

Lokaverkefni til BA-prófs  
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# **The Paradoxical Origins of Modern Debt in Late Nineteenth Century Iceland**

Revisiting the Landsbanki

Tryggvi Rúnar Brynjarsson

Leiðbeinendur:  
Guðmundur Hálfðanarson  
Ragnheiður Kristjánsdóttir

Janúar 2015



**HÁSKÓLI ÍSLANDS**  
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**Háskóli Íslands**

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## *Abstract*

Instituted in 1885, the Landsbanki was intended to facilitate—among other things—the introduction of the mentality that can be called capitalistic rationality, a key prerequisite for the modern market economy. I explore in this essay what two Icelandic political thinkers and actors in the late nineteenth century, Tryggvi Gunnarsson and Arnljótur Ólafsson, wrote and said—in a remarkably explicit fashion—about these matters. This is a history that extends beyond the mere economics of debt, although that angle is not overlooked, and analyses the discourse on debt and debtors, with special emphasis on its moral dimension. Justice, honour, discipline, and trust are at the conceptual heart of this investigation.

A bank's lending policy is an ideal subject for examining the ideological tension between regulation and freedom, order and flux. It unveils thoroughly meditated expectations of how successfully people predict future wealth and everything which that valuation tacitly assumes: people's tendencies to live above means, their abilities to safeguard investments from potential setbacks, and even the extent to which their free wills are handicapped by nature itself. Being a "worthy" debtor in the new, capitalistic Iceland meant being able to proactively contribute to the social goal that was economic growth induction. Our two main characters agree on this, but diverge thereafter. Arnljótur Ólafsson believed that any and all arbitration of "worth" should happen in the free marketplace. Tryggvi Gunnarsson, who became the Landsbanki's chairman in 1893, considered the moral and social risks too high to justify lending to virtually anyone.

The fact that a handful of fishing vessel owners in Southwest Iceland came out on top after the chairman had taken everything into account foreshadows (or so I argue) how a particular sector of the economy came to be its dominant force.

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## ***Introduction***

Iceland's legislative assembly, Alþingi, decided in September of 1885 that a public bank should rise in Reykjavík. In the spirit of late nineteenth century liberalism, the proclaimed idea behind the Landsbanki, the first institution of its kind in Iceland, was to “pave the way of monetary transactions and support progress.”<sup>1</sup> As speeches and newspaper articles from the time indicate, the very existence of the bank inspired great optimism among the high-minded leaders of a nation still firmly in the grips of poverty and economic stagnation. Indeed, a vast portion of the population, comprised of rural farmers, still relied almost exclusively on bartering and interpersonal credit and debt for their economic transactions.

Earlier that summer, however, lively debates had taken place in Alþingi about the consequences that the new bank could have upon society at large. Tryggvi Gunnarsson, a long-time member of parliament and director of the Gránufélag, a major trading company, wondered about the potential shock that sudden access to loans would have on a people so “inclined towards living and spending above means.”<sup>2</sup> This tied directly into the anxiety that widespread debt would lead to bankruptcies, inviting chaos and instability into an already volatile economy. Tryggvi,<sup>3</sup> who would come to steer the Landsbanki as chairman in 1893, was deeply conflicted about one issue in particular: how to resolve the discrepancy between what he saw as the bank's potentially harmful effects and its unique ability to direct Icelanders

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<sup>1</sup> *Stjórnartíðindi* (1885), 14.

<sup>2</sup> *Alþingistíðindi* (1885), B 17.

<sup>3</sup> The Icelandic custom of patronymics dictates that individuals be referred to by their first names due to the common absence of family names. Accordingly, an Icelandic-speaker would easily differentiate “Tryggvi” from “Arnþjótur”, but not “Gunnarsson” from “Ólafsson”, since the latter refers not to them, but their fathers. Keeping with this custom, Icelanders without family names will be referenced throughout this thesis by their first names.

towards virtuous and productive ends. For Tryggvi also recognised that the bank could teach individuals to, among other things, “pay on time.”<sup>4</sup> Some members of parliament, most notably Reverend Arnljótur Ólafsson, went much further along that line of thought, arguing that the bank’s benefits clearly outweighed the sacrifices its foundation demanded. Arnljótur, who was well versed in the teachings of classical political economy, maintained that only widespread debt, mediated by the bank, could function as a “tutor of social virtues” such as precision in business transactions and honest reciprocity<sup>5</sup>—some of the hallmarks of modern capitalism.<sup>6</sup> And herein lie the paradoxical roots of modern debt in late nineteenth century Iceland: while the deep human flaws inherent to the common Icelander made her seem unprepared for the responsibilities of debt, to Tryggvi Gunnarsson at least, the bank possessed the very means by which the mentality to constrain those flaws might be encouraged. The bank was simultaneously both overdue and premature.

Two related aspects of Icelandic modernisation—well known to historians—play into the discourse about the Landsbanki (which is less well known to historians). Copenhagen had granted Alþingi budgetary power over Iceland’s domestic finances in 1874—a change that spurred discussions about other ways in which the island

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<sup>4</sup> *Alþingistíðindi* (1885), B 17.

<sup>5</sup> Arnljótur Ólafsson, “Um lánstraust og lánsfæri”, 138-39. Published in *Andvari*, the journal of The Icelandic National League (*Hið íslenska þjóðvinafélag*), whose president from 1879 to 1911 was Tryggvi Gunnarsson.

<sup>6</sup> For a general overview of how enlightenment scholars envisaged the commercial society as a “moralizing force”, see Ian Maitland, “Virtuous Markets”, 17-31. Admittedly, however, there appears to be no consensus on what “capitalism” actually is: what defines it as a system of social power, for instance, or as a system of thought and culture. A crude statement about capitalism, which most scholars agree on, is that it demands ceaseless economic growth. Historian Guðmundur Jónsson, for instance, answers the question “when did Iceland become a market society?” with a heavy emphasis on economic growth, stimulated by increased productivity and investments. See *Hagvöxtur og iðnvæðing*, 170-174. Unavoidably perhaps, the intellectual legacy of American modernisation theorists such as Walt Rostow still looms over our definition of capitalism. See Rostow’s *Non-Communist Manifesto* for his take on “the preconditions for takeoff” and “takeoff”, 4-16. On the other end of the political spectrum we have, of course, thinkers of the Marxist school, the most notable one being Marx himself.

nation could achieve increased financial independence from Denmark. Iceland's project for political sovereignty, to be sure, had to start by gradually severing the financial ties of reliance binding it to the metropolis;<sup>7</sup> in other words, to modernise or continue to depend on a foreign country. According to this nationalist rationale, the Landsbanki *had* to be instituted. The second aspect here is Iceland's transition, already underway by the 1880s, from a largely rural economy based on agriculture to one founded on urban fishing towns scattered around the Icelandic coastline. Tryggvi Gunnarsson's solution to the political quandary outlined above, as it turned out, was to devote the lion's share of the capital that the Landsbanki could muster, albeit small, to promising entrepreneurs in charge of fishing operations in Iceland's Southwest corner. In doing so, Tryggvi made a decision, based on both economic and moral grounds, to side with one version of capitalism over another: one that sought to allow a small group of men, hitherto politically powerless, to induce economic growth through the expansion of the fishing industry; the other was advocated for by the traditional landed elites who viewed Icelanders' future as intrinsically linked to the rural farmstead—as was their past. Arnljótur's *laissez-faire* credo was more of an intellectual anomaly than a widely held opinion, but very important and interesting nonetheless, as we shall see.

My argument is threefold. 1: The shift from interpersonal credit to public lending via the institution of the Landsbanki entailed important socio-economic changes, solving the issue of money scarcity and aiding in Iceland's transition from a rural to an urban society. 2: It was also intended to cultivate certain traits among the general public: namely, discipline, foresight, and precision in business transactions, the apotheoses of a modern bourgeoisie. 3: The real political dilemma, I argue, was

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<sup>7</sup> Guðmundur Hálfðanarson demonstrates how the twin quests for economic modernisation and self-sovereignty intermingled (and perhaps continue to do so) in the Icelandic nationalistic imagination in *Íslenska þjóðríkið*, 48.

whether this modern character should be cultivated through ubiquitous debt in a free market milieu—a radically democratic suggestion—or by carefully distributing potentially dangerous loans solely to those individuals who could not only prove themselves “worthy of their word”, but were able to promise profits. The former view, articulated most clearly by Arnljótur Ólafsson, comprised a crucial component of the liberal effort towards wealth creation, on which any and all moral betterment supposedly rested. The latter, epitomised in the character of Tryggvi Gunnarsson, represented an approach to nation-building that was tightly controlled, wary of rapid social change, and protectively paternalistic towards the individual. In practice, Tryggvi’s approach looked quite oligarchic in its brazen preference for urban fishing entrepreneurs, yet it was no less progressive or capitalistic in its aims and methods than Arnljótur’s more democratic ideas.

### *Research plan*

In the pages that follow, I attempt to write a history of debt and debtors<sup>8</sup> in late nineteenth century Iceland, or in the period from approximately 1870 to 1898. Such a scope allows me to capture the social circumstances that gave shape to the notions of discipline, trust and foresight in pre-capitalistic, agrarian Iceland, along with the anticipation for the land’s bank (*landsbanki*, with lower case “l”) as well as its inception and early development (it became known as the Landsbanki with a capital “L” only with its actual foundation in 1886).

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<sup>8</sup> The definition I propose for “debt” itself is that of a quantifiable obligation to be discharged in the future through the payment of money, or indeed, in the case of the moneyless society, goods and livestock. Quantifiable obligations place an agreed-upon and (apparently) clear-cut value on a set commercial transaction. These should not be confused with obligations that we have to, say, our families or the idea that we are indebted to our ancestors, god(s), or, in recent centuries, our nation for nurturing and sheltering us. Those debts have their own theorists. See for example Bruno Théret, “The Socio-Political Dimensions of the Currency”, 51-55.



The essay is divided into four main chapters that serve to substantiate my thesis. The first chapter draws principally on social and economic history to describe Iceland's transition from a semi-feudal society to a modern one in the late nineteenth century. The next two explore the ideological rifts between Arnljótur and Tryggvi, respectively, with regards to the junction of debt and modern economic thought. The fourth and final chapter then considers how my analyses of those primary sources relate to theories of the origins and expansion of capitalism as a system of thinking about the market and the individual within it.

### ***1. At the crossroads of capitalism***

The expansion of industrial capitalism into a set society betokens what Fredric Jameson, a Marxist literary critic, calls its baptism into “a singular modernity”.<sup>9</sup> Singular, he argues, because it represents the first time that disparate peoples—and eventually all of mankind—embark on the very same history, the history of capitalism. Iceland in the late nineteenth century can therefore, to a certain extent, be understood as a microcosm of the larger, universal history of capitalism’s imposition. This chapter seeks to outline specific angles of Icelandic economic and social conditions as they were in the years directly preceding the proposal for the land’s bank. The aim is to enhance our understanding of the clash between old and new ways of thinking about debt—or perhaps, as Jameson and others have it, feudalism and capitalism.

This clash, I argue, precipitated two problems relevant to this investigation: firstly, it brought money scarcity to the epicentre of political debates; and secondly, it gradually unravelled a socially conservative labour-regulating legislation that bound workers to farms in the countryside. What these two issues have in common is that they highlight an intellectual shift with regards to prevalent notions of money and the trust in the individual, respectively, which are two key components underlying the broader idea of “debt”. Moreover, as will soon become apparent, both of these were perceived as urgent political tasks that the Landsbanki was intended to resolve.

#### *Money scarcity*

Because it supposedly affected everyone from the globetrotting merchant to the poorest farmer, *peningaekla* (money scarcity) was one of the most cited sources of irritation (of a financial nature) for Icelandic political pundits and intellectuals in the

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<sup>9</sup> Jameson, *A Singular Modernity*, 31-32, 84-86.

late nineteenth century.<sup>10</sup> In fact, the first serious public debates about the urgency of establishing a bank in Iceland were sparked by an 1878 essay by Indriði Einarsson, a recent economics graduate from the University of Copenhagen, called “Peningaleysið” (“The Absence of Money”). Indriði’s comments must have opened some eyes: “No institution in the country trades with credit and money ... Those who want to borrow money and those who want to lend it cannot find one another because the intermediary is missing.”<sup>11</sup> When a proposal for such an intermediate was eventually brought to Alþingi in July 1881, *peningaekla* was the word on everyone’s lips.<sup>12</sup>

The preoccupation with money scarcity among policy-makers rhymes quite well with the passage from *The Wealth of Nations* where Adam Smith conjectures about “a tribe of hunters or shepherds” among whom producers of arrowheads, tanned hides, or “little huts or moveable houses” simply bargain directly with one another to get what they need.<sup>13</sup> At some point, we are led to believe, societies become too complex for this crude mode of commerce and henceforth assent to rely on some kind of universal commodity. For Smith, this signals the birth of the man whose regard to his own interest can finally be conceptualised. At first glance, Iceland in the nineteenth century and even the early twentieth appears to have been a quintessentially

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<sup>10</sup> A search for the term “*peningaekla*”, along with its synonym “*peningaskortur*”, on *timarit.is*, an online database containing Icelandic journals and texts dating back to the early seventeenth century, yields a total of 551 results for the years 1878 to 1904—the year a second Icelandic bank, the private Íslandsbanki, was established. The journal with the most results for that time period was the nationalist mouthpiece *Ísafold*, a total of 107. If only the years 1878 to 1885 are examined, 137 results come up. Before 1878, by contrast, the terms appear only 83 times in total, primarily in the 1860s and 70s. Interestingly, the time period where relatively most discussion about *peningaekla* took place was following the Landsbanki’s foundation. From 1890 to 1904, it is mentioned in 369 published journals and newspapers—26 each year, compared with 19 between 1878 and 1885.

