

Iceland, the Republic

Chapter 2: History and culture

In 1996 the Central Bank of Iceland published the handbook, *Iceland, the Republic*. The book includes several chapters about the history, culture and economy of Iceland. Below we publish an example from this book, chapter 2, which is about history and culture. The book can be ordered from the Central Bank of Iceland by sending an e-mail.

Chapter 2: History and Culture

The Viking Age

The High Middle Ages

A Dependency of the Danish Crown

Nationality and Modernization

Birth of a State

The Republic of Iceland:

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The Viking Age

Long after man had spread to almost every corner of the globe, Iceland remained out of his reach. Early navigators may have drifted there and even lived to tell the tale; some such memory may lie behind the "Island of Thule" of ancient geographers. The first certain discoverers of Iceland were Irish anchorites who, in the style of St. Brendan, tested their faith by undertaking perilous ocean voyages. Perhaps the conspicuous migrations of Icelandic nesting birds across Ireland suggested to them the existence of land across the ocean. At the beginning of the "Viking Age," ca. AD 800, the Irish knew how to get to Iceland and back and some anchorites from there had spent considerable time in that empty country. There is no evidence of any permanent settlement, however, or family migration from Ireland to Iceland, nor did Irish strains of sheep or other farm animals survive in Iceland. Its settlement was left to the Norse.

During the 9th century Scandinavian seaborne warriors - the Vikings - preyed upon much of Western Europe, especially the British Isles. In places they also settled down as war lords, traders, or simply peasants. Norwegian Vikings extended their activities southwards from earlier settlements in Shetland and Orkney, temporarily controlling parts of Scotland and Ireland. They also ventured further into the ocean and settled the Faroes.

Perhaps the Norwegian seafarers learnt from the Irish about the existence of Iceland. They may also, as later Icelandic tradition maintains, have stumbled upon it while accidentally bypassing the Faroes. Their navigational skills depended on landmarks or such signs as sea birds, whales and high clouds which might indicate the presence of land far beyond the horizon. On the high sea the sun was their compass, its height at noon indicating the latitude. Once lost they had no means of establishing how far west they had gone. Navigation to the Faroes, therefore, was bound to result in the discovery of Iceland, as, in turn, the Icelanders could not help discovering Greenland, and sailing to Greenland naturally involved the discovery of the American mainland. These navigational limitations made it simpler to follow a straight east-west route between Iceland (or Greenland) and Norway than the shorter but more oblique route between Iceland and the British Isles.

Once discovered, a country larger than Ireland or Scotland, rich in fish, seals and birds and with half of its area covered with vegetation, could not remain empty for long. The

archaeological record shows that around 900 Iceland was being rapidly settled. The flora adapted to the sudden impact of man and his grazing animals. Dwellings, graves and artefacts were of Scandinavian or Norwegian types, also known from Norse settlements in the British Isles. Two to four centuries later, Icelandic scholars and saga writers recorded a rich tradition about the settlement of the country. Families were traced to a Scandinavian, mainly Norwegian, origin, and the length of recorded genealogies would in most cases fit a settlement period centred on ca. 900. Often the emigration of a Norwegian ancestor is explained in terms of a conflict with King Harald Finehair, who reportedly subdued all of Norway and established a national dynasty over the heads of a variety of regional petty rulers. The tendency of the historical tradition to exaggerate the wealth, power and high birth of the original settlers would require correspondingly potent reasons for such important people to emigrate, thus making the "royal conflict" a plausible standard explanation. A number of settlers reportedly came from Norse colonies in the British Isles - Ireland, Scotland and the Scottish islands - where the Vikings, significantly, were suffering serious setbacks at the time. These Norsemen would have mixed with the Celtic or Pictish population, taking local wives, hiring local servants, acquiring slaves of local origin. Thus the Celts and Picts presumably made up a significant part of the ancestry of the Icelanders. That element, however, would have been more or less integrated with the Norse before the emigration to Iceland. It has thus left few traces in the archaeological record, nor has it contributed more than a handful of words to the Icelandic language, which was a Scandinavian dialect, more or less identical with the Viking Age Norse spoken in Western Norway, the Faroes, Shetland, Orkney, etc. The massive immigration around 900 was preceded by a phase of discovery and pioneer settlement. Written accounts, composed in the 12th century and later on the basis of oral tradition, describe an accidental discovery of the country, then a few voyages of exploration, and the settlement proper starting with a West Norwegian, Ingólfr Arnarson, sailing to Iceland in 874 and building his farm in Reykjavík - which, by a coincidence more fitting than the saga writers could imagine, was the future capital of Iceland. Neither the date of Ingólfr's arrival nor his primacy as a settler can be much more than guesswork. The archaeological record, with a number of early C-14 datings, would suggest a somewhat earlier beginning.

Iceland - Greenland - Vinland

An early settler would equip a boat or two - simple sailing boats with one square sail - carrying his family and servants, minimal livestock (perhaps only lambs, calves, foals etc.), provisions for a journey that might take several weeks, and everything needed to establish a minisettlement in the isolation of an almost empty country, to be reached by an ocean crossing of which hardly any navigational experience existed. A daunting feat not to be lightly undertaken.

When the settlement had reached a "critical mass," immigration became much easier. Livestock could then be bought in Iceland; experienced navigators could be hired for the journey; or one might even travel as a passenger on a boat serving other demands of the pioneer community, and earn wages as a farmhand before establishing a farm and family of one's own. This later and easier phase of immigration perhaps coincided with the rapid colonization around 900.

The settlement of Iceland may be viewed in the context of the general Viking expansion of the period, plausibly linked to population pressure in Scandinavia and increasing scarcity of farming land, not least in Western Norway. "Going Viking", with the combination of piracy, mercenary services and trading which it entailed, was an occupation for the young and unsettled. For most people, Viking or not, land was the key to a settled family life.

The main attraction of Iceland was its freely available land, suitable for animal husbandry. The early settlers, with the few farm animals they could bring along, would even for a while be reduced to a partly "hunting-gathering" existence, fishing in the rivers, taking seals on the shore, hunting birds, gathering eggs. In fact this exploitation of wild nature would prove a richer and easier source of food than farming as long as the human population was sparse enough in relation to the natural resources; thus it added to the "pull" exerted on potential immigrants.

The same would be even more true of the migration from Iceland to Greenland starting towards the end of the 10th century. The discovery of Greenland was easy enough from nearby Iceland but it would require determined exploration to find those areas on the west coast which could sustain the Icelandic type of farming. There, Icelandic emigrants managed to establish a viable settlement.

With the settlement of Greenland, Viking expansion had, geographically speaking, reached the Western Hemisphere. Soon the American mainland was also discovered by navigators who sailed past Greenland. Subsequently the Greenlanders made some use of the forests of Labrador. They also explored more southerly regions and in the early 11th century attempted the settlement of a place they called "Vinland" (the Land of Vines) - somewhere to the south of their temporary camp which has been excavated on northern Newfoundland.

One of the leaders of the Vinland endeavours was Leifr Eiríksson (Leif Ericson "the Lucky"), son of Eiríkr (Eric) the Red, founding father of the Greenland settlement. Icelanders also participated in the attempted settlement; their descendants (including an important Icelandic family descended from a boy actually born in Vinland) preserved the Vinland stories, which were later recorded by Icelandic saga writers.

Hostile encounters with native Indians aborted the attempt to settle in Vinland. Viking expansion had, from one point of view, overreached itself. The American mainland was too far away from the Scandinavian centres of population to attract large-scale immigration, and the natives were capable of fending off small-scale immigration, while they lacked the concentration of wealth which might become the target of marauding expeditions.

The Greenlanders became a thriving small community (some 300 homes) with Norwegian merchants as their link with the civilized world. They became Christian, had their own bishop and built a stone cathedral, exported walrus ivory, hides and the occasional live polar bear. After a period of decline and isolation the Scandinavian Greenlanders became extinct in the 15th century, victims, it seems, of deteriorating climate and Eskimo expansion and perhaps even of European pirates and slave hunters.

A community takes shape

The economy of Iceland soon assumed a form which would remain much the same for centuries, determined by natural resources and the constraints of culture and technology. The main livelihood was animal husbandry of an extensive nature, wide areas being used for grazing and scattered meadows for haymaking. Hay was the principal crop; yet it had to be supplemented by extensive winter grazing, unpredictable as this was in the Icelandic climate. Food crops were of minor importance, barley being grown as a dietary diversification and for the brewing of beer. Cows and ewes were the most important farm animals since milk, mainly produced during summer and processed as butter, cheese and curds (skyr), was the staple food. Wethers, bullocks, pigs and geese were raised for meat, and fish, dried for storage, became an important dietary item. A surplus of wool was available for export. For centuries homespun woollens were the staple export commodity as well as being a domestic medium of payment and standard of value.

The settlement pattern was single farms, with no real villages. There were 4-5,000 primary farms thinly spread along coasts and valleys, most of them, it would seem, supporting only one or two families, which suggests a population of something like 50,000.

Tenth-century Iceland was, to judge from the archaeological evidence, a simple society with little to show in the way of luxury or wealth. The limited concentration of either wealth or population gave little scope for social stratification - apart from the basic distinction between free and slave. Nevertheless, a pattern of leadership emerged, some farmers acting as leaders of their close kin or immediate neighbours, others functioning as more formal leaders of a larger clientele, and eventually a distinct group of chieftains formed. A chieftain might be descended from an early settler who had claimed extensive land and been able to retain some sort of authority over later settlers in "his" area. Preferably, the chieftain had to be able to trace his ancestry to aristocratic families in Norway or somewhere in the Viking world. On a

more practical level, he would establish links of friendship or family ties with other chieftainly families and he could add to his social stature by successful feuding with worthy opponents.

A basic institution of early Scandinavian, and indeed Germanic, society was the assembly ("thing") of free men which was the proper forum for all sorts of solemn transactions and an articulation of communal identity. In Iceland assemblies developed quite early, and soon the bold step was taken of establishing a general assembly, the Alþingi (Althing) at Þingvellir in the southwest, for the whole country. A single assembly offered an opportunity to establish nationwide legal unity as the different legal traditions of the settlers were coordinated and adapted to conditions in a new country. The Alþingi proved a success; despite the formidable distances to be covered, the entire chieftain class, each with a retinue of client farmers, would regularly assemble for a fortnight around midsummer each year, mainly to attend to legal and judicial matters. While juries handed down verdicts in court cases the chieftains themselves deliberated on the fixation or adaptation of law; they also elected the "Lawspeaker", a president of the assembly responsible for the preservation and clarification of legal tradition. Besides the Alþingi there was a system of regional assemblies, led by the chieftains, and at the lowest level of local authority, the hreppr, all the farmers assembled to conduct the business of the community.

The establishment of the Alþingi (around 930 which is the accepted, if slightly uncertain, date) has been interpreted as the formal origin of an independent state, the Icelandic "Commonwealth" or "republic". The Alþingi may even be defined as a "parliament" of sorts. (Thus the present legislature, first convened in 1845 as a consultative assembly, uses the old name Alþingi, and occasionally 930 is claimed as its founding year, making it, after a fashion, the "oldest of national parliaments".) To the anthropologist Old Iceland would be more cogently defined as a "stateless society", despite its central institutions and legal unity, as there was no public executive power. Neither court verdicts nor legislation nor even the constitutional arrangements had any coercive power behind them, other than the free initiative of individual chieftains with their armed following. (The law and institutions of the Commonwealth held a somewhat similar sort of authority over the chieftains as international law and the UN do over present-day sovereign states.)

The chieftains enjoyed a collective monopoly of power. They eventually became a closed group, holders of 39 hereditary chieftaincies (goðorð) or parts thereof. Everyone else was required to be an official client of one of them; the democratic element of the system was the right of a farmer to transfer his allegiance to another chieftain. The term for chieftain was goði, derived from goð = (pagan) god. This may indicate their religious function in pre-Christian times as leaders of sacrificial feasts which were the communal expression of pagan religion.

