Bankrupted in the Baltic: The Fall of Norwegian Leadership in the Nordic Wood Industry 1910-28

There was probably just one Norwegian investor – Peter Collett Solberg – who by Baltic-centered events following World War I was literally bankrupted. Solberg’s personal misfortune was, however, also the failure of an expansive strategy in the Nordic-Russian area by a Norwegian group of family investors to which Solberg belonged. It was thereby a huge setback for the leading Norwegian strategy to keep leadership in the Nordic processed wood industry, and it is a story that shed new light on Norwegian industrial development.

This paper argues that this particular failure is important to interpret correctly in order to understand Norwegian capitalism. What was bankrupted, was an ambitious and knowledge-intensive internationalization strategy that built on Norwegian leadership in the Nordic processed wood industry. The strategy failed because of deep nationalistic moves and political turmoil surrounding World War I, of particular strength in the Baltic area, not because of any failure a Norwegian-style capitalism of itself, but also related to nationalistic developments within Norway.

This paper thereby argues against the dominant interpretation of Norwegian capitalism in this period, namely Francis Sejersted’s argument that because of Norwegian democratic inclinations Norway, not least compared with Sweden, lacked the institutional foundations necessary to succeed during this era of organized capitalism. In particular, Sejersted believes the Swedish banks through size and industrial cunning played a constructive role in raising the necessary capital to build strong enterprises. He is also concerned about the lack of higher technical educational institutions in Norway compared to Sweden.

Rather than having strong banks, Norway had vital family capitalists that organized enterprising Norwegian ventures, and the Baltic expansion is an important example of such. Through the creation of ownership associations Norway can be said to have possessed an “associative capitalism”. This argument for a kind of owner-centered organization of the rise of big and knowledge intensive business, is also an argument against Alfred Chandler’s criticism of what he called “personal capitalism”, i.e. an approach in particular to British
patterns of ownership and development of business that was backward looking and family oriented. “Personal capitalism” in the contractually dominated capitalism of Norway was rapidly developing into something larger scale and cooperative, and it was this response to foreign organized capitalism that was bankrupted in the Baltic.

The paper is divided into three parts and a conclusion. The first part goes into the Norwegian background and explains Norwegian historian Francis Sejersted’s argument. Here is also an argument that the strong Norwegian families in the forest industry represent a pooling of capital resources that goes against Sejersted’s interpretation. The second part deals with these families’ industrial expansion outside of Norway, exploiting opportunities, but also fleeing from Norwegian politics. In the third part the processes and consequences of the waves of nationalistic policies are discussed.

Ownership, organized capitalism and the second industrial revolution

One problem with these national characteristics is the lack of contextualization, and in the period around the turn of the last century the economy experienced a period of globalization. Aided by the fixed exchange rates of the gold standard system, a British-constructed international competitive economy touched and challenged national economies in different ways. Because of Norway’s rich natural resources, large international companies challenged Norwegian established customs in profound ways.

It is fair to say that Francis Sejersted addresses the challenges of globalization. Francis Sejersted’s concept of democratic capitalism works on two levels: On the one level, it is a political interpretation of how the national surroundings of business functioned in Norway. On the other level, it underpins the kind of legitimacy industrial leaders needed in their companies to have the necessary internal and external authority.¹ Sejersted’s concept is developed in particular in comparison to Sweden, and Sejersted is taking in consideration how Sweden to a greater degree industrialised, did it with larger enterprises, through active and strong banks that secured national ownership also when foreign capital was involved, and did it with a broad scientific and technical underpinning.

Table 1 below of the eleven largest economic entities of Norway in 1910 may to some extent support Sejersted’s interpretation. It is based on an investigation by Statistics Norway over

¹ Social democracy
Norwegian joint stock companies. Mutuals are therefore not counted. In order to find an approximate value for the real business entities, I have added independent companies with the same owners (or just about) together into one entity using the number from Statistics Norway, and these bundled-by-the-author entities are in cursive fonts in the table.