<sup>11</sup> Indriði Einarsson, “Peningaleysið”, 229.

<sup>12</sup> Iceland’s governor gave the introductory speech about the prospective bank and made mention of the scarcity of money, which, as many had pointed out, stifled all business in the country. *Alþingistiðindi* (1881), B 243.

<sup>13</sup> Smith, *The Wealth of Nations*, Vol. 1, Ch. 2.

pre-modern economy given that, as one troubled commentator notes at the turn of the century, “the country was still so utterly bereft of money” and “endless barter” was still widely practiced.<sup>14</sup> But although many certainly viewed Icelanders at a similar level of economic development as Smith’s imagined tribe, this account may be complicated by two historical observations: at the onset of the 1870s, Iceland actually had active trading companies involved in relatively elaborate foreign trade (*verslunar-félög*) as well as savings funds (*sparisjóðir*), which perhaps set the precedent, as we will soon find out, for the Landsbanki’s stride towards the modernisation of debt in several important ways.

To be clear, scarcity does not mean that money did not exist. On the contrary, many economic transactions did indeed take place through the exchange of money and individuals could earn some by selling their products to merchants, their labour to farmers, etc.<sup>15</sup> A closer inspection of the dynamics of this small market,<sup>16</sup> dominated by maritime trading companies, will demonstrate that the limits posed to day-to-day trade by coin shortage was often overcome by exchanging interpersonal credit, from farmer to merchant, and from one merchant to another.

“Interpersonal credit” means that individuals of all social ranks relied upon one another’s promise of repayment, often in the form of goods or livestock instead of actual money, when it came to fulfilling their material needs. Anthropologist (and anarchist) David Graeber contrasts these sorts of debts, premised on “handshake deals” and the eye contact between creditor and debtor, with the “impersonal” economic relations characteristic of more complex societies with full-scale banking

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<sup>14</sup> Valtýr Guðmundsson, “Framfarir Íslands á 19. öldinni”, 227-8.

<sup>15</sup> See for example Björn S. Stefánsson’s overview of wage labour in the late nineteenth century, “Ráðningarskilmálar í lok 19. aldar”, 224.

<sup>16</sup> Iceland’s total population in 1870 was 69,463. *Web. Hagstofa Íslands*.

operations.<sup>17</sup> In a word, farmers sold their produce to local merchants for credit, which they then used to purchase necessities.<sup>18</sup> Debts were therefore formed and repaid without a single króna<sup>19</sup> exchanged. In the case of late nineteenth century Iceland, it is quite safe to assume that people did not become indebted to trading companies to afford themselves lavish luxuries (except sometimes tobacco, sugar and coffee); the struggle to survive probably played a larger role.<sup>20</sup> This arrangement nevertheless implies that even though they lacked extensive amounts of precious metals, or even another currency like wampum (beads made of clam shells that were widespread among the Iroquois) to exchange commodities, Icelanders were not quite as primitive as the hunters and shepherds Adam Smith describes.

A case study directly related to our main protagonist may help to illustrate this argument. Tryggvi Gunnarsson (who, as we may recall, became chairman of the Landsbanki) managed the Gránufélag, a co-operative trading company based in Akureyri, northern Iceland. Arnljótur Ólafsson was the Gránufélag's executive officer for a period of time, but resigned and a certain Einar Ásmundsson í Nesi overtook his position in the early 1870s.<sup>21</sup> Aside from bearing witness to the minuteness of Icelandic society, an overview of the Gránufélag's history reveals a good deal about the perpetual issue of money scarcity in an unstable economy. Tryggvi's was a simple and straightforward import-export business: he promised Peterson & Holme, a

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<sup>17</sup> Graeber seems particularly fond of the marriage between Islam and debt where contracts were not only sealed "with a handshake" but a "glance at heaven." *Debt*, 303. See also 336-42.

<sup>18</sup> For an overview of interpersonal credit in the Icelandic context, see for example Lýður Björnsson, *Saga Verslunar á Íslandi*, 17-21.

<sup>19</sup> The Icelandic currency is called *króna* in singular, *krónur* in plural.

<sup>20</sup> Gunnar Karlsson provides an exhaustive list of the products and commodities that were used in these exchanges in "Atvinnubylting og ríkismyndun 1874-1918", 48-49.

<sup>21</sup> This Einar authored an influential book, *Um framfarir Íslands* (About Iceland's Progress), published in 1871. He is most often remembered for his pioneering work as a shark hunter and tutor of other shark hunters. For his biography, see Arnór Sigurjónsson, *Einars saga Ásmundssonar*.

Copenhagen company, Icelandic produce in exchange for goods. As the 1870s drew to a close, Tryggvi's "vigorous management" and "popularity among the farmers" had led to an expansion of the Gránufélag's activities throughout Northern and Eastern Iceland.<sup>22</sup> In 1877, its capital was estimated at 327,000 krónur—of which 148,000 were in the form of goods, 55,000 in trade outposts (property), and outstanding debts amounted to 74,000.<sup>23</sup> That seems to leave only 50,000 krónur in the form of actual money, or 15% of the total capital. Already we see the pattern emerging that most transactions, even between merchants, necessarily took place through other means than money exchange.

Interestingly, the Gránufélag did not charge interest on debts owed to the company, an aspect reflecting its *raison d'être* as a co-operative enterprise owned by and serving the interests of farmers.<sup>24</sup> Gunnar Gunnarsson, one of Tryggvi's brothers, concludes an article entitled "Forward, forward" from 1870, which he wrote to encourage local farmers to buy shares in the company, with the following words: "whether we view this case from the standpoint of decency or morality, it demands our special interest and following, and that we place it in the hands of the public."<sup>25</sup> Holme's accounts, which handled the import of the Gránufélag's products to Denmark, verify that the company did not, in fact, charge interest.<sup>26</sup> Holme apparently grew weary of this manner of management, however, seeing that the Gránufélag had amassed a sizable debt for itself and the lack of interest was clearly not optimal for profit. The Dane thus warned Tryggvi against its continuation. But from 1880 to 1888 the Gránufélag's debt continued to rise, up to half a million krónur—a sum of huge

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<sup>22</sup> Thus writes an anonymous fan in *Sunnanfari* in 1892. See "Tryggvi Gunnarsson", 78.

<sup>23</sup> Magnús Jónsson, *Saga Íslendinga*, vol. 9:1, 415.

<sup>24</sup> See for example "Skýrsla aðalfundar Gránufjelagsins 1879".

<sup>25</sup> Gunnar Gunnarsson, "Áfram, áfram", 16-18.

<sup>26</sup> Holme's accounts with the Gránufélag 1872-75-78 and 1885-6.

proportions in those years—which led Holme to demand, amongst other things, a 5% interest rate on debts and additional punitive interests if payment was discharged late along with the mortgaging of trading posts and other property.<sup>27</sup> As it turned out, the debt burden proved too heavy for Tryggvi and his men to carry and the company slowly ceased its business activities from one fjord to the next.

It is tempting to analyse the rise and decline of the Gránufélag as that of the ethical middleman, striving towards the prosperity of local farmers, but wronged by its creditor, the foreign/colonial capitalist. In Graeber’s anarchist spirit, that can certainly evoke an image of a simpler time when two people were able to reach agreements in unpolluted understanding of one another, freely, it seems, of capitalism’s cold rationale. Such an analysis, as we will find out later in the chapter on Tryggvi Gunnarsson, contains at least some grain of truth. This aspect of the Gránufélag’s trade certainly deserves much closer scrutiny than I am able to provide at this point. I would nevertheless caution against swallowing whole the notion that the general trading arrangement in late nineteenth century Iceland is reflected in the ways in which this particular co-operative company strove towards the prosperity of local farmers.<sup>28</sup>

Whether or not one is nostalgic for a simpler time of “handshake deals”, the volatility of this economic arrangement cannot be denied. The imprecision inherent in barter and personal credit is one reason for its unstable character: the price of products could swing dramatically from season to season, year to year, and indeed, from

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<sup>27</sup> Magnús Jónsson, *Saga Íslendinga*, vol. 9:1, 416.

<sup>28</sup> In fact, more is spoken of the abuse of merchants than about acts of brotherhood. Consider for instance the following passage from 1880: “It is often claimed that certain merchants have a way of attaching themselves to poor farmers by lending them materials for food, clothing, etc. and keeping them in debts from year to year in order to keep these unsustaining men in tethers for profit ... when it takes place, debtors become unable to rely on themselves and therefore less free.” E. A., “Nokkur alþingismál”, 313.

farmer to farmer. “We must admit that imprecision in settling debts is one of our national defects”, writes Arnljótur Ólafsson in an essay called “On Credibility and Options for Lending” from 1882—an essay he had sent to Tryggvi Gunnarsson for proofreading.<sup>29</sup> It is natural then to conclude that both of them understood well the ways in which the standardisation and greater circulation of money would aid in translating vague promises into numerically precise debts. Before we can fully dig into the details of the two gentlemen’s treatments of debt in the newly established bank, however, there is still much area that needs to be covered about the crossroads that Icelandic society found itself in by the late nineteenth century.

Our next sites of historical excavation are the savings funds. These essentially represented an awakening among progressive-minded people that the limited money supply that existed in Iceland could be put to more purposeful use than was hitherto the case.<sup>30</sup> A public plea from 1880 for a savings fund in Skagafjörður, northern Iceland, sums up the idea behind these establishments: “in most counties, there are hundreds of workers and adolescents who own, or could own, some pocket change, a few krónur here, a few aurar there.” This pocket change, it was suggested, could be scrapped together in funds to provide loans for “a few diligent men ... to improve their land, or for other necessary and profitable enterprises.”<sup>31</sup> That the author of this plea naïvely supposes that teenagers could in practice support a lending institution is not the key insight to extract from this passage, but rather the general notion that people were striving towards utilising pre-existing money to create more. Getting Icelanders on board with the task of assembling all potential capital on their

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<sup>29</sup> Arnljótur Ólafsson, “Um lánstraust og lánsfæri”, 138.

<sup>30</sup> The word savings fund (*sparisjóður*) first came up in an 1850 article by Jón Sigurðsson, the pioneering leader of Iceland’s independence movement, where he encouraged that Icelanders replicate the small, local savings funds common in “the civilised world.” See “Um fjárhag Íslands”, 77.

<sup>31</sup> E. A., “Nokkur alpingismál,” 338.



notoriously impoverished island—convincing them to give up their savings on the promise that they would get more back—was therefore not a novel idea when Alþingi came together with the purpose of establishing a bank. In fact, the first savings fund was established more than two decades earlier in a community at Lake Mývatn in Northeastern Iceland, although it was a short-lived endeavour due to the reluctance of local farmers to use it.<sup>32</sup>

However successful they were in practice, the savings funds demonstrate that there seems to have existed in people's minds the vital distinction between what Adam Smith calls “productive debt” and “consumptive debt”, the former being seen as a tool for progress but not the latter.<sup>33</sup> The trading companies evidently provided farmers with “consumptive loans” on personal credit, which, as we have already speculated, helped to keep people alive. In their essence, however, such loans depreciated in value and contributed in no way to the borrower's prosperity. Conversely, the savings funds were conceived of as sources of increased income for “diligent” debtors, for them to expand their activities in the positive-sum game of modern capitalism.<sup>34</sup> That the funds proved unqualified for performing these tasks can be blamed on the general scarcity of money (late nineteenth century observers certainly did that), which in turn was rooted in the absence of modern institutions with the capacity to provide that money. In other words, the pre-modern system, although it was in no way “primitive”, was in dire need of a bank with a broad framework. This

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<sup>32</sup> For a detailed account of the savings funds' early days, see Gunnar Karlsson, “Fyrsti sparisjóður á Íslandi?”, 82-98.

<sup>33</sup> Smith, *The Wealth of Nations*, Vol. 2, Ch. 3.

<sup>34</sup> For a general overview of the political force behind the idea of capitalism as a positive-sum game, as opposed to the widely held belief among mercantilists that the market was a zero-sum transfer of wealth from one agent to another, see Richard Schnierov, “Thoughts on Periodizing the Gilded Age”, 189-224.

was equally obvious to those who lived in this environment and to us looking at it through the rear mirror of history.

