

STATE AND MUNICIPAL FINANCE

I. THE STATE

It is not yet 60 years since Iceland achieved financial independence. By Law of January 2nd 1871 the finances of Iceland were separated from those of Denmark. It was not, however, till three years later, or by the constitution of 1874, that Althingi was granted control of the Icelandic finances, and the first budget (for the financial year 1876) framed and passed by that body dates from 1875. Up to that year the management of the finances of Iceland had been in the hands of the Danish government.

When the finances of Iceland were separated from those of Denmark, that country agreed to pay to Iceland an annual grant to be reduced by a fixed yearly amount until it had come down to 60 000 krónur, at which figure it should remain. This grant was looked upon as a repayment of Icelandic moneys which in course of time had been swept into the royal treasury. In 1918, when Iceland was acknowledged as an independent State, this grant was discontinued, and Iceland undertook to pay her share of the Civil List. At the same time 2 million krónur were paid out of the Danish treasury once for all and made into 2 separate Funds of 1 million krónur each, one managed by the University of Reykjavik, the other by the University of Copenhagen. The object of both Funds is the same: viz. to further the intellectual intercourse between Denmark and Iceland; to promote Icelandic research and science; and to support Icelandic students.

REVENUE AND EXPENDITURE

The following table shows the distribution of revenue and expenditure: