

**THE DEVELOPMENT OF ECONOMICS IN FINLAND UNTIL 1918:
A review article about Heimer Björkqvist, Den national-ekonomiska
vetenskapens utveckling i Finland intill år 1918***

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This treatise by Professor Björkqvist is a *magnum opus* in the proper meaning of that phrase. It will remain a valuable source book for scholars for years to come. The closest comparable work, as to scope and depth, which comes to mind is W.G.F. Roscher's venerable *Geschichte der National—Oekonomik in Deutschland, Neuerer Zeit*, (München, 1874).

There is no dearth nowadays of general and comprehensive histories of economics or of economic doctrines. To mention only three of a larger number, there are the doctrinal histories by M. Blaugh (1978), H.W. Spiegel (1983), and I.H. Rima (1986). These are »cosmopolitan» in nature addressed to scholars and students anywhere in the world who are interested in the evolution of economic thought. There are far fewer histories of economics that are national-specific in makeup. Such works trace the introduction, usually over a century or more, of several schools of economic thought to readers in particular countries, readers who initially receive most economic ideas passively from abroad because they have had little or no exposure to, not to speak of any role in the creation of, these ideas.

As economic literature becomes more widely known in these countries, leading spirits among these »passive» readers — be they politicians, merchants, clergymen, lawyers, or

academics — react to the doctrines received. They then modify and adapt elements of the latter, analyses as well as policy prescriptions, which seem best fitted to the resources and institutions of the recipient nations. At a later stage economists from these countries begin making their own innovative contributions to economics, which in due course become evaluated in the worldwide forum of economic ideas.

There are several ways of presenting national histories of economics. A recent example is the volume *Danske Økonomer* (Danish Economists) edited by J.F. Christensen and N. Kaergard (Copenhagen, 1976, pp. 544) issued for the 75-year jubilee of the Danish Society for Social Economics. After an introductory essay about Danish economics from 1776 to 1976, this book surveys that development in twenty-two chapters written by contemporary scholars. Each chapter is devoted to the work of some person who made a contribution, theoretical or applied, to economics in Denmark.¹ These chapters begin with economic ideas expressed by the great Danish dramatist Ludvig Holberg, 1684—1754. From that point on, the chapters proceed down the decades to such an internationally well known economist as Frederick Zeuthen, 1888—1959.

This book provides an interesting survey of economics in Denmark and displays consider-

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¹ *This work was reviewed by me in History of Political Economy, volume 19, No. 4, winter 1978, pp. 691—692.*

able variety among the individual contributions. But precisely because this history is presented as a chronological sequence of individual contributions, it does not clearly reveal the linkages between the work of persons earlier with that accomplished by others later in this sequence. Moreover, when new economic doctrines are introduced in a given country, unless they are rejected as unsuitable to its conditions, there is bound to be some interaction between the new theories as they are adapted for application and the preexisting structure and institutions of that economy. Such interactions are likely to be omitted in an account based primarily on the works of individuals.

It is one of the strengths of Björkqvist's treatment that it traces the linkages between doctrines and emphasizes the interaction between the latter and the institutions of the economy to which they are applied. This was emphasized by Björkqvist both in the introduction (pp. 21—23) of his book, and reiterated more forcefully midway through it in Chapter VI:

A socio-economic analysis that endeavors to give a realistic account of economic life cannot avoid discussion of *the institutions and sources of power* which provide the framework within which economic activity is carried on. A knowledge of the structure and functions of society is needed to provide the background for the constructs of economic theory which pervade the discipline. Such knowledge takes cognizance *inter alia* of the government's political power and how it is applied to the central bank, to the system of commercial banks and other credit institutions, to organizations of workers and associations of business enterprises. At the same time one should bear in mind that institutions not only provide the framework for but they also participate in the sequence of economic processes. (p. 341, emphasis in the original).

While much has been written about Sweden's leading economists dating from the 1890s onward, no history of the development of economics in Sweden or Norway comparable to that of *Danske Økonomer*, not to speak of so systematic a study as Björkqvist's for Finland, has been attempted thus far.

