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# ENTERPRISING PEOPLE AND THE THREAT OF IMPOVERISHMENT AND SOCIAL LOSS: THE CONSEQUENCES OF URBAN BUSINESS FAILURE IN FINLAND AT THE END OF THE 1870s

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## **ABSTRACT**

This article contemplates the individual level socioeconomic consequences of bankruptcy by studying market-oriented, self-employed people in Jyväskylä, a small town in central Finland. The article asks if poverty and social loss were inevitable consequences of urban business failure and also seeks to explain why some recovered and others did not. Through the method of collective biography and by utilizing a varied selection of legal documents and parish and governmental materials, this article shows that, even though a bankruptcy could cause serious financial and economic outcomes, and even proletarianize a debtor, impoverishment was not the inevitable consequence of bankruptcy. These bankrupts from the middle social stratum had means to cope. Moreover, the variation between individuals in the consequences of business failure is shown to be contingent upon the existence of certain preconditions, such as the amount of bad debt and the practice of proper behavior.

## **INTRODUCTION**

This article studies the individual level outcomes of business failures. It is widely acknowledged in the research that the economic and social spheres of life were intertwined and dependent on each other in pre-industrial societies (e.g., Muldrew 1998). Recently, more attention has been paid to business failure as a crisis of an individual which could threaten not only an individual's and his family's financial standing and the ability to make a livelihood by impeding re-entry into business, but

also cause various social outcomes, such as shame or loss of reputation (e.g., Balleisen 2001; Mann 2002; Vause 2012; Safley 2013). Yet we still do not know enough about the actual individual costs of bankruptcy, how contemporaries responded to the failed individuals and what happened to them afterwards (Fridenson 2004, 562–65; Nyberg and Jakobsson 2013, 76).

This article adds to the understanding of the risks and uncertainty inherent in pre-industrial economic life by studying the threat of impoverishment to middle-class<sup>1</sup> burghers following business failure. Impoverishment is considered not only economically but also through its social dimensions. The study concerns the small town of Jyväskylä in central Finland at the end of the 1870s. It focuses on ten bankrupt small entrepreneurs and self-employed individuals and on how bankruptcy affected their socioeconomic standing. This is done by observing the incomes and societal participation of the bankrupts through the following variables: invitations to stand as a godparent; assignments of commissions of trust; and the ability to remain in the house or to be required to move. The second objective is to contemplate the course of recovery in order to ascertain why some recovered well and others not so well. Therefore, special attention is paid to background variables such as occupational coping strategies, the economic conditions of bad debt, and whether or not the bankrupts followed the rules of business culture.

The aftermath of bankruptcy in pre-industrial societies has recently attracted more scholarly attention. Many studies note that bankruptcy could be extremely shameful and dishonorable, especially in the early modern period, even leading to being ostracized by society (Häberlein 2013; Safley 2009, 2013; Coquery 2013, 61). This is also the conclusion in many studies dealing with nineteenth-century bankruptcies. For example, Vause (2012) establishes through a single case of a French merchant how business failure could lead to the loss of reputation and the violation of trust in social relationships. Nyberg and Jakobsson (2013, 83–85) describe the difficulties for Swedish merchants of coming back to business, and Balleisen (2001) studies the collective biography of American failed entrepreneurs and the difficulty of returning to business and make a living. At the same time, however, it has been claimed that during the nineteenth century, bankruptcy became more tolerated and better accepted, and, in consequence, both the economic and social outcomes were

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1 The term *middle group* refers in this article to the group of people who were part of the bourgeoisie, that is, merchants and artisans in towns, who had special rights to engage in business and to participate in the town administration up to the 1870s, when these special rights were revoked.

less dire (from a legal historical point of view, see Gratzner 2008; Di Martino 2012; from a cultural historical point of view, see Mann 2002).

Legal codes and cultural attitudes drawn from the individual personal narratives of members of the upper social stratum as well as public debates are important in constructing the institutional frames that formed the boundaries within which individuals could act. They do not, however, reveal the actual individual results of business failure. The conclusions about the lost intangible assets become more vivid even though they are rather difficult to verify from the original sources, and thus they are drawn, for example, from the fact that many bankrupts moved away (Vandermeulen 2007, 632–36; Balleisen 2001, 170–73; Karonen 2009) or that they could not attract new credit for new business ventures because of the lost trust (e.g., Coquery 2013). Less work has been done on scrutinizing how bankrupts were actually treated in their local communities and by their peers, that is, if bankrupts were really excluded from these because of the negative effects of misfortunes in business. In the same sense, research verifying the difficulties in making a living through actual longer-term income development is mainly lacking. Apart from Kim Kaarniranta's (2001) research on Finnish rural grocers and their creditors, the topic has not so far been explored. Thus the notions of impoverishment are based on rather implicit interpretations.

Nonetheless, by studying commercially minded bankrupts in 1840s America, Balleisen (2001) shows that bankruptcy did not necessarily imply that one's business or occupational career was over. Instead, these bankrupts had many measures to utilize in their recovery. The bankrupts had skills to utilize in paid jobs, and they often had reasonable social networks which could assist them in their recovery (Balleisen 2001, 173–76, 206–19). Moreover, it has been shown that even though bankruptcy could destroy trust and reputation, the bankruptcy proceedings provided a forum in which a bankrupt could present his predicament and thus try to make good (cf. Lester 1995, 88; Reynard 2001; Safley 2013, 7). Neither was business failure always an irreparable loss even in the past; some debtors might actually go under several times (Coquery 2013, 53; Gratzner 2001).

Yet the existing studies have not explained univocally which factors separated those who recovered well from those who did not. In Finland, however, bankruptcy is not traditionally considered a learning experience as might be the case elsewhere (cf. Balleisen 2001, 188–91), but a rather wretched experience. For example, in his memoirs, Anders Ramsay, a nineteenth-century entrepreneur, described how for him going bankrupt meant losing his right to re-emerge, sacrificing his honor, social

position, and the respect of his fellow men (Ramsay 1921, 155). A similar tone pervades most studies touching on nineteenth-century bankrupts. Impoverishment and social death are often mentioned as a consequence of a business failure (e.g., Kaarniranta 2001; Mäntylä 2009; Karonen 2009). However, the subject lacks a thorough investigation. Therefore, the interpretations are mainly based on temporary and locally disparate single cases of individuals mainly from the upper estates or upper commercial stratum. Additionally, when one digs a little deeper into the literature, there are signs that some bankrupts actually coped fairly well (e.g., Bonsdorff 1956; Favorin 2009; Yrjänä 2009).