That a bank was needed in the first place was therefore undisputed. Benedikt Sveinsson, a district judge from northern Iceland and a prominent member of Alþingi, was “truly delighted”, for instance, to be able to announce that the land’s bank was one of the most important issues for Iceland’s prosperity. “It boils down to this case,” he said in an 1883 speech, “whether the nation will reach its objective, which it is destined to reach and it is obligated to strive towards.”<sup>35</sup> In Benedikt’s messianic vision of Iceland’s destiny to assimilate to Western modernity—a crucial precondition for the nation’s much-desired political sovereignty—the bank played a pivotal role: “it matters not where one looks, whether it is our commercial affairs, our industries, or the crafts, everywhere the bank will be the decisive life force of every undertaking.”

It becomes important at this point to distinguish between immediate socio-economic triggers and the long-term nation-building agenda underlying the establishment of the bank. Equally important to the idea of modern debt as a coin economy, if not more important, are notions of trust and individual responsibility. Unlike the introduction of money, those characteristics had to be taught to every subsequent generation of Icelanders. The most lucid political thinkers and agents of the time, people such as Tryggvi Gunnarsson and Arnljótur Ólafsson, understood and appreciated this distinction. Now, having explained why money scarcity posed pragmatic hindrances to the birth of the brave new world of possibilities, let us delve into an issue that represents a markedly more controversial asset to modernisation: the uprooting of older systems of social control; systems that were intended, by design, to cultivate discipline and foresight, the hallmarks of trust, among the general public.

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<sup>35</sup> *Alþingistiðindi* (1883), C 276.

*Iceland's will-less encumbered*

The clearest manifestation of the “old society’s” distrust towards the individual was the prevalence of the so-called *vistarband*, a labour bondage of sorts, until 1894. Conveniently for us, this is a subject that has already been meticulously investigated by Icelandic historians. Our enquiry into this essentially semi-feudal idea about landless servants’ reverence towards the paternal authority of the farmers who hired them aims to explain, first of all, that while the *vistarband*’s eclipse as a social system was long overdue, the idea of “discipline” continued to occupy the minds of the leaders currently under discussion. Analysing the *vistarband* as a tool of discipline then allows us to understand why Arnljótur Ólafsson in particular but also Tryggvi Gunnarsson saw in the land’s bank the tool which could, in time, impose discipline on a modern population (where individuals had the right to, for instance, choose their employment).<sup>36</sup>

For pragmatic purposes, let us imagine that two main sub-classes, hierarchically stratified, existed within Iceland’s “peasant class” of the nineteenth century: on the one hand there were masters in charge of households (they could either be renting the land they farmed or owning it) and on the other those who worked as servants on those households.<sup>37</sup> The term *vistarband* is a hard one to translate, but comes close to the common understanding of “indentured servitude” whereby men and women of low social status were, in brief, compulsorily bound to someone else’s land.<sup>38</sup> Land-

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<sup>36</sup> Guðmundur Hálfðanarson explores the contradictions and conflicts, as well as the social and intellectual conditions underlying debates about the freedom of employment in *Íslenska þjóðríkið*, 51-62, 100-109.

<sup>37</sup> Guðmundur Hálfðanarson, *Íslenska þjóðríkið*, 51-57. It was of course not that simple, as we will see later in this chapter.

<sup>38</sup> Economist David Galenson explains indentured servitude in Colonial America as the “explicit valuation of stocks of human capital in the market”, which, in contrast to slavery,

less Icelanders were thus coerced to sell their labour on a yearly basis in exchange for immediate shelter. In a sense, their obligation was a commodity accountable to and weighed by their masters. Because there was little money to go around, this had to go through primarily by means of personal credit.

Icelandic historians have long noted the uncanny longevity of the *vistarband* in comparison to the rest of Europe (excluding perhaps Russia). They nevertheless disagree about its structural rigidity and the socio-political intention underlying its enforcement.<sup>39</sup> There remains an important perspective to the *vistarband*, pointed out by Guðmundur Jónsson and is worth pondering generously, that it functioned as a tool of social cohesion and even ensured survival on such a frigid island as Iceland was (and still is for that matter).<sup>40</sup> In a manner reminiscent of archetypal feudal patronage, routinely attached to medieval Europe, masters of households supposedly harboured certain unwritten, moral obligations towards “their people”. This implies, by extension, a more symbiotic relationship between the two groups than we expected at first. The analogy to medieval Europe can then perhaps be more fully grasped if we just substitute foreign invaders and robbers with Iceland’s unforgiving climate and frequent natural disasters.

Aside from preventing exposure to the elements, this patronage also decisively countered potential political and social mayhem. Firstly, by limiting movement over territory, as the name itself indicates, the system enforced spatial boundaries and barred communication. Furthermore, as historian Guðmundur Hálfðanarson has

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meant that people and their offsprings were bound to some sort of service, most often in agriculture, for a limited duration. See “The Market Evaluation of Human Capital”, 446.

<sup>39</sup> I will not, at this point, involve myself in decades-old disputes between historians about, for example, the extent to which the *vistarband* contributed to the relative economic backwardness of the Icelandic peasantry in a broader European context. For an overview of those debates, see Guðmundur Jónsson, “Stjórntæki gamla samfélagsins”, 64-69.

<sup>40</sup> Guðmundur Jónsson, “Stjórntæki gamla samfélagsins”, 65.

pointed out, it ensured that the discipline characteristic of work on a farm was transmitted from one generation to the next: “Many viewed work as representative of something else and more than simply employment, it was no less an invaluable school and irreplaceable segment in the upbringing of each and every individual.”<sup>41</sup> While this prescription for the commendable life obviously prevented labourers’ options to pursue their unique, independent path—which comprises, as we will find out, one of the foundational tenets of Arnljótur Ólafsson’s liberal ideology—its social aim was apparently nothing short of noble. Constraining landless men and women to others’ land was considered the optimal way “to promote foresight and a good work ethic”, as Guðmundur Hálfðanarson states, in order to “become, once they had reached adulthood, subjects that were useful to society.”<sup>42</sup> Hard work, secured via *imposed* duties and obligations to a master, was therefore the recipe for individual happiness and to the maintenance of social order through the institution of discipline. In the words of an eighteenth century official, this coercion from above prevented landless women and men from becoming “vagabonds and slackers, a heavy burden on the country.”<sup>43</sup> Without it they would know no discipline, only sloth.

The emphasis on the word “imposed” in the paragraph above is to accentuate the idea that certain people were considered unable to make this obligation themselves: these were Iceland’s will-less encumbered, who did not possess what Friedrich Nietzsche coins “the prerogative to promise” in his *Genealogy of Morality*.<sup>44</sup>

It is interesting to contemplate the coexistence of interpersonal credit to merchants on the one hand and this system of servitude on the other. It seems to have

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<sup>41</sup> Guðmundur Hálfðanarson, *Íslenska þjóðríkið*, 104.

<sup>42</sup> Guðmundur Hálfðanarson, *Íslenska þjóðríkið*, 104.

<sup>43</sup> Ólafur Stefánsson, “Um Jafnvægi Bjargræðis-veganna á Íslandi”, 145-9. Cited in Guðmundur Hálfðanarson, “Takmörkun giftinga og einstaklingsfrelsi”, 463.

<sup>44</sup> Nietzsche, *Genealogy of Morality*, 35.

been a mixture of the two that shaped the notion of freedom to Bjartur of Summerhouses in *Independent People*, a novel by Halldór Laxness set at the turn of the century. Above anything else, freedom to Bjartur meant freedom from debt.<sup>45</sup> “He who pays his way is king”, Bjartur proclaims; “he who keeps his sheep alive through the winter lives in a palace” and “as long as I owe neither the parish nor the dealer...it is as good as any palace.”<sup>46</sup> Both servitude and personal debt, to be clear, were seen as the antitheses to real freedom. Importantly for our current ruminations, Laxness hints at an explanation for the strategically located prefix “semi” I chose to compose with “feudal” when describing the *vistarband*: one could indeed labour long and hard enough to buy oneself out of servitude, like Bjartur did after herding a bailiff’s sheep for 18 years. There is ample historical evidence to support this as well: there existed such a thing until 1894 called the “writ of allowance” (*leyfisbréf*) wherein a district commissioner confirmed that certain people were in fact free from servitude.<sup>47</sup> The price of such a writ was 100 krónur for a man and 50 for a woman; an amount that was, according to Guðmundur Jónsson’s calculations, equal to roughly one year’s salary of a servant in those years.<sup>48</sup> An anonymous farmer thus asked in an article from 1897 what servants were “if not *future masters of households*?”—a question that sheds light on the blurred lines between the two sub-classes in people’s minds.<sup>49</sup>

That piece of paper, the writ, was no longer even necessary by the end of the century. The conditions under which the “unwashed masses” could be kept under control were gradually coming undone, especially as fishing gradually became more

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<sup>45</sup> The second part of *Independent People* is literally called “Free from debt”.

<sup>46</sup> Halldór Laxness, *Independent people*, 112.

<sup>47</sup> Guðmundur Jónsson, *Vinnuhjú á 19. öld*, 36.

<sup>48</sup> Guðmundur Jónsson, *Vinnuhjú á 19. öld*, 36. It goes without saying that it rarely took only one year to achieve emancipation.

<sup>49</sup> Uppgjafabóndi, “Nokkrir ‘sundurlausir þankar’ um búskap”, 38-39. Emphasis in the original. Cited in Guðmundur Hálfðanarson, “Íslensk þjóðfélagspróun á 19. öld”, 18.

profitable and provided the incentives for landless servants to test their luck by the seaside,<sup>50</sup> where indentured servitude was more difficult to pragmatically impose than on rural farms. This was, of course, due to the initiation of what has become known varyingly as the industrial revolution, urbanisation, and the introduction of the capitalist mode of production. Combined with industrialisation's inherent population growth, which crowded the Icelandic countryside, the *vistarband* became obsolete. And herein lay the great promise of modernity for poor Icelanders: it enabled them to break their chains to the old order and venture on to create something new—something of their own.

Be that as it may, it is nevertheless worth stressing that capitalism, as a mode of production and social power, is in no way inherently antagonistic to the *vistarband* or other similar labour restrictions *per se*. Modern capitalism did not, for instance, offer slaves on cotton plantations in the United States a chance at freedom in the first half of the nineteenth century,<sup>51</sup> nor did it promise to liberate indentured servants on American-run sugarcane plantations in the Caribbean in the twentieth.<sup>52</sup> On the contrary, its factories mass-produced the shackles and its political advocates guarded their keys. But in contrast to a capitalism centred on producing cotton and sugar, a fishing capitalism simply could not impose a spatial labour restriction due to the

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<sup>50</sup> Guðmundur Hálfðanarson, *Íslenska þjóðríkið*, 104-109.

<sup>51</sup> Some have even argued that American slavery was indispensable to the rise and growth of capitalism. Along that line of thinking, Sven Beckert's recent *Empire of Cotton* seeks to position slaves on cotton plantations at the very centre of the industrial revolution.

<sup>52</sup> Roger Plant has discussed the position of the Dominican Republic and other under-developed islands in the Caribbean as sources of cheap labour for industrialised sugarcane production in pre-Revolutionary Cuba. See *Sugar and Modern Slavery*, 16-25. In my article on non-racial interpretations of Haitian history, I demonstrated how these multiethnic plantations provided a political common denominator for those opposed to the barriers to freedom imposed by global (read: American) capitalism. See Tryggvi Brynjarsson, "Racial Politics in Interwar Haiti", 59-70.

fundamental difference in the resource extracted: one required an urban workforce living by the sea, the other plantations in the countryside.

It has been convincingly shown that the industrial revolution was initially imported to Iceland from abroad, as is usually the case, but was ultimately brought about from below: “The heroes of the Icelandic industrial revolution”, Guðmundur Hálfðanarson writes, “were those who moved from the countryside to the gravel [*mölin*: a colloquial term for small urban spaces] in spite of every manner of scare-mongering.”<sup>53</sup> As we can deduce from what has been said about the moral and social goodness of rural work, the dawn of industrialisation provoked an extensive unease about “inactive loafers” on the gravel;<sup>54</sup> an anxiety reflected in political discourse throughout the period currently under discussion.<sup>55</sup> These social, economic, and political changes driving the industrial revolution from below posed some pressing questions to the nation’s leaders: who, or what, would ensure not only political cohesion under these circumstances, but that common Icelanders became good, hard-working people? How to measure trust in an urban, capitalistic setting? Who could commit to their obligations? These questions signify the crucial intellectual bridges to Tryggvi Gunnarsson’s paternalistic rhetoric and Arnljótur’s advocacy for ubiquitous debt, which we will spend the bulk of the paper’s remainder exploring.

