including humans – a threat to economic growth highlights the fact that the concept of economic growth has become something very important indeed. It leads one to ask how we have arrived at the current situation. Although economic growth is one of the most dominant ideas in contemporary economic and political thought, the actual concept is decidedly new. One struggles to find references to economic growth in scholarly journals or party platforms before the Second World War. Individuals have contemplated ideas of national wealth and national income for centuries, but the concept of Gross National Product – or its more recent form gross domestic product (GDP) – did not emerge before the mid-20th century. The development of first systematic national income calculations is often associated with the Great Depression and the Second World War.[2] Later, promoting economic growth became a goal of everyday politics.[3] This book originated from a desire to understand better this change of thought.

Industrialization and its effects on economic growth and human welfare have been a classic topic in economic history.[4] And it seems fitting to conclude that an increase in economic output has often generated human welfare. However, the relationship between growth and welfare has been a precarious field. Although the 19th century was a period of unprecedented industrial growth in many parts of Europe, the process did not result in significantly improved health and longevity

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for the lower social classes until the 20th century.[5] In Europe, the period from the end of the Second World War until the 1970s oil crises has traditionally been labelled as the golden age of economic growth, a period that resulted in the construction of welfare states and in an extraordinary rise in living standards, especially for the employed population.[6]

Economic growth has been a subject of debate since its emergence as a political concept. In post-war Sweden, several economic experts were sceptical towards GDP, an indicator that was constructed by Anglo-Saxon economists and was deemed unsuitable to measure well-being in the context of a welfare state.[7] In the United States, the economist J.K. Galbraith gained prominence with the book *The Affluent Society*, a study that recognized the unprecedented increase in material wealth while noting the deficiencies in public social security and citizen well-being.[8] Furthermore, environmental damage caused by industrial and agricultural output became a topic of public debate. In 1962, the marine biologist Rachel Carson published the best-selling book *Silent Spring* that pointed out the effects of pesticides on wildlife.[9] The book contributed to the legislative changes banning dichlorodiphenyltrichloroethane (DDT) and to the emergence of the first environmental movements in the United States.[10]

In the 21st century, accelerating climate change and loss of biodiversity have risen to become topics of mainstream public debate. Many academic studies and political initiatives have connected the issues discussed to problems of economic growth. This literature can be broadly divided into two fields. First, the validity of GDP as a tool for measuring economic success and development has been increasingly questioned. This criticism has ranged from the idea that the GDP is increasingly mismeasuring our lives[11] to claims that promoting GDP growth as a political goal is dangerous and destructive of global equality and planetary life.[12] Second, there has emerged a growing field of literature and political action behind the idea that readjusting principles of GDP measurement is not enough, and the politics of growth must be radically rethought.[13]

The Rationale of the Study

Despite an almost immeasurable amount literature on economic growth and its effects, economic growth as an idea has received less attention from historians.[14] Recently, Venus Bivar has written a historiographical review describing works ranging from history, ecology, anthropology, and economics to political science as a new subfield of academic inquiry seeking to study why economic growth has achieved its dominant status. Historical analysis of growth can generally be divided into two fields: some scholars have focused on the 20th century and the emergence of GDP as *the* indicator of growth,[15] while others have placed economic growth within the political and intellectual history of capitalism. These studies have suggested that the roots of the contemporary growth ideas can be traced back for centuries to the emergence of Western capitalism and colonialism.[16]

Scholars of the field have pointed out both the lack of common interest and the difficulty of combining the two approaches: historians of statistics have not been inclined to trace the emergence of capitalism and instead have focused on problems of bureaucracy and trust, while historians of capitalism have had their analytical lens on private-level business practices and double-entry bookkeeping.[17] There seems to exist a gap in studies that analyse what happened between the first inventors of national income statistics in the 17th century and the emergence of GDP. Bivar has also noted that, first, current accounts of the intellectual history of economic growth have tended to reproduce perspectives of the Global North, and second, little has been said about the relationship between growth and capitalism, perhaps due to tendencies of historians of capitalism to view capitalism and growth as synonymous.[18]

The book at hand seeks to combine an analysis of developments in national accounting with the intellectual and political history of economic growth. The analytical lens focuses on Finland, a country that is usually neglected in conventional intellectual histories of national accounting and economic thought. Bivar's suggestion that current histories of growth have reproduced perspectives of the Global North is evidently correct, but it nevertheless seems evident that current perspectives of the Global North have also been almost entirely Anglo-American. This book seeks to provide a new perspective on developments between 17th-century national income statistics and GDP.

Moreover, this book develops a conceptual history perspective on economic growth. It seems that most studies that have focused on the intellectual history of growth either in the field of the history of economic thought, or in recent studies that have analysed the emergence of growth as a dominant political paradigm, have treated growth as a single unit idea that can be traced across time and space. While some contemporary understanding of growth is indeed necessary to conduct historical analysis, I will explore the risks involved in taking such perspectives too far. I will also examine how economic growth has been conceptualized in both capitalist and non-capitalist frameworks. This book is not about seeking to study the emergence of a profit-oriented capitalist society as such, but rather focusing on what has distinguished a nation state pursuing economic growth from other past capitalist and non-capitalist societies.[19]

The conceptual analysis of economic growth has resulted in a typologization of five competing growth conceptions: classical liberal, agrarian conservative, social liberal, social democratic, and communist. While some growth conceptions can indeed be described in today's terms as pro-growth, others were indifferent to or moderately hostile to growth. Moreover, and perhaps more importantly, it is possible to identify types of capitalist conceptions that were not growth-oriented and non-capitalist conceptions that can certainly be termed pro-growth. I have coined the five conceptions by examining developments in Finland from the late 19th century until the Second World War. The main argument is not that the conceptions developed here can necessarily be applied as such to other cases, but that, on a general level, such a starting point could be useful when seeking to understand the multifaceted intellectual history of growth.

Considering the relative lack of attention economists – and, to a certain degree economic historians – have paid to economic growth as an idea, one should not be surprised to hear that Finland is no exception. The process of economic growth has certainly been studied. After private efforts, Finland's Statistical Office established an official national income calculation programme in 1948. In 1956, a government committee report, inspired by Simon Kuznets's historical growth studies, suggested that Finnish national income calculations should be carried to the year 1900. First, the project was abandoned due to lack of funding. Later, the committee initiative was adopted by the Bank of Finland Institute for Economic Research. The multi-volume growth studies project that was carried to the end by Professor Riitta Hjerppe provided historical national accounts from the year 1860 which at the time of their publication in 1988 were unique in their extensiveness.[20]

The pioneering growth studies project and the historical data it provided have been further analysed in later endeavours. Most studies have built their central arguments around the narrative of catching up in terms of prosperity.[21] In Western European comparison, Finnish economic growth took off late, but the catch-up was rapid. The recipe for Finnish success has been characterized as a combination of a successful small open economy with well-functioning political institutions.[22] An often-cited scholar in such analyses has been Alexander Gerschenkron, who has emphasized the role of increased state-intervention in nations where industrial development emerged late in international comparison.[23] However, there have been fewer studies focusing on how growth was conceptualized when it emerged.

The Finnish case provides a perspective that suggests that historians of capitalism have perhaps too straightforwardly treated capitalism and growth as synonymous. Even today, although economic growth is without a question a powerful and dominant political paradigm, its pervasiveness must not be exaggerated. A recent study that utilized Eurobarometer surveys as data suggested that less than a third of European citizens could give an estimate of unemployment, inflation, or growth rates that fell within two percentage points of the actual figure. The study that analysed how socio-economic and emotive factors affected citizens' estimates of national economic performance also pointed out that as a concept economic growth is more abstract than inflation or unemployment. While the latter indicators could easily be summarized as life getting more expensive or people losing their jobs, economic growth or GDP are more abstract concepts whose meaning is more elusive.[24]

It is no exaggeration to claim that a pursuit of growth is not as such embedded in individual citizen behaviour in capitalist societies. People do not necessarily care about economic growth or have knowledge about recent GDP figures. This suggestion is even more plausible when applied in the pre-Second World War period, when the concept of economic growth was uncommon. However, ideas that are arguably connected to growth can be examined in the context of concepts that resemble and predate GDP. Concepts such as national wealth, national income, and national product can provide fruitful tools to analyse how economic growth was conceptualized before the concept of growth became common. As the words suggest, national perspectives can be used as a lens that ties the concepts to economic growth.

Economic Growth in the History of Economic Thought

To understand the methodological perspective presented here, it is necessary to briefly review how economic growth has been traditionally approached in the history of economic thought. A significant trait of the field is that individuals who have written histories of growth theories have been in many cases both contemporary theorists and retrospective historians of the subject. An interesting example of this dual position can be found in the work of the American economist Walt Rostow, who in the midst of the Cold War wrote the famous book *The Stages of Economic Growth: A Non-Communist Manifesto*, a book that presented a theory of five stages of economic growth.[25] As the title suggests, the study was written with the intention of refuting historical materialism and providing an alternative historical model to analyse economic growth. Rostow analysed how self-sustained growth would occur when certain "pre-conditions for take-off" were met in traditional societies. The applicability of Rostow's theory has been questioned, but the study was nevertheless an influential manifesto that presented economic growth as a phenomenon that was naturally embedded in societies but held back by different obstacles.

Thirty years after the publication of *The Stages of Economic Growth*, Rostow showcased his ability as a historian with a monumental 738-page book entitled *Theorists of Economic Growth from David Hume to the Present with a Perspective on the Next Century*.[26] The first three parts of the book surveyed the development of growth theories from the mid-18th-century classical political economy to the 1980s. The fourth and concluding part sought to resolve some unanswered questions and debates and address the challenges future generations and governments would face in the context of economic growth. Rostow described a clear continuity of thought within classical economics from David Hume and Adam Smith to Karl Marx. He noted, however, that interest in growth theories diminished, or "moved to the periphery", since the 1870s turn to marginalism in economics.[27]

Next, Rostow examined how, after the Second World War, growth theory re-emerged with three distinguishable branches: neo-Keynesian growth modelling, statistical analysis of growth patterns and the analysis and prescription of growth for the developing countries.[28] Finally, Rostow wanted to address problems of the present economic growth and the prospects for future growth. One of Rostow's key tenets was to describe the complexity of thought in economics as a science lost, when classical political economy was abandoned for seemingly elegant but in many ways narrower general equilibrium analysis. What kind of activity counted as economic and what phenomena fell within the field of economics were certainly narrowed.

How should a historian with an interest in theories of growth approach such a comprehensive study? Rostow's account of theorists of growth is without question an indispensable work for anyone tracing past ideas of economic growth. As already noted, Rostow was also admirably self-reflective regarding the philosophical characteristics and limitations of present economics as a science. Nevertheless, the study is, in the best traditions of the history of economic thought, explicitly built around the task of seeking correct theories of growth from the perspective of the present.

This starting point has guided the study in three directions that are of interest here. First, using history as a tool to assess the most applicable growth theory for the present inevitably leads to a situation in which certain theories receive more attention not because they were influential forces in the past, but because they caught something original from the perspective of the dominant theories at the time Rostow's study was written. Second, focusing on questions asking which theories have contributed something original to the present economics easily leads to a history of economic thought, where economists, who prevailed the contemporary methodological battles, are the protagonists of the narrative. Moreover, schools of thought that may have been influential in the past but are now deemed obsolete, are ignored due to their supposed failure to contribute to present knowledge. Third, economic growth was not a concept that was used by Adam Smith and other classical economists. Eva Friman has pointed out that many historians of economic thought have tended to refer to concepts of economic growth, development, and progress together and often interchangeably.[29] This is a strong methodological commitment that can easily lead to an assumption that all past theorists of growth were seeking answers to the same questions.

The philosopher Richard Rorty has analysed the relationship of contemporary knowledge and ideas of the past in history of philosophy with an analytical division into rational reconstruction and historical reconstruction.[30] This division has been further applied to analyse the history of economic thought and the history of science in general.[31] Rational reconstruction as a methodology for writing on the history of economic thought is committed to continuity within the history of economics. A common objective with this type of history is to bring the work of past economists into dialogue with contemporary economic scholarship. Through the lens of rational reconstruction, economics is seen as a cumulative science that inevitably progresses towards more refined knowledge. With historical reconstruction, however, a historian hopes to study past ideas and theories with the terms of the historical actor. The aim of historical reconstruction is to avoid analysing ideas through contemporary concepts and ways of thinking to avoid anachronistic interpretations of the past. With such an approach, the history of economic thought is not a narrative of cumulative progress, but a series of changes, events, arguments, and marginalized visions.

Although it is obviously impossible to separate the two approaches, this book is built on the argument that if the history of economic thought is harnessed to serve exclusively contemporary mainstream economics, there is a risk of misinterpreting historical ways of thinking and acting. Certain economic knowledge could be obsolete in for contemporary economists, but it still has the potential to provide essential tools when one seeks to understand economic and political thought in past societies. In other words, moving outside the conventional history of economic thought based on Rortyan rational reconstruction might not be the best analytical tool to assess which theory of growth is correct, but using historical reconstruction will certainly help us to understand past ideas and the politics of economic growth.

Marin Muzhani's study *Mainstream Growth Economists and Capital Theorists: A Survey* is a recent example of how economic growth has been approached in the context of the conventional history of economic thought. Like Rostow, Muzhani has digressed to survey developments of growth theories from classical political economy to the present, and – at the same time – "to re-establish what really determines the rate of growth".[32] For Muzhani, "the survey is a string" that is pulled out of "a jungle of papers, articles and books of growth economics".[33] In my view, a string certainly provides a survey, but a more meticulous historical analysis of the past inevitably requires one to assess two important factors. First, one needs to consider past ideas of economic analysis which present economics deems obsolete or ignores, but which were potentially influential thought patterns in the past. Second, an analysis based on solid historical reconstruction necessarily needs to transcend the conventional history of economic analysis and study more comprehensive intellectual and political contexts.

A well-known example of a study that has focused on the history of economic growth as a history of capitalism is by Liah Greenfeld, who in her work *The Spirit of Capitalism: Nationalism and Economic Growth*, has pointed out how economic historians have tended to take the process of economic growth for granted and have rarely asked why economic growth is – or is not – desired in certain times and cultures. Greenfeld has argued that the first growth-oriented capitalist society emerged as a result of nationalism in England, from where it spread to other regions in connection with the images of national pride and international competition.[34] Although Greenfeld's scope indeed focuses on the emergence of a capitalist society rather than the idea of 20th-century economic growth, her fundamental idea about seeking the reasons rather than the conditions for growth has been an inspiration when constructing a conceptual perspective on growth.

In contrast to Greenfeld's study on the emergence of capitalism, Matthias Schmelzer has emphasized the radical intellectual turn that occurred in the mid-20th century. The study *The Hegemony of Growth: The OECD and the Making of the Economic Growth Paradigm* places the Organisation for Economic Co-operation and Development (OECD) in the main scope of analysis and raises "the growth paradigm" into an often-quoted object of analysis.[35] Schmelzer has examined the making of the idea of economic growth during the post-war period and ideological conflicts that have shaped the idea of growth into a political paradigm. Schmelzer has pointed out that as his key thesis that "the ideal of growth and its underlying expertise are neither neutral analytical categories nor can they be taken for granted as having always already been there".[36] While Schmelzer provides an important transnational account of growth after the Second World War, the focus on "limitless" GDP-measured growth could perhaps be complemented with frameworks that seek to examine growth before the emergence of GDP and the concept of economic growth.

Eli Cook has proposed an alternative explanation for the emergence of an idea of economic growth. In the study *The Pricing of Progress: Economic Indicators and the Capitalization of American Life* he has examined the quantification of progress in the context of the 19th-century United States, when this process of pricing emerged in conjunction with American capitalism and the capitalization of everyday life.[37] Instead of a history of market revolution and commodification, Cook has focused on a contested history of capitalization, when entire towns and their inhabitants were increasingly statistically analysed as cost-benefit investments that yielded returns. Cook has examined the developments primarily as an elite project that culminated around the time of the First World War as a statistical state that rejected alternative forms of measuring progress.[38] Cook has treated "invention of GDP not as the opening scene of American pricing of progress but rather as the final act of a long, contested, and global drama".[39] The book at hand provides an analysis that is temporally similar but thematically different.

Using Economic Journals as Historical Sources

The focus here is particularly on Finland's two major economic associations and their institutional role. Thus, there are some obvious caveats that need to be addressed. First, how adequately do economic associations represent scientific and political currents of the period? Second, what can a text printed in an economic journal reveal about past economic knowledge? The claim that discussions in economic associations at least somewhat adequately represented theoretical or scientific trends of the time probably needs less justification. The association members perceived themselves as students of economics and disseminators of scientific economic knowledge. As will be later demonstrated, speakers and writers in economic associations actively monitored international intellectual trends, formulating their own contributions. However, at this point it is worth emphasizing that, at the time of their foundation, the associations perceived themselves primarily as appliers of economic knowledge. In the late 19th century, a major trait in Finnish economic thought was the intention not to focus primarily on the major ongoing international theoretical debates but rather to assess how economics as a science could be utilized under particular national conditions to benefit the Finnish nation.[40]

This practical aspect of Finnish economics-making leads one to suggest that Finnish economic associations are a fertile environment in which to study economic policy. It is also worth mentioning that the academic, economic, and political elites in Finland were small, and many individuals held positions as both professors and politicians – or as both economists and industrialists. One could almost claim that at the turn of the 20th century, Finnish economics was at its core the assessment of economic policy. The situation changed, however, with both the internal revolutions in the methodology of economic sciences and the changing role of economics in society. In the 1960s, it was more common to describe economics as a science that provided tools to achieve political goals formulated outside the field of economics. In addition to this means and ends approach, economics was increasingly perceived as a field of value-neutral knowledge, one that in an engineering fashion provided technical descriptions of societal development. A major part of this study is devoted to analysing this fundamental change of thought in the context of Finnish economics.

Furthermore, what can economic journals published by economic associations tell us about Finnish economic thought? It is necessary to point out that in the period of this study, texts published in these journals were not rigorously edited and peer-reviewed articles with conventional scientific structures. Instead, the texts published in these journals were most often written in the form of essays and public presentations. This trait is unsurprising, as Mary Morgan has emphasized the nature of economics at the turn of the 20th century as a science of verbal tradition.[41] Consequently, these texts perhaps reveal more about individual perceptions and conceptualizations than later journals adhering to stricter scientific conventions. Although texts published by the two Finnish economic journals might not be the most original work seen through the lens of the traditional history of economic thought, they nevertheless provide a fertile and somewhat neglected platform to study developments in economic policy and phenomena not falling strictly within the field of economic analysis. In other words, although some of the texts might not be deemed original from perspective of the present economics and have been overlooked in the most conventional history of economic thought, they provide an interesting platform to study economic knowledge and reasoning.

During the period of this study, economic knowledge transformed from a science of verbal tradition into a different field. The first change occurred with the massive increase of data gathered by private organizations and public officials, data that could be used for statistical analysis. The consequent emergence of econometrics fundamentally changed the tools of economic analysis. More slowly but equally importantly, mathematics became an essential means of formalizing economic reasoning and opening the field to theoretical and econometric modelling. Between 1940 and the end of the century, economics was transformed into a tool-based discipline with many (perceived) characteristics of engineering.[42] In addition, – or consequently – the pluralism of beliefs, theories, and methods was replaced by strikingly uniform economic analysis and theorizing on a global scale. Bruce Caldwell has characterized this change of thought as a transition from interwar pluralism to post-war neoclassicism.[43] This transition in the context of Finland will be an object of further analysis.

A Conceptual History Perspective on Economic Growth

There are several points to consider when writing a conceptual history of economic growth. First, an analysis of economic growth requires a contextualization of continuity and change. It is possible to argue that analysing the concept of economic growth is a history of continuity, and conceptualizations of increasing material welfare have existed at least since the Enlightenment, although with different terminology. In the history of economic thought, there exists a tradition of associating the first growth theories with the Scottish Enlightenment and addressing their continuities in reference to modern post-war growth theories.[44] This type of approach is commonly described as a narrative of ceaseless progress and cumulation of knowledge. Sometimes referred to as the Whig interpretation of science, narratives of progress tend to describe our current knowledge as natural and ignore the (allegedly) obsolete ideas of the past.[45]

Adam Smith or other classical economists did not use the concept of economic growth but rather referred to concepts such as “continual increase of national wealth" or "natural progress of things towards improvement".[46] This different use of words is not necessarily significant, but the book at hand suggests there were several changes in how economic thinkers of the 19th century conceptualized growth and development, and what kind of expectations they held for the future. It seems that during the 19th century, economic growth was not discussed in a similar manner to the interwar period because it was taken for granted as the natural order of things. The crises of the First World War and the Great Depression, however, forced contemporary observers to examine the economy as an entity that could be measured and manipulated. At the same time, such expertise emerged as a new field of competence.[47]

It is well known that since the end of the Second World War, despite its conceptual ambiguity, economic growth has commonly been equated with the rate of increase of GDP. How should one seek to study economic growth before the emergence of these concepts and indicators? In contrast to studies that have examined the emergence of capitalist societies or ideas of economic progress, this book attempts a conceptual history of economic growth using concepts of national accounting such as national wealth and national income as the unit of analysis.

There have also been attempts to examine wealth and income using frameworks that transcend national boundaries. In the famous textbook *Principles of Economics* of 1890, Alfred Marshall referred to objects such as oceans and scientific knowledge as "cosmopolitan wealth", a form of wealth that was "the property of the whole civilized world".[48] In the classic study *Interregional and International Trade* from 1933, Bertil Ohlin conceptualized "the world income" as the sum of national incomes.[49] In a more recent study, Thomas Piketty has briefly touched the definitions of global income and global output.[50] However, these concepts have arguably remained marginal notes in economic and political thought.

Empirical social statistics were developed in the 1830s and 1840s to address questions of poverty and crime, and the field devolved into its modern disciplinary form roughly between 1890 and 1930.[51] The history of the discipline has been intimately connected to the construction of the nation state as the unit of analysis.[52] As noted by Silvana Patriarca, during the 19th century, statistical investigations emerged as a project whereby the nation state could be "known, measured, compared, and governed".[53] In this context, several studies have examined statistics as a tool of nationalism and nation-building.[54] Moreover, the emergence of "the national economy" has been placed in the context of the construction of national identities as a reciprocal bond. Nationalist thought proved to be helpful in the construction of the nation state as a collective economic unit, and national economic performance and economic indicators have been an important tool in strengthening of national identities. National income statistics have been an important tool for measuring national power. As noted by Adam Tooze, "like a flag, postage stamps or passports, an estimate of gross domestic product allows a nation-state to be placed within an international hierarchy".[55]

Thus, a conceptual history of national wealth, income, and product can and should be examined in this national framework. The concept of national wealth is somewhat different from that of national income and national product, which are theoretically more interlinked. National wealth is often connected to material, monetary, and – in some cases – intangible stocks, while national income and national product are in general used to measure annual monetary flows. National income and national product bear many similarities. During the period examined in this study, these concepts were often used in political contexts without commonly shared definitions. However, it is possible to make a simplification and to claim that both concepts can be used to measure how much income is produced, distributed, and consumed inside national boundaries. Several classical studies in national accounting have suggested that national product and national income should arrive at somewhat similar results, as the value of produced goods equals disposable income.[56] This theoretical connection and its practical challenges were also recognized by the many individuals analysed in this study.

The claim that the interwar period and a conceptual analysis of national wealth, income, and product could be helpful in examining how economic growth emerged as a concept in economics and politics can be analysed with evidence from digital databases. The Google Books Ngram Viewer contains a database of millions of digitized books since the year 1500. The term n-gram derives from the field of linguistics, and in the context of the Books Viewer it refers to frequencies of n-grams (or words) in text corpora for the given year. At present, it is possible to conduct searches in English but not in Finnish or Swedish. There have been many cautious notes regarding, for instance, the unreliability of optical character recognition (OCR) and the database's bias towards academic publications. One should be wary when taking results provided by the Ngram search for granted.[57]

Even with all the reservations and caveats in mind, it is worthwhile to conduct a search that could help to provide further questions. The search results (see Figure 1.1) indicate that the concept of national wealth was a more frequent concept than national income or national product until the First World War, but in the early 1920s, the popularity of national income increased significantly, while a similar trend occurred with the concept of national product in the aftermath of the Second World War. While changes in the frequency of the concept of national

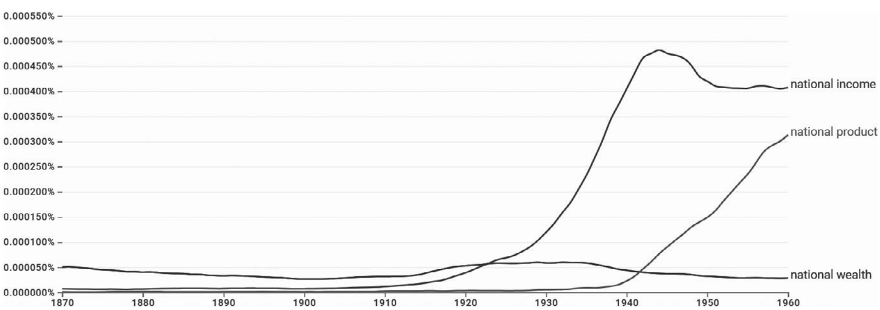

Figure 1.1 Google Ngram Results in English language with search terms “national income”, “national wealth”, and “national product”, 1870–1960.

Source: The Google Books Ngram Viewer.

product can perhaps be explained by the emergence of national production statistics and the emergence of GDP, the rise in the popularity of the concept of national income in the 1920s is currently less acknowledged.

While it is not possible to run an Ngram search in Finnish or Swedish, it is possible to a conduct a similar search with the help of the Digital Collections of the National Library of Finland. In addition to books and journals, the collections contain a large dataset of daily newspapers. Quite remarkably, the search results (see Figures 1.2 and 1.3) suggest similar conceptual developments in both languages. As a general trend, the concept of national wealth (*kansallisvarallisuus*/*nationalförmögenhet*) was a more popular concept during the 19th century and early 20th century, until the concept of national income (*kansantulo*/*nationalinkomst*) emerged as a more dominant concept during the interwar period. The concept of national product (*kansantuote*/*nationalprodukt*) remained marginal until the 1940s.[58] It seems that when three different languages and two databases arrive at somewhat similar results, there are fewer reasons to be cautious with deficiencies of the OCR or other flaws in the data.

While these searches have provided a distant reading of data that has guided the analysis to ask certain questions, the analysis is based on a manual close reading of economic journals and other sources. The emergence of the field of the history of ideas is usually associated with the studies of Arthur Lovejoy. In the 1940s, Lovejoy coined the concept of unit idea as a tool of historical analysis. Lovejoy claimed that outside our linguistic reality there were unchangeable unit ideas that carry the same meaning in different periods and intellectual contexts.[59]

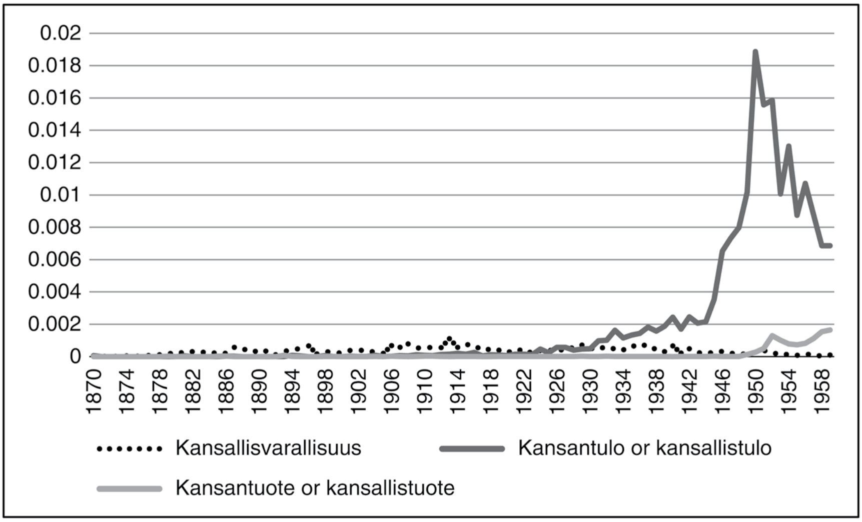

Figure 1.2 Hits per page for the used Finnish search term, 1870–1960.

Source: Digital Collections of the National Library of Finland.

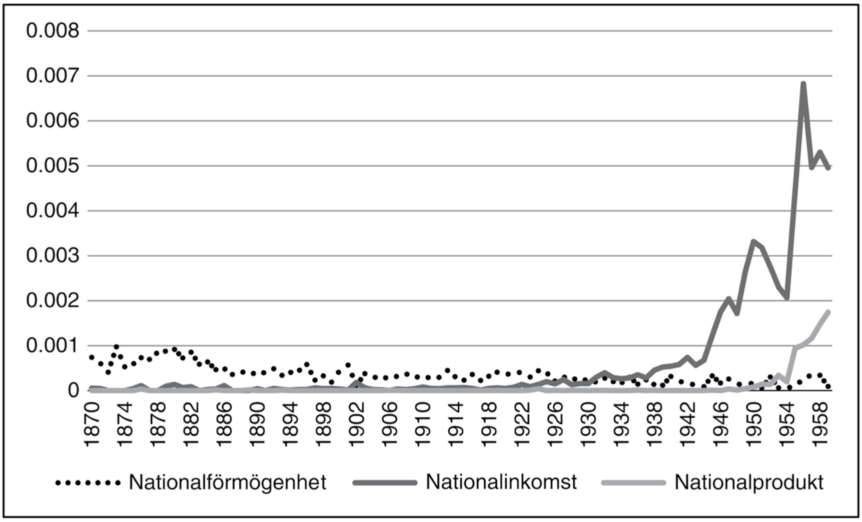

Figure 1.3 Hits per page for the used Swedish search term, 1870–1960.

Source: Digital Collections of the National Library of Finland.

Along these lines, a historian could trace the emergence of a doctrine as a compound formed out of atomistic unit ideas. There is a strong commitment to continuity with this approach. For example, if one was following Lovejoy's project, one could make the claim that a theory of growth is formed out of individual unit ideas, traces of which can be found from both Adam Smith's work and modern growth theories.

Quentin Skinner has famously argued for alternative perspectives to unchangeable unit ideas. He has pointed out that if a historian were to organize scattered remarks from different temporal contexts into an organized unit idea, the result might tell something about the presuppositions related to the concept but would nevertheless be a distortion of past reasoning. In order to counter this mythology of doctrines, Skinner coined his well-known maxim, which stated that the historian's focus should be on "the range of descriptions which the agent himself could at least in principle have applied to describe and classify what he was doing".[60] The study at hand is committed to this maxim in the sense that it does seem anachronistic to claim that 19th- and early 20th-century individuals, who can certainly be described as capitalists, would have (inevitably) conceptualized a type of economic growth that did not exist at the time.

While Skinner's arguments have been influential here and elsewhere, it is necessary to remember not to take historical contextualism too far. Studying past concepts and ideas is inevitably derived from the assumption that concepts and ideas exist across temporal contexts and can be analysed with different interpretations. When conducting historical analysis, even if one used the contemporary vocabulary, at some point one would still have to describe the concepts of analysis with present vocabulary. At least on some level, there exists an ideational connection and continuity between national wealth, national income, and national product. Following Jouni-Matti Kuukkanen's perspectives on conceptual change, one could argue that they all contain the same conceptual core with pertaining to economic growth, and focusing on the margins of the concepts allows an analysis of conceptual change.[61]

To analyse long-term change of individual concepts such as national wealth, income, and product, there are promising approaches. In contrast to Skinner and other Cambridge contextualists, scholars like Reinhart Koselleck have analysed the temporality of individual concepts with an emphasis on long-term structural changes. In general, the German *Begriffsgeschichte* tradition has not focused merely on the linguistic use of historical concepts but on the broader, more comprehensive structural change and interactions of concepts, ideas, and societies that construct new meanings for concepts. Translating Koselleck's work to render it accessible to the Anglophone world has been slow, and while the Cambridge contextualists were formulating their key ideas, they were not able to fully consider the German contributions. These practical constraints have partly contributed to the fact that the *Begriffsgeschichte* tradition has not gained much of a foothold in the Anglo-American history of concepts.[62]

As economic growth is a concept embedded in temporality and shared national meanings, it seems to be fruitful to analyse it in a framework that analytically assesses conceptual interconnectedness of past, present, and future and considers the communal nature of societal phenomena. Reinhart Koselleck has constructed two analytical categories, the space of experience (*Erfahrungsraum*) and the horizon of expectation (*Erwartungshorizont*), to conceptualize time, experience, and society. In short, spaces of experience refer to the established knowledge of the world, while horizons of expectation refer to the foreseeable future that is categorized by past experiences. Present is lived past, and the tension of present and future is central to how we experience time.[63] In addition, Koselleck's framework of semantic fields in the analysis of concepts provides valuable tools when one seeks to conceptualize temporal change. Concepts are not static; they carry different meanings in time. A semantic field refers to the historically changing meanings that concepts acquire in social and societal contexts.[64] As such, semantic fields could be used as a tool to analyse how national wealth and national income were reconceptualized in the aftermath of the First World War and the Great Depression.

Further, methodological approaches derived from conceptual history have guided the study at hand to discuss the growth paradigm as an object of study. The growth paradigm does not refer to types of growth models that describe processes of economic growth. In other words, growth paradigms do not describe growth models that explain mechanisms of growth such as the export-led growth model typical of Germany or credit- and consumption-driven growth models similar to the United Kingdom and the United States.[65] The concept of growth paradigm was coined by the economist Herman Daly in the early 1970s,[66] and it has been perhaps most rigorously analysed and developed by Schmelzer in his study of the OECD. The growth paradigm as a concept has been influenced by Thomas Kuhn's famous study of scientific revolutions as "constellations of beliefs, values, techniques and so on shared by members of a given community".[67] Schmelzer has defined the growth paradigm to describe "a specific ensemble of societal, political, and academic discourses, theories, and statistical standards that jointly assert and justify the view that GDP growth is desirable, imperative, and essentially limitless".[68] In essence, Schmelzer has examined "the emergence, functioning, and evolution of *the* growth paradigm".[69]

While Schmelzer has also acknowledged that the growth paradigm is not a monolithic or a unified set of discourses,[70] I seek to take the analysis in another direction by turning the scope of the analysis from the emergence of *the* growth paradigm to identifying and analysing types of growth conceptions. The reasoning behind such an approach is based on the attempt to avoid treating the economic growth paradigm as a Lovejovian-style unit idea, where traces of the same paradigm can be tracked across time. There are approaches that have traced "the origins of the growth paradigm" from ancient civilizations of Mesopotamia and India's Mauryan Empire to Tang-dynasty China and concluded that the paradigm seemed to be absent from ancient times, while traces of the paradigm can be traced to the emergence of capitalism and colonialism in 17th-century Europe.[71] Although such an analysis provides the possibility of a long-term perspective on the topic, it perhaps also carries a danger of anachronism as described by Skinner.

For the reasons discussed above, it would also be problematic to abandon this analytical category entirely. Thus, I have sought to find a middle ground between unchangeable unit ideas (the economic growth paradigm) and extreme historical contextualism (abandoning the category entirely as anachronistic) by using growth conceptions as an analytical category to describe *what kind of* growth was conceptualized before economic growth emerged as a dominant paradigm. This approach explicitly recognizes that these conceptions of growth have been derived from a contemporary historian's understanding of growth. First, I have examined national wealth, national income, and national product on the assumption that they are concepts related to growth. Second, I have traced the development of statistical tools to measure national wealth and income, and, on a more comprehensive level, I have charted the institutionalization of national accounting. Third, I have analysed how economic activity and productive work have been conceptualized as spheres distinct from other societal activity.[72] Fourth, I have traced preconceptions of growth before the concept of growth with a focus on desirable and undesirable aspects of economic development and structural change.

The findings of this study suggest that it perhaps seems reductive to approach economic growth as *the* paradigm that emerged as a dominant and uniform 20th-century political goal. Instead, the definition and nature of economic growth as a concept and as a political paradigm have always been connected to multiple meanings. This claim is not new, of course; debates that take place between those in favour of economic growth and critics of growth have been examined in the context of both the modern GDP definition and, for instance, 17th-century criticism of capitalism and industrialism.[73] However, although types and currents of growth criticism have been extensively typologized or classified, forms of thinking that were either pro-growth or indifferent to growth have perhaps received less attention.[74] At least in the case of interwar Finland, there emerged several new ideas that could be examined in the context of economic growth, but it would be misleading to examine them as the emergence of *the* growth paradigm. Rather, there emerged competing growth conceptions that could be more extensively typologized and examined.

The Structure of the Book

At present, there exists a gap in studies that analyse what happened between William Petty, one of the first proponents of national income statistics in the 17th century, and the emergence of GDP.[75] There are few established periodizations or structures for such studies. This book could have been written in a manner that examined national wealth and income as analytical categories in individual chapters. However, I seek to emphasize the book structure chosen here also a result and a conclusion that was based on the analysis of the source material. There are clear conceptual turning points both in the First World War and the Great Depression that deserve a systematic historical contextualization. Thus, this book has a chronological structure with three main chapters and a shorter chapter with conclusions.

The first chapter focuses on the period from the late 19th century until the First World War. It examines classical liberal and agrarian conservative growth conceptions within the Finnish economic associations. The second chapter analyses Finland's emergence from the First World War and the civil war of 1918 as an independent republic with universal suffrage. The visions of classical liberalism and agrarian conservatism were challenged by social liberal growth conceptions. Furthermore, communist exiles in the Soviet Union provide an opportunity to examine the emergence of communist growth conceptions. The third chapter focuses on the Great Depression and its aftermath. Statisticians created new calculations of national income to assess how Finland had been affected by the crisis. When social democrats and the agrarian party formed a coalition government in 1937, the government justified an increase in public expenditure with a projected equivalent growth in national income. This political turn can be examined in the context of social democratic growth conceptions. Furthermore, increasing material welfare of all income groups with an export-oriented market economy emerged more explicitly in social liberal thought.

The conclusions chapter further reviews the empirical parts of the analysis and suggests that the interwar period was a turning point in the emergence of growth conceptions that were explicitly oriented towards growth. The chapter presents a typologization of growth conceptions and suggests that further studies could seek to expand the analysis with other typologies, national perspectives, and source materials.

Notes

1 JP Morgan warns of end to human life in climate report. *The Telegraph*, 21 February 2020.
2 Coyle (2014); Lepenies (2016).
3 Arndt (1984); Collins (2000); O'Bryen (2009); Yarrow (2010).

4 See, e.g., Mokyr (2018).
5 See, e.g., Fogel (2004, 8–19).
6 Crafts (1995).
7 Andersson (2006).
8 Galbraith (1958).
9 Carson (1962).
10 See, e.g., McNeill (2000, 337–340).
11 Stiglitz et al. (2010).
12 See, e.g., Fioramonti (2013); Philipsen (2015).
13 See, e.g., Kallis (2018).
14 See Arndt (1984) for an often-cited pioneering work in the field.
15 See, e.g., Collins (2000).
16 Greenfeld (2001); Dale (2017).
17 Cook (2017, 10); Bivar (2022, 6).
18 Bivar (2022, 20).
19 I have already presented some preliminary results from this project in Mikkonen (2020).
20 At the time of publication, a project on a similar scale had been carried out only in Japan. See Hjerppe (1988). For an English edition that will be referred to throughout this study, see Hjerppe (1989).
21 Ojala et al. (2006); Laine et al. (2019); Koponen and Saaritsa (2019).
22 Mokyr (2006).
23 Gerschenkron (1962). See also Pekkarinen and Vartiainen (1993, 29–34).
24 Linsi et al. (2022).
25 Rostow (1960).
26 Rostow (1992).
27 Rostow (1992, 153–159).
28 Rostow (1992, 329–331).
29 Friman (2002, 55).
30 Rorty (1984).
31 See, e.g., Klaes (2003).
32 Muzhani (2014, 5).
33 Muzhani (2014, 6).
34 Greenfeld (2001).
35 For a further study of the growth paradigm, see Borowy and Schmelzer (2017).
36 Schmelzer (2016, 341–342).
37 Cook (2017, 5).
38 Cook (2017, 12).
39 Cook (2017, 10).
40 Susanna Fellman has examined *Ekonomiska Samfundets Tidskrift* as a forum of public debate during 1914–1923. See Fellman (2019).
41 Morgan (2003, 277).
42 Morgan (2003, 277).
43 Caldwell (2004, 4).
44 Rostow (1992); Brewer (2010).
45 For an analysis of Whiggism in the history of economic thought, see, e.g., Magnusson (2004, 4–14).
46 Cited in Brewer (2010, 27–28).
47 Fourcade (2010, 164); Dekker (2021).
48 Marshall (2013/1890, 49–51).
49 Ohlin (1933, 320, 342, 450).
50 Piketty (2014, 45).
51 Porter (2008, 238, 240); Patriarca (1996, 1).
52 Tooze (1998, 212).
53 Patriarca (1996, 7).

54 Patriarca (1996); Höjer (2001); Tooze (2001). For a perspective outside Western capitalism, see Ghosh (2020) for history of statistics in the context of the People's Republic of China.
55 Tooze (1998, 215).
56 See Vanoli (2005, 273–274).
57 See, e.g., Younes and Reips (2019).
58 It is noteworthy that the Finnish words of national income "kansantulo" and national product "kansantuote" have also been used in the form of "kansallistulo" and "kansallistuote". While the terms "kansallistulo" and "kansallistuote" do contain a certain connotation of antiquity, it still seems relevant to claim that their semantic core refers to the same concept that is of interest here. Thus, I have decided to treat them as the same concept in this digital search.
59 See, e.g., Lovejoy (1964).
60 Skinner (2002, 78).
61 Kuukkanen (2008). For a similar perspective, see Kärrylä (2022).
62 Partti (2020, 44).
63 Koselleck (2004).
64 Koselleck (2011, 19–22).
65 Cf. Baccaro et al. (2022).
66 Daly (1972).
67 Kuhn (1996/1962, 175). See also Schmelzer (2016, 11).
68 Schmelzer (2016, 12).
69 Schmelzer (2016, 15). Italics mine.
70 Schmelzer (2016, 14).
71 Dale (2017).
72 Cf. Polanyi (2001).
73 Schmelzer (2022).
74 As one of the exceptions, however, see Collins (2000) for an analysis of the United States in the context of statist and antistatist growthmanship after the Second World War. Moreover, in the degrowth literature, Schmelzer et al. have approached types of growthism with Immanuel Wallerstein's division into two political camps: "the Spirit of Davos" and "the Spirit of Porto Allegre". They suggest that the former can be divided into "globalists" in favour of sustainable development and green capitalism and reactionary "neo-fascists" who seek to preserve what is seen as the natural order of things. They claim that both sides "favour growth". In the latter camp, Schmelzer et al. identify "left productivism" that refers to traditional social democratic workers' focus on growth, technical productivity, and redistribution, and "left libertarianism", a movement that is against hierarchy and productivism and seeks to fundamentally alter global relations. Degrowth has emerged as the main movement in this field. However, although this analytical division into four pole positions is mentioned, the rest of the study is "only interested in the more transformative leftist variants". See Schmelzer et al. (2022, 6–7). This division into pole positions could, however, perhaps be taken further to identify and examine positions both in the left and right that are either pro-growth or indifferent to growth.
75 Bivar (2022).

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2 National Wealth of a Grand Duchy

What counts as national progress has been a topic of discussion in the Swedish Realm at least since the period known as the Age of Liberty (1719–1772). Although modern concepts of progress (*framsteg*) or growth (*tillväxt*) were rarely used in the political language of the time, the Age of Liberty has been described as a transformative period, when private interests were increasingly associated with the common good and benefit of the Realm.[1] The economic power of the state became a key legitimatization of private business activity and political initiatives. There were factions and political groups who supported different policies inspired by mercantilism, physiocracy, and liberalism. Although perspectives were different, the rhetorical end was the same: common good and national progress were conceptualized primarily as increase in material welfare, development of the economy, and advancement of trade and industry. However, this practical reformism was also countered with conservative stances. Scholars of the period wanted to describe the Realm as economically dynamic but socially static.[2]

In a wider European context, there were and are many definitions related to progress, but one could make the argument that all definitions of the concept have included a change towards better human conditions.[3] Progress has been described as one of the key concepts in 19th-century political thought, although the content of the concept has been ambiguous and contested.[4] This chapter examines progress and development particularly through concepts of national wealth and income. During the 19th century, national income emerged in European public discussions as a new quantifiable indicator of progress. In the context of national income, new debates emerged in the fields of imperialist rivalry, class conflict, and income distribution.[5] As will be examined further, national income was also utilized in the Grand Duchy of Finland as a conceptual tool that placed Finnish economic development in international comparison. Moreover, national income and national wealth were also used in studies and debates that involved the so-called Social Question and income distribution on a national level.

After the Russian Empire annexed the Eastern provinces of the Swedish Realm in the Napoleonic wars of 1808–1809, the Grand Duchy of Finland was established as an autonomous region that had its own central administration and judicial tradition based on the Swedish rule of law. After the end of the war in 1809, Emperor Alexander I, the new sovereign ruler of the Grand Duchy, called together members

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of the four Estates – the nobility, the clergy, the burghers, and the peasants – to assemble in a Diet in the town of Porvoo. The Estates swore allegiance to the new sovereign, and in return Alexander I promised to rule the Grand Duchy in accordance with the old laws and government traditions. After the initial ceremonial event of 1809, the Diet was not convened for decades. As a result, governance of the Grand Duchy was conducted by the Senate without public discussion or official representation of the Estates. The small size of the Finnish press and the prevailing censorship laws contributed to the low level of public discussion in early 19th-century political and economic affairs.[6]

However, the Age of Liberty tradition of founding new associations and societies continued. As a wider European phenomenon, a myriad of economic societies emerged that sought to promote practical reforms in the fields of agriculture, trade, and industry. These societies employed a strong patriotic rhetoric, and economic reforms were connected to a more comprehensive national good. In Finland, Suomen Talousseura (The Finnish Economic Society) was founded in 1797 with the intention of improving the skills and knowledge of the general population particularly in agriculture. At the time, improving the economic conditions of Finland was tied to the common good of the Swedish Realm. The society remained active after the war of 1809 (as it does to this day), but after the Grand Duchy of Finland was established, economic and political culture moved in another direction. Patriotism was increasingly promoted in the context of culture and language in associations such as Suomalaisen Kirjallisuuden Seura (The Finnish Literature Society) founded in 1831. Jani Marjanen has suggested that during this period, practical economic patriotism was pushed to the political margins.[7]

The ascent to the throne of Emperor Alexander II in 1855 contributed to a series of liberal reforms. Alexander II launched initiatives intended to transform the Empire towards a bourgeois constitutional state similar to her Western European counterparts. The legislative reforms also extended to the Grand Duchy of Finland. The Diet was convened in 1863 for the first time since 1809 to ratify changes to laws and customs that had their roots in the Swedish traditions. One of the key reforms included turning the role of the Diet into a regularly convening body. Although the actual reformative political changes remained modest, the regularly assembling Diet together with an expanding public press contributed to the formation of a new public sphere of national matters and economic policy. Furthermore, the new political atmosphere and relaxing of censorship contributed to the emergence of new kinds of political parties that did not fall into the framework of the old Estates. The so-called Fennomans emerged as a new political force that sought to improve the legislative status of the Finnish language and people.[8]

The period from 1855 to the Imperial Trade Decree of 1879 has also been examined in the context of emerging economic liberalism. New legislative reforms relaxed controls on employment, trade, and business. Traditional patriarchal relations were slowly replaced with a wage labour market and freedom of trade.[9] Several new businesses emerged particularly in forest industries, and the volume of foreign trade began to increase. In early accounts of Finnish history, the 1860s has been treated as a strict watershed that transformed a static agrarian society into a trajectory of industrialization and urbanization.[10] Later studies have suggested that such accounts have exaggerated the magnitude of change. Instead of an abrupt change, Finnish industrialization was a slow process with multiple phases and a gradual diversification of the economic structure.[11] However, in political and legal history, the 1860s have been described as a period of change from mercantilism to liberalism.[12]

In international comparison, the liberal intellectual turn emerged late, but it was quick and reached deep.[13] In a classic study on Finnish economic history, Viljo Rasila has described economic growth as a new political objective that emerged with the liberal turn:

> A central feature and leading theme of the new society was already a pursuit for economic growth. People who lived during the period did not consider such a feature for decades, but its impact extended everywhere quickly. Industry and trade created new opportunities for private entrepreneurs. Economic life diversified, and societal division of labour together with technological development increased production. An increasing amount of different goods led to general increase in standard of living, but at the same time it also led to the pursuit of a higher standard of living. When opportunities had once unfolded, each individual citizen sought to increase their own material standard of living, and gradually during the next decades, the state adopted a mission of looking after the constant increase in general standard of living. An optimistic belief in future expanded in peoples' thoughts.[14]

Other Finnish economic historians have pointed out that an export-oriented strategy of economic growth has been the basic doctrine of Finnish economic development at least from the late 19th century, while the independence 1917 provided an aspect of sovereignty to economic policy.[15] Further, there have been suggestions that during the interwar period, Finland had a pragmatic growth-seeking economic policy based on principles of international competitiveness and external balance.[16]

These accounts are in many ways a comprehensive analysis of the change that took place, but I suggest that the emergence of the pursuit of economic growth was a more complex phenomenon. The liberal reforms of the 1860s arguably created a new field of entrepreneurial optimism and profit-seeking (or capitalism). However, in the era of the Grand Duchy, economic growth was rarely conceptualized as a consistent political objective. Instead, economic growth was in many instances considered a subsidiary objective to other political principles. Rasila's account of the state gradually adopting the pursuit of economic growth from individual citizen profit-seeking can be expanded with alternative perspectives. As will be discussed further, I suggest that nationally shared pursuit of growth did not emerge before the interwar period. Instead of gradually emerging liberalism, growth-oriented policies were constructed during a crisis of liberalism.

