



Mika Kallioinen, *Kauppias, kaupunki, kruunu. Turun porvariyhteisö ja talouden organisaatio varhaiskeskiajalta 1570-luvulle*. Bibliotheca Historica 59. SKS. Helsinki 2000. ISSN 1238-3503. ISBN 951-746-202-6. (The Merchant, the Town, and the Crown. The Burgher Community of Turku and Economic Organisation from the Early Middle Ages to the 1570s.)

Today we are surrounded by huge amounts of information, and the flow of information is extremely rapid. Even this review is available in a blink of an eye to everybody who has access to Internet. Today we understand how important it is to acquire and use information. However, information has always played an important role in economic activity. One can even argue that the economic activities related to information are the ones that have changed the most over the centuries.

Thus, the study by Mika Kallioinen is not only interesting but also important in order to understand the role played by information in economic operations in the long run. Kallioinen is concentrating his research on the information asymmetries from the early medieval period up to the 1570s. As a case, he uses the economic organisation of bourgeoisie in the oldest Finnish town, Turku. Kallioinen concentrates in his study on the international and domestic trade and shipping, but he also studies other economic activities, such as handicrafts.

Kallioinen ties his analysis of information asymmetries to the concept of transaction cost. Kallioinen successfully applies theories created by Douglass C. North, Oliver E. Williamson, and others into the medieval Finnish context. His study is related to the New Institutional Economics (NIE), which is one of the most interesting fields of study in economic history today. Kallioinen is well aware of the basic concepts of NIE. His study is among the few in which organisations and institutions are well defined and separated.

Kallioinen defines transaction costs as costs that are related to information asymmetries. Efficient business activity was, and is even today, impossible if one was not able to limit transaction costs. To Kallioinen, transaction costs are related to the uncertainties in business activity which were always present in medieval times, especially in the international trade. The role played by transaction costs is perhaps even overemphasised, since the trade was carried out mainly with bulk products with relatively low level of asset specificity. This and the division of duties in the

geographically quite limited international trade quite surely lowered transaction costs remarkably.

Kallioinen is able to prove in his study that there was much less uncertainty related to business activity during the 16th century than during the Early Medieval period; thus, transaction costs declined during the time period. The main ways of reducing transaction costs were, according to Kallioinen, the diversification of business activity; co-operation between actors; international and domestic networks; the role played by the state regulations; and the reciprocity between the urban communities. He implicitly supposes that uncertainty in business activity turned into risk during the time period, namely, to something that the actors could deal with. However, he does not prove this trend explicitly enough. The role played by the governmental regulations, especially property rights, are not discussed enough, nor the informal religious constraints.

Kallioinen argues that co-operation in the community was the way to lower transaction costs. To Kallioinen, the burgher community (council) itself was an economic actor, which is a rather disturbing definition. The community can also be considered as forming structure around the activity, with the actors being entrepreneurs involved in the business activities. The main finding of his study is that the structure (community etc.) determined the business activities more than the entrepreneurial strategies. Unfortunately, Kallioinen is unable to prove his argument, because he basically uses sources related to this structure, not sources that were produced by the actors themselves. This is simply because actor-related sources have not been preserved. Kallioinen is, however, well aware of this deficiency in his source material.

The basic actor even in the medieval trade was the entrepreneur and his organisation, whether small or large. The efficiency of the operations was tied to the efficiency of this basic determinant: whether the entrepreneurs were able to cope within the structure, or were even capable of changing or at least reshaping it. Here Kallioinen places emphasis only on the organisations surrounding the entrepreneurial activity. Moreover, he further argues that the community played such an important role that the medieval foreign trade can be classified as being operated by a communal economy. I do not agree. It was operated by an entrepreneurial economy.

Kallioinen deals with the actor perspective only within the concept of rationality. He sees the planning of the actors as an outcome of rational behaviour. Kallioinen is well aware of the theoretical discussion related to rationality in economic behaviour; he, for example, refers to the concept of bounded rationality. However, he fails to adopt this argumentation fully in his analysis. In his study, rational behaviour is assessed in a deterministic way: if a person succeeded in his business activities, he was rational.

The time period in Kallioinen's study is well justified yet problematic, due to the limits of the source material. One could argue that the concentration on the 16th century should have been enough, because most of his theoretical arguments are based on the materials from the latest time period in his study. Nonetheless, Kallioinen does provide a clear description and analysis of medieval Turku; thus,

especially the first part of the book can even be used as a textbook on Finnish medieval times. Kallioinen is well aware of the international studies related to medieval societies, and, furthermore, the relevant Finnish studies are cited interestingly in the study. One could only have wished for perhaps even more coverage of the theoretical literature, especially on transaction cost economics and information asymmetries.

The study under review is the dissertation of Mika Kallioinen, and as a thesis his study is masterpiece. It addresses the author's scholarship. Yet, this is still more than just a dissertation; this is a monumental piece of work, beautifully argued and written. The problems related to the analysis described above are beyond the author's control. Kallioinen simply has the wrong time period, the wrong town, and the wrong source materials in his study to prove all his well-defined theoretical arguments. But, if one is to study medieval Finland, these are the problems you have to acknowledge. I am anxiously awaiting Kallioinen's findings from his ongoing research in which he is applying his theoretical toolkit to more recent and broader source materials.

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