From Halldór Laxness’ point of view, it is delusional to suppose oneself able, like Bjartur, to live free of debt in modernity. Although *Independent People* handles approximately the same Iceland as this study (at least the first two parts of the novel), the Nobel laureate’s audience belongs to another, radically different Iceland. What he

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<sup>53</sup> Guðmundur Hálfðanarson, *Íslenska þjóðríkið*, 109.

<sup>54</sup> Guðlaugur Guðmundsson, a district commissioner, used those words in 1893. Cited in Guðmundur Hálfðanarson, *Íslenska þjóðríkið*, 109.

<sup>55</sup> For the twentieth century rendition of these fears, see for example Ólafur Ásgeirsson, *Iðnbýlting hugarfarsins*, 24-28.



wants us to consider then is why someone would surrender his or her liberty to another person, even when they have the option not to—a question which, it is worth noting, people have been asking themselves for centuries.<sup>56</sup> What we ought to keep in mind as this essay proceeds and competing notions of debt for the new bank are scrutinised, is that these ideas almost invariably assume that indebtedness is something in endless demand. This viewpoint provides only two political options: either quench people’s thirst for it, or contain it.

In this chapter I have explained why the interpersonal debts of the trading companies, based on barter and inherently handicapped by money scarcity, were considered unfit for the complicated market transactions demanded by the industrial revolution. A remedy for this issue was brought about willingly and controlled from above: by providing money, the bank would abolish these older forms of debt and thus effectively satisfy capitalism’s demand for commercial precision. The dissolution of the semi-feudal order of coerced labour—the disciplinary tool of the old society—came about, however, for different reasons. Pressure from below spurred this transition and unleashed in the process an exodus of people from the countryside to urban spaces along the coast. It was all but obvious how, or even whether, this new class of individuals with minimal background in agricultural work could prove itself worthy of trust in these new and trying times in the nation’s history. For this reason, the dissolution of the old labour regulation represented a long-term and more complex nation-building task whereas the solution to money scarcity, while vital to the introduction of modern debt, was rather a pragmatic issue about commercial precision than a matter of “discipline” or “cultivation”.

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<sup>56</sup> I am reminded of Étienne de la Boétie’s text from 1549: *Discours de la servitude volontaire ou le Contr’un*, which ponders what other factors aside from fear lead to obedience to rulers.

The next two chapters handle the ideological wrangling about the ways in which modern debt could in and of itself function as an analogous mechanism of discipline, and then deliberates the more problematic moral issue of whether it *should*.

## ***2. Liberalism's roadmap to modernity (via debt)***

This chapter is about Arnljótur Ólafsson's arguments on the distinctive capacity of the open commercial society to bring about the mentality of the modern debtor. In his most explicit texts, Arnljótur makes clear his view that such a society was not only optimal in the sense that the free market rendered the evolution of *homo economicus* plausible; the process was also fairest that way. In order to safeguard this fairness, as we shall see, punishments for subversions were intrinsic to this liberal roadmap to modernity, bringing us to the heart of the idea of debt as a tool of discipline.

Arnljótur Ólafsson, "Iceland's first economist"<sup>57</sup> in conjunction with being a pastor by profession and a member of Alþingi for decades, and was one of the spokespersons for the 1885 bill for the land's bank's establishment. In fact, he had been in the vanguard of an earlier bid in 1883 but failed to form a majority in parliament. He lost with a narrow margin: eleven votes to ten, chiefly because of "political conniving" on behalf of a certain Tryggvi Gunnarsson, who did not consider the time ripe.<sup>58</sup> It is perhaps instrumental then to begin at the height of Arnljótur's political campaigning in 1883, rather than 1885, in order to understand his ideas on the matter. The Reverend promoted the ordained task of banks in general and a land's bank specifically to his fellow parliamentarians as follows: "The purpose of banks and other lending institutions is, in a word, to take loans from creditors and grant loans to those who petition for them," and in doing so, he says, "pave the way of progress."<sup>59</sup> Along that vein, Arnljótur writes in his aforementioned essay "On Credibility", which was published the winter before with obvious propagandising purposes, that it would

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<sup>57</sup> Indriði Einarsson was actually the first Icelandic to complete a university degree in economics, but Arnljótur's three years studying the subject at the University of Copenhagen left few of his contemporaries unconvinced of his expertise on economic issues.

<sup>58</sup> Bergsteinn Jónsson, *Tryggvi Gunnarsson*, Vol. 3, 551.

<sup>59</sup> *Alþingistiðindi* (1883), C 276.

be most beneficial for the country's rise from poverty that loans become as generically accessible as possible.<sup>60</sup> While all of this sounds quite banal to us modern debtors, there is more to Arnljótur's matter-of-fact argument than meets the eye. Debt, in the form of money, was something that he wanted to become ubiquitous and mediated by the institution that was the modern, impersonal bank. Arnljótur also stressed that banks allowed for a much more fluid flow of capital: "idle money gets rented and a project manager in need makes his otherwise idle hands useful by performing a profitable task."<sup>61</sup> It is worth noting that finance is here interlocked with productivity—married, in a sense, to the older rhetoric of the work ethic, which we covered in the last chapter.

Eight years before seeing his undertaking realised with the establishment of the Landsbanki, Arnljótur accepted a grant of four hundred krónur from his peers in Alþingi to consider why the Icelandic economy was so hopelessly backwards compared to the rest of Europe. What he put on paper resembles a sort of roadmap of the passage into modernity, with due attention to local peculiarities.<sup>62</sup> Arnljótur had recently read *Les Harmonies économiques* by Frédéric Bastiat, in which the French political economist provides an unfinished (he died before completing it) yet staunch defense of *laissez-faire* liberalism.<sup>63</sup> Consequently, Bastiat's model for the creation of wealth is cited as the main source of inspiration for the *Auðfræði*, Arnljótur's finished work, which was published in Copenhagen in 1880. The title of the book literally means "the study of wealth", which undoubtedly stands as an amiable nod to Adam Smith, whose fingerprints are perceptibly smudged over the Reverend's pages.

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<sup>60</sup> Arnljótur Ólafsson. "Um lánstraust og lánsfæri", 134.

<sup>61</sup> Arnljótur Ólafsson. "Um lánstraust og lánsfæri", 137.

<sup>62</sup> He does not actually use the term "roadmap" anywhere, but he repeatedly talks of the "road to progress." See the introduction to the *Auðfræði*.

<sup>63</sup> For Bastiat's biography, see David Todd, *L'identité économique de la France*, 330-412.

Arnljótur's methodology is accordingly more along the line of classical political economy than economics as we have come to know the subject today. With the *Auðfræði*, he sought to convey to his countrymen the practical science outlined in *The Wealth of Nations* and then expanded and refined by Bastiat—a science whose laws would eventually manifest in Iceland. The physical opening of the bank on Bakarastræti (Baker Street), aptly renamed Bankastræti (Bank Street) in 1885, certainly became, along with the increasing number of vessels in the Reykjavík harbour, the clearest sign that the winds of change were indeed blowing in a direction favourable to a progressive liberal like Arnljótur. If any intellectuals still doubted that Icelanders could ever enter into the affluent and marvellous world of European civilisation with their heads held high, then the *Auðfræði* provided the most soothing of all pacifiers: the guarantee of science.

Stagnation, conversely, is what Arnljótur perceives in the society he was raised in. At the roots of this stagnation, he asserts in the *Auðfræði*, is the deep stigma towards the inherent “selfishness of man, which leads him to greed.” To this moral critique of materialism, the Reverend has a ready answer: “It is true that the *auðfræði* teaches men to be frugal and to safeguard their own interests, and it shows them that wealth is an indispensable servant of progress and national culture. It is also true that it [the *auðfræði*] takes selfishness for granted as an integral part of man” but he argues that this selfishness is “given to him above all for his protection and self-maintenance.”<sup>64</sup> By courting these familiar objections to the liberal bias towards individualism, Arnljótur hints whom the modern bank is intended to serve: the self-interested, responsible, and rational opponents of economic stagnation. Usefully for our purposes, he specifies in even further detail in the next pages which traits he considers necessary for, among other things, increasing one's credit. His “unfinished

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<sup>64</sup> Arnljótur Ólafsson, *Auðfræði*, 25.

list” of desirable characteristics includes: “an entrepreneurial spirit, prudence and carefulness, foresight, resourcefulness, and assertiveness.”<sup>65</sup> This, then, raises the question: who exactly in late nineteenth century Iceland exhibited those virtues? It is natural to query whether Arnljótur’s assault on the old system’s prejudices and his support for the new bank were plotted to secure power and wealth for his friends in Iceland’s emerging merchant class.<sup>66</sup> I am, however, inclined to suggest a broader, more inclusive, and more cautious question than the one posed above. Instead of conjuring up images of smoke-filled rooms and asking, “who was already responsible and rational?” we should consider who Arnljótur thought would *become* individuals capable of taking loans and devoutly honouring obligations. Let us therefore dwell on the liberal ideology propagated in the *Auðfræði* for a little while longer and scout for clues as to whom the economist pictured as the prospective clientele of the Landsbanki.

Arnljótur was positioned within the mainstream liberal economic worldview of the nineteenth century, which portrays *laissez-faire* capitalism as the next logical step in the development of mankind. By the end of the century, this idea had intermingled with particular readings of Darwinian evolutionary theory (how Arnljótur reconciled his religious beliefs with his staunch faith in progress, which he and many liberals did in an elaborate manner, is beyond the scope of this essay). Economics, the classical liberal variant of course, was then understood as the study of how the

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<sup>65</sup> Arnljótur Ólafsson, *Auðfræði*. 27. In Icelandic: “Framtaksemi, fyrirbyggju og eftirlitsemi, framsýni, útsjón og stjórnsemi.”

<sup>66</sup> We have already established that he was directly involved in some of their companies’ activities. See page 9 of this essay.

individual, as the cornerstone of society, could create a higher standard of living for himself—rarely for *herself*.<sup>67</sup>

This is the belief in the perfectibility of mankind, the extent to which people are capable of change at the individual level. Jean-Jacques Rousseau claims to have invented the term *perfectibilité* in his 1754 *Discours sur l'origine de l'inégalité*,<sup>68</sup> which was then, lo and behold, stripped of its collectivistic romance in one of Bastiat's richest and most revealing chapters from the *Harmonies*. “La liberté est l'essence même du progrès”, Bastiat asserts in an overt rebuttal of socialist dogma; “toucher à la liberté de l'homme, ce n'est pas seulement lui nuire, l'amoindrir, c'est changer sa nature; c'est le rendre, dans la mesure où l'oppression s'exerce, imperfectible.”<sup>69</sup> Arnljótur likewise acknowledges that if we “take man as he is, has been and will become” then he will be seen as “weak, unreliable, imperfect.”<sup>70</sup> Nevertheless, and here we see him at his most quixotic, the pastor also depicts man as “progressive, and capable of that progress.” It is the “duty of the scholar of wealth” he says, “to propel and guide men on the road to progress.” Indeed, Arnljótur's belief in the perfectibility of mankind motivates him to bother with politics in the first place.

Pleading for the state's cumbrous tentacles to be hidden from view and for private actors to be allowed to get on with their business uninterrupted was considered the best way to create a genuine bourgeoisie capable of moral and cultural elevation. As this creed was concerned, Arnljótur was no less zealous than his mentor. He thus attacks the self-appointed “cake cutters” of Alþingi who, in a misguided attempt to be

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<sup>67</sup> For a general discussion of the intersection between individualism, the field of economics, and the practice of liberal politics in the nineteenth century, see Edmund Fawcett's recent book, *Liberalism*, Ch. 4.

<sup>68</sup> Donald Cress, who translated the essay into English, argues that the translation of *perfectibilité* “inevitably falls short” because it is a word of Rousseau's own invention. See *Rousseau*, xxxii.

<sup>69</sup> Bastiat, *Harmonies*, Ch. 24.

<sup>70</sup> Arnljótur Ólafsson. *Auðfræði*, 26.

like “mild fathers”, divide the Treasury’s funds “among their children” when the study of wealth teaches that “taxation only restricts men and places heavy burdens on their backs.”<sup>71</sup> With this resolution, though, Arnljótur and Bastiat sow the seeds for the first potential rift between classical liberal rhetoric on the one hand and actual deeds on the other, since who would cultivate the traits required for a free market economy of rational middle class agents, if not the state?