Although no comparison of the state of economics in Denmark and Finland as of the end of the eighteenth century will be made here, still two comments seem necessary. Clearly Denmark was closer than Finland to the in-

tellectual currents which were flowing through continental Europe and Britain. Consequently changes in economic outlook would reach Denmark much sooner than Finland. They would also find a readier reception in Denmark, a much more developed country than Finland. However, there was one point in which Finland had, for a time, superiority over its Scandinavian neighbors. That was in the economic theories and perspectives by one of Finland's own, Anders Chydenius, 1729—1803, Finland's greatest figure in economics, hardly equaled by the insights and achievements of later Finnish economists until after the turn into the twentieth century. Yet Chydenius was by training not an economist but a clergyman who, when elected to the Sweden-Finland parliament in Stockholm, became involved in economic problems. His economic writings date from 1761 into the later 1780s. They clearly anticipated several of the main doctrines of Adam Smith's *Wealth of Nations* by a little more than a decade (Uhr 1963, 1964, 1965).

While Denmark by 1800 was largely a passive recipient of economic ideas emanating from a handful of genial writers in Britain and France, Finland, by reason of Chydenius's work and the handful of academicians and politicians who were acquainted with it, was potentially in a better position to receive, extend, and improve on the classical economic doctrines than her Scandinavian neighbors. This is made clear in Björkqvist's discussion of the »preclassical» period and in Chapter I of his book, »The Classical Period at Åbo Academy,» pp. 21—108.

This notwithstanding, economics of the classical or later schools had greater obstacles to overcome in Finland than in the other Scandinavian countries, especially after Finland was incorporated as an arch duchy in the Russian empire, 1808—09. This was true even though the czars allowed the Finnish people a greater measure of autonomy and continuity under laws inherited from Sweden than were accorded to all the other subjects of the czars.

Among the obstacles to acceptance of classical and later varieties of economics in Finland was the circumstance that there was no course literature on political economy available in Finnish until the turn into the twentieth

century. Works of classical and later writers were read in German and Swedish translation which were made years after the originals were issued.

Then, in 1812, when a new professorship in political economy and commercial law was set up at Åbo Academy, following the European continental tradition, it was placed in the Faculty of Law. This meant that for persons to qualify for that post they had to have an advanced degree in law besides a doctorate in economics. Also courses in political economy were regarded as secondary to those in jurisprudence as far as the students were concerned.

Yet, alongside this modest provision for economics as such, instruction was also given in varieties of »practical» or applied economics. Professors of the natural and life sciences at the Academy were obliged also to offer instruction in the practical application of their disciplines to or in the economy. Thus Per Kalm, 1716–79, a biologist and a disciple of the famous Swedish naturalist-botanist, Carl Linné, was made a professor of »economy» at the Academy in 1747. There he taught courses on how to improve crop yields by better methods of farming as well as instruction in forest management or silviculture. These subjects naturally had more appeal to the people than, for instance, the economics of Adam Smith. For at that time Finland was about 90 percent rural, its population depending principally on agriculture and forest products for its living. There were very few and small cities and towns and very little manufacturing industry.

Thus, while economics had no easy path of development in Finland, such progress as was made was due mainly to the devoted efforts of a few outstanding persons, such as Calonius, Myréén, Snellman, and Mechelin. They had to function both as jurists, political tacticians, and academics and thus could only give a part of their time and energy to economics.

This brings us to the method applied and to an overview of the content of Björkqvist's treatise. The doctrines whose introduction in Finland he reviews are those of classical economics, and then the reaction and criticism of that school by the cooperatists (inspired by Robert Owen), and by the early and the later German historical schools, the latter of which

offered »socialism of the chair» (Kathedersozialismus) as an alternative paradigm to that of classical political economy. To this must be added that critiques by utopian and Marxist socialists led to the decline of classical economics. The latter was replaced by a new orientation based on a subjective value theory that was elaborated into a general equilibrium economics.

For each of these schools of thought, Björkqvist first goes back to the original authors and their main works. Then very concisely he states the main propositions or theories of the doctrine in question. After that he shows how, by whom and in what conditions, a given doctrine was introduced in Finland. This leads him to consider what effect it had on pre-existing economics, on economic policy, and on extant social institutions.