Table 1. Largest Norwegian business entities by capital 1910 in million kroner

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>Capital</th>
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<tbody>
<tr>
<td>1</td>
<td>Norsk Hydro (synthetic fertilizer)</td>
<td>84.6</td>
</tr>
<tr>
<td>2</td>
<td>DnC (commercial bank)</td>
<td>16.0</td>
</tr>
<tr>
<td>3</td>
<td>Kellner-Partington (pulp and paper)</td>
<td>14.1*</td>
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<tr>
<td>4</td>
<td>Hafslund (electricity and smelting)</td>
<td>13.2**</td>
</tr>
<tr>
<td>5</td>
<td>Sydvaranger (iron ore)</td>
<td>12.0</td>
</tr>
<tr>
<td>6</td>
<td>Kjaer-Solberg group (pulp, paper, planks, metal)</td>
<td>10.6</td>
</tr>
<tr>
<td>7</td>
<td>Centralbanken for Norge (commercial bank)</td>
<td>10.5</td>
</tr>
<tr>
<td>8</td>
<td>Orkla (pyrite mining)</td>
<td>8.0</td>
</tr>
<tr>
<td>9</td>
<td>Sulitjelma (pyrite mining)</td>
<td>7.0*</td>
</tr>
<tr>
<td>10</td>
<td>Union (pulp and paper)</td>
<td>6.0</td>
</tr>
<tr>
<td>11</td>
<td>Bergen Kreditbank (commercial bank)</td>
<td>6.0</td>
</tr>
</tbody>
</table>

*Source: Det statistiske centralbyraa. Aktieselskaper 1910, Kristiania: Aschehoug 1912

*Taxed assets, not share capital. Foreign owned

**Partly taxed assets, and therefore not solely based on share capital. Share capital not included in the above source. Source for Hafslund’s share capital: Carl Just, Aktieselskapet Hafslund 1898-1948, (Oslo: Fabritius 1948)

Table 1 shows directly and indirectly the strong foreign influence in the Norwegian economy at the turn of the last century. Three of the eight largest industrial entities were wholly, or partly, foreign companies. Of the remaining five, three had large foreign share capital. Only the Kjaer-Solberg group and Union were Norwegian through and through, although all the three commercial banks were. But these banks, although sizeable compared to the industrial companies, and this is Sejersted’s point, did not finance to a significant degree the largest industrial entities of Norway.2

The period around 1910 would include other characteristics of democratic capitalism, and first among these would be the “concession laws” coming from 1906 onwards regulating foreign access to Norwegian natural resources. Laws, rather than concentration of capital,

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would be the Norwegian way to keep foreign capital somewhat out of those tempting waterfalls, large woods and alluring mineral deposits. But the door for foreign capital was certainly not closed, this was a matter of applying for individual concessions that were to be decided by the Norwegian state.3

Democratic capitalism is a concept that works on a different level to Alfred Chandler’s “competitive managerial capitalism”.4 The concept of democratic capitalism is inspired by the German “Sonderweg”-debate, where German particularity is explained by lack of a democratic revolution. Norway, Sejersted argues, with its constitution of 1814 footed by the bourgeoisie and the self-owning farmers, was concerned with the challenges of concentrated power in the hands of rulers, aristocracy (abolished) and big finance. That managers and owners needed to justify their actions according to norms associated with democratic capitalism became a challenge when the capital-intensive organized capitalism developed around the turn of the last century.

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3 Thue
4 scale
Both of the two fully Norwegian industrial entities on the top eleven list reflected strategies shaped by the political and commercial environment of the time. Union represented a consolidation of some of the paper and pulp businesses on the west coat of the Oslo fjord (in Skien and Drammen, see map) in the aftermath of the establishment of Kellner-Partington, a 1889 British-Austrian paper and pulp establishment on the east coast of the Oslo fjord (close to Fredrikstad, see map) along the timber-floating river Glomma. The Kiær-Solberg group, originally large wood-owners and producer of planks, initially was quite reluctant in its reactions. After a generational change in 1895, when four cousins teamed up to create the management-partner group in the core of a capital-rich company that included many shareholders from their respective parts of the family, pooled family capital and human resources gradually came into action. In 1902 the big changes started. The Kiær-Solberg group, situated with a sawmill in Fredrikstad on the riverside of Glomma, not very far from where Kellner-Partington was located, sold a huge chunk of forests up river to the foreign-owned competitor Kellner-Partington.