Here is where, I will argue, the bank, with its power to allocate loans, comes in as a sort of institutional “magic bullet”; a bridge over a socio-political rift that Arnljótur indeed foresaw. In “On Credibility” Arnljótur reveals that it would be that very phenomenon, widespread debt, which would “not only teach us, but compel us to become predictably *dependable* and eager to *pay dues*.”<sup>72</sup> In Arnljótur’s words:

Punctual and accurate reciprocity is a social virtue, which does not blossom if it has not a fertile soil, in other words numerous and recurrent business transactions, conscientiously examined reassessments, liabilities, and compensations for misdemeanours, each and every evasion, and so forth. The finest tutors of these social virtues are all devotions to creditors, along with men’s knowledge of debt laws, because these teach and instil in men the truism that accurate reciprocity is an essential precondition for credibility and all the profits that stem from credit; but a loss in prestige and damage are the natural consequences should this precondition be missing.<sup>73</sup>

Intrinsic to Arnljótur’s estimation for the extension of credit to the general public is that sins against the free market be duly punished. Entrepreneurs who fail to honour the principle of reciprocity, he explains, are of little use in the promised land of free-flowing capital. There is no evidence in his writing, however, suggesting the specific degree of damnation that should justly follow bankruptcy. The ambiguity of the passage’s last sentence, where “loss in prestige and damage” are suggested as punishments for breaking this commandment, evidently leaves open the potential for

<sup>71</sup> Arnljótur Ólafsson. *Auðfræði*. 36.

<sup>72</sup> Arnljótur Ólafsson. “Um lánstraust og lánsfæri”, 138. Emphasis in the original.

<sup>73</sup> Arnljótur Ólafsson. “Um lánstraust og lánsfæri”, 138-39.



credibility to be mended, rebuilt, and regenerated. The preconditions Arnljótur imagines for receiving a “second chance” at entrepreneurship are therefore vague, and perhaps deliberately so. It appears to have been too radical, even for a man like Arnljótur who revelled in every opportunity to go against the grain, to suggest something that went so contrary to social norms.

Arnljótur’s revelatory suggestion is nevertheless intriguing because it signifies, to a certain extent, how private debt was intended as a “substitute” for the state when it came to the cultivation of *homo economicus*. It would be wrong to dismiss this idea as simple and short-sighted. As Italian philosopher Maurizio Lazzarato has it: capital, “the Great, the Universal, Creditor” possesses, in its very nature, the power to impose on debtors a deeply rooted sentiment of duty, and even guilt.<sup>74</sup> In theory, this provokes the stride towards “discipline” because if debtors want to maintain some measure of social reputation then they ought to repay their debts in every way they can. Lazzarato wants us to understand that the political construction of the creditor/debtor dichotomy therefore reconfigures not only our material horizons but our psychological and moral ones as well.

Drawing parallels between historical epochs is always to tread on thin ice since it inevitably involves glossing over untidy complexities—but it strikes me as necessary in this case in order to trace the fundamental premise of the idea of a “substitute”. One of Lazzarato’s primary arguments is that the neoliberal ideology permeating our era compels us to become “entrepreneurs” of our own lives, of our “human capital”.<sup>75</sup> By promising to replace the older function of the state as a mechanism of social mobility (which has, theoretically at least, always been one of its fundamental responsibilities), debt sets the stage for the state’s gradual erosion. Debt

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<sup>74</sup> Lazzarato, *The Making of the Indebted Man*, 7.

<sup>75</sup> Lazzarato, *The Making of the Indebted Man*, 3.

then constitutes the “strategic heart of the neoliberal politics” because it dictates that it is up to us prospective middle-class individuals, and no one else, to invest—via bank-mediated indebtedness—in the educations, homes, businesses, and so on, that we believe will provide good returns.<sup>76</sup> When we have attained the status of debtor, however, there is little we can do except strive towards repayment lest we endanger the foreclosures of our homes—which brings us back to Arnljótur’s comments about breaking the sacred codes of the free market. Arnljótur expects the law to guarantee the integrity of economic transactions, ensuring that debtors cannot cheat their creditors without severe repercussions.<sup>77</sup> So while he sees the state’s expansion as unfeasible, he does not believe in its total worthlessness.

From the creditor’s vantage point, in this case the newly established bank, this arrangement also merits undeniable potential for profit. Financial analysts have long noted that the optimal distribution of debts, from a strictly commercial point of view, is to lend money to ever-riskier clients at increasingly higher interest rates. Economic historian Louis Hyman explains that although this scheme may be good for creditors, who have the law on their side, “for borrowers, at least for that defaulting percentage of borrowers, the debt ruins their lives.”<sup>78</sup> This happens principally because of the fundamentally different views “aggressive debt-peddlers” have on debt on the one hand and debtors themselves on the other. Borrowers, Hyman argues, tend to view the debt relation as a moral relationship along the line of Lazzarato’s theory of discipline whereas debt collectors are more inclined to see it as a mere business relationship. At present, the topic of punishments for debt defaults in late nineteenth and early

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<sup>76</sup> Lazzarato, *The Making of the Indebted Man*, 25.

<sup>77</sup> This derives, of course, from liberalism’s tenacious insistence on the protection of private property, which Arnljótur discusses in detail in the *Auðfræði*, 28-37.

<sup>78</sup> Hyman, “Rebalancing Investment”, 3.

twentieth century Iceland remains uncharted territory which undoubtedly contains a wealth of hitherto untouched historical material.

State-of-indebtedness, to conclude, comprised an indispensable (though by no means the sole) part of Arnljótur's liberal roadmap to modernity, in lieu of the expansion of the dreary and tedious state apparatus. The bank, as a lending institution premised on the possibility to make long-lasting monetary obligations, was seen as a crucial inciter of rationality and, hence, wealth and progress. It is quite remarkable, to say the least, that Arnljótur was able to recognise the avenues of growth that are undeniably opened up by such a scheme—given that the Icelandic state of his time was still in its formative years, undeveloped, politically ineffective, and firmly dependent on Copenhagen. It seems that the Reverend did not have to experience the rise of the state and enjoy the vantage point we have today to foresee its potential surrogate: omnipresent debt in a free market economy. And therein lies the great intrigue of Arnljótur's *laissez-faire* idea, in spite of it not ending up on top in the Landsbanki. Capitalism, whose vehicle into Icelandic society was to be the modern bank, was to afford Icelanders with the opportunity to forge their credibility in the fires of the free market. No other conditions could truly and justly achieve this crucial valuation. On top of it all, it was economic *science* which taught that individuals themselves, and not the state, should dictate social mobility in this new stage in the nation's history. It seems that this tempting promise, nothing short of revolutionary, has never been far away from the liberal imagination (and the neoliberal one too, by extension).

Most vexing about the classical liberal account of the individual is one political underestimation coupled with an overestimation. First of all, liberal individualism underestimates the political potency of nationalism and the tendency of “imagined communities” to form states that coincide with their nation in the process

of modernisation.<sup>79</sup> But to Tryggvi Gunnarsson, Arnljótur's roadmap signifies perhaps first and foremost an overestimation of the ability of a vast majority of people to withstand the strenuous burden that came with indebtedness.

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<sup>79</sup> The allusion here is to Benedict Anderson's famous concept outlined in his book *Imagined Communities*.

### 3. *Father governs children*

Then we turn our attention to Tryggvi Gunnarsson's ideas as well as experiences, commercial and personal, pertaining to debt. Events in his life had left him all too aware of the perils—material and moral—of failing to honour one's obligations to creditors. I seek here to demonstrate how this baggage brought from the “old order”, that is to say the era of unreliable interpersonal debts and money scarcity, left a noticeable mark on the protracted birth and exclusionary infancy of the Landsbanki.

If Arnljótur Ólafsson introduced liberal capitalistic thought in the academic and intellectual sense, then Tryggvi was the one to translate it into concrete policy—in other words, adapt classical political economy, the *auðfræði*, to pre-existing social and moral frameworks. Tryggvi was an unlikely candidate for this role. In fact, he was predisposed to becoming a carpenter, as his formal education did not extend beyond conventional religious homeschooling.<sup>80</sup> Favourable conditions mixed with private ambitions (to recycle a worn-out cliché) seem to have led Tryggvi to become an international businessman, claiming in his memoirs to have sailed abroad at 66 different occasions.<sup>81</sup> His work as a market agent driving the wheels of economic growth—and altering society in the process—was in and of itself a noticeable achievement in the making of Icelandic capitalism in the late nineteenth century. The selective policy he stood for in the Landsbanki when time came for action, however, symbolised something more than that. Above other groups of people, Tryggvi gave the diligent men in the forefront of promising fishing operations in and around Reykjavík exclusive access to the bank;<sup>82</sup> signalling, one could argue, the construction of the historic “revolving door” between Icelandic fishing endeavours and finance.

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<sup>80</sup> See Þorkell Jóhannesson, *Tryggvi Gunnarsson*, Vol. 1, 86-101.

<sup>81</sup> Tryggvi Gunnarsson, *Endurminningar*, 73.

<sup>82</sup> Bergsteinn Jónsson, *Tryggvi Gunnarsson*, Vol. 4, 509.

But before this can be properly understood, let us first attempt to unravel Tryggvi's complicated relationship with the abstract constituents of debt—trust, rationality, foresight, and so on—which then helps to disclose why he felt the need to be so partial in the first place.

In the introduction to this essay it was noted that Tryggvi's ultimate nation-building goals aligned quite well with Arnljótur's in one important sense. To recapitulate, both men toyed with the idea that the bank could cultivate in common Icelanders a measure of control over their behaviours. Commercial loans would themselves discipline people to become “worthy” debtors. There is little reason to doubt Tryggvi's intentions when he stated the following in an address to Alþingi in the summer of 1885: “In other countries one learns from trains and steamboats to watch the minute and be punctual ... likewise, the bank can teach people to pay on time and that is something our countrymen need to learn.”<sup>83</sup>

But there was a twist here. In that same speech Tryggvi indicates that he was “not so unsuspecting to believe that everyone would have use of this bank.”<sup>84</sup> Tapping into a discursive tradition dating back to the early enlightenment depicting the mass of Icelanders as children,<sup>85</sup> Tryggvi says that lending to certain people would be almost equivalent to “putting a dangerous tool in the hands of reckless teenagers ... No nation”, he blatantly asserts, “has such a tendency to live above means, as we Icelanders do.” At that point in the speech he is interrupted by his friend and colleague, Reverend Arnljótur, who exclaims “Why yes, the Greenlanders!”, a comment Tryggvi seems to have ignored as he goes on: “it is likely that due to the nature of many of our countrymen, and the conditions [economic and environmental]

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<sup>83</sup> *Alþingistiðindi* (1885), B 17.

<sup>84</sup> *Alþingistiðindi* (1885), B 17.

<sup>85</sup> Historian Sumarliði Ísleifsson discusses the comparisons that were made to, for instance, “large children”. See *Ísland, framandi land*, 185-95, especially 192.

that now prevail, that many a man will prove daring with his loan.” The parliamentarian foreshadowed with these words how he would handpick “worthy” debtors, like the ripest apples in an orchard, several years later as the bank’s chairman. The general public, the vast expanse of this metaphorical orchard, appears to have been far from ready to bear fruit.

Although his tone is undeniably condescending (or perhaps just shockingly explicit: who would say such things in front of a national parliament today?), Tryggvi speaks here with the provision of a father figure, striving, in a way, to shelter his children from the market’s vicissitudes. Proceeding with his contention for a conservative lending policy, Tryggvi gives a case study of a number of Danish farmers whose inaugural encounters with a modern bank had stripped them of their lands.<sup>86</sup> He says that a particularly bad harvest one year had forced these people to default on their loans to *Nationalbanken*, a Copenhagen bank, which was undergoing an expansion of its lending operations from the capital to the countryside at the time. The parable here is that if such missteps happened in verdant, fertile, and prosperous Denmark, then it would be absurd to imagine that Iceland could evade them. For not only did the island’s commercial basis depend desperately on erratic foreign markets,<sup>87</sup> agricultural output was distressfully hard to predict due to cold summers, and its winters frequently accompanied by disruptive drift ice blockage at sea.<sup>88</sup> Not

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<sup>86</sup> *Alþingistíðindi* (1885), B 17.

<sup>87</sup> Tryggvi discusses this in detail in an article that was published in the newspaper *Fróði* under a pseudonym in the fall of 1885: “Um verzlun og pöntun”, 229-37, 241-44. Bergsteinn Jónsson, Tryggvi’s biographer, asserts that the shelter of anonymity allowed him to speak more candidly than a man in his position otherwise could have on print. See Bergsteinn Jónsson, *Tryggvi Gunnarsson*, Vol. 4, 35.

<sup>88</sup> Tryggvi Gunnarsson, “Um verzlun og pöntun”, 229-30. For a meteorologist’s take on those issues over the *longue durée*, emphasising the correlation between drift ice and temperature in Iceland, see Páll Bergþórsson, “Hafís við Austfirði 1846-1987”, 101-107. For a more general overview of the effects of climate on the number of livestock and growth, see Páll Bergþórsson, “Áhrif loftslags á búfjárfjölda og þjóðarhag”, 283-94.

to mention the volcanic eruptions, floods, storms, avalanches, and so forth that plagued the Icelanders at regular intervals with due impediments to prior arrangements.<sup>89</sup> In the context of ubiquitous debt, the social consequences of these economic and environmental disasters could result in nothing but widespread debt default, inviting chaos and conflict to the country. At the flip side of Tryggvi's belief in progress and the perfectibility of the individual therefore appears to have been an acutely Hobbesian dilemma concerning the maintenance of law and order, rooted in the alleged inability of farmers to pay off their debts. To have that degree of control over the future, as he knew all too well, was far from given. Here we find yet another argument against the radical idea that the free market could somehow, through material reward and punishment, function as an adequate arena of "discipline" for the people participating in it.

