

Summary

This study concerns North Karelian village shopkeepers during the 1860s and 1870s. These decades are of special interest as village shopkeeping was banned altogether by law before 1859 in Finland. The laws severely damaged Finnish inland trade and left a huge gap into the distribution system. After 1859 Finnish rural areas and also one of the country's eastern provinces, North Karelia, got their first shopkeepers. Even though North Karelian shopkeepers are the focal point, the study also includes comparisons between Finnish, English and German retail trade and village shopkeeping at the end of the 19th century.

The lack of an extremely important channel of distribution, country shopkeeping, forced villagers to look for alternative methods for trade. So they purchased goods from their neighbors, itinerant traders or shopkeepers in surrounding towns. Smuggling was also very common. The statute of 1859 offered great relief to this very awkward and harmful situation and at the same time dramatically changed village shopping routines. From that year on village retail trading occurred mainly in shops.

After 1859 the number of Finnish retail shops increased rapidly. First the most vigorous growth happened in the countryside, but in the early 1890s the center of growth moved back to the towns. Despite of the rapid increase in the number of Finnish retail shops during the second half of the century, the country still lagged far behind England and Germany. In Great Britain the ratio of retail outlets per inhabitant was 1:57 in 1901 and in Germany 1:67 in 1907. In Finland the ratio of retailers to the numbers of inhabitant remained high, 1:300, in 1900.

There were also other significant differences in the development of the retail systems in these countries. In all countries population growth tended to lag behind the pace of shop proliferation in the 19th century. England was the first to reverse this. There population growth reached the pace of shop proliferation at the turn of the century. At the same time in Finland and Germany the relative increase in the number of retail shops was still significantly stronger than the rate of population growth. The overall development of country retail trade followed these basic features.

Competition in retail trade was intense amongst petty shopkeepers both in England and Germany. In addition, village shopkeepers had to face the consequences of rural depopulation. Moreover, the emergence of new species of shops, co-operative societies, department stores, multiple shop retailers and mail order houses, challenged the position of village shopkeeper. English country traders were the first to suffer from these new competitive elements and urbanization. In Germany development in these areas was much slower, but in the late 19th century the country was already catching up with England. A distinctive German feature still to be noted, the country's large itinerant trader

population. These traveling traders were also a threat to village shopkeepers in England and Finland, but the situation was especially difficult in Germany.

In Finland competition in country retailing was minimal immediately after 1859. The first village shops were then being established. Thus competitive influences from other shopkeepers were at first non-existent or very small. During the next decades the number of village shopkeepers increased rapidly, but still at the turn of the century there was a lot of space and customers for new village shopkeepers. The lack of competition from other village shopkeepers was a clear advantage, but there were other positive factors that also benefitted Finnish country retailing. There were only a few, distant towns in Finland, the number of itinerant traders was not overwhelming and the influence of new forms of retailing was still minimal at the end of the century.

North Karelian village shopkeepers also benefitted from these same factors. And the distant location of the province even strengthened the traders' competitive position by keeping away excessive competition. The density of shopkeepers remained lower than in more developed provinces, towns were even more distant, and the new forms of retailing were still absent (excluding multiples) at the end of the century. Itinerants traveled around the province, but the competition they created could be overcome. Furthermore, the income level of the people and the shopkeepers was improved by the local wood and steel industry that offered employment to the people. All in all, the economic and competitive position of the North Karelian village shopkeepers was fairly advantageous. But there was also price to pay for this. The population of the province were still poor and this was a disadvantage. The cost of transport also remained high during the period. But on the whole the protection achieved by the distant location of the province and relative small number of shopkeepers made these few traders fairly prosperous.

The first North Karelian village shopkeepers were true pioneers, though they did not travel far to open their shops in the province. They were local young men, approximately 31–32 years old when starting their business adventure. And an adventure it was: around 40% of them closed their businesses down during the first five years. There were many reasons for this: economic depression, a poorly chosen location for their shop, competition in retail trade, lack of education and occupational skills, providing credit, insufficient initial capital and lack of a subsidiary occupation.

Trading on credit was a very common characteristic of village shopkeeping. The prevailing conditions forced people to buy on credit and shopkeepers were willing to offer it. In North Karelia the biggest creditors were men with true financial means. They were also men whose "empire" was built on several subsidiary occupations. Shopkeepers with modest means were unable to participate in trading on credit in any substantial way.

In the 1860s the main private creditors in the North Karelian countryside were farmers. Over half of all credit extended came from them. Village shopkeepers were still a small and financially weak group during the decade. In the 1870s the situation changed rapidly. Almost half of all private credit was provided by village shopkeepers, and the farmers' share had dropped to 30%

(other somewhat influential creditors in the 1860s and 1870s were shopkeepers in surrounding towns and the gentry.

During the 1870s shopkeepers grew stronger and stronger as a group and local inhabitants started to become indebted to them. When the recession of the mid-1870s struck, the problems caused by trading on credit became obvious. Disputes concerning unpaid shop debts were settled in courts in ever increasing quantities. The amount of mortgage cases also increased. As a result some of the farmers lost their homes. They were either sold at auction or properties were bought by the shopkeepers in order to settle the debt.

Most of the credits granted by North Karelian village shopkeepers was to farmers (almost 80% during the 1860s and 1870s). Tenant farmers (6%) and the landless (6%) also ran up debts, and this occurred in particular during the recession in the latter half of the 1870s. All credits were not just debts, but the shopkeepers also lent cash and wrote bills of exchange. These were used for a variety of purposes including different investments in farms. In all lending there was a certain future earnings limit: the very poor never fell into debt because nobody allowed them any credit. There was also a very strong connection between the amount of debt cases settled in courts in certain period of time and economic fluctuations.