The period which this research covers is 170 years, extending from the 1760s with Chydenius and on to the early 1930s, to the arrival of theories of monopolistic competition, on the eve of the »Keynesian revolution.» To coordinate the main stages in this doctrinal evolution with the changes in political climate and social institutions which occurred and accompanied it, Björkqvist divides this century and three quarters into a succession of six shorter intervals. (pp. 40–41).

The first two of these periods are »the time before 1809» and then »1809–1828», when Åbo Academy, after a fire which destroyed much of it in 1827, was moved to Helsinki. Then it was decided in St. Petersburg to make the moved Academy the foundation for a new and greater university, named after the czar as the Alexander University of Helsinki, which opened in 1828.

These periods are coordinated with the treatment in the text of »pre-classicism» and Chapter I the »Classical Economics at Åbo Academy,»² pp. 27–108. First the work of Chydenius and some of his followers is considered, then the discussion moves on to the crucially important activities of M. Calonius (of whom more anon), and to the creation of

² My translations from the Swedish in this and in some succeeding paragraphs of the titles Björkqvist has given to some of his chapters will not be literal. They will differ somewhat because terminology and usages are often not the same in English as in Swedish. The translations I have given are the nearest equivalent in concept to Björkqvist's chapter titles.

a first professorship in political economy and commercial law, which was occupied by D. Myréen, 1812—31. The works of the classical economists used for instruction at the Academy are also considered. They were chiefly the writings (most of them in translation) of Adam Smith, J.B. Say, T.R. Malthus, and J.C.L. Simonde de Sismondi. Anglo-American readers would be struck by the omission from this list of D. Ricardo, who, from 1817, dominated classical economics in Britain until the 1870s and the close of J.S. Mill's career. Björkqvist attributes this omission to the circumstance that the Åbo academicians, who readily studied literature in their subjects in German and French, could with few exceptions not read English. Also at that time, the 1820s, there was as yet no handy German translation available of Ricardo.

The third period, 1825—1855, begins with the succession of czar Nicholas I, a militarist, to the liberal czar Alexander I. It ends with the death of Nicholas I and the conclusion of the Crimean War, 1855. This interval covers Chapters II through VI, pp. 109—341. In Chapter II begins the »Criticism of Classical Economics under a Reactionary University Policy.» This is followed by Chapter III »J. V. Snellman, Emergence of Finnish Nationalism, and the Breakthrough of Liberal (Classical) Economics in Europe.» Chapter IV offers the »Cooperative Perspective,» V »The Economic Theory of Socialism,» and VI »The Epoch of Liberalism.»

Two opposed themes dominated this discussion. First there is the negative reaction in continental Europe to Ricardo's abstract formulations of the leading principles of political economy. In its wake one discerns the rising popularity of Friedrich List's nationalist economics with protection for »infant industries.» One also notes a growing criticism of classical economics as being ahistorical and unrealistic in ignoring social institutions and traditions of long standing, which change only slowly if at all. To this is added the socialist criticism of the classics as serving a bourgeois economy which is regarded as ruthlessly exploitative of the working class.

The other, opposite theme emphasizes the victory of free trade in Britain in the 1840s. It observes that after the abortive revolutionary disturbances 1848—50, a strong movement in Europe toward not entirely free, but

toward freer, trade (the breakup of guilds and abolition of their restrictive production regulations) is making itself felt. At the same time an unregulated industrial revolution is marching on beyond Great Britain into Germany, France, and even into the Habsburg empire. During this period there was also some modest expansion of juris-related political economy courses at the university.

The fourth period extends from 1855 to 1905. But so many events transpired in that half century that, to coordinate better with the content of the written text, it seems advisable to divide it into two intervals.

Accordingly period 4a runs from 1855 to 1878, ending with the achievement of a Finnish currency on a gold standard independent of the Russian ruble. This coordinates with the treatment in Chapter VII, »Monetary Theory and Monetary Circulation» (of which the latter refers more to an elastic currency and credit system than to circuit velocity of money *per se*) and Chapter VIII, »A Currency of Our Own,» pp. 341—454.