The claim is based on an analysis of competing conceptions of growth. There were two conceptions that are of importance in this chapter. While there was an element of state intervention in economic thought of the period, it seems that desired national development was constructed around principles of classical capital theory and spontaneous progress instead of growth that was planned. And in many cases, growth was a subsidiary objective to monetary and judicial stability. This trait can be examined in the context of the classical liberal growth conception. Moreover, there existed a strong tendency to conceptualize the free peasant as the building block of the nation. Although industrialization was considered desirable on some level, it had to be sustainable with other aspects of national development. In this agrarian conservative growth conception, growth was a subsidiary objective to cultural and spiritual stability.

This chapter examines economic growth particularly in the context of Finnish economic associations. The two major associations were formed at least partly as a response to problems of poverty and the Social Question. In the latter half of the 19th century, the poor conditions of the Finnish-speaking rural population became a topic of increasing public discussion. In January 1884, nine members from the circles of the Fennoman party signed a letter that was sent to different parts of the country with the intention of gathering information about the local land ownership and living conditions of the rural population.[17] The initiative led to the launch of a publication series that examined economic conditions in the Finnish countryside. The activity around sporadic research projects and occasional seminars was later formalized in June 1891, when the Kansantaloudellinen Yhdistys (The Finnish Economic Association) gathered for an official foundational meeting to found an organization that would seek to improve the poor state of economic knowledge inside the Grand Duchy in order to increase the strength of the Finnish nation.[18]

As Fennoman nationalism was predominantly inspired by German political philosophy, it was natural to seek inspiration for organized economic activity from Germany. Verein für Sozialpolitik, founded in Berlin in 1872, was a key inspiration with its multifaceted nature as a scientific discussion forum, a research organization, and a political pressure group.[19] However, the role of the German Historical School and the Verein für Sozialpolitik has perhaps been exaggerated at the expense of other influences. Early memoirs suggest that the Kansantaloudellinen Yhdistys, during the first decades of its founding, had most intimate connections to Société d'Economie Politique. Telling evidence of this connection can be found in the memoirs of one of the founders of the association. According to Hannes Gebhard, the French economic society was the only economic association with which the Kansantaloudellinen Yhdistys had official correspondence and exchange of publications with.[20]

The radical Fennoman context of the Kansantaloudellinen Yhdistys created a clash with Swedish-speaking economic thinkers of the period. The Svecoman movement had its background in the older nobility and bourgeoisie sections of the Diet. After the founding of the Kansantaloudellinen Yhdistys, the Svecomans gathered to establish a similar organization the *Ekonomiska Samfundet i Finland* (The Economic Society of Finland) for discussing economic matters in Swedish. The organization was formally founded in 1894 by liberal-minded individuals like J.V. Tallqvist and Leo Mechelin, key politicians of the period. There was also a French connection in the Ekonomiska Samfundet. Mechelin participated in French economists' lunches in Paris, and Tallqvist studied in Paris.[21] However, for the Swedish-speaking economic thinkers, it was more natural to seek inspiration from the Nationaløkonomisk Forening (founded in Copenhagen in 1872), the Nationalekonomiska Föreningen (founded in Stockholm in 1877), and the Statsøkonomisk forening (founded in Kristiania in 1893).[22]

As a 21st-century historian has access to several meticulous studies in economic history, it is fairly easy to conclude that the Grand Duchy of Finland witnessed a steady growth in terms of gross domestic product (GDP). After the disastrous Hunger Years of 1866–1868, economic output grew steadily reaching an annual average growth of 3.0% between 1890 and 1913. During this period, the structure of the Finnish economy changed from agriculture towards manufacturing and services, although agriculture remained the most important source of income and livelihood for decades thereafter. Moreover, the structure of the agricultural sector changed, when dairy farming gained importance at the expense of crops.[23] However, in comparison to other (Western) European countries, the GDP per capita was low (see Figure 2.1). In terms of national income or national product, the Grand Duchy of Finland was a poor region. Although the contemporaries did not have access to the same data, this relative poverty was conceptualized in many instances.

The particularities of the Finnish political system and economic structure provide interesting contexts for examining economic debates of the period. An obvious context, of which the importance cannot be underestimated, is the Russian Empire and the Grand Duchy's place as a part of the Imperial governance. As an autonomous Grand Duchy of the Russian Empire, Finland had its own customs border, central bank, and currency, but in many areas the possibilities for

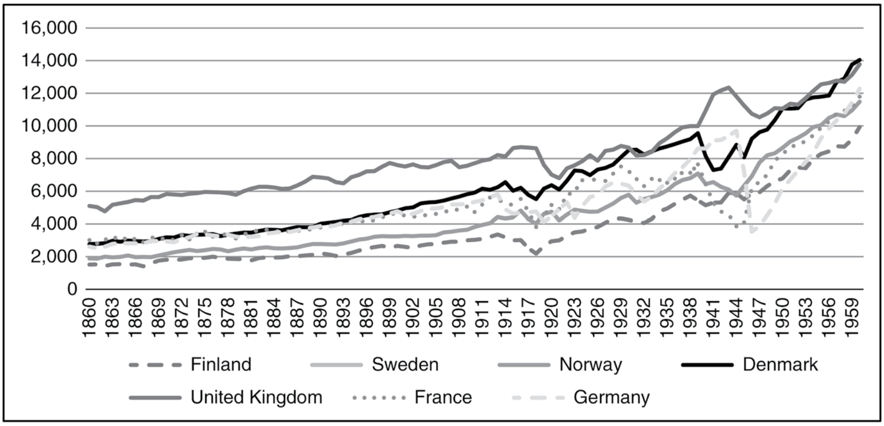

Figure 2.1 Real GDP per capita in 2011$, 1860–1960.

Source: Maddison Project Database, version 2023. Bolt, Jutta and Jan Luiten van Zanden (2024). The country sources are for Finland Hjerppe (1989); for Sweden Schön and Krantz (2015); for Norway Grytten (2015); for Denmark Hansen (1974); Larsen (1992); for the United Kingdom Feinstein 1972; for the United States Sutch (2006); for France Toutain (1987); for Germany Hoffman, Grumbach and Hesse (1965).

autonomous economic policy were limited, as the important decisions had to be approved by the Emperor.[24] This political context is evident in certain topical matters of the 19th century. Although the struggle between free trade and protectionism was certainly discussed in Finland, the debates were not as extensive as in some other parts of Europe, as Russia was Finland's main trade partner, and managing a customs border between an autonomous Grand Duchy and her imperial heartland was not a matter of simple economic theory. It is also noteworthy that Finnish export industries benefitted from tariff-free raw materials and capital goods from Russian and from opportunities in the Russian markets.[25] Moreover, seemingly apolitical matters such as monetary issues in the context of gold and silver standard had implications that stretched beyond monetary theory, as the Finnish currency, the *markka* was a national symbol and represented Finland's national identity and connections to the Western European economic system.[26]

This chapter is structured into four themes. First, the chapter examines intellectual and political backgrounds in the context of economic growth that provide the basis for further analysis. Second, the chapter examines national wealth and national income in the context of national accounting. Third, the chapter presents an analysis of theories of economic development in the Grand Duchy. Fourth, the study presents and examines classical liberal and agrarian conservative growth conceptions in the context of economic development and the Social Question.

Legacies of Political Arithmetic and Philosophy

It has been common to begin intellectual and political histories of economic growth with discussions of a 17th-century field of research coined as political arithmetic.[27] In general, political arithmetic was a part of the wider current of the European Enlightenment in the abstraction, quantification, and measurement of worldly phenomena.[28] In 1660, a group of physicians and natural philosophers gathered in London to form an informal discussion group that three years later was named the Royal Society of London for the Improvement of Natural Knowledge. One of the founding members of the society was William Petty (1623–1687), a scholar and industrialist who amassed a fortune during the English colonization of Ireland and became one of the biggest landowners in Ireland. Petty was intrigued to find out how much taxes and manpower the England could raise in times of war. His contemplations guided him to conduct experiments that transformed physical objects such as land and labour into income-yielding assets that could be aggregated on a national level to evaluate national power.[29]

Petty's estimates are usually deemed the first systematic national income calculations, although attempts to measure national economic wealth have been documented from as early as 7th-century Japan.[30] In order to estimate the annual income of the nation, Petty sought to calculate how much the people consumed by estimating per capita consumption of food and other necessities and multiplying the per capita figures by the estimated number of the population. According to Petty, the people of England spent around 40 million pounds annually. Consequently, England had to have at least an annual income of £40 million. Furthermore, Petty sought to estimate what the “annual proceeds” of the people consisted of by making an analytical division to £15 million annual income from wealth and £25 million from wage labour. Based on these calculations – or “Political Arithmetick” – Petty claimed that people in the English Realm could be taxed more, and the tax revenue could be utilized to further advance the wealth and power of England.[31]

Similar experiments were also conducted in France and other nations, but they did not gain popularity in the mainstream economic and political thought of the time. Knowledge regarding the wealth and power of nations was considered a state secret to be concealed from domestic competitors and foreign powers. Moreover, information created by empirical estimates of wealth, income, production, and population was deemed extremely sensitive, as it contained potential ideas for political and social reform. As noted by the statistician Harald Westergaard in 1932, his generation knew more about 16th- and 17th-century population and trade statistics than people who lived during those times.[32] Despite these tendencies, political arithmetic connected statistical estimates of population and wealth to politics of national power. A working population was considered a nation’s most important economic asset.[33] Moreover, national power could be increased by promoting exports and domestic industries and restricting imports in order to increase a nation’s share of the world’s limited bullion reserves. These ideas, retrospectively labelled under a mercantilist doctrine, were formulated in different national contexts.[34]

As discussed, there were also liberal currents in the Swedish Realm. Anders Chydenius (1729–1803) was a priest and a member of the Swedish Riksdag from Ostrobothnia. In 1765, he published the pamphlet *Den nationnale winsten* (The National Gain), a study that promoted the abolition of privileges and free trade. The study compared the forces of the market economy to a stream, where each drop of water contributed to a system of natural balance. Many of his ideas resembled Adam Smith’s concept of the invisible hand 11 years before *The Wealth of Nations* was published. Later, in the latter half of the 20th century, Chydenius has been raised to prominence by emphasizing his pioneering contributions to classical economics and liberalism. However, according to Yrjö Jahnsson’s dissertation in the history of economic thought from 1908, Chydenius’s influence on 19th century Finnish economic thought was modest, mainly because his writings were intended for his contemporaries, and his ideas were only published in pamphlets without binders and covers. Such writings were easily lost or destroyed.[35] During the late 19th century, Chydenius reemerged in the writings of Finnish historians, who were seeking to position him as a part of the national past.[36] However, according to the findings of this book, it does indeed seem that Chydenius was rarely mentioned or referred to in economic associations of the time.[37]

Consequently, even at the risk of oversimplification, economic debates in the Grand Duchy of Finland revolved primarily around the so-called Manchester School and its critics.[38] Inspired by famous scholars like Adam Smith and Jean-Baptiste Say, the School advocated international free trade and limited state intervention to domestic markets. In many instances, the ideas of the Manchester school were criticized by Finnish scholars and politicians, who conceptualized an optimistic vision of progress associated with the school unsuitable for Finnish conditions. This version of laissez-faire capitalism was criticized by both socialist and non-socialist frameworks. In this context, future promises of laissez-faire progress provided by an international economic theory were countered with national experiences of slower development and intangible national wealth.

One of the most influential forms of criticism of the Manchester School emerged in the works of Friedrich List (1789–1846), a German-born scholar, who also spent a large part of his life in France and the United States. List has become famous for the so-called infant industry argument, where he opposed liberal international trade, or "cosmopolitan economics" and promoted the protection of industries in less-developed nations through tariffs. Moreover, List sought to redefine both national wealth and theory of value. To List, national wealth consisted of each individual's physical forces – or the sum of exchange values – but also intellectual forces. Moreover, the wealth of a nation consisted of the nation's environment and natural resources, institutions, and the means of production possessed by a nation. The present and future well-being of a nation depended on the development of these forces rather than on the accumulation of material wealth. To List, the ability to gain wealth was more important than wealth itself.[39]

In the first half of the 19th century Finland was characterized by a low level of public economic and political discussions. Much of academic research of the period focused on jurisprudence and the German tradition of cameralism as a science of state finances and ruler's wealth.[40] The period from the 1810s to the 1840s has been characterized as a period of "cameralist bias" for two reasons: first, most economic discussion associated the concept of economy with state finances and the governance of the public treasury and, second, the main purpose of the Imperial Alexander University was to train civil servants.[41] However, economic thinkers of the period were also certainly aware of works of British and French classical economists. Michaël Tjeder (1796–1842) has been credited as the scholar who brought the ideas of Smith, Say, and David Ricardo into the Finnish economic literature.[42] In 1826, he published his dissertation *Tankar om Frihet i Handel* ("Thoughts on the Freedom of Trade") at the Faculty of Law of the Imperial Academy of Turku. Tjeder's study was firmly based on the argument that economic liberalism and free trade were optimal methods to grow the wealth of a nation. With several references to Smith's, Say's, and Ricardo's work, the study criticized mercantile doctrines and sought to analyse the prospects of "the growth of national wellbeing" (*National-vålmågans tillvext*) with concepts such as "national capital" (*National-kapital*) and "national income" (*National-inkomst*).[43]

The emergence of new public forums transformed the field of Finnish economic thought and political philosophy. Intellectual currents of the period guided Fennoman thinkers to seek inspiration from works that conceptualized the emergence of national economies instead of a Smithian cosmopolitan economy. German ideas of romanticism, nationalism, and historicism contributed to the formation of a new methodological field that was later termed the German Historical School. Wilhelm Roscher (1817–1894) is usually seen as the key figure and founder of the so-called Older Historical School that drew much of its inspiration from writers such as Adam Müller and Friedrich List. The emergence of the so-called Younger Historical School was connected to the founding of Verein für Sozialpolitik and to the emergence of the Social Question during the latter half of the 19th century.[44]

The Younger German Historical School had its intellectual roots in advocating social reforms as a solution to problems created by industrialization and capitalist development. This framework was conceptualized as an alternative solution to both classical liberalism and socialism. Consequently, members of Verein für Sozialpolitik were labelled *Kathedersozialisten* by their liberal opponents. This school of thought has also been analysed as a social interventionist criticism of liberalism and classical political economy.[45] Methodologically, Gustav von Schmoller (1838–1917), Adolph Wagner (1835–1917), and other key figures of the school emphasized historical relativism, holistic approaches, and empirical research. The ideas promoted by the school attracted many students of economic research in several different regions such as Finland, Japan, and the United States.[46]

The most powerful figure in the latter half of Finnish 19th century economic and political thought was arguably Johan Vilhelm Snellman (1806–1881), a journalist, philosopher, and politician, who held the powerful position of Chancellor of the Exchequer in the Senate in the 1860s. He was one of the most influential forces of the Fennoman movement. A vast body of literature on Snellman is available from multiple angles, some of the studies focusing specifically on his economic thought.[47] Snellman's political philosophy was partly influenced by Georg Wilhelm Friedrich Hegel's (1770–1831) conception of economic life and civil society.[48] In economic matters, Snellman has been characterized as a combination of Smithian economic liberalism and a Listian proponent of infant industries.[49] He certainly rejected the liberal stance of an individual being the atomistic starting point of society. Moreover, he was inspired by Hegel's conception of selfish needs rather than by the idea of individual profit-seeking classical political economists had described. To Hegel and Snellman, when individual greed prevailed over the common good, the result was considered immoral. However, Snellman nevertheless supported almost every practical political demand proposed by liberal thinkers of his era, such as freedom in domestic trade. In foreign trade, Snellman's ideas rested on a Listian view that the industries of a less developed nation had to be protected by restricting imports and educating domestic industries to adopt advanced methods used in foreign production.[50]

In his writings, Snellman presented several ideas that examined concepts such as national wealth or economic development. In his magnum opus *Läran om staten* ("Study of the State") from 1842, Snellman analysed the classic mercantilist doctrines and rejected the bullionist statement of money being the only indicator of national wealth.[51] Instead, along the lines of Adam Smith and other British classical economists, he conceptualized labour as a key source of national wealth.[52] Snellman, however, rejected many viewpoints presented in British classical political economy. Snellman conceptualized the classical labour theory of value being erroneous, as he conceived there being other aspects to national prosperity besides material wealth. Following the ideas of List, Snellman claimed that there could exist work that did increase the sum of national monetary exchange values but did still not contribute to true national wealth. Producing intoxicants and narcotics could be conceptualized as such unproductive labour and exchange.[53]

Moreover, Snellman conceptualized national wealth as a result of a long historical process that had created a complex societal network of wealth and riches. Besides monetary exchanges values created by trade, national wealth (*nationalförmögenhet*) consisted of capital stocks, transport networks, and treaties concluded with other nations.[54] A large amount of this wealth could be described as intangible and unquantifiable. There were also attempts to analyse national wealth and income on a more general level by Snellman's followers and critics in the Grand Duchy of Finland.

National Accounts of the Grand Duchy of Finland

First, a conceptual note. It would be an exaggeration to claim that the concept of economic growth was completely absent from the language used in late 19th-century Finland. Digital collections at the National Library of Finland have provided an opportunity to search for early references to economic growth using different search terms. In Swedish, the modern concept of economic growth (*ekonomisk tillväxt*) was absent from the contemporary language. However, the concept was used in instances that referred to the economic growth of something else. It first appears in the digital collections in the journal *Tidskriften utgiven av Pedagogiska Föreningen av Finland* in 1881. An article on education by pseudonym S.S. connected the concept of economic growth to more comprehensive societal development. The concept of growth in the economic sphere was adopted from growth in nature. S.S. referred to civilization as a natural evolutionary process, where literature and art formed the flower of civilization. However, the existence and growth of the flower were preconditioned by sowing and flowering. With this metaphor, S.S. referred to national economic and military power. It was evident that despite being preconditions for the growth of literature and art, the physical and "economic growth of the people" (*folkets ekonomiska tillväxt*) were not the end. Instead, cultivation of ethical (*sedliga*), intellectual, and artistic matters defined a civilization's significance in history.[55]

In this context, economic growth was conceptualized as a means to achieve higher ends: culture and arts. However, it must also be noted that "economic growth of the people" did not refer to national wealth, income, or product but to more abstract national power. A similar concept of "national economic growth" (*nationens ekonomiska tillväxt*) was also explicitly referred to in the daily newspaper *Wiborgsbladet* in 1883, when a short telegram message from Rome examining the state finances of Italy, was published.[56] In this context, "national economic growth" was mentioned in the context of improvement in Italian state finances. In general, it is fitting to conclude that the concept was extremely rare in 19th-century newspaper texts.

In Finnish language, it was also uncommon to use the concepts of *taloudellinen kasvu* or *talouskasvu*.[57] Disregarding certain references to bulletins such as "economic growth of the sickness and funeral fund of railway workers",[58] the only reference to national economic growth can be found in 1911, from *Kyläkirjaston kuvalehti*, a magazine that was published between 1877 and 1918. The magazine had a large circulation as an intended medium of education and learning for Finnish people. In an article that examined Hanko, a harbour town on the south coast founded in 1874, there were numerous references to the importance of Hanko as a link to export markets particularly during winter, when icebreakers could keep the shipping routes open. The anonymous article emphasized the importance of extending the port of Hanko and improving the railway connections to the town that were essential to the "economic growth of our nation" (*maamme taloudelliselle kasvulle*).[59] The article provided a remarkable conception of national economic growth. However, this conception must indeed be viewed as an exception that was uncommon and certainly not espoused by academic or political journals of the period.

To trace conceptualizations of economic growth before the concept of economic growth, there are other concepts to examine. As already noted, in the era of the Grand Duchy, concepts of national wealth or national income were not uncommon to Finnish or Swedish languages, although the concepts lacked coherent theoretical definitions or commonly shared meanings. National wealth was of particular interest to scholars and politicians of the period. Mika Arola has pointed out that in the Grand Duchy, estimates of national wealth were discussed in the context of Finland's creditworthiness for foreign loans.[60] Although this suggestion is evidently true, my analysis suggests that such discussions were uncommon before the First World War, and they often contained a note regarding the unreliability of such calculations.

During the 19th century, the state finances of the Grand Duchy were organized around the so-called principle of separate funds. Instead of a single government budget, the system of state finances was built around separate funds that were used for individual predetermined purposes. When new tasks emerged, new individual funds were created. Each individual fund had its own accounts and aimed at an annual balance or surplus. Transfers and claims between funds formed a major part of the official state budget. This cameralistic system of state finances contributed to a marked state focus on the management of individual stock variables, as there was no coherent way of estimating annual aggregate flow variables. The problems of such a complicated systems of state finances were recognized in the 1880s, and in 1901 the system was reformed under a single state budget.[61] However, the cameralistic attempt to reach an annual budget surplus was evident in many conceptualizations of national wealth during the Grand Duchy.

While the system of state finances could be described as archaic until the reform of 1901, the Grand Duchy of Finland had statistical institutions that by international standards were notably advanced. In the wake of Alexander II's liberal reforms, the Central Statistical Office of Finland was founded in 1865 in order to provide information concerning the state of the Grand Duchy. The office had its professional background in the Swedish era. In the 17th century, in the wake of common European initiatives to examine state power, the Swedish church compiled comprehensive population statistics in the Swedish realm. Later, in 1749, these accounts were systematized by the state to provide official population statistics.[62]

The result of the initiative in state management was known as *Tabellverket*, a comprehensive statistical project that examined Sweden's population and occupational structure. *Tabellverket* has been examined as a Swedish extension of political arithmetic and mercantilism.[63] As a consequence of the project, both Sweden and Finland share the oldest continuous population statistics in the world. In the 18th century, there also emerged an emphasis on collecting commercial statistics. In 1720, the provincial governors were required to regularly collect information regarding workshops, workers, goods produced and the value of goods in their respective provinces. In 1802, the governors were required to provide a more comprehensive account of the economic conditions of their provinces. Although this obligation ceased after the Russian annexation, many statistical traditions of the Swedish era continued during the period of autonomy.[64]

The first official documents published by the Central Statistical Office of Finland focused on shipping and foreign trade.[65] Besides foreign trade, however, the Office continued the tradition of providing a regular overview of the economic conditions of the Grand Duchy. The quintennial surveys *Yleinen katsaus Suomen taloudelliseen tilaan* had many similarities to the older provincial reports. The first official overview for the years 1861–1865 provided by the Central Statistical Office and the subsequent similar documents offer an interesting point of analysis of how Finland's economic state and change were conceptualized from a statistical point of view in the late 19th century. The surveys aimed to elucidate the economic conditions of Finland with a heavy emphasis on numerical figures and tables. The tables were supplemented with textual information, but much of the interpretation of tables was descriptive in nature.[66]

In the first section, the economic reports documented geographical characteristics of the Grand Duchy. The reports surveyed the land and water areas on a provincial level. Moreover, they estimated the number of swamps and marshes that could be drained for agricultural purposes. The economic reports also contained analyses of temperature and weather, because in the context of agriculture they were perceived as key determinants in the production of "economic wealth" (*taloudellinen varallisuus*). Moreover, the reports recorded births, deaths, and changes in population in the provinces and largest towns. After these demographic figures, the reports presented a description of occupation structures in different parts of the Grand Duchy. Agriculture was without question the most important – and in many places the only – source of livelihood for the people. The surveys recorded in meticulous detail the crop yields of major cereals on a provincial level. After surveying this "mother industry" (*modernäring*), the reports examined the so-called lesser industries such as dairy farming, forestry, hunting and fishing, domestic industries, mining, manufactures and artisan craft, distilling and seafaring. The final parts of the surveys examined banking, credit and insurance operations, budgetary affairs of "the crown", provinces and municipalities and "societal conditions", a field that referred to tasks as varied as poor relief, workers' conditions, education, and health care.[67]

The surveys evidently provided a comprehensive account of economic conditions of the Grand Duchy. It is noteworthy that most of the surveys contained reports of non-monetary objects such as landmass, climate, population and harvests in barrels. Monetary values were limited to fields of industrial production and state finances. Moreover, analysis of economic change or business cycles was almost non-existent. Instead, the surveys examined how the wealth of the Grand Duchy was conserved and maintained. There were strong cameralist tendencies within the statistical information the Statistical Office provided. The reports discussed management of national stocks. Rhetorically, they were addressed to Emperor Alexander II and intended to enlighten him regarding the economic state of his Grand Duchy. It is also worth pointing out that there were no attempts to form any kind of empirical aggregate figures on national wealth, national income, or national product. Instead of asking how much the people of the Grand Duchy could produce and spend, the surveys ascertained how much land, people and taxes it contained for the ruler to govern as he willed.

It is hardly surprising that there were no attempts to calculate any form of aggregate flow or stock variables in the general economic surveys of Finland. Paul Studenski has made the claim in his classic work on history of national accounting, *The Income of Nations*, that at the end of the 19th century, there had been attempts to calculate national income in only eight countries: England, France, Russia, the United States, Austria, Germany, Australia, and Norway. Moreover, according to Studenski, most late 19th-century estimates of national income had the same level of sophistication that had already been achieved by Petty in the 17th century.[68]

There was, however, an early attempt to estimate the national income of Finland that has been neglected in many histories of national accounting. In 1885, K.E.F. Ignatius, governor of the Central Statistical Office, published a study that examined tax statistics for the year 1881. In the study, he also constructed an estimate of the national income of Finland for the same year.[69] Ignatius used the tax records to estimate the aggregate taxed income and to calculate "the yearly income of the Finnish nation" (*Suomen kansan vuotuinen tulo*) for the year 1881. This figure was roughly 330 million Finnish marks.[70] Moreover, with statistics on taxable income, Ignatius sought to estimate "the number of products and profit" different sectors of the Finnish economy would produce during the following year of 1882 (see Table 2.1).

This figure of 393 million marks can be interpreted as an estimate of national income that was based on production statistics.[71] The study also included an element of international comparison. According to Ignatius, Norway's, Denmark's,

Table 2.1 K.E.F. Ignatius's calculation of national income of Finland for the year 1882 (Finnish marks)

Farming	106,000,000
Animal husbandry	81,000,000
Forestry	70,000,000
Hunting and fishing	6,000,000
Industry and craft	80,000,000
Trade and shipping	50,000,000
Total	393,000,000

Source: The Statistical Office of Finland (1885).

and Sweden's national incomes had been "guessed" to be in the figures of 420 million, 700 million, and 1000 million Finnish marks, respectively. Consequently, Ignatius made the claim that the income of Finland was both in absolute terms and in per capita figures lower than in the neighbouring countries. However, Ignatius was aware of the uncertainties concerning his calculations and the conceptual unclarity surrounding the annual income of the Finnish nation. It was evident that there existed sizeable classes whose income did not derive directly from the aforementioned industries or from capital, but from taxes already paid by others, hence, estimating their contribution to the national income was troublesome.

Ignatius's national income estimate stands out as an exceptional empirical attempt to determine how much income the Grand Duchy of Finland earned. Importantly, however, there were no attempts to politically utilize this estimate, and it was never discussed in any papers of the two Finnish economic associations, which partly explains why it has remained obscure. This trait was most likely a result of lack of interest rather than lack of availability, as Ignatius's tax statistics were used in a general sense in some instances.[72] Although empirical estimates of national wealth or income were not used in political debates during times of the Grand Duchy, the concept of national income was not totally absent from economic and political thought of the period. There were also hopeful remarks that the state of statistical data would be improved in the future.

There was also an interesting attempt to empirically estimate the national wealth of Finland from another perspective. In 1909, the young statistician Oskari Autere (1881–1928) published an article in *Yhteiskuntataloudellinen Aikakauskirja* about the national value of private property.[73] Autere began by pointing out that estimating the monetary value of "national wealth" (*kansallisvarallisuus*) was naturally an extremely difficult task. Nevertheless, there had been some studies on the topic in Germany, France, England, and the United States, and it seemed that at present the United States had the greatest national wealth.[74] Next, Autere sought to study Finland's national wealth through tax statistics. He pointed out that the estimate did not include the whole of national wealth but only private property that might be included in a wealth tax that the state was planning to introduce. Autere ended up estimating the Finnish per capita wealth to the level of 1800 Finnish marks for the year 1903, a figure that was modest in comparison to Germany and France (6000), England (8000), and the United States (6500).[75] Autere concluded by stating that such estimates were, for obvious reasons, unreliable as Finnish statistical operations were in an unsatisfactory state.[76]

Concepts of national wealth and income were examined in a more ambiguous manner in several presentations held at the Ekonomiska Samfundet meetings. In October 1894, Senator Leo Mechelin gave a presentation that examined the purpose and objectives of the Economic Society. Mechelin did not perceive the society's fundamental purpose as being to solve great theoretical questions or scholarly debates. Rather, he suggested that the objectives were to apply economic knowledge to Finnish conditions and to analyse national preconditions that would create further economic development (*utveckling*). First, Mechelin examined the unquestionably most important source of livelihood, agriculture, but he also thoroughly surveyed conditions in other branches of industry. Making a detailed analysis of different sectors of the national economy was difficult because in some sectors statistical data were more comprehensive than in others. Mechelin pointed out that there were ample data available from the banking sector, but in shipping and freight industries the situation was unsatisfactory. Due to the insufficient statistical information, it was not possible to know exactly how much shipping contributed to the national income (*nationalinkomst*) of Finland. The topic was of particular interest to Mechelin because he made the claim that steamboats were an integral part of the nation's transportation network. He hoped that there would be a thorough investigation on the subject.[77]

Mechelin used the concept of national income as an analytical tool in another context when he examined the economic state of the Grand Duchy in October 1899. Again, he began the survey with a detailed description of agricultural conditions and harvests in different parts of the Grand Duchy. According to the figures, it seemed that the summer was turning into a year of poor harvests. While examining the effects of the poor harvests on the economy, Mechelin used the concept of national income as a key analytical tool. Mechelin sought to examine the size of the deficit caused to the national income in agriculture and compared the deficit to other sectors of the economy. He used the previous poor harvest of 1892 as a point of comparison to the ongoing year. Mechelin concluded that the bad harvest of the ongoing year was not as serious as in 1892, because other sources of livelihood had developed considerably, and therefore they contributed more to the national income than seven years ago. Mechelin noted, however, that an accurate estimate of the national income was extremely difficult because most agricultural products were consumed in the domestic markets, and therefore there were no comprehensive statistical data available on the matter.[78]

Mechelin's presentations pointed out how the concept of national income was used as an analytical tool to conceptualize how important different sectors of the national economy were in comparison. Although Mechelin did not intend to present exact empirical figures on national income, conceptually he aimed, like Ignatius, to estimate how much the various sectors of the economy produced. As will be discussed further, the concept of national income (*nationalinkomst*) was also used in certain other contexts in Swedish language. The Finnish concepts of *kansantulo* or *kansallistulo* were not, however, used in the discussions of the Kansantaloudellinen Yhdistys before the early 20th century, although the concept had been introduced by Ignatius in the first national income calculation. One of the first attempts to utilize the concept in politics or research can be found in the study by the Fennoman scholar and politician J.H. Vennola. The study about Finland's annual income in the 16th century was an interesting attempt to conceptualize both the national income and history of Finland.[79]

When travelling in Stockholm in the summer of 1897, Vennola had found documents from the National Archives that provided information about the amount of income the Swedish state had received from Finland in 1560, 1573, 1582, and 1593. Vennola's study consisted of "revealing" the documents with an introductory part that assessed the documents' meaning to contemporary readers. At the core of the documents, there existed the concept of yearly income (*vuotuinen tulo/årliga räntan*) the Swedish state had received from different counties in Finland. In addition to the tax revenue, the Swedish state received other forms of income from Finland, such as "uncertain payments" (fines, custom and will revenue, payments from fishing, sawmills, and crown land), tithes from the Church, income from castles and estates, and income from mining industries.[80] The conceptualizations Vennola used to present this statistical information to contemporary readers originally gathered by the Swedish state provided an illustrative example of Finnish nation-building in the context of national income.

Although Vennola used the same concept of "national yearly income" (*kansan vuotuinen tulo*) as Ignatius, the actual content of the concept was arguably different as the 16th-century documents provided information about payments made to the Swedish crown from the Finnish counties rather than estimating the national income of Finland. Thus, the documents were created for a different purpose than ascertaining how much income the Finnish nation had at its disposal, but this did not prevent Vennola from turning the documents into a tool of nation-building. Although the concept of "Finlandh" also occurred in the original documents, Vennola put much effort into labelling these documents as figures that "shed light on the cameral conditions of Finland", as if they had been originally gathered for purposes of the of governance of Finnish national wealth. Moreover, the documents were published in series entitled Pieces of Evidence to History of Finland, a name that suggested that the Finnish nation had already existed in the late 16th century.

To summarize the analysis: different conceptualizations of national income and national wealth certainly existed, but (1) the concepts lacked coherent definitions, (2) they were not used as a part of state governance and planning, and (3) they were not used as empirical measures that could be coherently utilized to conceptualize national economic development. Although there was no coherent way of utilizing statistical data to study national development, it still seems relevant to analyse further how the economic state of the Grand Duchy was analysed in economic associations. Particularly in the Ekonomiska Samfundet, there existed a tradition initiated by Mechelin that the chair of the Society would hold an annual presentation in the autumn seminar, and that presentations would address the contemporary economic conditions.[81] There was no coherently defined set of indicators or a common framework that was used to analyse contemporary economic state and national conditions. Each presenter had a personal view on the most topical matters and the most important sectors.

It is still tempting to draw certain conclusions from these conceptualizations of the state of the economy. Leo Mechelin used national income as an analytical tool particularly in the context of agriculture. Moreover, farming and harvests were perceived as key defining factors of economic success or failure. Consequently, in most presentations that examined the state of the Finnish economy, harvest results on a provincial level were presented first. Agriculture was labelled as the mother trade of the nation,[82] and it was conceptualized self-evidently as the most important sector of the economy.[83] Monetary conditions were another key indicator for the state of the economy. These conditions were observed particularly from the perspective of businesspersons and industrialists. It is noteworthy that times of low interest rate were considered times of upturn, while high interest rates were conceptualized as an undesirable period of scarce money. It was not uncommon to observe economic conditions in different branches of industry, but the statistical information was often considered too rudimentary for a thorough analysis. The chairs of the Ekonomiska Samfundet pointed out that stock trade would be a good indicator for economic conditions, but due to the lack of a real-time stock exchange the information was limited. Consequently, many improvisations and creative readings of different figures were used. As an example, due to the lack of production statistics, an increase in the volume of imported cotton was considered a clear sign of better times in the textile industry in the autumn of 1904.[84]

Moreover, export statistics on butter were considered an interesting and perhaps a slightly counterintuitive indicator of economic conditions. While increasing export figures in forestry and paper industries were perceived as indicators of economic upturn and improvement, an increase in exports of butter was considered the opposite. The reasoning behind this butter indicator was the following: during poor harvest years, farmers were in dire need of all the extra income they could get, and most people in domestic markets could not afford butter and had to stick to margarine. Consequently, during economic downturns, the amount of butter exported increased. After a good harvest, however, domestic demand for butter increased, which resulted in less butter being exported. Butter exports and their relevance in assessing the state of the economy were also compared to Sweden. In autumn 1905, J.J. Sederholm predicted that butter export figures would increase in Finland and overtake the Swedish figures due to the higher capacity to consume in the Swedish population.[85]

In the Kansantaloudellinen Yhdistys, there emerged no similar tradition of holding an annual presentation that examined economic conditions of the Grand Duchy. There were certain presentations that discussed similar matters, and in most cases this occurred during seemingly abnormal times such as economic hardship or recession, which resulted in a need to analyse the reasons behind troubled times.[86] Moreover, there were studies and presentations that examined economic conditions in certain geographical areas and demographic groups such as rural municipalities or workers' economic conditions in Helsinki.[87] This is perhaps somewhat surprising considering that the members of the association often sought to conceptualize Finland as one nation and a single economic unit.

One reason for this peculiarity, however, could be related to the role of information on what could be in present terms labelled business cycle analysis. The Ekonomiska Samfundet was deeply embedded in different branches of business and industry. From this point of view, surveying economic and market conditions was essential in order to prepare and plan future developments within the business sectors. In state governance, however, economic planning based on regularly surveying market fluctuations or general economic conditions was not deemed similarly relevant or possible. There was no conceptual macroeconomic link between statistical knowledge of different sectors of the economy and state planning. Therefore, it seems that a regular survey of economic conditions of Finland was indeed more important to the Ekonomiska Samfundet than it was to the Kansantaloudellinen Yhdistys.

It is still worth analysing how the state of the economy was examined in the Kansantaloudellinen Yhdistys. In February 1902, a banker and member of the Fennoman-oriented Young Finns Party, Otto Stenroth (1861–1939) gave a presentation analysing the economic state of Finland in 1901.[88] There was a particular reason for the presentation: the year had been a period of economic downturn both in Finland and Europe, and it seemed necessary to analyse the reasons behind this downturn. This general downturn did not seem to stem from agricultural conditions. Instead, one had to survey export and import figures. Compared to the previous year, there had been a minor drop in the value of exported goods, particularly forest products, but the situation did not seem overly alarming. Similarly, the value of imported goods had slightly decreased, but the dreaded drop in customs income had not fully materialized.

Stenroth mentioned that it was a well-known fact that Finnish industry had greatly progressed during the last decade. The gross value of industrial production in Finland had increased in the period 1893–1900 by almost 115 per cent. Although the scale of the development was astonishing, Stenroth pointed out that not everyone considered the development favourable. It seemed necessary to analyse, (1) if such a sudden change was "sensible", (2) if it matched the economic conditions in general, and (3) if such a scale of development could be maintained.[89] After a brief analysis of various industrial sectors, Stenroth concluded that that the nation's purchasing power had not increased apace with the industrial production. The solution was to make decisions that would decrease industrial production in the future. Stenroth's prognosis points out some interesting factors. First, he implicitly rejected the famous Say's Law and concluded that an increase in industrial production did not necessarily generate equivalent purchasing power or demand. Second, the analysis crystallized a major national conceptualization of the period, where increasing industrial production was not always and evidently *per se* desirable. Rather, the rate of industrial development had to be sustainable with other aspects of the economy and society.

Markku Kuisma has pointed out that there existed two competing development paths in the Grand Duchy of Finland: one agrarian and the other industrial. The agrarian vision promoted by Snellman and other Fennomans was built around elevating the economic and cultural position of the Finnish-speaking peasants, who at the time formed the majority of the population. In this context, industries were given a subsidiary mission of providing demand for agricultural products and work for landless people. Domestic agriculture and industries had to be protected against foreign competition and capital. In the 1840s, Snellman even suggested that the Finnish forests could be felled, and the capital gained could be used for agricultural investments. Later in the period, emerging industrial capitalists and the expanding export-oriented forest sector were fighting for the control of forest reserves against both agrarian conservatives and foreign investors.[90] The findings of this book suggest that, at least in the late 19th-century economic associations, the industrial vision was indeed pushed to the margins by agrarian conservative and classical liberal stability.

There is one more central component to national wealth and economic development that needs to be examined. It could also explain why national wealth was sometimes perceived to exist beyond statistical estimates. In 1885, in one of the first presentations in the Kansantaloudellinen Yhdistys, Professor Joel Napoleon Lang (1847–1905) gave a lecture that examined the significance of national economics as a subject of research and teaching. His professional and intellectual background had many typical characteristics of the period. He was an enthusiastic member of the Fennoman movement, and his educational background was not in economics but in jurisprudence. Unlike many of his contemporaries, however, Lang avoided public administrative matters and devoted most of his time to scholarship and teaching.[91]

Lang's conceptualization of economic sciences sheds much light into perceptions of economics and national economy among Finnish Fennomans. To Lang, economic sciences was part of a larger branch of social sciences. These were divided into three major fields: (1) economic history and statistical economics, (2) abstract economics, and (3) practical economics.[92] The first field, economic history, was closely connected to examining the development (*kehitys*) of nations. Its main task was to draft laws and produce empirical results. Economic history was only a part of a general world history and aimed to provide specific and concrete facts regarding development in national and temporal contexts. Abstract economics, by contrast, was not concerned with concrete phenomena, but instead sought to formulate general economic laws through deductive reasoning. Finally, practical economics was primarily focused on fiscal and monetary matters. It aimed to give guidance on how human and national activities should be organized to achieve the optimal results with the least effort. Practical economics seemed to be the least established field, and it seemed uncertain how much one could trust general laws in practical matters.[93]

As discussed before, in 19th-century Finnish economic thought, there were strong tendencies to disregard Adam Smith's conceptions of material national wealth and the labour theory of value in the field of economic research. This trait was also evident in Lang's presentation. Although national economics had an important task in assessing general economic laws and describing economic development in historical contexts, there were higher purposes in spreading economic knowledge in the Finnish nation. In addition to aspects of material wealth and welfare, national economics could be used as a method of *Bildung* for progress in ethical life (*siveellisyys*). According to Lang, a nation had no predetermined virtues that would promote wealth or no vices that would prevent a path to wealth from occurring. Moral development and material wealth were inextricably linked phenomena; if material development did not result in equal ethical progress, the result could be characterized as a degradation. For this reason, national economics was an essential characteristic in the development of ethical life.[94]

In the German concept of *Bildung*, the material welfare and ethical development of the people were inseparable. Lang made the claim that one of the greatest "weaknesses" in the character of the Finnish people was an undeveloped desire for profit. This was not a predetermined national trait, but the result of a lack of economic education. Consequently, the people of the Finnish nation did not value labour, profit, or saving as much as did people in more civilized nations. People still esteemed a position in public office more highly than certain other private professions. To vanquish this "cultural enemy", there was no better method than more qualified and widespread economic education. Conceptualizing the national economy as a holistic entity could teach the people that each individual had their own role in it. Even the lowliest labourers fulfilling their task had a higher economic value than noblemen, who with their indolent and unproductive lives wasted what their ancestors had created with hardship and thrift. It was evident that this process of *Bildung* had to be aimed at all levels of society, even women, Lang noted.[95]

What Lang meant by *Bildung* and ethical life in the context of national wealth and development is evidently of interest for this study. He described Finnish people as underdeveloped in the sense that they lacked a capitalist desire for profit. A desirable national development evidently required economic education to reach such a state. However, profit-seeking was only one aspect on a path that connected people to national belonging. An increase in material welfare was not the end and the ultimate goal. Lang's presentation could also be examined as an analysis of intangible capital in economic development. Olli Turunen has argued that the concepts of intangible capital were already present in 19th-century British, French, and German thought. At the time, there existed multiple ideas of a skilled labourer being more productive than an unskilled one. Moreover, it seemed evident that in the pursuit of prosperity, an educated nation was in a better position than an uneducated one.[96]

It is worthwhile pointing out that the Finnish and Swedish translations of *Bildung*, concepts of *sivistys* and *bildning* carried semantic fields that stretched well beyond the modern understanding of intangible capital. Their sole purpose was not to increase productivity, material wealth and welfare, or economic growth, but to build a nation with an ethical life. In contrast to English liberalism, with an emphasis on individual liberty and responsibility, Snellman conceptualized the individual as a subject of the nation. This connection was not created by a method of coercion, however, but through process of self-development. *Bildung* did not only create more productive citizens; it also established a method of finding one's own role and place in the nation that was by nature holistic and collective. For Snellman, *Bildung* and national wealth were interconnected phenomena: *Bildung* created more human needs and, at the same time, left one better equipped to satisfy the needs with increased material wealth. Material wealth, on the other hand, produced capital for industries and leisure for an individual to pursue higher culture for the soul.[97] With the process of *Bildung*, individuals could overcome their greed and selfishness and become active and ethical citizens.[98]

The strong influences of the German Historical School and its wider political philosophy provide a perspective in how economic knowledge and the role of scholars dealing with economic topics were perceived in the Grand Duchy of Finland. Economics was conceptualized as an ethical field of research, where the role of economic knowledge was to enlighten people with skills that promoted profit-seeking and increasing individual welfare. However, economic knowledge was equally connected to growing as an ethical human being. The economic sphere was inseparable from society.[99] In this context, it is noteworthy that scholars of the period did not deal strictly with issues that occurred in competitive markets but in a wider ethical framework. To be a researcher in economic issues was connected to taking part in debates regarding how things ought to be. Most individuals examined here were involved in politics, and even exceptions like Lang wanted to focus on ethical enlightenment of the people.

The desire to spread of this holistic economic knowledge and the promotion of *Bildung* permeated both Finnish- and Swedish-speaking associations. However, there was perhaps a slight difference in how economic knowledge was conceptualized. Members of the Kansantaloudellinen Yhdistys eagerly connected economic knowledge to intangible aspects of national belonging and the state. In the Ekonomiska Samfundet, it was less common to present ideas that would have conceptualized *Bildung* of moral life as a part of national development or as an intangible virtue of the masses. Instead, several members of the business-oriented society perceived *bildning* as a more practical concept of educating skilled workers and professional entrepreneurs.[100]

Despite this different emphasis in the context of economic knowledge, material wealth was also conceptualized as a means to achieve higher ends in the liberal-minded Ekonomiska Samfundet. When Leo Mechelin gave a presentation regarding the state of the economy in October 1899, he also examined the more profound purposes of economic activity.[101] While examining and emphasizing the importance of expanding the railway network to prevent stagnation in economic activity and state finances (*statshushållning*), Mechelin also wanted to remind his audience of what was truly important:

> We have to continue with all available means to work for development of wealth of the nation, for wealth, if not from an idealistic perspective a goal as such, is, however, an essential condition for ideal forces to make themselves effective. I don't mean the kind of wealth that reveals itself merely for a few members of society through provocative luxury and dishonest speculation, but the kind of wealth that with the ongoing development of working skills and fruitful use of all savings, as well as accurate state finances, makes steps forward in those hundreds of thousands of homes which without an increase in their wealth cannot become involved in ideal benefits of societal life, and cannot grow to be active and vigilant citizens.[102]

Although Mechelin's statement was intended to improve the economic life and material conditions of the people of Finland, it nevertheless captured similar collective and ideal conceptualizations of national development and society that had been presented in Fennoman circles. Although material wealth was a precondition for cultural and spiritual development, material wealth could not be positioned as an end itself, as the situation would have led to immoral luxury and speculation. Mechelin's presentation portrayed a reciprocal relationship of the tangible and intangible. It also provides an important perspective on the ambiguous nature of national wealth and economic development in the Grand Duchy of Finland.

Conceptualizing National and Economic Development

In the late 19th century, concepts of national wealth and income contained multiple semantic fields without commonly shared meanings. National income was not used as a tool of economic policy, but it was connected to studies on the importance of different sectors in the Finnish economy. The concept was also used as a tool that constructed Finland as a nation and single economic unit. Now it seems relevant to analyse how national income was linked to conceptualizations of economic change and development. Many of the ideas used in analyses were borrowed from well-known foreign theorists of the period, but the ideas were often refined and applied to fit national conditions. Moreover, there was a tendency to emphasize economic change in the context of the state. The focus on state did not necessarily indicate that its role was conceptualized as an engine of national economic development. Instead, economic development was often conceptualized as an evolutionary and organic process that reactively guided the state to take on new tasks in the process of civilization.[103]

Eva Friman has analysed Swedish conceptualizations of economic growth or economic expansion at the turn of the 20th century particularly in the context of social policy. Her study has focused on two notable individuals: the economist Gustav Cassel and the social democratic prime minister Gustav Möller. The choice of individuals led Friman to examine Cassel's and Möller's viewpoints as social liberal and social democratic perspectives on economic expansion. Friman has pointed out that both social liberals and social democrats rejected the classical liberal ideology of non-state-intervention and conceptualized social policy as a necessary instrument in countering poverty and creating citizen welfare, although the level of desirable intervention varied between the two ideologies. Friman has also suggested that at the turn of the 20th century, economic expansion was conceptualized as a means to achieve social progress. It was not conceptualized as an end in itself; the prospects of continuous and limitless economic expansion were a matter of uncertainty.[104]

Economic growth and development were conceptualized in the Grand Duchy of Finland in a different manner. Although there certainly existed social liberal and social democratic ideas in Finland at the turn of the 20th century, conceptions of economic growth or expansion were arguably constructed around different principles. Social liberal and social democratic growth conceptions in the context of Finland will be discussed further in the next chapter, but this chapter will expand the analysis of growth by constructing additional growth conceptions. Growth creates change, and in many instances, Finnish scholars and politicians of the period preferred stability. As discussed earlier, future expectations of growth can perhaps be more rigorously examined with classical liberal and agrarian conservative growth conceptions.

