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EBHA Conference  
26-28th August 2010  
Glasgow, Scotland  
A work in progress

## Control and Cooperative Capitalism: Governments and Nordic Timber Cartel 1918-1933

Cartels represent one of the most distinctive features of the 20<sup>th</sup> century cooperative capitalism. Many economic historians has pointed out that it's impossible to approach the 20<sup>th</sup> century economic history without taking cartels in consideration.<sup>1</sup> Much has been already done in order to understand cartels as economic and political institution, yet there are relatively large unstudied areas in political prerequisites and underlying conditions behind cooperative behavior.

Cooperative culture within and between industrial and public sectors was one of the key factors enabling the long line development of cartel economy starting from late 19<sup>th</sup> century and stretching well beyond 1945 when cartel behavior became illegal in Europe.<sup>2</sup> By cooperative culture we understand the interdependent relationship between governments, banks, industrial associations in national and international context that makes cartel agreements possible by promoting, supervising, backing up and even forcing cartel members to desired behavior.

In this paper I study previously unexplored formation and development of cooperative culture between Swedish and Finnish timber producers in 1918-1933. The focus of this paper is to analyze Nordic cooperation and to discuss its' role as a cartel representing one of the most important export industries in Nordic countries. Research questions are: when, why and how Nordic producers organize themselves? Did significant position of timber industry in national economies of Nordic countries affect the cooperation?

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<sup>1</sup> Fear 2009, 268-269, 287-288. Wurm 1993, 1-6. Schröter 1996, 129-153.

<sup>2</sup> Wurm 1993, 1-6.

What were the challenges of Nordic cartel, and how were they solved? Results of this paper are based on archive materials in Swedish and Finnish archives.<sup>3</sup>

There are three central arguments in this paper. First of all, cooperation in Nordic timber industry was a coherent and long-lasting development that started already in 1918 and ended in 1933/1934. Cooperation during this time period took many forms from consultative interaction to mutual price agreements that were supervised by national cartels and banks.

Secondly, the Finnish banks and government were involved in operation of Nordic timber cartel. Their role in supporting, controlling and patronizing it intensified during the 1920's to the extent that at the turn of the decade as part of protectionist policy an open battle over power between state and industry begun. Material suggests that Finnish government was ready to use rather drastic means in patronizing timber industry but partly because of the strong block formed by Nordic timber producers, the power over the future of Nordic timber industry stayed in the hands of timber producers. In this respect, Nordic and especially Finnish material offers a new angle to theoretical framework about security aspects in cartels: Nordic cooperation interested timber producers because it provided security against state powers besides securing their economic existence through price fixing agreement.

Thirdly, Nordic producers found out during the 1920's that common regulative policy in order to work required two national approaches. It's important to understand that although Sweden and Finland had two different ways in organizing their national timber industry – Finland creating several national cartels during the period and inviting banks to control them, while there was no suchlike cartels in Swedish timber industry as far as we know – they are expressions of one Nordic policy that had objective in regulating the Nordic price and production volumes.

Collaboration between the biggest timber producers in Europe in interwar period has remained unexplored until now, and it is widely accepted that European Timber Exporters Convention (ETEC) in 1935-1939 was the first international cartel agreement in timber industry. The results of this paper challenge previous interpretation showing that Nordic timber producers were in fact forerunners in collaboration between European timber producers. By the time ETEC was starting to develop Nordic producers had some 15 years of experience of the risks and benefits involved in timber industry cartels.

Paper is divided into three sections: first we will take a look at how cooperation was started in 1918, how it began to take forms of cartel behavior and how national interests created a break up in cooperation. After that we will take a short look at the events during the 1920's and how banks adopted the role of controller in Finland as a part of Nordic price agreement. In the third part of this paper we will explore the final stage in Swedish-Finnish cooperation in 1929-1933, when timber industry and governments united their forces. The third phase of Nordic cooperation in 1929-1933 is particularly intensive, and it offers great material to compare cooperative cultures between and within Sweden and Finland as well as relationship between state and industry.

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<sup>3</sup> CN, STEF. ELKA, SSS. Nordea / KOP. Pääjohtajan salaiset asiakirjat 1917 – 1940

## 1. From cooperation to cartel: the first three years 1918-1921

Nordic cooperation started in the middle of a confusing situation. World War I had just ended and Europe was in ruins: the war had destroyed states, created new ones and left practically all involved on a brink of bankruptcy. Germany, Russian Empire and Austria-Hungary were defeated, vanished or disbanded. Great Britain and France suffered immeasurable material and humane losses, and their excessively indebted economies could no longer compete with the growing economics of USA. In 1918 economies of the most powerful states in Europe were utterly disorganized, trade relations were frozen and European currencies were unstable.

Finland was among the states that became independent as a result of the Russian Revolution in 1917. Number one concern for new European small countries was to build economically and politically functional states: independent nations required effective administration, political life and stable national economies with active export industries. Production of raw materials, especially in forest industries, created the backbone of economies for most of the 1917 founded states. This was also case in Finland, whose primary export product was timber.<sup>4</sup>

Biggest timber producers in Europe in 1918 were two Nordic states, Sweden and Finland.<sup>5</sup> These two neighbors had some 600 years of shared history before 1809. As states they were very alike, but nevertheless after World War I they were in very distinct situations. Industrialization had started earlier in Sweden bringing wealth and welfare to its nation. Its export activity covered iron and steel industries besides forest industry. Sweden didn't take any part of whatsoever in World War I, and was spared from exhausting warfare efforts. Finland, on the contrary, was in 1918 low-industrialized and rural country, that lived of the forest industries.<sup>6</sup> Autonomous position of Finland in the Russian Empire in 1809-1917 had allowed relatively free development in economic life, but still the industrial era had begun late. After independency and violent civil war Finnish mark was weak and foreign capital was severely needed. However, during the World War I timber markets had changed: Russian empire had vanished not only as a political entity but also as an economical and industrial entity leaving a great gap on the markets.<sup>7</sup>

Despite of the presented divergence between these two Nordic countries, it's good to keep in mind that connection made in 1918 between Swedish and Finnish timber producers was possible because of the many similarities. Similarities occurred in institutional as well as mental spheres. They shared same challenges as small peripheral nations selling their products to strong ones like Great Britain and a little later on, they defended their positions against mutual enemy, Soviet Union and its vast resources of cheap timber. But it is one similarity above all that really made the cooperation possible: timber producers in both countries were organized under central associations. Both associations, Swedish STEF (Svenska

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<sup>4</sup> Ahvenainen 1984, 443.

<sup>5</sup> Ahvenainen 1985, 175.

<sup>6</sup> Andersson & Krantz 2006, 47-51.

<sup>7</sup> Ahvenainen 1985, 175.