Thus the Finnish conception of nineteenth-century bankruptcy is quite ambiguous and contradictory, especially when compared to Finland's western neighbor, Sweden, where, according to Martin Åberg (1991, 192–96), bankruptcies were fairly commonplace and tolerated at that time. The Finnish conception also seems to differ from scholarly notions highlighting more lenient and relaxed attitudes to bankruptcy during the nineteenth century. This is not surprising, as the earlier studies are rather Anglo-American-centered. On the contrary, in the reform of the Finnish bankruptcy legislation in 1868, a more creditor-friendly legislation was actually adapted. Then, for example, the option to get one's debts discharged—a feature which many legal historians consider a significant factor for the future prospects of bankrupts—was removed (Havansi 1992, 12–16; Di Martino 2012).

Hence, the question whether or not a Finnish late nineteenth-century business failure was a social and economic death is still largely unresolved. Therefore this article ventures to challenge the Finnish concept of bankruptcy as something that inevitably led to poverty. Certainly, it might well be the end result of a business failure, because bankruptcy could be seen as the opposite situation to what the nineteenth-century business community most appreciated. Empirical studies have shown that the nineteenth-century business community favored conventional and honorable behavior, solvency, and good reputation, including legally acquired wealth, solvency, and keeping one's word. A good reputation was a passport to social networks which could guarantee that a person was worth trusting and which also increased his social standing. Especially in the absence of wealth in the family, an individual had to build his reputation and trust by education and practice (Åberg 1991, 190–91; Ojala 1999, 311–12; Kallioinen 2002, 119–20; Keskinen 2008; Häberlein 2013; Nyberg and Jakobsson 2013, 83–85).

In this article, in order to contemplate the individual social costs, special

attention is paid to the social standing<sup>2</sup> of a debtor before and after a failure from the point of view of societal inclusion and exclusion in a local community (Barnes 2002, 20–21; cf. Dias and Teixeira 2014, 4). Given the difficulty in finding any actual signs of an individual's social standing in the historical sources, the scrutiny is conducted by studying the bankrupts' participation in those specific essential social functions in Finnish local societies at that time. First of all, being selected as a godparent is studied. For example, Kotilainen (2008, 135–37), Piilahti (2012), and Marttila (2010) have noted that in Finnish society the choice of a godparent had many invisible connotations of social and economic significance. Although the Evangelical-Lutheran Church in Finland had its rules concerning the choice of godparents, the relationship between godparents, their godchild, and that child's parents was a ritualized communal relationship which parents used to secure their child's life course. The invitation to be a godparent meant that a person was socially accepted. For the elite, economic solvency was an especially important requirement for a godparent.

Secondly, commissions of trust are considered. In a local Finnish community, formal commissions of trust were municipal or ecclesiastical administrative posts, such as taxation committees or the parish council. More private commissions of trust included such roles as acting as an executor or a trustee in bankruptcies or as a manager in associations. In addition, there were co-operative associations in towns as well. Consequently, whereas Balleisen (2001), for example, estimates the role of human capital and social relationships in the recovery, this article evaluates if a debtor's earlier social and economic significance could be facilitated in recovery, that is, if they could shield a debtor from social ostracism after failure.

In this article, two established wholesalers, six fledgling small retailers or shopkeepers, and two craftsmen are studied closely. The cases encompass all merchants' and artisans' bankruptcies coming before the Jyväskylä town court in 1878 and 1879 in which a debtor was alive when the proceedings started. Consequently, the research is conducted applying the collective biography method. The commercial careers of each of ten bankrupts are constructed through in-depth analyses of local level data. These biographies serve as the basis for micro-level comparison (cf. Alapuro 2012). The life cycles of the bankrupts are studied with special reference to the ten or so years preceding their failures and the five years thereafter.

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2 Social standing refers here to a person's position in the hierarchy of a local community, which might be either an inherited or an achieved status, gained, for example, through prestige, economic wealth, or membership in certain social circles.

In practice, conducting the research necessitated applying the methodology of source pluralism, which refers to combining scattered and sometimes scanty evidence from several archival items into one entity and thus adapting many reading methods with sources (cf. Myrdal 2012). The study began with the identification of bankruptcy cases from the archives of the Jyväskylä town court. Bankruptcy documents are divided into two separate archival series. Legal proceedings and verdicts can be found in the court records. The appendices on the grounds of which the bankruptcy proceedings were initiated are archived separately from the court records as bankruptcy files. They include bankruptcy applications, inventories, debt registers, demand letters from creditors, and other letters to the court. Evidence on bankrupts' inner experiences is scanty in the sources, but court records and bankruptcy files in particular provide unique sources through which to examine the economic situations of small-scale actors who normally do not appear in the sources.

Besides the court records and bankruptcy files, the data were collected from the income-tax registers of central government. Taxation registers are used here to study bankrupts' income and business or occupational activities before and after their failures. Source critical notions on fiscal archives are presented elsewhere (see Miikka Voutilainen's article in this volume). Municipal tax registers are also used here to study titles and fields of business after business failures as well as some other personal records and trade license registers from the Jyväskylä area. The evidence of moving away and of being a godparent is studied from the Jyväskylä town parish registers, while newspapers provide a great deal of further information on the bankrupts' life cycles.

In Finland, bankruptcy meant at once surrendering one's property to creditors in a legal system. It could not be carried through if there were not enough assets in a bankrupt's estate. Because insolvency always required the existence of debts, bankrupts were not initially the poorest of the poorest people, but men and women who had had an ability to engage in credit relationships (Konkurssisääntö [Bankruptcy Code of 1868]). Consequently, the bankrupts studied here were part of the new bourgeoisie, which emerged during the nineteenth century. This meant people whose background was not initially in trade or other businesses and who did not necessarily have family fortunes to support their aspirations, but who became engaged in commercial enterprises with the help of improved schooling opportunities and less stringent legislation (Mauranen 1981; Piilahti 2012).