Yrjö Sakari Yrjö-Koskinen (1830–1903) was Snellman's protégé and perhaps the leading Fennoman politician of his time. A historian by training, he was one of the key architects of constructing the history of Finnish nation as a part of a more universal historical development. He drew much of his inspiration from Snellman and Hegel.[105] It was common for Yrjö-Koskinen and his colleagues to conceptualize Finland as a nation lagging behind in development compared to her "more civilized" Western European neighbours. The situation created both opportunities and challenges. More developed nations had experienced the drawbacks of progress and industrial development. To Yrjö-Koskinen, Finland's late-coming development was also a beneficial position as it allowed the adoption of policies that had been proved useful in more developed nations. Pauli Kettunen has examined Yrjö-Koskinen's argument as "peripheral avant-gardism", a position that sought to take advantage of Finland's slower development.[106]

It is noteworthy how many of Yrjö-Koskinen's political views were formed from a pessimistic perception of population growth. Although he did not explicitly refer to Thomas Malthus's influential study *An Essay on the Principle of Population* but to certain French theorists (who had perhaps read Malthus), he conceptualized "unnatural" population growth as a source of famine and poverty.[107] This framework can be examined as a clear departure from the 18th-century principles of political arithmetic, where the size of the working population had been perceived as the key determinant of national power.[108] Yrjö-Koskinen was particularly sceptical of public assistance and state intervention in countering the problems of poverty. Instead, population growth had to be in balance with the formation of new capital. Consequently, Yrjö-Koskinen conceptualized frugality and saving as the key method for improving the conditions of the labouring classes.[109] This reasoning, which could be described as a classical liberal growth conception, was evidently influential among the elites of the Grand Duchy.

Yrjö-Koskinen also examined the nature of national wealth and economic development in a short pamphlet "On Wealth". He began by examining material wealth in the context of the Bible and noted the well-known verse "it is easier for a camel to go through the eye of a needle than for someone who is rich to enter the kingdom of God" from the Gospel of Luke.[110] Although the statement seemed severe, Yrjö-Koskinen noted that material wealth could also be treated as a gift from God that was given to people to cultivate. Although one had to avoid greed, the Bible was more ambiguous on how wealth should be cultivated. It seemed unchristian to envy the wealth of others, as capital was savings of the fruits of past labour, and capital was essential in a society that wanted to move beyond individual self-sufficiency and provide wages for living and tools for labour. Yrjö-Koskinen made a distinction between "natural capital" (*luonnon-pääoma*) and saved capital. While the former consisted of lakes, game and forests that had been essential in the early stages of human labour, it did not create wealth, as even the wealthiest gatherers had remained poor and miserable. Only labour and savings created wealth.[111]

The third chapter of the pamphlet seems to be most intriguing one, as it asked, "what is national wealth?" (*Mitä kansallis-rikkaus on*)? On a general level, national wealth was the aggregate of all individual saved capital, or "national capital" (*kansallinen pääoma*). Although capital was unevenly divided, every citizen of the nation enjoyed the benefits of national wealth, as it provided national common good such as the transport network and the state that guaranteed peace and order.[112] Yrjö-Koskinen also followed Snellman in many intangible aspects of national wealth, as he pointed out that in addition to money, tangible goods, transportation, and state governance, "national capital" consisted of all the skills, knowledge, and *Bildung* of the people. Such intangible capital was beneficial, as it made labour more fruitful and increase in the knowledge of others did not decrease the knowledge of those who shared it.[113]

Yrjö-Koskinen conceptualized national capital in the context of economic development. The only keys to prosperity were labour and savings that were passed from one generation to the next. Such a development had been the key to European prosperity. Although Scotland was a miserable country considering its nature and weather compared to Morocco, human industry had made Scotland rich, cultivated, and civilized, while the inhabitants of Morocco had remained poor and uncivilized. Although Finland faced greater challenges than other countries in terms of weather and past wars, the situation seemed hopeful. It was the duty of the people to cultivate the inheritance left by past generations for the next.[114] It is evident that Yrjö-Koskinen conceptualized the hard labour of sovereign people in different nations as the key factor in wealth and prosperity. Instead of emphasizing the global relations of different nations (such as imperialism) as factors that affected national development, Yrjö-Koskinen conceptualized the reciprocal relationship of labour and *Bildung* as the engine of national development.

These theories and conceptualizations of national and economic development found arguably more resonance in the Fennoman-minded Kansantaloudellinen Yhdistys. One of the defining features of these conceptualizations was a cameralist attempt to study the national development of Finland as a history of state finances. One of the earliest presentations was given in 1890 by Ernst Gustaf Palmén (1849–1919), a historian and regular member of the Diet. In the presentation, Palmén conceptualized the political reforms of the 1860s as a key period that both elevated the development of the Finnish nation to a new level and, with the relaxation of censorship and new government data, opened up new perspectives on past development.[115] After the Diet had reconvened in 1863, the Estates, for the first time, had access to previously secret reports of state finances that stretched back to 1811. To Palmén, these reports revealed that in 1809 Finland had been inhabited by war-ridden poor people who desperately required tax relief and other forms of aid.[116]

The analysis Palmén presented next aptly captured some the characteristics of how key politicians of the period conceptualized the wealth of a Grand Duchy. It was apparent that in 1890 the state had much larger funds at its disposal than in 1811. The government debt had also increased considerably, but as the funds were used for productive purposes, such as railways and the "promotion of enlightenment" that further increased the state funds, it seemed that the "wealth of the nation" (*kansan varallisuus*) had indeed increased.[117] The general nature of this development was more questionable, however. Since the 1860s, the state budget had been running a surplus. According to Palmén, it had been a heavy burden for the people to carry their savings to the state treasury and if the people had known how much funds the state indeed had at its disposal, it would not have agreed to carry such as burden. It was self-evident that these fruits of past generations' "sweat and blood" had to be used with utmost consideration. Avoiding further tax increases and embracing "harsh frugality" (*ankara säästäväisyys*) had to be without question the main principles of future public finances.[118] This austere doctrine of the period that applied alike to Finland and the "great civilized countries" was later crystallized by the economist Ernst Nevanlinna (1873–1932) with the slogan "the richer state, the poorer the people!"[119]

This conceptualization of conflicting interests of the state and the people had its roots at least to some extent in mainstream economic theories of the period. Most members of the Kansantaloudellinen Yhdistys sought inspiration from theorists of the German Historical School and from political ideas promoted by the *Kathedersozialisten*. However, when one seeks to examine how most economists and politicians of the period conceptualized the role of state taxes in the generation of national wealth and economic development, one can see a strong influence from classical liberalism, as already noted in the case of Yrjö-Koskinen. Although the *Kathedersozialisten* rejected several methodological principles of the British classical economists, the theories of tax and capital they conceptualized rested on classical liberal principles. According to these doctrines, capital formation would only occur through labour and savings. Capital had to be saved before it could be invested. Moreover, taxes, whether they were levied on capital or labour, were in general detrimental, because they diminished profits and thus prevented capital formation and growth of national wealth.[120] There were no shortcuts to wealth other than frugality and hard work.[121] Furthermore, although both British and German theorists certainly agreed that the state had to raise a certain amount of taxes to conduct services such as diplomacy, national defence, and fire protection, the amount of taxes required was often considered *ex ante* fixed. The political debate regarding taxes concerned the most just division of the pre-fixed tax burden. There existed no theoretical frameworks regarding wider fiscal or macroeconomic effects of taxation.[122]

It is evident that to a large extent most non-socialist thinkers in the Grand Duchy of Finland – either implicitly or explicitly – accepted these fiscal doctrines. Yrjö-Koskinen's research interests extended to numerous fields, and a telling example regarding his ideas on taxation can be found in the presentation from 1886 on abolishing land tax. As one of the oldest forms of taxation, land tax had been a subject of debate for centuries. At the beginning of his presentation, Yrjö-Koskinen examined arguments both for and against land taxation. It was evident that taxes were not generally popular, and any tax was a burden for those who had to pay it. However, land tax was a major source of state revenue. Furthermore, Yrjö-Koskinen suggested that land taxes could decrease the price of land, as they made land less profitable. Consequently, a land tax could enable poor people to buy land at a cheaper price, although this effect was probably mitigated by competition between buyers.[123]

While examining different arguments, Yrjö-Koskinen also touched on a topical theme that had been under discussion. Landowners had been receiving increasing revenues for forests they owned, and it seemed that the chances for further profit were improving. The state held large holdings of forests, although revenue from these forests had so far been meagre. However, there had been propositions that if the state could increase its profits per barrel of land to the same level as private owners did, "the crown forests" could become a major source of wealth that would liberate the Finnish nation from all tax burdens. Yrjö-Koskinen was sceptical, whether "the crown forests" could indeed be made this profitable, and, as noted, he perceived land taxes as having other purposes besides state income, but the question itself reveals something doctrinal about the state and taxation.[124] Although land tax was indeed considered a just tax that generated income from properties that could afford it, and at the same time, could have a meaning effect on land, the amount of revenue considered necessary for the state seemed pre-fixed. According to the prevailing doctrine of classical liberalism, if the state received increasing revenues from new sources, other forms of taxation could be reduced. There were no intentions of increasing the role of the state and using the new sources of revenue for productive national purposes.

Although the role of taxation and the fiscal state was not conceptualized as a dynamic force in economic development, the state was nevertheless an essential part of the nation. One of the most analytic assessments regarding the role of the state in economic development was presented in May 1892 by Tekla Hultin (1864–1943), a Fennoman politician and the first female scholar to receive a doctorate in philosophy in Finland. An economic historian by training, Hultin was certainly aware of the international theoretical tides of her age. A large part of her presentation was based on the book *L'Etat moderne et ses fonctions* (1889) by the Belgian economist Paul Leroy-Beaulieu. At the time, industrialization had changed society, and the role of the state was under complex discussion. There were both socialist and non-socialist ideas regarding how far the arm of the state should reach. Hultin referred to Adam Smith's idea that only the state could seek selfless purposes while the individual pursued self-interest. Unsurprisingly, on a theoretical level, she disagreed but this did not lead her to promote state expansion.[125]

According to Hultin, there were also other motives than self-interest for individual action, such as ethical life (*siveellisyys*), belief in an afterlife, ambition, and charity that were by nature selfless forces. However, she took a critical stance towards the expansion of the state and conceptualized state socialism as a force that would be the ruin of European civilization. *Bildung* was a force that needed to be protected, for it contained knowledge, habits, industry, communality, frugality, and personal responsibility. Expansion of the state would lead to the gradual disappearance of these forces of ethical life and thus to the destruction of the power of the nation.[126] However, even though Hultin took a critical stance towards socialism in general, she accepted that the role of the state had expanded and would transform with industrial development. As noted, industrialization had indeed set in motion forces that required novel reactions from the state. In particular, legislation and regulation were needed in factory work. However, Hultin conceptualized the state as a reactionary force that adapted to development. If the state actively sought the common good, the end result would be undesirable.[127]

It was indeed a common trait inside the Kansantaloudellinen Yhdistys to conceptualize the state as a force that, instead of being an engine of progress, reactively adapted to national development. In 1905, the lawyer Ludvig Ilmari Palmén

(1882–1945) wrote an article entitled about education to *Yhteiskuntataloudellinen Aikakauskirja*, where he sought to examine how much the state had spent and should spend on education. It was apparent that the national wealth (*kansallisvarallisuus*) of Finland had grown tremendously during the last century. The nation had received numerous new sources of income, and old sources of income could be utilized more efficiently with the advancement of technology, professional skills, and civilization. With growing national wealth – and to some extent for promoting further growth – new requirements had emerged for the state. Previously, the state could only afford tasks such as military forces, governance, the judicial system, and limited opportunities for the education of the upper classes. In a modern state, however, funds had to be used for purposes that could not previously have even been imagined. Railways, health care, poor relief, and education required new economic "sacrifices". According to Palmén, this general phenomenon was not restricted to Finland. Instead, state expenditure had multiplied in all civilized nations.[128]

Palmén's analytical focus was on the different forms of education the state provided. From 1884 to 1905, state expenditure on education had increased tremendously in absolute terms, and the share of education of total state expenditure had risen from 10 to 14 per cent. At the heart of this development, there lingered an obvious question: could a poor nation afford it? To Palmén, the answer was clear. It was self-evident that state expenditure was built on the savings of the people, and healthy finances required that the state only supported efforts that were worthy of the sacrifice. Education was, however, something on which the state should spend limited resources. Supporting educational institutions advanced both the economic and spiritual capabilities of the nation. In this context, spiritual capabilities did not refer to economic matters. Instead, the nation had spiritual capabilities independent of economic capability. Education kept the nation on the path of civilization and enlightenment. There was no other task for the state than education, where idleness would plunge the nation outside a civilized condition.[129]

Although Palmén made no explicit references to other theories, his ideas were in many ways connected to the economic theories of the German Historical School. Adolph Wagner had conceptualized the relation of state expenditure and national income (*Volkseinkommen*) in his textbook *Grundlegung der politischen Ökonomie*, published in 1892. Wagner combined both absolute and relative increase of state expenditure with increasing demand of new commodities in the process of societal development. Growing public expenditure was connected to both the technological and the cultural development of a nation.[130] Wagner's writings regarding state expenditure have been subsequently labelled under the well-known concept of Wagner's Law. Although there were no explicit references made to this law, it was clear that the expanding role of the state was a subject of interest in both research and politics.

During the period prior to 1914, it was uncommon to utilize the concept of national income in the analysis of national development, particularly with explicit references to well-known scholars. There were some ambitious exceptions, however. Oskar Kaaleb Kilpi (1878–1937) was a statistician and an economist who held a professorship at the Helsinki School of Economics from 1920 until his death in 1937. In 1907, Kilpi had just received a Master of Arts degree with a thesis that analysed the economic structures of the agricultural population. His article focused on Finland's occupational structure, but also touched on how this structural development contributed to the formation of national income.[131] Kilpi began the article with an analysis of how the occupational statistics published by the Statistical Office of Finland were created and collected. The statistics had many shortcomings: they were collected by sending survey forms to parish priests, who collected the requested data from their parish registers. International comparison of occupational structures seemed futile, as every country used different classifications. It was difficult to analyse whether changes in statistical data were connected to changes in classification or factual national development.[132]

Despite these shortcomings, it seemed relevant to further analyse the statistics, as there was no alternative option. Kilpi was particularly interested in an analysis of two large groups in the national economy: those who earned an income and those who did not. He borrowed the concepts of production coefficient and burden coefficient from Wagner and used them as analytical categories. The amount of population with an income had a significant meaning for a national economy because when the group with an income grew, the burden on the "productive part of the nation" decreased when the upkeep of other demographic groups demanded less effort. Increasing the demographic group with an income and the production coefficient resulted in greater capacity to produce, expanding production and, consequently, in a greater national income (*kansallistulo*). Based on his analytical framework, Kilpi also sought to conduct international comparisons. According to the statistical data, the demographic group in Finland that earned an income was significantly smaller (30.1%) than in Sweden (36.6%), Denmark (38.8%), Hungary (43.7%), or Germany (42.7%). Kilpi assumed that the difference was due to the fact that in agricultural work, farmers' family members with supporting tasks were counted to not earn an income in the Nordic Countries, whereas in Central Europe family members were counted in the figures. The significant differences between the Nordic countries seemed inexplicable, however. There seemed to be no other reasonable explanation but erroneous classifications while collecting data.[133]

So far, this chapter has focused on the conceptualizations of state and national development that were conducted by Fennoman-minded writers. However, it is necessary to point out that there were other frameworks for the analysis. In the Ekonomiska Samfundet, there were no attempts to rigorously examine the role of the state in national progress and historical development. Furthermore, the ideological and professional background of the society probably contributed to the fact that the role of the state was not conceptualized as a central element in economic development. Instead, as noted, there were several attempts to examine the contemporary state of the economy and the prospects of individual branches of industry. Sometimes, the target of the analysis was also set outside the Grand Duchy.

An intriguing example can be found from February 1905, when the engineer and industrialist Ossian Donner (1866–1957) gave a presentation at the Ekonomiska Samfundet examining the state of the economy in England.[134] He analysed the English economy with many well-known characteristics of the period: although it was necessary to present details and statistical data, the economic life in England was so rich and complex that there was a constant temptation to go into details beyond the central point. Due to a lack of a single indicator, Donner presented details of monetary conditions and different branches of industry. Moreover, Donner conceptualized the state of the economy being fundamentally dependent on harvests even in industrial nations *par excellence* such as England.[135] Donner examined the economic conditions and national development of England without explicit theoretical frameworks. However, he still sought to conduct international comparisons. For Donner, England and Germany were performing in an "industrial world championship", where the outcome was still uncertain.[136] Although the economic and political thought of the period lacked many characteristics of the post Second World War understanding of growth, international economic competition was certainly part of the 19th-century growth conceptions.

Besides theoretical analyses of state and national development, and practical surveys of economic and business conditions, there existed another framework for economic development. The methodology of the German Historical School was also a target of criticism. There emerged several theorists in Austria who sought to advance the utilization of general theory in economic research in a manner that was unacceptable to the relativist-minded German School. In 1883, the Austrian economist Carl Menger (1840–1921) published the book *Untersuchungen über die Methode der Sozialwissenschaften, und der politischen Ökonomie insbesondere* that presented marginal utility as a method of analysis, and an individual as the atomistic foundation of society. The book received a hostile review by Gustav von Schmoller, who claimed that the major content of Menger's study was obscure and backward. The clash resulted in a well-known *Methodenstreit* that formed the Austrian School as the methodological opponent of the German Historical School. Ultimately, and for several reasons, many of the ideas promoted by Menger and his successors became a part of mainstream economic analysis. However, this battle of methodologies and its hostility has been a subject of exaggeration in several retrospective analyses. The analytical frameworks of the schools were not completely opposite to each other, and particularly scholars not belonging to either school were happy to seek inspiration from both Austrian theory and German empiricism.[137]

Eugen von Böhm-Bawerk (1851–1914) was one of the scholars who were heavily influenced by Menger's work and further contributed to the emergence of the Austrian School. He is particularly well known for serving as the Austrian minister of finance from 1895 from 1904, and from his work on theories of interest and capital. Böhm-Bawerk went to great lengths to refute several of Marx's tenets, such as the relationship of worker and employer being an exploitative one. Böhm-Bawerk is well known for analysing production processes and temporal flows of income between workers, employers, and output. He made a clear distinction between production capital and interest-bearing capital. Consequently, he rejected the common definition of classical political economy, where capital was a factor of production similar to land and labour. As Ernst Nevanlinna noted in 1914, with this stance he found common ground with the German Historical School.[138] Böhm-Bawerk was a respected scholar in the writings of both the Kansantaloudellinen Yhdistys and the Ekonomiska Samfundet. His theory of value was used as the conceptual framework in several writings of the Kansantaloudellinen Yhdistys.[139] After Böhm-Bawerk's death in 1914, Ernst Nevanlinna presented his ideas in a eulogistic article. Karl Willgren (1865–1947), who at the time worked as an academic assistant at the Faculty of Law, Finance, and Statistics at the Imperial Alexander University and from 1922 until 1932 as a professor, wrote a similar although a somewhat more critical obituary for *Ekonomiska Samfundets Tidskrift*.[140]

The most intriguing analysis of Böhm-Bawerk in the context on national and economic development was most likely that presented at the Ekonomiska Samfundet. The statistician Oskar Groundstroem (1868–1940) gave a presentation in November 1902.[141] In the presentation, he examined the emergence of the Austrian School and the school's major methodological viewpoints. Moreover, he compared Böhm-Bawerk's ideas to those of the German statistician Wilhelm Lexis (1837–1914). Lexis, an empirically oriented *Kathedersozialist*, had conceptualized technological development as a force that had reduced the amount of labour and capital required for production, when machines had drastically shortened the time required for producing goods. According to Böhm-Bawerk, Lexis's theory was flawed, and economic development was resulting in longer production processes. There had to be an analytical division into working time and production time. While technological development did indeed shorten the former, a capitalist economy created complex production processes that took a longer period of time but required less capital and resulted in larger and better-quality output.[142]

Groundstroem pointed out that it would be a risky claim to state that one of these great scholars had made a mistake. There was some truth on both sides, and each one sought to solve the problem from a different point of view. It was undeniable that every entrepreneur aimed at shorter processes of production and faster circulation of output. At the heart of this desire, there was a central capitalist interest: fast circulation of capital that transferred the capital tied up in production back to the entrepreneur. However, it was also irrefutable that production methods had become more capital-intensive than before, and there was a tendency for fixed capital to return gradually but more slowly to the entrepreneur. The process that made methods of production more efficient and powerful also resulted in fixed capital forming a larger part of national wealth (*nationalförmögenhet*). This process also inevitably led to slower circulation of capital or longer processes of production.[143] Groundstrom's presentation points out how Finnish scholars of the era had no trouble utilizing ideas from both the Austrian School and the German Historical School. Moreover, the analysis presented an intriguing way conceptualize the nature of national wealth and development in a manner that did not include the state as an economic actor.

It also is worthwhile to examine economic growth in the context of the labour movement. At the turn of the 20th century, the Finnish labour movement was not divided into social democrats and communists. The movement was primarily inspired by orthodox revolutionary Marxism, although different revisionist movements also emerged.[144] A myriad of socialist theories of development were formulated. There were debates regarding the direction and level of concentration both in industrial production and agriculture. A major part of theories approached the capitalist society as one stage in development that would ultimately transform into a socialist society. Despite being deeply rooted in non-socialist ideas, before the civil war of 1918, Finnish economic associations were not hostile to socialist theories, and analyses of nation and development with references to socialist theorists were discussed and published.[145]

There were two presentations in the first volume of *Yhteiskuntataloudellinen Aikakauskirja* in 1905 that particularly deserve to be mentioned here. The statistician and social democrat Edvard Gylling (1881–1938) examined economic development from a socialist framework.[146] Gylling devoted a large part of the article to analysing the historical development of a capitalist society and to conceptualizing capitalism as a system of two factors of production: labour and capital. Gylling sought to analyse the fundamental flaw in the capitalist system: the means of production belonged to a small group of people, who did not plan production based on the common good, but individual profit and further accumulation of capital. To Gylling, this system of capitalist production contradicted "the natural purpose" of production: satisfying the general consumption of society. Furthermore, the capitalist tendency to seek maximum profit by the cheapest means led to a system of mass production. Although Gylling perceived these general tendencies of capitalist production as something that impaired workers living conditions and took away the self-purpose of work, he also pointed out that in some exceptional cases, when working hours had been shortened or there had been wage increases, the benefits of capitalism had been in harmony with the rising level of development.[147]

This somewhat contradictory nature of capitalism led Gylling to analyse further prospects of capitalist development. He examined statistical data from German firms that indicated concentration of industries and specialization of smaller firms. Moreover, both the German iron industry and Finnish wood and paper industry seemed to be forming groups of larger conglomerates, where an individual firm controlled the system of production from the acquisition of raw materials to the production and transportation of goods using company-owned ships and railways. To Gylling, however, it seemed that this expansion of industries also resulted in a more organized capitalism. Besides the expansion of individual firms, there had been a tendency for firms to form various kinds of cartels and trusts. Although the further development and exact nature of these cartels and trusts was still uncertain, Gylling perceived them as a force inhibiting capitalist development, as they eliminated competition and enabled organization and co-operation. This idea guided him to examine the further prospects of capitalism. In all branches of industry where the conditions of production had risen to some level of stability, "a social organization of production" had replaced capitalism in the form of co-operation between firms, municipalities and the state. There were many signs that suggested that in the future capitalism itself was going to be replaced with another system of production.[148]

Another article that analysed the prospects of national and economic development in a socialist framework was written by Jaakko Forsman (1867–1946), a historian and editor of the journal *Yhteiskuntataloudellinen Aikakauskirja*. The article was heavily influenced by the Ukrainian economist Mikhail Tugan-Baranovsky (1865–1919). In general, there were few references to theorists of the Russian Empire in Finnish economic associations. When Tugan-Baranovsky's book *Theoretische Grundlagen des Marxismus* was published in 1905, however, it was first reviewed and then expanded further in an article by Forsman. Although Tugan-Baranovsky was influenced by Marx and a proponent of some system of socialism, he took a critical stance towards the Marxist theory of declining profits that would eventually lead to the collapse of capitalism. According to Marx and Engels, capitalist production expanded faster than workers' consumption, which led to declining profits and fewer prospects of profit for capital. Tugan-Baranovsky, however, disassociated himself from theories that claimed that the limit of national production was ultimately formed out of national consumption, and production could not expand faster than consumption. Forsman pointed out that Tugan-Baranowsky's framework also differed from "bourgeois economists" such as Böhm-Bawerk, who claimed that that national income equalled national production in the long run, or Lexis, who argued that annual consumption, production and income could be used quantitatively as almost equal variables.[149]

Forsman sought to present a new theory by Tugan-Baranovsky that detached itself from the constraints of both Marxist and bourgeois theorists. In this framework, the economy was not a logical but a historical category, and it was erroneous to examine economy as a general phenomenon instead of analysing it in different historical forms. Tugan-Baranovsky agreed with the socialist criticism by approaching the capitalist economy – together with slave economy and feudal economy – as an antagonistic system, where the economic power was in hands of the few, and the purpose of the system was to create further production instead of satisfying needs. It was, however, possible that capitalist production did not ultimately lead to a state of under-consumption and, ultimately, the collapse of capitalism, as it was possible to make a division into the production of further means of production and consumer goods. Although the weak position of workers led to decreasing consumption of consumer goods, capitalist production did not collapse, but instead it produced more means of production in the form of coal and iron industries that created more coal and iron and, consequently, coal and iron industries. Although Forsman admitted that this theory might seem "strange", he referred to the work of Werner Sombart, who had studied a similar development in Germany. Instead of the Marxist claim that a capitalist economy required expanding markets abroad, Germany had witnessed a situation where exports of iron products were decreasing in relation to imported products. Iron was flowing inside of Germany and not outside. The situation was the opposite in the declining cotton and textile industries. According to Forsman, this development was a clear indication that the capitalist economy created demand for means of production for the accumulation of capital but not consumer goods for the people.[150]

Much of this analysis was disregarded by most members of the Finnish economic associations, who rather followed principles of Fennoman nationalism and classical liberalism. These socialism-inspired theories of development, however, served to establish something about the national experiences and expectations of the period.

Although liberals claimed that capitalist development increased workers' wages in the long run, there persisted a perception of capitalism being fundamentally a system that created magnificent factories and accumulated capital, but this development did not lead to a society that fulfilled workers' needs as consumers or human beings. The following chapters will examine social democracy and communism in the context of growth conceptions. However, at the turn of the 20th century, the labour movement or Marxist scholarship in Finland was not oriented towards growth. Although the Fennomans or the Svecomans had differing prognoses of capitalist development, what they did have in common was that expectations of future development and material welfare for the people were uncertain. There seemed to be no pursuit or expectation of growth emerging with the liberal turn of the 1860s.

Growth Conceptions and Stability

The 1860s can also be examined as a period of great calamity. Since the 1850s, rainy summers and low temperatures had led to bad harvests. Moreover, English forces had bombarded the Åland Islands and parts of the coast of Ostrobothnia during the years 1854–1856 as a part of the Crimean War, and this had destroyed granaries and other infrastructure. The year 1866 yielded in exceptionally meagre harvests. The following year, a burdensome situation turned into a crisis, when a particularly cold night in September 1867 turned into a frost that resulted in massive crop failures. The Grand Duchy held only minor food reserves, and the severity of the situation was initially not fully grasped by the government officials. An early winter closed the transportation routes and prevented immediate aid from abroad. During the winter and spring of 1868, hunger and diseases ravaged the country and killed more than a hundred thousand people. In total, the Great Hunger Years of 1866–1868 resulted in the deaths of approximately 200,000 people, 8 per cent of the population.[151]

There have been several interpretations of how the Finnish government handled the crisis. Much of the literature has focused on the role of the Chancellor of the Exchequer, Snellman. In general, Snellman was extremely reluctant to provide public aid as he considered it to be an immoral action that could have a pernicious effect on people's morality and civilization. However, after the severity of the crop failures of autumn 1867 became apparent, Snellman negotiated a foreign loan with M.A. von Rothschild, a Frankfurt banker. The foreign-funded aid was delayed when the winter arrived and froze the Baltic Sea. The disastrous famine was seldom publicly discussed immediately after the incident, and surprisingly few memorials were raised to commemorate the casualties. Instead, Fennomans sought to emphasize new landmarks such as railways as the symbol of suffering and industry of the Finnish nation.[152] Much of the later history-writing evinced understanding for Snellman's actions, but lately there have been also accounts that take a more critical stance towards the slowness of the state reaction to crop failures.[153]

The instability of the Russian rouble in the wake of the Crimean War had prompted the Finnish officials to advocate the creation of an independent metallic currency. The Finnish *markka* was introduced in 1860 by the Bank of Finland, with a value of a quarter of a silver rouble. After permission from the Russian Emperor in 1862, the Bank of Finland had intended to peg the *markka* to the silver standard with the same exchange rate. Difficult economic conditions and continuous Russian inflation delayed the reform until late 1865, however. Due to the continuous inflation of the rouble, the peg to the silver standard was only possible through a revaluation of the *markka* of almost 20 per cent. The reform resulted an extremely tight monetary policy to maintain the currency reserves and to decrease the price level. The silver reform caused extreme difficulties to those farmers and exporters who were dependent on the Russian markets, especially if they were in debt and the real value of their debt had been increased by the revaluation. There were proposals for reducing the nominal value of old loans to avoid capital losses and bankruptcies. However, the proposals were unfavourably received by Snellman, who advocated stable monetary conditions as a vital precondition for future development and believed that the changes in the exchange rate would quickly and smoothly pass to domestic price levels.[154] Later, when bankruptcies occurred, Snellman was convinced that they occurred independently of the monetary reforms and that there was no point in keeping businesses afloat with artificial measures. There exists a well-known saying from Snellman stating that "what is rotten should be allowed to fall down".[155] An emphasis on monetary stability continued when the Finnish *markka* was pegged to the international gold standard system in 1878.[156]

These extreme stances reflecting Snellman's monetary philosophy and wider political worldviews are an illustrative example of the economic and political reasoning of the period. The situation leads one to ask why the economic and political system of the Grand Duchy of Finland was in a state that made such a calamity possible. I suggest that the political decisions of the Hunger Years can also be examined in the context of two growth conceptions: classical liberal and agrarian conservative. Although Snellman and other politicians evidently perceived the material welfare of the people as a good thing in general, this position was subordinate to more fundamental principles such as monetary and judicial stability in the context of a classical liberal conception, and cultural and spiritual stability in the context of an agrarian conservative conception.[157] These growth conceptions were indifferent to growth. Monetary stability was evidently also conceptualized as an essential precondition of Finland's creditworthiness and prosperity in the long run. This perspective will be expanded further in the next chapter.

It is necessary to point out that examining certain individuals in the context of classical liberalism or agrarian conservatism is not to suggest that these individuals supported every political principle contained in such political philosophies. Although several key Finnish politicians supported political programmes connected to classical liberalism, they also upheld other principles. Claiming that ideas that had pertaining to growth were constructed around a classical liberal growth conception does not indicate that individuals entertaining such conceptions wanted to reduce the role of the state to the minimum in economic and social policy or oppose all forms of labour legislation and protection. Rather, the perspective here suggests that most Finnish economic elites perceived growth in the context of classical liberalism and agrarian conservatism. And in many instances, growth was a subordinate objective to other principles.

As classical liberal growth conceptions and agrarian conservative growth conceptions were indifferent to growth and had other fundamental principles, they constructed expectations that were connected to slow development and stability. First, the national income of Finland was conceptualized to be growing slowly in international comparison and, second, the national wealth and welfare of Finland was claimed to have already reached a desirable level, and prospects of sudden future improvements were deemed unlikely. As a result, these experiences did not carry a future expectation of a constant increase in material welfare for the people. Moreover, it was deemed even more unlikely that state intervention could have a positive impact on the production and distribution of national wealth and income. Members of Finnish economic associations were not simply passive observers of these experiences. Instead, they were actively constructing the spaces of experience and adding elements of poverty and frugality, and stability as essential parts of the national past, present, and future.

Classical liberal growth conceptions were discussed in connection with the just distribution of national wealth and income. During the 19th century, industrial development began to transform the structure of society and created a new group of labouring classes. Between 1850 and 1913, the standard of living in Finland in terms of real wages did increase in the long term, although there were also fluctuations and differences between types of workers.[158] At the time, such a development did not seem obvious, however. One of the key political debates focused on whether new factories had offered a new path to prosperity for the workers, or whether industrial development had created a new group of paupers and unforeseen distribution of wealth. The debate often revolved around the optimism of the Manchester School, a framework in which industrialization was conceptualized as beneficial for all in the long run, while more critical stances demanded intervention.[159]

The question was a global one. Income distribution and mass poverty were also examined more rigorously by British scholars such as Alfred Marshall, whose magnum opus *Principles of Economics* was first published in 1890. Marshall conceptualized economics as a science of wealth in a manner similar to Smith and other classical economists. There were several key differences, however, between the classical political economy of the late 18th century and books written at the University of Cambridge a hundred years later. In Marshall's texts, increasing the amount of produced goods and national income to fight poverty carried a more urgent meaning in the field of policy. In the context of late 19th century, studying industrialization, mass poverty and the Social Question were the key tasks of economics as a science.[160] One of the key aspects of the German Historical School was to conceptualize the state as a force that was able to provide the working classes with a larger share of national production and income than they would otherwise receive.[161]

Although the conditions of rural poverty created a major field of research in Finnish economic associations, there were also more urban issues that aroused interest.[162] In 1901, Senator August Ramsay gave a presentation at the Ekonomiska

Samfundet. The presentation examined conditions especially in Helsinki, the capital, that suffered from a housing shortage while the construction industry was suffering from a shortage of capital. The presentation raised a lively discussion, and Julian Serlachius, the President of a Finnish urban mortgage fund, pointed out several important aspects of the problem. According to Serlachius, the housing problems affected in particular the workers, who had to deal with increasing rents. It seemed that private construction companies were not able to deal with the problem on their own, and cities and municipalities had to step in and create new housing. In this framework, Serlachius tied the problem to production and the division of national income in an interesting manner. The situation seemed to highlight the troubled situation, where the working class received the smallest share of national income (*nationalinkomst*), while at the same time the same class bore the heaviest burden of the production of national income.[163]

In the Ekonomomiska Samfundet, there were also more rigorous attempts to examine historical developments in the welfare of the working classes. Karl Willgren was, as noted, familiar with the works of Böhm-Bawerk and other theorists of the so-called Marginalist Revolution. Later, during the First World War he sought to conceptualize the division of national income with a methodological toolkit from Carl Menger, Alfred Marshall, and Leon Walras. Although he was certainly aware of the ongoing debates and discussions in April 1909, he gave a lengthy presentation which in many ways followed the traditions of Finnish empirical research or "concrete social research".[164] The presentation examined the topical Social Question of workers' welfare and living conditions. The starting point of the presentation was built around different conceptions of economic development and in the direction of the so-called "wealth curve" (*välståndskurvan*). According to socialist doctrines, development consisted of increasing poverty and misery, and accordingly the wealth curve pointed downward. The liberal Manchester School, however, presented economic development "in a rose-coloured light" and claimed that poverty was diminishing, and wealth was increasing even among the large masses of population. These doctrinal preconceptions guided Willgren to study the living conditions of the Finnish working class empirically.[165]

Before the actual analysis, however, Willgren presented several interesting divisions. He made a clear distinction between Finland and more developed nations, or what he called "The Great Culture Lands".[166] In more developed nations, the massive expansion of production since the beginning of the 19th century had improved the conditions of the working class both because of an absolute increase in national income and because the nations could afford to raise the share of the working class of the national income. Finland, however, followed a different path. The land was poor and barren with unfavourable conditions for economic development. Consequently, Willgren claimed that the national income of Finland grew slowly in comparison to other nations, and dearth sometimes carried the humble development backwards.[167] Although no concrete empirical figures of national income were presented, after these dismal statements, Willgren analysed the historical development of the living conditions of workers in agricultural, forestry, and industrial workers using as his data municipal wage and price statistics. Moreover, he used data from the Official Housing Statistics of Finland to examine developments in habitants per room in the largest cities. All indicators pointed to the conclusion that the living conditions had improved even in the poorest groups of the population. Different needs could be more adequately satisfied, there were more opportunities for people to create savings, and manual labour was done in environments that did not create a similar hazard to health and safety than before. There was also more “indirect” evidence of improved welfare such as increased imports of wheat flour, coffee, and sugar. Based on this conclusion, Willgren claimed that the Social Question was primarily connected to the growth of the urban population and increased communication and travel. He pointed out the shortage of adequate housing as a major issue that needed resolving, but there was not a lot one could do. Besides the fact that the current development already seemed to be improving, the slow growth of the national income of Finland meant that one had to be extremely cautious in planning larger social reforms.[168]

Willgren’s presentation indicates that the slow development and poverty of Finland were a part of economic analysis. Another perspective on these conceptualizations can be found in the presentation of the Fennoman politician Agathon Meurman (1826–1909) given in December 1886 in the Kansantaloudellinen Yhdistys. The presentation examined the topical phenomena of the historical development of wealth and its effects on the welfare of the populace as a whole. Instead of national income, Meurman utilized the concept of national wealth (*kansallisvarallisuus*) as an analytical tool. As a common trait of the period, Meurman did not seek to empirically quantify the nature of national wealth. Instead, he used the concept with multiple meanings with references to both tangible and intangible phenomena. Furthermore, he also used the concept of national wealth interchangeably with the concept of national capital (*kansallispääoma*).[169]

Meurman did not deny the favourable developments in national wealth. Instead, he sought to prove that even the poorest of people had received their share of this development and working-class conditions had increased tremendously over time. Meurman identified the French Revolution as a turning point that had broken the old feudal power and launched “an infinite levelling of wealth”. The argument was aimed at those who perceived the current system rotten and sought to demolish it. While examining developments the distribution of wealth, Meurman utilized long-term historical perspectives and colourful language in such a manner that it deserves to be cited here:

> During which historical era of humankind, would wealth have been supposedly more evenly distributed than today? Perhaps in the times of the Egyptian pharaohs, who built their astonishing mausoleums, one might say, with slaves’ flesh and blood? Or perhaps during the Greek Republic, when a few lords wrapped in cloaks sucked all power from the body of a withered Helot, although they did not get extremely fat? Or perhaps during the time of the Roman Empire, when the tastebuds of some Lucullus did not give him enough arousal if the fish on his table had not been fed with the flesh of live slaves, a delicacy that not a single Rothschild could now get for himself.

> Or was this period during times of feudal power, when not only land, but also air and water were owned by the feudal lords, and the people had to pay taxes not only for their miserable sheep that gnawed the scanty grass in mountain caves, but for a right to work? Even after all this, one seeks to pretend that our time accumulates enormous riches in one hand, while at the same time it impoverishes the majority. If one stated the opposite, that poverty during the aforementioned times was common, and wealth is now the general rule, one would say something that approaches the complete truth.[170]

At the heart of Meurmans's thesis was the view that both the poor and the rich were far wealthier than their predecessors. A worker was wealthier than a slave, and the riches of a feudal lord paled in comparison to a Rothschild. To support these arguments, Meurman presented statistical data from the collection of concession taxes. To those who were suspicious of numbers, also Meurman presented "indirect evidence" of increased welfare: consumption of coffee and sugar had increased even in the poorest of households, and books, the luxury items of the past, had become a common good. Moreover, Meurman brought up the role of technological development and new inventions as another revolution comparable to the fall of feudal power. This development had freed large numbers of the population from harsh and monotonous manual labour. Technological development had also accumulated into "an infinite national capital" of which even the poorest received their share in the form of new methods of transportation and oil lamps. Meurman concluded his presentation by claiming that differences in wealth were not the greatest social problem. Instead, the problem was the desire to abolish the very pillars of society: religion, family, and wealth. The working class had to be educated and civilized so they could acquire the necessary skills to obtain wealth and security against illness, accident and old age.[171]

Meurman's presentation provides a source for studying agrarian conservatism in the context of growth more thoroughly. Industrial development had created changes that threatened the agrarian mainstays of religion and family. In the era of the Grand Duchy, it is not as easy to identify and examine explicit manifestations of the conception, because such a development was still in the margins, and most key politicians of the period conceptualized agriculture as the key source of livelihood and an integral part of the nation. Agrarian Finland was connected to cultural and spiritual stability. These principles were not challenged but complemented by classical liberal principles of monetary and judicial stability. As will be examined further in the next chapter, during the interwar period, agrarian conservatism was increasingly challenged by communism, social democracy and industrial development. Moreover, in the aftermath of the Civil War of 1918, several politicians and scholars conceptualized the free peasant as a new national symbol of security. Industrialization promised growth and development, but many people preferred stability.

Although this chapter has mainly focused on cultural and intellectual aspects of agrarian conservatism, it is necessary to examine an article of one of the key agrarian scholars and politicians of the period emphasizing material welfare at the expense of history and literature. Hannes Gebhard (1864–1933) was a Fennoman historian and politician who played a significant role in research initiatives of rural poverty by the Kansantaloudellinen Yhdistys. In 1894, he published a long article in the journal *Valvoja* about university reforms. The article examined the question from two perspectives: the first part of the article was dedicated to university education in general, but the latter part focused exclusively on the state of economics. Gebhard pointed out that until recently answers to "great cultural questions" had been sought from literary studies, but now it seemed that economic questions had surpassed cultural questions in relevance. Consequently, economics (*taloustiede*) had become an important field in several countries.[172]

Gebhard was dissatisfied with the current teaching in Finland, although some progress had been made through the efforts of J.V. Tallqvist and Joel Napoleon Lang, who had expanded the old courses on jurisprudence and statistics to discuss banking, domestic social problems, trade policies and theories of production and income distribution. Gebhard sought to launch an assault against old ways of teaching economics as a study of history and philosophy. Economics had to be elevated to a tool that contributed to the nation's material welfare. According to Gebhard, the development of Finland had for too long been one-sidedly driven by the disciplines of literature and aesthetics, and in the long run, it seemed impossible to sustain and develop the nation's spiritual state unless the nation started to consider more carefully from where it obtained its daily bread.[173]

Although a focus on daily bread was a suitable trait for an agrarian intellectual, the article evidently proposed reforms that did not resonate with the agrarian conservative growth conception described in this study. By emphasizing the material at the expense of the cultural and spiritual, Gebhard did indeed present ideas that were more attuned to 18th-century (and 20th-century) economic issues rather than 19th-century romanticism. However, in a similar manner to Mechelin, Gebhard conceptualized the nation's spiritual state as the ultimate goal. Moreover, and more importantly, Gebhard presented his ideas at a time when an industrial Finland did not seem like a feasible future, and the events of the 1918 war and the emergence of the communist Soviet Union had not yet occurred. There were no serious challenges to agrarian conservative or classical liberal growth conceptions. Gebhard took these worldviews for granted. As will be seen, the later industrial development of the interwar period changed Gebhard's position.

The prospects of economic development were also scrutinized by Oskar Kaaleb Kilpi, who had previously studied Finnish occupational structures. In 1915, he published an article about the prospects of industrialism in Finland.[174] Kilpi began with a review of the industrial development that had occurred in Europe. After a comparison to other Nordic countries and Sweden in particular, he concluded that in Finland, however, industrialism, capitalism, and economic productivity seemed to be on a lower level. Kilpi wanted to examine the reasons behind the absence of Finnish capitalism and industrialism. He used Werner Sombart's study on capitalism as a theoretical framework. Sombart had presented four preconditions for capitalism and industrialism: accumulation of labour, accumulation of capital, access to raw materials, and the spirit of capitalism (*Der kapitalistische Geist*).[175]

It seemed obvious to all that Finnish industrialization was hindered by a lack of capital. In terms of labour and raw materials, the situation was more fortuitous. However, in Finland the accumulation of landless labour had occurred in rural areas, while in other nations they had moved to serve industrial capitalism. Kilpi suggested that such a situation had occurred due to a lack of capitalist spirit among the people.[176] Next, he characterized Finnish people as slow, submissive, considerate, and lacking in nomadism, a characteristic also Sombart had associated with capitalism.[177] In 1905, the journal *Valvoja* had launched an inquiry among members of the parliament eliciting the most important national goal. Only one out of 25 responses had mentioned the word industry. Only four responses had even briefly touched on the topic of material welfare. Instead, the responses had emphasized national cohesion, philosophy, literature, and the education of the masses. Kilpi pointed out that "our collections of folk poetry, fairytales, magic, songs, and spells are the largest in the world". The volume of collected Finnish folklore in Swedish language seemed to be larger than that in Sweden, a country Kilpi described as a nation of engineers.[178]

Kilpi took a critical stance towards such a state in Finnish economic life, but he was uncertain whether the situation could be remedied. He also pointed out that not everyone desired a transition to industrial capitalism. There were powerful reasons for describing the capitalist ideal human from an ethical or even from an aesthetic point of view as repugnant. The reasons were even more apparent if one wanted to consider such an ideal as the national goal. Although Kilpi understood the reasoning behind such positions, he argued for the need of an industrial capitalist transition from an international perspective. It seemed that "the civilized nations" were in the throes of such a hectic competition in economic life that also Finland had to watch out.[179] It is evident, however, that in 1915 Finland's prospects of becoming a wealthy developing industrial nation were uncertain.

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The findings of this chapter support earlier suggestions that late 19th century in Finland was not a period that strongly resonated with the 18th-century debates regarding practical economic reforms. Instead, intangible matters such as nation, language, and ethical life emerged as the main issues in political thought. Although the concept of economic growth was obscure during the period, concepts of national wealth and income were part of the economic and political language. The Finnish economic associations of the period followed economic and political debates abroad and borrowed ideas from different schools of thought to find solutions to national problems. A noteworthy trait of the period was to approach state finances and national wealth as the management of stock variables instead of annual flow variables. Rather than seeking an immediate and rapid increase of national production and material well-being, the Finnish economic associations emphasized balanced and sustainable development that took account of national stability and the ethical education of the people. Economic growth *per se* was not desirable.

Despite several different methodologies and frameworks to conceptualize economic development, the prospects of the national development of Finland were conceptualized in a strikingly similar manner in both economic associations. Although the German Historical School was more prominent among the Fennomans than the liberal-oriented Swedish-speaking circles, ultimately both groups described views on capital and taxation that had their intellectual roots in a classical liberal growth conception. A certain amount of state intervention was deemed necessary to counter mass poverty, but ultimately excessive taxation was deemed to have a detrimental effect on national development as it decreased profits and capital accumulation and, consequently, the accumulation of national wealth. The state had to react to the new challenges created by national development and the rising level of civilization, but the state was by no means the engine of this process.

This chapter has identified and examined two major growth conceptions from the Grand Duchy of Finland. Both classical liberal and agrarian conservative growth conceptions were in principle indifferent to growth, as they had other more fundamental goals. In this framework of monetary and cultural stability, Finnish spaces of experience were connected to poverty. Finland had been poor in the past, Finland was poor in the present and, consequently, there was no expectation of change in this state of poverty. There were several political contexts underlying these conceptualizations. Emphasizing national poverty was a solution to counter socialist criticism that demanded that the state should resolve the Social Question. Despite this political constellation, it seems that most people of the period did indeed perceive the future as a road of harsh labour and frugality. Finland was conceptualized as a nation without prospects of rapid industrial development and the material welfare it created.

Notes

1 Nurmiainen (2009).
2 Nurmiainen (2009, 100–101).
3 See, e.g., Noll (2015).
4 See, e.g., Koselleck (1997).
5 Tooze (1998, 216).
6 Haapala et al. (2021, 266–267); Heikkinen et al. (2000, 21–22).
7 Marjanen (2022).
8 Karonen et al. (2021, 325–331); Haapala et al. (2021, 282–284); Heikkinen et al. (2000, 23).
9 Heikkinen (1997).
10 See, e.g., Renvall (1900, 12).
11 Hjerppe and Jalava (2006); Ojala and Eloranta (2018).
12 Kekkonen (1987); Rasila (1982).
13 Grandell (2021).
14 My translation. The original quote: “Uuden yhteiskunnan keskeinen ominaisuus ja johtoteema oli jo pyrkimys taloudelliseen kasvuun. Omaa aikaansa elävät ihmiset eivät tosin ottaneet huomioon tätä piirrettä vielä kymmeniin vuosiin, mutta sen vaikutus ulottui nopeasti kaikkialle. Teollisuus ja kauppa antoivat uusia mahdollisuuksia yksityisille yrittäjille. Elinkeinoelämä monipuolistui ja yhteiskunnallinen työnjako

yhdessä tekniikan kehittymisen kanssa kasvatti tuotantoa. Erilaisten tarvikkeiden kasvava määrä johti yleisen elintason nousuun, mutta samalla se johti myös korkeamman elintason tavoitteluun. Kun mahdollisuudet kerran olivat avautuneet, kukin yksityinen kansalainen pyrki nostamaan omaa aineellista elintasoaan, ja vähitellen vuosikymmenien kuluessa myös valtiovalta omaksui tehtäväkseen huolehtia yleisen elintason jatkuvasta noususta. Optimistinen usko tulevaisuuteen valtasi yleisesti alaa ajatuksissa" Rasila (1982, 14).