Trävaruexportföreningen) and Finnish SSY (Suomen Sahanomistajyhdistys)<sup>8</sup>, were independent associations that covered over 90% of all timber producers in both countries.

Membership for both associations was voluntary, although banks began to pressure for joining in both countries during the 1920's. STEF and SSY as independent associations were exceptional organizations among corresponding associations in Europe, which often were under state control. As far as we know STEF and SSY were also pioneers in establishing cooperation beyond states borders as early as 1920. During some 15 years of cooperation these two major associations of two biggest timber producers in Europe formed together a mighty block in economic as well as in political sense.

Idea behind Nordic cooperation was to formulize mutual price policy and to come to a consensus about division of European market areas. By price fixing Nordic producers wanted not only to keep prices from sinking but to prevent lethal price-competition with each other. Cooperation required that they should let go of the competitive strategies and to compromise individual interests for the name of common Nordic good.

Price war: launching of cooperation

The first price agreement between STEF and SSY was established in December 1920. It was preceded by long discussions and negotiations: first contact between STEF and SSY had already taken place in 1918 just after the end of Finnish civil war. Topics for first discussions was offered by Russia, the most important rival of Finnish and Swedish timber producers and the previously biggest producer in Europe for that matter, who had now vanished from the markets. Revolution in Russia had led to complete reorientation in every level of society putting halt to all industrial and export activity and leaving a great gap in the international timber market. Also rebuilding after World War that accelerated the demand of timber in Great Britain raised a question how Nordic producers can benefit it the most.

Nordic interaction was boosted in 1919 when British timber buyers formed a syndicate in order to bring down the prices. By that time STEF and SSY had established their national minimum price scales, and merely informative cooperation began to take a shape of cartel behavior. Interestingly, discussions between STEF and SSY were closely watched by Risto Ryti, the head of Bank of Finland, who attended to the meetings. It's more than likely that Finnish government was also well informed of the discussions. During the 1919 STEF started to make demands on Finnish minimum prices and respectively SSY started demanding restrictions to Swedish production.

Price agreement 1920 was a loose agreement with several details missing and it was completed in March 1921 by defining the exact price difference, period of agreement and currency used in quotation prices.<sup>9</sup> However, market situation had changed dramatically in 1921 and by the end of April it seemed that large quantities of Nordic timber will be left unsold. Bad currency situation in Finland forced Finnish to cut themselves loose from agreement. This launched a chain of events that led to a brake up of Nordic cooperation. According to previous research the reason for brake up was the differences in opinions within

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<sup>8</sup> Swedish Timber Export Association, Finnish Sawmillowners Association.

<sup>9</sup> Helsingin Sanomat 5.5.1921

STEF.<sup>10</sup> Swedish did have a crisis of their own, but material suggests that behind it was a rather peculiar episode in Swedish-Finnish cooperation.

Dramatic end of cooperation: "Foreign exchange at any cost"

During the spring 1921, both SSY and STEF were motivated in finishing up the previous price agreement. In April SSY send a troubled letter to STEF declaring the anxiety at national economics that stagnation in world markets caused to Finland. Head of SSY Ivan Iverus wrote that "*Finland needed the wheels of export industry running at any cost*" in order to get foreign currency, and declared that Finnish minimum price had sunk and agreement had failed.<sup>11</sup> SSY hastened to assure public through the Finnish press that a new agreement is under negotiation, because failing of the agreement threatens to disintegrate STEF and will finally lead to a completely free price policy of Swedish timber. STEF and SSY decided to sign a temporary agreement, which deregulated Finnish prices for a period of four weeks or until 100 000 standards was sold. In other words, Swedish allowed free competition under specific time and quota limitation.<sup>12</sup>

The crisis leading to the break up of Nordic block started when Finnish published the deal in the press. Either they wanted to gain as much advantage as possible and get the buyers' attention or they wanted to reassure the public opinion about continuity of Nordic collaboration, which was seen as a guarantee for successful market development. In any case it brought the leaders of STEF into a difficult situation: they had not informed their members of such deal, who eventually came to learn about it through the press.

*Executive board of SSY has agreed with the Swedish yesterday about following minimum prices for 7" pine batten. Finnish minimum price is 16 £ / std for fob Reposaari and Swedish minimum price is 22 £ for fob Hernösand. Finnish prices are applied to 100 000 stds or until the end of four week period starting from 7.5.1921. After 100 000 stds have been sold or four week period has closed Swedish and Finnish will assemble for a meeting to discuss over new prices.*

(Helsingin Sanomat 7.5.1921)<sup>13</sup>

STEF members' astonishment was as deep as their leaders' embarrassment. Event disintegrated already scattered Swedish timber industry by braking up joint selling institution within STEF and causing serious mistrust towards STEF leaders. Provoked STEF leaders retaliated by spreading false information of reorganization about selling organization of W. Gutzeit Oy, the biggest timber producer in Finland.<sup>14</sup>

Crisis in relations between STEF and SSY led to a brake up of cooperation and pricing was "in chaos", in other words free competition and free pricing, with a result of price crashing down to lowest level since

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<sup>10</sup> Ahvenainen 1984, 322.

<sup>11</sup> SSY to STEF 29.4.1921. CN; STEF, Korrespondens med SSY 1918-1921.

<sup>12</sup> STEF to SSY 3.5.1921. Carl Berg to Ivan Iverus 21.5.1921.CN, STEF, Korrespondens med SSY 1918-1921. Helsingin Sanomat 5.5.1921.

<sup>13</sup> Originally in Finnish. Translation by EK.

<sup>14</sup> SSY to STEF 28.5.1921. CN; STEF, Korrespondens med SSY 1918-1921.

1915. Failure of Swedish-Finnish timber agreement was noticed by the banks and state and miserable situation in timber markets caused criticism towards industry's capability to control the markets.

In his letter to STEF's Carl Berg, Ivan Iverus explained the publishing of agreement by stating that "*frankly, timber industry is in focus of everyman*". Exaggeration or not, publicity seemed to be an integral part of cooperation in timber industry in interwar period. By informing "everyman" – forest owners, timber entrepreneurs, buyers as well as banks and politician – about price agreements STEF and SSY wanted to send a message that the economic outcome and welfare with it didn't just "evolve" as a result of random fluctuations, but rather it was developed and maintained actively by the industry itself. Cooperation was seen as a guarantee for positive market development, and optimism in markets really was converted into money periodically. The fact that cooperation seemed to have a major psychological importance to markets, was discussed repeatedly in STEF and SSY during the 1920's and early 1930's.

## 2. Prosperous 1920's and the birth of bank control

The 1920's are often described as prosperous decade. European economies started to recover from World War I and diplomatic and trade relations were re-established. Liberal economic policy made export trade easy, and positive climate in economy encouraged people to work, consume and enjoy their lives.