The sale of this woodland to foreign interests was very controversial. It spurred the reaction of forest owners in the area to create an association. They feared for the prices for timber in the area now that Kellner-Partington became so important owner of forests. Even if the justification for the sale is not known, it is reasonably clear that the Kiær-Solbergs wanted to create large and vertically integrated businesses themselves, and do it in regions without such a strong and dominant player as Kellner-Partington. Already in 1901 they bought a property in Northern Norway, and in the years between 1905 and 1908 they expanded in mid-Norway and built “an empire” of large woodlands and a paper and pulp factory along the railway that went into the rich woodlands in Sweden. In so doing, the Kiær-Solberg teamed up with other capitalists. Some came from the same business as them along the Glomma river, but the most important alliance was with the Fearnley family who, among other investments, were large owners in Union. Thus were created an ownership group that was to be important. The numbers in table 1 justify a claim that this was the strongest group of Norwegian capital owners.

For all intents and purposes, this ownership association was a national reaction to the coming of international capital to Norway. Norwegian “personal” owners saw the need to collaborate, to pool their capital. In terms of the democratic traditions of Norway, this was a new phenomenon. This was exactly the kind of power concentration that Sejersted say is untypical
of Norway, and this new development as an association of owners into new territory did not go unchallenged.

In 1905 the group bought Meraker Brug. This was an enormous property with large woodlands, a sawmill, mineral deposits, opportunities to develop electricity, along with a small smelter that made calcium carbide. The location was brilliant as the railway went through the property and connected the port with large Norwegian and Swedish woodlands. Farmers, who previously had rented land, were allowed to by their holdings and become self-owning farmers.\(^5\) Very soon afterwards, an existing and not quite state of the art paper and pulp company along the same railway line was purchased and upgraded.

Elias Kiær, the managing partner of the Kjær-Solbergs and the leading individual in the new associations, wrote to a Swedish contact in the fall of 1906: “as you know, now I want to sell out in Sweden and concentrate my business in Norway.”\(^6\) He and the others had been investing heavily in Swedish ventures, and his wish to switch from Norway must be seen as a consequence of the antagonism that followed the abolishment of the union between Norway and Sweden in 1905, as well as the opening up of new opportunities in Norway. He knew that with the nationalistic wind that blew in Norway at the time, they would not have foreign competitors for the estates that interested the group. As he said to the agent prior to the bidding for the Meraker property: “you have after my opinion no chance to sell the Meraker estate to foreigners”.\(^7\)

There is no doubt that the concession laws were directed against foreign capital. The influx of foreign capital affected large parts of Norway. This comes through loud and clear in the summing up of Minister of law, Johan Casteberg in 1909, but he was also concerned about the whole organization of business:

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\text{The danger here, is the grand capital's exploitation of these values [from nature], it is the danger for monopoly formation, trusts and associations. The capital is international, which for our country's sake means: It is foreign, and protection against grand capital's disposition for monopolies, trusts, is first and foremost a protection against the foreign capital.}^{8}\]

Already by 1907, it became abundantly clear to Elias Kiær and associates that Government policy also affected their business opportunities. Following close after the purchase of the

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\(^5\) Hvor?
\(^6\) ECK to Braathen 18.8.06
\(^7\) ECK to Dessen 17.4.06
\(^8\) Proposition for the «Odelstinget» [part of the Norwegian parliament] number 1, 1909, supplement , p. 699, cited after Haaland xxx 1995
Meraker estate, another huge estate with large woodlands in mid-Norway came up for sale in 1908: The Verdal estate. Elias Kiaer was very interested, and this was a business that could be integrated into Meraker Brug to become an enormous property.\(^9\) Totally out of the blue came the unprecedented news that the Norwegian government granted the municipality of Verdal a loan so the estate could be bought as a public property. This was a clear political statement going in a new direction in terms of securing natural resources not only for the nation but also for the public. As Elias Kiaer formulated it: “After declarations from various speakers in the parliament under the debate about the Verdal loan one can assume that the parliament have nothing against that the state or the municipalities run individual businesses.”\(^10\)