Hence, nearly all of the ten bankrupts examined here are examples of some socially upward mobility. Initially they were the sons of crofters, sharecroppers,

freeholder peasants, ill-famed merchants, and bankrupt dyers and merchants. The bankrupts' experiences in business differed, but they all had gone through some education and practical training (Appendix 1, Table 5) on which they based their entries to the market. The bankrupts also had their different positions in the local middle-class social hierarchy. In terms of social standing, the wholesalers and former business partners Thomas Häggman and Anders Turdiainen belonged to the upper-middle class, while others were members of the lower-middle class (Table 1).

<b>Group</b>	<b>Financial and Social Premises</b>
<b>Established Wholesalers</b> • Thomas Häggman • Anders Turdiainen	<ul style="list-style-type: none"> <li>• Established, diversified, and solid business at some point</li> <li>• Many foreign trading partners</li> <li>• Big bankruptcies (over 50 creditors)</li> <li>• Well established and long-standing social position and relationships</li> </ul>
<b>Fledgling Retailers: Promising Market Entries</b> • Johan Toivainen • Anders Poutanen • Thomas Kuntsi • Henrik Soikkanen	<ul style="list-style-type: none"> <li>• Promising beginning, failure soon after market entry</li> <li>• Some foreign trade partners</li> <li>• Medium-sized bankruptcies (under 35 creditors)</li> <li>• Positively founding social standing</li> <li>• Admitted to commercial networks based on apprenticeship</li> </ul>
<b>Fledgling Retailers: Trial and Error</b> • Gustaf Ekholm • Sergei Dunajeff	<ul style="list-style-type: none"> <li>• Failure soon after market entry</li> <li>• Local trade partners</li> <li>• Small bankruptcies (under 15 creditors)</li> <li>• No signs of significant social standing</li> </ul>
<b>Artisans</b> • Matts Hartman • Adolf Björkman	<ul style="list-style-type: none"> <li>• Small-sized business</li> <li>• Small bankruptcies (under 15 creditors)</li> <li>• Social standing based on family and artisan networks</li> </ul>

Table 1. Characteristics of the bankrupts.

Jyväskylä offered an excellent opportunity for upward social mobility for enterprising people, who could engage in trade or municipal administration offices because Jyväskylä had been founded only in 1837 in an almost uninhabited area. The first decades of its existence signified a continuous flow of new population to the town from every part of Finland. In 1880, only 35 percent of the total number of 2,000 inhabitants had been born in Jyväskylä (Tommila 1970, 257; 1972, 17–20). Therefore the social networks of the town were in the process of taking shape. By the end of the 1870s, Jyväskylä was already known for its many educational opportunities. At the time some 10 percent of inhabitants made their livelihoods by trade. Industry and handicraft professionals made up 24 percent of the population (Tommila 1970, 247, 256–57).





Picture 1. Jyväskylä in the mid-1890s. Located in central Finland, Jyväskylä was surrounded by vast forests and many lakes and could be reached from all over the country by waterways and roads. Source: Historian kuvakokoelma. National Board of Antiquities.

Even though the bankrupts went under in different phases of their businesses' life cycles, they had one thing in common. They had all been involved in the timber boom of the 1870s. Then the demand for timber caused a boom which put wealth and riches into the hands of an ever-larger and more diverse group of individuals in central Finland, too. However, the boom faded as fast as it came when a deep international recession hit Finland, too, causing one of the worst financial crises in the country's history (Rasila 1982, 91, 100–101; Cameron 1989, 279–82).

### **A THREAT MATERIALIZED?**

#### *Economic Consequences*

After a bankruptcy application, it was difficult to make a living. This was not only because a bankrupt had to surrender all his assets to the care of his creditors, but also because a bankrupt was no longer his own man. He no longer controlled his house, his shop, or his workshop. He had lost his patriarchal authority. In addition to this, a travel ban was imposed on a bankrupt for the duration of the bankruptcy proceedings (Konkurssisääntö [Bankruptcy Code of 1868]). If a debtor could not find

another way to provide for his family during the proceedings, he might be granted a subsistence allowance from his own estate. If the creditors in charge of the bankruptcy estate were not willing to grant this allowance voluntarily, a debtor could apply for it from the town court. Then, for example, a family of two adults and two minor children might be granted maintenance for around two weeks at two Finnish *markka* (marks) a day (Records 1862–1881, Town Court, Jyväskylä, Apr. 26 1880). The amount was anything but high at a time when the mean day's wage of a man working in the agricultural sector at that time was 1.35 marks (Vattula 1983, 441), and it must be noted that the allowance was paid from the debtor's own bankruptcy estate, not from any common societal instance.

Otherwise, little is known about how bankrupts provided for themselves during the proceedings. The dismal situation of the bankrupts immediately after their proceedings commenced was aggravated by the fact that the Bankruptcy Code of 1868 was interpreted in Jyväskylä town court so that the law forbade taking even a family's clothes and bedclothes from the estate, even though the debtors usually applied to be granted these assets (Turunen 2012, 46–47). Moreover, after the Bankruptcy Code of 1868, a bankrupt continued under obligation to make full payment of his debts unless he managed to conclude an agreement with every creditor. The prospects for post-bankruptcy life were indeed formidable. Could the bankrupts rise from this shock after losing nearly everything, or were they doomed to everlasting penury?

During the years following financial failure, incomes seem generally rather low (Table 2). The income tax payable to the central government applied only to yearly incomes that were higher than 500 marks (Wikström 1985, 22). This exacerbated bankrupts' miserable situation; surely, they had some income to make ends meet. According to the Poor Relief Committee Records 1878–85, none of them applied for poor relief. It seems highly likely that turning to poor relief was not an option in their cases, not only because of their social status but also because they were not regarded as *needy poor*, nor eligible for relief because they were able to work and thus provide for themselves (Markkola 1994, 107–109; see also Maare Paloheimo's article in this volume).