Nordic timber industry experienced its height in the 1920's. Building and construction boom in Europe fed it, and forest processing industries had not exceeded it yet as the most important export industry. After the break-up of Nordic collaboration in 1921 Swedish timber industry no less than doubled its production volume during a year from half a million standard to one million, keeping production level steady until the end of the decade. While Swedish producers took one great leap in production volume, Finnish timber industry grew slowly during the decade starting from 600 000 std/year and ending up to 1 2000 000 std/year in 1929. As we can see, Sweden lost its position as the biggest timber producer in Europe in 1924 to Finland, who held her ground until the end of 1930's.

*Table 1: Export of Nordic Timber 1921-1930*<sup>15</sup>

Year	SWEDEN		FINLAND	
	Total timber export	Export to Great Britain	Total timber export	Export to Great Britain
1921	544 073	46,8%	639 075	35,3%
1922	1 032 185	37,7%	843 938	39,7%
1923	927 547	41,5%	898 059	41,7%
1924	933 942	37,6%	1 013 750	41,5%
1925	994 551	39,1%	1 031 722	43,2%

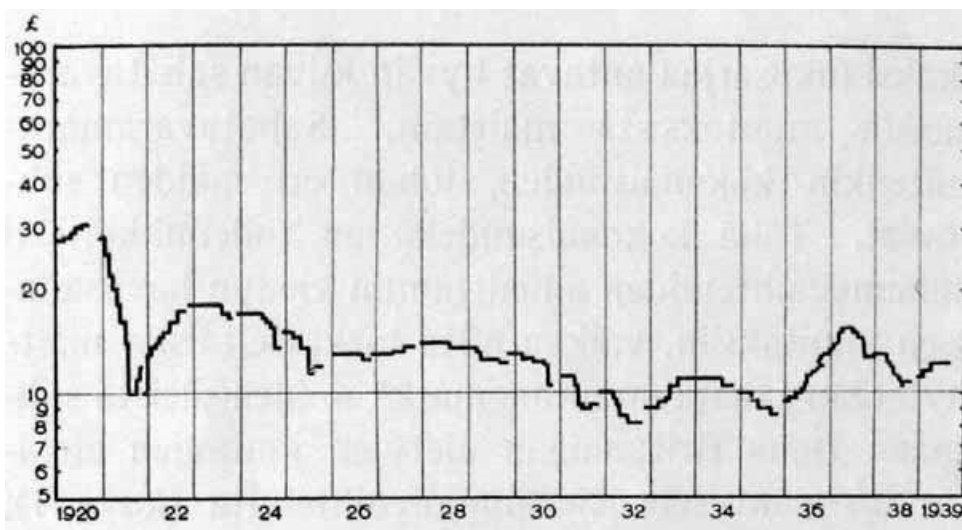
<sup>15</sup> "Some results of Russian dumping. How Sweden and Finland are Affected". Published by STEF and SSY 1931. CN, STEF, JL Ekman korrespondens 1930-1931.

1926	911 770	44,1%	1 120 308	44,1%
1927	1 010 864	41,1%	1 278 012	45,1%
1928	1 047 896	35,3 %	1 140 709	37,1%
1929	1 181 286	35,2%	1 200 218	41,1%
1930	996 086	36,1%	899 713	43,3%

As shown in statistics above, the most important consumer of Nordic timber was Great Britain. Besides Great Britain, important market areas of Nordic timber were Belgium, Netherlands, France, Spain and Portugal.

However, price development was not as encouraging as production volumes. In fact, 1920's started with outrageously high prices of 30 £ of 2 ½ x 7 pine boards<sup>16</sup> that dramatically drop the following year, after the break-up of Nordic block, to 10 £. In 1922 prices started rising reaching price level of around 17 £, where it stayed for a few seasons.<sup>17</sup>

*Table 2: Average selling prices of leading South-Finnish timber 1920-1939*<sup>18</sup>



Price development in 1924 and 1925 again started taking a concerning direction sinking well below 15 £. At this point SSY contacted STEF suggesting a revival of Nordic collaboration.

<sup>16</sup> Finnish leading shippers prices in Great Britain

<sup>17</sup> Ervasti 1955, 30, 158.

<sup>18</sup> Ervasti 1955, 30. Prices are for 2 ½ x 7 pine battens in Great Britain markets.

## Rebuilding the Nordic collaboration in 1925

Despite its unlucky ending in 1921 Nordic collaboration was felt to be useful. Negotiations in 1918-1921 had proved that there were mutual interests between Nordic producers and that it was possible to come to an agreement if only conflicting national interest could somehow be reconciled.

Idea of collaboration and mutual price agreement was invoked again in a middle of a worrying market situation in 1925. Finland had reached the limit of yearly production of million standards, but as the production volume rose, the prices fell. SSY, wanting to have the cake and eat it too, wished to keep the production level of over million and to bind prices artificially to a desired level. After discussion with STEF both associations started making inquiries among timber entrepreneurs about support for Nordic minimum price agreement. Eventually it got 70% support from both Swedish and Finnish timber industry, and agreement defining minimum prices of timber was established. Both associations send a circular announcing the results and price scales, and reminded that they should be followed. Price agreement was published to press and it received considerable publicity.<sup>19</sup>

Opinions and debates during the minimum price agreement negotiations in 1925 open an interesting angle to one of the most essential questions in cartel studies – why were cartels established? According to Harm Schröter cartels can be seen as a part of big corporations' defensive strategy against sudden changes in market.<sup>20</sup> It seems that the biggest timber corporations in Finland however had somewhat opposite attitude towards cartels: minimum price agreements were not considered as a guarantee but rather as a threat to their liberty. Big Finnish producers were utterly reluctant towards price agreements that tied their hands and prevented them to make business on buyers' terms. Finnish big corporations Kemi, Ahlström and Uleå refused to cooperate with Price agreement 1925 and adopted a role of outsiders, and stayed somewhat consistent to their outside strategy throughout the interwar period. They protested against all cartel arrangements and price agreements, which had many consequences: they prolonged negotiation processes, weakened agreements' effectiveness and other corporations' motivation to sign and honour agreements. In 1925 for example big Finnish outsiders caused distrust among some Swedish corporations towards the success of whole agreement, and they refused to bind themselves to it.<sup>21</sup>

Outsider ideology of big Finnish companies is particularly interesting because it was not an exception related to price agreement 1925. In fact, it spread during the 1920' and made big companies to split to form a group of their own known as "the Group 1" in 1929 that had a consultative and informative nature. During the 1930's outsider ideology became stronger and led to furious fights over international cartel policy pursued by SSY. Outsider ideology adopted by big Finnish timber companies needs more studies, but in my view it seems as if big companies saw the benefits of Nordic and international collaboration in securing timber industries' independency rather than securing the markets by regulation. Consultative collaboration within a small group was preferable solution for big Finnish timber companies instead of

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<sup>19</sup> CN, STEF Central committee protocoll 4.9.1925. Agreement 9.9.1925. CN, STEF, Prisöverenskommelse 1925.