15 Aunesluoma et al. (2018, 52).
16 Pekkarinen (2017, 324).
17 The letter was signed by J.R. Danielson, K.W. Forsman, Theodor Forssell, Niklas Hertz, K.F. Ignatius, Yrjö Koskinen, J.R. Lang, A. Meurman, and Karl Nyman.
18 On the history of the Kansantaloudellinen Yhdistys, see Harmaja (1934); Pekkarinen (1984).
19 Pekkarinen (1984, 19).
20 Gebhard (1898).
21 Björkqvist (1986, 511).
22 On the history of *Ekonomiska Samfundet i Finland*, see Pipping (1944).
23 Hjerppe (1989); Hjerppe and Jalava (2006). On the structural change in agriculture, see Peltonen (1992).
24 See, e.g., Heikkinen and Tiihonen (2009, 348–359).
25 See, e.g., Kuusterä (1989a).
26 On the history of the *markka* in the Grand Duchy, see, e.g., Kuusterä and Tarkka (2011, 226–246).
27 On the historiography, see Bivar (2022, 4). As examples of such an approach, see, e.g., Lepenies (2016); Cook (2017).
28 Koselleck (2004, 9–25).
29 Cook (2017, 23–32).
30 O'Bryen (2009, 50).
31 Studenski (1958); Lepenies (2016).
32 Cited in Luther (1993, 17).
33 Lepenies (2016, 15); Höjer (2001, 60–61).
34 On the historiography of mercantilism, see Magnusson (1994); Norring (2018, 118–167).
35 Jahnsson (1907–1908, 498).
36 Karonen (2019).
37 For exceptions, however, see Schauman (1901); Harmaja (1929).
38 For the Manchester School and its historical contexts, see Magnusson (2004, 46–69).
39 Heikkinen et al. (2000, 71); Patoluoto (1986, 295–296).
40 On the historiography of cameralism, see Tribe (2020).
41 Heikkinen et al. (2000, 53–54).
42 Harmaja (1925, 78); Björkqvist (1986, 96–97); Heikkinen et al. (2000, 62–67).
43 Tjeder (1826, 46–47).
44 Hogdson (2001, 56–64).
45 Björkqvist (1986, 113–114).
46 Heikkinen et al. (2000, 14, 99–102).
47 Björkqvist (1986; Patoluoto (1986); Heikkinen et al. (2000).
48 Manninen (1986, 278–279). Manninen et al. (2021, 163–168); Patoluoto (1986, 271–272).
49 Heikkinen et al. (2000, 69–81).
50 Patoluoto (1986, 274).
51 Snellman did not refer to primary sources. Instead, in discussing older scholars he primarily relied on *Zwölf Bücher vom Staate oder systematische Encyklopädier der Staatswissenschaften* (1839) by F. Schmitthenner *and Grundriss für encyclopädische Vorträge über die gesammten Staatswissenschaften* (1825) by K. H. L. Pölitz.
52 Björkqvist (1986, 163).

53 In his commentary on List, Snellman used a Swedish translation *Om vigten och betydelsen af slöjder och manufacturer för ett samhälle*, a work that was translated with an introduction and commentary by Johan Johansson in 1840, a year after the original work was published.

54 Patoluoto (1986, 294).

55 *Tidskrift utgiven av Pedagogiska föreningen i Finland*, 1 January 1881, no. 5, p. 1.

56 *Wiborgsbladet*, 11 April 1883, no. 82, p. 2.

57 In a somewhat similar manner to Swedish language, there exist two wordings for economic growth. The concept of *talouskasvu* is a more present time wording and refers to economic growth as a single entity, while the concept of *taloudellinen kasvu* contains a meaning that refers to economic growth of something.

58 *Uusi Suometar*, 23 April 1895, no. 92, p. 3.

59 *Kyläkirjaston Kuvalehti*, 1 December 1911, no. 12, p. 23.

60 Arola (2006, 31).

61 Kuusterä (1989b, 53–74).

62 Sköld (2004).

63 Höjer (2001, 61–62); Sköld (2004).

64 Luther (1993, 31–33).

65 *Öfversigt af Finlands sjöfart och handel åren 1856–1865: Första häftet*.

66 Cf. Haapala and Peltola (2018) for the emergence of occupational statistics in 19th-century Finland.

67 See, e.g., *Yhteenveto kuvernöörien viisivuotis-kertomuksista vuosilta 1861–1865*; *Yleinen katsaus Suomen Taloudelliseen tilaan vuosina 1871–1875*.

68 Studenski (1958, 141).

69 See also Luther (1982). It is noteworthy that Finland did not introduce a progressive income and wealth tax until 1920. Instead, the tax records used in the study were based on so-called "appropriation taxes" (*suostuntavero*) that legally had to be approved by the Estates in the Diet. As will be discussed, the tax reforms of 1920 greatly increased the possibilities of using tax statistics in national income calculation.

70 Although this study has been neglected in most general accounts on history of national accounting, Christensen et al. (1995) credit it as probably the first Nordic calculation of national income.

71 Riitta Hjerppe has compared Ignatius's early national income calculation to later estimates. In primary production, Ignatius's estimate differed from Hjerppe's study by only 4.5%, but in industry and crafts the difference was larger. Hjerppe has pointed out that at the time of Ignatius's study, national income lacked a coherent definition. Moreover, it seemed reasonable to suggest that appropriation tax statistics were not a reliable basis for estimating national income, and such statistics have not been used in Hjerppe's estimates. See Hjerppe (1989, 33–34).

72 See Heikki Renvall's (1900) study on income distribution in Finnish urban areas.

73 Autere (1909). Between 1911 and 1918, Autere worked as a statistician at Finnish customs before moving to the banking industry in 1918.

74 Autere (1909, 271). However, the US figure referred to total national wealth instead of national wealth per capita.

75 Autere (1909, 292).

76 Autere (1909, 294).

77 Mechelin (1901a).

78 Mechelin (1901b, 30).

79 Vennola (1899).

80 Vennola pointed out, however, that the documents of the time did not differentiate between so-called constitutional income, i.e., state taxes and income derived directly from state-owned lands, manufactures, and mining. This distinction would have been important in late 19th-century fiscal theory. See Vennola (1899, I–II, V).

81 See von Phaler (1901); Mechelin (1901b); von Phaler (1904); Ramsay (1904a); Sederholm (1906); Donner (1909; Granfelt (1909a); Granfelt (1909b); Alftan (1912); Ehrnrooth (1912); Snellman (1911); Zetterman (1913).
82 Snellman (1911).
83 Alftan (1912).
84 Ramsay (1904a).
85 Sederholm (1906). Matti Peltonen has studied Finnish butter production at the turn of the 20th century in the context of commercialization, technological development, and structural change that took place in agriculture. Peltonen has made an important distinction into three types of butters that were sold: (1) so-called peasant butter that was for domestic consumption, (2) high-quality export butter, and (3) low-quality imported butter from Siberia and Oceania. Peltonen has examined the butter question in the 1880s by focusing on increased international competition that forced Finnish dairies to increase their productivity. However, it seems that Peltonen has not analysed the role of harvest results and business cycles in Finnish farmers' propensity to export butter and consume margarine. See Peltonen (1992, 156–175). The actual relationship between business cycles and butter exports lies beyond the scope of this study, but the contemporary analysis of such a relationship in Finnish economic associations seems nevertheless an interesting finding.
86 See, e.g., Lang (1893b); Hjelt (1898); Stenroth (1902).
87 Meurman (1897); Groundstroem (1897).
88 Stenroth (1902).
89 Stenroth (1902, 6).
90 Kuisma (2006, 224–229, 453–454).
91 Sundström, Mia: Lang, Joel Napoleon. *National Biography of Finland. Studia Biographica* 4.
92 Although Lang did not make the explicit reference, this framework was most likely adopted from Carl Menger's *Untersuchungen uber die Methode der Socialwissenschaften und der Politischen Oekonomie insbesondere*, published in 1883. See also Mäki (1984).
93 Lang (1893a).
94 Lang (1893a, 10–11).
95 Lang (1893a, 11).
96 Turunen (2016).
97 Patoluoto (1986, 305–306).
98 Manninen et al. (2021, 76–91).
99 Mäki (1984).
100 See, e.g., Krogius (1901); Blankett (1906).
101 Mechelin (1901b).
102 Mechelin (1901b, 41–42). My translation. The original quote: "Vi måste fortfara att med alla möjliga medel arbeta på utvecklingen af landets välstånd, ty välståndet, om också icke ur ideel synpunkt ett ändamål i sig själft, är dock ett väsentligt vilkor för att äfven de ideella krafterna må kunna göra sig gällande. Jag menar icke det slags välstånd, som gifver sig tillkänna blott hos ett fåtal af samhällets medlemmar genom utamanade lyx och svindlade spekulationer, men jag menar det välstånd, som genom fortgående utveckling af arbetsskickligheten och fruktbargörande af alla besparingar samt med stöd af en välkombinerad statshushållning vinner insteg i dessa hundratusande hem, hvilka utan ökning af sitt välstånd ej häller kunna blifva delaktiga af samhällslifvets ideella förmåner, ej kunna dana åt landet värksamma och vaksamma medborgare".
103 Cf. Fellman et al. (2022) for a similar question in the context of the welfare state. The study examines whether the welfare state precedes and supports economic development or whether economic development preconditions expansion the welfare state as more resources become available for public expenditure.

104 Friman (2002, 73–94).
105 Manninen (1986, 142–144).
106 Kettunen (2019). Cf. Gerschenkron (1962). For this contemporary international comparison in the Grand Duchy of Finland, see also Kurunmäki and Marjanen (2021).
107 See Jahnsson (1907–1908, 478–483).
108 Cf. Haapala and Peltola (2018) for a similar analysis of pauperism and excessive population as a problem in 19th-century Finland.
109 Björkqvist (1986, 478).
110 Yrjö-Koskinen (1876, 4).
111 Yrjö-Koskinen (1876, 10–11).
112 Yrjö-Koskinen (1876, 14–15).
113 Yrjö- Koskinen (1876, 17).
114 Yrjö-Koskinen (1876, 17–18).
115 Palmén (1890). It is worth noting that Palmén pointed out that the presentation was originally not intended for the public, and therefore it was here presented as a shortened version for reasons that required no explanation for the reader.
116 Palmén (1890, 157).
117 Palmén analysed Finland's government debt in relation to government funds which resulted in a figure of 27 per cent. He also compared the figure to Sweden and estimated the Swedish "national debt" to be 64 per cent of national funds. Therefore, the Finnish national debt appeared to be on a sustainable level.
118 Palmén (1890, 162). It is worth mentioning that Palmén counted sources of state revenue such as custom tariffs to be a part of the tax burden of the people of Finland.
119 "Kuta rikkaampi valtio, sitä köyhempi kansa!" See Neovius (1905, 5). Nevanlinna used his birth name Neovius until 1906, when he Fennicized his name.
120 On this Ricardian tax doctrine in Finland particularly in the context of Leo Mechelin, see Heikkinen et al. (2000, 167–168).
121 See Björkqvist (1986, 483).
122 Kayaalp (2004).
123 Yrjö-Koskinen (1893).
124 Yrjö-Koskinen (1893, 21–22).
125 Hultin (1893, 173).
126 Hultin (1893, 185).
127 Hultin (1893, 184).
128 Palmén (1905, 158–159).
129 Palmén (1905, 178–179).
130 Wagner (1892).
131 Kilpi (1907).
132 Kilpi (1907, 106–107).
133 Kilpi (1907, 108–109).
134 Donner (1906).
135 Donner (1906, 12).
136 Donner (1906, 10).
137 See, e.g., Hogdson (2001); Mäki (1984).
138 Nevanlinna (1914, 269).
139 See, e.g., Renvall (1909); Louhivuori (1909).
140 Nevanlinna (1914); Willgren (1914). For a more detailed analysis Böhm-Bawerk's reception and marginalism in Finland, see Heinonen (1990).
141 Groundstroem (1904).
142 Groundstroem (1904, 38).
143 Groundstroem (1904, 45–46).
144 On the political language of Finnish socialism at the turn of the 20th century, see, e.g., Turunen (2021).
145 Gylling (1905); Forsman (1905); Laati (1916).

146 Gylling (1905). This article has also been examined in Jussila (2015, 74–79). Gylling later became a communist, and during the war of 1918 he escaped to Russia. He served as the Chairman of the Council of People's Commissars of the Karelo-Finnish SSR during 1920–1935, until he was executed in 1938 in Joseph Stalin's Great Purge.
147 Gylling (1905, 120–121).
148 Gylling (1905, 125–126).
149 Forsman (1905, 249).
150 Forsman (1905, 258.
151 On the Great Hunger Years, see, e.g., Voutilainen (2016).
152 Newby (2018).
153 See Kuusterä and Tarkka (2011, 249–251).
154 Snellman's monetary doctrine can be examined in the context of so-called purchasing power parity theory that was discussed in David Ricardo's writings. It was later introduced for public discussion by Gustav Cassel in the early 20th century. See Korpisaari (1926, 243) and the next chapter.
155 Heikkinen et al. (2000, 150–160); Kuisma (2006 275–278).
156 Kuusterä and Tarkka (2011, 280–298).
157 On classical liberalism, the gold standard and monetary stability as the main political objective, see, e.g., Pekkarinen and Vartiainen (1993, 73–78).
158 Heikkinen (1997).
159 On these debates and their validity in the context of the industrial city of Tampere, see Haapala (1986).
160 Lepenies (2016, 27–28).
161 See, e.g., Nevanlinna (1914, 261).
162 See also, e.g., Renvall (1900).
163 Ramsay (1904b).
164 Alapuro and Alestalo (1992).
165 Willgren (1909, 35).
166 Cf. Kurunmäki and Marjanen (2021).
167 Willgren (1909, 36–37).
168 Willgren (1909, 109–144).
169 Meurman (1893).
170 Meurman (1893, 26–27). My translation – The original quote: "Mihinkä ihmiskunnan historiallisen olemuksen aikaan varallisuus muka olisi ollut tasaisemmin jaettu kuin nykyään? Ehkäpä egyptiläisten faraoonien aikana, jotka rakensivat ihmetyttävät hautapalatsinsa, saattaa sanoa, orjien lihasta ja verestä? Taikka ehkäpä kreikkalaisen tasavallan aikana, jolloin muutamat viittoihinsa verhotut herrat imivät kaiken voiman helootin kuihtuneesta ruumiista, tosin tulematta siitä erittäin lihaviksi? Taikkapa roomalaisen keisarikunnan aikana, jolloin jonkun Lukulluksen makuhermot eivät suoneet kylliksi kiihoitusta, ellei kala hänen ruokapöydässään, ollut syötetty elävien orjien lihalla, jommoista herkkua ei yksikään Rotschild [sic] nykyään hankkia itselleen? Taikka oliko se ehkä feodaalivallan aikana, jolloin ei ainoastaan maa, vaan myös ilma ja vesi oli läänitysherrojen omaisuutta, ja jolloin kansan täytyi maksaa veroa ei ainoastaan kurjasta lampaastaan, joka kalusi niukkaa ruohoa vuorenonkaloissa, vaan vieläpä oikeudesta tehdä työtä? Ja sittenkin koitetaan uskotella, että aikamme kokoo suunnattomia rikkauksia yksiin käsiin, samalla kun se köyhdyttää enemmistön. Jos sanottaisiin päinvastoin, että köyhyys yllämainittuina aikoina oli yleinen, jota vastoin varallisuus on nyt sääntönä, silloin sanottaisiin jotakin, joka enemmän lähestyy täyttä totuutta".
171 Meurman (1893, 27, 31, 39). It is not far-fetched to suggest that Meurman had read Yrjö-Koskinen's pamphlet on national wealth and national riches from 1876.
172 Gebhard (1894, 494).
173 Gebhard (1894, 499). See also Björkqvist (1986, 506).
174 Kilpi (1915).
175 Kilpi (1915, 76).

176 Kilpi (1915, 79).
177 Kilpi (1915, 81).
178 Kilpi (1915, 83).
179 Kilpi (1915, 87).

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3 Republic-building in a Fractured Order

In the aftermath of the Napoleonic Wars, Finland emerged as a distinct polity as an autonomous Grand Duchy. During these times, Finland was actively constructed as a nation with its own culture and history. The political elites conceptualized Finland as a single economic unit with its own national wealth and income. At the time, however, the most important decisions had to be approved by the Russian Emperor. After the First World War and the fall of the Russian Empire, Finland became an independent republic with sovereign domestic and foreign policies. This chapter examines how establishing the Republic of Finland was connected to conceptualizations of economic growth and development during the interwar period.

When seeking to examine how the emergence of Finland as a new political unit affected conceptualizations of economic growth or growth policies, it would be natural to treat the year of independence as a major turning point. It certainly was. However, it is necessary to contextualize the period of independence to global developments that occurred in the field of national accounting. Adam Tooze has suggested that the significance of the First World War in the context of national income statistics has been an under-researched topic, as most accounts have focused on Simon Kuznets's famous national income projects during the Great Depression and the Second World War. The First World War triggered a series of reforms in national accounting and state governance, as national resources were mobilized on an unprecedented scale. To mobilize resources, reliable information was required.[1] Eli Cook has also pointed out that the introduction of a federal income tax in the United States in 1914 provided new data for national income calculations already before Kuznets's projects.[2] Besides independence, Finnish national accounting should be examined in the context of war and taxation.

This chapter proposes a further context that could be used to explain how the concept of national income gained popularity in the 1920s. During this period, scholars and politicians conceptualized times before the World War as a time of great prosperity in the spirit of Pax Britannica. As noted by Karl Polanyi, this period of classical liberalism was built around three major building blocks: national labour markets, international free trade, and the international gold standard as the safeguard of international free trade and monetary stability.[3] At least in the minds of European bourgeois intellectuals, wealth creation and prosperity could be taken

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for granted in this global order. Consequently, after the war, there were immediate attempts to restore the old order and re-establish the gold standard. These attempts were met with resistance both on a domestic and on an international level. The deflationary policies required to restore the value of currencies were met with strikes and unrest, and restoration of international free trade was countered with national policies that sought to move away from free trade to autarchy and protectionism.[4] This chapter examines a global situation where the political position of classical liberalism was contested. In other words, this chapter examines how the Finnish republic was built in a fractured global order where future was uncertain.[5]

Besides independence, the interwar period was considerably influenced by the civil war of 1918. The war between bourgeois Whites and socialist Reds left behind a politically divided nation with prisoner camps and limited political rights for the defeated socialists.[6] In economic policy, the first government programmes of the independent republic pursued conciliatory policies. This conciliatory spirit was evident in several major reforms that increased public expenditure. Jukka Pekkarinen and Juhana Vartiainen have pointed out that these conciliatory policies were met with a countermovement during the late 1920s, when the expansion of the state became a target of criticism among liberal politicians. Moreover, the methodology of the German Historical School was increasingly replaced with neoclassical economics. In this context, Pekkarinen and Vartiainen have suggested that the neoclassical conception of private capital formation as the primary factor in increasing welfare gained prominence.[7]

This book has already touched the claim that the connection between economic research and policy is perhaps not as straightforward as Pekkarinen and Vartiainen have suggested. It seems relevant to reconsider whether the liberal response to the expansion of the state during the 1920s can be connected to the neoclassical turn in economic research. It is true that in economic research the Historical School was increasingly abandoned and replaced with neoclassical economics. However, in the context of economic growth, private capital formation was already conceptualized as the key engine of growth by Yrjö-Koskinen, Leo Mechelin, and others. Although the Historical School was the dominant framework in economic *research*, classical liberal capital formation was the most dominant *political* growth conception already during the times of the Grand Duchy.

This chapter examines how classical liberal and agrarian conservative growth conceptions were increasingly challenged in a new situation. Both conceptions were in favour of stability in one way or another. During the interwar period, there emerged new conceptions that were more explicitly constructed around growth instead of stability. The expansion of the public sector emerged as a new phenomenon that was analysed by the contemporaries. While proponents of a classical liberal growth conception perceived such a development with hostility, there emerged social liberal and social democratic growth conceptions that described the new situation either as desirable or as inevitable and described an increase in national income as the main response. Moreover, although Finland is not the ideal case for studying interwar communist policies, there emerged at least traces of a communist growth conception that was perhaps most explicitly oriented towards growth in terms of national income. In this context, a high rate of growth was used as evidence of the superiority of communism superiority over capitalism. As a result of these new conceptions of economic change, classical liberal and agrarian conservative growth conceptions were more explicitly constructed as promoters of stability of the old order.

First, this chapter examines how the measurement of national wealth and income was institutionalized during the first years of the independent republic. Many old characterizations of national wealth and income were used, but there also emerged novel attempts to define and measure the nature of Finnish national wealth. Second, this chapter analyses how new theoretical attempts to define and describe value triggered a new wave of economic literature that sought to examine the nature and limits of economic activity and productive work. Third, this chapter examines economic growth in the context of growth conceptions and economic change. Although several key politicians sought to re-establish the old order of classical liberalism and agrarian conservatism, there emerged a new social liberal conception that emphasized the importance of increasing national production in the new political situation of the independent republic.

Old and New Measures of Wealth

The First World War demonstrated to wartime governments in several countries how outdated and unapplicable the data provided by the national statistical institutions was for political decision-making. At the beginning of the war, politicians believed that the war would be short and there would be no need for long-term economic planning. While governments had institutional expertise in funding wars, the totality of the First World War caused unprecedented problems for the civilian economy. Managing a wartime economy that was at the same time able to sustain military operations, support civilian industries, and provide food supplies was a complex task that required comprehensive national statistics. The critical need to understand how much resources governments had at their disposal led to a novel interest in national income.[8]

In the history of national accounting, two different points of view emerge. Some scholars have claimed that the First World War brought about only modest changes in the methodology and theory of national accounting. This point of view has emphasized the significance of Simon Kuznets, the Great Depression, and the subsequent projects on national income calculation that emerged in the 1930s.[9] The second point of view has examined developments particularly outside the United States. In Germany, archaic, individually calculated agrarian and trade statistics were replaced with efficiently collected data on the balance of payments, unemployment, prices, and national income.[10] Adam Tooze has pointed out the role of the statistician Ernst Wagemann in this new wave of *Konjunkturforschung* or business-cycle research. During the 1920s, statistics increasingly emerged as a tool for monitoring and steering the capitalist economy.[11]

The book at hand suggests that although there were new estimates of national wealth and national income in the 1920s, the most significant changes actually occurred only after the Great Depression. It must be emphasized, however, that this perspective only refers to national accounting. In general, scholars of the period rigorously examined characteristics of value and productive work. Wealth and income were increasingly conceptualized in tangible and quantifiable terms. Moreover, it is evident that national income emerged in the political language the period in contexts that did not aim to contribute to theories of national accounting. Instead, these debates revolved primarily around growth and stability.

Finland was not a direct belligerent in the First World War. However, as a part of the Russian Empire, the autonomous Grand Duchy could not remain neutral. The economic effects of the war became apparent when exports to Western Europe were cut off by the German navy in the Baltic Sea. Moreover, the Bank of Finland was for political reasons committed to redeem roubles at an exchange rate that did not match their true depreciated value. As a result, the Russian war inflation spread to Finland. Although Russian armament orders increased the volume of exports in 1915–1916, the revolutions of 1917 and the fall of the Empire left Finland momentarily in a situation with no viable export markets. Moreover, the political chaos and the civil war contributed to further paralysis in economic life. After the war, deficits in state finances contributed to further inflation: in 1921, the price level had increased 11-fold from 1913.[12]

Perhaps at least partly due to tightened censorship, the prolonged war and its effects received only brief and cursory mentions in Finnish economic associations.[13] However, the associations published some interesting texts in the context of national wealth and income. In 1916, the editorial secretary of *Yhteiskuntataloudellinen aikakauskirja*, K.W. Hoppu, wrote a review of *The Wealth and Income of the People of the United States*, a study had been published a year before by the American statistician Willford I. King.[14] The study sought to theoretically conceptualize wealth by making an analytical division into public, private, and social wealth.[15] While the average wealth of an American individual had been 307.69 dollars in 1850, in 1904 the figure had risen to 1,318.11 dollars. The latter half of the book examined income by making a distinction between book income, income in purchasing power, and real income.[16] King noted that wealth and income were interconnected in many ways, but in the end, income fundamentally differed from wealth as it represented a flow instead of an accumulation.[17]

Hoppu noted that the study had been written by a relatively unknown scholar, but he praised the study as an interesting survey of economic development during the last half century. It is noteworthy that Hoppu pointed out King's emphasis on the role of industry as a key factor in the formation of national income. He noted that this was something to be expected from an American scholar, but it was perhaps not a universal trait. Hoppu also used the English concept of *national product* and translated it with the Finnish concept *kansallistuotanto*. The book review was most likely the first time the concept was used in the Finnish economic literature, although Hoppu made no attempts to give the concept more coherent definitions.[18]

In the aftermath of the First World War, national income bypassed national wealth in popularity at least in the academic literature. The focus in national accounting moved from estimating stock variables to managing annual flow variables. Besides the changes brought by the war and tax reforms, there emerged another peculiar development in national accounting. When the League of Nations was established in 1920, one of its key tasks was to prevent another major war from occurring. Disarmament treaties were planned as one of the means in achieving such an end. The League sought to reach agreement on disarmament by estimating how much countries spent on military expenditure in relation to their national income. When the Finnish delegates Risto Ryti and W.A. Lavonius participated in such negotiations in 1926–1927, it seemed evident that finding national income calculations that were internationally comparable was an extremely difficult task. As a result, the Finnish delegates proposed a motion that the League should provide a standardized guideline for national income calculations. The disarmament negotiations seem to provide an interesting example of national income calculations in the context of international organizations and cooperation.[19]

Before the war, the Statistical Office of Finland had introduced numerous plans for reforms, but the initiatives had been blocked by the Russian authorities. However, the independence of 1917 allowed the Statistical Office to implement numerous reforms that had been on the table for a long time.[20] As elsewhere in war-ridden Europe, there emerged a need to produce reliable statistical data on population, agriculture, trade, and crime. The terror of the civil aimed scholarly attention to problems of poverty and unemployment. As inflation was a topic of both international and national interest, a monthly cost of living index was introduced in 1919.[21] Moreover, progressive income and property taxes were introduced in 1920. The new data brought by the reforms were followed by creative attempts to examine the national income of Finland.[22]

Between 1917 and the Great Depression, particularly in the Kansantaloudellinen Yhdistys, there emerged private initiatives to conceptualize and measure the nature of Finnish national wealth. In May 1922, Kaarle Teodor Jutila, a young researcher with a focus on agrarian policy, gave a presentation at the Kansantaloudellinen Yhdistys that examined both theoretical definitions of national wealth and empirical monetary value of agricultural production in Finland.[23] Like King, Jutila made an analytical distinction between national income (*kansallistulo*) and national wealth (*kansallisvarallisuus*). Moreover, Jutila sought to conceptualize national property (*kansanomaisuus*), a figure that could be estimated by deducting foreign debts from national wealth and thus revealing the "nation's pure property". Jutila pointed out that estimating national wealth was notoriously difficult. Some economists had even called it an impossible task. Although Jutila was less pessimistic than others, he admitted that all estimates most likely had a large margin of error.[24]

While King's analytical focus had been on the industrial production of the United States, it is perhaps not surprising that in an agrarian nation like Finland, attempts to characterize national wealth were directed at agriculture. To estimate the share of agriculture in national wealth, an estimate of national wealth was required. Jutila noted certain earlier attempts to estimate the amount of private wealth and public funds in Finland.[25] There were no published studies seeking to estimate the total national wealth of Finland. Jutila had to rely on unpublished information.

Table 3.1 The national wealth of Finland in 1920 according to the Statistical Office of Finland

Sector of wealth	*Millions of marks*	*%*
Apartments and buildings	6887	22.9
Personal funds	2600	8.6
Forests	9174.2	30.3
Agriculture	5482	18.1
Rapids, industrial buildings, and machinery	1728	5.7
Industrial storages	1000	3.3
Commercial storages	400	1.3
Railways and canals	2617	8.6
Merchant fleet	350	1.2
Total	*30,238.02*	*100*

Source: Jutila (1923, 197).

He presented an estimate of Finnish national wealth from 1914 that the governor of the Statistical Office Martti Kovero had given him personally. Moreover, there was an unpublished estimate of Finnish national wealth from 1920 supplied by the Statistical Office. According to this estimate, the national wealth of Finland consisted of the sectors as shown in Table 3.1.

Jutila noted that these figures had been estimated with a careful and conservative attitude, because comparing them to pre-war estimates was extremely difficult. Jutila suggested that at the time of the presentation in 1922, the national wealth of Finland was in the region of 50–60 billion marks. This estimate included a claim that Finland was a nation "poor in capital", where wealth per capita averaged only 25–50 per cent compared to many European and North American countries. Consequently, Finland was "a nation of extensive forms of economy", where nature was still the most important factor of production.[26]

After presenting the estimate of Finnish national wealth, Jutila proceeded to examine the nature of agricultural wealth. Based on his own estimates and findings, Jutila claimed that wealth in agriculture amounted to roughly 33 per cent of national wealth.[27] According to this estimate, agricultural buildings (38.3%) and agricultural land (34.8%) were the most important assets. Moreover, when one included assets and properties in forestry that were in many cases owned by the same peasants, one could claim that the peasant class in Finland owned roughly half of Finnish national wealth.[28] It is noteworthy that Jutila did not conclude the empirical study with a concluding chapter or policy recommendations. The reader was left to decide how to interpret these estimates.

It is evident that during the 1920s, national wealth was still a major topic of interest. A noteworthy example can be found in the book series *Valtiotieteiden käsikirja* (Encyclopedia of State Sciences), a monumental four-part encyclopaedia that was published in 1921–1924 by editor-in-chief Leo Harmaja, editorial secretary A.E. Tudeer, and other editors who were active in the Kansantaloudellinen Yhdistys. The encyclopaedia was compiled in alphabetical order around different keywords in economic, political, and social sciences. The encyclopaedia contained an entry on national wealth (*kansanvarallisuus*), but it did not include national income or national product (or quite evidently, economic growth). The entry on national wealth was written by the governor of the Statistical Office of Finland, Martti Kovero, who later provided Jutila with his unpublished estimate of national wealth.[29]

Kovero began the entry on national wealth by making an analytical distinction between national wealth (*kansanvarallisuus*) and national income (*kansantulo*). Kovero provided the familiar picture of national wealth indicating the amount of goods a nation had at its disposal, while national income referred to the amount of goods a nation had received annually. In general, Kovero treated national income as source of income yielded by national wealth in a manner similar to that for capital yielded profit. He pointed out that there was no consensus regarding how national wealth should be calculated. There were two main frameworks, however: subjective (or individualistic) methods took individual wealth as the starting point to aggregate estimates, while objective (or real) methods departed from different types of properties like farms, forests, and factories. The former method was more useful in constructing estimates of national wealth distribution, while the latter provided information regarding the composition of national wealth.[30]

It is noteworthy that Kovero's method of treating national wealth and national income similarly to capital and interest guided him to an interesting analysis regarding sources of national income. National income itself did not reveal the sources of capital that were its foundation. National income accruing from agriculture represented a completely different source of capital than income that was yielded from coal or iron mines that were soon to be exhausted.[31] This was an interesting remark that implied that national income from capital in agriculture rested on a more sustainable basis than national income from capital in mining. Moreover, Kovero's entry was evidently the work of a statistician who treated national wealth as a quantifiable phenomenon with no intangible components. At the end of the entry, Kovero also provided an international comparison of national wealth from the study *Wealth and Income of the Chief Powers* published in 1919 by Josiah Charles Stamp, a British statistician who would be appointed governor of the Bank of England in 1928. The study examined the year 1914 and claimed that the total national wealth of the United States was by far the largest in international comparison.[32] The study did not cover Finland, and Kovero consequently mentioned Oskari Autere's estimate of Finland's private wealth from 1909 and his own unpublished estimate as reference points.[33]

Despite the continued emphasis on national wealth, there were attempts to conceptualize national income of Finland. In 1924, Jaakko Kahma, a journalist who later worked in numerous business and export organizations, published a book "The Question of Customs in our National Economy" (*Tullikysymys kansantaloudessamme*). The book was intended as a contribution to the classic debate on free trade and protectionism, a debate that had resurfaced in Finland, when the independent republic had gained full sovereignty in foreign and trade policy. In the introduction to the study, Kahma criticized the ongoing debates for being bogged down in the perspectives of small interest groups and disregarding what was best for the nation as a whole. He pointed out that as Finland had until recently had few opportunities for free economic planning, it was understandable that the people of the nation lacked comprehension of the interrelatedness of economic life and how success in economic life contributed to peoples' life and well-being. In this regard, Finland was different from nations which for centuries had been accustomed to free and accountable planning.[34]

With the intention of providing a general picture of economic life that transcended narrow perspectives of different interest groups, Kahma ventured into examining how introducing customs effected different sectors of the national economy. With the analysis, Kahma also composed an estimate of national income (*kansallistulo*) of Finland for the year 1922. At the core of Kahma's estimate was "the national economic profit" or the value of aggregate production of agriculture, forestry, hunting and fishing, industry, handicrafts, and, to a certain extent, the value of transport and trade. Kahma's estimate deducted the aggregate value of production with the balance of payments deficit. The end result was an estimate, where in 1922, the Finnish nation had produced roughly 11 billion marks to save or consume.[35] Kahma also examined the role of customs in national saving and spending, i.e., how much customs affected production and consumption prices, or public expenditure. He did not seek to create a thesis that supported or objected to customs. Instead, he stated that he wanted to construct a general picture of the national economy.

Kahma, however, did venture into conceptualizing "the basic objectives of economic policy". The analysis included an international comparison and an analytical division into nations of commerce and nations of production. While great commercial nations such as England and Holland received much of their national income from trade, in Finland, agriculture, forestry, and industries based on domestic raw materials produced nearly all income and sources of livelihood. At the core of national economic policy there had to be an assessment of the sources of income a nation had at its disposal and plans for making these as profitable as possible. While customs had a minor role in the economic life of trading nations, in nations of production their benefits had to be assessed more carefully. This form of analysis led Kahma to emphasize the role of national production in a manner that seemed to be strikingly different from economic language of the Grand Duchy period:

> Our production does not consist of refining raw materials from one part of the world to another but producing goods of our own or from foreign raw materials for our own use. On the other hand, we exchange a part of our goods for others, but this does not change that basic character of our economy: our life, well-being and continuously increasing prosperity are nevertheless fully dependent on how much we are able to produce and thus create new values for the world. At least for now, we have no alternatives for producing these values, and economic policy naturally must hold onto those possibilities that truly exist. That is the starting point of our economic policy. Its watchword must be production, and again production. To this, we must devote ourselves as wholeheartedly as the English people have emphasised their mission as the great broker of world trade.[36]

The emergence of ideas that emphasized the material welfare of the people through increased national production and new economic policy will be further examined later in this chapter. It is noteworthy, however, that Kahma did not conceptualize increasing production of goods as a universal objective or principle, but as a national characteristic of less developed nations. This framework included promoting agriculture and other forms of primary production, but it did not include the assessment of structural change that would increase material welfare or other national capacities.

During the 1920s, there was also an attempt to conceptualize the national income inside the Statistical Office of Finland, when the actuary Valter Lindberg published an estimate of "incomes of Finland" in 1926. The study was published in *The Bank of Finland Bulletin*, a periodical that has been published by the Bank of Finland in English since 1921. Lindberg focused on the new statistical data provided by the income and property tax reform to estimate the national income of Finland. He used the tax statistics to characterize the income distribution of different classes and income that different branches of Finnish industries produced based on their tax records. Based on the tax statistics, Lindberg calculated the national income of Finland from the year 1924 to be roughly 13.9 billion marks, although he emphasized that due to both theoretical and practical inaccuracies, the estimate did not have "great scientific value".[37]

Despite studies by individual scholars, between the First World War and the Great Depression there were no major reforms in how national accounts were constructed or in how national income and wealth were measured. The scientific or political significance of these concepts was not disregarded, but the sheer difficulty of creating reliable estimates of stocks of national wealth or flows of national income was perceived an insurmountable obstacle. The situation remained the same until the mid-1930s. In May 1931, Leo Harmaja, the secretary of the Kansantaloudellinen Yhdistys, gave a presentation regarding economic development of Finland and Scandinavian countries after the World War. In the presentation, Harmaja pointed out that comparing changes in national wealth (*kansallisvarallisuus*) would have been the most reliable method to analyse economic development. He noted, however, that creating such estimates was an overwhelming task, although he described certain studies that had ventured into the field.[38] In general, however, analysis of national wealth and income began to move towards quantification. Some reasons behind this change of thought can perhaps be found from theoretical debates around value.

Rethinking Value

So far, this chapter has examined national wealth and national income in the framework of national accounting and statistical studies. Next, it seems relevant to examine conceptualization of wealth and income in the context of economic theory. The book at hand has already briefly touched on the so-called *Methodenstreit* and the emergence of a new methodology in economics that relied on general theories and individual utility as the point of the analysis. Although Carl Menger and other

Austrian scholars were key theorists of this new methodology, similar ideas in the so-called Marginal Revolution also emerged independently in other countries, languages, and traditions. In general, the analytical focus in economic research changed from the production, distribution, and consumption of wealth to supply and demand that occurred in competitive markets. Instead of land, labour, and capital, consumers and firms became key factors in analysis. Francis Fukuyama has pointed out how in this context market failures (especially with railways) were one of the main reasons behind the foundation of the American Economic Association in 1885. In addition, market failures guided economists' analytical focus to the concepts of public goods, externalities, and monopoly.[39]

Much of the inspiration for these new frameworks was found from natural sciences. Several key theorists of the period, either explicitly or implicitly, sought to apply the analysis of economic phenomena to a framework that resembled some of the developments that had occurred in logic and physics. This approach included a reconceptualization of individuals as atomistic rational agents. At least on a metaphorical level, supply and demand curves, diminishing marginal utility, and indifferences curves seemed to offer formal and internally logical explanations for human behaviour.[40] In general, most economists who applied the neoclassical methodology began to conceptualize utility as a quantifiable phenomenon ultimately rooted in monetary exchange values. While classical political economy had been interested in how capitalist economies developed historically, new marginalist methodologies abandoned these more comprehensive societal aspects of economic life and narrowed their focus on ahistorical individual and firm-level actions.

These theoretical and methodological changes had a profound effect on how the field of economics and economic research were conceptualized. From the perspective of this book, it is noteworthy that the neoclassical framework included a radical reconceptualization of wealth and value. The analytical shift from production to consumption diminished efforts to examine either objective value or commonly shared societal measures to value. Instead, value was described as subjective because utility varied between individuals and across time. It no longer seemed relevant to analyse the cost of production as a measure of value, as the price of goods was determined by utility and scarcity, or supply and demand. Consequently, market transactions and market prices determined the boundaries of economic activity. As Mariana Mazzucato has noted, this framework triggered a change of thought, where price became the ultimate measure of value.[41] The redefinition of value offered a coherent and logical framework to examine economic phenomena. It also carried a fundamentally different framework in comparison to the intangible measures of wealth examined in the previous chapter. It indeed seems reasonable to suggest that neoclassical methodology changed the point of analysis from economic phenomena to market phenomena and narrowed studies of wealth to studies of market exchange.

The effects of this reconceptualization of wealth and value were slow, however. It makes more sense to talk about a process than a revolution.[42] Certain nations, such as Finland and the United States, remained strongholds of research that originated from the German Historical School at least until the Second World War.[43]

Due to this trait, in the earlier literature examining Finnish economic thought during the interwar years, there has been a tendency to characterize the period as one of stagnation or backwardness in Finnish economics. This backwardness has been explained, first, through the negligence of mathematics in economic research, second, with scientific connections to Germany at the expense of British and American connections, and third, with the intellectual and political intimacy connecting the Historical School and Fennoman nationalism.[44] However, it seems relevant to critically re-evaluate this narrative of backwardness particularly in a wider context beyond Marginalist and Keynesian revolutions and their reception. It is evident that there emerged several new ideas of growth and development at least in the context of growth conceptions.

Karl Willgren was one of the few Finnish scholars who actively followed emerging marginalist research before the First World War. Willgren was relatively early aware of the new attempts to analyse economic phenomena with the new methodology, but at the same time, the research he conducted was built around empirical historical analysis. In 1916, however, Willgren published two articles in *Ekonomiska Samfundets Tidskrift*. The articles examined national income in a novel framework that contained several marginalist influences.[45] The articles had references to theorists such as Eugen von Böhm-Bawerk, Friedrich von Wieser, Carl Menger, Alfred Marshall, Leon Walras, and John B. Clark. In general, Willgren did not suggest a radical departure from earlier frameworks. With a clear continuity from classical political economy and its critics, Willgren divided the process of income production into three components: production, distribution, and consumption of income. Moreover, he defined the concept of national income (*nationalinkomst*) as the gross profit of a nation's production from a certain period after income from abroad had been added and income paid abroad had been deducted. After one could examine how the national dividend was distributed and consumed.[46]

In general, there were several marginalist influences in Willgren's articles. First, he described national income as an analytical tool to examine how national production was divided between those involved in the production process. In this context, national income transformed into a concept that examined monetary transactions that occurred in the markets. Second, Willgren utilized the concept of marginal productivity to examine the norms of income distribution. In this framework, each factor received their fair share of income based on their productivity. It is noteworthy, however, that Willgren did not conceptualize marginal productivity as the only satisfactory explanation to how national income was distributed. The law of income was also a social law. In this context, Willgren relied on the ideas of Mihail Tugan-Baranowsky, who had emphasized the role of power and social relations in the distribution of income. According to Willgren, one had to consider both the laws of free income formation of marginalist theorists, and the social factors including power.[47]

The laws of production and distribution functioned with different – but not completely different – principles. To take this insight further, Willgren pointed out that societies were static only in exceptional circumstances. Population growth, capital formation, new methods of production, and changes in industrial life created more effective ways to satisfy consumer needs. In this dynamic society, the progress (*framsteg*) of the working class did not have to occur at the expense of the owning class. Although it seemed that the share of the owning class of the national income had increased in absolute terms, the conditions of the working class had also significantly improved. Moreover, progress of the working class was a dynamic force in itself, a force that improved workers' performance and productivity, and thus through increasing national income contributed to further improvement in conditions. Although the situation seemed fortuitous, Willgren was not satisfied with the current state of economics to examine the only the distribution of income. Economic theory seemed to lack ethical tools to assess how a happier state of society, the main objective of economic activity, could be achieved. He hoped that such ethical tools and indicators could be developed.[48]

Willgren's articles highlight the fact that a Finnish scholar in 1916 had no trouble tackling the age-old problems of production, distribution, and consumption of national income that stretched back to classical political economy, applying novel ideas of marginal productivity to the problem and then bringing an ethical aspect into economic development and distribution of income. This approach supports the idea that Finnish scholars seemed to be open-minded about borrowing ideas from different schools of thought and applying them to the national conditions of Finland. In the Kansantaloudellinen Yhdistys, there were several attempts to conceptualize the national economic system and the role of the state in economic development. It is evident that in the 1920s, Finnish scholars and politicians were still seeking inspiration from the German Historical School. However, they were certainly aware of the world that had changed and new analytical tools that were constructed to examine challenges of industrial market societies.

Oskar Kaaleb Kilpi was appointed a professor in economics at the Helsinki School of Economics in 1920. Before the war, he had conducted empirical research on the occupational structure of the Finnish population. In the 1920s, his research focused particularly on migration, monetary theory, and general economic theory, until he turned to business cycle analysis after the Great Depression, as will be examined in the next chapter. In 1915, immediately after the outbreak of the war, Kilpi wrote an article about the state of economics and economic policy, where he examined the emergence of *Kathedersozialismus* as a criticism of liberalism. Kilpi took a slightly critical stance towards the school and pointed out that German scholars had somewhat neglected examining "real social phenomena" and their causal relations. Instead, they had focused on the fields of politics and ethics and sought to determine how things ought to be.[49]

Kilpi examined ethics in economics largely basing his analysis on the German theorists Heinrich Herkner, Ludwig Pohle, Werner Sombart, and Max Weber. He noted two main schools of thought, the autonomic-economic view and the ethical-religious view, that had different viewpoints on the purpose of economic activity.[50] The autonomic-economic view referred to a framework associated with liberalism that emphasized the autonomy of the economy, where the ultimate measure of economic and social life was productivity. What promoted productivity was good; what prevented it was bad. The ethical-religious view, on the other hand, emphasized values that were external to the economic sphere: culture, *Bildung*, and ethical life. Kilpi noted, however, that these frameworks were not mutually exclusive: economic productivity was certainly a prerequisite for the moral development of a nation, and it was erroneous to label economic liberalism purely as an ideology of soulless materialism.[51]

Next, Kilpi examined the so-called value judgement controversy (*Werturteilsstreit*) that had emerged inside the Verein für Sozialpolitik, when Sombart and Weber had sought to establish value objectivity as the main principle of economic and social research.[52] There seemed to be some obvious benefits with value neutrality, because in economic policy it seemed impossible to find a commonly shared definition for general welfare.[53] Thus, the so-called value neutral critical school seemed to find a common understanding that economic research could not produce norms, ideas, or ends. Instead, the task of economic research was to provide means to achieve politically decided ends, if desired.[54] Kilpi believed that the new methodology could lead to the emergence of a new "neoliberal" school.[55] The analysis was based on the reasoning that resembled Karl Polanyi's famous double movement or pendulum, introduced in 1944.[56] Kilpi described that mercantilism had provided a lesson that the state should get involved in economic affairs, while liberalism had presented such intrusion as a violation of natural laws. Later, *Kathedersozialist* economics had provided a new reasoning for state intervention. In 1915, however, it seemed that there was again "fatigue" regarding state intervention. The new "countereffect" did not have to object to state intervention. Instead, science had to refuse to set any economic or social norms at all.[57]

In 1923 Kilpi examined national economic systems again. The article was founded upon the observation that two new economic systems had emerged: the communistic-collectivistic system and the competition system. Kilpi examined what kind of activity could be included in the field of economic activity. It was certain that economic activity included some sort of fulfilment of needs, but did it include spiritual activities such as music and literature? If this was the case, Goethe, Beethoven, Shakespeare and Kant could be counted as the world's greatest magnates among the Siemenses, and Rockefellers.[58] If economic activity referred *only* to fulfilment of needs, one could make the argument that animals conducted economic activity.[59] After basing much of his article to the theories of the German economist Robert Liefmann, Kilpi came to the conclusion that the essence of economic activity was the "acquisition and use of consumer goods with the purpose of achieving the greatest results in relation to the least sacrifices".[60]

While examining the problem, Kilpi also touched on the concept of wealth, a concept that had been used by British and American scholars since the times of Adam Smith. Kilpi used the Finnish rendering of *hyvinvointi* (welfare) to refer to wealth. Thus, he interpreted the concept of wealth primarily as an unquantifiable concept. Consequently perhaps, he considered the concept all too vague, as it could be used to examine almost any kind of human activity. Kilpi pointed out the textbook *Outlines of Political Economy* by the British economist Sydney John Chapman, published in 1923. Chapman had stated that economics studied all societal facts that were connected to wealth, a definition that Kilpi considered insufficient, as it could include the Moonlight Sonata and the philosophy of Spinoza.[61] Kilpi's article was an illustrative example of an economist who was evidently aware of the problems and controversies surrounding the concepts of wealth and value. However, the article also pointed out the plurality of thought during the period. Nothing as such suggested that economic reasoning would move to examine economic activity strictly as monetary transactions.