According to the economist Heikki Renvall, annual incomes lower than 2,000 marks meant that a household was, in fact, impecunious (1900, 80). However, this almost contemporary notion needs to be re-evaluated in future research. This is because the average of incomes among all merchants who paid this tax in Jyväskylä was around 4,400 marks in 1880, falling there to around 3,500 marks in the next

year. At the same time, the lower quartile of incomes also decreased from 2,000 marks to 800 marks. Therefore, when the incomes of the bankrupts are compared to their counterparts and, more importantly, to the majority of town dwellers who never earned incomes over 500 marks, it is hardly plausible to claim that bankruptcy inevitably led to poverty (Crown's Accounts 1878–1885, Town Bailiff, Jyväskylä).

Name	Year Prior to Bankruptcy (B)	Year of B	Year after B	2 Years after B	3 Years after B	4 Years after B	5 Years after B
Häggman	500	500	–	–	–	*	
Turdlainen	800	1,000	800	600	1,000	–	*
Tolvalnen	2000	–	–	–	–	600	–
Solkkanen	600	–	–	–	–	–	–
Kuntsi	1000	–	200	400	800	1,300	1,500
Björkman	100	–	100	–	200	700	700
Poutanen	400	–	–	–	100	–	*
Hartman	300	–	–	–	100	–	*
Ekholm	–	–	–	–	*		
Dunajeff	500	–	–	*	200	*	

Table 2. Bankrupts' net annual incomes exceeding 500 marks. Source: Crown's Accounts 1878–85, Town Bailiff, Jyväskylä.

\* Bankrupt moved away or died, so did not appear at all in the tax registers.

Of course, some of the bankrupts disappear totally from the state income registers, whereas the income of one of them never exceeded 500 marks during the research period. Thus the depth of the drop also depended on a debtor's financial significance in the first place. Despite this, it is clear that no longer being included in the taxation register meant relegation from the earlier higher social status to a group to which most urban people belonged. The rigorous bankruptcy legislation of the Finnish system could thus proletarianize a middle-class person and relegate him and his family to the lowest class of the urban dwellers. Nevertheless, the fact that many bankrupts surfaced among the taxed people only to disappear once again shows that ways of making a living were available, even though real success was rare.

Only three of the bankrupts, Anders Turdiainen, Adolf Björkman, and Thomas Kuntsi, managed to earn incomes worth notice in many consecutive years. Of course, none of the bankrupts gained significant wealth or great success during the period studied, but total poverty was not an inevitable consequence of business failure.

The question is why these men filed for bankruptcy in the first place—only one of them was compelled to do so by a creditor—when it must have been expected that from bankruptcy would ensue many difficulties. It is not likely that they did not know what they were doing. First of all, bankruptcy as a legal procedure was nothing new to the contemporaries as it had been part of the Finnish legal system for centuries. Of course, it had been only ten years since the legislation had been renewed and made more severe regarding debtors. Yet, and despite some moralistic commentators who suggested that it was fashionable and modern to go under and to benefit from it (*Päijänne*, Oct. 16, 1879; *Keski-Suomi*, Dec. 13, 1879), it was likely that filing voluntarily for bankruptcy was due to necessity.

The men studied here ended up insolvent because of the expiry of temporary bills of exchange mainly from the local creditors, which took these men to final insolvency. When a debtor's financing was predominantly based on bills of exchange, it signaled that a debtor's solvency was questioned. This was because creditors' claims were better protected when they granted credit in the form of a bill of exchange. The appeal in court to recover debts was simpler, faster, and more secure than with other kinds of credit devices (Turunen 2012, 72–84). The predominance of bills of exchange in becoming insolvent also suggests that bills of exchange had become more widely used in the country, in a way that has been described in other studies (Balleisen 2001, 27–32), but it was also a sign that there was no longer any other kind of funding available to a debtor. Thus, the fast and non-negotiable expiry of bills of exchange made a bankruptcy application the only means to avoid imprisonment for debt and to stop the accrual of interest and the confiscation of property for every debt one by one (e.g., Bankruptcy Files 1878–1879, Town Court, Jyväskylä, Dunajeff to the Town Court, Aug. 27, 1879; Bankruptcy Code of 1868; Turunen 2012, 37–40).

#### *Social Consequences*

It seems that bankrupts, when going through financial failure, suffered even more in social standing than in their ability to manage economically. In general—in the manner that serving as a godparent had a significant bearing on social appreciation and acceptance—the bankrupts ceased to belong to those social circles from which godparents were chosen (Table 3). Only Thomas Kuntsi, who managed to gain again good financial standing after his failure, also seems to have succeeded in retaining his social appreciation. Not even the merchant Anders Poutanen or the shoemaker Matts Hartman invalidate the significance of economic recovery to social recovery and acceptance. Poutanen had a godchild after his first bankruptcy, which ended in

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agreement with his creditors—his creditors agreed to discharge 40 percent of his debts because they trusted him and his ability to pay in the future—but Poutanen was not invited to be a godparent after his second failure in 1881 (Records 1862–1881, Town Court, Jyväskylä, Jan. 5, 1880). The parents of the godchild of the shoemaker Matts Hartman came from the same socio-economic artisan group as he did.

The drastic failure of Thomas Häggman is also validated here. Economically, Häggman experienced the greatest fall among the bankrupts studied. Social loss seems to be as significant. After his failure no one wanted Häggman to serve as a godparent, whereas earlier the parents of his numerous godchildren were among the highest-ranking merchants and officials of the town.

<b>Name</b>	<b>Before: Number of Godchildren/Years</b>	<b>After: Number of Godchildren/Years</b>	<b>Before: Ratio</b>	<b>After: Ratio</b>
<b>Häggman</b>	19/10	0/4	1.9	0
<b>Turdlainen</b>	3/4	0/4	0.75	0
<b>Toivalnen</b>	1/10	0/5	0.1	0
<b>Solkkanen</b>	2/3	0/5	0.67	0
<b>Kuntsi</b>	2/4	3/5	0.5	0.6
<b>Björkman</b>	5/10	0/5	0.5	0
<b>Poutanen</b>	1/5	2/5	0.2	0.4
<b>Hartman</b>	2/8	1/5	0.25	0.2
<b>Ekholm</b>	0	0	0	0
<b>Dunajeff</b>	0	0	0	0

Table 3. Number and ratio\* of godchildren before and after bankruptcy. Source: Registers 1868–1885, Town Parish, Jyväskylä.