<sup>20</sup> Schröter 1988, 436-437.

<sup>21</sup> CN, STEF, Prisöverenskommelse 1925.



imperative minimum price scales. In this respect timber industry differs from other forest industries, and does not seem to follow Schröters' theory.

Experiences from price agreement 1925 do not report negative effects from big companies, but instead from small companies. Stocks of Finnish small companies became packed with unsold timber after losing freedom of pricing, and that had to be taken into consideration when prospecting the next season. There was going to be too much timber in the markets and that would inevitably affect price levels. STEF and SSY agreed that something should be done, but renewing the price agreement did not come to question because of the resistance among small producers.<sup>22</sup> The fact was that big and small companies conducted their business with different prices, and forcing them to the same price scale would damage the business and imbalance markets. Thus, public opinion in Finland was against Nordic price agreement because it was felt to benefit Swedish at the expense of Finnish timber industry. Instead of returning to free competition, as in 1921-1924, SSY designed an adaptable price agreement that took into account the different needs of small, mid-size and big companies, and named it as *Price Rate Association*.<sup>23</sup>

#### Price Rate Association

Price Rate Association was introduced in December 1925, and it was formed in early 1926. Its' objective was to set minimum prices for Finnish timber. Formation of minimum prices was by no means of easy task: Finnish companies were divided into five price categories according to companies' size and to its region. Although traces of Price Rate Association vanished from STEF archives in 1927, SSY archives show that it operated until the end of the decade. Accordingly, Swedish followed their national minimum price scales. Intensive interaction between STEF and SSY shows that both "national" price scales were in fact, carefully scaled in relation with each other and formed a coherent and unified Nordic price scale.<sup>24</sup>

Price Rate Association was minimum price agreement among Finnish producers, and the idea of it was that a company was not liable to SSY for following agreed price level, but rather to its own price category. The cartel aspect in Price Rate Association becomes clear in the rules that say that if a company considers a deal with lower prices than its category requires, it has to be subjugated to category members' decision.<sup>25</sup> Price Rate Association introduced a group control.

Interestingly, Price Rate Association rules does not mention what happens if a company sells low prices anyway. The ultimate controller of Price Rate Association is revealed in STEF circular: SSY collaborated with banks. Bank of Finland along with two most important commercial banks Nordiska Föreningsbanken and Kansallis-Osake-Pankki (KOP) had agreed to work congruently with SSY price policy and "not recommend" their clients to sell below their price category. It's important to point out, that "recommendation" of banks in this context is far more than just a recommendation – it was more like an imperative. Finnish timber

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<sup>22</sup> CN, STEF, Central committee protocoll 10.11.1925, Prisöverenskommelse 1925.

<sup>23</sup> Noteringsgruppen.

<sup>24</sup> ELKA, SSY Central committee protocols 1927 and 1928.

<sup>25</sup> CN, STEF, Letter from Baron Wrede to Carl Berg 5.2.1926. CN, STEF, Prisöverenskommelsen 1926.

companies were short of capital and totally dependent on their loans, which made banks' power over business policy strong. This power was also used in Finland – for the first time in 1926.<sup>26</sup>

At the same time in Sweden, where price agreement 1925 was renewed almost without changes and got now over 80% support, Finnish Price Rate Association was greeted with satisfaction. In his letter to one of the central figures in SSY Baron E. F. Wrede, Carl Berg writes that only if Price Rate Association can protect its prices and Swedish producers can uphold theirs "*we stand again side by side in strong alliance*".<sup>27</sup> Swedish-Finnish cooperation had developed into a stage where it was understood that Nordic alliance demanded distinguished national approaches if it were to work. Although Swedish and Finnish had different minimum price agreements, it is important to understand that they were formulated from one Nordic price policy.

The Nordic cartel formation in the 1920's balanced between mutual competition and cooperation. It was important for both associations STEF and SSY that the forms of collaboration outgrew from practical needs to respond to changes in market situation. One expression of this was that Nordic producers favored short-term seasonal agreements, flexible and somewhat robust institutional structures and negotiations that were conducted in a brotherly atmosphere.<sup>28</sup> Letter exchange between Carl Berg from STEF and Baron Wrede from SSY suggests that close personal relations between these two associations were created in mid-1920's, which turned out to be most beneficial by the time when all sorts of problems started to emerge at the turn of the decade. Inner circle of Nordic block created in 1925 remained somewhat unchanged until the end of 1930's.

The bright prospects of the 1920's changed swiftly to darker tones as the first signs of depression appeared in 1928. Worldwide stagnation in the construction industry decreased demand of timber. At the end of 1920's the world economic growth first slowed down, then stopped and eventually collapsed triggering off profound changes in international markets. It seemed for a while that dangerous combination of British protectionism and sudden appearance of Soviets to timber markets could sink Nordic economies.

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<sup>26</sup> CN, STEF, circular nro 23 (18.3.1926). CN, STEF, Prisöverenskommelsen 1926.

<sup>27</sup> CN, STEF, Letter from Carl Berg to Baron Wredes 15.2.1926. Prisöverenskommelsen 1926.

<sup>28</sup> Nordic collaboration and especially Finnish way of establishing and maintaining cartel equals well to Jeffrey Fears findings of the features of a durable cartel. Fear 2009, 270.

### 3. State control — state cartel? The 1930's

The turn of the decade was intensive. Protectionist domino effect starting from the world biggest economies – US, Great Britain, Germany and France – spread across the world making protectionist economic policy a prevailing practice and threatening to leave export dependent small nations trapped behind tariff barriers. All trade agreements had to be renegotiated. Protecting the national interests and getting foreign currency in order to keep the export industry going became the most crucial challenge for the small Nordic countries. Profound changes in finances and trade relations put everyone's eyes on export industry: it seemed to hold the keys to either survival or destruction, and it was certainly something that governments in Finland as well as in Sweden couldn't let timber industry alone to decide upon. Timber industry's business stopped being timber industry's business, and inner circle of Nordic block got company from banks and eventually from governments. State wanted to control timber industry in order to secure its national economics, and timber industry agreements became a governmental matter.

Export industry cartels were no longer agreements within group of industrialists trying to control the unpredictable business environment, but they also offered a potential tool for governments to control the unbalanced national economics as the following case of Finnish Timber Export Control Association, which will be discussed in shortly, shows. Depression created in both Nordic countries different advisory boards and consultative committees consisting of politicians and industrialists predicting, planning and discussing how economic catastrophe could be avoided. One solution seemed to be to increase state regulation in export industry through existing cartels.