The entry into Christendom

The original population of Iceland contained a Christian element, as the Vikings in the British Isles had been in close contact with the Christian inhabitants. It seems unlikely, however, that any practising Christian community survived until missionary activities started in the late 10th century. Yet it only took a handful of itinerant missionaries, backed up by a Christian king of Norway, to effect the official conversion of Iceland in 1000.

(Accepted date; the earliest written evidence suggests AD 999 but either one is possible.) The conversion was peacefully decided at the general assembly by the chieftains - the very priesthood of the pagan religion - few of whom presumably had more than a superficial idea of the nature of the new religion. Pressure from Norway, together with a realization of the overall ascendancy of Christianity, seems to have decided the issue. There is surprisingly little evidence of subsequent resistance to the conversion; if the institutionalization of a Roman Catholic Church was neither quick nor easy it can not be blamed on pagan opposition. With the conversion to Christianity Iceland decided to enter the orbit of Western European civilization. Through the church the Icelanders had closer contacts to a wider world than before. The Reform Papacy of the crusading era, 12th century renaissance, Romanesque and Gothic, chivalric feudalism: these were to become formative influences in Medieval Iceland.

Literacy was the key to the new civilization. Viking Age Scandinavians, like the pagan Germanic peoples in general, had enjoyed a degree of literacy as they used the so-called runic alphabets for monumental and magical purposes; yet the transmission of knowledge and literature was, it seems, basically oral. With the Christian Church, written texts gained a new prominence, gradually being used for secular as well as ecclesiastical purposes. A century after the conversion of Iceland, learned men were beginning to use the Latin alphabet for codification of vernacular texts. The breakthrough for vernacular literacy occurred in 1117 when the chieftains resolved that the whole body of traditional law be committed to writing. By now Iceland was firmly a part of the literate civilization of Western Christianity. It had a numerous clergy with at least some Latin education and an educational elite which kept in touch with contemporary scholarship. And its lay culture was permeated by theological, biblical and hagiographic elements.

The High Middle Ages

The Christian Church

The first churches, built by chieftains and other substantial farmers, hardly enjoyed more than the occasional visit of a priest or one of the itinerant missionary bishops who made the primitive Icelandic Church viable. Gradually a native clergy emerged. A few sons of leading families returned from study abroad and became the ecclesiastical leaders of the next generation. When the first of them, Ísleifr Gizurarson of Skálholt, was consecrated bishop in 1056, the Icelandic Church began to develop a structure of authority. His son and successor, Gizurr Ísleifsson, made Skálholt a regular episcopal see and arranged the establishment in 1106 of a separate see, Hólar, for the north of Iceland. On the initiative of Bishop Gizurr the Alþingi adopted a law providing for payment of tithes to the Church. Some parish churches also enjoyed considerable endowments but their wealth was administered by their (often lay) patrons rather than the incumbents. In the early 12th century extensive ecclesiastical legislation was adopted by the Alþingi, and the first monastery (at Þingeyrar) was established. The Church was becoming a social element of immense weight but it was closely tied to the secular ruling class and far removed from the centres of the international church.

After the kingdom of Norway, including its maritime sphere of influence reaching from Iceland and Greenland to the Isle of Man, gained a separate archbishop in 1153, Iceland came more closely in touch with the rapid development of the Roman Church, which was claiming greater independence from the secular powers and making more sophisticated demands on its servants and followers. The new religious era is witnessed, among other things, by the lavish endowments of new monasteries and nunneries, and by the election of Þorlákr Þórhallsson, an ardent leader of the Augustinian order of canons regular, as the Bishop of Skálholt (1178-93). He pressed for stricter moral control by the Church and clashed with the lay patrons over the control of wealthy parish churches. He was soon venerated as a saint and officially adopted as such by the Alþingi in 1198.

St Þorlákr has recently been canonised by the Pope as patron saint of Iceland. Subsequently the diocese of Hólar had one of its own bishops (Jón Ögmundarson) declared a saint, and as its next bishop it elected a charismatic religious leader, in some ways a St. Francis figure: Guðmundr Arason ("the Blessed," 1203-37). He accepted no compromise in matters of ecclesiastical prerogative, which resulted in a complete break with the secular leaders of his diocese and his living alternately as their captive or their fugitive, despite his continued popularity as a spiritual figure.

Despite some clashes at the top, the ecclesiastical and secular leadership was closely connected and partly recruited from the same families. A secular aristocrat might, as a boy, have enjoyed some ecclesiastical education and even received minor orders, and in his advanced years he might retire to a monastery.

The rise and fall of an aristocracy

The relatively egalitarian society of the settlement period gradually became more stratified. (Apart from slavery, which disappeared during the 11th or 12th century without being formally abolished.) Many farmers became the tenants of wealthy landowners or ecclesiastical institutions. Chieftainly power became restricted to fewer families, some of them controlling more than one of the 39 chieftaincies. The ecclesiastical structure concentrated power and wealth in the hands of Church leaders, many of whom were members of chieftainly families. The concentration of power facilitated taxation, both ecclesiastical - including the tithe - and secular. There emerged an upper class of aristocratic distinction which enjoyed power and wealth, leisure and luxuries.

Besides chieftaincies and assemblies, a new level of political power emerged, the domain (ríki), an entire region (often corresponding to one or two regional assemblies) ruled by one "lord" (höfðingi). He had to own or control the majority of chieftaincies in the region, and a new lord would seek legitimation by the consent of the community (i.e. the leading farmers). In the course of the 12th century most of Eastern and Southern Iceland and a part of the north were consolidated into five domains, apparently by a relatively peaceful process.

Peace, however, was never more than a relative state of affairs in early Iceland. It was a society imbued with warlike values, where men generally carried arms and were expected to be violently jealous of their honour (in a broad sense, including economic and political interests). Clashes of all sorts would easily result in feuds or vendettas with a potential for escalation as the parties enlisted the support of their kin and chieftains took up the cause of their clients, seeking in turn the support of their political allies. But Icelandic society also valued peace and order; a blood feud would ordinarily be stopped from escalating by helpful intervention. The settlement of a dispute, normally out of court, might include the payment of compensation ("wergild" in the case of a killing) and permanent or temporary banishment from the country.

The 13th century saw political violence reach an unprecedented scale. Armed conflict by now involved the top aristocratic families, too powerful for their disputes to be easily contained by benevolent intervention; they would raise armies and fight battles and seek each other's lives in revenge. The impact of warfare was not heavy by the standards of medieval Europe. The largest armies would be something like a thousand strong, and they would disband after a short campaign, having killed several dozens at the most. Yet for the leading families the impact was serious. For a generation or two, political leadership became a highly dangerous occupation.

One source of large-scale disputes was when upcoming chieftains strove to carve out lordly domains in the west and the northeast, where smaller chieftaincies had survived through the 12th century. Everywhere this process was either initiated or taken over by members of the ambitious Sturlung family, which in Icelandic historiography has given its name to the period (Sturlungaöld, "Sturlung Era," ca. 1220-62).

King Hákon (Haakon) "the Old" of Norway (1223-63) was interested in adding Iceland to his kingdom. After all, it belonged to the ecclesiastical province of Norway; its trade was mainly with Norway; and its upper class had close cultural and social links with Norway, prominent Icelanders being eager to accept courtier status with the king, thus becoming in feudal terms his liegemen. Only chronic civil war had prevented Hákon's predecessors from giving serious attention to Iceland. Conflicts between his Icelandic liegemen gave him the opportunity to arbitrate in Icelandic politics, gradually acquiring title to a number of chieftaincies and granting some of the Icelandic domains as his fiefs. Eventually he elevated the most powerful Icelandic aristocrat and leading opponent of the Sturlungs, Gizurr Þorvaldsson, to the status of earl and started to press for subjection by the Icelanders to the crown of Norway. Soon the lords and leading farmers of all domains had, more or less reluctantly, sworn allegiance to the crown and accepted royal taxation. For most of the country this was done in 1262, (The earl's adherents did so at the Alþingi, starting definite conditions for their acceptance of the monarchy in a document later termed the "Old Covenant" (Gamli sáttmáli). Originating as a unilateral declaration, it was eventually, at least in part, accepted by the crown. To 19th-century Icelanders it was a charter of rights providing constitutional leverage in the struggle

over the status of Iceland within the Danish monarchy, to which the Norwegian crown had passed in 1380.) which thus marks the end of the Icelandic Commonwealth.

From the perspective of later Icelandic history, the year 1262 seems a fateful date, signifying a loss of independence which calls for explanations in terms of "what went wrong" in the institutional and political development of the commonwealth or in the irresponsible behaviour of the warring aristocrats. From a more objective point of view, the inclusion of Iceland in the Norwegian monarchy is an instance of a fairly general trend of the times: the strengthening of the feudal monarchies through centralization and expansion. This development normally met with some resistance from local interests, popular or aristocratic, sometimes termed "feudal particularism", which can also be seen in the reluctance of Iceland to accept the sovereignty of the Norwegian crown.

Rule of king and Church

Iceland remained a tributary of the Norwegian crown, loosely connected to the distant mother country. It had been won for the crown by diplomacy, as it was impractical to apply military pressure over such distances, and it remained free of Norwegian military presence, secured for the crown by its dependence upon trade with Norway and by the willingness of its leaders to accept royal patronage. Iceland managed to fend off royal demands for military or financial contributions above the moderate regular tax and its upper class was partially successful in keeping royal and ecclesiastical appointments to itself.

The Alþingi continued to function as a focal point of Icelandic government. The chieftains were replaced by district officials (sýslumaður), mainly recruited from the leading families of the country, who appointed the most substantial farmers to attend the assembly. They felt free to bargain with or even oppose the crown but the regular business of the assembly was, as before, mainly judicial, led by a pair of "law officers" (lögmaður). At the top of the administration there was the governor (hirðstjóri), often a foreigner temporarily enjoying this lucrative position as a royal favour.

The royal administration did, with moderate success, police the country and uphold the law. Bloody clashes and vengeance remained part of Icelandic politics but on a much reduced scale. The rule of law remained tempered by the force of arms, but less so than under the commonwealth.

In connection with the modernization of Norwegian law a code of law was also prepared for Iceland, adopted by the Alþingi in 1281, which combined Norwegian models and Icelandic tradition. Henceforth, new law was mainly "given" by the king, subject to consent by the Alþingi which also might initiate legislation by petitioning the king or even pass its own resolutions supplementing royal law.

The Alþingi also sanctioned a new ecclesiastical law code initiated by the Bishop of Skálholt, Árni Þorláksson, in cooperation with the archbishop. The independent authority of the Roman Catholic Church, which reached its peak in the 13th century, was reflected in the new code. No less important in this respect was a compromise on lay patronage of churches which turned many of the wealthiest churches into ecclesiastical fiefs, granted by the bishop to priests of his choice. This meant a considerable transfer of wealth and authority from the leading lay families, who thus depended even more on royal patronage, to the ecclesiastical hierarchy.

These developments in the late 13th century did nothing to reduce social stratification. However, the hereditary aristocracy was transformed to a more fluid upper class based more on royal and ecclesiastical patronage and less on inherited status. Among the new upper class, the clergy became more prominent and more independent: the beneficiaries of the new church fiefs, the heads of monastic institutions (which grew greatly in number and wealth during the 13th century), and above all the bishops. In the feudal hierarchy they had a higher status than any lay official in the country. Their extensive patronage, their judicial powers (including revenues from fines for "spiritual" offences), and the rapidly increasing landed wealth of the episcopal sees, together with their appointment for life, made them easily the most influential persons in the country.

Eddas and sagas

A singular feature of medieval Iceland was its literary creativity, culminating in the saga writing of the 13th century.

After the breakthrough of vernacular literacy in the early 12th century a varied and considerable body of writings developed: translated or adapted religious writings, law, scholarly tracts (including the "First Grammatical Treatise," making remarkably acute phonological observations), and historical works. Among the last-mentioned, pride of place must be given to the *Íslendingabók* (Book of Icelanders, ca. 1125) by Ari Þorgilsson "the Learned", a short and soberly reasoned historical outline concentrating on the initiation of Christianity and the development of the Church. Other early historical works are only known as sources of later compilations, especially the *Landnámabók* (Book of Settlements), an attempt to chart the original settlers of the entire country.