In the situation, Elias Kiaer offered the state to buy all woodlands under his and his associates ownership, and wrote to the director of the state’s forests that he would come “to your office and wanted to hear if the government would consider the case.”\(^11\) The Norwegian state was a large owner of woods for centuries, so the proposition and the new policy may to some extent be understood in this framework. But the state’s ownership went back to the king’s estate, and had not been expanded to accommodate the industrial age. That the Verdal loan was ideologically motivated by scepticism about large corporate entities – Norwegian too – was becoming very clear. Kiaer’s offer to sell, which may have been a bluff, or come with too high a price, was anyway a signal of cooperative attitudes and the willingness to accept political processes that went against his wants. He thereby aimed to show himself as a humane and nationally oriented capitalist.

The state did not take up Kiaer’s offer, nor was the Verdal municipality’s initiative followed by other municipalities. Indeed, already by 1912 Verdal municipality sold the estate. It was too difficult to run.\(^12\) By then, Kiaer and associates were no longer interested. As Kiaer himself in 1909 stated to the same Swedish-based collaborator he four years earlier had told he wanted to get out of Sweden and concentrate his efforts in Norway: “Because of the socialist tendency and capital hostility in Norwegian politics, the capitalists are afraid to start new enterprises”.\(^13\) A few years later he clearly was more positive about investments in Norway,

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\(^9\) ECK to Carl Gutzeit 24.8.07

\(^10\) ECK to Saxlund 17.2.08

\(^11\) ECK to Saxlund 3. and 17.2.08

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\(^13\) ECK to Braathen 23.8.09
and wanted to build a large paper factor at the port that led to the railway that went to Meraker.\footnote{MB: ECK til Young-Fearnley 30.10.12} It was the logical conclusion as this railway went into Sweden. Had they bought the Verdal estate, a seaside factory would almost certainly have been built. But the money for Verdal was invested elsewhere: Kjær and associates had fled from “socialistically inclined” Norway and gone eastward.

**Knowledge-based investments in the east**

Dating the exact moment that Kjær and associates went eastwards is difficult, but from roughly 1908 a process started that firmly established Finland and Russia as prioritized areas for investments. Going into the Baltic area meant huge monetary commitments, but of equal importance was the use of business and technical knowledge gained from previous experiences in Norway and Sweden. Building on previous activities, what Kjær and associates did in the Baltics was the height of their creative achievements.

Elias Kjær, especially, but also his associates, had a long history of investing in new pulp and paper producers in Norway and Sweden, and it could be said that Kjær’s specialty was purchasing old estates with large woods and sawmills that had come into financial difficulties.\footnote{Sejersted} In most of these ventures he took parts and shares, buying and selling. The traditional staple of Norway and Sweden – the two most modern Nordic countries that also were closest to the European markets – had been planks, boards and timber, and for these items timber dimensions mattered a great deal.\footnote{Sejersted} Thus one needed wood of a very old age, and with the rapid rise of European demand for these products at the last decades of the 19th century such woods with old stock of timber were rapidly depleted. The value of forests without old timber was low. The solution Kjær and associates offered was to buy these estates and connect them to modern pulp and paper factories that could use young timber. This constituted major shifts in customers, as well as the capital investment was huge at a time when the technology behind these new plants were still under development.

Kjær had been instrumental in building one such plant in Southern Norway which was made into a stock-listed company. He invested heavily in Northern Sweden, and the creation of
modern chemical pulp and paper industry there. In Sweden, he collaborated with a number of Norwegian investors and expatriates. In the words of Swedish historian Jan Glete:

> We can therefore conclude how sawmill and woodland owners in Sweden’s two largest wood industrial regions, [Hernösand and Sundsvall], let outsiders, Norwegian groups of owners, take initiative to use sawmill redundancies and spruce for chemical mass production. Then there is to remark that the Swedish interested parties in the areas probably represented the world’s largest concentration of sawmill and spruce owners. They showed a remarkable sluggishness when it came to use their resources along new lines.”