Nordic countries start to take separate ways at the turn of the decade. Bank control introduced in Finland already in 1925 strengthened considerably and as Soviets demand for Nordic-Soviet minimum price agreement grew stronger, Finnish government became all the more interested in intervening in timber industry. Swedish material suggests that governmental intervention in Sweden was not introduced until 1933-34.

In following chapter government control is discussed quite often, but it's good to keep in mind that it was never accomplished. Design of governmental control went really far, but it was never realized for the reason that the ultimate goal that it was designed to, Nordic-Soviet timber minimum price agreement, failed. Nevertheless, the historical value of failed agreements can be as important as those of ratified – and this is exactly why agreement of government control is analyzed here in such extent. In this case it reveals the underlying power battle between state and timber industry that took many forms during following decades. For example, we can't understand thoroughly why the Nordic road to ETEC agreement turned out to be as it turned out to be, and why atmosphere among Finnish state and industrialists was so suspicious for a long time. The fact alone that Finnish industrialists refer in 1936 to the planned governmental control in 1931 as "*the dangerous attack of the state*", suggests that although the plan was never accomplished, it's worthwhile investigating for.

Before we examine the governmental control, we continue analyzing the almost yearly changing set up of Nordic cartel, and its tightening relationship with banks.

## Group 1 and Finnish Timber Export Control Association

The Price Rate Association started to disintegrate in fall 1929 when ten biggest Finnish companies decided to start a group of their own. An alliance of the big ones was called the Group 1, and of all Nordic agreements and arrangements it was closest to what we call a gentlemen's agreement. It left practically no documentation of whatsoever, except some telegrams like:

*"Brofelt, Hackman and I propose agreement between Gutzeit, Halla, Kaukas, Hackman, Tornator aventually Diesen, Saastamoinen, Rauma, Eklof, Kemi organizing office Helsingfors composing their sales managers. Each firm maintaining right decide one sales but consulting and informing other members about all sales. Cooperation elaborating stocklists. Posting you draft agreement airmail. Please handle strictly confidentially. Kotilainen."*<sup>29</sup>

Interestingly, here we see a list of companies, whose representatives in other occasions are very anti-cartel. It's evident, that the big ones wanted to cooperate only with each other, and with freedom of forming their own prices, as passage "*Each firm maintaining right decide one sales but consulting and informing other members about all sales*" suggests.

Experiences from Group 1 were positive, and a year later a similar organization was founded to cover all Finnish timber producers. At least the birth of Finnish Timber Export Control Association<sup>30</sup> was explained that way, although it was indeed a very different kind of organization. Instead of consultative and informative, it was patronizing and controlling. It delimited considerably timber companies by subjugating them under strict bank control.

Finnish Timber Export Control Association was a cartel existing in 1930-1931. It was price fixing and production restricting cartel designed by SSY leaders, Finnish banks and government.<sup>31</sup> Control Association divided Finnish Timber companies to three price groups according to their size – division was far more simple than in Price Rate Association –and determined a production quota for every company. Each group had a leader, to whom companies reported weekly about their open and close deals, as well as about state of production quota. Group leaders met on weekly basis and decided if prizes of open deals are at appropriate level so that they can be closed, and on closed deals they evaluated how price level was realized. Group leaders also controlled the production volumes of each company and warned them if there was a risk of over production on company quota. Rule breakers were punished by bringing the name of a cheater into knowledge of other group members and to the bank who gives credits to it.

Unlike any other cartel formation before, Control Association left a massive material consisting of protocols of group leaders' weekly meetings and other discussion, member lists, Association rules, complains and reports, evidencing the drive towards centralized control of Finnish timber industry. One of the most characteristic features of Control Association material is that SSY member are usually listed by, not their Group, but by their banks.

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<sup>29</sup> Original telegram in English. ELKA. Enso-Gutzeit Oy, Kotkan saha. Ivan Iverus kirjeet 1929.

<sup>30</sup> Originally in English. Tarkkailuyhtymä (Fin), Kontrollföreningen (Swe)

<sup>31</sup> Archive of Nordea / KOP. Pääjohtajan salaiset asiakirjat 1917 – 1940

In the 1920's banks had become the allies of SSY first by pressuring outsiders to join to SSY, and regulating the industry with barriers of entry and supervising the economic activity of their clients, and from 1925 recommending their clients "not undercut" agreed minimum prices.<sup>32</sup> Still, Control Association in 1930 took this role to a whole different level. Not only were they "recommending" certain price levels, but banks supervised companies' price levels and guaranteed to SSY and government that their clients' quotas will not be exceeded. Bank control was executed through loan regulation.

Strengthened bank control is naturally also visible in bank archives. Especially the archives of Kansallis-Osake-Pankki (KOP) reveal the intensity of bank control. Performance of client companies were carefully followed and evaluated by head of KOP J.K. Paasikivi. His follow-up book contains feedback suggestions such as "too cheap", "weak performance", "manageable", "too much", referring to prices and production volumes of each client company. This information was distributed to SSY and Finnish Council of State. Although government was involved in designing and following the performance of Control Association, it didn't seem to take an active role. At least a meeting of the Control Associations' Trust council, consisting of group leaders, in August 1931 it is complained that "*we are short in means to pressure those firms that are independent from the banks*".<sup>33</sup>

Finnish Timber Export Control Association lasted until the end of 1931. After one year of Control Association, almost everybody was dissatisfied with the results. Small corporations from groups 2 and 3 complained about high costs and poor results of Control Association and the big ones were no longer willing to regulate their prices.

One of the most cherished concepts about cartels is that they were "children of necessity". However, if we look at the fluctuations during the interwar period, it seems that cartels agreements were created in all times, not just during the bad times. For example Price Rate Association was a cartel organization founded during the "good times": from 1926-1928 timber prices and demand situation were encouraging, but still Finnish timber industrialists set up a cartel inviting even banks to it.<sup>34</sup> Nevertheless, old saying has bit of truth in it: economic fluctuations did seem to have an impact on cartel control. If we compare the "good times cartel" Price Rate Association to "bad times cartel" Finnish Timber Export Control Association, we can see that the harder times required heavier control measures.

#### Sweden and national cartels

The Price agreement 1925 launched the cartelization development in Finnish timber industry. Bank control as well as group control was introduced to Finnish timber entrepreneurs while material suggests that Swedish colleagues were bound to price agreement only by their word of honor. To understand the reason for different approaches of Sweden and Finland requires more work, but at this point it seems that Swedish industrial life didn't need patronizing. Recent Finnish research suggests that in general Swedish forest

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<sup>32</sup> Archive of Nordea / KOP. Pääjohtajan salaiset asiakirjat 1917 – 1940 CN, STEF-SSY korrespondens 1918-1921. CN, STEF, Prisöverenskommelse 1926.

<sup>33</sup> ELKA, SSY, Suomen sahatavaranmyynnin Tarkkailuyhtymän luottamusmiehistön asiakirjat 1930-1931 Protocoll of Finnish Trust council of Timber Export Control Association 5.8.1931.