Vernacular literacy developed parallel to a rich oral tradition of handing down knowledge and entertaining with stories. Even at the height of saga writing, far surpassing the form of the oral tale in scale as well as in structural complexity, authors could tap the oral tradition for fresh material; while various sagas would reach much of their audience through reading aloud in public or even through retelling by more or less specialized storytellers. Direct copying from oral tradition is, however, not to be expected, except in the case of poetry.

The poetic heritage comprised two highly dissimilar traditions, skaldic and Eddic. The Eddic poems are composed in simple metres and related, in form and subject matter, to the earliest poetry of Anglo-Saxons and Old Germans. Most of them either deal with mythological subjects or tell the tragic stories of larger-than-life heroes far back in the Teutonic past. The limited corpus of known Eddic poems (the so-called Poetic Edda, all of it anonymous) is preserved in a few manuscripts, above all the mid-13th century *Codex regius*. While their oral preservation must have been fluid to some extent, parts of the corpus may have existed in some form for several centuries before they were committed to writing. Eddic poetry at its best reaches, by its direct yet elevated expression, a rare poetic perfection.

The skaldic style developed in Norway out of the Germanic court tradition of delivering poetic eulogies to the king or ruler. Skaldic poetry is characterized by a complicated metrical form and a highly artificial idiom, with the sentences interlaced in a contorted manner and everyday vocabulary replaced by rare poetic words (*heiti*) and complicated circumlocutions (*kenning*). A typical skaldic strophe must be assembled like a puzzle and solved like a riddle; yet it can be effective in its forceful expression of concentrated metaphor. After the 10th century this tradition became more and more the exclusive domain of Icelandic poets who might expect handsome rewards for their craft at the Norwegian court and even from other Scandinavian rulers. The skaldic form was adapted at an early stage to Christian religious poetry, and a number of Icelanders showed themselves capable of using this unwieldy form for occasional verses. The skalds learned their trade by studying older poetry of which a large body was known, much of it attributed to 9th- and 10th- century authors.

A leading skald of his generation was the Sturlung lord Snorri Sturluson (d. 1241). Besides his own poetic production he composed a sort of handbook for aspiring skalds, the *Edda* (or *Prose Edda*). As many of the skaldic kennings contained mythological references, Snorri included a compendium of pagan myths, making his *Edda* our richest source of information on Viking Age mythology.

With Snorri and his contemporaries, that peculiar art of prose narrative, the Icelandic saga, reached its mature phase. It developed earliest in the field of royal biography (mainly about the kings of Norway), either as individual or serial biographies. These so-called Kings' Sagas rose to artistic perfection in Snorri's *Heimskringla* (ca. 1230), a serial biography of the Norwegian royal house from the mythological past to the late 12th century, centred on an in-depth portrayal of the reign of St. Ólafr Haraldsson (d. 1030), a Viking pirate-turned-missionary king and patron saint of his country.

Hagiography was well known in Iceland from translated works and some of the early Kings' Sagas treated holy or nearholy rulers. When two domestic bishops were declared saints their

lives were written (ca. 1200), not only in Latin but in Icelandic as well. This was the beginning of biography treating domestic and contemporary (or recent) subjects; during the 13th century several bishops and secular leaders became the subjects of biographers whose ambition was historical and literary rather than hagiographic.

Icelandic oral tradition contained a wealth of tales, some with an historical element, some plainly fabulous or even mythological, set in Viking Age Scandinavia. This material was to some extent tapped by the writers of Kings' Sagas (and even foreign authors like the Danish historian Saxo Grammaticus), and by ca. 1200 Icelandic authors were beginning to compose written narrative expressly on the basis of this material, starting at the more historical end (e.g. *Jómsvíkinga saga*) and progressing towards the more fabulous (the genre of *Fornaldarsögur*). This sort of writing received inspiration from a different source when French vernacular epics became known in prose translations (from ca. 1230), the so-called *Riddarasögur* or courtly romances. Their influence is felt in the Icelandic Romances, fictional compositions, classifiable as *Fornaldarsögur* or *Riddarasögur* according to their Scandinavian or more generally European setting.

The most original literary genre of medieval Iceland, the Family Sagas (or more properly Sagas of Icelanders), are set among Viking Age Icelanders, the anonymous authors applying lessons learnt from all of the previously mentioned types of prose narrative. These sagas developed from the more historical (drawing on genealogical and historical sources and seeking inspiration in local tradition) towards the more purely fictional. By the mid-13th century the genre had already produced some masterpieces of linguistic and narrative control, such as the long and firmly structured *Egils saga* (plausibly attributed to Snorri himself), the more romantic *Laxdæla saga*, and the short heroic tragedy of *Gísla saga*. The late 13th century contributed *Njáls saga* (or *Brennu-Njáls saga*, "Story of Burnt Nial"), the largest of the genre and most ambitious in scope, outstanding for the author's mastery of scene and his sophisticated character portrayals. His contemporaries perfected the more direct short-story approach in sagas like *Hrafnkels saga*, *Bandamanna saga*, and *Auðunar þáttur*.

The leading literary figure of the late 13th century was Snorri's nephew Sturla Þórðarson (d. 1284). He was the last master of the skaldic eulogy, the biographer of two contemporary kings of Norway, and the author of the earliest preserved compilation of the *Landnámabók*. In the writing of contemporary Icelandic history he rose above the usual biographical approach with his *Íslendinga saga* which is a broad political history of the Sturlung family (including the author who is careful not to treat his own person differently from other protagonists) and its fateful rivalry with Earl Gizurr.

During the 14th century the ascendant literary genres were the prose romance, florid prose hagiography, and religious poetry which adapted ancient skaldic traditions to the tastes of High Gothic, most successfully in the Christ/Mary panegyric *Lilja* ("The Lily") by Eysteinn Ásgrímsson. As the last masterpiece among the Sagas of Icelanders, *Grettis saga* endows its outlaw hero with a flawed character that makes his superhuman prowess self-defeating.

Typical for the literary taste of the 14th century was the effort spent on large compendia and expanded versions of older works, e.g. Kings' Sagas. In this manner the *Sturlunga saga*, with its remarkable mass of detail on the last century of the "Commonwealth" period, was compiled on the basis of Sturla's *Íslendinga saga* with the total or partial inclusion of a number of individual biographies and other material. (Several older sagas only survive as interpolated fragments in those elephantine compositions.) The 14th century also produced most of the largest and most exquisite vellum manuscripts, reflecting the great concentration of wealth in the country.

From the Viking Age, when Icelandic skalds made their art available at Norwegian courts, up to the 14th century, when Icelandic scribes frequently copied sagas for export to Norway, there existed close literary ties between the two countries. Not until the 13th century, when its vowel system underwent major changes, did Icelandic differ any more from the Norwegian dialects than they did from each other, and only in the late 14th century did drastic changes of Norwegian vocabulary and grammar seriously impede the mutual intelligibility of the two languages. Written texts and literary influences thus flowed freely between the countries;

some Norwegian works are preserved in Icelandic manuscripts and vice versa; and sometimes it is hard to tell from which country a text originates. While saga writing was mainly an Icelandic occupation, Norwegian authors contributed to the early development of the Kings' Sagas and the courtly romance became known in Iceland through Norwegian translations.

The culture of medieval Iceland was, of course, not exclusively centred on literature. The visual arts, in a similar manner, combined Viking Age tradition with foreign models under lay and ecclesiastical patronage; sports and games enjoyed wide popularity; and the church managed to become the major influence on behaviour and opinion. Successful literary creation was in comparison only the irregular pursuit of a few people. Yet it is the most noteworthy aspect of medieval Iceland, both because of its uniqueness in the literary history of the West and because of its importance for the later history of the country, as will become evident from the following pages.

A Dependency of the Danish Crown

Government

Towards the end of the 14th century, Norway came under the control of the Danish crown with which it would remain in a personal union for several centuries. Iceland was included by virtue of its status as a tributary of Norway, but in the course of time became a Danish dependency conducting all its relations with Copenhagen, irrespective of Norway.

Iceland's communication and trade was confined to Norway in the 14th century, until English ships began to arrive on a large scale after 1400 to fish on grounds off Iceland. Trade with Iceland passed into their hands and widespread contacts were formed with England. For several decades, the Danish royal administration in Iceland was very ineffective, and the English largely controlled the country. The king of England seemed to be in an ideal position to take over the country, but for the sake of his other relations with the Danish kingdom he avoided direct aggression in Iceland. Furthermore, rivals to the English emerged in the second half of the century, when German merchants of the Hanseatic League began sailing to Iceland, and the Danish king was able to take advantage of this rivalry to consolidate his administration.

When the Lutheran reformation prevailed in Denmark and Norway around 1535, the king naturally demanded that Iceland should follow suit. Danish royal officials began taking over monasteries in Iceland, but were attacked and killed. An appointment to the vacant bishopric, backed up by the presence of Danish troops, sufficed to establish the Lutheran order in Skálholt in 1541, while a Catholic bishop, Jón Arason, remained in the other see, Hólar. As the pressure upon him grew, he engineered an armed uprising and controlled most of the country for some time, but after a military blunder he fell into the hands of his enemies and was executed, with two of his sons, in 1550. His supporters took revenge by killing all the Danes they could lay their hands on, but when Danish forces arrived the following summer, the Icelanders abandoned all resistance and accepted the reformation. The Lutheran order had soon become established and popularly accepted, yet Jón Arason was remembered as a patriotic martyr.

The conflicts of the reformation saw the Danish king deploy a substantial foreign military force in Iceland for the first and only time. The need would never arise again, because Icelanders ceased to carry weapons and would never entertain the notion of armed resistance to foreign domination afterwards. Danish royal authority in Iceland was strengthened by the military victory as such, and its power was further consolidated by the reformation, insofar as the Church was placed under secular administration; the king also acquired extensive property in Iceland, the confiscated wealth of monastic institutions and individual Catholic leaders. Subsequently, around half of the land in Iceland was publicly owned, divided into three roughly equal shares among the king, the episcopal sees and individual parish churches. Privately owned land was mainly in the hands of wealthy families, while freehold farming had already become a rare arrangement long before.

In the 16th century, the Danish king instituted regular taxation of merchants sailing to Iceland, and in the course of time began selling licences for the exclusive right to trade in each port. Danish merchants enjoyed preferment over Germans, and from around 1600 onwards, trade was entirely confined to Danes - soon only those from Copenhagen - who either traded separately in their respective Icelandic ports or formed companies to run the Iceland trade as a whole. This trade monopoly was in line with prevailing mercantilist ideas and aimed to aid in the formation of a capitalist class in the realm. Although attempts were made to protect Icelandic customers by price controls and other regulations, the absence of competition and the maintenance of artificial relative prices meant that trade remained at a minimal level and was unable to respond to market developments.

The reformation and the trade monopoly greatly diminished Iceland's contact with other countries than Denmark. Even the Danish influence was limited. Danish merchants only visited the ports - there was nothing resembling towns - for a couple of months in the summer, and few Danes sought office in Iceland. A few dozen Icelandic officials received an education in Denmark, but the numerous clergy were educated in Iceland and spoke better Latin than Danish. Decisions on all major issues were made in Denmark, but by people with very limited knowledge of Iceland, who therefore depended heavily on advice from domestic local officials. This isolation, therefore, had an inherent element of autonomy, even after royal absolutism was established in Denmark and formally accepted in Iceland in 1662.

(At the "Kópavogur Assembly" (Kópavogsfundur), later interpreted as the fateful abrogation of the rights guaranteed by the "Old Covenant" of 1262. In practice Iceland had already lost all effective political rights vis-à-vis Denmark.)

Cramped conditions

Offshore fishing had been on the increase at the height of the Middle Ages, and in the 14th century more efficient marine transportation enabled stockfish to become Iceland's most important export commodity in addition to homespun. Fishing gained in economic importance, especially in the 15th century when the volume of trade was no longer restricted by inadequate communications. Conditions for fishing in Iceland were arduous, and techniques were primitive. People from rural areas went to live in fishing stations for part of the year, especially the second half of the winter, and put to sea in open rowboats from places which varied in suitability for landing, some of them even harbourless sand beaches facing the open sea. Fishing yielded a sought-after commodity that enabled Iceland to take advantage of the international division of labour, but the trade monopoly hampered the growth of this industry. Deepwater fishing was entirely in the hands of foreigners - the English, Dutch and French - with whom the Icelanders were prohibited from having any contact.