The story of the Norwegian eastward path is fascinating and complex. Traditionally, the center of the plank and timber industry of Norway was Drammen on the eastern shore of the Oslo fjord. Drammen, however, already began to feel the stock of huge timber becoming depleted in the 1850s. When the liberalization of the Norwegian economy made it possible in the 1860s, a lot of the businessmen of Drammen set up shop – sawmills, trading, wood purchases – on the other side of the fjord in the town of Fredrikstad. Here they had access to great resources of timber stock that could be floated along the long river of Glomma. Elias Kiær was born in 1863 in Drammen and grew up in Drammen. However, his uncle as entrepreneur, and his family as investors, moved to Fredrikstad, and it was the continuation of this business that he and his cousins redeveloped from 1895 onwards. The movement eastwards did not stop in Fredrikstad, however, Norwegians with a background in Drammen and Fredrikstad became very involved in the Swedish sawmill business already by the 1860s, and it was these networks that Kiær and others used when they were pioneers in the Northern Swedish transition from boards and planks based on old timber stocks and to modern chemical pulp and paper making.

Until 1908 Elias Kiær – and associates – were both businessmen and industrialists. Kiær probably was a businessman more than anything all his life, but the investments into mid-Norway had created a fairly large vertically integrated industrial business (really, it was a conglomerate because it contained smelting, mining, production of electricity) that clearly had further opportunities to grow. Kiær did indeed want to expand and develop this industrial complex until the Verdal situation came up. He had previously stated he did not want to go farther east as he did not know the area. Until the dissolution of the union between Sweden and Norway in 1905 he clearly was happy with Sweden as an investment opportunity, but after 1905 matters changes. In 1909 he wrote to his main Swedish business partner –

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18 Sejersted
originally from Norway – and told him he want of the Holmsund business in Umeå, because “I no longer feel good in Sweden”.\textsuperscript{19} With the fear of Norwegian “socialism” at home, old opportunities were suddenly no longer as tempting as they used to be.

There were, however, possibilities further east. Indeed, the way to the east that had taken entrepreneurs the short way across the Oslo fjord from Drammen to Fredrikstad, the longer road into Sweden, had taken quite a few further east into Finland and Russia, both places with larger woods than Norway and even Sweden, and with great reserves in terms of old timber stock. The most famous of these Norwegians is undoubtedly Hans Gutzeit, from Drammen and Fredrikstad, who founded the famous company that beared his name, Gutzeit (that came to be known as Enso-Gutzeit, then Stora Enso). Hans Gutzeit left already in 1880, however. Gutzeit was developed into Finland’s largest company by a long way by its other Norwegian owners Ludwigsen & Schjelderup, and the appointment of the Norwegian Alexander Gullichsen, born and brought up in Drammen at the same time as Elias Kiær, gave the company a forceful leader in the early part of the 20\textsuperscript{th} century.\textsuperscript{20} In all probability, the meeting between Elias Kiær and Alexander Gullichsen in September 1908 was the turning point of Kiær and associates direction: Finland and Russia could become prioritized investment areas.\textsuperscript{21}

The dynamic that drew Kiær and associates into the Gutzeit sphere, was the acquisitions of Gutzeit and the ensuent capital needs. Under Gullichsen’s leadership large woodlands were bought, often including waterways useful for the production of electricity.\textsuperscript{22} Gullichsen and Gutzeit were doing what Kellner-Partington was doing along Glomma close to Fredrikstad, and what Kiær and associates had been starting doing in mid-Norway, he was building a large vertically integrated complex. Kiær bought into Gutzeit for what was a sizeable sum, and he participated at the general assemblies of 1909 and 1910. Some of Kiær’s family members and associates also joined Gutzeit as owners. Kiær – with his extensive network – actively contributed to some of Gutzeit’s acquisitions. Kiær and Gullichsen – personally – even bought a large Swedish estate together in 1911, so his enthusiasm apparently overcame his reluctance to invest in Sweden.

\textsuperscript{19} ECK to Braathen 1.5.09
\textsuperscript{20} Ahvenainen
\textsuperscript{21} ECK to Mathiesen 18.8, 3.9 and 20.10.08
\textsuperscript{22} The flowing is based on pages 94ff in Plankeadel.
What Kiær also could bring east, was his technological connections. In Norway there existed a vibrant network of engineers that built pulp and paper factories. In the years up to his Finnish investments, Kiær had developed close connections with one of the most able ones, Kristoffer Mørch. Mørch was at the time of 1908 head of the above-mentioned pulp plant that Kiær took to the stock market. Before that he had built his own pulp plant at Svartvik in Sundsvall in Sweden. In these years Mørch collaborated closely with another Norwegian engineer, Theodor Qviller, who, according to Mørch, had built several of the seminal new plants in Norway and Sweden. Mørch said about Qviller that “he was a strange man and probably the best ‘technical brain’ that ever work in our paper and pulp industry.”