\*The ratio of godchildren relates to the number of years when a bankrupt on the whole could stand as a godparent in Jyväskylä. This was dependent on a debtor's age because a person could stand as a godparent only after his confirmation at the age of fifteen and on the time a debtor had been living in the town as some had stayed there for decades and some only a few years.

All things considered, the examination of godparent relations here is in accordance with the findings in earlier research estimating economic solvency to be the most essential characteristic appreciated by parents when they chose a godparent for their child. Financial soundness and social standing were intertwined in the circles of commercially minded people. However, the selection of a godparent should not either be overemphasized because it does not, of course, reveal all the social relations pertaining between these individuals.

In general, it seems that there was more variation between the individuals when economic recovery is considered. By contrast, social costs seem to have touched them more commonly as a group. This is verified when the commissions of trust are also investigated. Basically, access to commissions of trust ended when a person was declared bankrupt. Officially, the bankruptcy law only restricted the debtor's civil rights when the debtor was convicted of bankruptcy offence. Again, one person stands out. Thomas Häggman had served for years in several most considerable commissions of trust. Anders Turdiainen and Johan Toivainen had held such positions, too, but to a lesser extent (e.g., *Keski-Suomi*, Jan. 29, 1876; May 26, 1877; Dec. 1, 1877). After failure, such positions were no longer accessible. Some of the bankrupts applied for municipal offices after their failures. None of them, not even the relatively well surviving Thomas Kuntsi, were appointed (Registration Records 1878–1885, Administrative Court, Jyväskylä, Mar. 7, 1881; *Keski-Suomi*, Aug. 31, 1881; *Päijänne*, Jun. 8, 1881).

However, the dismal prospects for the bankrupts' social recovery improve somewhat in light of cooperation for the public good. For example, the bankrupts were not excluded from voluntary work in the fire brigade, where all hands were needed (e.g., *Päijänne*, May 18, 1881; *Keski-Suomi*, May 21, 1881; Mar. 22, 1882). Yet bankrupts were no longer eligible for managerial positions, serving only as rank-and-file members. As with cooperative actions, bankrupts still felt welcome among their peers. Many of them continued to be members of The Society of Shop Assistants, which was founded in 1875 on the initiative of Anders Turdiainen (Tommila 1972, 226). Only briefly, at the time of his bankruptcy proceedings, was he absent from the board of the society (Roll of Members 1876, 1881, Society of Shop Assistants, Jyväskylä).

Clearly, bankruptcy had one particularly demeaning social consequence. With the exception of Thomas Kuntsi and Matts Hartman, bankruptcy hurled the bankrupt families into a period of instability and fluidity. Whether the bankrupt families rented or owned their homes, after bankruptcy, they usually moved around Jyväskylä several times. Usually the destination was the outskirts of the town. Moving from more respectable central sites was to adjust decreased incomes to expenditures, but definitely it signified social depreciation.

As a consequence, some years after the research period, only two out of ten bankrupts were still working in a known occupation or business in Jyväskylä (Kuntsi, Björkman). One had disappeared from the sources after he moved to beyond the town borders (Soikkanen), one had passed away (Toivainen), and another six had

moved away (Häggman, Turdiainen, Poutanen, Hartman, Dunajeff, Ekholm). Although it is not within the scope of these data to draw any general conclusions as to why some moved away and some did not—for example, some of them had kin in town, some did not—moving away was not a normal measure for the burghers with families and established living places and businesses. The parish records of Jyväskylä show that searching for one's own place in the world was characteristic for younger, unmarried people, such as shop assistants and journeymen. However, it is clear that those who recovered best both economically and socially stayed, while those who lost everything moved. Yet, it must be noted that moving away was also an option open to these people. Such was not the case for everyone at that time. However, moving away did not happen immediately after the bankruptcy proceedings. The bankrupts tried to cope in their hometown first. This gives reason to believe that the social consequences were not as profound as has been suggested in earlier studies, but it was more financial recovery and a need for maintenance that played a role in this decision.

## **EFFORTS TO AVOID IMPOVERISHMENT**

### *Economic Opportunities*

Even though bankruptcy narrowed the options for securing a livelihood, these bankrupts had human capital, that is, means and skills to utilize in many urban occupations and thus avoid total poverty. The know-how in trade and handicraft professions was valued in local labor markets as most of the bankrupts made their livelihood at least temporarily in paid work as bookkeepers and shop managers. Additionally, some of the bankrupts hawked cheap articles or continued in their artisan jobs (e.g., *Keski-Suomi*, Jan. 24, 1880; Feb. 11, 1882). For some, such as Adolf Björkman, working in paid work in the same business he had been running before his failure gave him a fair livelihood. Working was not only requisite but also worthwhile. If there were no aggravating circumstances found in bankruptcy proceedings, debtors were granted a benefit so that not all their future incomes or property would be used for the unpaid bankruptcy.

Hence, bankruptcy did not kill initiative, and the institutional framework played a part in the recovery, too. The bankrupts' chances of making ends meet were supported by the relaxed legislation governing business and occupations in 1879. It afforded everyone new opportunities for self-employment. Thus some bankrupts kept stalls and sold alcohol and snacks here and there (Registration Records 1878–1885, Administrative Court, Jyväskylä, e.g., May 27, 1881, and Mar. 31, 1884).

Besides their small retail businesses, Johan Toivainen went into bakery products and Sergei Dunajeff became a sausage maker (Trade License Registers 1880–1884, Jurisdictional District Bailiff, Laukaa, 1883).