The 1920s in Finland have also been described as a period where new neoclassical ideas were adopted to Finnish economics, particularly from Sweden.[62] It indeed seems that in Finnish economic journals, there were only few references to Swedish scholars before the First World War.[63] During the interwar period, however, Gustav Cassel, Eli Heckscher, and Knut Wicksell emerged as new authorities in Finnish economics and economic policy. There seems to be one book in particular that had a profound impact. When Gustav Cassel published the study *Theoretische Sozialökonomie* in 1919, the book had a strong influence on several Finnish scholars and politicians of the period. This is hardly surprising, however. In a global context, Cassel has been labelled – along with John Maynard Keynes – the most famous economist of the 1920s.[64]

The Swedish economists were acclaimed as authoritative figures particularly in the field of monetary policy. The First World War destroyed the international gold standard system, when heavy restrictions on the exchangeability of major currencies were introduced and governments funded their deficits with new banknotes from central banks. In 1915, the Finnish *markka* was decoupled from the gold standard. After the declaration of independence and the civil war of 1918, one of the key questions of reconstruction revolved around when and how Finland should return to the gold standard system. The political aspects of the return will be examined in more detail later, but at this point it is worthwhile to point out Cassel's role as a major public figure this debate. In 1916, he formulated a theory of purchasing power parity. The theory sought to explain how the relationship of currency exchange rates and price levels interacted in different countries. In its most fundamental form, the theory could be used to explain how price levels would automatically adjust to equilibrium based on the exchange rates of different currencies. Cassel, however, developed the theory further and added several caveats on how smoothly prices could adjust. In the gold standard debates of the 1920s, this change of thought set him on a middle ground between John Maynard Keynes, who argued against return to the gold standard in general, and Knut Wicksell, who claimed that there should be a return to the gold standard with the 1914 price levels. As will be examined, Cassel's monetary arguments were analysed both in the Kansantaloudellinen Yhdistys and the Ekonomiska Samfundet.[65]

Cassel also moved away from marginal utility or marginal productivity as key determinants of prices. To him, the concept of utility carried metaphysical and moral connotations that made it unsuitable for economic analysis. He claimed that the comparability of different consumer demands was impossible to establish. Instead, Cassel sought to conceptualize price formation with a principle of scarcity (*die Knappheit*). Prices of goods people wanted to acquire were determined by their scarcity. A buyer could only adjust her demand when she knew the price of the item. Thus, it seemed irrelevant to discuss whether prices were based on supply or demand as they were different sides of the same coin.[66] Cassel also rejected attempts to determine values of goods via production costs in the manner typical of classical political economy. The concept of value did not seem relevant to economic analysis. Although this reasoning took him along a different path from marginalist theories, this quantitative and monetary approach perhaps resulted in a somewhat similar framework. As noted by Cassel in the English edition of *Theoretische Sozialökonomie*, published in 1924, “in the general economic theory we must reckon all values in a unit of money”.[67] Only what could be measured in monetary terms seemed relevant to economic analysis.

The impact of Cassel was particularly evident in Ernst Nevanlinna, a Fennoman politician, journalist and economist and a founder member of the National Coalition Party in 1918. In 1922, he left a career in politics on being appointed professor of economics, but he continued to serve in numerous expert positions, among them on the governing body of the Bank of Finland and as chairman of the finance committee of the parliament. His early work was influenced by the German Historical School, but in the 1920s he drew inspiration from Cassel’s work. Juha Tarkka and Antti Kuusterä have described his scholarly career as “a bridge between the historical school and the analytical approach in Finland”.[68] Nevanlinna was an active contributor to both *Kansantaloudellinen Aikakauskirja* and *Ekonomiska Samfundets Tidskrift* until his unexpected death at the age of 59 in 1932, when a minor wound turned into sepsis.[69]

In the aftermath of the First World War, Nevanlinna published an article that examined Swedish wartime monetary policies.[70] Later, he wrote extensively on taxation and the public sector. In 1923, Nevanlinna published an article that was based on a presentation at the Nordic Economic Meeting in Kristiania (Oslo). He sought to examine the traditional problems of efficient and just taxation. To examine the process of capital formation, Nevanlinna borrowed Cassel’s definition: capital referred to durable goods no matter whether they served the purposes of production or consumption. The difference was irrelevant. Capital formation, on the other hand, was nothing but the economic process that referred to abstaining from possible consumption, a process that was a prerequisite for the production of capital. In other words, capital formation occurred through savings.[71]

Although this reasoning was not new, Nevanlinna presented the idea in a changed situation. The opening sentence of the article stated that “the world is a poorer place than a decade ago”.[72] The nations of the world had lived in prosperity during the latter half of the 19th century, until the war had caused devastation. While before the war the analytical focus of taxation had been on the just or moral division of the tax burden, today’s nations could afford no such a luxury. Now, both the scholarly and practical aspects of taxation had to focus on questions of profitability. Moreover, the introduction of new taxes, such as progressive income tax in 1920, had created new incentives to analyse the impact of taxation on capital formation. The later parts of the article examined how taxation could be used as an instrument to create incentives for abstaining from consumption and promoting savings in a nation where, according to Nevanlinna, frugality was not a particular national virtue.[73]

In this context, Nevanlinna presented progressive income tax as an instrument of social policy rather than an effective method of capital formation because it collected income particularly from groups that did not use all their income on consumption. Nevanlinna pointed out that a system of taxation that collected most from those who had little and least from those who had most was unrealistic and undemocratic.[74] However, a regressive taxation system was not desirable either, as capital formation was not an end in itself. Ultimately, capital formation resulted in higher satisfaction of needs. Nations did not pursue this objective to give more to those who had the opportunities to satisfy their reasonable and unreasonable needs, but so that those who now had to do without more than is desirable, would not have to do so in the future. In order to avoid the problems of overly strict individual taxation, Nevanlinna examined the potential of corporate taxation. The field remained open for more research.

In 1929, Nevanlinna published two articles in *Kansantaloudellinen Aikakauskirja* on the problems of economic theory and the public sector.[75] For the purposes of this book, the articles are extremely relevant, as they built a theoretical framework where national income was analysed in the context of the public sector. Nevanlinna examined in particular the effects of taxation on the composition of national income. In this context, Nevanlinna referred to taxation as the transfer of purchasing power from the private sector to the state and municipalities.[76]

Nevanlinna borrowed the theoretical definition of national income from Cassel. According to this view, national income referred to "societal real income" in an expanding social economy. This income consisted of the income that had been received by individual households in a certain period for satisfying final needs, to which was added the increase of national real capital. Thus, national income consisted of concrete goods that included tangible goods but also services. Nevanlinna pointed out that one could make the simple assumption that taxation formed the part of national income that the public sector took for its disposal from the private sector. This assumption may have been true in a barter economy, where taxes were collected in the form of grain and butter. However, in a money economy the public sector also contributed to the composition of national income by transferring part of the purchasing power to public expenditure. Taxation produced part of the national income. The relationship between national income and taxation had an influence on the productive forces of the nation, and to what kind of goods the nation received as income.[77]

Although Nevanlinna's articles moved on a theoretical level that did not touch on the practical issues of taxation, the article created a semantic field between national income, public expenditure, and taxation that is difficult to trace from the pre-independence period. During the times of the Grand Duchy, national income was often conceptualized as being formed independently of the state, although this conceptualization did include the public sector consuming part of the national income. Nevanlinna's articles, however, conceptualized the state as an active force that through taxation also contributed to the formation of national income.

Although this remark seems self-evident to contemporary economics, at the time, this kind of macroeconomic thinking required ideational and conceptual departures from past reasoning.

In the Ekonomiska Samfundet, there were fewer attempts to conceptualize national wealth and income in the context of the state. Instead, most Swedish-speaking economic thinkers of the period seemed to focus on monetary and business cycle theories. In the context of 1920s Finnish economic thought, business cycle theories were not examined to assess the macroeconomic management of the state, but from the perspective of business, banking, and industry. Swedish monetary theory was examined particularly by C.A.J. Gadolin, a nobleman who later became a devout supporter of Nazi Germany. During the 1920s, he wrote several theoretically oriented articles on Gustav Cassel's, Knut Wicksell's, Bertil Ohlin's, and Gunnar Myrdal's monetary thought.[78] However, these writings did not include a strong emphasis on something pertaining to economic growth or development. First, they included no theories or estimates of national income and production. Moreover, although these theories seemed relevant in the field of central banking, one could make the argument that at the time, central banks did not seek to promote economic growth but monetary stability, a field of interest that had risen from the inflation processes triggered by the First World War.[79]

During the interwar period, the methodology and philosophy of the German Historical School were at least partly challenged by neoclassical approaches. However, there also emerged other frameworks for analyses of value, productive work, and economic activity. Laura Harmaja was a Finnish scholar who wrote several studies, particularly in the fields of consumer policy and home economics. At the time, she was the pioneer and most likely the only Finnish theorist of home economics. She also wrote a widely used economics textbook with her husband, Leo Harmaja, professor of economics. At the time it was uncommon for Finnish economists to publish in international journals. Laura Harmaja, however, published articles in American, German, and Norwegian journals. Despite her extensive publication record, she never received an official doctorate.[80]

In 1920, Harmaja published an article that was based on the finding that the wartime experiences had created unforeseen requirements for co-ordinated efforts in food and consumer policies. Harmaja made the argument that public spending on education in household management should be considerably increased, and such education should be organized into an independent discipline. To support her argument, Harmaja examined the importance of household consumption in economic development. She suggested that it was evident that incompetence and carelessness in household management resulted in waste of goods, money, and human labour. Moreover, inadequate cookery skills led to a monotonous diet and, on a national level, contributed to sickness and infant mortality, poor working performance, and increased expenses in poor relief.[81]

It was evident that the Finnish nation could not afford such a waste, particularly at a time when the importance of frugality had become more evident than ever. The National Social Board had gathered statistics from family ledgers that indicated that wives in families spent a considerable amount of money on sausages and other processed foods. Spending money on such expensive goods easily lured men to believe that all misery and dullness in life was caused by low wages. Consequently, poor household management could trigger workers' demands for higher wages, which, when successful, would further increase the price level and cause further wage demands. This "destructive circle" could only be broken by setting the household management on a sensible basis through education and counselling.[82] To Harmaja, production was only a means to achieve consumption. The quantity and quality of consumption determined the health, work ability, family success, and *joie de vivre* of a nation. With this conceptualization, Harmaja approached the traditional 19th-century national values. Only a nation that had a sufficient level of consumption was able to pursue higher cultural objectives.[83]

In 1929, Harmaja examined the role of household management in a national economy in a more rigorous manner. The article was published in the following issue of the *Kansantaloudellinen Aikakauskirja*, after Ernst Nevanlinna's previously examined articles analysing economic theory and the public sector.[84] Following Gustav Cassel's conceptualizations of value and economic activity, Nevanlinna had made the claim that the value of household production in Finland was trivial in comparison to total national production. Harmaja suggested that Nevanlinna had made several theoretical assumptions that were worthy of attention, but at this point, her objective was to not delve into these assumptions but to conduct an empirical analysis of the value of household production.[85]

Harmaja used cost of living statistics from 1920 to 1921 and statistics on consumption in agriculture from 1926 to 1927 to evaluate the amount of expenditure and the amount of consumption in national household production. She estimated that out of the 16.8 billion marks consumed in domestic households, 78% was produced in the households, and only 22% of consumption was produced outside households. Harmaja was aware of the caveats regarding her analysis. The consumption data collected from ledger farms probably presented higher figures than consumption of farm households on a national level. On the other hand, if one estimated the value of baked bread in domestic households with market prices, one could arrive at even higher estimates of household production. With these uncertainties in mind, Harmaja came to the conclusion that the value of household production was roughly the same as the value of Finnish industrial and handicrafts production.[86] Consequently, the value of household production was not trivial but the opposite. Moreover, Harmaja suggested that household work could be included in the field of economic activity in a Casselian framework as it operated on the principles of scarcity and smallest sacrifice. If an economic theory ignored such a significant part of economic activity, one might claim that such a theory was detached from reality.[87]

In 1931, Harmaja continued her critique of Nevanlinna's work from a more theoretical standpoint. She claimed that Nevanlinna had made a mistake in the translation of Cassel's German concepts of durable goods (*dauerhafte Güter*) and consumption goods (*Verbrauchsgüter*). In the German language, the concept of *Verbrauch* referred to using a good to the end, to the point where the good existed no more. It seemed like a mistake, however, to translate the concept in Finnish to refer to all consumer goods, when a large amount of consumer goods were also durable goods that were used continuously. It was important to make a distinction between *Verbrauch* and *Konsumption*, as *Verbrauch* – or using goods up – could also occur in production processes while consumption referred to satisfaction of needs at the end of the production process.[88]

According to Harmaja, Nevanlinna's mistranslation of consumption had resulted in several contradictions in understanding of saving and real capital. While in a traditional meaning, saving referred to abstaining from the satisfaction of needs to increase the production of real capital, the theoretical ambiguity of consumer goods blurred the importance of household production. Nevanlinna's concept of economy had assigned to the household simply the role of a consumer. It was evident, however, that the household used several goods that were used in the production process to achieve consumer goods.[89] Consequently, national real capital and national real income would yield decidedly different results if one included the *de facto* income a household produced. Harmaja concluded by hoping for more rigorous concepts in the analysis of consumption and economic activity.[90] Harmaja's article resulted in a response from Nevanlinna, where Nevanlinna admitted that Harmaja was indeed correct in most of her arguments.[91]

In conclusion, the period from the outbreak of the First World War until the Great Depression was a period of substantial theoretical and methodological pluralism in Finnish economic thought. It is evident that the theoretical influences of the German Historical School were discussed in many studies. There emerged, however, several new conceptualizations of economic activity which in one way or another had their roots in neoclassical frameworks. These new influences triggered a new wave of economic literature that sought to examine the boundaries of value and economic activity. It is noteworthy that ideas from foreign theorists were not taken for granted. Instead, there were continuous attempts to apply the ideas to Finnish conditions. In particular, the work of Laura Harmaja demonstrates that the economic value of household work in an agricultural subsistence economy was clearly understood. In general, Harmaja sought to estimate and emphasize the value of unpaid labour conducted by women and children.

There is a tendency to describe the research of Finnish interwar economists as peripheral or backward. According to this perspective, most Finnish economists were passive followers of the German Historical School, a school of thought that had lost the methodological battles against neoclassical schools. It is perhaps true that from the perspective of originality the period from the beginning of the First World War until the Great Depression was not intellectually the most fruitful era in Finnish economics. There were no novel conceptualizations of economic theory or national accounting that would explain the emergence of new growth conceptions. However, after the First World War, there emerged new expectations of increasing material welfare. As noted, Jaakko Kahma, while seeking to empirically estimate the national income of Finland, conceptualized the republic of Finland as a nation of production, although this idea most likely did not emerge from explicit economic theorizing. To trace this remark further, it seems relevant to examine how economic growth was conceptualized in the context of politics and growth conceptions.

New Conceptions of Growth and Stability

It was perhaps not a methodological debate in economics but the First World War that had the most profound impact on how economic growth was conceptualized. The battles that brought unprecedent horror and destruction shattered the optimistic spirit and expectations of progress in the Belle Époque of Western European thought. The fall of the Austro-Hungarian Empire, the Russian Empire, and the Ottoman Empire resulted in independence for new states and bloody internal conflicts in the aftermath of the Great War. Moreover, the war brought an end to a period of globalization and market integration, the era of British global hegemony that was, according to Karl Polanyi, marked by the domestic market economy, international free trade, and the gold standard.[92] In the immediate aftermath of the war, political elites around the world advocated a return to the former classical liberal order.[93] The desire for monetary and judicial stability associated with classical liberalism was most apparent with the gold standard system. There were intense debates, however, regarding the feasibility of returning to 19th-century classical liberalism in a world that had (allegedly) changed.

In Finnish economic associations, the effects of the war on the international economic system were already examined in 1916 by Professor J.H. Vennola. His article on the purposes of economic policy described the sudden changes the war had brought to economic life. Vennola pointed out that at the time the situation did not seem intolerable. Rather, it seemed more relevant to focus on more general aspects of long-term economic development. During the last decades, Finland had experienced "an enormous rise" in economic life that was brought by capitalist competition and the expansion of markets.[94] Despite all the good that this development had provided, capitalist competition had also brought contradictions and it had created a constant battle that seemed to be destructive for the weak. Problems of free-market competition had contributed to a "neomercantilist" turn ever since the 1870s, when the role of the state had expanded.[95]

Vennola suggested that in 1916 the economic system had reached such a level of complexity that it seemed unlikely that further state intervention was feasible. Different sectors of the society required such expert knowledge that it seemed unlikely that they could be represented in state governance. Instead, Vennola claimed that the responsibility in economic decision-making had to be transferred from the state to society. The nation required more initiatives from organizations, corporations, and individuals as the driver of economic development. Moreover, the practice of economics and economic policy was a fragmented and sporadic field despite the existence of certain economic organizations such as the Kansantaloudellinen Yhdistys and the Ekonomiska Samfundet. It seemed most desirable that political discussion would shift from the problems of nationality and language to practical economic policies.[96]

It seems that Vennola, like Kilpi in 1915, was expecting a liberal – or a neoliberal – turn to occur in economic life, after a period of increasing state intervention. This statement could be examined as a clash between classical liberalism and agrarian conservatism. While the capitalist competition had provided prosperity, it had also changed society in a manner that was unwelcome among conservatives, who preferred national stability. In this framework, limited state intervention and social policy were necessary to counter potential undesirable development created by laissez-faire capitalism. This clash of classical liberalism and agrarian conservatism became irrelevant, however, when the Russian revolutions turned into a chaotic declaration of independence and a civil war. This breakdown of Finnish society and the aftermaths of the civil war have been thoroughly examined elsewhere.[97]

From the perspective of economic growth and national income, one of the most intense political debates revolved around the expansion of the state. The civil war and other increases in military expenditure to counter the threat from the Soviet Russia contributed to an expansion of the state budget. Moreover, during the first years of the independent republic, the state had to launch a series of reforms that had been postponed or blocked during the era of Russian governance. As noted, the first government programmes were by nature conciliatory and included several initiatives in the fields of health care, education, and poor relief. It seems that the surge in public expenditure was perceived by contemporaries as a fundamental systemic change. Although several accounts pointed out that the nominal expansion of the budget was also a result of inflationary processes, the increasing state intervention was examined in classical liberal and agrarian conservative circles with unease.

Individuals who lived through the period did not have the same time series of gross domestic product (GDP) or public expenditure at their disposal. Seen against the growth in GDP, the expansion of the state was not as enormous as presented in contemporary accounts (see Figure 3.1). A recent study on public expenditure from the perspective of local government spending has also suggested that before the

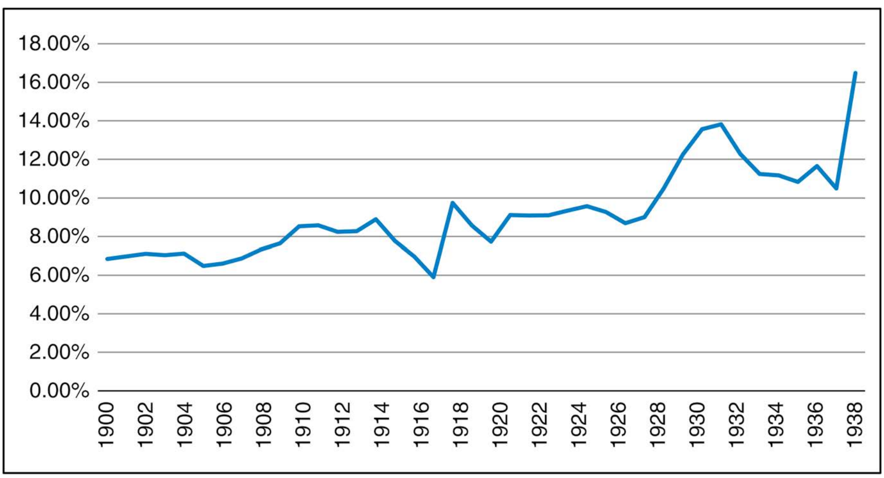

Figure 3.1 Public consumption expenditure in relation to GDP (%) 1900–1939.

Sources: Statistics Finland Historical Series of National Accounts (2024); Hjerppe (1989).

First World War, Finland was not behind other Nordic countries in terms of public expenditure in relation to the GDP ratio. During the interwar period, the growth of Finnish public expenditure was slower than in the other Nordic Countries, although this process was most likely not only due to slower growth in public expenditure but also to faster growth in terms of GDP.[98] However, as noted by Mark Perlman and Morgan Marietta, "perceived changes have inspired the adaptation of our ways of conceptualizing and measuring economic phenomena".[99]

Despite the systemic change, the concept of economic growth remained on the periphery of economic and political language, but it was used in some new contexts. In the Swedish language, the use of the concept of *ekonomisk tillväxt* was limited to sporadic mentions in local newspapers and professional journals. In 1920, the journal for Swedish-speaking office workers *Kontoristen: organ för Finlands svenska kontoristförbund* published an anonymous article under the title "Capitalism or Socialism" (*Kapitalism eller socialism*). The article examined the recent "boom of socialism" and discussions on economic development under capitalist and socialist systems. The article focused particularly on machinery and technological development. Capitalism had already proved its capability to utilize new technology for "the nation's economic growth" (*nationens ekonomiska tillväxt*). Socialism, however, had given similarly clear evidence of its capability to jeopardize the possibilities for a better future, the gift of modern science, and technology to humanity.[100] As will be further examined, economic growth seemed to emerge as a point of debate in this competition of economic systems.

In 1926, the concept of *ekonomisk tillväxt* also emerged in the local newspaper *Wasa-Posten*. The newspaper, A supporter of the farmers in the Ostrobothnia region, published an article about interest rates by Alf Vite. Vite pointed out how the interest level on loans had risen from 4 per cent in 1918 to 12 per cent, thereby causing a heavy burden for farmers and other businesses. While arguing for a more bearable interest level, Vite created a rhetorical context for economic growth. He suggested that it was supposed be obvious to everyone that "the country's economic growth" (*landets ekonomiska tillväxt*) was not promoted, if every valuable company was burdened with tolls and an interest level that devoured an eighth of the company's revenue.[101] Vite's argument of associating he economic benefits of farmers and businesses with the national common good was not entirely new, but the concept was.

In 1923, the Finnish concept of *taloudellinen kasvu* was referred to in the newspaper *Vaasa*, in a news article on the dispute regarding the port city and territory of Memel (now Klaipėda) and the political situation in Lithuania. The newspaper stated that if Memel remained a free city, the situation would create "a severe barrier to the free economic growth and strengthening of Lithuania".[102] The concept of *taloudellinen kasvu* was also referred to in March 1924 in the newspaper *Hämeenkyrön Sanomat* in an article informing readers of the next month's parliamentary elections. The article encouraged people to vote. People were able to fulfil their duties as citizens by voting into the parliament "men who watched for the spiritual and economic growth of our nation, and women, whose heart was filled with love for the fatherland regardless of their official party affiliation".[103]

Although concepts of *ekonomiska tillväxt* or *taloudellinen kasvu* were sometimes used, they did not refer to quantifiable growth in terms of national income. Instead, growth was discussed in more the holistic contexts of national power and stability. There was an exception, however. It seems that communism provided a new framework for explicit analysis of economic growth. After the civil war, most Finnish communist politicians were in prison, in exile, or dead, and the Communist Party was banned. Therefore, it is evident that Finland is not an ideal case for studying interwar communist growth policies. Such policies, however, can be examined in the context of the Karelian Autonomous Soviet Socialist Republic founded in 1923.[104] Several communist newspapers were published in the region by Finnish communists in exile. These newspapers provide such explicit and detailed conceptualizations of economic growth that they deserve to be examined here.

In Finnish language, economic growth was most likely used for the first time as a cohesive analytical tool by *Kommunisti: kommunistinen aikakauslehti*, a communist journal published 1925–1937 in the Soviet Union for Finnish communists living in the Leningrad and Karelia regions. Since the first year of publication in 1925, the journal made continuous references to the prospects and problems of economic growth in the communist system and the Soviet Union. The journal articles were publications of the Soviet party platforms, conference speeches, and translations of writings of high-ranking Soviet officials such as the Chairman of the Communist International, Grigory Zinoviev.[105]

In this Soviet context, the concept of economic growth was most often used when comparing the communist system to the capitalist one. This comparison was most explicitly stated in the first Five Year Plan launched in 1928. In November 1927, *Kommunisti* published the plan that had been approved by the Communist Party of The Soviet Union. The plan stated that the special features of the Soviet economy had created a distinctly different system of economic development that functioned on socialist principles. In comparison to capitalist economies, the socialist system had made possible a faster reconstruction process and generally faster economic growth. However, the plan presented several challenges that the socialist system had to solve. Solving these problems would contribute to a growth and division of national income (*kansallistulo*) that would guarantee unforeseen welfare for the working class and peasants with low to middle incomes. At the same time, solving the economic problems of growth would enable the highest possible development rate of the national economy.[106]

Matthias Schmelzer and other scholars have examined Soviet growth discussions in the 1920s as “early precursors of modern growth theory”.[107] I would contribute to these observations by analysing communism as a new growth conception that was explicitly oriented towards the problems and possibilities of growth. While throughout the 19th century, national wealth and national income had been conceptualized in the context of national comparison and competition, the emergence of a communist state created a level of comparison in the field of economic systems. While classical liberal and agrarian conservative growth conceptions were ambiguous regarding growth and had more fundamental principles in stability, a communist growth conception promoted increasing welfare for the people and a systemic change at the expense of stability. To justify these developments, economic growth was conceptualized as a key tool that could be used to prove the superiority of communism over capitalism.

In the aftermath of the war, the main objectives of Finnish economic policy were reconstruction and stability.[108] In an uncertain global situation, the correct path to achieve these objectives was not self-evident, but a matter of debate. One of the most important problems in achieving economic stability concerned future monetary systems. After the war ended, decision-makers in most nations sought to address the problem through international co-operation. Politicians and central bankers gathered at international conferences in Brussels in 1920 and in Genoa in 1922 to plan the most convenient route to back to gold. One of the main issues was the question whether the gold standard system should be reinstated with current exchange rates or pre-war parities. Sweden was the first European country to restore the gold standard in 1924. This process was created through a severe tightening of monetary policy in 1922–1923, a period of deflation that included widespread economic downturn and unemployment.[109]

Although the Swedish case was an obvious political example for Finland, Finnish monetary policy had to be considered with trade relations to the United Kingdom in mind. At the time, the United Kingdom was Finland's most important trading partner with roughly a 40 per cent share of exports. The United Kingdom restored the gold standard in 1925 at pre-war parity. Germany, the second largest trading partner, on the other hand, did not offer a similar example to follow, because its monetary policy was heavily constrained by war reparations and the hyperinflation of 1921–1923. The Finnish *markka* had gone through such a heavy process of inflation that it was not clear where value of the *markka* could be stabilized to establish the transition. A period of deflation similar to that in Sweden and Britain could have resulted in such political difficulties and social unrest that acquiring the pre-war gold parity of the *markka* did not seem reasonable.[110]

By 1919, it was already obvious that a return to the pre-war parity was unrealistic. Rather, the objective was to prevent further depreciation of the *markka*. An economic downturn in the export markets contributed to further depreciation, and the *markka* was at its weakest value in the autumn of 1921. This depreciation has been examined as an intentional act of devaluation by the Bank of Finland that provided opportunities for export industries and maintained employment.[111] Pekkarinen and Vartiainen have suggested that such an intentional policy of devaluation indicates that Finnish economic policy was not consistently liberal.[112] Although on a general level the findings of this book concur with the suggestion, another framework could perhaps provide a more nuanced picture of the situation. While Pekkarinen and Vartiainen have examined the situation with one concept of liberalism, this book approaches the problem with an analytical division of classical liberalism and social liberalism. Orthodox classical liberal principles of monetary stability were increasingly abandoned for social liberal principles of employment and growth.

Finally in 1923, the return to gold seemed realistic. The Finnish parliamentary supervisory council decided to request an expert opinion from the Swedish

Professor Eli Heckscher and the banker Karl Langenskiöld. Langenskiöld turned down the proposal, but Heckscher prepared a report that recommended reinstating the gold standard at the prevailing exchange rate.[113] Moreover, Heckscher did not consider the name of *markka* feasible for the new currency, as the new unit did not have the same gold content as the old *markka*. He proposed that a new currency unit *talari* should be established. In the end, the Bank of Finland followed Heckscher's proposal in many aspects but decided to retain the name *markka* also for the new currency unit. Moreover, the value of the *markka* against the dollar was set at a 7 per cent weaker rate than Heckscher had recommended when Finland returned to the gold standard at the beginning of 1926.[114]

During the 19th century, the international gold standard system had provided a system of stability for international trade and global financial markets. Despite high hopes that the system would provide similar stability in the 1920s, the new gold standard system proved to be fragile in several respects. In many cases, the international movement of goods and labour was restricted, while there were fewer restrictions on capital movements. In the new political situation of protective tariffs and national policies of autarchy, many problems occurred. Moreover, German war reparation commitments to Britain and France, and France's and Britain's war debt to the United States led to severe imbalances and uncertainties.[115] Ultimately, in the wake of the Great Depression, the instability of the systems led to the collapse of the gold standard in the 1930s, a fundamental change in national and global orders that will be examined further.

The problems concerning the *markka* and the gold standard system were examined on several occasions in Finnish economic associations.[116] In November 1923, before the return to the gold standard, Julius Grénman of the commercial bank Suomen Yhdyspankki held a presentation at the Ekonomiska Samfundet about the feasibility of the return. Grénman considered the return from "weakened paper money" to a gold-based currency necessary for the economic life of the young republic of Finland, but the process of a return to "normal" was a complicated task.[117] Experiences from Sweden's and Britain's deflationary policies showed what kind of difficulties and social struggles even the slightest attempts to lift the value of money could create.[118]

Grénman conceptualized the issue in the context of the international system of finance and balance of payments. The value of a national currency was stable when it was pegged to the currency of the world economy, gold. This system required that a national economy lived on its real income and did not seek to violate the laws of "solidarity in the world economy".[119] Grénman pointed out that as long as foreign borrowing was adjusted to national income (*nationalinkomst*) and used productively, interest and loan repayments could occur through the growth of national income and increased productivity. However, if a nation "lived beyond its means" and did not have sufficient national income to repay the debt, and thus grippled to its wealth instead, the process led to a situation where such a nation could achieve further credit only on inferior terms.[120] It is not surprising that Finland's capabilities to achieve foreign credit were again examined in the context of the gold standard, because this intention had already emerged in the era of the Grand Duchy.

The return to the gold standard was extensively debated particularly by politicians and bankers inside the Kansantaloudellinen Yhdistys. The political debates surrounding the timings and details of the most feasible path to gold have been extensively analysed elsewhere.[121] It is necessary, however, to examine this return to gold in the context of classical liberal and social liberal growth conceptions. It seems evident that the gold standard was conceptualized as the symbol of both monetary and judicial stability, key building-blocks in a system of private property and limited state intervention. However, monetary stability was only one of the economic principles to consider.

In April 1925, the former Minister of Finance and recently appointed governor of the Bank of Finland, Risto Ryti, gave a presentation about the return to the gold standard to the Kansantaloudellinen Yhdistys. Born in 1889, the 36-year-old Ryti belonged to a younger generation of Finnish political elite. After beginning his career as a lawyer, Ryti had become involved in politics in the liberal Progressive Party. Although Ryti was a young politician and a central banker during the depression of the 1930s, his political philosophy was constructed firmly around orthodox principles of classical liberalism. He was an Anglophile with strong personal connections to the United Kingdom and the United States. Although Ryti's commitment to the principles of classical liberalism can be considered exceptionally strong in the context of interwar Finland, he was perhaps the most influential individual in the economic policy of the period.[122]

Ryti's presentation examined the ongoing process and challenges of the planned monetary reform. Ryti, a firm supporter of the gold standard, noted the famous criticism presented by John Maynard Keynes and the proposal of a "managed currency". Although Ryti was familiar with the gold standard's infamous nickname as "the barbarous relic", he still considered re-establishing the gold standard the most viable option.[123] Ryti's case presents a fascinating viewpoint on the conceptual relationships and tensions between growth and stability. He considered a stable value of currency to be without question one of the prerequisites of a healthy economic life and judicial system. However, even Ryti's principles had limits. In the immediate aftermath of the war, there had emerged demands that the government should compensate people for the losses that had incurred during the period of inflation, because depreciation of the currency was considered a violation against private property. Ryti considered such demands unrealistic although there were sound philosophical justifications behind them.

Ryti also examined growth and development. Before the crisis, economic development (*taloudellinen kehitys*) and growth of wealth (*varallisuuden kasvu*) had created a constantly increasing demand for gold. Although this continuously increasing demand for gold posed challenges for future development, the situation seemed manageable. Ryti referred to Gustav Cassel's study that had estimated that due to "progress in economic development" (*taloudellisen kehityksen edistyminen*), a global need for gold increased by roughly 3 per cent annually, a figure that could most likely be achieved in future gold production.[124] Ryti noted that it was indeed possible that gold production could not keep up with the level of economic development and, as a result, the gold standard could cause deflationary processes and impose “a brake” on economic development.[125] However, it seemed that the gold standard was still the best road to stability in the global monetary order and the prerequisite for stable conditions in economic life.[126]

Although it was certainly true that in practical terms Finland could not afford to adopt a different international monetary system from her most important trade partners, Ryti’s presentation suggests that when politicians committed to classical liberalism had to decide between growth and stability, they chose monetary stability. National stability and the integrity of the judicial system in the form of private property were conceptualized as the fundamental building blocks of society. Johanna Rainio-Niemi has suggested that constitutional stability was an exceptionally fundamental priority in interwar Finland, a tenet that also protected parliamentary democracy from totalitarian movements.[127] Also in this context, economic growth was desirable in general, but it was a subordinate objective to stability. In the 1920s, Ryti was perhaps exceptionally committed to this conception of classical liberal growth. In general, however, there emerged strong tendencies to conceptualize the period as a fundamentally changed one, something that required novel approaches.

During the early 20th century, Juho Kusti Paasikivi (1870–1956) was one of the most important scholars of the Kansantaloudellinen Yhdistys. He drew much of his inspiration from the traditional questions of agrarian development and rural poverty. He was a member of the Parliament until he resigned from office in 1914 and became the Chief General Manager of Kansallis-Osake-Pankki (KOP), a major commercial bank that Fennoman-minded politicians had founded in response to the Swedish-speaking Nordic Union Bank (Nordiska Föreningsbanken). The transition from a Fennoman-oriented politician to a banker can be explained by the fact that KOP was closely connected to the Fennoman project of republic-building, a project that required co-operation between Finnish-speaking politicians, industrialists, and bankers.[128] During the 1920s, Paasikivi’s orientation moved towards a stance that conceptualized an export-oriented market economy as the desirable path of development.[129]

In December 1925, Paasikivi held a presentation at the Kansantaloudellinen Yhdistys about the state of the economy.[130] Following the traditions of 19th-century economic surveys, Paasikivi’s presentation did not follow established patterns or examine figures of national income or national product. Rather, the presentation was a creative analysis of various sectors of the national economy. Paasikivi began the analysis by examining the situation in the financial markets. Repayment of foreign credit and increased private deposits had strengthened the position of both the central bank and commercial banks. The balance of trade had developed in a fortuitous manner. Paasikivi pointed out the increased export figures particularly in agriculture, although industries that used wood as their raw material were without question the backbone of Finnish exports.[131] Although there seemed to be an optimistic mood in economic conditions, Finland was transitioning from a period of consolidation to a period of reform that was going to require significant funds. There existed a significant shortage of capital, and capital formation was inhibited by high taxation and interest rates.[132]

Although more conservative groups had proposed to cut public expenditure and, consequently, taxation, Paasikivi stated that personally he was doubtful, even sceptical of the feasibility of such ideas. The state budget could no longer be examined as a budget of a state of emergency. Instead, it was a budget of normal times. Paasikivi noted that one should be prepared for an increase in public expenditure as there were many reforms that required funds. In the absence of any realistic ways to reduce public expenditure, only one option remained. The burden of the expenditure could only be eased by growing national income (*kansallistulo*) and national production (*kansallistuotanto*). There were many ways to increase exports, particularly in agriculture and industry. Paasikivi concluded by stating that the economic programme had to be built around increasing production and productive work in all sectors.[133]

In February 1927, Paasikivi gave a presentation at the Kansantaloudellinen Yhdistys about the effects of taxation and public expenditure.[134] He began by stating that the expenditure of both central and municipal government and, consequently, people's tax burden had grown in an unprecedented manner. Paasikivi sought to examine how the effects of the increased the tax burden on production and capital formation. He reminded that the level of production determined both public and private consumption and the level of capital formation, while sufficient capital formation was a prerequisite for production. The theoretical aspects of the presentation were to a large extent based on the writings of Gustav Cassel and Ernst Nevanlinna.[135]

Finland had introduced a progressive income and wealth tax in 1920. The tax reform had triggered a multifaceted discussion on the effects of progressive taxation on the propensity to save and capital formation. Researchers and politicians seemed to disagree regarding the optimal level of the taxation. Paasikivi sought to conceptualize this optimal relationship between national income (*kansallistulo*) and tax burden. In extraordinary circumstances, it was obvious that a higher level of taxation could not be avoided. However, it was also clear that according to "common sense" taxes had to be reasonable. To maintain a reasonable level of tax burden, Paasikivi emphasized the importance of curbing the growth of public expenditure, but also the growth of national income through increased production.[136]

As will be discussed later, during the 1930s depression, Paasikivi took a more hostile stance towards public expenditure and the expansion of the state. Vesa Vares and Ari Uimo have suggested that during the 1920s Paasikivi moved from Fennoman social reformism to a political position that clearly represented 19th-century classical liberalism.[137] It is evident that in Finland the depression reinforced the classical liberal self-equilibrium of the economic system as the most feasible political decision, and Paasikivi was one of the main proponents of policies that aimed to cut public expenditure. However, the presentations Paasikivi gave during the 1920s evidently described a desirable development in a manner that was neither Fennoman agrarian conservatism nor 19th-century classical liberalism.

The point of concern appears to be economic change. It seemed evident to Paasikivi that the economic system of the independent republic of Finland was fundamentally different from that in the era of the Grand Duchy. Paasikivi's presentations formed two new semantic fields within the concept of national income. He examined the concept in relation to public expenditure. He also sought to establish an optimal rate between national income and the level of taxation. It is evident that the (perceived) expansion of the public sector forced Paasikivi to conceptualize a political programme that had growth of national income and national production at its core.

It is important to point out that Paasikivi did not seem to consider the path of development he described as desirable. In theory, another path could indeed have been to halt the expansion of the public sector. However, in the face of political realities, Paasikivi did not seem to have a choice. In a democratic republic, the return to the old order of frugality and austerity did not seem realistic. In comparison to Ryti, this (somewhat reluctant) acceptance of state expansion and consequent need to fund the expansion could be examined as a departure from the principles of a classical liberal growth conception. Such a departure has been examined elsewhere. As noted in the previous chapter, Eva Friman has analysed ideas of economic expansion in Sweden at turn of the 20th century in social democratic and social liberal contexts.[138] Moreover, Ylva Hasselberg has described Gustav Cassel and Eli Heckscher as social liberals who positioned themselves between "extreme liberalism" and socialism. They evidently conceptualized societal development through growth and perceived social policy as one engine of growth.[139]

In the business-oriented Ekonomiska Samfundet, stances towards the expansion of the state seemed more hostile. In January 1924, Leonard Ekstrand, a board member of "The Finnish Sugar Company" (Suomen Sokeri Oy), gave a presentation at the society about public finance. Ekstrand began by noting that "state affairs" have seldom been a target of such concentrated interest, a situation that was caused by the unforeseen expansion of public expenditure and state functions. It did not seem necessary to examine the situation with statistical data, as the change was apparent enough and every taxpayer felt it in their pockets. The increasing tax burden together with growing public debt caused great concern. Ekstrand pointed out, however, that it seemed difficult to tackle the trajectory without causing hindrances to economic and cultural progress (*framåtskridandet*).[140]

Ekstrand stated that the situation primarily had been caused by violent economic fluctuations and monetary disruptions. Although it seemed that state expenditure had increased permanently, it was a mistake to make the claim that there had been some sort of addition to national income (*nationalinkomst*) or national wealth (*nationalförmögenhet*).[141] Next, Ekstrand proceeded to examine different sources of state income and expenditure. His analysis focused on the traditional question of whether production should be oriented towards consumption or capital formation. Ekstrand sought to emphasize the role of capital formation by pointing out that the nation could now enjoy relative wealth (*välstånd*) and a good standard of living (*levnadsstandard*) only because part of the [national] income had been saved to enable further production and the blooming of industry and commerce.[142] Moreover, Ekstand was concerned that if the state engaged excessively in its citizens' economic welfare (*ekonomiska välfärd*), the process would create citizens who are never satisfied and constantly rely on state support.[143]

Predictably, Ekstrand ended his presentation by hoping for a government that was willing and able to achieve a contraction of state expenditure in the best interests of the nation's business life and of those who had built and lived in the country.[144] It is evident that Ekstrand's analysis of the economic situation was notably different from Paasikivi's and more similar to Ryti's presentation. However, both Ekstrand and Paasikivi conceptualized expansion of the state as something that was remarkably difficult to avoid without impeding more general economic development. Moreover, both Ekstrand and Paasikivi wanted to examine state expenditure in relation to the development of national income. It is also worth pointing out that although Ekstrand took a critical stance against the expansion of the state, using the concept of standard of living was a new phenomenon that gained popularity later during the interwar period.

At the end of this chapter, it seems reasonable to analyse if and how economic growth was conceptualized in the government programmes of the period. Between independence in 1917 and the outbreak of the Winter War, Finland had 22 governments that declared their political programmes. At the time, there was no established format or publishing platform for these programmes. Sometimes they were published in major newspapers like *Helsingin Sanomat* and at other times they were given as political speeches in the parliament. As discussed, many of the programmes had conciliatory objectives, but they also provide other aspects for the analysis.

In general, the first government programmes of the Finnish republic made only a few references to economic issues notwithstanding acute problems like food shortages. In the aftermath of the civil war, the programmes focused on restoring social order and the judicial system. The third government of Finland of Prime Minister Kaarlo Castrén (17 April 1919–15 August 1919) was the first one to address economic issues in a more comprehensive manner. In his programme speech, Castrén examined the major imbalances of the budget that had been created by inflation and the recent events. Castrén emphasized "harsh frugality" and the introduction of progressive taxation to balance the budget. The monetary conditions of the state and the welfare of the people were built on the "healthy development" of farming, industry, commerce, seafaring, and other lines of business.[145] This emphasis on frugality, austerity, and the stabilization of budgetary and monetary order was continued in the next two governments of Juho Vennola (15 August 1919–15 March1920) and Rafael Erich (15 March 1920–9 April 1921).[146]

It seems evident, however, that the upheavals of the war and the period of independence created national problems that forced politicians to focus on issues of economic development and national production in a novel manner. Several prime ministers emphasized the need to advance "productive work" and "the nation's productive life".[147] It is noteworthy that these statements were most often directed primarily at agriculture, the sector of the economy that was conceptualized as the main source of livelihood for the people and the nation. Although most government programmes emphasized frugality, they pointed out the importance of improvements in vocational education, housing, and domestic grain production.[148]

Advancing productive work together by abstaining from everything non-essential was conceptualized as the desirable future path.

What was seen at the end of this path? Establishing an independent republic or "the economic independence of the nation" was clearly one of the main reasons to promote the productive powers of the nation.[149] The link between promoting economic and business life in connection to the public economy and "the general welfare and subsistence of the nation" was conceptualized more coherently.[150] In 1925, the second government of Prime Minister Kyösti Kallio (31 December 1925–13 December 1926) emphasized the importance of economic life and *Bildung* in the preservation of independence and peace. In his programme speech, Kallio stated that the government would support every initiative that promoted Finnish culture and the *Bildung* of the masses, the elevation of the country's economic position and the strengthening of the ethical state of the nation.[151] Two years later, Prime Minister Juho Sunila's government (17 December 1927–22 December 1928) promised – despite a general intention to curb the growth of the public expenditure – to promote the nation's spiritual culture and to support every initiative to enlighten the masses.[152]

The independence of 1917 can be examined as a turning point because it enabled Finnish politicians for the first time to conduct fully sovereign economic policies. The civil war and the breakdown of society forced the first governments of the Finnish republic to focus on restoring judicial, economic, and monetary order. In this period of a fragile society, national production was not at the core of economic policy, but its role was clearly reconceptualized as a prerequisite to achieve other objectives such as a balanced state budget. Despite the new emphasis on material welfare, the older values of *Bildung* and ethical life persisted as key concepts in national development. Moreover, although new ideas of national production and material welfare emerged, politicians of the period sought to find the path to reach these national goals with the methods of the old order. The road to prosperity was conceptualized through frugality, hard work, and minimal state intervention in terms of classical liberal stability. Social liberal ideas emerged, but only to an extent. There was no halting the expansion of the state, but one could still try to seek to limit the effects of this undesirable process.

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The First World War and the independence of the republic of Finland triggered numerous reforms in state governance. The introduction of progressive income and wealth taxes in 1920 provided new data for studying the composition of national income. There were few concrete changes to national income studies, however. Numerous private attempts aimed to measure the nature of Finnish national wealth and income, but the studies were not used in business-cycle management or in the planning of economic policies. National income as a concept lacked a coherent theoretical definition. There emerged no empirical estimates of national wealth or income that would have led to a reconceptualization of economic growth.

In economic theory, marginalist ideas emerged in the Finnish mainstream economic literature during and after the First World War. They introduced a new framework for economic analysis, one that sought to examine economic phenomena as market transactions. As this development was not a revolution but a process, marginalist ideas triggered a new wave of literature in Finnish economics that sought to examine the nature of value and economic activity. There occurred several debates on the productivity of different private sectors, the public sector and household work. While there were some changes from the analysis of holistic aspects of the society to the analysis of economic activity as monetary transactions, the changes in economic analysis and reconceptualization of wealth and value were slow.

Although the concept of economic growth remained on the periphery of economic and political languages, economic associations examined national income and production in several novel contexts. Debates of the period indicate that there was a strong tension between growth and stability. While some individuals were looking for a way back to classical liberal and agrarian conservative growth conceptions, others conceptualized the new situation as a fundamentally changed one. The perceived expansion of the state created a pragmatic need to fund the growing state expenditure by increasing national income and production, although politicians considered the situation as a necessity and not a desirable path of development.

There was an element of state intervention and social policy in economic thought also during the times of the Grand Duchy. Economic associations of the period drew inspiration from German *Kathedersozialismus*. However, this form of social policy differed significantly from the social liberalism of the interwar period. Finnish *Kathedersozialists* conceptualized social policy as a remedy to alleviate problems created by industrial development and capitalist competition, and in this context, the role of the state remained as a provider of security and stability. The state was not perceived as the engine of growth, because growth was conceptualized through private capital formation. After 1917, however, the perceived expansion of the state created new frameworks for understanding the growth of national income and public expenditure. In this context, social liberalism emerged as one of the new political philosophies that was not limited to older forms of social reformism. Instead, the state was more strongly conceptualized as both a driver of national production and a provider and distributor of welfare.

Notes

1 Tooze (2003).
2 Cook (2017, 259).
3 Polanyi (2001, 141).
4 Tooze (2014).
5 On the breakdown of society in 1917 and the emergence of the Finnish Republic, see, e.g., Haapala (1995).
6 Tepora & Roselius (2014).
7 Pekkarinen and Vartiainen (1993, 84–86).
8 Tooze (2003, 63–68).
9 See, e.g., Fogel et al. (2013).
10 Tooze (2003, 4); Perlman and Morgan (2005).
11 Tooze (2003, 76–102).

12 On the economic effects of the war on Finland, see, e.g., Heikkinen (2017); Kuusterä and Tarkka (2011, 395–400). For a contemporary account, see Korpisaari (1926).
13 As exception, however, see Hoppu (1914); Zetterman (1915); Vennola (1916).
14 Hoppu (1916).
15 While private wealth referred to material goods, or claims to such goods and services, or evidence of such claims owned by private individuals or groups, and public wealth referred to similar wealth owned by governmental bodies or organizations, the concept of social wealth proved to be more ambiguous. To King, social wealth consisted of "the aggregate stock of material goods possessed at the given time by the given segment of society". Instead of value, the core of social wealth lied in utility, and thus it was a difficult subject for measurement. While social wealth consisted of things that had value, such as houses and land, farms and factories, and clothing and furniture, it also included the so-called free goods: seas, rivers, forests, climate, and scenery. King's conceptualization of social wealth did not, however, include the accumulated knowledge of industrial, commercial, or governmental organizations of society. While accumulated knowledge was a cornerstone of a modern civilized society, it seemed more coherent to classify these concepts not as wealth but as conditions that made accumulation of wealth possible. See King (1922, 5–12).
16 In a similar manner to classifications of wealth, King sought to classify individual real income as an individual utility in contrast to income as book income or nominal monetary exchange values.
17 King (1922, 106–119).
18 Hoppu (1916).
19 See Heikkinen et al. (2022, 243–254).
20 Luther (1993, 154). For a contemporary account, see Tudeer (1918).
21 Luther (1993, 184).
22 Hjerppe (1989, 34).
23 Jutila later had a multifaceted career in many fields that included, e.g., a professorship in agrarian policy at the University of Helsinki, serving as Minister of Agriculture of Finland in the 1930s, and after the Second World War, as the ambassador of Finland to the United States, Cuba, and Mexico.
24 Jutila (1923, 194–196).
25 For private wealth, see, e.g., Autere (1909). The case of public funds referred to "an inventory" conducted in 1907 of the funds that the Grand Duchy of Finland possessed. Moreover, Väinö Voionmaa had sought to compare wealth in cities and in rural areas by using as data the estate inventories of deceased persons. According to this data from 1911 to 1920, estates in cities were on average six times wealthier than in rural areas. See also Voionmaa (1922).
26 Jutila (1923, 197–198).
27 Jutila (1923, 204). Jutila borrowed much of his methodology of using collective statistical methods in estimates of wealth from Gustav Schmoller's *Grundriss der allgemeinen Volkswirtschaftslehre*.
28 Jutila (1923, 206).
29 Kovero (1921).
30 Kovero (1921, 464–465).
31 Kovero (1921, 464).
32 This estimate referred to total national wealth instead of per capita national wealth.
33 Kovero (1921, 467).
34 Kahma (1924, V–VI).
35 Kahma (1924, 106–122). Hjerppe (1989) has noted Kahma's estimate as one of the earliest attempts to conceptualize Finnish national income, although the methodology used was significantly different from the national accounting that emerged after the Second World War. Kahma's results in terms of aggregate production were only 7 per cent lower than in Hjerppe (1989), but according to Hjerppe, this similarity was largely coincidental due to the vagueness of Kahma's methodology. See Hjerppe (1989, 34–35).