<sup>34</sup> Ervasti 1955, 30-31.

industry was less cartelized than Finnish because of the larger size of Swedish corporations. They didn't need to unite in larger export cartels because they could realize their export efforts by themselves, unlike in Finland, where export cartels offered power and security for small and weak companies.<sup>35</sup> In Finland, on the contrary, the building of economic and political foundations after violent independency process in 1917-1918, and especially the economic building demanded drastic measures which got its expressions in banks – and few years later states – patronizing and regulating the industry. Interestingly, economic outcome of 1920's in both countries was a success story.

In Sweden there was not national cartel corresponding to Finnish cartels. Material suggests that STEF leaders did not see outsiders as big of a problem as their Finnish partners, and they allowed more unpredictable and free behavior from their members. Position of banks and state was under discussion several times in 1920's and at the turn of the decade, and it seems that Swedish acted much more restrained towards public sector than the SSY, who seemed to have no trouble at all in approaching banks. Opinion in STEF was that relationship between timber industry and banks / state was problematic because it brought an unpredictable and fundamentally uncontrollable player to the field. State could have brought security, but it certainly brought also troubles: financial support, authorities, report obligations and threat of intervention over operative functions in timber industry. These all interfered the balance between strong and weak companies and competition (demarcated by cartel agreement), and brought people with political intentions and who were from outside the business world to make decision over things of extreme importance.

In 1930 Swedish had to make a concession to their distance principle. They agreed with the Swedish Bank Association on collaboration that limited the credits to non-STEF members.<sup>36</sup> It's worth noting that the emphasis of this agreement was not to secure the credits for STEF members – strengthening of the members position in loan markets would have been normal request from a lobby organization like STEF – but to specifically *exclude* non-members from loan markets. This was a first step towards binding the public sector with business, but more was on its way.

#### Nordic Trust Council 1931-32

One of the most important organizations created in Swedish-Finnish cooperation was the Nordic Trust Council. It was established in 1931 soon after Finnish Timber Association, and it lasted for a two years until the end of 1932. During the years of its existence, Trust Council had nine confidential meetings where common Nordic policy in international timber markets were discussed and defined.

One of the most important reasons why Nordic Trust Council was founded was, in my view, the Soviet question, which had put Nordic timber industry between a rock and a hard place. First of all, cheap soviet timber had penetrated British markets and threatened seriously the interests of Nordic timber industry. Diplomatic sources as well as public opinion talked about *economic war* and *Soviet attack against*

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<sup>35</sup> Väisänen 2009, 63. Jensen-Eriksen.

<sup>36</sup> CN, STEF, central committee protocol 28.10.1930.

*capitalism*, and it was the mission of Swedish-Finnish Trust Council to put an end to it.<sup>37</sup> Secondly, during the 1930 Soviets had approached Nordic government and banks to negotiate upon Nordic-Soviet timber minimum price agreement, and the negotiations falling to the hands of governments worried Nordic producers. Soviet-related interpretation of Nordic Trust Councils essence is supported by the fact that it broke up after Nordic-Soviet agreement had failed in 1932.

#### Swedish, Finnish and the Soviet question

Around Soviet question there was two basic challenges: how to make Soviet timber unattractive in buyers' eyes, and how to react to Nordic-Soviet timber minimum price agreement that was negotiated at governmental level. Obviously, the first problem was easier to solve than the latter, and a furious anti-Soviet campaign directed to the British House of Commons was launched soon after Nordic Trust Council was founded.

The objective of the anti-Soviet campaign was to reassure British political elite about the rotten character of Russian working conditions. Campaign claimed that workmen in Soviet timber industry in fact consisted of political prisoners who were nothing but forced labor for the state, and encouraged British buyers to boycott "immoral" Soviet timber. It's worthwhile noticing that just 6 months ago Finnish state had maneuvered exactly the same kind of campaign by leaking out "secret reports" to the international press about horrors in the Soviet timber fields. Just as planned, it created a serious anti-Soviet wave in Great Britain. Public opinion was becoming aware of the moral problem involved in Soviet timber to such a degree that British actually created two official anti-Soviet movements. Both movements, *Trade defense union* directed by Viscount Brentford and *Anti-Soviet Persecution an Slave Labor League* directed by Lord Phillimore, are mentioned in the Trust council protocol and needs further studies.

Campaign was strongly supported by the Finnish state, and also it seems likely that Finnish state had a strong initiative on the matter in the first place. When anti-Soviet plan was discussed in Trust council in December 1931, Finnish foreign minister Antti Hackzell attended the meeting offering Finnish diplomatic sources and other informants and observers to the use of Trust council. Foreign minister Hackzell made few particularly interesting propositions about information channels that Trust council could use. He suggested, that anti-Soviet material could be collected through interviews with Soviet refugees that occasionally crossed Finnish east border. Minister Hackzell also promised that information received from Soviet refugee camps, apparently located in Finland, will be open to Trust council to investigate. Hackzell felt that anti-Soviet campaign had a strong political and moral dimension to it.

*"Not only the sheer slave work used in Soviet Union, but the whole corrupted communist legislation, should be made public. Accurate information of what's going on in the Soviet Union is needed abroad, and possibilities to gather them are good if we use all means possible."*<sup>38</sup>

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<sup>37</sup> Häggman 2006, 92-93.

<sup>38</sup> ELKA, SSY, Ruotsin-Suomen luottamuneuvoston kokousten pöytäkirjat 1931-1951. Luottamusneuvosto, 12.02.1931.

On his speech minister Hackzell declared that it would be optimal if the so called Border States – Poland, Estonia, Latvia, and Lithuania – would be invited to anti-Soviet cooperation. Trust council was uncomfortable with Hackzell's suggestion and didn't want to turn into an extension of Finnish foreign policy. Besides, collaboration between Border States was not a realistic option – Swedish-Finnish collaboration alone was challenging enough even though countries had organizational and cultural similarities. Border State policy was a matter of states foreign policy and timber industry leaders didn't want to get involved if there was not an economic profit to be gained.

Anti-Soviet campaign was accomplished during the 1931 with success. It's obvious that Finnish state took a considerable risk in getting involved in it. Rumors travelled fast and they had consequences in diplomatic relations as well as in business world. If word about Finnish state offering diplomatic sources to Nordic timber industry on launching an anti-Soviet campaign started spreading it could cause irretrievable damage to Finnish-Soviet relationship. To make sure that the role of Finnish side would stay behind the scenes, it was agreed that Finnish will be excluded from all the officialities concerned with campaign. In other words, only the Swedish side of Trust council would sign the contract with their British partner, who was paid to realize the campaign. This is shown in STEF archives, where anti-Soviet campaign seems like it was maneuvered only by Swedish, but in reality it was a Nordic project, where the prominent role of Finland offering diplomatic sources was kept as a secret.