The Trade Act of 1879 applied to both sexes. Thus it enabled some bankrupt families to abandon the traditional patriarchal ideals of spouses and exploit their womenfolk's opportunities to engage in business. Hence the wholesaler Thomas Häggman transferred his bakery to his wife for a while at the time of his bankruptcy without even having to answer to the accusations of concealing property from his creditors. The retailer's wife, Ewa Poutanen, established a café in her own name after Anders Poutanen's second bankruptcy. However, one year later, Ewa Poutanen returned to the domestic sphere and her husband took over the business. Consequently, if a financial crisis caused a change in the domestic arrangements and the pre-industrial cultural values and habits of such middle-group families, it did so only temporarily. Nonetheless, when bankrupts accepted all kinds of job opportunities and even utilized their womenfolk's resources in order to recover, they adopted the very same strategy that was common among the needy and poor working population and in general for people in crisis in pre-industrial societies (Markkola 1994, 101–104; Boulton 2000, 56).

Even so, all these were inferior jobs compared to the bankrupts' former businesses, and clearly they wanted something more respectable. Before the wholesaler Anders Turdiainen and the retailer Thomas Kuntsi began as restaurateurs (Tommila 1970, 294, 305), both drifted into the sphere of menial odd jobs. Especially for Turdiainen, who had been the owner of one of the biggest trading houses of Jyväskylä, the fall from the status of an established businessman to that of a man seeking jobs in bookkeeping must have been a major abasement (*Keski-Suomi*, Feb. 12, 1879). Nonetheless, these two men managed to start up in business again, albeit not as wholesalers or retailers, but as restaurateurs. Apparently they managed to retain some of their social networks and the ability to attract credit, or maybe it was because of the fairly safe nature of the restaurant business, but nonetheless they managed to return as independent proprietors. These two were lucky, because first and foremost the bankrupts' aim was to gain re-entry to the market, but none of the others really succeeded in this. Johan Toivainen, whose initial rise toward entrepreneur was quite promising, tried, but then he moved into the timber industry and eventually left behind an estate which was encumbered by debts (Bankruptcy Registers 1880–1899, Town Court, Jyväskylä, 1885; Municipal Tax Records 1878–1885, Jyväskylä Town, 1885). The grocer Sergei Dunajeff, who had always lived



a mobile and colorful life, tried a few times by selling foodstuffs, but never really succeeded. Instead, Dunajeff eventually absconded, leaving his wife to deal with the debts he had made, in order to get to America.

<b>Name</b>	<b>Number of Creditors</b>	<b>Creditor's Claims</b>	<b>Assets</b>	<b>Ratio of Debts and Assets</b>
<b>Häggman</b>	57	218,495.00	157,150.23	-61,344.77
<b>Turdlainen</b>	50	125,731.70	(36,090.01)* -	(-89,641.69)*
<b>Toivalnen</b>	34	39,902.80	26,840.35	-13,062.45
<b>Solkkanen</b>	23	54,112.47	38,539.88	-15,572.59
<b>Kuntsi</b>	23	18,278.66	23,207.32	+4,928.66
<b>Björkman</b>	3	157.50	230.30	+72.60
<b>Poutanen</b>	8	12,245.27	12,546.09	+300.82
<b>Hartman</b>	15	15,347.78	14,888.07	-459.71
<b>Ekholm</b>	5	1,598.14	1,214.68	-383.46
<b>Dunajeff</b>	10	5,137.69	4,009.85	-400.82

Table 4. Assets and Debts of the Bankrupts (the unit of currency is marks). Source: Records 1862–1881, Town Court, Jyväskylä; Bankruptcy Files 1878–1879, Town Court, Jyväskylä. \*Data invalid.

Yet the reason behind the cautious and modest business practices was not so much learning from failure, but rather an inability to raise capital for new business ventures. It was not because of the lack of official credit institutions. There were a savings bank and two commercial banks in Jyväskylä which would have been able to finance their businesses, but the banks did not lend without proper collateral. Also, the Finnish banking sector was still in its infancy and cautious in risk taking. Therefore, in a small community where the bank managers knew well everyone's economic situation, the forms of formal lending were still mixed with the traditional informal lending, which was based on trustful relationships and lending between private persons (Tommila 1972, 196–97; Pipping, 1962). Instead, former bankrupts were not profitable business associates. They had lost their good financial standing and creditworthiness because in most cases they were indefinitely crippled by unpaid debts after the proceedings. Usually there was not really much property in the estate after the open auctions. This can be seen as a partial reason why some coped better than the others. As is visible in Table 4, the creditors of Thomas Kuntsi probably suffered from the general inconvenience of bankruptcy proceedings, but not from bad debts (the ratio of debts and assets). There were significantly more assets than debts in Kuntsi's estate. Consequently, Kuntsi also had the most favorable starting point for

his post-bankruptcy life.

With the help of an agreement with his creditors, Anders Poutanen went back to trading. The opposite situation of the balance sheet of Henrik Soikkanen caused him to disappear almost entirely from the public records after his failure, even though Soikkanen had made quite a notable fortune in the logging business in the 1870s. The example of Anders Turdiainen questions the unambiguous link between economic and societal recovery. At first, before he was caught and condemned for selling homemade spirits, Turdiainen earned fairly well (Records 1862–1881, Town Court, Jyväskylä, Oct. 24, 1881). Yet his status as a sought-after godfather seems to have vanished with his bankruptcy. One explanation may be that resuming business activities did not suffice to remove the negative effects of large bad debts to his creditors.

Yet it is likely that not all the difficulty of starting over was because of the lost funds. The disastrous power of the harsh economic climate at the time had its impact on individuals, too. Not even exemption from paying all his debts shielded Anders Poutanen from the era which contemporaries observed as something unprecedented. Poutanen carried on business only one or two years before closing his debt-ridden shop for the second time (*Keski-Suomi*, Jan. 12, 1884). The contemporaries called the end of the 1870s an era of bankruptcies (*Vaasan Sanomat*, Feb. 19, 1878; *Savonlinna*, Apr. 20, 1878; *Päijänne*, Nov. 26, 1878; Dec. 11, 1879). The contemporary descriptions of the many bankruptcies seem indeed credible given the rise in the number of bankruptcies seen in the local level data on Jyväskylä (Figure 1). The rise was not only absolute but also relative. In the 1860s, approximately one person in a thousand surrendered his property to creditors; in the next decade, two people; and in the 1880s, almost three people out of a thousand filed for bankruptcy. The peak occurred in 1879 when as many as approximately four or five people out of every thousand inhabitants went bankrupt.