For background Chapter VII reviews Finland's monetary history from 1800. It recounts the problems endured for decades of a mixed circulation of Swedish paper riksdalers and Russian paper rubles, both being over-issued and going at various discounts against the corresponding fullbodied Swedish and Russian silver coins. Moreover, for years Finland had a very primitive, unstable banking system, which received very little improvement under Russian suzerainty. Also sundry proposals that were made to solve these problems are reviewed. A detailed account is given of the several steps taken and the political jockeying that accompanied them between proposals from the Finnish Senate in Helsinki and responses from St. Petersburg, before the monetary reform was completed and approved.

Period 4b then runs from 1878 to 1905, ending with the general strike of that year and the replacement of the old »lantdag» (a parliament based on the traditional four estates) by a unicameral parliament elected on the basis of universal adult male and female suffrage (the first female suffrage in Europe).

This period coincides more or less with the doctrinal history brought out in Chapter IX, »The Historical Perspective on Economic Theory, and Socialism of the Chair (Katheder-

sozialismus),» and Chapter X, »Reactionary University Policy and the Splitting Up of Economic Theory, 1881—1905.» pp. 455—527. These chapters review the rise of the older and the younger historical schools of economists in Germany, and the increasing acceptance their outlook received in Finland. As for the »splitting up of economic theory» when a subjective value theory and general equilibrium economics by Menger, Jevons, and Walras began to replace the »objective value» economics (based alternatively on the work of J.S. Mill or K. Marx) that »splitting up» took place in the 1880s in Britain and Austria. But it or its results did not reach Finland to any appreciable extent until much later, in period five.

Period five goes from 1905 to the outbreak of the Russian Revolution 1917. It coordinates with Chapter XI, »The High Water Mark of the Historical School, 1905—1918,» pp. 528—566. It records the increasing acceptance the outlook of the historical school received. It also relates some expansion in the teaching of political economy, and the formation of associations of professors and students and others interested in economics in two organizations, *Kansantaloudellinen Yhdistys* (The Finnish Economic Association) publishing a journal in Finnish, and *Ekonomiska Samfundet i Finland* (The Economic Society of Finland) publishing its journal in Swedish. A new professorship in political economy, with an obligation also to lecture on public finance and statistics, was created and placed not in the Faculty of Law but in that of Philosophy and History, 1906. Another professorship was also created (in what we would call resource economics) with emphasis on agricultural and forest economics in the Technical University in Helsinki.

Period six begins with »The War of Liberation and the Declaration of Independence, 1918» and goes beyond it to the early 1930s. It coordinates with the content of Chapter XII, »Toward Newer Theories» and with a separate section following it called »Summary and Conclusions,» pp. 567—625. This chapter succinctly reviews the Work of Rau, Hermann, Dupuit, Cournot, Mangoldt, Jenkin, von Thünen, and Gossen as forerunners of Jevons, Menger, and Walras, and of Wieser and Böhm-Bawerk. Then it goes on to consider the work of Wicksell and Professor Will-

gren's interpretation of Wicksell and of marginal utility and marginal productivity theory in his teaching at the university. The chapter closes with a brief review of Marshall's work and his role in creating the neoclassical school of economics, the progress of which school is pursued into the early 1930s.

To account for crucial developments in periods one and two, Chapter III, pp. 156—201, on Snellman, and period 4a Chapters VII and VIII, pp. 341—454, relating to monetary reform, have demanded an unusual burden of archive research. Accordingly, Björkqvist's register of sources used covers 43 pages of the works of some 440 persons, many of whom remain unknown outside of Scandinavia. In these chapters Björkqvist has opened many doors for present and future scholars to enter when they feel so inclined.

Reflecting retrospectively on Björkqvist's account, one can hardly avoid being impressed by the precarious basis on which the entire nineteenth century development of economics in Finland rested. This can best be revealed by considering the role played in given historical circumstances by a few of the chief actors in this development.

A statement that can safely be made about any period of history is that it could have been worse. This applies emphatically to Finland's situation as it developed in 1808—09, and to what followed it with some but no fundamental modifications for 110 years. That it did not turn out worse was due largely to a combination of fortuitous circumstances: the character of czar Alexander I, the skills and devoted efforts of Mattias Calonius, 1727—1817, and the diplomacy and steadfast support he could count on from Johan Jacob Tengström, 1715—1832, Bishop of Åbo diocese and later Archbishop of Finland, who was also a nephew of Anders Chydenius and inclined to carry on in the liberal tradition of his great uncle.