For a long time, agriculture was characterized more by decline than by progress. A gradual deterioration of climate began as early as the 12th century, reaching its worst point in the 17th to 19th centuries, the period known as the "Little Ice Age," when cold oceanic currents often brought sea ice to Iceland's shores and caused the temperature on land to drop, with resulting damage to vegetation and famine. The natural vegetation cover became degraded in many places and the limited cultivation diminished. Farmers responded by concentrating ever more on sheep-rearing, which was most suited to the prevailing conditions and yielded products which could be exported: wool, as well as suet and meat, which became export commodities from the districts where there was no fishing. The use of wool changed radically at the end of the Middle Ages, when knitting was introduced to Iceland. Knitwear replaced homespun as an export commodity, and also influenced dressing habits, especially in daily life.

People adjusted to harsher conditions by making do with less, and working harder. A considerably shorter average stature is the clearest indicator of deteriorating living standards compared with the Viking Age. Housing exhibits a similar trend, from the fairly spacious medieval halls, heated with open fires, to a complex of narrow rooms, hidden by thick walls and roofs of earth, all designed to save precious timber and keep out the cold without spending scarce fuel.

The first population census of 1703 shows a population of roughly 50,000. The medieval population may have been larger at certain periods, but had also fallen to much lower levels, at least in the two epidemics of plague that ravaged the country at the beginning and end of the 15th century; later, in the 18th century, three sharp reductions in population would take place, the result of epidemics (smallpox) and famines.

Almost every family lived on a farm or country croft. This reflects the success of a resolute policy, upheld by the Icelandic upper class more than the Danish authorities, of preventing the formation of fishing villages and the development of fishing as an independent occupation.

Culture and reformation

By the 15th century, saga writing had lost much of its vitality. Yet sagas were being copied and some new ones composed, mainly in the genre of prose romance (Fornaldarsögur/Riddarasögur). While contemporary documents show a written language with fluid standards and much foreign (Scandinavian/Low German) influence, a conservative standard of language and style survived through the unbroken tradition of saga writing.

When the reformation required a sudden introduction of a vernacular liturgy there was no question of using Danish in the service - as was done in Norway and the Faroes. Icelandic enjoyed the status of a distinct literary language and had to be adapted to the Lutheran service. The reformation also called for Icelandic translations of religious literature, which could be distributed with the help of the recent invention of printing. An Icelandic translation of the New Testament was printed as early as 1540 and the complete Bible in 1584. The Bible publication was the work of Guðbrandur Þorláksson, bishop of Hólar from 1571-1627 and a dynamic instigator of the publication of religious writings, both original and translated. Jón Arason, the last Catholic bishop, had introduced a printing press to Iceland, which Guðbrandur Þorláksson restored. This served as the only press in Iceland for two centuries, for most of the time run under the supervision of the Bishop of Hólar.

After the decline of saga writing, poetry took over as the main form of literary creation. An important innovation of the Late Middle Ages was the lyrical ballad (dansar), sung as an accompaniment to dance. Some ballads were translated or adapted from Norwegian or Danish and new ones composed in the same style, which is free and simple, metrically as well as linguistically, and carries the unmistakable stamp of oral literature. The ballad also took a more literary turn which resulted in the totally different genre of rímur (narrative ballads), taking form in the 15th and 16th centuries. A rímur poet would set out with a story, most often a written prose romance, and rephrase it in verse, almost paragraph by paragraph. Rímur are typically divided into instalments, each suitable for a reciting session, and each one in a new metre. Gradually there developed a great variety of rímur metres, some of them highly complex. The rímur continued to employ the peculiar vocabulary of skaldic poetry and thus formed another conservative link with the medieval language. The rímur tradition retained its vitality well into the 19th century.

The reformation caused a break with tradition in religious poetry. The medieval panegyric form was replaced by hymns which were suited to the Lutheran service, and other religious poetry followed. Crude as the first hymns of the post-reformation may have been in literary terms, Lutheran religious poetry had attained substantial artistic maturity by the end of the 16th century, and in Hallgrímur Pétursson (d. 1674) the unrivalled master of the genre appeared. Hallgrímur Pétursson was a versatile poet: one of the most resourceful practitioners of rímur in his day, he also composed songs and light verse, as well as hymns and devotional verse. His Hymns of the Passion (Passíusálmar), a group of 50 hymns tracing the passion of Christ, gained immediate recognition and have remained the best loved work of religious literature in Iceland to the present day.

In Northern Europe, the reformation was also the period of Renaissance scholarship, of humanism. The Renaissance passion for Greek and Roman antiquity aroused the interest of scholars in their own native history and ancient writings. Danish and Swedish scholars discovered, to their pleasant surprise, that Iceland had preserved a wealth of ancient lore, in a stillliving language much akin to Old Danish or Old Swedish, describing the gods, heroes and

dynasties of Viking Age Scandinavia. Arngrímur Jónsson, a clergyman in the north of Iceland and a close collaborator of bishop Guðbrandur Þorláksson, was the first major promoter of saga material among foreign scholars, both in private correspondence and his published books (in Latin, most notably *Crymogea* 1609). In the latter half of the 17th century, Swedes and Danes began to seek out Icelandic manuscripts, and the first sagas were published in printed form, both in Iceland and overseas.

Around 1700, Árni Magnússon (d. 1727), an Icelandic scholar who was resident in Copenhagen, had established himself as the leading researcher into old Icelandic literature. During the following years he spent long periods in Iceland (among other things, helping to organize the census of 1703), which gave him the opportunity to collect manuscripts much more thoroughly. Ever since, the Arnemagnean Collection (associated with the University of Copenhagen, although a large part of it has been handed over to Iceland in recent decades) has been by far the most important collection of Icelandic manuscripts, and the centre of philological research.

In the course of time, the interest shown by foreign scholars in old Icelandic literature, and thereby in the Icelandic language, began to influence the real status of Icelanders within the Danish state. They were not merely a small, impoverished community in a farflung corner of the Danish realm, but also a nation with a separate cultural identity, moreover the chosen guardians of the collective cultural heritage of the Nordic (and even Germanic) peoples. This viewpoint influenced not only the Icelanders' own sense of identity, but also the attitudes of the Danish powers-that-be towards them. This was particularly marked in the 19th century, when the romantic movement had kindled a new interest in Old Norse studies which was not confined to Scandinavia, nor to a narrow circle of scholars.

The age of paternal despotism

The census of 1703 (together with the Register of Farmlands which followed it) testifies not only to the royal bureaucracy's interest in the situation in Iceland, but also to a fairly efficient administrative structure which was developed even further during the 18th century, in step with the increasing bureaucratization and professionalism of the Danish monarchy. The ideal, influenced by mercantilism and the enlightenment, was a paternalistic government providing comprehensive guidance to its subjects. In Iceland, the 18th century administration achieved some notable successes. A literacy drive, spurred by the realization that the religious education of Icelandic youth, growing up at widely scattered farms, was hard to achieve without the use of printed textbooks, resulted by the end of the century in almost every boy and girl in the country being able to read. Yet there were no elementary schools and no professional teachers, only the parish minister who inspected the education provided by the home. At the same time the educational standards of the clergy were raised, an increasing number of Icelandic students attended the University of Copenhagen, and well educated Icelandic lawyers took over most of the higher administrative posts in the country.

Educational and administrative progress contrasted with social and economic stagnation which, admittedly, the administration showed a growing desire to overcome. Skúli Magnússon, the royal treasurer of Iceland, a progressive-minded man of vision in the spirit of the enlightenment, arranged for a generous royal contribution towards the establishment of manufacturing workshops in Iceland in 1751, together with diverse measures to improve agriculture and fisheries. However, the havoc wrought by famine, volcanic eruptions and a sheep epidemic (the elimination of which through systematic slaughtering of all sheep in the affected regions was another administrative success) proved stronger than the official desire for progress. The situation reached its worst during the "Haze Famine" following the Lakagígar eruption (*Skaftáreldar*) of 1783 when grass poisoning and the death of the majority of all livestock even seemed to threaten the continued existence of Iceland as an inhabited country. By the time the recovery had begun, a more liberal brand of enlightenment philosophy was prevailing in Denmark, resulting in the abolition of the Iceland trade monopoly (1787) and an extensive administrative reorganization, including the replacement of the old Alþingi and the Skálholt and Hólar episcopal sees by more modern judicial and ecclesiastical institutions in Reykjavík. The new manufacturing workshops had established Reykjavík as the

first community in Iceland anything resembling a town, and from this time onwards it gradually became its administrative (and, more slowly, economic) centre.

It had been hoped that the competition unleashed by the repeal of the monopoly would act as a stimulus on agriculture and fisheries. The freedom in trade was only limited, however, and its impact was not substantial in the immediate term. Furthermore, the Napoleonic Wars caused severe disruption to Danish trade with Iceland, especially after Denmark was drawn into the war against the British, who controlled the Atlantic. The result was a severe shortage of imports in Iceland. As a defenceless country, Iceland was a sitting target for occupation by the British, yet they decided not to interfere in the Danish king's control over the country. Moreover, they promptly handed Iceland back to Denmark when an English merchant had removed the Danish governor from office in order to secure his own business interests. A Danish seaman by the name of Jørgen Jørgensen, who was the Englishman's interpreter, ruled Iceland for two months in 1809 as a sort of semi-revolutionary "Lord Protector" and met with little resistance from the inhabitants.

When peace was restored to Europe in 1814, Denmark was forced to cede Norway to Sweden. No one envisaged the medieval tributaries of the Norwegian Crown, namely Iceland, the Faroe Islands and Greenland, being part of this bargain, since they had no special links to Norway and the great powers were quite happy to accept continued Danish rule of them.

Nationality and Modernization

Political nationalism

The first half of the 19th century, which was the age of the romantic movement in European culture and of the growing influence of political liberalism and constitutionalism, saw the general ascendancy of nationalism, and the nation state was regarded as the only true forum for politics and government. Denmark developed as a nation state during this period, at the same time as enlightened despotism gave way to constitutional monarchy. Icelanders were unable to identify with Danish nationalism or seek participation in a political structure legitimized by Danish nationality. Instead, they were convinced by the arguments of a handful of young intellectuals who advocated a distinct Icelandic nationalism and demanded autonomy which by then was seen as an inherent right of nationality.

The first step towards constitutionalism in Denmark involved the establishment of elected bodies with a consultative role. After provisionally allowing Icelandic representatives in a Danish assembly, the Danes soon acceded to ideas for a separate assembly for Iceland, which was named Alþingi after its ancient predecessor and was inaugurated in 1845 - in the capital, Reykjavík, despite some calls to hold it at Þingvellir to underline its ancient links. Differing conditions in the two countries made it mutually convenient for Danish parliamentarians not to have to deal with Icelandic issues, but romantic respect for Iceland's ancient culture played a part in the Danish attitude at the same time. The Alþingi was the first milestone towards democratic government in Iceland, followed by popularly elected local authorities in 1872. Its restoration fostered political and nationalist awareness, and an unquestioned national leader immediately emerged: Jón Sigurðsson (1811- 1879), a young historian and philologist, who was resident in Copenhagen like most of the leading figures of the nationalist movement at this time.

Absolutism was formally abolished in Denmark in 1848, the year of revolution in Europe. Meanwhile, Jón Sigurðsson formulated the principle that won widespread consensus in Iceland: that the abolition of absolute rule had put an end to the obligations sworn by the Icelanders in 1662, and restored their legal position according to the 1262 treaty with Norway. Iceland was thereby a separate country, admittedly belonging to the Danish Crown, but not to the Danish people, and its governance depended upon an agreement between the king and the Icelandic people. At the same time he proposed ideas for a home rule structure for Iceland under limited royal control. The constitutional assembly of 1851 in Iceland revealed that there was no common ground for an agreement between the Icelandic delegates, most of

whom firmly supported Jón Sigurðsson, and the Danish authorities who were only prepared to offer Iceland very limited autonomy.