Thus, as Balleisen (2001, 185) points out, during a boom, former bankrupts might have served quite well as businessmen, but in a depression, limited demand caused difficulties for everyone. The demand could barely support the non-bankrupt persons, and when trade was liberated in 1879, there was almost an overflow of new entrepreneurs in the town (Tommila 1972, 208–10). When the societal change occurred, in which the bourgeoisie lost their former privileged position in regard to public offices (Mauranen 1981, 197–98), there was no longer such a need for the unsuccessful individuals or their contribution in the economic and societal appointments of the local society.

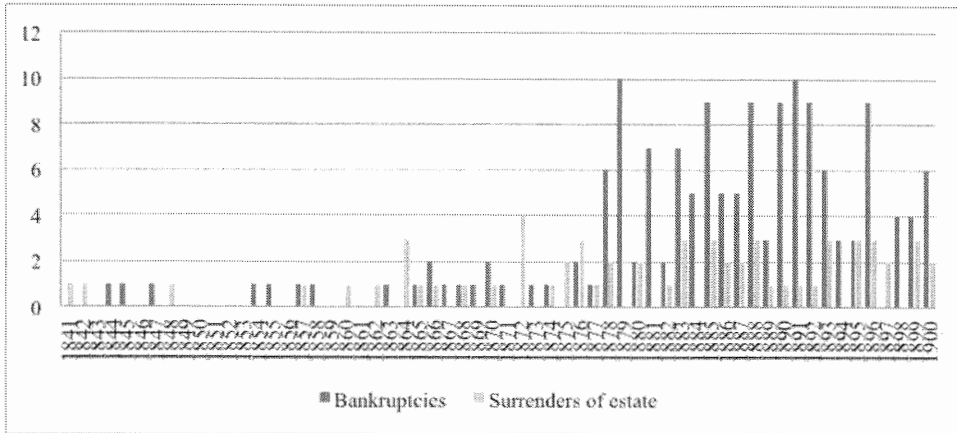


Figure 1. Number of Bankruptcies in Jyväskylä 1837–99. Source: Records 1837–1862, District Court, Laukaa; Records 1862–1881, Town Court, Jyväskylä; Bankruptcy Registers 1880–1899, Town Court, Jyväskylä.

### *The Importance of Following the Rules of Society*

The bankrupts explained their predicaments during proceedings by trying to assure everyone that they still were trustworthy men of their word and had followed the unwritten rules of business culture. This was done by emphasizing necessity when filing for bankruptcy. If unpaid debts due and payable were to be paid through confiscation of property, which was another choice, the bankrupts claimed that this would be prejudicial to other creditors' interests. By their own admission, they did not want some creditors to receive payment before others.

Because recently, I have noticed, that because of my business affairs which are in bad shape, I cannot repay my debts of which some already are under a claim of recovery and confiscation. Therefore, in order not to favor one creditor over another, I must surrender my property to the creditors at once to satisfy my every creditor. (Bankruptcy Files 1878–1879, Town Court, Jyväskylä, Poutanen to Town Court, Aug. 11, 1879)<sup>3</sup>

Despite their predicament, they did not blame a cruel world, an adverse economic climate, or accidents for their failure. Such talk was characteristic of a bygone age (cf. Möller 1954, 272–76). Now it was no longer valid. Therefore the bankrupts stressed their efforts in trying to do everything possible to avoid bankruptcy and secure creditors' assets (e.g., Bankruptcy Files 1878–1879, Town Court, Jyväskylä,

3 Translated by author.

Toivainen to Town Court, Jan. 2, 1879).

The measures which the bankrupts took to maintain and to restore trust in themselves were also to show that the failure was not a result of fraudulence or negligence. The example of Thomas Häggman shows that the deep social and economic fall of a bankrupt was not only dependent on the losses of creditors or bad economic climate. Respectable behavior played a role, too.

Thomas Häggman's career as an entrepreneur lasted twenty-two years and ended in the third largest bankruptcy of the decade in Jyväskylä. As a result of his long career he was one of the town's prominent figures both socially and economically. Yet no one suffered from the bankruptcy as badly as Thomas Häggman and his family. Exactly how the family provided for themselves in the years following his ruin is not known. On the other hand, his former business partner, Anders Turdiainen, succeeded in engaging in business again and provided for himself better than almost any other of the bankrupts studied, even though he, too, lost a significant amount of his creditors' money.

The difference between these two men was honesty, a feature which is highlighted, for example, by Erika Vause (2012). Although Anders Turdiainen's creditors made some comments on his behavior concerning his business management, unlike Häggman's creditors, they did not accuse him of fraudulent or dishonest measures (Records 1862–1881, Town Court, Jyväskylä, Nov. 9, 1878; Feb. 10, 1879; Sept. 15, 1879). Thomas Häggman had broken the rules of business culture which valued honesty, honor, and solvency, whereas Turdiainen only defaulted on the last mentioned value.

Thomas Häggman was convicted because his accounting was inadequate—he did not take good care of his creditors' money. Häggman requested the Supreme Court to free him from his punishment for the sake of kindness and mercy. Appealing to the upper instances was the only way to restore the last remnants of trust in him, his reputation, and his financial ability to function. However, the appeal was unsuccessful (Resolutions 1880, Legal Department of the Senate). Therefore, Häggman could be compelled to make up for his remaining debts by working, and he also faced three months' imprisonment. There was no coming back from this, as the example of Gustaf Ekholm also proved. Ekholm's future aspirations were largely hopeless when he ended up in a debtors' prison before the proceedings (Records 1862–1881, Town Court, Jyväskylä, Aug. 5, 1878). In addition to this, unlike the other bankrupts, in the judgment Thomas Häggman was denied the right to retain some of his future income to sustain his family. Therefore, there were few options

open to Thomas Häggman. This dire distress after his bankruptcy is seen in his selling illicit beer without a license (Registers 1868–1885, Town Parish, Jyväskylä, 1880). Thomas Häggman, “good and quiet by nature, sophisticated and considerate in behavior,” was completely ruined (Sariola 1940, 36), whereas Anders Turdiainen at least partly retained his good name, which he could exploit in his post-bankruptcy life.