Calonius became a docent teaching political economy and history at Åbo Academy in 1764. Subsequently he was appointed professor of jurisprudence. In that position he served so successfully that he was called to the Supreme Court in Stockholm, 1793—1800. By 1808 he was regarded as the country's leading jurist. Then he was called to the Finnish Senate. Functioning under Russian occupation, the latter was preparing to call the en-

tire parliament, the »lantdag,» to session at Borgå 1809, to swear loyalty to the czar and to arrive at a constitution for Finland agreeable to the czar.

It was Calonius as a leader of the Senate who was called on to draft the proposals for defining Finland's constitutional position as an arch duchy in the Russian empire. Those proposals first had to receive strong support in the Senate, and then when convened by the parliament, before they could be forwarded to the czar for ratification, modification, or rejection. Consequently they had to be worked up in negotiation with the governor general for Finland appointed by the czar and with persons from the czar's ministries called in by the governor general.

Calonius's proposals succeeded in getting the czar's approval for letting Finland retain its Lutheran religion and national church, for Swedish as its official language, for continuation of the system of civil and criminal law that had been applied under Swedish rule, for retaining its central administration and Senate, as well as its »lantdag» or parliament, which, latter, after the constitutional session 1808—09, would be convened again only at the call of the czar. After 1809 it was not called into session again until 1863, in the reign of Alexander II.

Czar Alexander I agreed to these conditions (which made him a constitutional monarch with respect to Finland while he remained an autocrat as emperor with respect to Russia itself) because he was a liberal-minded person who regarded Finland with its free peasantry as an example that might eventually become applicable also to Russia.

In conjunction with his efforts for and with Calonius at the Borgå parliament session, Tengström as pro-chancellor of Åbo Academy made a great contribution to higher education in Finland by acting for the survival and the future expansion and progress of Åbo Academy. He also tried with partial success to bring order out of the confusion created by varying exchange rates between the Swedish paper riksdaler and the Russian paper ruble. In 1810—11 it was agreed that only the rube should be allowed in circulation and the Swedish paper money should be withdrawn. This, said Tengström in a memorandum to the authorities, would create great money and credit scarcity. There were far fewer paper ru-

bles in circulation than Swedish money owing to the fact that Finland's trade with Sweden was much greater than with Russia. So he proposed that the Swedish paper money should be acceptable at a fixed exchange rate against the ruble for purposes at least of paying one half of the taxes assessed. This proposal was apparently accepted for a time and did reduce the exchange fluctuations between the two currencies.

As for Calonius, he returned to his juris professorship after the sessions at Borgå until his death 1817. Though he no longer taught the subject, he remained active in promoting instruction in political economy at Åbo Academy. He was instrumental in obtaining additional funds for the Academy's library and for an additional professorship at the Academy, and that one devoted chiefly to political economy together with commercial law.

That professorship was offered to D. Myrén, who held it from 1812 to his death, 1831, i.e. also beyond the time when the faculty and resources of the academy were moved to Helsinki, 1828, to start the Alexander University there. Myrén, then is considered to be Finland's first professor of economics, although he was also obliged to devote time to law courses. As an economist he was largely an economic liberal in the Smith-Say tradition. He was also influenced by the work of Sir James Steuart, and by the writings of Storch and of Count F.J.H. von Soden, whose nine volume work, *Die National-Ökonomie* (Economics) appeared over the period 1805—24. Myrén's own interest was centered more on monetary theory and history than in other branches of economics.

As we move up from the time of Calonius and Tengström by a generation or two, we encounter four outstanding persons whose economic and politico-cultural activities played a large role in Finland's development, Johan V. Snellman, 1806—81, Leo Mechelin, 1839—1914, Robert Montgomery, 1832—98, and Yrjö-Koskinen, 1830—1903.

Björkqvist characterizes Snellman as a person whose aim it was » . . . to raise the cultural and material life of the country's Finnish-speaking population» (p. 117) and who was » . . . the first journalist in Finland who made the press a power factor in the economic policy debates» (p. 169).