A long struggle then began concerning the status of Iceland within the Danish state, which is generally known in Iceland as sjálfstæðisbarátta, literally the "independence struggle," although total separation from Denmark would not become a goal until much later, and the use of any kind of violence or civil disobedience in pursuit of independence was out of the question.

International interest in Iceland began to grow in the 19th century, influenced by the romantic movement. Old Icelandic writings were valued not only as ancient Nordic historical and philological sources, but also as impressive literature testifying to the creative power of the Nordic and Icelandic character. Furthermore, contemporary Icelandic culture was considered noteworthy for being founded upon simple rural life and untouched by European urbanization and industrialization. Foreign travellers to Iceland drew attention to its unique and dramatic nature. Many Danes saw Iceland as a jewel in their crown while recognizing it as a separate country with its own nationality. Even though for a long time they deemed Iceland's demands for autonomy both extreme and impractical, it was uncomfortable for them to govern the country against the will of its inhabitants.

A belated spurt of economic growth

Nationalism and the desire for autonomy for Iceland were not the product of rapid social advances; the Icelandic economy and society remained very antiquated for most of the 19th century. The industrial revolution in Europe, combined with freer trade (which was completely unrestricted for Icelandic and foreign merchants alike from 1855 onwards), brought better terms of trade which the Icelanders took advantage of by gradually stepping up their foreign trade and producing more goods for sale, both fish (increasingly saltfish in place of stockfish) and sheep farming products. The standard of living improved somewhat compared with the preceding centuries, and the population grew as well to reach 70,000 by 1870. Nonetheless, by far the greatest part of the population still lived on farms, and the traditional division of labour prevailed. Rules remained in effect which restricted the right to set up households in hamlets and obliged most manual labourers to work as living-in servants hired for the whole of the year, for which there was little opportunity except on farms.

In the final quarter of the century, the pace of progress accelerated. Steamships - the most tangible embodiment of the industrial revolution during this period - strengthened international communications and trade. Fishing from ocean-going vessels increased, while better designs of rowboat appeared and their fishing techniques were improved. Communities began to develop around fishing and trading, most notably in Reykjavík (which had 6,000 inhabitants by 1900) but also in numerous hamlets and villages around the coast.

Agricultural products underwent change, too (for example with the sale of live sheep and horses to Britain) and some technological improvements were made. Horses, for example, which had only previously been used for riding and carrying loads, were now harnessed to pull carts and ploughs. The growth in production was matched by a reduction in the rural population. There were scant opportunities for setting up households in rural districts and the large manual workforce had held wages down. People were no longer prepared to accept the standard of living offered by life in the countryside, and moved away at too fast a rate for the towns and villages to accommodate them. The difference was accounted for by emigration to North America, which was greater than from most other countries relative to total population at this time and matched most of the natural population growth between 1870 and the early 20th century.

In the closing decades of the 19th century, the stagnation which had lasted for centuries had clearly come to an end. Production, lifestyles and social structure underwent sharp changes in successive decades; Iceland was heading for modernization, albeit slowly, although it was still poor and underdeveloped in comparison with Denmark or other neighbouring countries.

Shortly after the turn of the century the process of modernization accelerated. Mechanization had a profound impact when motorized craft and steam-powered trawlers began (around

1905) to replace the old rowboats and sail-powered vessels, bringing a rapid escalation of the fish catch. In agriculture, which still employed more than half the workforce until the second decade of this century, mechanization had yet to make inroads, but significant innovation in production (ceasing milking of ewes, to focus instead on cattle for dairy products and lamb for meat), along with improved techniques, yielded a substantial improvement in productivity. Investment increased, most patently in new fishing vessels but also in infrastructure, trade and commerce, cultivation and farm construction, and industrial premises. Capital, much of it in the form of venture capital, began to flow into Iceland, especially into the commerce and fishing sectors (including whaling, which Norwegians operated for some time from several well equipped whaling stations). Furthermore, a bank was founded in 1904 under the ownership of foreign shareholders: Íslandsbanki, which issued notes backed by gold with the same value as the Danish krone. The small, state-owned Landsbanki, which had been founded in 1886 and had a limited right to issue banknotes, was boosted with a foreign capital injection around the same time. Both moves put credit supply and banking services on a completely new plane. International telegraph services (funded by a private Danish company) in 1906, along with nationwide telegraph and telephone services, radically altered conditions for doing business. In consequence, wholesaling and importing businesses in Reykjavík flourished and, together with fishing companies, were among the standard-bearers of Icelandic private enterprise. The first public limited company, Eimskip (The Iceland Steamship Company), was founded in 1914 with a very widely subscribed public share issue in Iceland, and among Icelanders in North America. Its role was to operate steamships, in particular on regular scheduled sailings; since marine transport had previously been in Danish hands, the establishment of a domestic steamship company developed into a nationalistic issue.

Icelandic industry was radically transformed over the period from the beginning of the century until World War I. In terms of production technology and lifestyle, it had begun to cut back some of the lead enjoyed by neighbouring countries, and was assuming the features of an industrialized nation. This rapid economic development was based in part on rich and previously underutilized marine resources, new imported technology and foreign capital. Other important factors were the quality of the Icelandic workforce; people in general had some education and had already adopted an attitude towards work, management and change that was remarkably compatible with modern methods of production.

Rapid economic development made Iceland more capable, despite its small population, of going its own way in the world, and also inspired faith in still further advances. Even the prospect of regular industrialization seemed to be on the horizon, when foreign companies were seriously considering harnessing hydro resources to generate electricity for manufacturing industry, with nitrate fertilizer as the most likely product.

Home rule by stages

The deadlock in the dispute between Denmark and Iceland caused delays to various reforms which were not disputed in their own right, such as taxation reform and increased budgeting for infrastructure. An important compromise was struck in 1874 - in fact without formal acceptance on the part of Iceland - when to mark the millennium of the settlement of Iceland, Denmark granted a degree of autonomy and a written constitution. A number of areas of government were specified as being under Icelandic administration, where the Alþingi was a fully valid legislature with the power to make budget allocations. Executive control of Icelandic affairs, however, remained in the hands of a minister in the Danish government, which thereby also had a veto over Icelandic legislation (formally vested in the king). Limited as it was, this fruit of thirty years of steadfast campaigning by Jón Sigurðsson and his supporters greatly increased the Icelanders' responsibility for their own affairs. The Alþingi not only exerted greater influence over legislation but could back this influence up with financial allocations and make it more active, especially with respect to the infrastructure.

Iceland soon began to press for further autonomy, in particular regarding the power of the executive. For some time there was a wide gulf between Icelandic and Danish viewpoints, but by the turn of the century a clear desire had emerged to strike a compromise by appointing an Icelander as a separate minister with executive control over Icelandic affairs. Originally the Danes intended him to be resident in Copenhagen, but a new Danish government in 1901

agreed to his being based in Reykjavík. A new administration had taken office when the king, after decades of wrangling with the majority of the Danish assembly, finally accepted the principle of parliamentary rule and delegated the majority party to form a government. Such a constitutional change had to apply to Iceland too; the king's choice of a minister for Icelandic affairs would therefore have to be endorsed by a majority at the Alþingi. The first Icelandic minister, Hannes Hafstein, took office in 1904. This establishment of Home Rule did not affect the formal relationship between Iceland and the Danish state, but parliamentary rule increased the power and influence of the Alþingi, and the new domestic executive proved much more active and effective than the distant Danish administration had been.

For all the weighty change it implied, Home Rule did not fully realize Iceland's demands for autonomy within the Danish state which had already been formulated long before. Furthermore, Icelandic nationalist ambition and confidence increased by leaps and bounds, making the lack of independence all the more disagreeable. Denmark also understood the need to grant Iceland greater scope in its relations with the state as a whole than had been provided for around 1870. An agreement was negotiated in 1908 which the majority of the Alþingi was prepared to accept, but the opponents of the agreement, who demanded greater independence, emerged as victors in the general election the same year. A deadlock had been reached yet again in relations between the two nations, and anti-Danish sentiment became stronger than ever before. Few leading figures advocated a complete split from Denmark, however, and the outcome of a constitutional crisis between the countries would have been uncertain. The result was, in effect, that Denmark and Iceland "agreed to disagree" about their relationship; this enabled the constitutional reform of 1915 to be passed, one provision of which was female suffrage.

Language and poetry

The Icelandic language had remained relatively unchanged for centuries. Admittedly the phonetic system had undergone considerable changes, but the vocabulary, syntax and complex inflectional structure remained by and large the same as during the Middle Ages, and no significant differences of dialect ever developed. The stagnant society and widespread familiarity with written texts, including poetry and sagas in the ancient style, encouraged the preservation of the language. Foreign influences were very marked in official and scholastic language, and appeared to some degree in the writings of the Lutheran Church, although this tended to be more conservative than bureaucratic language. During the enlightenment, Icelandic intellectuals took a pride in writing in the vernacular about new subjects that demanded a new vocabulary. The 19th-century romantics went further still, rejecting the written language of the preceding centuries with its heavy borrowings from Danish, and extolling in its place a new stylistic ideal which sought its inspiration at once in the language of common country people and in the sagas and poetry of the Middle Ages, while striving at the same time to coin neologisms from native stems instead of adopting foreign terms for new phenomena.

The romantic ideal of language has broadly speaking been acknowledged right up to the present day, and in particular during the first decades of this century, when nationalistic sentiment was at its most vigorous. One result is that an ordinary Icelandic 20th-century reader has less difficulty in understanding writings from the 13th and 14th century than from the period afterwards, right up to the 18th century. Poets were the most influential figureheads of Icelandic creative art in the 19th century, most of them educated men who had lived in Denmark and learnt from foreign poetry, ancient and modern, while also finding models in the Eddic poetry. These poets played a major role in disseminating nationalistic ideas and were equally the heralds of the new linguistic policy. During the early decades of the century Bjarni Thorarensen introduced full-blown romanticism into Icelandic poetry, followed by Jónas Hallgrímsson (d. 1845) whose poetry has become a standard for beautiful use of the Icelandic language. Romanticism remained influential throughout the century, e.g. in the varied work of the Reverend Matthías Jochumsson, author of the national anthem, leading hymn writer, highly active translator and much else besides. During the closing decades of the 19th century, realism, propagated by Danish cultural critic G. Brandes, became an increasing force

in Icelandic literature, partly in poetry and even more so in prose fiction which was a novelty, romantic poet Jón Thoroddsen having published the first Icelandic novel as late as 1850.

Poetry was the number one popular art which a great number of young people would try to master. Among any group of prominent people one could expect a proportion of significant poets; a case in point is politicians, exemplified by Hannes Hafstein, the first Home Rule minister of Iceland (1904) and the most successful lyricist of the realist movement. Among his contemporaries we find, for instance, Stephan G. Stephanson, a country lad who in his teens emigrated to North America and three times broke virgin land in the US and Canada, at the same time making a unique contribution to Icelandic poetry. Or Einar Benediktsson, a lawyer who made a career of promoting foreign investments in Iceland (ranging from the ambitious to the utopic) and at the same time stunned his audience with his powerful poetry, inspired by an idealistic philosophy.

Birth of a State

Iceland achieves statehood

When the Great War broke out in 1914, Iceland was covered by Denmark's declared neutrality. It had no defences, but the dominance of the Royal Navy made it unnecessary for Britain and impractical for other powers to violate its neutrality.

Blockade and counter-blockade soon became a major element of the war. Britain found it necessary to limit and control export from Iceland to the continent, including Denmark, while fish and some other Icelandic exports were useful for Britain and her allies. British control of Icelandic affairs became increasingly detailed and a successively greater amount of Iceland's trade was determined by agreements with the Allies. Britain chose to deal directly with the Icelandic authorities, bypassing Denmark which because of its proximity to Germany was not in a situation to cooperate too freely with the Allies. During the war Iceland thus acquired greater independence from Denmark than the Home Rule arrangement provided for. After the war it would not be an easy matter to return to the status quo ante. In addition, the international climate of opinion was shifting in favour of national self-determination, witnessed at the end of the war by the emergence of new nation states in Central and Eastern Europe and frontier adjustments, e.g. in favour of Denmark vis-à-vis Germany.