#### Towards state cartel: The Nordic-Soviet timber agreement

The other question, how to react to Nordic-Soviet timber minimum price agreement that was negotiated at governmental level, was harder to solve. The bottom line was that Nordic timber producers didn't want to negotiate with Soviets. Soviets on the contrary had been interested in Nordic-Soviet minimum price agreement since 1925, but idea was rejected over and over again by the Nordic producers, who formed almost impenetrable and hostile wall towards Soviets.<sup>39</sup> Soviets pressure for getting foreign currencies had grown enormously since the Great Depression, and they were forced to seek better prices for their products. Alliance with Nordic producers seemed like a decent solution for that, but as Soviet timber production and dumping prices became more and more extensive, decreased the Nordic producers will to negotiate with the Soviets.<sup>40</sup>

Since negotiations with STEF and SSY had turned out to be impossible, Soviets approached Nordic countries by sending their diplomatic delegates to Central Banks of Finland and Sweden in 1930. By bringing governments to the negotiation table Nordic-Soviet agreement formed from the beginning a characteristically political matter and a governmental project launching a decade-lasting development of state intervention to timber industry in both Nordic countries.

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<sup>39</sup> First attempt in 1925 was made by Severoles , who in this same occasion asked for Swedish to act as a messenger, for they couldn't approach Finnish "out of purely political reasons". STEF Central committee protocoll 10.11.1925. Prisöverenskommelse 1925. CN, STEF

<sup>40</sup> Ahvenainen 1984, 353-354. ELKA, Axel Solitander, esitelmät. ELKA, SSY protocoll 20.11.1930.



The question about control in Nordic-Soviet agreement – who will guarantee that agreement will be followed – was designed by Finnish governments and banks, and its results were introduced in Nordic Trust Council meeting in July 1931 by Axel Solitander, the head of Central Organization of Forest Industries in Finland and a minister in Finnish Government. A document called Solitander memorandum presented a plan that would make timber industry licensed trade and take Nordic timber industry under direct state surveillance. This bold suggestion was rejected by the Trust council right away, but it's worth investigating for a while because it offers us a particularly interesting insight into the prevailing power battle between timber industry and Finnish state, that had been developing already for some years.

### The Solitander memorandum

In July 1931 Axel Solitander attended to the meeting of Trust council and presented a memorandum of the control measures that would be executed in Nordic countries as a part of Nordic-Soviet timber cartel agreement. Memorandum declares that control of timber export is not possible without intervention of state authorities, although it should be demarcated carefully. It suggests that the control authorities must have a mandate to prohibit timber export exceeding certain quota. Finnish state already practiced export control with few products, for example lingonberry and butter, and it was proposed in Solitander memorandum that timber export control would be realized in similar way: by allowing export to "quality labeled" companies only. Making membership of Finnish Timber Export Control Association obligatory, memorandum proposed that Control Association would be permitting quality labels and defining just how much each label can produce and export timber.

Solitander memorandum contains an interesting asymmetry. It starts with declaring the importance of state authorities as watchdogs of timber export, and yet it ends with giving the control to Finnish Timber Control Association. In my view this asymmetry denotes an important feature of the cooperation culture between Finnish state and industry reflecting unwritten practices in division of authority. Finnish Timber Export Control Association being under strict bank control was ultimately under state surveillance: presence of state control was implicit in it.

### Why?

Many significant Finnish opinion leaders, such as the head of the biggest commercial bank Kansallis-Osake-Pankki in Finland J. K. Paasikivi, felt that state interventionism had a negative impact on economic life, and it was certainly something timber industry didn't wish for either. In Sweden business and state had traditionally lived separate lives: STEF leaders kept considerable distance with banks and didn't establish cooperation with them. Representatives of Nordic timber industry stated in several occasions during the 1920's that it would be better if banks and other authorities would let them carry on their business undisturbed. Question remains, what Solitander memorandum is really about? What encouraged state to make a move towards controlling timber industry?

In my view, governments became aware of the power that prevailed in cartels and cooperation when economic boom changed to depression. State invasion to Nordic timber cartel was a part of protectionist policy where governments felt that every corner of economic life from tariff policies to bilateral trade

agreements and industrial activity of free entrepreneurs can and needs to be regulated, patronized and supervised. It would have been interesting to see how strong role Finnish state took and to prospect just how far was it ready to go, unless Nordic-Soviet agreement hadn't failed<sup>41</sup>. Indeed, the resistance of STEF and SSY seemed to have no effect at all: half a year later Solitander memorandum had evolved to a detailed design as follows:<sup>42</sup>

- SSY decides the quotas for each company
- Banks guarantee that companies stick to their quota
- Banks can do minimal changes in their clients quotas if needed
- Bank of Finland has the ultimate responsibility in fulfilling the agreement
- Finnish Council of State promulgates the agreement
- Finnish Council of State has a right to interfere to the course of events in case companies doesn't stick to their quotas

Foreign minister A.S Yrjö-Koskinen and Head of Bank of Finland Risto Ryti both gave their written approval for the plan. Risto Ryti even suggested that Council of State should have the ultimate responsibility in fulfilling the agreement, since powers of Bank of Finland are more limited than that of the states'.

It must be said however, that although Soviets would have accept the equal quota share, Nordic-Soviet agreement could have failed anyway. Opinions among timber producers as well as government and bank representatives were utterly disunited in whether Nordic-Soviet agreement in such terms was a good idea or not. At the worst, in Finland alone three ministries – Finnish Ministry of Agriculture, Forestry and National Board of Forestry – had a different view about the agreement. Agreement was left on the table, and luckily so: agreement with such terms would have put Finnish timber entrepreneurs in a very difficult spot, officially under state control.<sup>43</sup>

State invasion to Nordic timber cartel has also an undertone of distrust. Finnish archive material gives an impression that bad times increased mutual distrust between industry and state. State representatives acted like they needed to take control, because their concerns were more far reaching than just securing the private interest of one company. For example J. K. Paasikivi stated many times during the 1920's and 1930's that majority of timber industrialists didn't understand their own good and that they were incapable of understanding how international timber markets worked – and that's why they needed banks' regulation and control. The head of Bank of Finland Risto Ryti made same kind of statements.

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<sup>41</sup> Agreement failed because the Soviets were dissatisfied with an equal share of yearly quota, where all three producer states would have had 30% quota of yearly production. Knowing the course of events in the 1930's, it would have been a good deal -- ETEC agreements in 1935 did not offer better position.

<sup>42</sup> ELKA, SSY, tuotannonsäännöstely 1932.

<sup>43</sup> It's probably worth mentioning that Nordic-Soviet agreement was not the only case when state tried to make an invasion toward timber industry. In October 1932 Council of State made a consultative document to Finnish Parliament about licensing of export products. It met strong resistance, but eventually it was passed in 1935 as a simplified version. KA, VN microfilm 166.