Snellman, an outspoken and intrepid fighter

for freedom in all its forms, especially for academic freedom, and, later on for national independence of Finland from Russia, became a docent in philosophy at the university in 1836. However, in a period of tightened censorship and repression of political dissent, he came into conflict with the university administration, which was intent on avoiding confrontation with the czarist authorities over freedom of expression. In such circumstances Snellman resigned from the university about 1840 to devote his talents to journalism. During the 1840s and 50s he launched a newspaper in southeastern Finland and also a literary magazine, both of which, published in Swedish, were eventually suppressed. He also published a paper in Finnish, *Työväen Ystävä* (The Workingman's Friend). There he threw a sharp light on the hardships under which loggers, sawmill workers, and landless peasants lived.

In general Snellman was very critical of classical economics because of the great inequality that system generates between a small minority of wealthy industrialists and large landowners in relation to the great majority of the people as workers and small peasants. He strongly disapproved of large-scale industries because of the dangerous and unsanitary working conditions to which they exposed their employees. He was also opposed to free trade for many the same reasons as was the economist he most admired, Friedrich List.

By 1862 Snellman was elected to the Finnish Senate and was made its chief of finance and chairman of its Banking Committee, which was set up primarily to arrange for a foreign loan to the Bank of Finland. The latter was forcing a credit crunch in its efforts, on inadequate reserves, to maintain convertibility of the Finnish paper mark to silver. Snellman was able to negotiate the needed loan, and then his Committee wanted to put the mark permanently on a silver standard, but there was the trouble of the ruble. The exchange rate of the ruble fluctuated more than that of the mark, and the czarist authorities wanted to delay the convertibility of the ruble until the ruble rate to silver was favorable. This delayed the adoption of a silver standard for the mark and the ruble until 1865, a reform which substantially benefited Finland's foreign trade position.

That achieved, and the Banking Commit-

tee having been authorized to oversee and guide the monetary policy of the Bank of Finland, Snellman wanted to pursue a cautionary and restrictive credit policy. On that he came into conflict with other members of his Committee, and so he resigned to devote his energies to politics. He gathered under his leadership a nationalistically inclined group known as the Fennomans, which he welded into an expanding and unofficially organized party, whose declared aim was total national independence of Finland from Russia.

The improvement brought on by the silver standard did not last long before it, too, proved unsatisfactory. Owing to great increase in its production, silver declined in value relative to gold. By the early 1870s silver was being demonetized in several countries, the U.S., Germany, Sweden, which adopted the gold standard that had served Britain so well ever since the 1840s. The credit for negotiating this greater and more durable monetary reform — it was to last until World War I — through the Senate and then through the Russian Ministry of Finance by 1878, belongs in large measure to the tenacity and collaboration of Leo Mechelin and Robert Montgomery. Both were appointed by the Senate, at the demand of the czar, in 1875 to a commission to study the feasibility of a gold standard, with Montgomery as chairman and Mechelin as the commission's most active member.

Mechelin became a juris professor in 1874 but left that post in 1882 when he was elected to the Senate and became the Senate's leader of its economic department. Likewise Montgomery was a juris professor from 1870. Both he and Mechelin had years of practical experience as bankers. Both were directors of a bank, *Föreningsbanken*, and had taken study tours abroad to study legislation and practices relating to banking in several countries. It was the theories of the British »banking school» — Tooke, Thornton, Lauderdale rather than those of Ricardo and Lord Overstone — that guided their work. Both were economic liberals in the classical tradition.

Surprising as it may seem, Yrjö-Koskinen, a professor of history who had written a study on »The Antiquity of the Finnish People,» was also appointed to the Banking Commission of 1875, chiefly because of the work he had done on behalf of cooperative credit unions. His role in the monetary reform ac-

tions is not clear, and his lasting influence in Finland was channeled into other areas than banking.