36 Kahma (1924, 182). My translation. The original quote: "Meidän tuotantomme ei ole maailman yhden osan lähettämien raaka-aineiden jalostamista toista varten, vaan se on tavarain valmistamista omista taikka muualta ostetuista raaka-aineista omaa tarvettamme varten. Tosin me osalla tavaroistamme vaihdamme toisia muualta, mutta se ei muuta taloutemme perusluonnetta; meidän elämämme, hyvinvointimme ja jatkuva vaurastumisemme on siitä huolimatta kokonaan sen varassa, kuinka paljon kykenemme luomaan uusia arvoja maahan. Muita mahdollisuuksia näiden arvojen luomiseen ei meillä näet ainakaan toistaiseksi ole, ja talouspolitiikan on taas luonnollisestikin pidettävä kiinni vain niistä mahdollisuuksista, jotka todella ovat olemassa. Siinä on lähtökohta meidän talouspolitiikallemme. Sen tunnussana tulee olla tuotanto ja taas tuotanto. Tähän tosiasiaan meidän tulee eläytyä yhtä syvästi, kuin Englannin kansa on eläytynyt käsitykseen tehtävästään maailman kaupan suurena välittäjänä".
37 Lindberg (1926).
38 Harmaja (1931b, 146).
39 Fukuyama (2014, 168).
40 Mirowski (1989).
41 Mazzucato (2018, 65).
42 See, e.g., Blaug (1972). On the reception of the Marginal Revolution in Finland, see Heinonen (1990).
43 See, e.g., Hogdson (2001).
44 Pihkala (2000, 548).
45 Willgren (1916a, 1916b). Willgren's articles in the context of national income have already been analysed in Mikkonen (2020).
46 Willgren (1916a, 146–147).
47 Willgren (1916a, 1916b).
48 Willgren (1916b, 378–379).
49 Kilpi (1915, 230).
50 Kilpi also presented a third framework, the aristocratic-race-hygienic view. The aristocratic framework was founded upon the viewpoint that the purpose of society was not to seek welfare for the masses. Based on the writings of Friedrich Nietzsche, one could make the argument that the purpose of the general populace was only to serve the needs of a few great men. The race-hygienic perspective emphasized the Darwinian view that social policy could have degenerative effects on race as it protected the weak and thus endangered human culture. However, Kilpi noted that the framework had received only marginal support.
51 Kilpi (1915, 238–239).
52 On the debate particularly in Finnish context, see Heinonen (2001).
53 Kilpi (1915, 240).
54 Kilpi (1915, 250).
55 Kilpi (1915, 255).
56 Polanyi (2001).
57 Kilpi (1915, 257).
58 Kilpi (1923, 259).
59 Kilpi (1923, 273).
60 Kilpi (1923, 297–298).
61 Kilpi (1923, 260–261).
62 Pekkarinen and Vartiainen (1993, 84).
63 For exceptions, see Groundstroem (1904) for Wicksell; see Lille (1909) and Louhivuori (1909) for Cassel.
64 Carlson (2009).
65 See, e.g., Nevanlinna (1919); Korpisaari (1922); Gadolin (1923, 1926).
66 On a further analysis of Cassel's methodology, see, e.g., Magnusson (1991).
67 Cassel (1924, v).
68 Kuusterä and Tarkka (2011, 514); see also Mäki (1984).
69 Vares, Vesa: Nevanlinna, Ernst. *National Biography of Finland. Studia Biographica 4*.

70 Nevanlinna (1919).
71 Nevanlinna (1923, 180).
72 Nevanlinna (1923, 179).
73 Nevanlinna (1923, 182).
74 Nevanlinna (1923, 185).
75 Nevanlinna (1929a, 1929b).
76 Nevanlinna (1929b, 348–353).
77 Nevanlinna (1929b, 353–358).
78 See, e.g., Gadolin (1923, 1926, 1928, 1929).
79 On the attempts to restore financial stability in central banking, see Yee (2023).
80 For an extensive analysis of Harmaja's research in the context of home economics, see Heinonen (1998, 92–107). It is noteworthy that the role of household production was already briefly examined in Kansantaloudellinen Yhdistys in 1894 by Oskar Groundstroem. See Groundstroem (1897).
81 Harmaja (1920, 26–27).
82 Harmaja (1920, 32).
83 Harmaja (1920, 46).
84 Harmaja (1929); Nevanlinna (1929a, 1929b).
85 Harmaja (1929, 418).
86 Harmaja (1929, 427).
87 Harmaja (1929, 429).
88 Harmaja (1931a, 194–195).
89 Harmaja (1931a, 201–202).
90 Harmaja (1931a, 204).
91 Nevanlinna (1931, 205).
92 Polanyi (2001).
93 Tooze (2014); Kuusterä and Tarkka (2011, 451–459).
94 Cf. Rasila (1982, 14) for a similar argument.
95 Vennola (1916, 53–60).
96 Vennola (1916, 56, 106–107).
97 See, e.g., Tepora and Roselius (2014).
98 Hannikainen et al. (2022, 66).
99 Perlman and Morgan (2005, 226).
100 Kontoristen: organ för Finlands svenska kontoristförbund, 1 March 1920, no. 3, p. 12.
101 Wasa-Posten, 25 September 1926, no. 113 B, p. 2.
102 Vaasa, 16 February 1923, no. 39, p. 4.
103 *Hämeenkyrön Sanomat*, 28 March 1924, no. 13, p. 1.
104 On the history of the Karelian Autonomous Soviet Socialist Republic and its economic policies, see Autio (2002).
105 See, e.g., *Kommunisti : kommunistinen aikakauslehti*, 15 October 1925, no. 10, p. 28; *Kommunisti : kommunistinen aikakauslehti*, 01 September 1926, no. 9, p. 21; *Kommunisti : kommunistinen aikakauslehti*, 1 February 1927, no. 2, p. 36; *Kommunisti : kommunistinen aikakauslehti*, 1 August 1927, nos. 7–8, p. 59; *Kommunisti : kommunistinen aikakauslehti*, 1 November 1927, no. 11, p. 5.
106 *Kommunisti : kommunistinen aikakauslehti*, 1 November 1927, no. 11, p. 14.
107 Schmelzer (2016, 79–80).
108 See, e.g., Heikkinen and Tiihonen (2009); Pekkarinen and Vartiainen (1993, 84–86); Rainio-Niemi (2019).
109 Kuusterä and Tarkka (2011, 451–459).
110 Kuusterä and Tarkka (2011, 460–463). In general, the monetary situation after the First World War is often analysed with a similar classification to (1) countries that returned to the gold standard with the pre-war parity (Britain, Sweden), (2) countries that returned to the gold standard with a weakened parity (Finland), and (3) countries that experienced a total collapse of the monetary system (Germany). See, e.g., Kuusterä (1997).

111 Korkman and Pekkarinen (1988); Kuusterä (1997).
112 Pekkarinen and Vartiainen (1993, 88).
113 Heckscher had already commented on the situation of the *markka* in autumn 1919, when he had suggested that establishing reinstating pre-war parity was unrealistic. See Rossi (1951, 125).
114 Kuusterä and Tarkka (2011, 471–478).
115 Kuusterä and Tarkka (2011, 484–486); Tooze (2014).
116 Korpisaari (1926).
117 Grénman (1923, 1).
118 Grénman (1923, 29).
119 Grénman (1923, 3).
120 Grénman (1923, 4). This conceptualization of national wealth and income was strikingly similar to Kovero's encyclopaedia entry.
121 See, e.g., Kuusterä and Tarkka (2011); Autio (1992).
122 For a recent biography, see Heikkinen et al. (2022).
123 Ryti (1925, 99–100).
124 Ryti (1925, 103). Although Ryti did not make the explicit reference, Cassel presented the idea *in The Economic Journal* in 1920. See Cassel (1920).
125 Ryti (1925, 100).
126 Ryti (1925, 101).
127 Rainio-Niemi (2019).
128 Kuisma (2006, 477–517).
129 See Vares and Uino (2007, 320–327).
130 Paasikivi (1926).
131 Paasikivi (1926, 1–9).
132 Paasikivi (1926, 12).
133 Paasikivi (1926, 12–13).
134 Paasikivi (1927).
135 Paasikivi (1927, 34–43).
136 Paasikivi (1927, 43–44).
137 Vares and Uino (2007, 322).
138 Friman (2002, 73–94).
139 Hasselberg (2021, 142–156).
140 Ekstrand (1926, 82–83).
141 Ekstrand (1926, 83).
142 Ekstrand (1926, 94).
143 Ekstrand (1926, 110).
144 Ekstrand (1926, 114).
145 The Finnish Government Programmes 1917–1939, Castrén K.
146 The Finnish Government Programmes 1917–1939, Vennola; Erich.
147 The Finnish Government Programmes 1917–1939, Vennola II; Kallio; Ingman II; Tulenheimo.
148 See, e.g., The Finnish Government Programmes 1917–1939, Ingman II.
149 The Finnish Government Programmes 1917–1939, Kallio; Vennola.
150 The Finnish Government Programmes 1917–1939, Vennola II; Tanner.
151 The Finnish Government Programmes 1917–1939, Kallio II.
152 The Finnish Government Programmes 1917–1939, Sunila.

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4 From a Crisis to the Wealthy 1930s

In 1944, Karl Polanyi published a book *The Great Transformation*, a study that examined the entangled emergence of the modern state and the market economy in 18th- and 19th-century England. Polanyi, a Jewish scholar who had escaped from Nazi Germany, sought to trace the profound change of thought capitalism had brought to Western societies when market transactions had become a fundamental force in human interaction. Polanyi argued that, in contrast to common conceptions at the time, laissez-faire liberalism and free markets did not emerge naturally, but were rather intentional political processes, where land, labour, and capital were commodified to form a market society. This politically planned laissez-faire liberalism, however, tended to result in conflicts, where spontaneous counter-movements such as labour unions, tariffs, and state legislation emerged to counter issues created by free markets and to re-embed liberalism. This famous double movement thesis has been usually crystallized with Polanyi's quote "laissez-faire was planned but planning was not".[1]

Building on this theory of institutional change, Mark Blyth has argued that Polanyi was perhaps too optimistic in seeing the interventionist counter-movements to laissez-faire capitalism as permanent features in economic and political development. Blyth has examined the process of "disembedding liberalism" in the 1970s, when in the aftermath of the oil crises and stagflation, state intervention was attacked with similar ideas that prevailed during the period of classical liberalism. By taking two different capitalist countries – the United States and Sweden – as examples, Blyth has analysed the economic crisis as a turning point that provided new ideas with a chance for institutional change.[2] Although the events of the 1970s lie beyond the scope of this book, Blyth's analysis of the institutional dual movement in the context of economic growth and classical liberalism provides a sound basis on which to examine how the different growth conceptions emerged as responses to failures of classical liberal growth.

This chapter examines the emergence of communist, social democratic, and social liberal growth conceptions and the contested interwar space of experience in the context of economic growth. Although some fractures to the economic order of the long 19th century were evident immediately after the First World War, there was also a strong political commitment to restoring the old order of classical liberalism. In the aftermath of the Great Depression, it seemed to become evident, however, that the order of classical liberalism was impossible to maintain. Social democracy

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and social liberalism have been presented as political movements that succeeded in preserving democracy while providing sufficient economic security for citizens.[3] This chapter seeks to (re)examine, how growth conceptions were a crucial component in this process of building social democratic and social liberal political orders.

The Great Depression can be seen as the most severe economic crisis modern market economies have faced so far. Consequently, its causes and effects have been a much-discussed field of study for almost a century. Although the Depression was a global phenomenon, it was countered with different national responses. Arguably the most famous one, John Maynard Keynes's *The General Theory* established a new field of study, macroeconomics, and provided an intellectual backing to active state intervention in the management of economic fluctuations. National variations of Keynesianism have been one active topic of research.[4] In Sweden, similar economic theories were formulated by members of the so-called Stockholm School. In the context of the United States, depression policies were conducted in the context of the New Deal. Perhaps intellectually least coherent and consistent, New Deal policies did not follow any single framework. Rather, the New Deal has been described as a myriad of policies from different backgrounds that were implemented via improvisation and compromise. Moreover, the political compromise of the New Deal was in many cases limited to the industrial North, while labourers in the agricultural South did fall under the same legislative reforms.[5]

Finland, however, can be counted as an exception. Jorma Kalela has pointed out that Finland was perhaps the only (Western) nation, where in the aftermath of the Great Depression classical liberal economics and economic policy were not seriously questioned.[6] Discussions inside Finnish economic associations indicate, however, that scholars and politicians conceptualized a fundamentally changed economic order. A particular change seemed to occur when the United Kingdom abandoned the gold standard again in 1931. The event was perceived as a departure to unknown waters, when the engine of classical liberalism that had provided wealth in the past was shattered, and future alternatives were uncertain.

First, this chapter examines the developments that occurred in national accounting in the aftermath of the Great Depression when there emerged new initiatives to measure economic fluctuations. Although developments in Finland were different from those in the United States or Sweden, it is noteworthy that there emerged new estimates of national income that were used to examine economic development and business cycles. Second, the chapter examines the emergence of new theoretical contributions that sought to examine the prospects for economic progress and the standard of living. Finally, this chapter suggests that the collapse of classical liberalism in conjunction with a perception of prosperous development created new spaces of experience, where political alternatives to classical liberalism and agrarian conservatism could emerge.

National Accounting in a Global Depression

The crash of 1929 and the events that followed were a daunting period for the people living in major commercial and industrial hubs of the world.[7] The economic consequences of the Depression were severe, but for contemporaries who witnessed the downturn, the uncertainty of the situation was exacerbated by the fact that research organizations, governments, or businesses lacked reliable data regarding the magnitude of the crisis. In the United States, although the National Bureau for Economic Research (NBER) had been founded in 1920 and certain statistical reforms had been conducted, policymakers who faced the Depression did not have up-to-date data on employment, production, or national income. In 1932, the US Senate commissioned the economist Simon Kuznets to construct new estimates regarding the economic development of the United States for the years 1929–1932.[8]

Kuznets's report became – for a study in national accounting – extraordinary popular among government agencies in the United States, and several officials adopted the concept of national income to their vocabulary. The report was used in an unprecedented manner with market analyses by business organizations. It was also received with unexpectedly high sales and media coverage.[9] Following the success of the report, Kuznets ventured into further analysis of the theory of national income. It is noteworthy that his intention was to utilize national income as a concept of welfare rather than output. Kuznets's interests lay in citizens' purchasing power and capacity to consume. In this framework, expenses that transferred income away from the private household were depreciated from the national income. Consequently, taxes that resulted in government spending on subways or armaments were labelled as factors that decreased national income.[10]

When another world war seemed imminent, government officials were not content with a framework that counted increasing public spending on armaments and infrastructure as a policy that seemed to decrease national income and impede economic growth. The economists Milton Gilbert and Richard Stone advocated another framework that would count government expenditure as an addition to national income. During the Second World War, the framework of national accounting was shifted from household purchasing power to national output, when the first gross national product (GNP) statistics were introduced in the United States in 1942. GNP counted government spending as an addition to national income, and thus it provided a beneficial tool to estimate national capacity to produce. Kuznets was sceptical of the purpose of the new indicator in national accounting and pointed out that not all fiscal spending contributed to the economic welfare of the people. During and after the war, however GNP (and later gross domestic product, GDP) were increasingly adopted as the main framework in the measurement of economic growth.[11]

In Finland, Kuznets' national income calculations were not discussed until the end of the Second World War, but there nevertheless emerged new estimates and conceptualizations of national income between the Great Depression and the Winter War. Before the Depression, agricultural production in Europe and the United States had faced a crisis around the mid-1920s, when new exporters of grain from South America, Australia, and New Zealand appeared on global markets. When cheap grain could be transported to European markets with efficient cargo systems, insufficiently organized farmers had to struggle with decreasing domestic market prices.[12] In Finland, the late 1920s were a period of expansion until the end of 1928, when difficulties began to accumulate. The balance of trade had turned negative a year before, but favourable credit conditions had caused the Bank of Finland to allow an expansion in foreign credit and domestic lending. Moreover, the Bank lowered the rate of interest from 7.5 to 6 per cent.[13]

After a bad harvest year of 1928 followed by increased imports of grain, the Bank of Finland tightened domestic lending and raised the rate of interest. The change in monetary policy was followed by a period of downturn, when construction industries faced difficulties due to tightening credit conditions, and sawmills were struggling with profitability and decreasing global market prices. In rural areas, indebted farmers faced both decreasing market prices and increasing credit expenses.[14] The winter of 1929–1930 turned out to be the first serious period of unemployment after independence in 1917.[15] Thus, in Finland, a period of downturn began a year before the Wall Street Crash of 1929.

The civil war of 1918 had resulted in a political situation where the position of the labour unions was weak, and employers had refused to conclude collective labour agreements. Finnish stabilization policy since the 19th century had been based on the idea that the self-equilibrizing mechanisms of the economic system provided the best result at least in the long run, while short-term disturbances were unavoidable and sometimes even desirable, as they purged the economic system of its weak and sick parts. This traditional policy was reinforced during the depression in several instances.[16] The labour market situation provided the opportunity to respond to crisis through adjustment in wages. During the depression, nominal wages in manufacturing fell by 20 and in forestry by 40 per cent.[17] In many immediate contemporary reviews, the crisis policies were described as successful. Consequently, no confrontation with classical liberal policies ensued in the wake of their failure. It is indeed noteworthy that Finnish real GDP fell by only 4 per cent during the depression, although private consumption fell by 17 per cent. In many other countries, the situation was the opposite.[18]

Thus, the Finnish depression policy was built around old conceptions of classical liberalism and agrarian conservatism. Finnish economic elites conceptualized the crisis as a situation where the nation had lived beyond her means and now, she had to pay. Moreover, conservative politicians and board members at the Bank of Finland were extremely cautious about Finland's international reputation and creditworthiness. In the aftermath of the Depression, the President of the United States, Herbert Hoover, presented a moratorium that postponed loan repayments from heavily indebted European nations to the United States. In the summer of 1933, when the US congress rejected the plan to permanently cancel a large share of the debts, most nations decided to cancel repayments. However, Finland as the only nation in the world continued to repay a loan from 1919 that had been used for foodstuffs. This remarkable decision was met with astonishment in the United States, and it has contributed to Finland's reputation as a country that always pays its debts.[19]

Before the depression, there had been initiatives for a reform inside the Statistical Office that would have included more comprehensive estimates of national income. As noted, the political background for the reform lay in the growing interest regarding the (perceived) expansion of the public sector. Moreover, following the (failed) initiative from the League of Nations to build disarmament treaties based on military expenditure in relation to national income, the lack of reliable national income estimates was discussed.[20] When economic downturn seemed imminent, however, the troublesome situation did not result in increased funding for the Statistical Office to examine the situation. Instead, following the pro-cyclical policy doctrines of the period, the government decided to cut the funding of the Statistical Office, and this action forced the office to suspend the planned national income studies.[21]

Despite the decision to cut the Statistical Office funding, the Finnish government commissioned an advisory board to examine the causes and remedies of the downturn that had already begun at the end of 1928. The economic advisory board consisted of a head department and seven individual departments (state and general finance, customs and taxation, agriculture, forestry and timber, industry, commerce and transport, and social policy). In the period 1928–1932 the advisory board consisted of 19 members who participated in the advisory work. Members of the parliament formed the core of the advisory board, but there were also civil servants, representatives of agriculture, banking and industry, and members who represented social democrats and the labour movement. To form a comprehensive picture of the state of the economy, the advisory board requested statements from 45 different organizations. Moreover, the board commissioned 18 individual studies from established economists and other experts.[22]

The young researcher Bruno Suviranta was elected as secretary of the board. In 1923, Suviranta had received a doctorate with his dissertation *The Theory of the Balance of Trade in England*.[23] The dissertation was a study in theory of mercantilism that focused on 16th- and 17th-century economic thought. Suviranta wrote the study in English and sought to establish an analytical theory of balance of trade. Later, Suviranta was one of the key figures in Finnish economic life who focused on Anglo-American connections and intellectual currents. During his career, he held head of department positions in the Bank of Finland and the Ministry of Finance. He was also a board member of several major Finnish corporations. Moreover, he held professorships in economics at Helsinki University of Technology (1937–1944) and at the University of Helsinki (1944–1956). As will be later suggested, Suviranta's intellectual and political position in the 1930s could be described as an abandonment of the classical liberal growth conception while still supporting liberal policies in opposition to both agrarian conservatism and social democracy.[24]

As the secretary of the economic advisory board in 1929, however, Suviranta still seemed to rely on old principles of classical liberalism. The study "The Economic Position" (*Taloudellinen asema*) can be interpreted as a summary of the 45 statements that the advisory board received. According to Jorma Kalela, the study encapsulated two key theoretical frameworks of the period: first, fiscal and monetary policy had no role in providing liquidity or counter-cyclical management. Rather, monetary and fiscal policy had to adjust as a precaution to changes in economic fluctuations. Second, the study had its analytical focus on long-term economic development, a trait that allowed it to ignore short-term imbalances as insignificant disturbances.[25] When the study was published in 1929, Suviranta described the situation as an ordinary economic downturn that was caused by fluctuations in the global markets.[26] From the perspective of this book, it is noteworthy that the study did not employ national income (or product) as a theoretical concept or an empirical estimate. Rather, it examined the situation in agriculture, industry, transport, construction, commerce, capital formation, and finance as disparate sectors of the national economy. At this point, national income had no role in the Finnish government's assessment of business cycles or stabilization policies.

Suviranta's report contained, however, some interesting conceptualizations of economic development. During the 1920s, the prospects and possibilities of increasing national production became more explicitly a topic of debate, and it is possible to trace same ideas from the study. Suviranta conceptualized developments in agriculture as a sub-phenomenon of more general economic expansion, technological progress, and rationalization. It is noteworthy that Suviranta introduced population growth and general improvement in standard of living as engines of development that "forced" different sectors of the economy to raise their production to the same extent in order to avoid supplying the increased demand with foreign imports.[27] It does indeed seem that during the interwar period, standard of living became a topic of unprecedented theoretical and political interest. In later studies, Suviranta emphasized the role of structural change and "an escape from agriculture" as key policies that could provide a new path to prosperity.[28]

National income was utilized in another study commissioned by the economic advisory board. In 1931, the head of the statistics department at the Bank of Finland, A.E. Tudeer, published a book about the Finnish public finance that examined developments in both state income and expenditure. The study was a contribution to the increasing state expenditure that had been a topic of constant interest since independence. In his conclusions, Tudeer pointed out that at the end of 1929, Finland had had a significantly lower government debt per capita level than any country in the comparison. This phenomenon was caused by the fact that countries in Western Europe were significantly richer and had greater national wealth (*kansallisomaisuus*) and could thus afford higher debt rates. Moreover, most European nations could find their credit from domestic markets, while Finland was poor on capital and had to rely on foreign creditors.[29]

Although the government debt was not an immediate cause for concern, Tudeer pointed out that the situation was alarming if one examined state expenditure in relation to national income (*kansallistulo*). In the conclusions of the study, he estimated that in 1928, Finnish state expenditure in relation to national income was 26.5%, a figure that was much higher than in Sweden (12.2%), France (16.2%), Germany (17.0%), or the United Kingdom (23.6%). Consequently, Tudeer made the claim that state finances had expanded in such a manner that they were becoming an intolerable burden on the national economy. It is noteworthy that Tudeer did not specify the method for these estimates.[30]

Later, it has been possible to calculate more precisely the figures Tudeer sought to estimate in 1931. According to later estimates, Finnish state expenditure in relation to GDP was 14 per cent, a significantly lower figure. However, at the time, Tudeer's study provided a desirable piece of evidence that state expenditure needed to be reduced. Based on the preparatory work by the economic advisory board, the state commissioned a board to cut public expenditure. In 1931, the chair of the board, J.K. Paasikivi, cited Tudeer's estimates as a starting point for the work ahead.[31] Tudeer's erroneous national income estimate was also used as evidence of an excessive expansion of the public sector by Risto Ryti, when he argued for a balanced budget at the party meeting of the Progressive Party in 1931.[32]

The ambiguity regarding how national income was conceptualized and used for political purposes can be examined through another article published by Tudeer in *Kansantaloudellinen Aikakauskirja* in 1934.[33] Tudeer stated that he was writing in a situation where it was evident that worst of the depression had been left behind. Again, Tudeer wanted to conceptualize the relationship of national income in relation to state expenditure. Tudeer noted the well-known fact that national income referred to the amount of funds and commodities a nation had each year to cover her needs. National income was a key concept when evaluating the role of the state in economic development. The state was only a part of the national economy and the role of the state depended on more comprehensive economic development. Expansion of public expenditure had to be examined totally differently if the national economy expanded at the same time as it stagnated.[34]

Next, quite surprisingly, Tudeer proceeded to explain that there were no reliable estimates of national income. However, he referred to the final study of the late Professor Ernst Nevanlinna from 1933, where Nevanlinna had estimated the Finnish net state expenditure from the years 1928 to 1930 to account for 15.8% of national income. The estimate was significantly different from Tudeer's estimate from 1931, and Tudeer made no refence to his earlier study. He pointed out, however, that Nevanlinna had also made a comparison to several European countries, suggesting that state expenditure in relation to national income in Finland was higher than anywhere else.[35] Tudeer noted the obvious problems of comparison in such estimates, but it seemed clear that "the state burden" on the national economy was heavier at present than it had been before the First World War. During the depression, there had been no option to curb state expenditure, but now better times had allowed a subsequent expansion. However, Tudeer noted that now, when state income was increasing, it seemed necessary to examine whether the situation would allow tax reductions.[36]

In conclusion, Finland's reaction to the Great Depression was significantly different from that in many European countries or the United States. Finnish economic elites followed a combination of classical liberal conceptualizations of a self-equilibrizing economic system and pro-cyclical monetary and fiscal policies in the management of the crisis. It is also noteworthy that politicians relied on national income as a conceptual tool brought by economic experts to justify policy actions. Although the Finnish government's immediate response to the crisis followed orthodox classical guidelines, in the aftermath of the crisis, conceptualizations of national income began to change in response to the changing global situation.

Some inspiration in this change of thought can be traced to Sweden, where a new generation of economists had risen to challenge the hostile stance to increasing state intervention from economists such as Gustav Cassel and Eli Heckscher. In the immediate aftermath of the First World War, Swedish politicians had decided to return to the gold standard as the first European country in 1924 by repegging the *krona* to gold with a pre-war parity, a process that resulted in a period of deflation, major decline in production and severe, nearly 25 per cent, unemployment. Swedish decision-makers interpreted the crisis as a natural and inevitable result of the upturn and overinvestment that had occurred immediately after the end of the war. It is noteworthy that economists like Knut Wicksell, who was otherwise intimately involved in questions of poverty and income inequality, described restoring the value of money to the 1914 level as such a fundamental goal that it allowed him to disregard the consequent decline in production and employment.[37] The debate bore many similarities to Finland, where economic systems were perhaps conceptualized more intensely through judicial and moral frameworks than rigorous economic analysis.

Although GDP in Sweden grew annually at the rate of 7–8 per cent after the deflationary period of the early 1920s until 1929, unemployment remained on a high 10–12 per cent level.[38] The persistent unemployment problem was a topic of intense research and debate for contemporaries. As noted by Professor Arthur Montgomery in 1935, in Finland the first unemployment report did not come out until 1929, mainly due to a more favourable employment situation in the 1920s.[39] Both nations relied on the classical liberal explanation that perceived high wages as the main cause of unemployment, and in both nations social democrats remained weak and politically divided, as several factions made a revolutionary system change their immediate political objective.[40] Further, in Nordic comparison, Sweden in the 1920s was not conceptualized as a highly developed modern society but rather as a conservative and poor nation with the past of a Great Power. Instead, rich and dynamic Denmark seemed to be leading light in of Nordic development.[41]

At the end of the decade, both scholarly and political attacks were launched against the classical liberal ideas of minimal state intervention. Gunnar Myrdal, Bertil Ohlin, Erik Lindahl, and others, who later became known as the Stockholm School, ventured into examining monetary problems, business cycles, and other economic phenomena from a framework that emphasized disequilibrium analysis and economic planning. They criticized the prevailing classical framework for neglecting market disturbances that required state intervention. In the 1932 general election, the social democrats won a majority in the parliament and moved the line of Swedish economic policy into counter-cyclical stabilization policies. Moreover, a series of welfare reforms was introduced. Although similar ideas had been presented by Keynes and other prominent scholars, Sweden most likely provides an exceptionally strong example of how influential economic ideas and active fiscal policy became in the wake of the Great Depression.[42]

It is also noteworthy that in the 1920s, Professor Gösta Bagge, with financial support from the Rockefeller Foundation, launched an enormous statistical project that involved several researchers of the Stockholm School. The first two parts of the project were focused on the cost of living and wages in Sweden from 1880 until 1930.[43] The final part of the project was a study entitled *National Income in Sweden 1861–1930*, conducted by Erik Lindahl, Einar Dahlgren, and Karin Kock.[44] The project provided a detailed theoretical assessment of national income and at the time covered a longer time span than any national income estimates in the world. The journalist Sigurd Portin of the paper *Hufvudstadsbladet* wrote a review article of the studies involved in the project that was published in the *Ekonomiska Samfundets Tidskrift*. Portin described the project as a magnificent work that utilized "a collective research method" to achieve a study of unforeseen scope and reliability.[45]

Portin began his review by connecting the project to classical questions regarding the nature of the wealth of nations asked by Adam Smith and others. He noted that scholars had used concepts such as national wealth, national income, real income, and standard of living before, but these concepts had lacked a common definition. Recently, "the progress in economics" had made it possible to accurately define and measure different phenomena. Now, it seemed possible to use statistical data to measure to the size of factors that contributed to changes in the wealth of nations. The new project that provided accurate data on the cost of living, wages, and national income created unforeseen opportunities. It seemed likely that employers and labour unions would use the findings of the study in the future in negotiations and wage politics. Portin concluded by stating that Swedish economic research had forged ahead of all other nations. Now, it seemed possible to abandon work hypotheses and auxiliary theories and focus on the preconditions and actual development in "the wealth of nations".[46]

Although Portin's review may have been somewhat exaggerated regarding Swedish uniqueness, it is clear that Finnish statistical research did not have similar resources at its disposal. In addition to information on actual budget cuts from the Statistical Office and other research organizations, historians have emphasized the slow transition from political and scholarly perspectives. In his study of Finnish depression policies in the period 1929–1933, Jorma Kalela has described the Finnish response to the economic crisis as an explicit strengthening of orthodox classical ideas that the immediate contemporary analysis conceptualized as a success.[47] Elsewhere, Jorma Bergholm and Erkki Pihkala have characterized the post-depression interwar period in Finnish economics as a period of stagnation and backwardness that disregarded new foreign macroeconomic ideas and produced hardly any original contributions.[48] Again, it seems reasonable to re-examine this thesis of stagnation and backwardness.

The narrative of stagnation in interwar Finnish economics is connected to examining – according to the traditions of the history of economic thought – the global dissemination of Keynesian-type macroeconomics and national responses to them.[49] Moreover, many works, such as Kalela's study on the depression, have focused on the years of depression while apparently ignoring the rest of the decade before the Winter War. Using another point of analysis instead of Keynesian responses could perhaps diversify the currently prevailing narrative of backwardness. Finnish researchers of the period were aware of new macroeconomic ideas but argued that they were difficult to implement in a small, poor, but developing nation that was dependent on foreign trade. However, when one analyses Finnish economics in the 1930s from the perspective of more ambiguous ideas such as economic growth or development, the narrative of backwardness seems considerably different.

There were certain reconceptualizations of national income, particularly in the context of the economic crisis and subsequent recovery. In the Statistical Office, the Head of Department, Valter Lindberg, published new articles examining both theoretical and empirical aspects of national income. As noted in the previous chapter, in 1926 Lindberg had published a short article estimating the national income of Finland in 1924 using recently reformed income and property tax data. In 1935, Lindberg published a new article in English in the journal *Unitas*, a quarterly review of trade conditions published by the Nordic Union Bank (Nordiska Föreningsbanken). In the article, Lindberg presented the methodology of calculating national income by pointing out three different frameworks for the estimate: the subjective or personal method based on income, the production method based on the net value of production, and the method that was based on the consumption and accumulation of capital.[50]

In theory, it seemed that all three methods should provide equal estimate of national income. Due to gaps in the statistical data, however, it was impossible to arrive at even approximately similar results with different methods. While the situation in income statistics was manageable, production statistics had proved to be a tricky field. Lindberg pointed out the evident difficulties in estimating the value of "a housewife's work in her own household", a type of work of which the importance had been referred to in numerous instances. Lindberg noted that such claims were not unjustified. After examining several reservations in the methodology of national income, Lindberg presented an estimate of the national income of Finland from the years 1929 and 1931. According to the estimate, the national income of Finland had decreased from 16.547 to 14.247 million marks. Lindberg noted that such a result showed "the great influence of the period of crisis on our national income in a striking manner".[51]

The effects of the economic crisis on national income were also analysed in Finnish economic associations. In October 1936, Miriam Ekholm, the first female economist employed by the Bank of Finland, gave a presentation at Ekonomiska Samfundet about the economic recovery. At the start of the presentation, Ekholm noted that she had received financial support from the Rockefeller Foundation, which had enabled her to "widen her perspectives" with the active field of research "the Stockholm School" represented.[52] The presentation was an analytical assessment of the economic crisis and the subsequent recovery. It included a detailed analysis of production and price indices and foreign trade in graphical time series. Ekholm also examined the Bank of Finland's role in the crisis.

In 1936 it seemed evident that the worst was behind. However, Ekholm wanted to go into detail with what had happened and analyse the national situation or "the path to recovery". It is noteworthy that Ekholm used national income (*nationalinkomst*) as the key indicator of economic fluctuations. She relied on Valter Lindberg's estimates from the period 1929–1935. During the previous year, national income had reached the 1929 level of 18 billion marks, when in 1931 the national income had fluctuated between 13 and 14 billion marks. The improved conditions were a result of increased business revenues, decrease in unemployment, and increased profitability in agriculture. It seemed that "the production apparatus" was achieving its full potential, and investment activity exceeded the depreciation of real capital. Ekholm pointed out the improved market conditions in the paper industry and the technical development in agriculture as the key factors in the turn of the business cycle.[53] At the time, Ekholm's presentation was a strikingly novel business cycle analysis that for the first time utilized national income as the key empirical indicator of economic fluctuations.

A year later, the operationalization of national income as a tool of business cycle analysis was systemized further by Valter Lindberg. In the article published in *The Bank of Finland Monthly Bulletin* in February 1937, Lindberg examined the methodology of calculating national income and presented a times series of the national income of Finland from 1928 until 1934. Moreover, Lindberg constructed an estimate of national income for the years 1935 and 1936. He pointed out the range of different statistical estimates and emphasized the need to establish exact definitions on which the investigation was based. Again, national income could be calculated with the personal method, the real method or at the time of consumption and accumulation of capital. Lindberg noted that national income was – naturally – an abstract conception with no concrete basis. Consequently, one had to be cautious with the analysis and not to treat national income as an absolute figure. At times, especially with home trade, the estimates were based on "pure guesswork".[54]

It seems that Lindberg's studies and Ekholm's presentation were a turning point in the context of national income and business cycles. In 1934, A.E. Tudeer gave a presentation at the Kansantaloudellinen Yhdistys examining the state of the economy. To examine the crisis and recovery, Tudeer did not use estimates of national income. Instead, he referred to the Unitas index that measured the value of industrial production but excluded other sectors of the economy.[55] This observation is worthy of note particularly because Tudeer was certainly aware of the concept of national income as he used it in other instances to examine the relative size of the public sector.[56] After 1935, however, the national income was increasingly incorporated into business cycle analysis. In April 1937, Odal Stadius, who had just completed a doctoral dissertation on business cycles, gave a presentation at the Ekonomiska Samfundet. At the start of the presentation, Stadius referred to Ekholm's earlier presentation carried out to conduct an analysis of economic conditions that involved, e.g., the Unitas index, harvest results and foreign trade, but also empirical estimates of national income that were based on Lindberg's calculations.[57]

In conclusion, several new theoretical and empirical conceptualizations of national income emerged in the aftermath of the 1930s depression. Although no Keynesian-type turn occurred in counter-cyclical stabilization policies, national accounts were clearly conceptualized for the first time as a key tool in economic planning. However, perhaps due to a lack of funding, Finnish statisticians or economists did not conduct a grand national income project similar to that published in Sweden in 1936. It is also noteworthy that Laura Harmaja's estimates regarding the value of unpaid household work were not developed further in later national income estimates. As a conclusion, even before the Second World War, Finnish conceptualizations of national income and economic fluctuations had come a long way since the 19th century, when economic experts might have examined economic upswings as an increase in exports of butter.

Studies in Economic Progress and Standard of Living

The new ideas presented by the Stockholm School and Keynes are often associated with the emergence of macroeconomic theory and policy, new economic tools that could be used to analyse interrelated monetary flows within the economic system. Consequently, studies examining the emergence of the economic growth paradigm have often emphasized developments in national accounting and macroeconomic management as key turning points that enabled the explicit empirical measurement of annual flows of national income or product, or economic growth. These new tools provided governments with a basis for economic planning and a novel single indicator to observe how national economies were performing. At this point, however, it seems necessary to examine the difference between macroeconomic planning and theories of growth.

It is evident that some theories and explicit conceptualizations of economic growth began to emerge in certain key texts in economics published in the 1930s. In many cases, these new theories of growth emerged as a by-product of studies written to address other problems such as unemployment, balance of trade and business cycles. At the time, there were still practically no attempts at all to approach a theory of economic growth as such.[58] The English edition of Joseph Schumpeter's *The Theory of Economic Development* was published in 1934. The study conceptualized development particularly as a qualitative theory of innovation and entrepreneurship. Although the study did not address quantitative aspects of growth, it is noteworthy that the English edition referred to the concept of "economic growth" in the context of economic fluctuations. To Schumpeter, economic growth was an integral part of business cycles and economic development.[59]

The emergence of the Keynesian macroeconomic framework and the related idea that the state can and should intervene to resolve market disturbances quite obviously made economic planning a more plausible field than it had been so far. However, it is noteworthy that Keynes is rarely associated with presenting a theory of growth or long-term development. Although in 1930 Keynes published the utopian essay *Economic Possibilities for Our Grandchildren*, a text that predicted a world of abundance in 2030, between the Great Depression and the Second World War, Keynes has been described as surprisingly pessimistic about the prospects of future growth. Adam Tooze has suggested that *The General Theory* was written to show how governments could recover from deflationary depressions, but it was not a formula for long-term growth. At the time, several economists in the United States who otherwise drew on Keynes's work shared the prognosis that economic growth could not be taken for granted. The prospects of a return to the path of pre-1914 progress were also contemplated by leaders in Nazi Germany, who rejected the optimistic vision of growth and perceived the global order through competition and rivalry in a world that seemed to be in the state of stagnation.[60]

Nevertheless, the most famous theories of economic growth of the 1930s have often been associated with the works of the English economist Roy Harrod. Building on a Keynesian framework of the interrelatedness of savings, capital and income, Harrod published the book *The Trade Cycle* (1936) and “An Essay in Dynamic Theory” (1939) in *The Economic Journal,* formulating an idea that later became known as the Harrod–Domar model or an exogenous theory of growth. Instead of a static equilibrium, Harrod’s theory of growth was a dynamic one, as it examined the long-term path of economic expansion. The theory examined the effects of labour and capital on potential output. As the theory was written to manage business cycles, it examined the level of investment required to achieve economic expansion and to avoid unemployment.[61] Harrod’s book from 1936 was also reviewed in *Kansantaloudellinen Aikakauskirja* as an extension of Keynes’s work, but it was not considered particularly original.[62]

Between the Depression and the Second World War, theories of growth and development were also formulated by scholars who are not mentioned in Anglo-American histories of growth theories. Although in contemporary accounts Finland did not suffer a similar long-term depression as some other countries, business cycles became a topic of continuous interest. Besides the Economic Advisory Board, the characteristics of economic fluctuation were examined by independent scholars. It seems that some theories of long-term development emerged also in Finland as a by-product of these business cycle initiatives. Moreover, there emerged attempts to theoretically define standard of living as a key concept to use in further economic research.

In 1932, Professor Oskar Kaaleb Kilpi published an article about business cycles in Finland before and after the world war in *Kansantaloudellinen Aikakauskirja* with a particular emphasis on how economic fluctuations moved from one country to another.[63] In 1935, he published another article about the nature and causes of business cycles, where he sought to construct a more general business cycle theory. These articles had their theoretical background to a large extent in empirical social sciences. Moreover, Kilpi made references to well-known interwar business cycle theorists such as Ernst Wagemann and Wesley Mitchell.[64]

Although an exhaustive examination of Kilpi’s business cycle theory would require a study of its own, it is worth pointing out certain key points. Kilpi examined business cycles primarily in the context of industrial capitalism. He pointed out that there were both long-term “high tides” and “low tides” that were affected by technological development and developments in fixed capital such as industrial plants. On the other hand, short-term fluctuations could be examined through changes in “solvent demand” such as credit and deposits.[65] In order to understand the nature of these cycles, Kilpi constructed diagrams of long-term development in the rate of interest, banknotes, deposits, industrial production, labour wages, and imports. It is noteworthy that Kilpi utilized the rate of change in percentages instead of absolute figures as he pointed out that the rate of change could provide more insights into the analysis. Business cycles seemed to be a large extent an international phenomenon of similar economic systems. Kilpi pointed out that domestic causes, such as harvests, did not carry the same weight, although the year 1928 might have been an exception in the case of Finland.[66]

The most intriguing aspect of Kilpi's analysis in the context of this study emerged from his desire to combine the analysis of business cycles with long-term economic development. He pointed out that in addition to the analysis of long- and short-term fluctuations, it was possible to estimate the direction and rate of long-term economic development. To conduct the estimate, one had to construct "the average annual growth percentage" (*keskimääräinen vuotuinen kasvuprosentti*) or, in other words, "the general economic percentage of progress" (*yleinen taloudellinen edistysprosentti*). Kilpi stated that the effects of these long-term percentages naturally had to be estimated with a formula of compound interest. The percentage was constructed out of growth in population, agriculture and industrial production, transport and trade. In Europe, America, and Australia, the economy had "progressed" at an annual rate of some 4 per cent from 1850 until 1906. This rate of progress seemed notable as it meant that production doubled once in every 18 years.[67]

Making similar estimates in the context of Finland seemed more difficult due to a lack of appropriate data. Kilpi still constructed, however, "average annual growth percentages" of the Finnish population, agricultural production, industrial production, foreign trade, and tonnage in the merchant fleet for the periods of 1887–1912 and 1922–1928. The estimate did not provide one single figure of the percentage of growth but individual rates of change for the various sectors. Kilpi paid attention to the high percentage of growth in industrial production during the later period (9.1% compared to the earlier 7.4%) at the time of what he called a global downturn. Kilpi also compared the rate of change in different sectors of the economy. In Finland, industry, transport, and trade seemed to form the expanding part of the economy at the expense of agriculture and other sectors. This process resulted in a structural change in the economy and structure of an industrial nation.[68] Kilpi had changed his prognosis from the year 1915, when he had examined the prospects of Finnish industrial development with pessimism.[69]

The aforementioned articles were preliminary results and chapters of a book Kilpi was finishing in May 1937, when he died unexpectedly. The book that was expected to be a monumental – perhaps the general theory of Finnish economics – was never published.[70] At least in terms of the conceptualization of long-term economic development, Kilpi's articles provide a picture that can be argued to resemble economic growth. Instead of absolute figures, Kilpi introduced the rate of growth as the key concept in economic development. Kilpi's "general percentage of progress" was also picked up by the major newspapers *Helsingin Sanomat*, *Kauppalehti*, and *Uusi Suomi* from a presentation Kilpi gave in Helsinki in April 1932.[71] Moreover, Kilpi examined the role of industrial growth in the context of structural change. Kilpi examined developments in an optimistic light that perceived industrial development as progress. This conceptualization was preconditioned by the observation that Finland did seem wealthier than in the past. As will be discussed later, this perception of past economic progress gave rise to an intense debate regarding the prospects for future progress or growth.

Before moving on to these debates of industrial progress, it seems worth examining other theoretical frameworks that emerged in the 1930s. In 1935, Hugo Pipping, who one year earlier had been appointed as professor in economics at the Svenska Handelhögskolan, published a book entitled “Need and the Standard of Living” (*Behov och levnadsstandard*).[72] The book was also the first book in a research series of the Ekonomiska Samfundet i Finland launched in an attempt to bridge the gap in Finnish literature on economic theory. Like many scholars of the period, Pipping was also an active politician who served as a board member of the Swedish People’s Party during 1929–1944 and as the editor of the *Ekonomiska Samfundets Tidskrift* from 1948 until 1966. The study was an ambitious theoretical attempt to combine the fields of economics and sociology and to establish the standard of living as the key concept in the theory of economics. In 1953, the book was translated into English and received positive reviews in journals such as *The Economic Journal*, *Revue économique*, *The American Economic Review*, and *Weltwirtschaftliches Archiv*.[73]

Pipping’s study departed from a review and criticism of both subjective value theory and the objective theory of needs (*tarveoppi/behovsläran*) as frameworks that guided economics to analyse how needs could be maximally satisfied. The first chapters examined individual utility through theories of utilitarianism and “psychological hedonism”. Pipping pointed out that it was impossible to find measurable and comparable frameworks of individual utility, and consequently, the law of diminishing utility did not seem the correct framework for maximising societal needs. Although individual needs were significant, it seemed more reasonable to base economic theory on the standard of living, a concept that enabled both measurement and comparison. It is noteworthy that Pipping’s concept of standard of living included not only wages and consumption but also family incomes, working conditions and leisure and savings. Different standards of living could be classified into different groups and thus it was possible to address changes in the standard of living on a societal level. Ultimately, Pipping wanted to transform the object of study in economics from the satisfaction of individual wants and needs to improvements in the standard of living.[74]

Pipping’s attempt to redefine the object of study in economics was a part of a larger Finnish movement that emerged in the aftermath of the Great Depression. During the 1930s, a new generation of Finnish economists began to criticize the conservatism of the Kansantaloudellinen Yhdistys for largely ignoring the new theoretical influences that had emerged in Sweden, Britain, and elsewhere. As a result, in 1936 a group of young scholars founded another bilingual economic association Taloustieteellinen Kerho (The Economic Club) that later in 1957 changed its name to Taloustieteellinen Seura (The Economic Society).[75] The Club sought to promote new analytical and macroeconomic currents in economics and to establish Nordic connections. The young economist Mikko Tamminen (1913–1965) was one of the key figures in the establishment of the new association. After receiving a doctorate in 1945, he worked at Cambridge and Harvard on a Rockefeller Stipend. In 1950, he was appointed professor in economics at the Helsinki School of Economics.[76]

In the 1930s, Tamminen was particularly interested in problems of fiscal theory. In 1938, he published an article about budget balance in fiscal theory, where he examined the recent criticism of static frameworks in state finance. The article contained references to various schools of thought such as Adolph Wagner, A.C. Pigou, and Gunnar Myrdal. Tamminen pointed out that the older frameworks in state finance had to a large extent ignored "the dynamic nature of societal economic life".[77] The problems that existed in theories developed before the First World War were apparent in several fields.

First, the role of economic fluctuations in public economics was not emphasized enough because economic fluctuations were milder, and the relative role of the public economy was smaller than at present. Second, liberal ideas had a strong effect on perceptions regarding the role of the state in economic life. Third, economic theory did not examine economic fluctuations in a correct manner. Instead of conceptualizing fluctuations as a regular wave movement of "boom and bust", economic theory examined crises as disturbances in general balance of the economic system. Fourth, fiscal theory was heavily influenced by cameralism and focused on state revenues instead of examining more comprehensive economic effects of taxation.