Furthermore, “his authority was unlimited.” There were others, of course, and there were strong Norwegian engineering firms at the time that also operated in Sweden. Mørch and Kiær became close, and Mørch in his obituary of Kiær says that the personal relationships that Kiær forged with engineers and the heads of the various factories he was involved in, was an important characteristic of Kiær’s successful way of working.

Kiær had a position in what may be called “an associate capitalism”. In the middle was he and his three co directors of the family firm, then came the outer family that also were stockholders in the firm, Kiær, personally as well as through the firm, forged ownership associations with a number of business friends and contacts, moving, primarily, the pulp and paper industry of the Nordic countries forward. But his associations also were of an administrative kind, as he as director and owner kept in close contract with the administratively and technically responsible of the companies that he invested in. Had Kiær not been an owner, and had he striven for more formal bundling of the companies with which he was involved, he would have been much like the breed of active managers of large corporations in USA. Or, put differently, he may have had something in common with the Henry Fords of his time. What is important too, is that Kiær facilitated exchange between the technical heads of the various factories that formally were independent. In one instance four factories – two in Norway, one in Sweden, on in Finland – exchanged information about the subtleties of salt differences in the water for pulp production.

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23 Mørch 1966, p. 62
24 Mørch 1966, p. 62
25 Sogner (med Christensen), pp. 81—88.
26 Nekrolog i Papir-journalen, 1939.
27 ECK to Sandquist 27.3 and 6.4.11; ECK to J. Nielsen 28.3.11.
In 1914, just before the outbreak of war, Kristoffer Mørch was hired by Kjær and Gullichsen for two purposes. He was to be involved in the Russian complex of Dubrowka near St. Petersburg where they were developing a green-field vertically integrated pulp and paper complex. Increasingly, the Norwegian owners were taking operational and technical control from their Norwegian-Finnish collaborators. The addition of Mørch, and the engineering son of one of Elias Kjær’s Kjær-partners, were the main pillars of this new approach.28 Mørch was at Dubrowka only part time as he was also to construct from scratch a large pulp and paper factory on the premises of the old company Enso that Gutzeit had bought.29 Dubrowka was meant to be a state of the art complex, but in all probability the Enso factory was the most modern and up to date of its time. It was large for the time, and it was built in order to be expanded at a later date.

By roughly 1916 in what was to prove the middle of World War I, the approach of Kjær and associates had clearly shifted course. The move from Fredrikstad in the south of Norway to mid-Norway with additions in Sweden had been halted, and new and capital-intensive investments were directed at the Baltic area. An excellent engineer, Kristoffer Mørch who had been cherry-picked among the community of Norwegian engineers was placed at the centre stage of these technological developments. Kjær and associates were developing a Russian plant of their own, while they were taking an active role – together with other Norwegians – in developing Gutzeit’s capital base as well as its movement from planks and board into chemical wood-processing.

The movement east has to be seen as an attractive opportunity to develop Finland and Russia as a raw material base as well as markets. Dubrowka delivered paper to Pravda.30 The movement east was to a very great degree also a reaction to political circumstances in Norway that was deemed to be hostile to big business. The national sentiment that was clearly part of the Norwegian political landscape, and went hand in hand with skepticism of big business, was not necessarily a disadvantage to Kjær and associates, as later events proved. But it was an omen of an international trend that were to put an end to how Kjær and associates could run their businesses.

28 Christensen
29 Mørch 1966, pp. 89—108.
30 Christensen
Nationalisations here, there and everywhere

While social unrest and nationalistic sentiments were on the rise at the turn of last century, it is little doubt that the full-blown war from 1914 to 1918 accentuated patterns of conflicts and unrest. During World War I matters for Kiær and associates changed a great deal, and to some extent not always for the worse, but when the dust settled in the 1920s after four important instances of nationally motivated change of ownership the end result was profoundly negative.