Interestingly this undertone is missing from Swedish material, which of course doesn't mean that it cannot be found from another material, but it seems plausible, that Finnish industrial, banking business and political elite really did have stronger strive towards centralized power and decision making, where timber industry entrepreneurs were seen as "industrial cattle". At least Swedish political elite seemed to have a different attitude towards timber industry entrepreneurs. This difference was manifested for example in how these two countries acted when timber companies started to collapse in 1930-1933. Finnish banks let them die, specifically prohibiting local bank offices from supporting unprofitable companies. Policy was authorized by SSY leaders, who naturally benefited from it. Sweden, on the contrary, started subsidizing weak companies. Surprisingly, STEF leaders were very discontent with subventions and would have preferred the survival of the fittest –strategy adopted in Finland. It would be tempting to declare that the opinion of Nordic timber industry towards state subsidizing was Finnish model, but I guess small business entrepreneurs in Sweden and Finland, those who survived and didn't survive because of decision made for them, must have had an dissenting voice.

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After failure of Nordic-Soviet agreement there seemed to be no shared goals for Nordic timber industry, and Nordic Trust council was called off. After that a new Swedish-Finnish committee was established, consisting of the same inner circle, but it met only once a year and its role was purely informative. Sweden and Finland abandoned Nordic policy and as what comes to pricing, they carried on conducting national policies. However, in a matter of prospective collaboration they diverted themselves towards Europe, where so called CIB<sup>44</sup> countries – Austria, Poland, Czechoslovakia, Rumania and Yugoslavia – had organized themselves in 1932 in order to lobby the organization of European timber industry. Naturally, Nordic producers hated the idea and thought that "*it should decelerated in every way*" knowing that the governments of the CIB countries have strong instruments in controlling timber industry. Nordic producers, who wanted to stay as far away as possible from state control, understood that the bottom line was however, who will be the one to create European agreement regulating timber production rather than will it be created or not, and a race towards Nordic-Soviet-CIB agreement began. STEF material suggests that Swedish had a key role in designing and negotiating the Nordic-Soviet-CIB agreement, which in 1935 became known as the ETEC agreement.

## Discussion and further questions

New theories and paradigms in history sciences emerge when traditional ones are seen insufficient to describe and analyze historical reality. Looking at Nordic timber industry from cartel perspective is a new approach although cartel theory itself is not a new one in business history. The reasons why previous research has ignored the cartel angle from SSY and STEF are manifold. First of all, the anti-cartel tradition since 1945 seeing cartels as "conspiracy against the public" and enemy of western democratic world, has been considerably strong until recent decades and historians have rejected cartel-related ideas from their interpretation. Nordic cooperation is mentioned in the previous research, but "evil" cartels has been something that historians have not wanted to relate with anything that was part of a national success story

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<sup>44</sup> Comité Permanent International de la Production, de l'Industrie et du Commerce du Bois

– like Finnish timber industry in interwar period. Cartel tendencies of Nordic cooperation have been neglected in previous studies, and its essence as a continuous interaction that produced organizations and agreement intertwining closely with banks and governments is not analyzed, leaving the otherwise competent interpretations insufficient.

The results of this paper are based in large parts on previously unstudied archive material. The key result of this paper was that STEF and SSY were essentially cartels, although previous research doesn't look at them that way. During 1918-1933 they established several price fixing and production volume agreements, as well as and four important control institutions, which all were examined in this paper. Analysis show that collaboration had three characteristics above all: it was periodic, often public and it demanded two national approaches in order to work. Also one of the most characteristic features was that cooperation was not established entirely between Swedish and Finnish timber industries, but also between industry, banks and state. In over two decades of cooperation we witness how role of Nordic banks and eventually governments, especially so in Finland, changed from a more or less passive supporters of the 1920's to active players in the 1930's. State desires towards timber cartel as well as the reaction of Nordic industry towards the state intervention are discussed in this paper.

Results of this paper leave open questions. Intensified events in 1930, when Soviets approached Nordic governments about Nordic-Soviet timber agreement, needs more studies and utilization of source material of governments and banks. It can help us to better understand the complex reality of export cartels, existing at the cross-roads of economic and political interests, having a key role in fulfilling the expectations of private interest and saving national economies from ruins, and fighting against growing protectionist tendencies of the state at the era of trade war. For example, we know how Finnish government and banks reacted to Soviets, but reactions of Swedish government remains to be somewhat unknown in this paper. In my view, it would be very important to investigate in order to fully understand the Nordic road to international ETEC agreement. Thus, material gives weak signals that the active role of STEF and passive role of SSY in designing ETEC originates from the events during the Nordic-Soviet process in 1931-1933.

Besides closer defining of the historical events, Nordic material offers great material for theoretical reconsidering. It can create an exciting dialogue with previous research about security and power involved in cartels. Harm Schröter opened a security discussion already in 1988 suggesting that cartels provided economic security to their member. Nordic material suggests that besides economic security, cartels had a role in securing the political interests of industry against the interests of state in times when states across the Europe adopted protectionism, interventionism and state socialism. This interpretation is close to Niklas Jensen-Eriksen's ideas of the export cartels as a source of power for the weak companies in international competition. According to Jensen-Eriksen underdeveloped countries like Finland in interwar period needed joint price policy in order to compete in international markets. Did Nordic timber cartel fight besides against cruel market forces also against protectionist and regulative state that tried to penetrate every corner of economic life in the times of depression? Was cartel a source of (political) power against state?

Also many observations of Jeffrey Fear are worth considering in further studies about Nordic collaboration. For example, question of how "cooperative" was cooperative capitalism, would be an interesting starting point for analyzing the ruthless control conducted by Finnish banks. Also his views about how cartels changed companies survival strategies seems like a useful tool for approaching the anti-cartel / outsider

ideology of big Finnish companies. Observations of institutional features behind successful cartels are also worth investigating in order to explain the periodic nature of Nordic collaboration in 1918-1933, which, after all, had failures *and* successes during its existence.

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## Used acronyms

CN = Centrum för Näringslivshistoria, Stockholm, Sweden.

ELKA = Suomen Elinkeinoelämän Keskusarkisto, Mikkeli, Finland.

KA = Kansallisarkisto, Helsinki, Finland. The National Archive of Finland.

STEF = Svenska Trävaruexportföreningen. ( "Swedish lumber export association" Central association of Swedish timber producers)

SSY Suomen Sahanomistajien yhdistys. ("Finnish Sawmillowners association." Central association for Finnish timber producers)

## Tables and Figures

Table 1: Export of Nordic Timber 1921-1930 p. 6

Table 2: Average selling prices of leading South-Finnish timber 1920-1939 p. 7