"Nevertheless", Tryggvi continues, "even if it is the case that 70 out of every 100 either have no use, or may even be damaged by the bank,"—and this is clearly a rhetorical hyperbole—"I will regard it worth it if 30% of farmers have use for it, for example by investing in vessels and becoming sailors."<sup>90</sup> He actually goes on to include "sensible farmers who wish to borrow money to improve their land", a comment he may or may not have slipped to appease some of his agrarian colleagues. Whatever the reason, we can keenly observe that within Tryggvi there existed this internal axis of conflict between social change and order, optimism and anxiety for the future. The unenviable task facing the chairman of the Landsbanki, Tryggvi surely realised, lay in untying this knot.

Tryggvi's assessment that a vast majority of people would have no use of the bank did not appear in his mind *ex nihilo*. In order to apprehend the banker's

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<sup>89</sup> Bergsteinn Jónsson, *Tryggvi Gunnarsson*, Vol. 4, 32.

<sup>90</sup> *Alþingistiðindi* (1885), B 17.



treatment of debt we must explore in further detail the time before he gained that title. The experience of dealing with debtors' difficulties to predict future adversities and mishaps in the "old society", when Tryggvi sailed under the Gránufélag's flag, would prove vital to these convictions.

As economic historian Guðmundur Jónsson notes, the 1880s were characterised by hardship in Iceland and a sharp recession in economic growth.<sup>91</sup> Atrocious weathers, which Tryggvi describes in articles as well as in many of his private letters,<sup>92</sup> were important in this regard. But paramount was perhaps a decision made in London to halt the import of live Icelandic sheep to Britain—a product farmers depended heavily on because there was actual coin involved in its sale.<sup>93</sup> Tryggvi had difficulties paying his own dues in those years: "Money is a huge headache for me these days and I expect nothing from Holme this winter",<sup>94</sup> he writes in a letter from November 1885 to Sigurður Jónsson, one of the Gránufélag's most prominent shareholders. Then in January 1886: "I have had the worst winter struggling with the company's debts and my own."<sup>95</sup> This bleak vista of commercial prospects seems also to have blocked, to a certain extent, the new bank's expansion into the economy (we recall Alþingi's resolution from 1885). A matter-of-fact notice in *Þjóðólfur*'s announcements section from the summer of 1888 simply reads: "Money scarcity prevents the Landsbanki from lending these days."<sup>96</sup>

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<sup>91</sup> Guðmundur Jónsson, *Hagvöxtur og iðnvæðing*, 171.

<sup>92</sup> "Um verzlun og pöntun", 229-30. For excerpts of his private letters about these matters, to, amongst others, Arnljótur Ólafsson, see Bergsteinn Jónsson, *Tryggvi Gunnarsson*, Vol. 4, 32-39.

<sup>93</sup> Tryggvi Gunnarsson, "Um verzlun og pöntun", 230-31; Bergsteinn Jónsson, *Tryggvi Gunnarsson*, Vol. 4, 35.

<sup>94</sup> Tryggvi Gunnarsson's letters and files. In Bergsteinn Jónsson, *Tryggvi Gunnarsson*, Vol. 4, 37. To revisit Holme, the Copenhagen merchant, see pages 10-11 in this essay.

<sup>95</sup> Tryggvi Gunnarsson's letters and files. In Bergsteinn Jónsson, *Tryggvi Gunnarsson*, Vol. 4, 52.

<sup>96</sup> *Þjóðólfur* 3 August 1888, 142.

The 1870s, by contrast, had been a period of relative economic growth, which created the conditions for the emergence of a character like Tryggvi Gunnarsson in the first place.<sup>97</sup> In spite of the volcano Askja erupting in 1875, making punctual repayment for the Gránufélag's clients in the hardest hit areas of Iceland difficult,<sup>98</sup> it was a discernibly prosperous decade—at least for merchants like Tryggvi.

The combination of the two decades that the company had been active, however, left him bitter and pessimistic. Summing up some of his personal disappointments with the trade in general, Tryggvi writes in an 1885 letter to the shareholders of the Gránufélag: “Often my nature has led me to lend to dubious places ... because I have a hard time of saying no when men who are in trouble come to me.”<sup>99</sup> He then goes on to explain how he had privately extended money to some of his friends so they could “continue to benefit from” their trade with the company. This kindness, he asserts, cost him a thousand krónur out of his own pocket. In such cases, the creditor-debtor relation clearly benefitted neither party. The defects in the lending practices of the decades preceding the bank's establishment were therefore, from Tryggvi's vantage point, cognisable to all who wished to see them.

But so what, one might ask, if people went bankrupt? Hyman reminds us that interests and liabilities were in place precisely to safeguard the creditor under those circumstances.<sup>100</sup> And while the Gránufélag did not charge interest, the Landsbanki was certainly not visualised in any such co-operative spirit.

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<sup>97</sup> Guðmundur Jónsson shows that the average increase in Gross Domestic Product per capita from 1870 to 1881 was 2.2%. See *Hagvöxtur og iðnvæðing*, 171.

<sup>98</sup> As with other discrepancies to trade, Tryggvi wrote letters about the disastrous effects of that particular eruption. See Tryggvi Gunnarsson's letters and files. In Bergsteinn Jónsson, *Tryggvi Gunnarsson*, Vol. 4, 32.

<sup>99</sup> Tryggvi Gunnarsson's letters and files. In Bergsteinn Jónsson, *Tryggvi Gunnarsson*, Vol. 4, 23.

<sup>100</sup> Hyman, “Rebalancing Investment”, 3.

Morality—that critical weapon so often employed in defense against the free market (but also, as Arnljótur’s example affirms, in its favour)—is what I will suggest as underpinning Tryggvi’s reluctance and scepticism here. This aspect of our protagonist’s ideas about debt can be illuminated by examining how the prospect of bankruptcy affected him in an intimate way. Two cases, albeit not with local farmers, may assist in this process of illumination: firstly, that of Jón Sigurðsson, the champion of Iceland’s independence movement in the nineteenth century;<sup>101</sup> and secondly, that of Tryggvi’s brother, Eggert Gunnarsson, who had failed badly as an independent merchant.

It was a matter of principle, to begin with, when Tryggvi wrote in his memoirs of rescuing Jón Sigurðsson from the “shame of dying bankrupt.”<sup>102</sup> “I consider it my luckiest moment”, Tryggvi recounts in a melodramatic fashion, “when I managed to arrange for Jón ... to die free of debt.”<sup>103</sup> In short, Jón was clearly unable to stand by his side of a bargain made with an English gentleman named George Powell due to a “waning capacity for work.” Tryggvi thus pushed through a provision in Alþingi’s budget where 25,000 krónur were allocated to purchasing the manuscripts and letters Jón had pawned to secure the deal. There was more at stake here, it seems, than an individual’s damnation in this world and the next (something that humans of earlier societies imagined as the worst concomitant of dying with unresolved debts).<sup>104</sup> The question Tryggvi was quite possibly asking himself at the time was this: what would become of the moral credibility of a project for political sovereignty if its leaders

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<sup>101</sup> Gunnar Karlsson handles Jón’s position in Icelandic historiography: “Forsetinn í söguritun Íslendinga”, 29-46.

<sup>102</sup> Tryggvi Gunnarsson, *Endurminningar*, 123.

<sup>103</sup> Tryggvi Gunnarsson, *Endurminningar*, 130.

<sup>104</sup> The Ancient Egyptians, to name one historical example, believed that an unpaid debt in this life would sentence the debtor to eternal unrest in the afterlife; his soul would belong to his creditor. See Gary Stilwell’s interpretations of Ancient Egyptian tomb inscriptions in *Afterlife*, 146-48.

could not even keep their own debts?<sup>105</sup> Superior in Tryggvi's mind to spiritual concerns in this case were therefore worldly, political ones: the preoccupation with maintaining the *guise* of morality.

But while concerns for preserving the external reputations of rural farmers may seem fatherly enough, we have yet to arrive at the full depths of the moral rationale behind Tryggvi's paternal style of banking. An audit overview of the financial calamities of his brother, Eggert Gunnarsson, whose name was indefinitely scathed due to his outstanding debts—and not rescued by Tryggvi himself, as was Jón's—may do precisely that. Here we are taken on a personal ride through the emotional (dare I say irrational) dimension of debt and bankruptcy: “You continue to pile frustration on me”, Tryggvi bemoans in a letter to Eggert in early January of 1886, “you do not find it sufficient to pluck from me more money than I can afford; you let me be frustrated every day by your creditors, who come and demand your dues from me.”<sup>106</sup> After urging his brother to head west across the Atlantic to the Icelandic settlements in North America, going so far as to arrange a ticket for him, only to be turned down, Tryggvi writes later that month: “No man has made me more frustrated than you. It is as if you absolutely want to put your family and country to the shame that you be thrown into prison. You claim to be honest; but let me tell you honestly, I have not known another such impostor (*plattenslager*).”<sup>107</sup> The onslaught does not end there: “You betray those who lend and help you and you pay no heed to those

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<sup>105</sup> Historian Páll Björnsson has argued that Tryggvi viewed himself as a sort of “kindle bearer” of Jón's legacy, having been intimately acquainted with Jón, particularly when Tryggvi spent winters in Copenhagen. Páll Björnsson, *Jón forseti allur?*, 22-25, 65-66.

<sup>106</sup> Tryggvi Gunnarsson's letters and files. In Bergsteinn Jónsson, *Tryggvi Gunnarsson*, Vol. 4, 14-15.

<sup>107</sup> Tryggvi Gunnarsson's letters and files. In Bergsteinn Jónsson, *Tryggvi Gunnarsson*, Vol. 4, 15.

struggling to free you. I shall prevent you in every way that I can from proceeding down this road of misdemeanours from this moment on.”

Since bankruptcy reflects poorly on “family and country”, as was the case for Jón Sigurðsson, the obvious insight from these letters is that misconduct towards one’s creditors is immoral. But more striking is Tryggvi’s denunciation of his brother as a *plattenslager*, a somewhat uncommon Danish word for “impostor” or “impersonator”, which means someone who has assumed the identity of another. Eggert’s failure to meet his obligations (whether this was done on purpose or not) appears to imply nothing less than an individuality that has been cast off. The dishonour here, one might speculate, is that because Eggert is no longer seen as answerable to his own future—to his own individual will which he projected into the world by taking on debts—he has renounced, discarded, and disposed of his former self. We also need to apprehend, Friedrich Nietzsche theorises, that because the failure to repay debts deprives debtors of their “*instinct of freedom*” alongside their individuality, this is by its very nature a form of penalisation that cuts deeper than any loss of material possession.<sup>108</sup>

It is not inconsequential to wonder whether Tryggvi Gunnarsson viewed humankind through a Nietzschean lens, as naturally divided into those with “the prerogative to promise” and those without.<sup>109</sup> As we learned earlier, Tryggvi understood that economic and environmental flux was something that Icelandic agricultural producers simply could not control, so who were they to promise anything? Just when one began to imagine a bright future, disaster seemed to lurk around the corner. And

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<sup>108</sup> Nietzsche, *Genealogy of Morality*, 59. Emphasis in the original. Nietzsche, no advocate for the weak and helpless, actually proposes that the strong, sovereign man who has mastered “the free will” save the “rod for the liar who breaks his word the very moment it passes his lips.”

<sup>109</sup> Nietzsche, *Genealogy of Morality*, 35-38.

because this interrupted future predictions, widespread debt could only result in dishonour, shame, and loss of freedom for countless families. Perhaps the free market represented not only an unsuitable arena of discipline, as I suggested earlier in this chapter, but also an *unjust* one. These concerns shed light on an unmistakably paternal variant of humanitarianism on Tryggvi's part—concerns that can be seen, all the same, as counterproductive, or at least non-productive, in a society where the induction of economic growth and a modern economic mentality among the general public is a primary social goal.

But inertia was not an option when the nation's sovereignty hinged on action. After becoming the Landsbanki's chairman in 1893, Tryggvi quickly acquainted himself with “the bank's most loyal clients: merchants, craftsmen, sailors and farmers, who all had it in common to oversee fishing operations, the treatment of fish, or its sale,” as Tryggvi's biographer Bergsteinn Jónsson points out.<sup>110</sup> While this is as close as we get to any sort of analysis in Bergsteinn's biographical tomes<sup>111</sup> (which seem more concerned with inconsequential letters sent by Tryggvi's careerist cousins to their uncle than locating the subject in any social setting or ideological stream), it merely affirms what many of Tryggvi's contemporaries oscillated between lamenting and praising: the fact that spectators of cod, haddock, and halibut were by far the strongest contenders for the Landsbanki's limited supply of loans. Evidently, not everyone was content with this arrangement. Klemens Jónsson, member of Alþingi and later minister for the agrarian Progressive Party, writes in an otherwise favourable eulogy in 1917 that although “Tryggvi was very well acquainted with farmers’

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<sup>110</sup> Bergsteinn Jónsson, *Tryggvi Gunnarsson*, Vol. 4, 509.