The first of these new opportunities came in 1916 in the shape of the majority share of Hafslund. The German shareholders Schuckert wanted to get out of Norway in the tense situation of wartime, and Elias Kiær was strongly involved in the consortium that purchased their shares. Hafslund was a huge producer of electricity in Glomma, the river both of Kiær’s town of Fredrikstad and the headquarters of Kellner-Partington. Hafslund mainly sold electricity to Kristiania (later known as Oslo), but did also have a plant that made calcium carbide that collaborated with Kiær and associates plant at Meraker in mid-Norway.

The second opportunity was not taken, as Kiær and associates, which at this juncture included a strong presence of the Fearnley family who headed the large company Union, lost the 1917 bidding war for Kellner-Partington. A group of forest owners of medium sizes was able to secure what was the single largest company entity in the wood processing industry in Norway. They were particularly concerned about the possibility that the Kiær and Fearnley group would be nationally dominating purchasers of timber and drive prices down. Kellner-Partington was rechristened Borregaard, after the estate were it was located, and remained an important industrial entity up until the present.

The third instance was only negative and had destructive consequences. Dubrowka, the vertically integrated pulp and paper operation outside St. Petersburg, was confiscated without compensation by the Soviet regime. The loss of the share capital was itself significant, but, after all, a rather small sum seen against the background of the number of investments Kiær and associates had made elsewhere. But there were two challenges that made Dubrowka such a huge burden. Its working capital was provided by one of the largest Norwegian banks, and it had demanded that the shareholders guaranteed for that loan. The working capital was much larger than the share capital, and most of the guarantee givers wanted to pay back their dues to the bank as a loan. In the high interest rate climate of the 1920s, when Norway was one of the countries that had the farthest to go to get its currency back to the old pre-1914
parity against gold, the subsequent rise of the value of the Norwegian krone all to 1928 made both the loan increase in value and the export goods of Kjær and associates other businesses being plagued with higher costs as the Norwegian krone appreciated in value against all other currencies.

Early in 1918 a Finnish-Norwegian consortium made an offer to buy Gutzeit, and its Norwegian owners accepted. This was just after the Russian revolution and in the middle of the Finnish civil war, so the uncertainty of the political situation mattered. The Finnish state subsequently purchased Gutzeit from the consortium, that probably acted as middlemen. The Norwegian shareholders sold because of the uncertain political situation the Baltic, and for some of them selling would be a means to pay for the Dubrowka loss. But what mattered most, was the death of its forceful leader Alexander Gullichsen. Elias Kjær had a personal relationship with him that he valued, probably most importantly in the challenging situation in Dubrowka at this time. But Kjær’s relationship with two of Gutzeit’s Norwegian directors were not great, he told the Norwegian director of another Norwegian-owned Finnish company: ”The Gutzeit people – especially Schjelderup and Egeberg – are hard to catch; personally I am as you may know not a member of the board of directors and get after Gullichsen’s illness and death never any kind of information.”

Perhaps the fragile situation in Gutzeit best captures the tidal change experienced by Kjær’s attempt at building a strong Norwegian industrial complex. Once the all-important Gullichsen was gone and the personal relationship with Alexander Gullichsen thus ended, Gutzeit became a company in play, a situation that somehow reflected that its owners were situated a pretty long way away in Norway. That Gullichsen, Schjelderup and Kjær – and others – at the same time was involved in the nationalization of Dubrowka, also complicated matters. Indeed, Schjelderup – investor in both Gutzeit and Dubrowka – was also chairman of the board of the bank that had loaned the Dubrowka investors the working capital that they had had to guarantee for.

The kind of associate capitalism that Kjær practiced, was remarkably suited to deal with financial difficulties. Just like it had been collected piece by piece, it could be unbundled piece by piece. So Elias Kjær and associates, and family, gradually sold assets. Elias Kjær himself did quite well. When he died in 1939 he was still a wealthy man with considerable investments in Hafslund and in various wood processing activities. But his own empire – the

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31 ECK til Olaf Bülow 18.8.17
virtual corporation – that connected numerous factories and properties together, and that commanded a network of engineers, no longer was operative. Indeed, and symptomatic, was Kjaer’s purchase in 1926 of the pulp and paper factory in his home town of Fredrikstad that until then had been owned with associates. That factory already employed his former right hand technician, Kristoffer Mørch, the man who had built and developed those two modern plants in Finland and Russia at the height of Kjaer’s power. From being in the administrative center of a large business complex, from the early 1920s he was factory manager of one plant.