Thus former prominent standing did not suffice to remove the stain of the dishonest action a bankrupt had committed. The honest or fraudulent nature of the failure was a more significant factor in formulating the future prospects of a bankrupt than earlier reputation and position.

## CONCLUSIONS

This article studied the threat of financial and social impoverishment of commercially minded, self-employed, bankrupt individuals. By studying the ten bankruptcy cases in one urban community, Jyväskylä, in the latter half of the nineteenth century, this article suggests that the life paths of the bankrupts looked like a wave motion: nineteenth-century Finnish society enabled a person to rise from rags to riches, even if rather modest riches in this case, then drop back to rags, and finally lift him again if certain rules were followed and certain prerequisites and external conditions prevailed. Therefore, it can be said that bankruptcy was not a definite dead end, at least for these people belonging to the middle stratum of society.

Business failure could certainly throw a burgher into poverty, but not necessarily irretrievably. Bankruptcy was not a process with only one outcome. Taking more individuals under scrutiny reveals the multidimensional nature of the reality more clearly. This article shows how the consequences of economic misfortune were almost always notable, but they varied more between individuals than perhaps has previously been recognized. Bankruptcy could destroy an individual’s membership in the social circles of commercially minded people, and absolute poverty was a serious threat, but only if certain conditions materialized. These included breaking the rules of business culture, acting dishonorably towards creditors, incurring large bad debts to creditors, and ending up in prison. In such cases, not even previous social standing was enough to enable a bankrupt to recover.

Most bankrupts managed to earn incomes which few town dwellers ever earned. Of course, these were usually smaller incomes compared to what they were used to, but then again, impoverishment was relative when mirrored against the lower social groups in the urban community. Nonetheless, business failure affected

both the income level and the social standing of most bankrupts. Only successful financial recovery and acceptable behavior saved a bankrupt from moving away to less prestigious residential areas and helped him to retain his social position, at least in the circles from which godparents were chosen. Hence, this research highlights that several socioeconomic factors must be taken into account when conclusions are drawn on the individual outcomes of business failure. To complicate things further, several different combinations of these factors must actually be taken into consideration. But life in all its aspects is always complicated.

Although it cannot be denied that in cases of bankruptcy economic and social life spheres were intertwined, it seems that the effects of bankruptcy were collectively similar in social consequences, whereas the variation in financial recovery was wider. Thus, the conclusion is that a bankrupt had to reach quite a significant financial status if he wished to regain his social standing. The social consequences must not be overestimated, however. Bankrupts clearly still felt welcome among their peers and friends, for example in associations and other activities with fellow town dwellers, even if they were no longer eligible for the most important commissions of trust. Moreover, the future prospects of the bankrupts were neither completely in their own hands, nor conditional only on the responses from local community. A harsh economic climate and legislative boundaries played a role, too. The threat of social loss and impoverishment could materialize, but this was not the inevitable, predetermined fate of a bankrupt. Both social and economic spheres played important roles during the process of recovery in the lives of those who had suffered greatly from the consequences of business failure.

## APPENDIX 1

Name/Age When Bankrupt	Occupation/Earlier Occupations	Bankruptcy Application	Duration of Self-Employment	Education/Practice Time
Ekholm, Gustaf/25	Shop keeper	Jul. 22, 1878	14 months	Bookkeeping course in Vaasa technical school/c. 10 years
Häggman, Thomas/53	Wholesaler/shop assistant, shop manager	Oct. 5, 1878	22 years	Not known/c. 12 years
Turdiainen, Anders/31	Wholesaler/shop assistant, commercial agent	Nov. 9, 1878	4 years	Commercial school in Helsinki/at least 2 years
Toivainen, Johan (dies in 1885)/27	Small retailer/shop assistant	Jan. 16, 1879	10 months	Not known/Some years
Soikkanen, Henrik/30	Small retailer/sawmill inspector	Feb. 19, 1879	10 months	Not known/Not known
Kuntsi, Thomas/29	Small retailer/shop assistant, shop manager	May 24, 1879	13 months	Commercial school in Turku/c. 7 years
Björkman, Adolf/36	Timber agent, dyer	Jul. 12, 1879	14 years	Elementary school/Some years
Poutanen, Anders/26	Small retailer/bookkeeper, shop manager	Aug. 11, 1879, and Jun. 29, 1881	20 months	Not known/at least 4 years
Dunajeff, Sergei/22	Grocer/ rural merchant	Aug. 27, 1879	c. 2 years (4 months in Jyväskylä)	Not known/Not known
Hartman, Matts/23	Shoemaker/ apprentice and journeyman	Sept. 29, 1879	15 months	Sunday school/c. 9 years

Table 5. Commercial Experience of the Bankrupts. Source: Records 1862–1881, Town Court, Jyväskylä; Bankruptcy Registers 1880–1899, Town Court, Jyväskylä; Tommila 1972, 285–86; 291; 294; 302; 304–5; 372; 386.

## **ARCHIVAL MATERIALS**

- Bankruptcy Files 1878–1879, Town Court, Jyväskylä. Provincial Archives of Jyväskylä.
- Bankruptcy Registers 1880–1899, Town Court, Jyväskylä. Provincial Archives of Jyväskylä.
- Crown's Accounts 1878–1885, Town Bailiff, Jyväskylä. Provincial Archives of Jyväskylä.
- Municipal Tax Records 1878–1885, Jyväskylä Town. Jyväskylä City Archives.
- Poor Relief Committee Records 1878–1885, Jyväskylä Town. Jyväskylä City Archives.
- Records 1837–1862, District Court, Laukaa. Provincial Archives of Jyväskylä.
- Records 1862–1881, Town Court, Jyväskylä. Provincial Archives of Jyväskylä.
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