<sup>111</sup> Four volumes of *Tryggvi Gunnarsson* were published in total. The first was called *Tryggvi Gunnarsson, farmer and carpenter*, and was written by historian Þorkell Jóhannesson. When Þorkell passed away in 1960, he was halfway through writing the second volume, *Tryggvi Gunnarsson, merchant*. This was when Bergsteinn Jónsson came along, finished the second volume and duly added the last two.

conditions, presumably better than most,” having hailed from the countryside himself and worked closely with them in the Gránufélag, he ended up “ignoring agriculture and not striving towards its improvement ... Barely anything”, Klemens complains, “can be seen in that direction”.<sup>112</sup> Klemens then erroneously blames this negligence on Tryggvi’s old age, which he also sees as the only plausible explanation for the banker’s relationship with the leaders of the budding fishing industry: “[he] was wedded to it, and could not let go of it; from the moment he walked into the bank and until his dying breath, the fishing industry and related enterprises were always on his mind ... I suppose it could therefore be said that the Icelandic class of sailors owes him more than anyone else.”<sup>113</sup> After having spent the bulk of this chapter trying to explicate Tryggvi’s complicated rationale for debt containment, we can reject with a decent amount of certainty that senility played a part in shaping the Landsbanki’s lending policy. What we detect, however, is pronounced political tension around the path Tryggvi’s deep-seated ideas about debt paved for the bank.

It was hardly novelty, nevertheless, to probe the waters of Faxaflói Bay for profit: the Danish crown had historically leased fishing boats from its stronghold at Bessastaðir, and local farmers had fished what they could in open row-boats, albeit seasonally and in technologically primitive ways.<sup>114</sup> In the early 1880s, farmers in Seltjarnarnes, the peninsula where Reykjavík is located, even managed to save enough money to purchase sailboats without the assistance of a bank, allegedly to the envy of other farmers in the region.<sup>115</sup> But for Tryggvi Gunnarsson, lending money always seems to have distilled down to the question of whether or not debtors could safeguard their enterprises against both human oversight and natural setbacks. And

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<sup>112</sup> Klemens Jónsson, “Tryggvi Gunnarsson”, 20-21.

<sup>113</sup> Klemens Jónsson, “Tryggvi Gunnarsson”, 21-22.

<sup>114</sup> For a general overview, see Lúðvík Kristjánsson, *Íslenskir sjávarhættir*, 292-296.

<sup>115</sup> Heimir Þorleifsson, *Seltirningabók*, 173-227. In particular 173-74.

while many certainly agreed with the chairman that agricultural harvest could hardly be considered foreseeable on this frigid island, fish was traditionally regarded as even less reliable as a resource.<sup>116</sup> The bank was therefore far from being able to simply concentrate its stream of loans to fishermen and wait for all debts to magically be collected on time. The chairman's obsessive fixation on safety actually led to the point that it was not enough for him to handpick his favourites among a group of potential vessel owners, he also felt the need to personally ensure in every way that he could the prudence and carefulness of these affairs. In October of 1894, approximately one year after he became chairman of the Landsbanki, Tryggvi formed the Organisation of Fishing Vessel Owners around Faxaflói Bay (*Útgerðarmannafélagið við Faxaflóa*), providing an umbrella organisation for 20 individuals who fit that categorisation in Reykjavík and the surrounding townships of Hafnarfjörður and Seltjarnarnes.<sup>117</sup>

Tryggvi wrote an article in *Ísafold* that same month outlining the ideological rationale behind this organisation. "All eyes are now on these fishing vessel owners, whom many have identified as the most hopeful deliverers of our country's economic progress."<sup>118</sup> Preoccupied as always with evading the disaster of bankruptcy, however, the article revolves first and foremost around the ways in which this mutual co-operation would aid in the sector's self-protection. The organisation's primary objective, he writes, is to carry out rules that everyone needed to agree to; rules that were in place "not only to guarantee fairness; but to prevent hazardous neglect and lack of foresight on behalf of the fishing vessel owners." After listing its six rules, Tryggvi suggests that the organisation's next "fruit of progress" would be to establish

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<sup>116</sup> Guðmundur Einarsson from Seltjarnarnes weighs the two poles of this argument against one another in an article from 1897: "Framtíðarhorfur við Faxaflóa", 3-4.

<sup>117</sup> Bergsteinn Jónsson, *Tryggvi Gunnarsson*, Vol. 4, 510-11.

<sup>118</sup> Tryggvi Gunnarsson, "Fjelagsskapur þilskipaútvegsmanna", 270.



an insurance fund, so Alþingi did not “have to stand on the sideline offering funding” for it. Contrary to agrarian precepts, he maintains, “the theory that the fishing industry cannot rise to its own responsibility is a terrible one ... *Because* we are moneyless and cannot afford to lose anything to mishaps, precisely *for that* reason can we not allow the hammer to decide the fall when all of our assets depend on it!”<sup>119</sup> The topic, yet again, is that of being in control of the future and standing straight in the face of misfortune. Interestingly, Tryggvi registers here that the argument against lending to fishing operations was exactly the same as the one he used to bolster them; the notion that they were themselves questionable investments and that fish, ever-migratory, could not be relied upon. Although Bergsteinn Jónsson notes at some point that criticism to Tryggvi was “like water off a duck’s back”,<sup>120</sup> something equally true for his management of the Gránufélag as to the Landsbanki, it nevertheless appears to be dictating the terms of this highly political debate; putting Tryggvi on the defensive against an agrarian counter-attack.

And suddenly we find ourselves in a familiar territory for Icelandic historians: in the midst of the metahistorical contest between an economy based on fishing and one centred on agriculture, where we have capitalistic urbanisation boldly challenging the traditional dominance of rural conservatism.<sup>121</sup> Interestingly, some historians have also seen this as the site of a spirited dialogue between two strands of nationalisms: one whose socio-cultural roots lay in the traditional farmstead and the other which

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<sup>119</sup> Tryggvi Gunnarsson, “Fjelagsskapur þilskipaútvegsmanna”, 271. Emphasis in the original.

<sup>120</sup> Bergsteinn Jónsson, *Tryggvi Gunnarsson*, Vol. 4, 363.

<sup>121</sup> Historian Ólafur Ásgeirsson, for instance, devoted his master’s dissertation to this conflict as it developed after the turn of the century, which was then published as *Iðnbýlting hugarfarsins*. This was not a conservatism, he reminds us, which strove for low taxes and minimal state regulation. Rather, it sought to preserve the power arrangement of the old society with reference to the moral evils of urban spaces. See in particular 7-21, 24-28, and the English summary on 148-152.

was premised on economic growth and faith in the nation's future.<sup>122</sup> This essay's first chapter already alluded to some instances where these "contests", as I have chosen to call them, went above and beyond courteous historical "dialogue"; the emergence of an urban working class of sloths who knew not "real work" often met quite fierce resistance.<sup>123</sup>

Yet Tryggvi Gunnarsson's cool and passive lending practices admittedly do not fall easily into any of these categories. As I attempted to show in the first part of this chapter, his banking philosophy literally derived from the reverence he bore for farmers' honour and freedom. That Klemens Jónsson found himself forced to write about Tryggvi's neglect of the agrarian cause, however, undoubtedly demonstrates that the banker's attempt at striking a balance between these opposites was arduous, ever problematic and ultimately unsuccessful. One is left wondering whether Arnljótur Ólafsson, who died 81 years of age in 1904, would have achieved the balancing act between fishing and agriculture more effectively by actually affording farmers with the opportunity to try their luck in the free marketplace. But then again, one questions whether there was even a market for Icelandic agricultural products at the time.

The overarching moral perplexity of the liberal emphasis on spreading the gospel of productive debt far and wide appears to have been that it risked spreading not wealth but the catastrophe of personal bankruptcy. This is what I mean when I say that the Landsbanki's banking policy, far from being premised on the universal ideas of classical political economy, was embedded from the beginning in older Icelandic conceptions of debt. The examples of Jón Sigurðsson and Eggert Gunnarsson have offered us a window into this oft-overlooked moral realm of debt, where an indivi-

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<sup>122</sup> Guðmundur Hálfðanarson, *Íslenska þjóðríkið*, 131-134.

<sup>123</sup> We recall Ólafur Stefánsson's thoughts on "vagabonds and slackers" from page 19 of this essay, "Um Jafnvægi Bjargræðis-veganna á Íslandi", 145-9.

dual's honour and shame depended on his or her competence at repaying creditors. When push came to shove, exclusivity (one is tempted to call it "corrupt exclusivity") appears to have been the only logical policy reconciling Tryggvi Gunnarsson's staunch faith in progress on the one hand and his preoccupation with sheltering the juvenile Icelandic nation on the other.

#### ***4. Towards an Icelandic interpretation of capitalism***

What can we extrapolate from our primary sources about the concerns put forward in the first chapter, to those larger questions of the making of the modern debtor and the triumphal advent of capitalism in late nineteenth century Iceland? Having outlined and analysed Arnljótur Ólafsson and Tryggvi Gunnarsson's ideas on debt in their own right, I now try to trace them to the roots of modern capitalism in the broad, theoretical understanding of the term. And because "one would need to be a god to write a truly adequate history of capitalism",<sup>124</sup> I have limited the scope of this chapter to the interaction between the particular (local, Icelandic) and the universal (capitalistic) as it manifested in the ideas we have surveyed thus far.

Rosa Luxemburg's work on the universalising effects of capitalism, *The Accumulation of Capital*, provides a fitting introduction to this topic. While the temporal dimension of capital accumulation occupied Marx more than anything,<sup>125</sup> Luxemburg took aim at the spatial penetration of capitalism into non-capitalist societies. To her, the inner workings of capitalism drive it, vampire-like, to consume what is external to it, the non-capitalist world: "Accumulation is more than an internal relationship between branches of capitalist economy; it is primarily a relationship between capital and a non-capitalist environment."<sup>126</sup> This is obviously a highly complex, multifaceted relationship that operates varying in different spheres at the same time, be they the social and economic base, intellectual and cultural superstructure, somewhere in between those, or elsewhere. Its consequence, however, is the same: a flatter world. But unlike the convergence theorists populating contemporary social science depart-

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<sup>124</sup> William Sewell Jr., "The temporalities of capitalism", 535.

<sup>125</sup> As Marx has it: "Time is everything, man is nothing; he is, at most, time's carcass. Quality no longer matters. Quantity decides everything; hour for hour, day by day." In "The Poverty of Philosophy", 127.

<sup>126</sup> Luxemburg, *The Accumulation of Capital*, 417.

ments who are fascinated by the trend towards global uniformity,<sup>127</sup> Luxemburg castigates this process in its entirety. In reality, the liberal-cosmopolitan ideal is her nightmare, spurring vast inequalities within societies and between them as well.<sup>128</sup> Given our limited space, it is perhaps too ambitious to detail how this “consumption” happened in the Icelandic context.<sup>129</sup> But we can discuss how capitalism, which allegedly represents a radical break with former systems of economic thought, was beginning to alter the ways in which two Icelandic men understood debt by the late nineteenth century.

Marx accounted for the massive increase in productivity resulting from the industrial revolution by highlighting the newfound prioritisation of creating surplus value through the dual expropriation of labour and natural resources.<sup>130</sup> This is, I think, also the single most important variable belying the transformation of the debt concept during our project’s time frame, namely capitalism’s eager commitment to “the creation of wealth.”<sup>131</sup> By “conquering nature’s hostile forces” armed with “man’s natural assets” and the products of his ingenuity, to make use of Arnljótur’s vocabulary,<sup>132</sup> modern society generates what we later came to call economic growth. Bank credit, as it took shape in the minds of thinkers like Arnljótur and Tryggvi, was

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<sup>127</sup> Economist Clark Kerr defines convergence as the tendency of policies to grow more alike, in the form of increasing similarity in structures, processes, and performances. See *The Future of Industrial Societies*, 3.

<sup>128</sup> The Marxist revolutionary that she was, Luxemburg actually predicted that capitalism’s spatial expansion would never reach the entire globe because “long before” that would happen, the proletariat in the developed West would rise in communist revolution. *The Accumulation of Capital*, 417.

<sup>129</sup> Drawing on Polanyi’s famous distinction, Guðmundur Jónsson correctly asserts that the making of the Icelandic “market society” was a long-term process whose origins lead us further back into the nineteenth century. See *Hagvöxtur og iðnvæðing*, 173-74. By extension, we must deduce that this great transformation went beyond individual receptivity to texts of classical political economy.

<sup>130</sup> Marx, *Capital* I, Ch. 8.

