

## FINANCIAL INSTITUTIONS

### BANKS

It is but forty five years since the first bank was founded in Iceland. Up to that time money transactions were almost unknown in the country, and merchants were the chief lenders. All trade was of the nature of barter, and the people obtained foreign goods through exchange for home products, the merchants having to allow delay of payment until these commodities were ready for the market. It was, of course, understood that the customer should have cleared off all his debts before the end of the year, but in practice this was by no means always the fact. On the other hand, the customer not infrequently had a balance at the merchant's on which he was usually allowed some interest.

Almost all trade was in the hands of foreign (Danish) merchants and carried on with foreign capital and credit. In 1874 Iceland obtained financial independence, and about the same time a native merchant class began to develop. Various measures were taken by the legislature to stimulate productive effort and trade, the most important being the founding of a bank. The bad years immediately following after 1880 made this step so urgently necessary that in 1885 a law was passed under which a National Bank was established, commencing business the following year.

About this time (1885) the population of Iceland numbered some 70 000, more than three-fifths of whom lived by farming, whereas comparatively very few persons were permanently engaged in sea-fishing which was still carried on exclusively in open boats. The revenue of the State amounted to something less than half a million krónur, while the imports and exports together were valued at ten million krónur. But since that time there has been an enormous progress in the economic life of the nation, chiefly due to the great development of the fisheries to which a new stimulus was given when just after