In this situation Denmark decided to satisfy Icelandic demands for virtual independence. Negotiations during the summer of 1918 resulted in the establishment, on December 1, of a sovereign Icelandic state, a kingdom in loose union with Denmark. The king of Denmark remained head of the Icelandic state and the Danish diplomatic service handled most of its external affairs. Citizens of either country enjoyed mutual political and economic rights. Iceland could terminate the arrangement 25 years later but only by a referendum subject to strict requirements of participation and qualified majority. Apart from some concern that a massive influx of capital and population from Denmark - which was impossible to block under the mutual rights clause - might make the union permanent, Iceland was set on course towards full independence.

In the international community, Iceland was a dwarf state: with a mere 92 thousand inhabitants in the whole country, and only 15 thousand in its only real town, an undiversified economy despite the rapid progress that had begun to be made, and poor by Northern European standards. But their powerful nationalism, coupled with the advances that had been made during preceding decades, gave the Icelanders the confidence to fend for themselves. The loose union with Denmark did not imply any real responsibility on the part of the Danes for Icelandic affairs, although it offered welcome protection for the fledgling state to begin with.

From great war to world depression

As it turned out, Iceland did not attract foreign capital or labour on any large scale. This would have been most conceivable in connection with hydro power development and power-intensive manufacturing industry, but was prevented by technical factors and restrictive policy. Industrial development after the war was undertaken by the Icelanders themselves, and mainly focused on fisheries. The trawler fleet was renewed and greatly expanded around 1920, with a corresponding increase in saltfish production. Likewise, the fleet of smaller vessels was strengthened for both cod and herring fisheries, and motorized vessels finally replaced rowboats and sail-powered vessels completely.

Agriculture was still an important export sector, although tight markets were beginning to restrict meat production. A growing domestic market, especially for dairy products, also enabled rapid development of agriculture in certain areas, especially around Reykjavík.

Wartime intervention gave way to a more liberal economic regime. The flow of investment capital, however, remained subject to considerable official intervention, favouring above all agricultural development. The failure, under pressure of inflation, to keep the Icelandic króna's parity with the Danish currency also brought Icelandic authorities an additional responsibility, as did the deteriorating status of the privately owned Íslandsbanki, which was finally taken over by the government in 1930 (as Útvegsbanki Íslands, eventually privatized in 1989 under the old name of Íslandsbanki). In the meantime the state-owned Landsbanki Íslands had taken over the issue of banknotes and other central banking functions.

International deflation and the post-war slump in 1919-21 confronted Iceland with a sharp deterioration in its terms of trade and additional hardships for those who had invested - especially in new trawlers - at inflated end-of-war prices. In other respects, Iceland's economy was in reasonable shape and experienced rapid growth during the 1920s. However, when the Great Depression struck Iceland with a slump in export prices in 1930, it caused severe problems for a country so highly dependent on foreign markets. Since fish products were almost entirely exported, while most imports including cereals and other major foodstuffs were not produced domestically at all, the contraction in foreign trade caused a massive upheaval.

Iceland's export revenues fell initially because of the recession and price slump among its trading partners, and this was compounded by rises in import tariffs and quantitative restrictions. Many countries insisted on bilaterally balanced trade, which was difficult for Iceland to meet, especially towards Southern Europe which imported saltfish but had little to offer in return in the way of Iceland's main import goods. In addition, the Spanish Civil War from 1936-39 completely closed the largest saltfish market and prolonged the Depression in Iceland, at a time when it was on the wane in neighbouring countries.

Like other countries, Iceland tried to respond to falling export revenues by import controls, applying both tariffs and quantitative restrictions. Many branches of industry thrived under protection, but mainly small-scale operations with low productivity. Agriculture, which was still heavily dependent on exports, was hit hard at the start of the Depression, but measures to ease farmers' indebtedness and to maintain domestic prices of major agricultural produce managed to stave off a collapse in the sector. Fisheries suffered more, in particular demersal fisheries and saltfish processing. Herring products sold better, the herring fishery was stepped up sharply and the state invested in herring reduction plants. Medium-size vessels were added to the fleet to handle the herring harvest, while trawlers proved unprofitable and were not renewed.

Since 1925 the exchange rate of the króna had been pegged to Sterling, and during the Depression it was only devalued in step with the pound, until a devaluation was decided in 1939 to improve the position of the fisheries sector. Deflation boosted real wages during the early years of the Depression, but unemployment grew by the same token, a once seasonal problem which escalated to last for the whole year. Central and local government authorities tried to alleviate the situation with job creation schemes, while unemployment benefit was not introduced until much later (1955).

Fostering culture

The Icelanders' sense of national identity and their claim for statehood drew strength not only from their venerated linguistic and literary inheritance but also from a contemporary level of education and culture which they felt could stand comparison with others. Admittedly, formal schooling had been minimal and the general level of education mainly determined by household instruction. Yet many influential Icelanders, supported by the testimony of some foreigners who had come to know the country, felt convinced that ordinary country people in Iceland were, by the standards of the working classes of Europe, uncommonly well educated and enlightened.

At the turn of the 19th century something like one half of all children still received their instruction entirely in their homes. Yet primary schools, in rural areas simply consisting of teachers on circuit, were spreading rapidly, and even more so after the passing of the 1907 Education Act. There even arose some conservative apprehension that the cultural level of rural Iceland would suffer were fairly primitive schools to replace domestic education in good homes that set store by literature and general knowledge.

At the other end of the educational spectrum an increasing number of young Icelanders sought academic training in various fields, some of them gaining scholarly recognition, mainly in fields related to the culture or nature of Iceland. The establishment of the University of Iceland in 1911 was seen as an important affirmation of cultural maturity, although ambitious students continued to seek education abroad. The achievements of Icelandic students and scholars were important for the national self-esteem of the country. However, the earlier role of Denmark in education should not be underestimated. The University of Copenhagen, along with Danish research funds, contributed towards the study of specifically Icelandic areas of the natural sciences, along with language and culture. Many Icelanders became leading scholars and researchers in their chosen fields and their achievements helped to boost national self-confidence in establishing a cultured society in the modern sense.

Icelanders saw their own cultural identity as primarily that of a literary nation. Reading was widespread and people took a keen interest in the works of contemporary writers. The strongest tradition was poetry, carried over from the 19th century as the Icelandic art form par excellence. A collection of poems which revealed a lyrical vein, a firm command of language and an original message would command immense attention, as, for instance, the first volume of poems by Davíð Stefánsson in 1919, full of franc sensuality. A decade earlier a young woman had, under the pen name of Hulda, launched a successful literary career with a volume of lyrical poetry which, among other things, was the starting point of a particularly female genre of folklore-sounding rhymes (*þulur*). And a decade later another lyricist, Tómas Guðmundsson, made his breakthrough with poetry devoted to Reykjavík and the town life.

Early this century, Icelander Jóhann Sigurjónsson began to win a reputation in Denmark as a Danish-language playwright. A number of Icelanders followed in his footsteps and went to Denmark (in occasional cases to Norway) to write in other languages, and some of them, especially novelist Gunnar Gunnarsson, achieved considerable success; they were regarded as important figureheads of Icelandic culture overseas. After 1920, however, fewer ambitious authors followed this course; Halldór Laxness wrote for his people in their own language, which he developed to an intensely personal perfection. So did his contemporaries, as for instance the essayist and autobiographer Þórbergur Þórðarson and novelist Guðmundur G. Hagalín, all of them active for decades around the mid-century.

In addition to literature, the young Icelandic nation eagerly established a presence in other branches of the arts where there was less domestic tradition to build upon. Around 1918, ambitious dramatic performances were staged in Reykjavík; trained painters had established themselves; the first professional architect was beginning his career; and music was rapidly gaining ground. Composers set to music songs which drew on the powerful poetic tradition, and interest in choral singing grew, besides which an Icelandic composer (who wrote the national anthem) was by this time nearing the end of a long career in Britain and an Icelandic tenor had won a strong reputation in Germany.

Around this time, and afterwards, one of the crucial criteria for a work of art was whether it was "nationally inspired." Historical novels set in the Iceland of the past won an eager readership both in Iceland and overseas. Iceland's distinctive nature was becoming fully incorporated into the national identity, giving landscape painting a particular value. Even in architecture, attempts were made to reflect national forms, inspired either by the traditional turf farmhouse building style or by typical lava formations. Modernism in art was often viewed circumspectly as "unnational," and social criticism, especially in literature and not least in the historical novel (Halldór Laxness is one case in point), was often condemned as "denigration of the country and its people."

At the same time as the political focus shifted from Iceland's status visàvis Denmark and towards the conflicting interests and ideologies of different sections of society, so artists engaged more closely with contemporary Icelandic life, often taking a critical stance. This was particularly marked in literature during the period after 1930 when socialists and communists (including Laxness) were highly influential, while other writers defended national and bourgeois values.

Ever since the beginning of the 20th century, the Alþingi had provided some grants for writers and other artists, under what gradually became a formal system. In particular, individual artists were awarded direct stipends, and by the 1930s the policy of purchasing works of art had been introduced. Public buildings were an important platform for architecture. Construction of the National Theatre was under way in the 1930s, but the Depression prevented its completion then. The State Broadcasting Service, which went on the air in 1930, became a powerful cultural medium, not least in the field of music.

Political parties

Political parties as such did not exist in the 19th century; rather there was a single political movement whose roots were in nationalism and whose aim was to safeguard Iceland's interests in the process for greater independence from Denmark. A number of influential figures remained outside this movement who advocated a more conciliatory policy towards Denmark, but they did not succeed in forming a true political movement of their own. In this sense it is possible to talk of an embryonic "one-party system". However, just before the turn of the century, when Denmark was clearly willing to make concessions and agree to a separate Icelandic minister, the makings of a two-party system began to appear, whereby parliamentarians, newspaper editors and other influential figures aligned into two alliances which fought for the post of minister, largely wooing the electorate in terms of different strategies towards autonomy. In the second decade of the century, the two main parties which had been preoccupied with the Danish question dissolved and two new parties emerged, both founded in 1916. The Social Democratic Party was established as the political arm of the Federation of Labour (ASÍ), every organized labourer being automatically a party member. The party saw itself as a representative of (reformist) socialism, organized labour, and working class interests. Its support largely confined to the urban and village working class, the Social Democratic Party had marshalled 20% of the national vote by 1930, but was disadvantaged in terms of representation by the heavy rural bias of the constituency structure. The Progressive Party was founded by farmers, particularly those who advocated cooperation as a social principle, and the party maintained close links with the cooperative movement which was strengthening significantly in rural areas at the time. It won around 30% of the national vote and, because of its strong support base in rural constituencies, became a powerful parliamentary force. After being in coalition for its initial years, the Progressive Party managed to form a government in 1927 (its majority guaranteed by the neutrality of the Social Democrats) which marked a sharp swing to the left after several years of laissez-faire government. Afterwards the Progressives led the government for 15 years, generally in coalition. The older parties which had been engaged in the Home Rule question, or various organizations based on them, eventually merged, first forming the Conservative Party in 1924 and then regrouping in 1929 into the Independence Party. The Conservatives led a government until 1927 which advocated a conservative financial policy and economic liberalism. In the 1930s, the Independence Party held more than 40% of the national vote. It was the main champion of private business in commerce and fisheries, but also enjoyed support among farmers and wage-earners, acting at once as the main rival to the

Progressives in rural areas and to the Social Democrats in urban Iceland, under what was effectively a two-tier three-party system.

The smaller parties included the Women's Alliance which won a seat in parliament in 1922, but later merged into the Conservative Party. All-female candidacies had earlier won some successes in local government elections, but lost their justification when the party system became more clearly delineated. The Communist Party, founded in 1930 by a revolutionary splinter group from the Social Democratic Party, proved longer-lived. It held much sway in certain labour unions and won its first seats in the Alþingi in 1937.