After the First World War, economic fluctuation had become more extreme than before, and the relative significance of the public economy had grown. Tamminen criticized the static fiscal theory that aimed for a budget balance on an annual basis for a view of the budget that did not correspond with reality. Present and future were inextricably interrelated, and it seemed futile to assess a time period for the utility state expenditure created. For instance, public spending on education and youth work contributed to society's future real income more than the state had to pay for funding the expenses with debt.[78] Moreover, old frameworks that only allowed the state to take out loans for purposes that resulted in tangible revenue-generating assets erroneously juxtaposed the public economy with private households. While it was simple to measure private property by deducting debts from assets, the public economy functioned on different principles. The solvency of the public economy was dependent on citizens' capacity to pay taxes, which was a result of production and income formation.[79]

To conclude, Tamminen evidently constructed a theoretical framework for state fiscal policy that was fundamentally different from 19th-century classical liberal principles. While in the days of the Grand Duchy, state finances had been built on a system of separate funds that aimed for an annual balance or even surplus, now it seemed evident that the fiscal system was more complex in space and time than previous theorists had claimed. Tamminen's idea that it was a sign of a strong state to have citizens who were capable of paying taxes clearly provided a starting point for policies that promoted education, health care, and other forms of public spending. In this new framework, the strength of a nation rested on its tax-paying citizens.

Although Tamminen's article was published in the prestigious *Kansantaloudellinen Aikakauskirja*, writings of a young 25-year-old student evidently do not convey a full picture of economic thought at the time. The generation gap is evident when one examines the inaugural lecture of Professor – and the successor of Professor Kilpi – O.W. Louhivuori (1884–1953) delivered at the Helsinki School of Economics in November 1938.[80] The presentation that examined the role of economic research was given by a more conservative scholar who had also served as a member of parliament for the Coalition Party and as the CEO of the life insurance company Salama.

The presentation discussed two major topics of the period that are already familiar. First, Louhivuori wanted to examine the nature of economics and economic activity. Second, he discussed the future of economic liberalism in a situation in which politics seemed to be replacing science in several ways. After presenting perspectives from scholars like Nevanlinna, who had claimed that the individual is the atomistic building block of society, and the Austrian Professor Othmar Spann, who represented more holistic and collective views, Louhivuori wanted to find a middle ground.[81] He conceptualized the World War as a turning point that had fundamentally altered both society and individuals. The rationalization that replaced liberalism did not affect only economic structures; it had also transformed the human mentality. Now, there seemed to be a sense of collective belonging and cohesion among individuals that had not existed before the war. Consequently, Louhivuori claimed the data economics analysed was different from what it had been at the birth of the discipline.[82]

As a result, economics had moved to a period where its object of study was the human as a social being. The concept of *homo economicus* had turned into *homo politicus*.[83] Now, it seemed difficult to make a distinction between science and politics. There were many requests from the public for an economist to give opinions on various topics, but it was not clear where to draw a line. However, if a researcher fell into being an advocate of interest groups, there existed a danger of jeopardizing the field of science in question. One could present opinions as an individual, but not a researcher. And as an individual, the economist lacked the temporal perspective of the historian.[84]

Nevertheless, even Louhivuori presented ideas that would have been strange if they had been presented by a scholar during the era of the Grand Duchy. Following the recent research by A.C. Pigou and Alfred Amonn, Louhivuori stated that it might be possible to find common ground in that the objective of a national economy was to create welfare, and particularly economic welfare for *all* its citizens. Louhivuori pointed out that the question did not revolve only around the quantity of the national product (*kansallistuote*) but its equal distribution.[85] In this framework, Louhivuori also pointed out that an economist could not and should not give advice on whether societies should move towards socialism or liberalism. An economist could examine whether a certain level of state-ownership of means of production would result in an increase or a decrease in production. But, if required to support a claim where a decrease in production when divided evenly across society was a desirable goal, an economist should refuse, because the question revolved around the happiness of humankind and thus fell within the field of philosophy and ethics.[86]

Louhivuori's presentation evidently followed more traditional lines that had been heard numerous times in the circles of the Kansantaloudellinen Yhdistys. However, it is noteworthy that Louhivuori explicitly referred to national product, a concept that was rare at the time. Moreover, the emphasis on income distribution and the welfare of all citizens was not perhaps a completely new idea, but Louhivuori's conceptualization of national welfare together with national product seems to be an intellectual departure from the previous ethical aspects in economic research. While conservative thinkers of the past emphasized managing both tangible and intangible aspects of national wealth and promoting societal stability, Louhivuori was evidently more interested in the problems of economic welfare and national production.

To conclude, there emerged no Keynesian-type revolution in the counter-cyclical management of economic fluctuations, but Finnish economic thinkers nevertheless formulated new theoretical conceptualizations of growth, standard of living, and economic welfare. This observation leads one to ask whether economic research was still essentially ethical and historical or if a new discipline of economics was emerging. The answer may be yes and no. Most of the economic research analysed seemed to be primarily empirical analysis based on a holistic perception of society. However, new conceptualizations of progress as a rate of change, theoretical contributions to the standard of living, analysis of the public economy from a dynamic perspective, and examining the concepts of welfare economics and national production clearly do not paint a picture of stagnation and backwardness.

Histories and Futures of Prosperity

Several perspectives have been evinced on the economic effects of the Great Depression in Finland. Although later studies have indicated that the crisis was severe in urban areas,[87] the depression policies were initially perceived as successful.[88] Consequently, the depression did not result in a radical revaluation of economic policies. However, the most profound effects of the depression were perceived by contemporaries as perhaps an irreversible collapse of the global economic order. Most nations responded to the crisis with protectionism, autarchy, and with another departure from the gold standard. To contemporaries, it seemed as if a system of world trade that was based on the limited role of the state, the self-equilibrium of market mechanisms and independent central banks that guarded monetary stability was leading to the collapse of capitalism.[89] The collapse of the classical liberal growth conception created an ideological vacuum, where alternative ideas could provide a solution to the crisis.

In Britain, Finland's most important trade partner, the Great Depression resulted in an economic crisis that forced the Bank of England to abandon the gold standard again on 21 September 1931. On 27 September, the governors of the Nordic central banks held a meeting in Stockholm. As a result, all the Nordic countries except Finland decided to leave the gold standard.[90] After the meeting, on 29 September, the governor of the Bank of Finland, Risto Ryti, gave a presentation about the situation to the Kansantaloudellinen Yhdistys. As has been already discussed, Finland responded to the crisis with orthodox classical policies that at the same time protected agricultural industries and the settlement of new independent farms. These policies were committed to safeguarding the stability of the *markka*. In the presentation, Ryti introduced a theoretical review regarding principles of the gold standard and analysed the ongoing crisis.[91]

Ryti continued with arguments similar to those he had already put forward in 1925. He acknowledged the problems associated with the international gold standard but claimed that it was still the best system that had been proposed so far. No other system had been able to provide such stability to monetary conditions, international trade, and economic life in general. Ryti analysed the ongoing situation as a "temporary disturbance" that would soon return to normal.[92] Although Ryti had ideologically committed to defend the gold standard and stability of the *markka*, the situation at the Bank of Finland became dire with falling currency reserves. For a small nation, it seemed increasingly unrealistic to operate in a different monetary system than her neighbours and main trade partners. On 12 October, Finland had to follow suit and cease converting its notes to gold. At the time, the procedure was described as "temporary", but the gold standard was never reintroduced.[93] After the devaluation that followed, the *markka* had lost 15 per cent of its value against the pound sterling. The devalued currency contributed to an export boom and the subsequent quick recovery that was recognized in contemporary accounts.[94]

The departure from a system associated for decades with economic stability brought future predictions of national development to uncharted territory. While certain economic thinkers such as Gustav Cassel and Risto Ryti were expecting – or at least hoping – for a return to an era of limited state intervention, developments in Italy, Germany, and the Soviet Union provided powerful examples of other economic systems. In some countries, social democracy emerged as a political programme that abandoned revolutionary Marxism and sought to establish socialism by parliamentary means. Moreover, bourgeois-minded liberals, such as John Maynard Keynes and Bertil Ohlin, wanted to save the capitalist system at least in some form and argued for state intervention to remedy failures and disturbances brought by unregulated market forces. Socialism was not a desirable path, but there was certainly no return to principles of old laissez-faire capitalism. In this ideological vacuum brought about by the second – and this time – irreversible collapse of the global order of classical liberalism, many new formulations of growth and development were conceptualized. Again, a comparison of economic systems was an important trigger in the emergence of new growth conceptions.

In December 1931, Bruno Suviranta examined the situation at the Kansantaloudellinen Yhdistys. Suviranta conceptualized the world economy as a system that had emerged between the year 1850 and the First World War, when the volume of trade had risen tremendously with novel technical and economic achievements, free movement of labour and capital, and liberal policies. The First World War ended liberal trade policies but did not stop the more profound expansionary forces in international trade. However, a new situation had emerged when war reparations, other forms of debt and restrictions the on movement of goods and labour had remained, while restrictions on money and capital movements had remained modest. The situation had been followed by economic imbalances and, in the end, the collapse of the whole systemic balance in the year 1929. To Suviranta, Britain's decision to abandon the gold standard had demonstrated the significance of the gold standard system as the backbone in the growth of the organism that was the world economy. Now, the whole world economy seemed to be in state of collapse.[95]

Next, Suviranta examined, how the present global system seemed to be moving from liberal policies to protectionism and autarchy. This new economic system had been taken in its utmost extreme in Russia, but the Russian example had been followed in countries such as Germany, the United States, Australia, and South America.[96] It seemed relevant to state that besides the world economic system, the capitalist system had collapsed and been replaced by state socialism or state communism. To Suviranta, the situation was undesirable, as it represented a transformation to a lower form of economic system with inferior productivity. Moreover, the economic consequences of such autarchic development were borne by people in the lower strata of society, whose standard of living could only improve in tandem with productivity. On an international scale, Finland, a small nation with diverse natural riches and with a dependence on the foreign markets, seemed to be in the worst position to face the new situation. However, Suviranta predicted that there would be a change in another direction with the next upturn, when the "pendulum of history" would swing once more. Most likely there would not be a return to the global system of the 19th century. Rather, economic co-operation would be constructed around smaller systems, such as the Pan-European one. Finland had to be an active partner in constructing such development, as economic integration was a precondition for her economic prosperity.[97]

The direction of the global economic order was also conceptualized by the statistician and editor of *Kansantaloudellinen Aikakauskirja* A.E. Tudeer in February 1934. The presentation examined the state of the economy from the perspective of both short-term fluctuations and long-term developments. As noted earlier in this chapter, Tudeer examined the "period of recovery" with the help, for instance, of the industrial production index Unitas. However, he also delved into more structural issues. Like Suviranta, Tudeer pointed out that the present economy of Finland was dependent on global business cycles. The observation that the world economy was approaching a state of autarchy seemed extremely worrying. Tudeer pointed out that the 19th-century expansion of trade that was based on an international division of labour had been the key source of "growth in the wealth and welfare of nations" (*kansojen varallisuuden ja hyvinvoinnin kasvu*).[98] Total victory over the depression seemed unlikely until international trade recovered. Moreover, the situation in the international monetary system, when some nations still belonged to the gold standard when other had adopted a paper currency, was uncertain. Domestic struggles and the international arms race were further causes for concern. There seemed to be no immediate prospect of a return to healthy economic life.[99]

The state and future of the economic system was also analysed in the Ekonomiska Samfundet. In April 1935, Professor Hugo Pipping gave a presentation about "the gold standard problem" at the Society. Pipping began by pointing out how comparing economic development (*ekonomisk utveckling*) between nations in the gold standard and nations with paper currency had emerged as an interesting field of research. He described how there was not a single type of gold standard or a single type of managed currency. The key issue was how different monetary principles were applied in practice. When one delved further into the monetary conditions of the past, the pre-war gold standard had often not been the independent automatic system it was depicted to be in theory. Furthermore, many of the new managed paper currencies had their value in one way or another pegged to gold.[100]

It seemed clear that restoring the gold standard system in the aftermath of the World War had not cured the imbalances in the global economy. After the Great Depression, several monetary explanations had emerged to account for the situation. Pipping focused particularly on the Anglo-American accounts by, for instance, R.G. Hawtrey and Irving Fisher, and on the Swedish theorists David Davidson, Knut Wicksell, and Gustav Cassel. Moreover, he examined the classical issue of whether global gold production would be sufficient to cover the needs of economic development in the gold standard. Here, Pipping referred to Cassel's general annual progress of 3 per cent, which the gold production should follow.[101] Some calculations were more optimistic than others, and global distribution of gold was another issue. In general, national policies of devaluation, deflation, and protectionism had brought about tremendous challenges in rebuilding a functioning international monetary system. Again, the future seemed uncertain. Several people had asked whether gold was needed after all. However, Pipping wanted to conclude by stating his belief in the view that gold still had a place in the monetary system.[102]

Indeed, during the 1930s, several Finnish economists were either expecting or hoping that the gold standard would return after the stabilization of the global economic system. In October 1936, Paavo Korpisaari, a researcher who was also a member of the National Coalition Party and officer of the wholesale traders' association in Finland, gave a presentation at the Kansantaloudellinen Yhdistys. Like Pipping, Korpisaari noted the myriad of proposals that emerged for a future monetary system. While some proposals had been presented by respectable individuals such as Cassel, Keynes, and Fisher, other ideas for reform seemed to be implausible or utopian either on scientific or political grounds. Korpisaari pointed out that reviewing these proposals was perhaps easier for a Finnish scientist than some other nationalities, because there was no independent Finnish monetary theory, and thus, one had no fear of debunking older theories.[103]

Although Korpisaari examined also other monetary theories, he was a firm believer of the gold standard system. He pointed out Finnish crisis policies as a successful application of orthodox monetary theory that had left Finland prepared for a return to the gold standard. However, other countries had not adopted similar policies. Korpisaari confessed that he was worried by the proposals presented by respected economists. He found it difficult to comprehend how world-famous scholars who no doubt had bourgeois worldviews spent their time advocating monetary policies that would, when realised, result in overturning the capitalist system. At the same time, reformers sympathetic to communism were proposing reforms that would abolish money altogether.[104] The world seemed to be full of unrest and political chaos. Korpisaari hoped, however, that there would be a prestigious international conference, like that in Genoa in 1922, where there would be an international agreement on the actions that would precede a return to the gold standard. Finland had already done her part. Now others were expected to follow.[105]

There were several possible futures for the national economic and global order that were presented after the Great Depression. The emergence of the Soviet Union provided a feasible communist alternative to capitalist order. While capitalist nations were suffering from the possibly never-ending depression, the communists used the faster economic growth provided by communist economic system as a key justification for political change. Finland is not the ideal case for studying interwar communist growth. However, it has been suggested elsewhere that decision-makers in the Soviet Union were *planning* to achieve economic growth at least since the first five-year plan.[106] Again, the Finnish word for economic growth (*taloudellinen kasvu*) was most explicitly and analytically used in communist publications in the Karelian Autonomous Soviet Socialist Republic. The problems and prospects of economic growth were discussed particularly in newspapers like *Kommunisti*, *Neuvosto-Karjala* and *Punainen Karjala*.[107]

The newspapers published reports about Soviet conferences and the speeches of major communist theorists. In August 1931, the newspaper *Kommunisti* published a report from the summer plenary session of the communist party. The plenary session had discussed the "development problems" socialism faced and the challenges the communist party had to tackle to achieve the main objective of socialism: achieving and bypassing the most developed capitalist nations in technological-economic development in the next ten years. Reaching the objective depended on national "real growth" (*todellinen kasvu*). The growth of the Soviet Union was closely connected to a larger struggle, but socialist efforts had created a system that had allowed the party to solve complex tasks. For instance, "the enormous growth of the national economy" (*kansantalouden valtava kasvu*) had necessitated the construction of 18 large and 40 small to medium mines in the Donbass region. The issue also presented a new theory from Leon Trotsky and referred to Trosky's claim that capitalism had never been able boast of such "progress in economic growth" (*taloudellisen kasvun edistymistä*) that was at present unfolding in the Soviet Union.[108]

At least to some extent, there emerged a communist conception of growth among Finnish communists in exile. In this context, there were initiatives to dismantle the capitalist system using economic growth as one of the key tools to achieve the objective. Finnish economic associations had been somewhat more sympathetic to socialist ideas during the era of the Grand Duchy, but after the Civil War, the general attitude towards socialism became hostile. During the interwar period, it is difficult to find advocates for communism from among Finnish economic associations, but the Soviet experience of a planned economy was nevertheless sometimes discussed.[109] Besides the divisive Civil War, rejecting attitudes to socialist planning could also stem from the fact that in Finland the depression did not trigger a similar mood regarding the potential collapse of capitalism as it did in some other countries. Instead, there was a general tendency to describe the 1930s as a period of wealth.

In an Anglo-American context, the crisis of capitalism has usually been associated with the so-called secular stagnation thesis. In the wake of Franklin D.

Roosevelt's New Deal policies of 1933–1934, the US economy showed signs of recovery, although unemployment remained at a high level. In 1937, the economy took another downturn, however, which caused economists to examine whether there had been a more comprehensive systemic change in economic development. In December 1938 the researcher Alvin Hansen gave a famous Presidential address speech at the Annual Meeting of the American Economic Association in Detroit, where he claimed that the ongoing downturn was not caused by normal business cycles, but the economy itself was going through a structural change, where further economic progress seemed more challenging to achieve than before.[110]

Hansen conceptualized the 19th century as "the great age of growth and expansion" that seemed to be transforming into a period of "secular stagnation".[111] He characterized the constituent elements of "economic progress" as (1) inventions, (2) discovery and the development of new territory and resources, and (3) population growth.[112] While earlier economic thought had to some extent examined the effects of economic progress on fluctuations in employment, output, and income, now the maintenance of full employment of productive resources had emerged as the key problem. And full employment of productive resources was a function of investment activity. In 1938, it seemed, however, that both population growth and the discovery of new territory and resources had stagnated, cutting off possibilities to absorb investments. The only real chances for future progress lay in technological development and new inventions, but one could likewise not take for granted that inventions would emerge on a similar scale, for instance, to the railways of the 19th century. At present, full employment seemed particularly difficult to achieve with democracy and free enterprise. Hansen was cautious regarding the prospects for further progress. In any case, the situation posed a great scientific challenge to economic research.[113]

Perhaps a suitable conclusion to the address would be that during the 19th-century progress could be taken for granted, but during the 1930s, it had to be scientifically problematized and politically planned. However, secular stagnation and pessimistic views on economic growth do not paint an adequate picture of European economic interwar perceptions outside the Anglo-American context. At least in the case of Finland, contemporary perspectives on economic progress were notably different. In addition to different immediate diagnoses of the depression and its remedies, the Finnish conception of economic progress can perhaps be attributed to the different structure of the economic system. During the interwar period, Finnish economic thinkers did not conceptualize the economy as being even near to a state of maturity. Instead, new territories and resources were constantly taken into use, and Finland was still conceptualized as a nation that was in an earlier stage of development that of her richer European neighbours.

In September 1933, the Minister of Foreign Affairs, Carl Enckell, wrote an article in English that was published in the business-oriented newspaper *Kauppalehti*. The article was a long and thorough review of different sectors of the Finnish economy. Enckell conceptualized the independence of 1917 as a turning point that after decades of Russian negligence had allowed the country to undergo social and economic reform and to "organize production in all fields". After the period of famine and inflation during the immediate post-war years, it seemed like there country had experienced significant progress. Enckell described the situation in a manner that was significantly different from the pessimistic Anglo-American accounts of the early 1930s:

> One can, however, note with satisfaction that Finland, like the other Northern Countries, during the period after the war has gone through a time of economic growth, and it is without doubt very interesting to take cognisance of how the conjunctures of the period after the war have been utilized, how the Finnish people inspired by the endeavour to consolidate the political and economical [sic] independence of the country have by hard work succeeded in this and are now ready to enter upon the period which opens after the trough economic depression – as one dares to hope – has passed.[114]

This somewhat incoherent use of English together with the conceptualization of "economic growth" can most likely be explained by the fact that Swedish-speaking Enckell did not write in his native language. In this case, the concept was more likely used in a colloquial rather than in a theoretical manner. It is nevertheless evident that there existed no trace of a secular stagnation or general pessimism regarding future progress. Despite this spirit of optimism, Enckell pointed out national challenges that had been presented since the era of the Grand Duchy. Tough climatic conditions had left Finland at a disadvantage compared to other countries and the nation remained poor. However, through the extraordinary industry of the population the standard of living had risen to a level that could hopefully also be maintained in the future. Enckell pointed out export industries and the price of export articles in particular as the driver that ultimately determined the standard of living of the country. Although the starting point was less favourable than for the southern nations, the people had a will to achieve "material and cultural progress". Enckell concluded with the statement that the inhabitants of the North "believed in their future".[115]

During the interwar period, the historical development of the Finnish economy was examined further in several projects. One of them had its origin on the larger initiative of the Carnegie Endowment for International Peace, an American institute that in 1914 had launched a research programme focused on the social and economic effects of the World War. The editorial board for the Scandinavian countries was chaired by the Danish Professor Harald Westergaard of the University of Copenhagen. Originally, Westergaard had wanted to include Finland in the research programme and recruited the statistician G.R. Snellman to conduct the study. Snellman started the project but decided to take another job, and the work was never finished. In 1920, Westergaard sought to find a replacement but did not find a suitable candidate, and later the Carnegie Endowment was reluctant to fund the case of Finland. There were also attempts to start the project on solely Finnish resources, but due to lack of skilled professionals the situation was difficult.[116]

The situation changed in 1924, when J.K. Paasikivi gave a presentation at the Kansantaloudellinen Yhdistys that examined the economic position of Finland.[117]

The presentation raised the important the question of whether Finland had become richer or poorer. The presentation was followed by a lively discussion and led to an initiative from the insurance tycoon and politician of the liberal National Progressive Party W.A. Lavonius to launch a research programme that would examine the historical development and the effects of the war on Finnish economic and social life. Lavonius himself gave presentations on the issue to the Kansantaloudellinen Yhdistys,[118] and the economist Paavo Korpisaari published extensive studies on Finnish monetary conditions and the *markka*.[119] However, the most extensive work on the issue was conducted by Professor Leo Harmaja, who gave several presentations about the effects of the war.[120] In 1933, Harmaja published the study *Effects of the War on Economic and Social Life in Finland* in the Carnegie series.[121] A more extensive version of the study was published in Finnish a few months after the end of the Winter War.[122]

Harmaja's project followed some of most of the established traditions of the older generation of Finnish researchers. The studies began with a short introduction followed by an analysis of geography and population. The next chapters were divided into analyses of different sectors of the economy, money and finance, commerce policy, public finance, labour conditions, consumption, housing, and national wealth (*kansallisvarallisuus*). Individual chapters presented statistical data regarding developments inside the sector without an explicit economic theory. All the chapters in the extended edition included a subchapter with a comparison of the sector to other Nordic countries. Harmaja's analysis of national wealth was based on earlier studies by Autere (private wealth), Jutila (agricultural wealth), Tudeer (national wealth and foreign debt), and Kovero (an unpublished estimate of national wealth).[123] He did not refer to studies that had examined national income or product. This finding suggests that although empirical estimates of national income had emerged in the analysis of business cycles and the public sector, the concept was deemed unsuitable to a more comprehensive analysis of the national economy.

Although Harmaja's studies were filled with descriptive empiricism, they nevertheless present a curious narrative regarding the nature of Finnish economic development. Harmaja pointed out the extensive economic and social damage caused by the World War and the Civil War or "the rebellion" that had followed.[124] These enormous sacrifices had created the base for extensive national reforms in economic, labour, and social policy. Moreover, they had provided the opportunity for Finland to operate as an independent state. The wars had been followed by a period of upturn or even "golden times", when agriculture had been expanded to a state of self-sufficiency, and export industries prospered despite the loss of the Russian markets. Consumption statistics of milk and sugar suggested that the standard of living had improved in the broad masses of population.[125]

Despite general tendencies towards improvement, inflation and debt were constant causes of problems. While examining the depression, Harmaja referred to the traditional views that emphasized societal stability and balanced development. He stated that "the basis of economic activity so created was not a healthy one; and the expansion of the enterprise was too rapid for a continuously sound development of the country".[126] There also seems to be a curious difference in emphasis between the English and the Finnish versions. Harmaja concluded the study of 1933 by pointing out that Finland had, through sacrifices, experienced "much social betterment" and "economic advancement of the nation".[127] The Finnish version of 1940 (published in the midst of the Second World War) built a more ambiguous narrative by emphasizing the complexity of the situation and pointing out the multifaceted expansion of the state as the key trait in development.[128] In conclusion, Harmaja's study conceptualized Finnish economic development as a narrative from sacrifices to at least relative improvement.

Works that utilized similar methodology of historical empiricism have already been extensively analysed here and elsewhere. It is noteworthy that most of the studies examined so far were not perceived by contemporaries as economic history as it is understood today.[129] However, they can be examined as the emergence of the field of modern economic history. Ylva Hasselberg has examined the institutionalization of the field of economic history in Sweden and pointed out Eli Heckscher's prominent role as an economist and historian. Heckscher, a protagonist of limited state intervention, who belonged to the older generation of Swedish economists, became increasingly involved in a political clash with the new generation of the Stockholm School. In this ideological battle, he employed his skills as a historian and denounced the new state interventionist policies as neomercantilism, a totalitarian ideology that seemed to contradict the human values of liberalism. In the end, Heckscher lost the intellectual battle in the field of economics, which caused him to turn his research interests towards the field of economic history, a tool that could be used to examine the mechanisms of national economic prosperity and development.[130]

In 1929, Heckscher gave up his chair as a professor in economics at the Stockholm School of Economics for a chair in economic history and launched a small research institute with his trusted scholars. One his most prominent mentees was Arthur Montgomery, also an economist turned historian, who wrote several studies about 19th-century economic history and social policy. Montgomery examined several aspects of Swedish history that had been neglected at the time. He focused particularly on the process of industrialization and its consequences for society and national development. Montgomery placed industrialization, liberalization and deregulation and economic development as the key engines of increasing living standards and social peace. Although social insurance programs and trade unions did increase the real wages of workers, the process was preconditioned by improvements in technology, capital investment, and productivity that raised the national income and, consequently, the income levels of workers. Heckscher's and Montgomery's economic history created a narrative where liberal policies had transformed Sweden from early 19th-century poverty and backwardness to an industrialized welfare society. More importantly, they warned against further state intervention that could jeopardize the harmonious economic development and, consequently, social peace.[131]

Arthur Montgomery was also a prominent scholar in Finnish economics and economic history. He held a chair in economics in Åbo Akademi from 1924 until 1939. During the interwar period, he was a regular speaker at the Ekonomiska

Samfundet,[132] but he also gave a presentation on Swedish and Finnish business cycles and unemployment policies in the Kansantaloudellinen Yhdistys in 1935.[133] In 1929, Montgomery gave a presentation that examined 19th-century industrialization on a European level.[134] Montgomery used the term industrial revolution to examine the period from events beginning in late 18th-century England to the year 1914. During this period, societal change had been unprecedently fast. Following the liberal traditions of Heckscher's economic history, the presentation emphasized capital formation, technological development, and, more broadly, scientific progress as key drivers of the period.[135]

Montgomery used the concept of national income (*nationalinkomst*) to analyse savings and investment. Taking the development in Britain as an example, he pointed out that the massively increased demand for capital during the 19th-century industrial process might have increased the rate of interest, but the demand had been countered with similarly increased capital formation that had provided the required capital without further rate hikes. Capital formation was preconditioned by savings that had increased tremendously during the period. On the other hand, savings was connected to average income per capita, and national income, a concept whose magnitude was "difficult to determine". Montgomery presented increased supply of capital, labour and natural resources, technical progress and higher organizational and entrepreneurial activity as the key factors in raising the national income.[136] He pointed out that the 19th century had seen many beneficial factors for favourable development. It seemed uncertain whether similar development could be predicted in the future. This ambiguous observation was connected to the changing role of the state. While the role of the state had been limited in the 19th century, there were many indicators that suggested a more active state intervention in the present and future. The exact nature of this development was not easy to analyse.

In any case, it seems evident that – in contrast to the 19th century – scholars and politicians of the 1930s conceptualized national development that had created wealth and prosperity. In this context, the Great Depression was only a minor descent in an otherwise fortuitous development. Although past development had been fortuitous, the path to future prosperity was uncertain. Scholars and politicians in 1930s Finland and Sweden conceptualized economic progress and improving standards of living in a more optimistic manner than their Anglo-American counterparts. However, the prospects for achieving future progress with the policies of the past were clearly problematized and questioned. Before, progress brought about by non-interventionist classical liberalism could be taken for granted. Now, future policies had to be planned.

Planning was indeed a word that emerged in Western political language during the interwar period. The new term was at least partly inspired by the Soviet experiments in the 1920s. Alternative economic system provided inspiration in comparison to the old order, and these visions were fuelled by crisis of classical liberalism during the Great Depression. In the 1930s Britain, several politicians and social scientists discussed the prospects of planning.[137] Erwin Dekker has made a distinction between interwar and postwar conceptions of planning with his biography of the Dutch economist Jan Tinbergen. It is noteworthy that during the interwar period, the Dutch government's primary focus was on planning of production, while after the war the main objective shifted to more comprehensive planning of macroeconomic stability.[138] It is evident that growth had an important role in both aspects of planning.

In 1931, the Swedish economist Johan Åkerman gave a presentation at the Ekonomiska Samfundet. The presentation was aimed to be a contribution to the topical questions regarding the purpose of economics and economic activity. Åkerman began by pointing out that most people would place either maximal satisfaction of needs or highest possible national income as the goal of economic activity. However, this perspective was the framework of economics. It seemed not to be out of the question that from other perspectives one might prefer a system that did not drive production and consumption to the highest possible level. Like many other scholars at the time, Åkerman took a historical approach by comparing economic worldviews in the Middle Ages to those of the present time. He pointed out that in the Middle Ages, the general conception regarding economic activity seemed to be hostile towards movement and change. In contrast, today's catchword was progress (*framåtskridande*). While Åkerman's comparison perhaps tells us more about the interwar period than the Middle Ages, his presentation aptly conceptualized the highest possible average increase in the rate of "total production" as a novel societal objective.[139]

This observation led Åkerman to examine which economic system could achieve the highest level of production. Production required time and capital. While in a stationary society one could only examine the role of capital in a circulationary process, in a "progressive society" (*framåtskridande samhället*), there had to be groups that save and reduce their consumption for capital formation and future production.[140] While Åkerman pointed out that abstaining from consumption could be conducted via totalitarian approaches similar to slavery in the Age of Antiquity or contemporary communism, the approach to save capital seemed to be different in Western non-communist societies. He criticized the arguments presented for a planned economy to avoid crises, as production and consumption necessarily differed in time.[141]

Åkerman, like Heckscher and Montgomery, emphasized the role of capital formation as the driver of progress. Crises seemed to be inherent to the process of production and capital formation, but the nature of crises was a matter of choice. Societies had a choice whether economic policy should be used to maximise progress in the form of highest level of capital formation, or if there were other social and cultural norms that preferred a moderate or "lagom" rate of capital formation. As a high level of progress also resulted in more imbalanced business cycles, one had to ask, especially in times of crises such as the year 1931, if constantly accelerating capital formation was indeed humanity's highest goal. Åkerman referred to two symbolic figures from literature, Mr. Babbit from Sinclair Lewis's novel, and Paavo of Saarijärvi (Bonden Paavo) from J.L. Runeberg's poem. While Mr. Babbit was characterized by a fast lifestyle, material consumption and stock speculation, Paavo of Saarijärvi lived his slow life relying on the fruits of harsh nature and setting the principle of charity before profit. Åkerman concluded by stating that no final choice had been made between Mr Babbit's and Paavo's systems, but perhaps many who at the time enjoyed the high standard of living in leading industrial nations, sometimes looked back with nostalgia towards the "more primitive fulfilment of needs".[142]

While Sweden's path to future prosperity seemed to revolve around an ideological battle between social democracy and economic liberalism, the Finnish political debate tended to focus on industrial development and structural change.[143] Whether an ideal citizen should be constructed around the characteristics of the industrial and dynamic Mr. Babbit or the agrarian and frugal Paavo of Saarijärvi was not self-evident. In Finland, a young generation of researchers took on the task of promoting the structural change of creating a competitive industrial nation with a strong export sector. This initiative was countered by several conservative economic thinkers who promoted agriculture as a key sector of national stability. This debate can be examined as a clash between social liberal and agrarian conservative growth conceptions.

During the interwar period, Finland was still evidently an agrarian country. Until the late 1930s, more than half of the population were employed in primary production (see Figure 4.1). Moreover, although the relative share of employment in agriculture declined, the agricultural population grew in absolute terms until the 1940s, after which it began to decline. The economic structure in general became more diversified with new branches of industry, but the large and growing agricultural population contributed to the perception of Finland as an agricultural nation.[144]

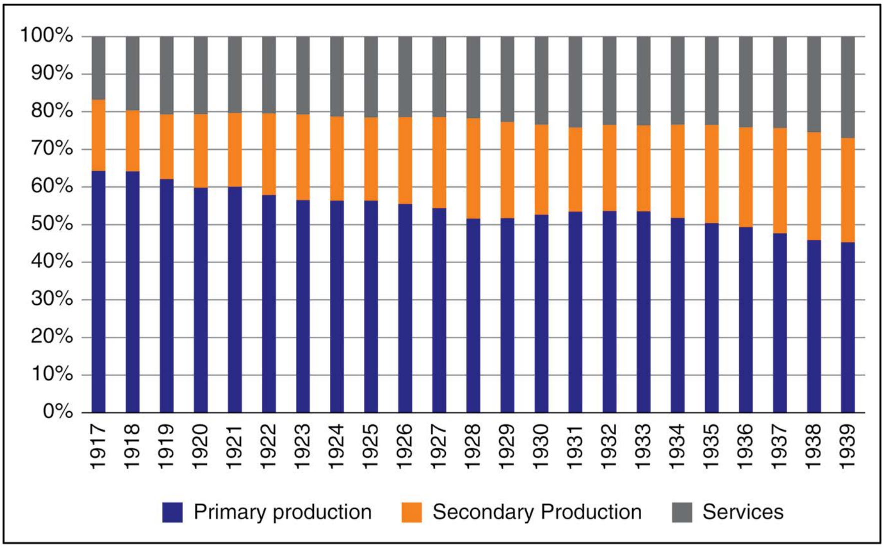

Figure 4.1 The distribution of employment in Finland, 1917–1939, in percentage.

Source: Hjerppe (1996).

As noted in contemporary observations,[145] the situation was different from that in Sweden, where the share of agriculture in employment had declined between the years 1890 and 1930 from 58 to 34 per cent.[146]

The Finnish economic associations had long traditions of emphasizing the role of agriculture in the Finnish national economy. Although the problem of rural poverty stretched back to the days of the Grand Duchy and to the foundation of the Kansantaloudellinen Yhdistys, the First World War in some respects brought agricultural questions to forefront of economic debates. The food crisis during the period of independence and civil war led several scholars and politicians to promote self-sufficiency as the main goal in agriculture. Moreover, promoting the smallholdings of former tenant farmers and the settlement of new farms was perceived as the key to social stability and a healthy national peasant spirit. In this political climate, profitability in agriculture became one of the major topics in Finnish economic research.[147]

During the 1920s, the governor of the central organization for Finnish co-operatives, Hannes Gebhard, remained the powerhouse of agricultural research and policy. In December 1921, he gave a presentation at the Kansantaloudellinen Yhdistys regarding the prospects of improving efficiency in dairy farming to construct a Danish-style agricultural export industry.[148] In 1925, Gebhard wrote an article that sought to justify state aid to agriculture during depressions as being beneficial for the whole national economy. Taking Swiss policies as an example, Gebhard claimed that it was possible for the state to create conditions that increased both "entrepreneurial income" (*yrittäjäntulo*) and "national economic income" (*kansantaloudellinen tulo*) at the same time.[149] Using statistical estimates as evidence, Gebhard sought to argue that the national economic significance of export industries had been overestimated at the expense of agriculture as, for instance, export industries used foreign raw materials. Further, some export industries were "the main cause of national poverty" with wage dumping policies that aimed at maximal profit.[150] At the end of the article, Gebhard concluded with the Malthusian-style claim that it was better to have a nation with a small population a higher income than a growing working population that could only be supported with "hunger wages" (*nälkäpalkka*).[151]

In October 1932, Gebhard also gave a presentation at the Ekonomiska Samfundet. After the depression, the presentation examined the burden of debt among Finnish farmers and potential measures to alleviate the situation.[152] Gebhard began with a descriptive account of the dire situation particularly in eastern and northern parts of the country. What should be done? Gebhard presented the perspectives of the "radical Manchester-reasoning" that claimed that nothing should be done for the necessary "cleansing process" to occur. Unsurprisingly, Gebhard argued against the reasoning and suggested that the ongoing crisis was not an ordinary crisis but a global phenomenon that had turned into a national disaster in agriculture. The burden of such an exceptional crisis had to be borne together.[153]

The situation led Gebhard to present a comprehensive account of the Finnish nation and its future goals. Gebhard pointed out that he had met the former professor and Minister of Finance in Sweden and the current director of Swedish Customs, Nils Wohlin, in Stockholm. Together, they had discussed the situation in the context of the future of European culture. They had concluded that an independent peasant had to be supported as the main defence against bolshevism.[154] It also seemed that the only way out of the Depression for the United States was a return to agriculture, and both the United States and Russia were always going to be agricultural nations with home-market-oriented industries. While basing his estimates on a study by a "prominent Swedish engineer" who was not named, Gebhard claimed that the Depression had been caused by the transition from agriculture to industry with the help of high protective tariffs and light credit conditions. During the last ten years, the process had caused "an unnaturally high standard of living", and it was also natural to turn the transition in the opposite direction.[155] Although the study referred to the United States, Gebhard concluded by claiming that many of its findings were applicable to the situation in Finland.[156]

Gebhard's diagnosis of the economic crisis being a result of industrialization and a consequent unnaturally high standard of living was a remarkable example of reasoning that evidently did not aim at a maximal increase in citizen welfare or industrial production. Such a conceptualization was also different from the classical liberal principles and ideas of the Manchester School. Gebhard's diagnosis can described as an agrarian conservative growth conception with anti-industrial or anti-growth tendencies. Although Gebhard died four months later in February 1933, similar ideas emphasising the national significance of agriculture were constantly presented in academic and political circles. But agrarian conservatism was also met with different forms of criticism.

In 1935 and 1936, when working as the head of the business cycle analysis department at the Bank of Finland, Bruno Suviranta published articles examining the role of structural change in the Finnish economy. The articles examined the situation in housing and agriculture, when, during the first years of independence, several legislative reforms had enabled the crofters and landless people to redeem their lands with state-guaranteed loans. One of the key policies of the independent republic was to mitigate the division of the civil war and stabilize the social situation by establishing small farms owned by independent farmers. In 1933, a government-commissioned settlement committee report was published on the effects and prospects of further settlement policies. The report stated that the depression had hit the industrial population hardest in urban areas and that the prospects for industrial growth were scarce. As a result, the report suggested that unemployment should be countered by establishing new farms in agriculture. To preserve the spiritual and physical condition of the people, it seemed necessary to steer future population growth to agriculture.[157]

Suviranta criticized the committee report for neglecting the economic aspects of the settlement policies. He presented the decline in the rural population and agricultural work as global phenomenon that had occurred in all countries belonging to Western civilization. The "escape from agriculture" was caused by three major trends: increased productivity in agriculture, decline in birth rates and the physical limits in the consumption of agricultural products.[158] The committee report seemed to present the issue in a contradictory and backward manner. While examining the causes of decline in agriculture, the report had also pointed out that there had been a constant rise in the nation's standard of living. At the same time, the committee report seemed to turn things upside down and claim that the same developments that had provided increasing welfare in past, would in the future lead to increasing unemployment and burden for the agricultural sector that had to support a larger share of the population.[159] It seemed unfeasible to claim that an expanding non-agricultural population was a burden for the agricultural population, when expanding markets and consumer demand would lead to the opposite situation.[160]

Suviranta stated that it was necessary to construct future policies around principles where the labour force was steered to sectors that lacked workers instead of to sectors with a surplus of labour. There was a physical limit to how much food a human could consume, but the situation was completely different in non-agricultural sectors. In these sectors, job opportunities were unlimited. The agricultural sector was the worst imaginable "rubbish heap of unemployment" (*työttömyyden kaatopaikka*) in comparison to other ways of earning a living.[161] Suviranta also compared the situation to Sweden, where 40 per cent of the population worked in agriculture instead of Finland's 60 per cent, a situation that caused Sweden to have a national income double the size of Finland. Of course, it was possible to raise the agricultural population back to 70 or 80 per cent, but the consequence would be general impoverishment.[162] The greatest societal contradiction was not between urban and rural work, but in the different standards of living the population had achieved. A rising standard of living was the best guarantee of favourable societal development.[163]

Despite Suviranta's criticism the new Settlement Act of 1936 continued many policies in housing and agricultural policies. The core of Finnish economic policy was still aimed to increase and support independent small farms. This debate surrounding agriculture and structural change was also connected to general developments in the population of Finland. In 1934, the statistician Gunnar Modeen of the Statistical Office of Finland gave a presentation at the Kansantaloudellinen Yhdistys. Modeen began by examining the general trend of declining birth rates during the last three decades in all European countries and studies that had sought to explain the phenomenon. Finland seemed to follow the general trend. Modeen presented an estimate by the Statistical Office of Finland that projected that the population in Finland would never exceed four million. It seemed even possible that the population would start to decline around the 1970s.[164]

Modeen also examined the potential economic consequences of population estimates. He termed population growth the indubitably the most powerful mechanism in "economic progress" (*taloudellinen edistys*).[165] One of the most topical effects of population changes had occurred in the United States, when restrictions on immigration had halted population growth. There, "the production apparatus" had been built around a different trajectory in consumption and consequently, the Great Depression had been exacerbated by this mechanism. In Finland, the situation was different, because a large share of the population lived on a minimum subsistence level and raising the standard of living enabled higher per capita consumption. However, in the long run, there were problems that Finland, too, would face. In the future, a smaller working-age population would create a shortage of labour that would aggravate problems particularly in agriculture. Moreover, in times of declining population it seemed that one should be cautious regarding large-scale investments in public transportation and education. Modeen also pointed out that in other European countries, such as France, Germany and Italy, there had emerged a new field of population policies to increase population growth. However, these new policies did not have their origins in economic reasoning but in matters of power and military politics. In any case, it seemed that future changes in population would bring groundbreaking economic consequences.[166]

In February 1939, Modeen gave a presentation with a similar prognosis at the Ekonomiska Samfundet. The presentation tied the population issue to the seminal book *Kris i befolkningsfrågan* (Crisis in the Population Question) of 1934 by Alva and Gunnar Myrdal. The Myrdal couple had presented low birth rates in Sweden as a threat to raising the standard of living and proposed numerous reforms such as free medical care and child benefits to support families. Modeen revisited the population estimates in Finland and referred to discussions at last summer's Nordic Economic Conference.[167] Based on these discussions, Modeen examined the possibilities in what he termed offensive and defensive population policies. In general, offensive population policies referred to large-scale reforms intended to increase birth rates, while defensive policies referred to better utilization of present and future population. Instead of the offensive policies conducted, for instance, in Germany, Modeen perceived defensive policies such as health care and education reforms, and improved hygiene and housing as the most suitable path for Finland.[168]

Some traits in Modeen's cautious attitude can be attributed to his understanding of the relationship between population, standard of living and economic development. He pointed out the connection between frequency of marriages and business cycles. During the economic crisis, the marriage rate had declined in Germany and Finland, whereas the subsequent upturn had resulted in an increasing rate. However, the effect of business cycles on marriages and birth rates was only a surface manifestation of a deeper movement. Modeen pointed out that as long as the modern economic development sought a higher standard of living, and this objective could be achieved by individual families by reducing the number of children, it seemed unlikely that the state could manage to steer the population development in another direction. Modeen concluded with resignation that the only objective for population policies should be to seek to slow down the ongoing population decline.[169]

Modeen's estimates did result in policy reforms and at least attempts to make legislative changes. Finnish post-depression social policy was formulated particularly in the context of objectives intended to increase birth rates. In 1937, the state commissioned a special committee to examine the prospects of future population policy. The committee proposed a system of child benefits for low-income families, but due a lack of sufficient funding the plan was not realized before the Winter War. However, the committee report provided a framework for planning future population and family policies after the war.[170] The concept of population was reformulated in the wake of expanding state governance and declining population estimates. In the era of the Grand Duchy, population was conceptualized as a part of national wealth. During the 1930s, it seemed more relevant to promote explicit population policies. In general, there seemed to emerge a change from an idea of population as national wealth to population policies that supported economic development.

The nature of Finland's road to prosperity was also discussed in the context of industrial policies. After the Great Depression, there were initiatives to protect Finnish industries with tariffs and self-sufficiency. In 1936, the engineers Paavo Pero and E.J. Simola published a report that suggested establishing new domestic industries in Finland that would be supported with protective tariffs. The proposal was intended to reduce the amount of imported goods and to create domestic production in every industrial branch where such plans seemed feasible.[171]

After the publication of the report, in November 1936, Jaakko Kahma, who at the time worked as the director of Finland's Export Business Association, gave a presentation at the Kansantaloudellinen Yhdistys. Kahma began by pointing out that the worst period of unemployment had been overcome, but the pessimistic spirt of the depression (*pula-aika*) still lingered in people's minds. Although the acute period of crisis had been left behind, Kahma examined the long-term challenges regarding the nation's prosperity and standard of living. Like Suviranta, Kahma pointed out that industrial activity was expanding at the expense of agriculture. Consequently, industrial development was becoming more profoundly entwined with general national development. The prospects of industrial development determined the nation's "growth of national income" (*kansantulon kasvu*) and "formation of wealth" (*varallisuuden muodostuminen*).[172]

In this context, Kahma pointed out that Simola's and Pero's committee report seemed to be in fundamental contradiction with industrial and national goals. Several of the problems stemmed from the fact that the authors of the report had approached the topic as engineers rather than as economists.[173] Besides the fact that the report proposed policies contrary to "healthy" or "natural" development,[174] it seemed extremely contradictory to seek to mitigate foreign trade in a nation that sold a third of its production to foreign markets. Large production could only be achieved with large markets. Rather than seeking self-sufficiency, industrial policies had to be built around principles that would allow businesses to grow naturally. Finland had to become internationally competitive to achieve the higher status of an industrial nation and an increase in wealth.[175] Consequently, Kahma suggested establishing trade organizations and transport connections, reforms in business education and lower taxes for business. Kahma pointed out that his proposals were, of course, beneficial to the group he represented, but he wanted to make a convincing statement on how the gains of industrial and trade groups were connected to wider national benefit.[176]

Kahma's presentation was a fascinating and novel way of associating prospects of increase in national income of Finland with her international competitiveness. During the 1930s, this competitiveness became a topic of wider discussion. In March 1937, Kaarlo Julius Kalliala, board member of the central organization for Finnish savings banks (SKOP) and former director of the statistical department at the Bank of Finland, gave a presentation at the Kansantaloudellinen Yhdistys. In his presentation, Kalliala analysed the ongoing trends in protectionism and state subsidies. Like Kahma, Kalliala criticized the points of view that perceived state subsidies and protective tariffs for agriculture and home industries as desirable policies.[177] He pointed out that the aim of the subsidies was to make something that is uncompetitive competitive. Kalliala claimed that growth of income for certain groups that had been acquired through subsidies was not a true net increase in the "nation's well-being" (*kansan hyvinvointi*). It was a fallacious idea – as if the income had fallen from the clouds. Someone's subsidy had to be paid by someone else. Otherwise, there would be no limit to the growth of welfare that subsidies and tariffs could create.[178]

While presenting his arguments, Kalliala also ventured into a historical analysis that strongly resembled the works of Heckscher and Montgomery.[179] He referred to the late 19th-century Swedish debates on mercantilism and the works of Hans Järta as a criticism of protective home industry policies.[180] Kalliala presented the 19th century as a period of liberalism and international division of labour. During this period, population and the standard of living (*elinkanta*) had grown at an unprecedented rate. More importantly, the rise in the standard of living was largest among the greatest masses. Since the World War, however, the world economic system and principles of state intervention had changed in a manner that needed not to be presented again. Once abandoned mercantilism had re-emerged to guide state policies. Despite the magnificent results that 19th-century economic life had brought, there seemed to be no returning to the old order.[181] Kalliala admitted that there did indeed had to be some level of protection for those with the lowest income. Moreover, agriculture was such an important source of living for Finland that it could not be built on clay feet. Nevertheless, Kalliala emphasized predictable and noninterventionist policies for entrepreneurial life as a precondition for nation's economic progress (*taloudellinen edistys*).[182] The state could not and should not look after the profitability of business.

During the 1930s, many liberal thinkers pragmatically abandoned the principles of classical liberalism. This new growth conception could be labelled social liberal in the sense that it did not conceptualize monetary or judicial stability as the ultimate goal. Instead, the rationale of social liberal growth was based on economic progress and improving the standard of living of the people through the means of the market economy and international competitiveness. Finnish export industries adopted this social liberal growth conception in their political rhetoric during the interwar period. Moreover, the social liberal growth conception promoted industrialization and structural change, goals that set it at odds with agrarian conservative principles of stability. In this context, economic growth was more explicitly formulated as a tool to achieve liberal goals. Stability was no longer a fundamental principle that would have prevented policies of limited state intervention.