The financial challenges affected everybody. The relationship between Elias Kjaer and his one cousin – and partner in the core company – became strained. His relationship with another of the partners, P.C. Solberg, remained solid, but Solberg himself – not as wealthy as Kjaer at the outset, somewhat more unlucky with his personal investments and a speculator in exchange rates – could in the end not pay his debts.

Did the end of Kjaer and associates ambitious industrial complex have national implications? There is an argument against such a view. Norway lost Gutzeit and Dubrowka. But Norway gained Hafslund and Kellner-Partington/Borregaard. Indeed, Kellner-Partington/Borregaard was a fine company built by Norwegian engineers and developed rather successfully in the interwar period, mainly because its Austrian activities were profitable. It was an interesting twist to the Norwegian society’s skepticism against foreign investments that Norwegian capitalists owned Finland’s by far largest paper and pulp company with its enormous ownership of forests and natural resources. Maybe that would not have been sustainable in the longer run.

Yet, something was indeed lost. Kjaer and associates were developing a powerful entity that in its size and scope anticipated the large vertically integrated corporations in the Nordic wood processing industries. Indeed, two of them followed almost directly out of the businesses associated with Kjaer: Enso-Gutzeit is obvious, but also Ivar Kreuger’s construction of SCA on the basis of Northern Swedish properties might be added. To put it this way: Had Kjaer and associates ran their businesses the American way and merged the stream of new entities added, the giant corporation hit by the challenges of nationalization in

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the late 1910s would probably have had to be saved as one entity. But “the virtual corporation” created by Kiær could dissolve and disappear.

Conclusion

The rapid rise of nationalism during the first two decades of the twentieth century had profound implications for Norwegian paper and pulp industry. Not only did Norwegian owners feel that their industrial efforts in Norway were somehow questioned by politicians and society at large. When the Norwegians fled Norway and relocated to Finland and Russia, they met nationalistic sentiments that were directed at them. Nationalism took three different forms. In Russia the new Soviet regime confiscated. In Finland the state bought out foreigners. In Norway, the introduction of concession laws starting in 1906 proved to be a tool with which foreign investments were monitored and continued to be of importance. And Norwegian policies certainly facilitated strong national ownership groups – even if the rhetoric and some actions around 1908 could be seen as a critique of capitalism as such.

Kiær and associates – in particular when teaming up the Fearnley family – were the wealthiest capitalists of Norway. They had the capital resources and possession of knowledge to create some of the largest enterprises in the Nordic countries. Their failure at being able to continue their empire after 1920 is hardly a consequence of Norwegian democratic inclinations. Yes, their “flight” to Finland and Russia was influenced by such policies. But those policies can hardly be blamed for the nationalisations in the Baltic. Yes, they replaced one kind of risk – in Norway – by risks elsewhere, which may not in retrospect have been the smartest thing to do. But their actions – by building associations that could lift capital-rich investments – do show that Norway had the kind of social capacity to fully participate in the second industrial revolution. The “democratic capitalism” of Norway did not stop Kiær and associates.

The importance of the rapid nationalisations in the midst of what was a globalist period with fixed exchange rates, makes it particularly difficult to nail what are national characteristics. It is my claim that this Kiær-case – arguably the most capital-intense of Norway and therefore of some importance – represented a kind of associative capitalism: Personal owners that pooled their resources, often including the wealth of family members that did not partake very actively. Maybe such an associative capitalism would have been a transitory phase to consolidation in larger enterprises – or maybe not. The point is rather that the crisis – or
crises that followed after 1920 – destroyed what was emerging to an extent that makes characterisations like “personal capitalism” – which would be apt for the Norwegian situation after 1920 – meaningless as a longer-term concept. The internationalization of a very creative Norwegian effort proved to have disastrous consequences.