The Progressive Party had been in coalition with the Independence Party for some time in the 1930s when it changed tack and formed a coalition with the Social Democratic Party in 1934 which implemented a radical policy of interventionism aimed at countering the problems of the Great Depression. Friction between the two parties gradually magnified and in 1938 the Social Democrats split over the question of whether to try to relaunch the coalition with the Progressives or enter into cooperation with the Communist Party, especially over labour issues. The outcome was the formation of a new party from the Communists and the leftist arm of the Social Democrats: the United Socialist Party, which was not aligned to the Communist International but generally advocated revolutionary policies and the Soviet cause in international affairs.

Wealth by war

World War II had little direct impact on Iceland until spring 1940, when Germany invaded Denmark and Norway, and Britain responded by occupying Iceland on May 10. Initially, Britain's main aim was to preclude an occupation by Germany, which might have wanted to establish a base to secure Atlantic sailing routes to the south. After the fall of France, however, Iceland also became valuable for defending Britain's transatlantic sailing routes. In general the Icelanders favoured the Allies in the war and saw a British occupation as a much better safeguard of their interests than a German occupation would have been. Nonetheless, Iceland considered it only natural to maintain its neutrality for as long as possible; for this reason, it had refused Britain's offer of military protection, and protested against the occupation, but in practice the occupation did not mar the good relations between these two countries. In the summer of 1941, Britain was badly stretched in its war effort and lacked powerful allies, although the US supported it without direct military participation. It was agreed that the US would relieve the British forces by taking over the defence of Iceland, a measure justified by the notion that Iceland geographically belonged to the western hemisphere and as such was covered by the Monroe Doctrine. The US military were not sent as an occupying force, but rather under an agreement whereby Iceland requested military protection. At the same time, Iceland's foreign trade was largely dependent on trade agreements with the UK and US.

Shortly afterwards, both the Soviet Union and the US joined in the war against Germany. This increased the value of bases in Iceland for the defence of sailing routes, especially for anti-submarine warfare, and Iceland became a place of call for convoys heading for Arctic Russia.

Inevitably, the war caused Iceland a variety of problems: markets closed, and imported goods became more expensive or scarce, although favourable agreements with the Allies helped to alleviate the situation to some extent. In other respects the war proved an economic boon to Iceland. British and US military activity was accompanied by demand for a variety of goods and services, and not least for manpower, which saw the unemployment of the Depression replaced by a glut of jobs. Demand for fish increased in the UK, too, which bought the bulk of Iceland's catch unprocessed. The most profitable outlet for fish from Iceland was for vessels to sail to markets with their catches. Fishing was a risky undertaking during the war because of the danger of mines and the ban on weather reports, while the crossing to Britain was even more hazardous due to attacks by German submarines and aircraft. Iceland suffered major human casualties (losing a larger proportion of population than the US did in the battlefield) and damage to ships. The fishing fleet deteriorated, but catches improved with the suspension of fishing by foreign trawlers which for some time had accounted for two-thirds of the demersal fish catch in Icelandic waters.

Real wages dropped as a result of inflation during the first years of the war, although this was widely compensated for by greater employment. Increased demand for labour and generally good business performance later enabled workers to force large wage increases, especially in 1942, which continued afterwards in pace with the fairly rapid inflation. The war and military occupation had genuinely revolutionized living standards.

The wartime political situation was unstable. The United Socialist Party, the sole opposition party when the war broke out, paid the price for the unpopularity of the Soviet Union, which it tended to support, and suffered particularly after the aggression against Finland in the winter of 1939-40. Politically the United Socialist Party was very isolated, but within the labour movement it joined forces with the rightist Independence Party to force the formal separation of the Federation of Icelandic Labour from the Social Democratic Party in 1940, which left the latter completely transformed in character. Afterwards, in protest against their measures to restrict wage increases, the Social Democrats resigned from their coalition with the Independence and Progressive Parties.

The Social Democrats and the United Socialist Party - which had become less isolated since the USSR became a belligerent on the Allied side - managed to drive a wedge between the remaining coalition partners in 1942 by offering to work with the Independence Party for reform of the constituency structure which had heavily favoured the Progressives. A national election had been postponed the previous year due to the hostilities, but in the double election that followed to ratify the constituency reform, the United Socialist Party succeeded in establishing itself as a member of a fourparty system and a full match for the Social Democrats. The Independence Party formed a minority government while the constituency reform was passed by parliament. Afterwards the parties proved totally incapable of reaching terms for a majority government, and in the end the regent appointed a provisional government of ministers who were not members of parliament and remained in office for around two years.

Born at crossroads: the Republic of Iceland

When the German occupation effectively cut off Denmark's relations with Iceland and prevented the Danish king from undertaking his functions as king of Iceland, the Icelandic government provisionally assumed the royal prerogative, until the Alþingi elected a regent to dispatch these duties: Sveinn Björnsson, former ambassador in Copenhagen. Many politicians were in favour of revoking the agreement from 1918, even though the stipulated 25 years had not yet passed, and establishing a republic. Britain and the US, however, would not back such a move.

From the Danish point of view, it seemed natural to expect Iceland to wait until the end of the war before abrogating the agreement, to allow negotiations on a conceivable extension to it. Even though Iceland refused to entertain anything less than complete separation from the Danish state, negotiations were still needed on the break with the king and royal house, which was not automatically revocable under the provisions of the 1918 agreement. One group of Icelanders advocated showing the Danes such consideration, but many more favoured immediate application of the negotiated right to independence, in keeping with the principle which had governed Icelandic politics for several generations, of insisting on the greatest possible degree of independence from Danish control. Furthermore, concern arose that the war might end with a negotiated peace in which the status of Iceland, if it had not already been clarified, would be one of the issues for negotiation. Eventually politicians reached consensus on establishing a republic in 1944, regardless of whether an end to the war was in sight, and Britain and the US pledged to promote international recognition of such a state. The constitution of the republic was passed by the Alþingi and ratified, together with the abrogation of the union with Denmark, in an almost unanimous national referendum.

The date chosen to establish the republic was the anniversary of the birth of Jón Sigurðsson, June 17. It seemed unbecoming to confirm a decision of such magnitude anywhere except at Þingvellir. A national festival was held there (7) and the Alþingi met to declare the constitution of the republic in effect and elect Sveinn Björnsson the first President of the Republic.(8)

Iceland's breakaway met some resentment in Denmark. It was seen as an act of ingratitude towards Danish goodwill and the king who, during the German occupation, had earned the love and respect of his people. However, Denmark did not make the Icelanders suffer in any way for this disagreement, but instead backed their full participation in international and Nordic cooperation.

The general feeling in Iceland was that, through the establishment of the republic, the nation had finally restored its full historical rights, but also committed itself to a fairly daunting task. With a population of around 130,000, Iceland was by far the smallest nation to enter the international arena as an independent state at that time, while maintaining an independent economy and distinct national culture, with its own language and educational system.

The Republic of Iceland: The First Half-Century

Adapting to peace (1944-58)

The newly founded Republic of Iceland faced the task of finding itself a place among the nations of the world as they organized their affairs after the war. Allied support guaranteed international recognition for Icelandic independence. Diplomatic relations were soon begun with a number of states, and Iceland joined the United Nations in 1946. Iceland also took part in the multi-faceted cooperation among Nordic nations. General consensus prevailed in Iceland about the UN, and no less about Nordic cooperation. Much more controversial, however, was participation in western defence cooperation when the wartime alliance was superseded by mounting east-west tension.

After the war, the US requested facilities for permanent military bases in Iceland, as in many other countries. Since prevailing opinion favoured unarmed neutrality and hoped that the wartime occupation would come to an immediate end on the restoration of peace, Iceland found the idea of a permanent military presence unacceptable. However, an agreement was reached in 1946 granting the US continued facilities, without the stationing of troops, at Keflavík, the main airport which they had built during the war, for forward support for their armies in Europe. Two years later, Iceland was one of the European countries that accepted Marshall Aid - in connection with which they joined the OEEC (later OECD). The "Cold War" was now intensifying, and Iceland abandoned its policy of neutrality completely to become a founding member of NATO in 1949, a decision which sparked one of the bitterest political controversies in the history of the republic. At the same time as Iceland joined NATO it reiterated its status as an unarmed state where no foreign military forces would be stationed in peacetime. By the time the Korean War was under way two years later, however, attitudes had changed so sharply that a bilateral agreement was made with the US on the defence of Iceland and siting of a US military base (on behalf of NATO) at Keflavík. For the following quarter of a century, the military base, US and NATO would be the most sensitive issue in Icelandic politics.

When the republic was established it was difficult to foresee how the geopolitical situation would evolve, but on the economic front the task was immediate and pressing. The war had brought Iceland unexpected prosperity, a revolution in living standards, because of exceptional conditions. In order to prevent living standards from falling back to the level of the Depression, they needed to be consolidated by using the profits from the war to invest in new sources of production and prosperity. Massive investments were launched under the state-controlled "development programme." Priority was given to increasing and renewing the trawler fleet to enable it to earn foreign currency while Europe was still suffering from shortages of fish and its own fleets were not yet fully operative again. Funds were also channelled into fish processing and agriculture.

The great development programme maintained a high level of employment and income for the first peacetime years, but there was a large balance of payments deficit; a shortage of foreign currency soon became a serious problem, which was countered with import restrictions and rationing. Around 1950 there was a temporary recession in both national income and employment, although neither on the pre-war scale. Marshall Aid (from 1948

onwards) and revenues from the US-manned Iceland Defence Force (from 1951), however, enabled Iceland to sustain a substantial trade deficit. The economy was characterized by considerable public sector participation in business, and extensive state intervention, for example widespread price controls. Investment was encouraged by such means as very inexpensive credit. Inflation had been an inevitable consequence of the war and became a persistent feature of the economy. Operating difficulties in export industries, shortages of foreign currency, and inflation formed a vicious circle that all short-term economic management measures aimed to address.

In the longer term, there was another major economic concern: unrestricted fishing by foreign vessels in the waters around Iceland, which directly threatened its resource basis as a modern society. Fortunately for Iceland, there had been a tendency in international law during the post-war period towards increasing the right of coastal states to protect and harvest marine resources. Iceland promoted this development as best it could and claimed such rights over its fishing grounds as it considered realistic in each case. The first step was to revoke the 1901 agreement with the UK which set Iceland's territorial waters at three nautical miles, and extend them to four (in part in 1950 and fully in 1952), while also drawing a base line to close off bays and fjords. Distant-water fishing nations accepted the extension in practice, although it was countered in the UK by an unofficial embargo on landings of fish from Iceland, which caused some hardship for the trawler fleet. At the same time, Iceland prepared to extend its fishing zone to 12 nautical miles, and entertained lasting hopes that UN work on the law of the sea would lead to a formal resolution to that effect. When these hopes were dashed, a unilateral extension of the fishing zone to 12 miles was announced in 1958, marking the start of the first "Cod War" during which Britain sent Royal Navy vessels to protect its trawlers which were fishing within Icelandic waters. Shortly after the establishment of the republic in 1944, the Independence Party, United Socialist Party and Social Democrats formed the "Government of Development" whose main task was to control the investment programme as well as usher in radical reforms in such areas as national insurance and education, which had been made possible by greater national prosperity. This coalition signalled a truce between the main adversaries in Icelandic politics, comparable to the generally short-lived broad right-left fronts which took over the reins of government in many European countries after the war. The coalition fell when the socialists refused to accept the agreement for US facilities at Keflavik in 1946, and in the years that followed, the Cold War caused the growing isolation of the Socialists (like the Western European communist parties in general).

For a decade, the Independence and Progressive Parties were in office in fairly unstable coalitions. They formed three majority governments, the first (1947-49) shared with the Social Democrats, which held the premiership as a kind of neutral buffer between its larger partners. This government negotiated Marshall Aid and NATO membership. During its office the expansion of the immediate post-war years created a crippling foreign currency shortage, which was countered by a system of extensive controls, rationing and subsidies to export industries.