There seemed to emerge new conceptions of growth also in the context of democracy. One of the key changes occurred in terms of unemployment. As discussed, Finnish classical liberal policies conceptualized unemployment as a natural and a temporary phenomenon that was an unfortunate but natural part of economic development. According to this framework, fluctuations in employment and wages were subordinate to monetary stability and the principles of non-intervention of the state. Although the Finnish depression of the 1930s primarily had been addressed through classical liberal policies, to contemporaries it seemed, that the next depression would have to be managed with a different toolkit. A key change seemed to be the democratization of politics, an institutional change that did not allow the elites to push the economic burden of crises onto the masses.

In September 1937, Bruno Suviranta gave a presentation at a business and industry conference in the town of Pori. The presentation was published in *Kansantaloudellinen Aikakauskirja*. At the time, it seemed evident that the depression had been left behind. Suviranta referred to an article "Can We Maintain Prosperity?" by the economist T.E. Gregory from June 1937 in the *World Trade Journal*, a monthly publication of the International Chamber of Commerce. Gregory did not believe that it was possible to avoid depressions. However, counter-cyclical stabilization policy had provided tools to mitigate economic fluctuations. Suviranta pointed out that at present, Gregory's ideas were shared by most respectable economists. Indeed, there seemed to be no reason to suggest otherwise, especially regarding nations such as Finland, a small country that was closely involved in global business cycles.[183]

While examining the prospects of reactive and preventive stabilization policies, Suviranta positioned himself clearly in a field that rejected both old classical liberalism and socialism. Suviranta pointed out that several individuals were using active stabilization policies as "a hobby horse" while advancing socialist ideas. Indeed, predictions were made that state interventionism was slowly but surely veering towards socialism.[184] Suviranta considered these predictions possible but undesirable. On the other hand, the pre-world war conception that was built around principles of non-intervention of the state in times of depression seemed to be certainly obsolete. First, "the societal price mechanism" seemed to have changed to such a rigid form that it seemed unlikely that depressions could be overcome without state intervention. Second, and more importantly, during the present "socially woke" and squeamish period it seemed unlikely that the people would submit to the ordeals of another depression. At least in democratic nations, it was "the people's will" that ultimately decided political outcomes.[185] Consequently, it was important to achieve a framework for a future *Finnish* stabilization policy.[186]

Suviranta's presentation seemed to establish social liberalism as a tool to counter both classical liberalism and socialism. However, it certainly seemed to describe the emergence of a new political force. After the Civil War, the Social Democratic Party had often found itself in opposition. Apart from a social democratic minority government that was in office for 370 days in December 1926, governments had most often been formed by the centre-right Agrarian League, the liberal Progressive Party, the right-wing Coalition Party, and the Swedish People's Party. The political climate began to change, when the far right Lapua Movement was banned in 1932 after a failed attempted coup d'état.[187]

The 1933 parliamentary election was a success for the social democrats, but President P. E. Svinhufvud blocked the party from government formation talks.

At the same time, the Agrarian League was aligning with the social democrats on several issues. In October 1936, Kyösti Kallio of the Agrarian League attempted to form a government with the social democrats, but the negotiations were again blocked by President Svinhufvud. As a result, Kallio formed a minority government with the Progressive Party. After Kyösti Kallio's election to president in 1937, the social democrats were able to form a centre-left coalition with the Agrarian League. For the first time since her independence, Finland had a majority government that included the Social Democratic Party.[188]

The new government coalition provides a perspective on a new conception of growth that emerged in interwar Finland. It seems evident that a social democratic growth conception was strongly oriented towards growth to increase workers' standard of living but also to expand the role of the state in economic life. This claim can be supported with evidence from other countries. In interwar Sweden, the interdependence of growth and security was at the core of social democratic ideology, although the modern concept of growth did not emerge before the Second World War.[189] Francis Sejersted has examined Nordic social democracy and associated it with the emergence of economic expansion and a consumer society. He has pointed out Gunnar Myrdal's remark from as early as 1934: "maximal production is based on maximal consumption, and vice versa".[190]

It seems relevant to describe this social democratic growth conception as a position that was both pro-growth and anti-capitalist. Social democracy has also been described as a compromise between capital and labour, or an ideology that has embraced capitalism to provide material welfare for the working classes. However, social democratic stances towards capitalism have not been static; they have been shaped in different historical and national contexts. While examining the so-called Third Way policies in Britain and Sweden, Jenny Andersson has traced a change in social democratic ideology, when several arguments that before were "in critique of capitalist structures" transformed to arguments for these structures.[191] In a similar manner, I would argue that postwar social democracy was perhaps more sympathetic towards capitalist structures, but the Finnish interwar social democracy can be examined as a conception that was antagonist to capitalism.

Väinö Tanner, an experienced social democrat who had also served as Prime Minister in the previous minority government, became the Minister of Finance in the new "red soil" government. Before his appointment, Tanner had been a member of several councils including the economic advisory board established during the depression. Moreover, he was a long-serving board member of the supervisory council of the Bank of Finland, who at the time of the depression consented to the orthodox policies. As the Minister of Finance, Tanner gave a presentation concerning the state budget for the forthcoming year at the Kansantaloudellinen Yhdistys in October 1938. The budget presentation at the Kansantaloudellinen Yhdistys became an annual tradition for the Minister of Finance that continues to this day.

Tanner began by pointing out the obvious fact that the government did not have much "leeway" when composing the budget. Most incomes and expenses were dictated by laws and decrees and were thus beyond political decision-making. However, the budget for 1939 was built around an optimistic mood. After the depression, when there had been an absolute decline in public expenditure and the state budget, the estimated expenses for the following year were at a record high. The budget also predicted a deficit of roughly 10 per cent that the government proposed to cover with a loan.[192] Tanner pointed out that some reasons for the increased expenses were a result of the depression policies, when many necessary or even essential tasks had been neglected, and now the government had to catch up with unfinished issues. Moreover, Tanner wanted to increase the size of the stabilization fund to prepare for future recessions.[193]

The government's inability to compose a deficit-free budget or to lower taxes during a period of boom had been criticized by the opposition parties. Tanner answered critics by pointing out that every Minister of Finance would feel happy when able to lower taxes, but then one would have to find corresponding reductions on the expenditure side. No state could simply mark time; rather they had to constantly develop economic life as well as cultural (*sivistyksellisiä*) and social endeavours.[194] While the "conservative worldview" demanded that the state should not undertake too many tasks, development did not take into account such a view, but the state's tasks expanded constantly. Tanner defended expansion of the state and claimed that such development was on a normal basis as growth in state expenditure did not exceed growth in national income. Moreover, it seemed reasonable to suggest that Finnish tax rates were modest by international standards, and they did not impede reasonable capital formation or the development of business life.[195]

Tanner's argument of justifying growth in public expenditure with proportional growth in national income seems to be a novel conceptualization of Finnish economic policy. As discussed, J.K. Paasikivi a decade earlier had contemplated the prospect of increasing national income as a tool for dealing with (perceived) expansion of public expenditure. Paasikivi was not entirely content with the situation, but he noted that reducing the role of the public sector to the 19th-century night-watch state was not a realistic option. Tanner, however, explicitly aimed at the expansion of the public sector and formulated a requirement for an increase of national income. These ideas could be described as a social democratic conception of growth that was explicitly oriented towards growth to fund and enable expansion of the public sector.

Tanner's argument justifying expansion of the state with economic growth was also criticized. The presentation was followed by a commentary by the governor of the Bank of Finland, Risto Ryti. Tanner and Ryti, although representing different political parties, were close acquaintances from several economic committees, and had a reputation for being able to find common ground in most fundamental matters, including the depression policies of 1929–1931.[196] Ryti admitted that Tanner's presentation was from a general perspective "quite good" and even better if the budget had been proposed for the year 1933, but at present Ryti was more pessimistic regarding future developments, particularly in foreign markets. Ryti was worried about the situation in the United States, where another recession had started in June 1937 before the nation had recovered from the previous Depression. It seemed that the relative position of the United States in the world economy was declining, and it was unlikely that the nation could guarantee its citizens the same standard of living they had enjoyed in 1920.[197]

When such clouds of uncertainty loomed on the global markets, and while the fortunes of a small nation such as Finland were dependent on the foreign affairs, it seemed unwise to present a budget with such increases in expenditure. Ryti did not disagree with Tanner's proposal to increase the stabilization fund as such, but he was also pessimistic about whether the fund would be sufficient to counter the possible downturn at hand. He pointed out that everything operated on a larger scale than before, and the nation's standard of living that had to be "defended" was higher than before the earlier depression. This remark suggested that the reserves of the fund were insufficient. Ryti concluded by presenting a guideline he had heard from "a well-known Finn" in the 1920s that the Minister of Finance should speak like an optimist but act like a pessimist. Ryti noted that the guideline still seemed a viable idea to follow.[198]

Ryti's cautious stances in budgetary work also extend to national income estimates of the period. When another war seemed likely in the autumn of 1939, the state launched extensive preparations for the future period of war and martial law. Ryti chaired a committee that was responsible for the procurement of armaments and supplies. Even with a war on the horizon, the committee was reluctant to raise the budget to the level that had been requested from the experts at the Ministry of Defence. Instead, the committee examined defence expenditure with the principles of healthy bookkeeping and balanced budgets. In this context, the committee referred to national income calculations. The committee noted with concern that defence expenditure had risen tremendously from 1932 to 1939, both in relation to total state expenditure and to national income (from 3.8% to 7%). Later studies have suggested that the committee exaggerated the figures by roughly one percentage point. However, in 1939, national income estimates were again used as (misleading) evidence for the excessive expansion of the public sector.[199]

However, it also perhaps possible to trace a change of thought that occurred in the context of growth also in Ryti's mindset after the Great Depression. In 1935 and 1936, Ryti gave two presentations where he examined Finnish economic development since independence, a common topic of the time, as discussed. Unsurprisingly, they departed from Ryti's desire to demonstrate that the Finnish depression policies had been on the right track. However, the presentations also caused Ryti to examine a new conceptual framework: standard of living through statistical analysis. Ryti pointed out that such an analysis in the absence of reliable data was an extremely difficult task. Nevertheless, he proceeded to examine the topic with a common point of comparison: Sweden.[200]

The presentation Ryti gave in September 1936 at an agricultural exhibition in the town of Enso was particularly interesting, because Ryti also touched on the concept of national income.[201] He pointed out that both the standard and the living and the level of wages were significantly lower. Finland was at a stage in her economic development where Sweden had been 25 years earlier. Ryti also presented an empirical comparison of national incomes based on recently published studies and claimed that the per capita national income in Finland was only 37 per cent of the Swedish level.[202] Such a diagnosis could be countered with only one measure: Finland had to achieve an increase in production and, thus, in national income. Ryti also examined the situation in the context of export industries and noted that there had been fortuitous development in the sector. Ryti conceptualized the export sector as the sustainable basis for national welfare, as export industries protected the balance of trade, the prerequisite for healthy national development.[203]

Ryti also examined the changes that had occurred in the capitalist system since the days of Manchester liberalism. In the early times of capitalism, when small businesses fought against each other, seeking individual gain to create common good was perhaps the most suitable guideline. Ryti pointed out, however, that at present, companies had expanded to such a magnitude that their actions had an influence on tens of thousands of peoples' livelihood on a global scale. In a situation where companies had such a power and responsibility, the old guideline had to be turned around. Now, companies had to seek the common good to gain private good. Ryti believed that such a mentality was gaining ground among Finnish industrialists.[204] Ryti's presentation indicates an intriguing transition from principles of classical liberalism to a political position that has elsewhere been described as economic nationalism or national capitalism.[205] However, it also seems worthwhile emphasizing the new social liberal aspects Ryti presented: promoting an export-oriented market economy that contributed to the growth of national income and created material prosperity for all citizens.

It is noteworthy that Tanner's and Ryti's debate or a more general change in economic thought did not necessarily indicate a turn towards a counter-cyclical economic policy reminiscent of Keynesianism or the Stockholm School. In Finland, both social democratic and social liberal frameworks seemed to construct their arguments around the pro-cyclical view that the state could increase expenditure during booms and cut the budget during bad times. The dispute in 1938 revolved around Finland's position in the business cycle. As has been pointed out elsewhere, Finnish politicians were aware of the new trends in counter-cyclical fiscal policies and possibilities that cutting public expenditure during a recession could escalate the situation.[206] In many instances, they seemed, however, to present Finland as a different case that had to adjust to fluctuations in foreign markets so that the same principles did not function. An important observation arises from the fact that Finnish politicians seemed to reject Keynesian active fiscal policies, but they nevertheless discussed the prospects of growth in a new manner. While social democratic and social liberal growth conceptions were more explicitly oriented towards growth, classical liberal and agrarian conservative conceptions were focused on stability, frugality, and caution.

Some similar trends and changes can be discerned the government programmes of Prime Minister Kallio's minority government and Prime Minister A.K. Cajander's centre-left coalition, although economic growth did not emerge as an explicit political goal. While Prime Minister T.M. Kivimäki's lengthy (December 1932–October 1936) centre-right minority government had established monetary stability as the main political objective and emphasized budgetary balance,[207] the economic situation was conceptualized in a different manner when Kallio's agrarian minority government came to power in October 1936. In the government programme speech, Kallio noted that economic upturn had allowed Kivimäki's government to launch a series of legislative reforms in settlement policy, child welfare, alcohol and vagrancy policies and the national pension system. Kallio noted that his government would continue the work. It is noteworthy, however, that Kallio's government programme was the first government programme to refer to the concept of standard of living. Kallio stated that his government would promote – when the nation's economic life permitted it – improving the standard of living in the low-income groups with a focus on wage increases for the working people, improving housing conditions and helping low-income families with children.[208]

Cajander's government programme emphasized improving the living conditions of the low-income groups in a similar manner.[209] The programme was perhaps the most extensive one at the time with 12 different objectives. Cajander stated that his government would focus on creating a public unemployment insurance system, a maternal care system, and public housing. The government programme also had a focus on agriculture and settlement policies. Cajander aimed to improve the living conditions of the agricultural population and guarantee a price level that covered the costs of production for agricultural goods. Moreover, the state planned to continue promoting the settlement of new small independent farms. In this regard, Cajander's government programme cannot be interpreted as a radical reorientation to industrial growth policy. Rather than emphasizing development and structural change, the government programme was built around promoting the stability of an agricultural nation. This government programme also seems to suggest that social democratic and agrarian conservative growth conceptions were not fundamentally at odds.

Despite legislative reforms, the scope and level of social security in Finland remained modest by European standards. The national pension programme was introduced in 1939, but the first old-age pensions were not paid until 1949, and the level of security provided by the national pension system remained low until the reform of 1957.[210] In general, the situation remained similar in other forms of social security, and several studies have emphasized the emergence of the Finnish welfare state as a latecomer, particularly in a Nordic context.[211] This phenomenon can be at least partly explained by the Second World War, when the existential threat from the Soviet Union forced the channelling of national resources to military use and halted social security reforms. Although Finland preserved her independence, the damages of the war and reparations to the Soviet Union constituted a budgetary constraint for several years after the war had ended. For a significant time after the peace, the point of comparison was focused on restoring the standard of living the nation had enjoyed in 1938, or during "the wealthy 30s", as expressed by the young researcher Klaus Waris in his doctoral dissertation of 1945 examining consumers' income, consumption and savings in the period 1926–1938 in a Keynesian framework.[212]

Now, it is necessary to return to Karl Polanyi's conceptualizations of laissez-faire liberalism and economic planning. As Polanyi has famously argued, the emergence of 19th-century liberal global order was not a phenomenon that could be described as a naturally emerging international division of labour nor as a local barter culture intrinsic in human nature. Instead, the three Polanyian pillars of classical liberalism, the market economy, international free trade, and the gold standard, were created through active political choices or planning. In the context of economic growth and development, however, there is a peculiar opposite perspective to laissez-faire and planning. Although the liberal 19th-century order was indeed a result of political planning, the system was inherently created around the idea that wealth and welfare will occur through spontaneous development of non-intervention.

In the wake of the double crisis of the First World War and the Great Depression, the classical liberal idea of spontaneous development was abandoned, especially by the younger generation of scholars. Although younger and older liberals like Gustav Cassel, Eli Heckscher or Risto Ryti conceptualized the expanding role of the state as an undesirable development, most bourgeois-minded thinkers had to accept the irreversible change with a hint of pragmatism. Indeed, new tools of state planning and new ideas that preconditioned state intervention as both possible and desirable, created a new horizon of expectation that fundamentally differed from classical liberalism. In this new political order, economic growth could and had to be planned. Economic growth perhaps did not become a political objective itself, but its usefulness in achieving other societal goals was conceptualized in a new manner in social democracy and social liberalism.

The political strength of the idea of planning can be examined through Bertil Ohlin, a liberal Swedish economist and politician, who in 1930 succeeded Eli Heckscher as a professor at the Stockholm School of Economics. In 1929, he was recruited to serve on the Committee on Employment (1927–1935) that had been established to examine the nature of Swedish unemployment of the 1920s.[213] Like Gunnar Myrdal and other researchers of the new generation of the interwar period, Ohlin described the works of Cassel, Heckscher and Wicksell as scholarship that did not specify limits to science and politics. Consequently, the economics of the older generation were filled with vague or metaphysical concepts that lacked empirical rigour. In 1934, he joined the youth league of the liberal People's Party, and after the Second World War, he chaired the party as leader of the opposition in social democratic governments. In several instances, he sought to conceptualize a political programme that abandoned the old laissez-faire capitalism but did not fall into the field of socialism. Thus, one could speak about social liberalism.[214]

Ohlin's work was actively discussed particularly in the Swedish-speaking Ekonomiska Samfundet. In 1933, Carl Axel Johan Gadolin, who was, as discussed earlier, an active subscriber to Swedish economic theory, reviewed Ohlin's recent book *Interregional and International Trade*.[215] The book was an extended English edition of Ohlin's doctoral dissertation that had been published in Swedish in 1924.[216] Gadolin examined Ohlin's theory of international trade as a radical departure from the classical theory of competitive advantage. Instead of approaching the topic through the classical labour theory of value, Ohlin examined international trade as a price phenomenon. Gadolin noted that Ohlin's theory explained how prices in different factors of production affected the composition of the goods a region produced. In short, Ohlin's theory explained why in a system of free trade regions with a high level of capital exported capital-intensive goods while regions with a high level of cheap labour, exported labour-intensive goods.[217]

Next, Gadolin discussed Ohlin's theory that explained regional comparative advantage and specialization in the context of ongoing political events. While international trade in goods and capital had previously been somewhat free of obstacles, Gadolin noted that "the sun of the future" seemed to be moving towards a "national-protectionist division of production".[218] As a result, world markets' prices as such had ceased to exist. Instead, in many instances goods traded on international markets had two prices: a more expensive domestic market price and a foreign price. Price politics had become an independent factor of modern times. Gadolin perceived the ongoing protectionist current as undesirable as it lowered the global standard of living. In this context, Gadolin referred to the concept of "world income" (*världsinkomst*) he had borrowed from Ohlin's study, although Ohlin had stated his critical stance on the usefulness of such a concept. Moreover, Gadolin hoped that there would be a theoretical contribution to the concept of standard of living with an analysis of consumption to price indices and wage levels, or real wages.[219] As noted, Gadolin's wish was eventually granted, at least to an extent, in Pipping's *Behov och levnadsstandard*.

In the field of politics, Ohlin became famous as a proponent of social liberalism. In 1936 and 1937, he published two books, *Fri eller Dirigerad ekonomi* and *Staterna och världsekonomin*. the journalist Sigurd Portin, who had earlier written about Gösta Bagge's national income project, reviewed the two books in the *Ekonomiska Samfundets Tidskrift*.[220] Portin noted that even though Ohlin was a prominent politician, the books were not intended to serve as a party manifesto but rather as a more comprehensive political statement. In this regard, Ohlin was one of the many contemporary economic thinkers who were known as "economic planners" (*planhushållare*).[221] Ohlin had gone to considerable efforts in explaining how "state socialism" was not beneficial to a society that wanted to raise its standard of living and improve the economic security of the poor while maintaining freedom of speech and thought and democracy. At the same time, Ohlin argued that the times of "laissez-faire liberalism" (*låt-gå-liberalism*) were gone. In this middle ground, Ohlin called for a programme of social liberalism. Ohlin's key idea was that the international world order that had existed before 1914 was not coming back.[222]

In his review, Portin not only praised the books but also made certain comments that would have made Ohlin's programme more coherent. Portin noted that Ohlin's analysis of state socialism seemed justifiable, but his conceptualization of liberalisms could have been clearer. Portin pointed out that it could had been more relevant to talk simply about the organic development of liberalism instead of making a division into laissez-faire liberalism and social liberalism. It seemed questionable whether the world of laissez-faire Ohlin described had ever existed, as the state has always intervened in private economic life.[223] Moreover, society had always cared about poverty, but before, it had not had the means to alleviate it. Ohlin had emphasized "economic progress" (*ekonomiskt framåtskridande*) as the greatest guarantee that the poorest groups had become an object of social policy. At present, the state did not lack the means to intervene in "economic development" (*ekonomisk utveckling*). However, although the means of intervention had become more efficient, there were also risks. The social liberal relationship between state intervention for the desired common good and undesirable private gain was not clear, and in this regard, Ohlin had emphasized "social responsibility".[224]

Ohlin's works were also noted in the Finnish-speaking economic community. Mikko Tamminen, whose article was analysed earlier, wrote a review of the two books in the *Kansantaloudellinen Aikakauskirja* in 1937. Like Portin, Tamminen presented Ohlin's key arguments as a comprehensive political platform aimed at the young generation. He noted that for individuals with education in economics, the books did not offer many new ideas, but they were nevertheless easy to read and eloquently written.[225] Ohlin clearly emphasized international economic ties as a key to economic welfare. However, the post-depression recovery could not be based on a return to 1914 due to fundamental technological, political, and psychological changes in society. Social liberalism was not *a priori* committed to superiority of certain organizational forms which made it a tempting platform to examine contemporary issues.[226]

Although Tamminen made no committed statements regarding his position on social liberalism, he presented Ohlin's political objectives by noting that they could find support across party lines. Tamminen noted that the following objectives were central to social liberalism: first, advancing economic development, which increased real per capital national income and standard of living. Second, advancing the position of low-income demographic groups. Third, creating conditions for peoples' greater economic security. Fourth, creating a societal organization that guaranteed individual freedom of speech and thought and that was built around free citizen government.

It is evident that the social liberal programme presented a platform that was a departure from traditional Finnish economic and political thought in the era of the Grand Duchy and early years of independence. Improving the economic security of low-income groups with increasing per capita national income in a system that was committed to democracy and freedom was evidently a different growth conception from classical liberalism or agrarian conservatism that were committed to different forms of stability.

There are reasons for suggesting that the breakdown of the global order of classical liberalism created an ideational and ideological vacuum, where other growth conceptions could emerge as powerful political programmes. In contrast to Anglo-American accounts of the situation, the Finnish economy was not conceptualized to be in a state of maturity or stagnation. Instead, in 1938, there seemed to prevail an optimistic mood regarding prospects of future growth. However, it is evident that the Second World War and the Russian invasion of Finland turned the situation around, and although the country remained independent, the Second World War was a heavy human, social, and economic burden.

The Second World War in Finland has been examined in the context of increased state intervention, when liberal policies and free market mechanisms were abandoned for regulation in a state of emergency. Finland entered the Winter War with incomplete plans regarding both military and civilian economies, but gradually the productive resources of the nation were mobilized for the cause of the war economy. Although Finnish business circles were extremely wary of the increasing state intervention, it was evident that the exceptional situation required surrendering several liberties to the state. This transition from a free market economy to extreme state control has been interpreted as a radical departure from the liberal thought that existed before, and it certainly was.[227]

However, the results of this study also provide new insights on the transition. As discussed, during the 1930s, there were several developments in national accounting that made efficient and pervasive state planning possible, perhaps for the first time. Moreover, as discussed, several key Finnish politicians and decision-makers had already during the interwar period abandoned classical liberalism and laissez-faire capitalism in their extreme form. When Finland entered the Winter War, there had already been both scientific and intellectual shifts towards regulation and planning.

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Although funding for Finnish economic and statistical research was cut down as a part of the pro-cyclical policies of the Great Depression, during the 1930s there emerged new studies that used national income statistics as a part of economic analysis. Many were focused on business cycle analysis, but there were also attempts to examine national income in the context of public expenditure. Analysis of national wealth was increasingly abandoned and replaced with national income studies. Or in other words, there emerged a transition from estimating stock variables to measuring flow variables. Both national wealth and national income were increasingly examined as quantifiable monetary variables. Intangible aspects of wealth were gradually becoming less common in economic analysis.

In economic theory, several studies were published that sought to examine the prospects of material wealth and income. During the 1930s, Oskar Kaaleb Kilpi published studies that combined business cycle analysis with long-term economic development. He introduced the average annual growth percentage of the economy as a point of analysis. This conceptualization that used an index to estimate the rate of change in growth of the economy was most likely an exceptional attempt at the time. Moreover, standard of living emerged as a new concept commanding both theoretical and political interest. There were also new theoretical conceptualizations in the field of public economics and fiscal theory. In this new framework, public expenditure was conceptualized as profitable investment that resulted in tax revenue. And the power of the state seemed to rest increasingly on its tax-paying citizens.

Finally, as both the First World War and the Great Depression shattered the global order that had been based on the principles of classical liberalism, new growth conceptions emerged to fill the vacuum. In Soviet Russia, Finnish-language newspapers conceptualized communism explicitly as a programme of growth that promised material welfare for the people with higher growth rates than capitalism could provide. In addition, a social democratic growth conception emerged as a political programme that justified the expansion of the state with an equivalent increase in national income. In this framework that was committed to democracy and parliamentary work, social democracy was oriented towards growth to achieve other political goals. Moreover, the abandoning of the classical liberal growth conception was also evident in several non-socialist thinkers who conceptualized social liberal growth that emphasized the market mechanism with limited state intervention to achieve growth in per capita income for all income groups. While social liberals promoted industrialization and international competitiveness as drivers of future growth, many agrarian conservative politicians were hoping to reverse the development and return to agriculture as the symbol of national and cultural stability. At the time, no single conception was a dominant paradigm.

Notes

1 Polanyi (2001/1944, 147).
2 Blyth (2002, 126–247).
3 Sejersted (2011). On social democracy in particular, see Andersson (2006).
4 See Hall (1989).
5 See, e.g., Katznelson (2013).
6 Kalela (1987, 10).
7 See, e.g., Crafts and Fearon (2013).
8 See, e.g., Fogel et al. (2013); Speich (2011).
9 Fogel et al. (2013, 53–54).
10 See, e.g., Coyle (2014).
11 See, e.g., Coyle (2014); Vanoli (2005, 279–294).
12 Blyth (2002, 59).
13 Kalela (1987, 20–21).
14 On the Great Depression in Helsinki construction work, see Hannikainen (2004).
15 There have been different estimates regarding employment and unemployment in Finland during the Depression. While Matti Hannikainen has included people employed in public temporary relief work among those who were employed in the labour markets, Jarmo Peltola has suggested that work conducted in temporary relief should be counted as social security. Different definitions of unemployment have contributed to different estimates regarding the nature and level of unemployment. See Hannikainen (2004); Peltola (2008).
16 Kalela (1987, 53); Pekkarinen (2007).
17 Heikkinen (2017); Heikkinen and Lundh (2020).
18 Pekkarinen and Vartiainen (1993, 428). Later research has suggested, however, that although the Depression seems modest when examined with long-run GDP time series, local effects in both rural and urban areas were more serious than indicated in the first studies of economic effects of the Depression. See Hannikainen (2004); Peltola (2008).
19 On the debt repayments particularly in the context of the governor of the Bank of Finland Risto Ryti, see Heikkinen et al. (2022, 307–308).
20 Heikkinen et al. (2022, 246).
21 Luther (1993, 169–170).
22 Jekunen (2016); Kalela (1987).
23 Suviranta (1923).
24 Pihkala, Erkki, Suviranta, Bruno. *National Biography of Finland. Studia Biographica 4*.
25 Kalela (1987, 26).
26 Suviranta (1929, 190–191).

27 Suviranta (1929, 6).
28 Suviranta (1936).
29 Tudeer (1931, 124–125).
30 Tudeer (1931, 125–126).
31 Heikkinen and Tiihonen (2009, 139).
32 Heikkinen et al. (2022, 338).
33 Tudeer (1934b). The article was based on a presentation given at the Finnish Business Association (Suomen Liikemies-Yhdistys) in October 1934.
34 Tudeer (1934b, 379).
35 Tudeer (1934b, 392–393). According to Nevanlinna, the figure in Sweden was 10.2 per cent.
36 Tudeer (1934b, 395).
37 Lundberg (1985, 5–6). Wicksell, however, was an exception with his radical pre-war parity stance. Both Gustav Cassel and Eli Heckscher supported the return to gold with a weakened parity.
38 Magnusson (2000, 165).
39 Montgomery (1936).
40 For the Swedish 1920s economic history and policy, see, e.g., Magnusson (2000).
41 Musiał (2002); Hasselberg (2016).
42 Blyth (2002, 96–125); Andersson (2006, 5–27).
43 Myrdal (1933); Bagge et al. (1935). On a more comprehensive account of the project and its historical context, see Carlson (1982).
44 Lindahl et al. (1937).
45 Portin (1936).
46 Portin (1936).
47 Kalela (1987).
48 Bergholm (1988, 162); Pihkala (2000).
49 Hall (1989). For a Finnish perspective to such a Keynesian framework, see Pekkarinen and Vartiainen (1993).
50 Lindberg (1935).
51 Lindberg (1935, 69).
52 Ekholm (1937). The term Stockholm School is usually attributed to Bertil Ohlin's article "Some Notes on the Stockholm Theory of Savings and Investment" in the Economic Journal in 1937. It is noteworthy that Ekholm utilized the concept before it became internationally known. On Ekholm, as the first female economist in the Bank of Finland, see Kuusterä and Tarkka (2012, 120).
53 Ekholm (1937, 1–3).
54 Lindberg (1937, 23).
55 Tudeer (1934a).
56 Tudeer (1931, 1934b).
57 Stadius (1937).
58 Rostow (1992, 159).
59 Schumpeter (1949/1934, 224).
60 Tooze (2016, 145–146).
61 On Harrod's growth theory, see, e.g., Rostow (1992, 248–257).
62 L.W. 1939. The review was written by the otherwise inactive alias L.W.
63 Kilpi (1932).
64 Kilpi (1935).
65 Kilpi (1932, 172–175, 1935, 114–116). This examination of long-term waves seems to be quite similar to Kondratiev, although Kilpi made no such explicit reference.
66 Kilpi (1932, 192).
67 Kilpi (1932, 175–177). In this estimate, Kilpi referred to Gustav Sundbärg's study *Den svenska och europeiska folkökning- och omflyttningsstatistiken i sina hufvududdrag* that had been published in Sweden in 1910.

68 Kilpi (1932, 177–178).
69 Kilpi (1915).
70 For an obituary, see Kivialho (1937).
71 *Helsingin Sanomat*, 28 April 1932, no. 115, p. 9; *Kauppalehti*, 26 April 1932, no. 95, p. 1; *Uusi Suomi*, 27 April 1932, no. 114, p. 2.
72 Pipping (1935a). Pipping presented the preliminary ideas in 1933 in an article "The Concept Standard of Life" published in the festschrift *Economic Essays in Honour of Gustav Cassel*. See Pipping (1933).
73 Pipping (1935a). For reviews, see Streeten (1955); Jeanneney (1955); Weston (1944); Quante (1957).
74 Pipping (1935a).
75 Pekkarinen (1984, 29). Taloustieteellinen Seura published a yearbook between 1962 and 1987. However, due to a lack of sources, it is difficult to examine the exact activity of the club during the scope of this study. In 2008, Taloustieteellinen Seura and Kansantaloudellinen Yhdistys merged, forming a new economic association Taloustieteellinen Yhdistys. At present the Finnish-speaking Taloustieteellinen Yhdistys and the Swedish-speaking Ekonomiska Samfundet i Finland remain the two major economic associations in Finland.
76 Tamminen died of a serious illness at the age of 52. For his obituary, see af Heurlin (1965).
77 Tamminen (1938, 229).
78 Tamminen (1938, 247).
79 Tamminen (1938, 250–251).
80 Louhivuori (1939).
81 Louhivuori (1939, 24–26).
82 Louhivuori (1939, 35).
83 Louhivuori (1939, 36).
84 Louhivuori (1939, 36, 44).
85 Louhivuori (1939, 29).
86 Louhivuori (1939, 40–41).
87 Hannikainen (2004); Peltola (2008).
88 Kalela (1987).
89 For a similar argument, see, e.g., Kuusterä and Tarkka (2012, 503–505).
90 Autio (1992).
91 Ryti (1931).
92 Ryti (1931, 236–237).
93 Autio (1992, 46).
94 Heikkinen (2017).
95 Suviranta (1931).
96 It is noteworthy that in Finnish accounts examining global responses to the Great Depression, the United States was often conceptualized in the same reference group as Germany and Italy. These countries seemed to have adopted similar policies in the centralization of power, state intervention in economic life, and active stimulus policies. See, e.g., Tudeer (1935, 27).
97 Suviranta (1931, 345–352).
98 Tudeer (1934a, 147).
99 Tudeer (1934a, 151).
100 Pipping (1935b, 96–100).
101 Pipping (1935b, 104).
102 Pipping (1935b, 124).
103 Korpisaari (1936, 308–309).
104 Korpisaari (1936, 307).
105 Korpisaari (1936, 315).
106 See, e.g., Zaleski (1971); Schmelzer (2016, 79–80).

107 See, e.g., *Neuvosto-Karjala: KASNT:n kansankomissarien neuvoston talouspoliittinen aikakausjulkaisu*, 1 January 1932, nos. 5–6, p. 7; *Punainen Karjala*, 12 January 1935, no. 11, p. 2.
108 *Kommunisti: kommunistinen aikakauslehti*, 1 August 931, no. 8, p. 3, 37, 55.
109 See, e.g., Lithén (1933).
110 Hansen (1939).
111 Hansen (1939, 1,4).
112 Hansen (1939, 3).
113 Hansen (1939, 14–15).
114 *Kauppalehti*, 4 September 1933, no. 201, p. 5.
115 *Kauppalehti*, 4 September 1933, no. 201, p. 7.
116 Harmaja (1930, 202–204).
117 Paasikivi (1924).
118 Lavonius (1926, 1928).
119 Korpisaari (1926a, 1926b).
120 Harmaja (1930, 1933a).
121 Harmaja (1933b).
122 Harmaja (1940).
123 Harmaja (1940, 459–474).
124 Harmaja 1(933b, 121; 1940, 476).
125 Harmaja (1940, 413).
126 Harmaja (1933b, 121).
127 Harmaja (1933b, 122).
128 Harmaja (1940, 480).
129 Hesse (2016).
130 Hasselberg (2016); see also Hasselberg (2021).
131 Hasselberg (2016).
132 Montgomery (1923, 1925, 1926, 1928, 1929, 1930, 1935).
133 Montgomery (1936).
134 Montgomery (1929).
135 Montgomery (1929, 20).
136 Montgomery (1929, 9).
137 Renwick (2017, 206–207).
138 Dekker (2021, 229).
139 Åkerman (1931, 1).
140 Åkerman (1931, 2).
141 Åkerman (1931, 6). For a more thorough analysis of Åkerman's presentation in the context of debate regarding economic planning, see Carlson (2018, 61–62).
142 Åkerman (1931, 8–9).
143 Cf. Norring (2018, 278).
144 Hjerppe (1996); Haapala and Peltola (2018).
145 Suviranta (1936).
146 Schön (2017, 199–201).
147 See, e.g., Sunila and Ellilä (1921); Mannerheim (1933).
148 Gebhard (1922).
149 Gebhard (1925, 147).
150 Gebhard (1925, 165, 167).
151 Gebhard (1925, 166).
152 Gebhard (1932).
153 Gebhard (1932, 50).
154 Gebhard (1932, 51).
155 Gebhard (1932, 57).
156 Gebhard (1932, 57–58).
157 Palomäki (2011).

158 Suviranta (1936, 36–44).
159 Suviranta (1935, 159–160).
160 Suviranta (1936, 54–55).
161 Suviranta (1935, 180).
162 Suviranta (1935, 174–175).
163 Suviranta (1936, 52).
164 Modeen (1934).
165 Modeen (1934, 367).
166 Modeen (1934, 377).
167 Modeen (1939, 37).
168 Modeen (1939, 40–42).
169 Modeen (1939, 46–47).
170 See, e.g., Palomäki (2011, 65).
171 Pero and Simola (1936).
172 Kahma (1936, 329–333).
173 Kahma (1936, 338).
174 Kahma (1936, 337–338).
175 Kahma (1936, 344, 348).
176 Kahma (1936, 360).
177 Kalliala (1937, 126).
178 Kalliala (1937, 130).
179 At the end of the printed version of the presentation, Kalliala provided further reading. Indeed, the reading list included several works by Eli Heckscher and Gustav Cassel. Moreover, Kalliala referred to Bertil Ohlin, J.K. Paasikivi, Wilhelm Keilhau, Gunnar Lindström, Ernst Nevanlinna, C.A. Verrijn Stuart, Bruno Suviranta ja Jaakko Kahma. See Kalliala (1937, 140).
180 Kalliala (1937, 125).
181 Kalliala (1937, 124–125).
182 Kalliala (1937, 138).
183 Suviranta (1937).
184 Suviranta (1937, 230).
185 Suviranta (1937, 217).
186 Suviranta (1937, 230). Italics are Suviranta's.
187 For Finnish interwar democracy and right-wing radicalism from a conceptual perspective, see Kurunmäki (2019).
188 Soikkanen (1987, 13–107).
189 Andersson (2006, 10).
190 Sejersted (2011, 171, 316–317).
191 Andersson (2010, 12).
192 Tanner (1938, 206). The proposed loan was 550 million marks, while the total expenses of the budget were 5 175 million marks.
193 Tanner (1938, 209).
194 Tanner (1938, 209).
195 Tanner (1938, 213).
196 ON Tanner's and Ryti's personal and political relations, see, e.g., Heikkinen et al. (2022).
197 Ryti (1938, 223).
198 Ryti (1938, 228).
199 On the committee work in general, see Heikkinen et al. (2022, 339–442).
200 These presentations have also been examined in Heikkinen et al. (2022, 407–411).
201 Ryti (1936).
202 Ryti (1936, 128). Ryti did not give refences to what these studies were.
203 Ryti (1936, 122, 128).
204 Ryti (1936, 128).

205 Kuisma (1993); Jensen-Eriksen (2015).
206 For a contemporary account, see, e.g., Suviranta (1937).
207 The Finnish Government Programmes 1917–1939, Kivimäki.
208 The Finnish Government Programmes 1917–1939, Kallio IV.
209 The Finnish Government Programmes 1917–1939, Cajander III.
210 Hannikainen (2019).
211 See, e.g., Kettunen (2019).
212 Waris (1945, 201). See also Kalela (1987, 52).
213 Wadensjö (1991).
214 There is an extensive body of literature on Ohlin that has focused on work as both researcher and politician. See, e.g., Findlay et al. (2002).
215 Gadolin (1933).
216 The Swedish edition was also discussed and reviewed by Gadolin in 1926.
217 Gadolin (1933, 83–84). Ohlin's study later became famous in the context of the Heckscher-Ohlin-model of international trade, when Heckscher's studies were considered as the framework, Ohlin had developed his ideas. It is also noteworthy that Ohlin's book from 1933 presented the theory in verbal form. These ideas were later developed to mathematical models. On the development of the Heckscher-Ohlin-model, see Flam and Flanders (2002).
218 Gadolin (1933, 87).
219 Gadolin (1933, 88). In Ohlin's study the English concept was "world income". See Ohlin (1933).
220 Portin (1937).
221 Portin (1937, 97).
222 Portin (1937, 97, 100).
223 Although Portin did not make the reference, a similar argument was made in Eli Heckscher's review of the book.
224 Portin (1937, 98–99).
225 Tamminen (1937, 200).
226 Tamminen (1937, 199, 202).
227 Teräs (2005, 2013); Pekkarinen and Vartiainen (1993, 105–112).

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5 Conclusions

Did economic growth emerge as a powerful political goal during the long transition to capitalism, or later in conjunction with the Second World War and the invention of gross domestic product (GDP)? At least in the context of Finland, the answer seems to lie somewhere in between. There has been a tendency to examine the emergence of Finnish growth policies in conjunction with the liberal reforms of the 1860s and subsequent expectations of increasing material welfare, an objective the state gradually adopted from individual citizens. As discussed, the liberal reforms of the 1860s evidently created a capitalist transition where new fields of economic activity emerged. Yet the adoption of economic growth as a societal objective seems to be a more complex phenomenon. This book has described that economic growth emerged as a political goal rather from a crisis of liberalism than the emergence of liberalism.

Conceptions of growth in the Grand Duchy of Finland primarily emphasized stability at the expense of growth and change. In the Finnish economic associations, several different scientific frameworks existed concurrently, but most individuals were particularly inspired by the German Historical School in economic *research*. Despite a focus on social policy and limited state intervention based on *Kathedersozialismus*, ideas of increasing welfare during the period were based on the principles of the classical liberal conception. Most scholars and politicians of the period were committed to monetary stability and private capital formation as the engines of development. In this context, material welfare was created through labour and savings. Moreover, not everyone desired change, and national and cultural stability were conceptualized as political goals in the context of agrarian conservatism.

One of the key findings of this book is that future research should focus more on the events of the First World War and the reconstruction period. As noted in the introduction, the concept of national income gained popularity during the 1920s even before the Great Depression. The tax and wealth reform in 1920 provided new data for national income calculation as also did the introduction in 1914 of a federal tax in the United States. In Finland, the period of the independent republic triggered a series of reforms that had already been prepared before the war. In this

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context of republic-building, economic policies were conceptualized and planned more explicitly. The perceived expansion of the state triggered both scientific and political debates concerning national income, public expenditure, and national production.

Perhaps a more fundamental phenomenon that could be attributed to the First World War was, however, the global order of classical liberalism that was destroyed in the wake of the war, although before the Great Depression there were attempts to restore its central building blocks such as the international gold standard system. The contemporary analysis conceptualized the time before the war as a period of prosperity, when economic improvement could be taken for granted. The breakdown of the system left behind it an ideological vacuum where other ideas and doctrines could emerge. Communism, social democracy, and social liberalism provided new ideational blueprints regarding the past, present, and future of prosperity. In these frameworks, the growth of national income and production could be planned to achieve other political goals.

Finland provides an interesting case to study the emergence of economic growth as a dominant political idea, because the Finnish case is not easy to explain with any of the common causes that dominate the current literature.[1] First, in contrast to countries like the United States, the United Kingdom or Sweden, in Finland the principles of full employment and macroeconomic stability did not emerge as primary political targets. Second, although the promotion of economic growth by institutions such as the United Nations or the Organisation for Economic Co-operation and Development (OECD) can be explained by the United States' global hegemony and the Cold War economic competition, the Cold War itself does not explain why at least a formally neutral country such as Finland endorsed the internationally standardized vision of growth. Instead, it was not a major political step to adopt growth policies promoted by the United Nations and the OECD after the Second World War, because both scientific and political currents were already oriented towards growth even before the war.

How to write a conceptual history of economic growth before the concept existed? This book has been an attempt to conduct the task by focusing the primary scope of the analysis on the concepts of national wealth and national income. This framework resulted from a desire to turn the scope of the analysis from individual- and company-level ideas of profit-seeking and bookkeeping (or capitalism) to an analysis of economic growth as a phenomenon embedded in national epistemology and the state. In this context, the emergence of economic growth as a dominant political idea differs significantly from the emergence of capitalism, and the two should not be treated as one and the same phenomenon. The empirical results of this book suggest that further conceptual histories of national wealth, national income, and national product could provide more evidence regarding conceptualizations of economic growth in both capitalist and non-capitalist economies.

A conceptual history of national wealth and national income has also yielded results that provide interesting new perspectives on the growth paradigm as an object of study. In previous accounts, the emergence of the economic growth paradigm has been analysed as the emergence of *the* paradigm of growth. Although the conceptual ambiguity and contested political content of the paradigm have been recognized, an alternative framework could provide more detailed results in the intellectual and political history of economic growth. I suggest that we should perhaps turn our gaze beyond an analysis of the growth paradigm and begin identifying and analysing types of growth conceptions. As an example of the results provided by this framework, this book has identified at least five growth conceptions by analysing Finnish economic associations from a period from the late 19th century until the Second World War:

- Classical liberal growth conception: a capitalist growth conception that is constructed around a domestic market economy, international free trade, and the gold standard system. Inside this conception, there is strong support for laissez-faire capitalism and minimal state intervention. Classical liberalism seems to be indifferent to growth. While growth is certainly conceptualized as a positive phenomenon in general, classical liberals are committed to more fundamental principles such as monetary stability and judicial stability. Growth is not a desired phenomenon if it occurs at the expense of these principles.
- Agrarian conservative growth conception: a capitalist growth conception that is constructed around agrarian values and national stability. The nation as a holistic entity is more than the sum of its parts. In general, there is a tendency against industrialization and structural change, as the free peasant is conceptualized as the building block of the nation. In this sense, agrarian conservatism could be examined as a moderate anti-growth conception, as it is committed to the principles of spiritual and cultural stability at the expense of industrialization and material welfare.
- Social liberal growth conception: a capitalist growth conception that is constructed around the free market economy with democracy and limited state intervention. It rejects the classical liberal conception of growth as the natural order of things and conceptualizes growth as a means to improve economic security and material welfare in all income groups. The market mechanism, international competitiveness, and state intervention to prevent market failures are conceptualized as the main tools for achieving a high level of per capita increase in national income. Promotes growth over stability.
- Social democratic growth conception: a non-capitalist growth conception that seeks to achieve material welfare through democratic and budgetary means. In this context, economic growth is used as a tool to expand the public sector and provide economic security and material welfare for all income groups. Social democratic and social liberal growth conceptions bear many similarities, but while interwar social liberals focused on growth to save capitalism, interwar social democrats used growth to restrain the private sector. Promotes growth over stability.
- Communist growth conception: a non-capitalist growth conception that promotes industrialization, economic development, and structural change. Increasing the material welfare of the people is the main goal to be achieved by these means. In this context, economic growth is used as an indicator and as a tool that could be used as evidence of the superiority of communism over capitalism. Promotes growth over stability.

It seems that an analysis constructed around identifying these growth conceptions has provided a framework to examine economic growth particularly in the context capitalism, anti-capitalism, economic change, and stability. These typologies should not be treated as exhaustive accounts covering all characterizations of the conception in question, but rather as Weberian ideal types providing a framework to examine the characteristics of different growth conceptions. While similar developments evidently occurred in other Nordic countries during the period of the analysis, the framework proposed perhaps does not apply to cases that industrialized earlier or later, or where social democracy emerged as a weaker political force. Nevertheless, the main argument is that different growth conceptions are in general amenable to being typologized and historically analysed.

Some caveats also need to be pointed out. First, this book has focused primarily on Finnish economic associations. The associations have most likely provided a sufficient scope of analysis for the theoretical and intellectual developments that occurred. They probably have also provided an accurate picture of the changes occurring in the political philosophy connected to economic analysis. However, as the analysis has mostly focused on theoretical and political debates on academic and associational levels, it does not perhaps cover developments occurring on more practical levels. More work is needed to contextualize how intellectual and political conceptions of growth were transformed into practical formulations of growth policies in various ministries, research institutes, labour market organizations, and international organizations.

In the 21st century, many social liberal and social democratic movements have committed their political visions to green transitions and to the decoupling of economic growth from carbon dioxide emissions. On the other hand, the criticism of economic growth as a political goal has become more visible: some critics have sought to change the nature of GDP as the most important economic indicator. Further, many academic and activist groups have suggested that focusing on the re-evaluation GDP is not enough, and the whole idea of economic growth should be radically transformed. The concept of degrowth has emerged as a growing field of research, which has also gained popularity among political discussions.

The results presented here suggest that both pro-growth and anti-growth movements would benefit from a more complex historical understanding of economic growth. Many advocates of green growth have a rather ahistorical approach to economic growth as a phenomenon belonging to the basic nature of developing societies. On the other hand, anti-growth movements easily reduce economic growth to equal the capitalist system and interpret the hegemonic power of the growth paradigm as a synonym for capitalist development. As I have showcased, political groups leaning on classical liberalism or agrarian conservatism do not necessarily need growth, because their political principles can be implemented even in conditions of slow growth or zero growth. Understanding these complexities would perhaps create more achievable paths to reach goals that seek to mitigate the environmental threats caused by industrial and agricultural development. Measures and meanings of growth have evolved historically, and most likely there will be further change.

Note

1 See, e.g., Collins (2002); Schmelzer (2016).

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