Trading on credit was essential to the shopkeepers' customers, but it also had negative influences. On the contrary, shopkeepers themselves did not fall into debt because of excessive lending. There was a danger that trading on credit might have caused them liquidity problems, but this did not happen. The poorest shopkeepers could not offer credit in any meaningful way, so their bankruptcies were caused by other factors. On the other hand, wealthy shopkeepers were able to grant a considerable amount of credit without any difficulties. That had a favorable competitive influence on them. The poorest shopkeepers were unable to compete with them in this sector and consequently lost customers. From this point of view trading on credit was harmful to the poorest shopkeepers.

Village shopkeepers speculated in many different ways in trying to achieve maximum profit. In North Karelia and Germany they speculated in merchandise, money, crops, cattle and land. Some shopkeepers specialized in one or two areas, but a combination of all of them was also common. They sold merchandise trying to exact the maximum profit, they loaned money on interest and on some occasions bought whole crops from a farmer before harvest time and later sold it on their own account at a good profit. Shopkeepers also loaned seeds for sowing and in exchange for it were able to "tie" a customer to their shops. In the cattle business German shopkeepers were actively involved in buying and selling livestock, but North Karelian traders usually only rented out cattle. In compensation for this they demanded money, butter and labor etc. Shopkeepers were very active in land speculation in North Karelia and this seems to have been the case in Germany, too. In North Karelia they bought land, sold it in lots and managed to garner a substantial profit. A characteristic feature of the activities of North Karelian shopkeepers in the real estate business was their involvement in the wood trade. Shopkeepers bought wood and had it delivered

to North Karelian paper mills. Business adventures of this kind were very profitable, but they also demanded a great deal of money. So only the wealthiest storekeepers were able to participate in it.

Regardless of the prosperity of some traders, village shopkeepers were still a very heterogeneous group. There were large differences in wealth and social standing, which was a very common feature in the retail trade at that time. This study not only sought to establish the presence of this variety, but also to seek order in it. The aim was to find a pattern of how village shopkeepers found their ways to different social positions. The solution lay in determining how most of the tradesmen were engaged in more than one occupation. There was the inevitable connection of agriculture with trade as a main or subsidiary source of income, but many shopkeepers also diversified their businesses in other ways. Crucial to success was the way these combinations of occupations were made.

The economic structure of an area was decisive when shopkeepers created their sources of income. In North Karelia a typical combination was a village store, agriculture and in some cases real estate speculation including the wood trade. If a cottage industry was strongly developed in a given area a general store could also be combined, for example, with being a clothier. Unlike in England and Germany, this was not common in North Karelia. There shopkeepers involvement in home industry and putting-out system was strong.

When estimating the productivity of these different combinations of occupations it was observed that the weakest results were achieved by traders who acted only as shopkeepers or had combined their trade with some very modest subsidiary occupation. A retail shop and some modest sideline, for example, a small farm, was a means toward a somewhat better and more stable living, even if the income level still remained low. Shopkeepers who created such combinations were men of modest incomes, unable to offer extensive credit to their customers. In local politics they were almost invisible. A strong or very strong combination of different occupations created a success story. These well-built combinations consisted of two or more really productive sources of income. They created wealth in such a way that extensive trading on credit became possible. And by the use of credit the most prosperous shopkeepers were able to claim powerful positions in local politics.

The importance of shopkeepers in their local communities was most clearly seen in indebtedness. In the prevailing conditions lending was inevitable and shopkeepers of course knew this: by offering credit they were able to subordinate their customers. Then they used this power to further their ambitions in the economic, social and political contexts. Using credit as an instrument of power was not, however, totally uninhibited. Public opinion created norms against the misuse of credit, which was clearly recognizable in both the Finnish and German discussion. When estimating the overall importance of shopkeepers in people's lives there is one important point of view that needs to be stressed: their position as significant employers. They needed labor in retail shops, transport and their different subsidiary occupations and they offered employment to as many as hundreds of workers. Thus the importance of shopkeepers was substantial was unquestionable. But in the end, the real power

was concentrated in the hands of the few, the most prosperous shopkeepers. The main body of shopkeepers had to adopt a secondary role.

There have been few studies on village shopkeeping in Finland, England and Germany. They have been narrow in respect to time and space and the broad perspectives have been ignored. There have been no comparisons between countries and therefore a deeper understanding of village shopkeeping is still necessary. This study attempted to increase this understanding by comparing characteristics of village shopkeeping between different areas. The focus was on North Karelian shopkeeping, but comparisons were also made in broader context between Finland, England and Germany. Due to weaknesses in the available literature the level of comparison also remained somewhat inadequate in this study. Nevertheless the understanding of village shopkeeping was expanded.

Comparisons between German, English and Finnish village shopkeeping made clear how the Finns experienced enormous difficulties by the total ban on village shopkeeping before 1859. On the other hand, the decades after 1859 were favorable to Finnish village shopkeepers: competition in the retail trade was small in Finland; at the same time it was intense in England and Germany. Central to the study was the examination of indebtedness. Historical studies on village shopkeeping in Finland, England and Germany have all stressed, mainly descriptively, the problems caused by extending credit. The extent and severity of the problem has nevertheless remained obscure due to the lack of statistical evidence. In this study North Karelian local historical material offered abundant possibilities to investigate the effects of shop debt. As a result it has created an exact and also quantitatively reliable picture of the whole problem. This study is the first of its kind. Comparisons were also made between the North Karelian, English and German material. It was observed that the problems of indebtedness were similar in all three countries.

The study noted the extreme importance of subsidiary occupations when true wealth and power were being created. In previous studies this perspective has attracted only limited attention. In reality having a subsidiary occupation was an inseparable, universal characteristic of village shopkeeping. It was the way to wealth.