His role in the development of economics in Finland was that of a critic of the country's social institutions and of a political activist. In the 1860s he began taking over the leadership from Snellman of the »Fennomans,» whom he organized into the Finnish Party. Under his leadership that party grew and launched a number of party organs, several of which were suppressed, but one of which merits attention here, *Työväen Seikka* (The Conditions of Working People). In 1874 it carried articles by Koskinen on the deplorable conditions of labor in the early stages of the industrial revolution. The remedy, he argued, lay neither in laissez faire nor in socialism but in something in between, in social intervention to improve and regulate working conditions, compensate workers for industrial injuries, and in measures to enable landless agricultural laborers to set up farms of their own. He attributed the poverty of the majority in the rural areas to the usurious interest they had to pay for small loans, desperately needed after crop losses due to unseasonal frosts.

Then he turned to the cooperative movement as it had developed in Germany where numerous cooperative ventures were started among craft workers, dairy farmers, associations owning houses cooperatively, and cooperative credit unions. The latter, he thought, would be a solution for providing credit on reasonable terms for Finland's small farmers. In substance, while Yrjö-Koskinen and his Party's long-term aim was to make Finland independent of Russia, for the country's more immediate economic salvation they embraced a program similar to that of the »socialists of the chair,» i.e., a social insurance and welfare state program.

Yrjö-Koskinen was also one of the leaders who organized the *Kansantaloudellinen Yhdistys* (The Finnish Economic Association, an organization similar to that of the American Economic Association) in 1884, which began to publish the *Yhteiskuntataloudellinen Aikakauskirja*, a predecessor to its present *Kansantaloudellinen Aikakauskirja* (The Finnish Economic Journal).

Going back to Mechelin for a moment, not to be outdone by Yrjö-Koskinen, and his Finnish Party with its »socialists of the chair

program,» Mechelin founded Finland's Liberal Party in 1880, consisting largely of Suedo-Finns. Later, in 1894, he also organized and for a time directed the *Ekonomiska Samfundet i Finland* (the Economic Society of Finland), which publishes its journal in Swedish, *Ekonomiska Samfundets Tidskrift* (the Journal of the Economic Society).

In closing this review, we turn to Axel W. Liljenstrand, 1821—95, who was a professor of economics and commercial law, 1857—77. The end of his active career in the 1880s coincides with the changeover in Europe which marks the end of classical economics and its replacement by the new approach, the marginal utility and marginal productivity theories based on Jevons, Menger, and Walras. It is not claimed that Liljenstrand brought about a similar change in economic analysis in Finland. That occurred later and by others. But he was aware of the beginnings of this change and anticipated its conquest over received economic thinking also in Finland.

Liljenstrand was an economic liberal who also made use of the approach of the historical school. While he was opposed to socialism, he also recognized the validity of several of the criticisms leveled by socialists against the existing economic order. What is of interest here is an article he wrote in 1879, »Reflektioner om den ekonomiska politikens framtid» (Reflections About the Future of Economics). There he commented on pessimism in the ranks of economists about the ability of economics ever to arrive at a body of theory capable of gauging the course of economic development. He referred to the meeting of the Political Economy Club in London, May 1876, to celebrate the centenary of the publication of the *Wealth of Nations*. He recalled Jevons's lecture introducing the then new marginal utility theory and his critique alike of the historical school and the socialists, both of which question the use of the deductive method, and, Jevons feared, might, if widely accepted, lead to the demise altogether of economic theory. Concerning this, Liljenstrand took a much more positive position emphasizing that:

(1) Economics, at least from the time of Adam Smith, has progressively offered explanations of laws which dominate human behavior as men by labor and mutual exchange

of services satisfy both their material and spiritual needs.

(ii) No sharp distinction between deductive and inductive methods can be maintained in economic research, because economics, like every other scientific endeavor, needs and must use both.

(iii) History and statistics are indispensable in economic research for testing its theories and for preventing them from becoming empty abstractions.

(iv) Political economy divides into two different branches. One is that of pure theory, which sets out the assumptions, the scope and limits, and the variables of the system, viewed as a construct of theory. The other branch is that of applied economics, which is concerned with the practical application of economic theory. Applied economics has to be built on both history and statistics as an essential part of its basis.

In this manner, Liljenstrand implicitly predicted a permanent, an expanding, and an

important role and future for economics. Whether, as Björkqvist puts it (p. 331), he also by these statements pointed to neoclassicism as an assured part of that future is not so certain, and is at any rate a debatable point.

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