Economic issues brought that coalition to an end. A minority Independence Party government devalued the króna in 1950 with the aim of clearing the way for greater economic freedom and equilibrium. It was followed by a coalition of the Independence and Progressive Parties (1950-53) which negotiated the bilateral defence agreement with the US (in 1951, with the support of the Social Democrats) and declared the extension of territorial waters to four miles (1950 and 1952). The economic measures of 1950 failed to achieve their aims, inflation accelerated, and economic restrictions were tightened once more.

Following the election of 1953, the same parties formed a new coalition which lasted until 1956. The major event of the election was that a new party, the National Preservation Party which had been specifically formed to oppose the US military presence, won two parliamentary seats. Considerable opposition to the Iceland Defence Force and its influence prevailed among the Progressives and Social Democrats, and both now feared rivalry from the National Preservation Party as well. Moreover, some Progressives found it difficult to accept the idea of a coalition with the Independence Party, whom they saw as their chief rival. In 1956, the Social Democrats and Progressives joined forces to oppose the US presence and force an election. Around the same time the Social Democrats split. A breakaway group

of leftists and labour leaders formed an election alliance with the Socialists, calling themselves the People's Alliance, which would later become a formal political party. After the 1956 election, the Progressives led a coalition with the People's Alliance and Social Democrats until 1958. This was called a "Broad Left Government," a term since used for any government without the participation of the Independence Party, and always under the premiership of the Progressives. One of its main platforms was to revoke the defence agreement with the US, although opinions were divided over this issue among both the Progressives and Social Democrats, in part for economic reasons. Growing international tension in 1956 with the Suez War and Hungarian uprising led to the defence agreement revocation being shelved. The People's Alliance opposed this postponement, but preparations for the extension of the fishing limit to 12 miles held the coalition together until disagreement over economic policy brought it down at the end of 1958.

Towards liberalization (1958-71)

The Progressive Party had consistently enjoyed parliamentary overrepresentation as a result of the inherent rural bias in the constituency structure. Eventually, in 1959, all the other parties joined forces to engineer a constituency reform under a minority Social Democrat caretaker government. The Social Democrats and Independence Party then formed the longest-lived coalition government in Icelandic history, the "Government of Reconstruction" which stayed in office for three terms, from 1959 to 1971.

Its name derived from the sweeping programme of economic action which began in 1960 and was based on a massive devaluation of the króna, which had remained fixed for a decade despite inflation. The extensive system of export subsidies, which had effectively meant that multiple exchange rates had been in operation, could then be dismantled, although limited agricultural export subsidies were retained. At the same time, state intervention in various areas of the economy was cut back, foreign trade was liberalized and protectionist measures were reduced, in line with the policies which had long been established elsewhere in Western Europe. Yet these measures were not so much a revolution as the opening moves in a long-term trend. The new policy enabled Iceland to participate in free-trade agreements with neighbouring countries. Iceland became a signatory to GATT and in 1971 joined EFTA, enjoying the support of the Nordic countries in securing acceptable terms. Thus Iceland decisively abandoned protectionism as a general policy.

The Cod War ended in 1961 with British recognition, after certain concessions had been made, of the 12-mile fishing limit. The extension brought Iceland a greater share of the catches from local waters, and also enabled much more intense protection of undersize fish. Growing foreign fishing beyond the 12-mile limit, however, continued to be a cause for concern.

Technological advances enabled an enormous intensification of the herring fishery in the first half of the 1960s, which provided the main foundation for economic growth during this period. The fisheries boom caused the economy to overheat, but the high export revenues allowed a stable exchange rate to be maintained despite inflation.

The herring catch reached a peak in 1966-67. Overfishing and changes in the marine environment, however, caused the stocks to collapse. At a similar time the price of certain main fish products fell, and the Biafra War closed the main Nigerian market for stockfish, which after a century had again become a significant export item. The fisheries slump put the economy into a recession; household incomes fell and unemployment reappeared after many years of excess demand for labour.

One plank in the new policy of the 1960s was to aim to diversify export production and thereby reduce the overwhelming dependence on fisheries for foreign currency revenues. Although foreign business investment had, as a rule, been prohibited in Iceland, agreements were now made authorizing foreign investment in a number of new ventures, by far the most important being the ISAL aluminium smelter near Reykjavík which was wholly owned by the Swiss multinational Alusuisse and proved to be one of the greatest political controversies of the period. The smelter was supplied with electricity from a new hydro power plant, by far the

largest in Iceland. Power-intensive industry was seen as a viable way to capitalize on Iceland's massive energy resources, and the National Power Company, Landsvirkjun, was set up to build and operate the major power stations.

The urge to expand (1971-83)

By 1971, more than 40 years had passed since a coalition government had not retained its combined majority in an election, even though the coalition alignments frequently changed afterwards. Parties had been able to take their support more or less for granted and every new coalition contained at least one party which had been in the outgoing government. But in the 1971 election, the opposition parties won a large enough victory to be able to form a majority - the second "Broad Left Government" - without the participation of either of the members of the outgoing coalition, the Independence Party or Social Democrats. The Progressives and People's Alliance were joined in coalition by a new party, the Union of Liberals and Leftists, which had broken away from the People's Alliance but nonetheless drew its support equally from the Social Democrats. The following decade was characterized by less political stability. The new party disappeared, as it happened, but elections were frequent (in 1974, 1978 and 1979), there were sharp swings (to the Independence Party in 1974, the Social Democrats and People's Alliance in 1978, and to the Progressives in 1979) and there was a change of government after each one. However, the Progressives took part in all these coalitions, with the Independence Party in 1974-78, Social Democrats and People's Alliance in 1978-79 (the third "Broad Left Government"), and in 1980-83 with the People's Alliance and a splinter group from the Independence Party.

On the whole, a characteristic feature of this period was greater radicalism. The established political parties leaned more towards the left; there emerged a highly visible left fringe of various communist groups, and single-issue movements assumed a more radical and activist profile. A breakthrough for the women's movement was evident in the widely supported one-day "Women's Strike" of 1975. Opposition to NATO and the US base came to the fore, linked to the anti-Vietnam War protest movement and echoing the student riots in the US and Europe. At parliamentary and governmental level, however, the controversy over western cooperation began to wane. People's Alliance participation in the 1971 coalition seemed unthinkable without a policy statement that the bilateral defence agreement would be revoked - although this was actually never realized. But in later coalitions which it joined, the People's Alliance made do with smaller changes of focus on defence, since a withdrawal by the US military enjoyed scant support among the coalition partners. The free trade process continued uninterrupted. In the wake of EFTA membership, Iceland signed a bilateral trade agreement with the EEC (now the European Union). Hydro power development projects were greatly stepped up and measures were taken to promote further power-intensive industry (although with Icelandic majority ownership of new ventures). The aluminium smelter underwent two expansions, and a ferro-silicon plant was established, going on stream in 1979. Much hope was also vested in smaller-scale export industries, including the successful export, for some time, of fashionwear woollens and skins.

The development in fisheries, however, was most dynamic of all. The fisheries limits were extended to 50 miles in 1972 and 200 miles in 1975. Both extensions sparked Cod Wars with Britain, with fierce clashes in which the Royal Navy repeatedly rammed Icelandic coast-guard vessels and Iceland even broke off diplomatic relations in protest. Neither lasted very long, however, since the international law of the sea had been developing so fast that the 200-mile limit was accepted as standard only a few years after Iceland had announced its extension. Exclusive access to most fishing grounds off its shores gave Iceland the scope to boost its fishing fleet, especially with stern trawlers. The fish processing industry, in particular the frozen fillets sector, was also radically modernized and quality standards were raised to channel more of the catch towards the top end of the international seafood market. Instead of herring, capelin was caught for reduction to meal and oil. Only a few years after the crisis of 1968-69, Iceland's fisheries sector was more dynamic and buoyant than ever before. Yet by the latter half of the 1970s the fleet had more capacity than the fishing grounds could sustain, despite the 200-mile Exclusive Economic Zone, and restrictions on the cod fishery were introduced, along with quotas on herring.

The new government in 1971 ushered in a much more active policy of regional development. Development of the stern trawler fleet and modernization of the freezing industry were encouraged in as many places as possible, while woollens manufacture was channelled towards communities with no fishing operations.

Intense development immediately after 1970 was accompanied by demanded expansion which compounded the effect of global trends: the floating of currencies, the oil crisis (one of whose results was to intensify harnessing of domestic energy resources, for hydroelectric generation and geothermal central heating), and general inflationary tendencies. The outcome was hyperinflation which increasingly became the central economic and political issue in Iceland. The coalition of 1974-78 concentrated on holding back inflationary pay rises, a policy that was rejected in the election of 1978. In the years that followed, measures tended to focus on coming to terms with the inflationary environment, for example through extensive indexation of credit and the establishment of inflationary accounting and taxation principles.

The quest for stability (1983-94)

The 1980s were a period of political upheaval no less than the preceding decade, witnessed by increasing volatility within the established parties, contested leadership and even election splits. The sharpest election swings were associated with short-lived splinter groups from the Social Democrats (1983) and Independence Party (1987) which were virtually wiped out again in the following election. A third new party, the Women's Alliance (from 1983), proved more permanent. Its background was the success of women-only platforms in the local government elections of 1982 and, not least, Vigdís Finnbogadóttir's victory in the presidential election of 1980.

If radical ideologies came to the fore in the 1970s, they waned in the 1980s, when liberalism gained ascendancy. State control of the economy, the growth of public-sector activity and the expansion of the welfare system were questioned; by the same token, opposition to the free market economy and market forces declined.

Politics in the election year of 1983 hinged to an unparalleled extent on inflation and associated problems. For a decade, annual inflation had been averaging 40-50% and was accelerating (even exceeding an annualized 100% for several months). Reversing this trend was widely seen as one of the most pressing economic tasks. After the election, the Independence and Progressive Parties formed a coalition which was mainly founded on anti-inflationary action. The key measure was to abolish indexation of wages, which produced a sudden reduction in purchasing power but was achieved relatively peacefully (unlike the reaction to much lighter measures in 1978). Even the labour movement largely came to accept the situation and adopted a policy of cooperating with the government on maintaining a policy of economic stability. However, it was not until the end of the decade that inflation in Iceland was brought down to a similar level to that of other industrialized nations.

The two coalition partners formed another government after the 1987 election, this time with the Social Democrats as well, but this collapsed only a year later and another was formed in its place without an election being called: a coalition of the Progressives, People's Alliance and Social Democrats, which also relied on the support of parliamentary splinter groups. After the 1991 election, this government was succeeded by a coalition of the Independence Party and Social Democrats - the first for 20 years without the participation of the Progressives, who came back, however, in another coalition with the Independence Party after the 1995 election. Despite frequent changes of government, there has been a single main economic policy theme since 1983: deregulation and the introduction of market forces in ever more areas, e.g. in price determination, currency transactions and credit. In continuation of this process, Iceland, along with most members of EFTA, became a member of the European Economic Area (effective from 1994), which involves a close relationship with the European Union single market and EU regulations on commercial freedoms and competition.

By 1980 most of the commercial fish stocks around Iceland were fully utilized and excess fleet capacity had created a problem which was addressed in 1983 by controlling fishing to a large extent with quotas, a system which has since become almost universal. Catches of the most

important commercial species, cod, have gradually been cut back in response to the poor state of the stock, but these measures have been partly compensated for by fishing in international waters and harvesting of underdeveloped species. Fish has maintained its position as the mainstay of Iceland's export industries. Attempts to attract power-intensive industry proved fruitless for some time because of global energy and commodity price trends. Another period saw an intensive effort to develop fish farming, which did not prove commercially viable at the time. Tourism and travel, on the other hand, have been a growing source of revenue for the economy, although large bankruptcies have occurred in the sector as elsewhere.

During the period since 1990, the Icelandic economy has been in recession. Unemployment emerged as a considerable problem after two decades of full employment, although it is still much lower than in most industrialized nations. The business environment has been characterized by high real rates of interest, in contrast to very negative real rates of interest for most of the 1970s, and fierce competition in many areas. Operational difficulties among individual businesses (including many of the main companies within the cooperative movement) and whole industrial sectors have led to major bankruptcies and expensive bailouts which have been reflected, among other things, in heavy losses by the banking system. Iceland's economy has been through a painful process of adjustment which it is hoped will bear fruit during the next upswing.