<sup>131</sup> Arnljótur Ólafsson, *Auðfræði*, 1-2.

<sup>132</sup> Arnljótur Ólafsson, *Auðfræði*, 7.

distinct from interpersonal credit to trading companies in that it was an instrument for material creation and profit, not consumption. The cultivation of foresight no longer signified equipping people with the mental tools for survival but the means to predict a profit. The agrarian resentment towards the fishing industry's superior access to the Landsbanki, after all, was not premised on the belief that progress and material wealth were inherently bad, but that agriculture, too, could help to generate them.<sup>133</sup>

The omnipresence of the pursuit of growth in late nineteenth century Iceland suggests, beyond doubt, a subordination of earlier modes of economic thought to new, universal ones. Intrinsically related to this subordination is the trend we surveyed in the first chapter, the liberalisation of Iceland's labour market as the *vistarband* unfolded.<sup>134</sup> The capitalists, the “worthy” debtors, obviously relied on this rapidly urbanising proletariat to toil on land and sea, to extract and process fish for the market. One could also point out the bank's role in facilitating the private ownership of the means of production—what Marx coined primitive accumulation<sup>135</sup>—as vessels and other costly assets related to fishing could be purchased on bank credit. All of these fundamental characteristics of a capitalist economy then set the stage for a new kind of politics, not only in Iceland but everywhere these trends took place: class politics.<sup>136</sup> And as the penetration of capitalism continues to pervade every little corner of the globe (how many anti-capitalist or, rarer yet, pre-capitalist bastions still

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<sup>133</sup> Agrarian arguments were commonly veiled in progressive language, where “the faith in land and nation” became equivalent to faith in Icelandic agriculture. Ólafur Ásgeirsson, *Iðnbylting hugarfarsins*, 15.

<sup>134</sup> I cite again Guðmundur Hálfðanarson, who analyses how this process took place: *Íslenska þjóðríkið*, 100-111, 131-134.

<sup>135</sup> Marx, *Capital*, Vol. 1. Ch. 26. See also David Harvey's chapter “Accumulation by Dispossession” in his book *The New Imperialism*, particularly 145-46 and 149, where he sheds light on the connections between primitive accumulation on the one hand and the creation of a landless proletariat on the other by linking them to the larger goal of capital accumulation.

<sup>136</sup> For a comparative study of the development of class politics in the Scandinavian countries, see Flemming Mikkelsen, *Arbejdskonflikter i Skandinavien*, 144-153.

truly remain?), all kinds of people find themselves developing these same kinds of economic and social relations. Everywhere, universally, the idea becomes to utilise labour and the natural world towards the sole, isolable criterion of success: the maximisation of profit and growth.<sup>137</sup> Capital seems therefore to usher into Icelandic society at long last an Enlightenment ideal that may sound dated when placed in a broader Western European context. For, as Theodor Adorno notes, “from the very outset”—referring to the beginning of the European Enlightenment—“the rationality to which we commonly ascribe universality was the rationality of the *domination of nature*, the control of both external nature and man’s inner nature.”<sup>138</sup>

It could strike the reader as antithetical to discuss the victory of capitalism right after arguing in the previous chapter that Tryggvi Gunnarsson’s ideas about debt—and therefore the Landsbanki’s actual policy—were thoroughly embedded in “pre-existing Icelandic social and moral frameworks.” But like Adorno, I think it is a mistake to see the two as polar opposites, the “universal” as “something incompatible with particularity.”<sup>139</sup>

There are numerous things I could pinpoint to showcase this argument, but one in particular seems more relevant than others. An inconsistency between our two thinkers which I have already alluded to was Tryggvi’s scepticism *vis-à-vis* Arnljótur’s unwavering belief in modernity’s hubristic promise that nature could be tamed; making man at long last “the victor, ruler, and lord of the physical world.”<sup>140</sup> In fact, nature’s perceived caprice caused Tryggvi so much distress that he felt the

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<sup>137</sup> Ernest Gellner points out that profit for the modern entrepreneur’s predecessor, “or indeed his surviving feudal contemporary ... would have been merged in a number of inseparable other considerations, such as the maintenance of their positions in the community.” Gellner, *Nations and Nationalism*, 23.

<sup>138</sup> Adorno, *History and Freedom*, 13. Emphasis in the original.

<sup>139</sup> Adorno, *History and Freedom*, 13.

<sup>140</sup> Arnljótur Ólafsson, *Auðfræði*, 7-8.

need to personally monitor the activities of the fishing enterprises that were afforded with the Landsbanki's treasured loans. Importantly, "nature" includes for Tryggvi, it seems, the human alongside the physical world.<sup>141</sup> The apple orchard was not ripe, man still undisciplined and therefore untrustworthy. Arnljótur's separation of the two, his placement of humanity on top of nature (or at least rapidly en route to achieving this mastery via its inbuilt capacity for perfectibility), therefore represents a more distinct break with pre-Enlightenment ideas of nature, whereas with Tryggvi the boundaries between the two periods are blurrier. Arnljótur's ideas are noticeably more encouraging of entrepreneurship in the "purely capitalistic" sense than Tryggvi's, particularly in its openness to the facilitation of new businesses (which means, as historian Niall Ferguson contends, "giving people a break when their plans go wrong ... allowing the natural-born risk-takers to learn through trial and error until they finally figure out how to make that million.")<sup>142</sup>

Nevertheless—and this is the crucial bit—in spite of his deeper embeddedness in the social, moral, and intellectual "old order", Tryggvi exemplified the archetypal capitalist to a greater extent than Arnljótur did. He was a hard-working entrepreneur devoted to his business, acquainted with intricate accounting, a gifted institution builder, and a pragmatist. Meanwhile, Arnljótur stayed put in his parish, preaching the gospel and maintaining discipline as the patriarch of a crowded household.<sup>143</sup>

Neither Arnljótur Ólafsson nor Tryggvi Gunnarsson should be seen, in my opinion, as henchmen in some global capitalistic plot—as Luxemburg would have us

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<sup>141</sup> See Tryggvi's worries about "hazardous neglect" on behalf of the owners of fishing vessels on pages 44-45 in this essay.

<sup>142</sup> Niall Ferguson, *The Ascent of Money*, 61.

<sup>143</sup> Bergsteinn Jónsson draws up the following comparison between the two: "[Arnljótur's] intellectual perspectives and tendency to dissect every idea to its core prevented him from becoming an effective politician ... Arnljótur was first and foremost a farmer but Tryggvi an entrepreneur". See *Tryggvi Gunnarsson*, Vol. 4, 32.



think—merely bowing to and executing capital’s vampiric will. The problem with Luxemburg’s theory and others of her ilk, I find, is that the absorption of non-capitalist social and geographic strata is portrayed as a *thing*. Our primary sources have revealed that real human motives played their part in driving, halting, and competing over the direction in which the engine of capitalism should take in late nineteenth century Iceland. At the heart of this great transformation we detect nationalistic ambitions coupled with fears of chaos; paternalistic governance and a devotion to moral codes and elevation, to name but a few of the non-economic factors which shaped capitalism to Icelandic conditions. One could also mention greed and envy; something we fathom from the reactions against the Landsbanki’s favouritism (but then again, that could perhaps be attributed to the introduction of capitalistic thought). What we begin to detect is a greyness between the rational, progressive universalism on the one hand and the irrational, backward-looking parochialism on the other; traces, perhaps, of capitalism’s incredibly capacity for adaptation.<sup>144</sup>

Oblivious henchmen or not, Arnljótur and Tryggvi were surely two among the myriad apostles of growth that have been spawned by the capitalistic doctrine over the last centuries. But we must also envision them, especially the latter, in another uniquely post-feudal occupation: as nation-builders.<sup>145</sup> Unlike the purely rational

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<sup>144</sup> Moreover, if we want to regard “enlightenment” in general as a calculated attempt at conquering nature (as Adorno does), then we must also admit that the nineteenth century pre-capitalistic farm was itself no less a battlefield in an unending skirmish with nature. One purpose of the *vistarband*, being a tool of discipline, was not only to make humans predictable and more easily governed but also to teach these same humans to understand the physical world, nature, in order to render *it* comprehensible (see pages 17-25 in this essay). Mixing one’s labour with the land was then a method of getting to know its features and particularities. Environmental historian Richard White actually argues (convincingly) that this is the only way of truly knowing nature, since “[w]ork entails an embodiment, an interaction with the world, that is far more intense than play.” See White, “Are You an Environmentalist or Do You Work for a Living?”, 174.

<sup>145</sup> Ernest Gellner memorably explains how nationalism became a “sociological necessity” only in the modern era in *Nations and Nationalism*, 6.

capitalist (read: the self-interested, individualistic market agent), the nation-builder finds himself in the domain of the collective. “Politics”, Guðmundur Hálfðanarson writes of late nineteenth century Iceland, had become “the site not of a battle between opposing parties or opinions, but more of a search for the “true” interpretation of the nation’s interests, which everyone could (and had to) unite on.”<sup>146</sup>

Tryggvi doubtlessly saw his banking policy as harmonious with some image of the nation sailing together, guided by the Enlightenment’s principles (him being the captain, of course). This strikes the historian as somewhat problematic though, since one could easily argue that modern Icelandic inequality originates—only partially, to be sure—in the act of lending money to a very specific group of people and no other. Whatever the exact amount of money lent by the Landsbanki amounted to, and however many fishing vessels were purchased as a consequence of those loans are not fundamental to what I am talking about here. The bank was somewhat handicapped by money scarcity throughout this time period, anyway. I am thinking primarily about the symbolic significance attached to the loans themselves, the notion that they represent the Landsbanki’s solution to the paradox of modern debt. A solution that was defined, as I hope has become apparent already, by its exclusivity—and hence, the inherent inequality which was perpetuated by that exclusivity.

To override such potential political roadblocks<sup>147</sup> to its glorious and supposedly inevitable entry into Icelandic society, however, Tryggvi’s oligarchic fishing capitalism possessed a most defensible ability: namely, the ability to satisfy the demand for growth. The following remark, in the words of Bergsteinn Jónsson,

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<sup>146</sup> Guðmundur Hálfðanarson, “Íslensk þjóðfélagsþróun á 19. öld”, 33.

<sup>147</sup> Discussions about the perils of inequality were already taking place by the late nineteenth century. Jón Jónsson Aðils, the quintessential Icelandic historian-as-myth-builder, cautioned against this development already in 1895. He wrote of how the Copenhagen capitalists’ “excessive displays of wealth” contrasted with “the dire need of labourers on the other”, and how this would become the case in Iceland if urbanisation continued. See “Hafnarlíf”, 71.

may give a clearer picture of what I speak of: Tryggvi's dream "was that spectacular buildings would rise in Reykjavík, improving the environment, inspiring the wealthy and cultivating the public's taste, which he thought was both lowly and lethargic."<sup>148</sup> As capital was expressing itself in houses and ships, slipways and sewers, the newly urbanised Icelander would be allowed to behold so that she could ultimately partake in her own climb from poverty and cultural backwardness. And how could she not be content with that after centuries of servitude? Few things could have more effectively kindled and maintained cross-class coalitions, *stétt-með-stétt* and all that, other than the promise of growth.<sup>149</sup> And regardless whether we consider capitalism's avowed ends as worth their trade-offs or not, this particular capacity continues to rally disparate social and cultural groups under a single banner to this very day.

It is no coincidence that the streets of old Reykjavík refer to Norse sea-gods and goddesses, and features of the sea (Tryggvi also has a major street by the harbour named after him). Reconsider *Ægisgata*, *Ægisíða*, *Ránargata*, and *Njarðargata*, *Öldugata* and *Bárugata* in this light: as physical artefacts of the enthronement that took place in the late nineteenth century, when Tryggvi Gunnarsson justified the domination of fishing vessel owners over other social group in the dawning age which we call capitalistic, enlightened modernity.

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<sup>148</sup> Bergsteinn Jónsson, *Tryggvi Gunnarsson*, Vol. 4, 396.

<sup>149</sup> I allude here beyond my timeframe to the historical slogan of the Independence Party, the largest political party in every Icelandic national election (in terms of percentage) from 1931 onward with the sole exception of 2009.

## ***Conclusion***

An uncanny cocktail of calculative capitalism, nationalistic rationale, and moralistic paternalism shaped the Landsbanki's birth and infancy. In other words, a determined pursuit of economic growth for the sake of increased national sovereignty fused with an anxiety over potential catastrophes for the uncultivated debtor. The only thing Tryggvi Gunnarsson imagined being strong enough to counterbalance this mixture was a conservative lending policy, one that he personally oversaw by working extremely closely with the bank's clients.

The modern debtor: the rational, prudent, productive *homo economicus*, was, for all intents and purposes, not yet born in late nineteenth century Iceland. His coming was not, however, anticipated like the Messiah, as a gift bestowed upon the nation from above (or below, depending on how one looks at it). On the contrary, the conditions for his birth had to be politically created. Two friends and colleagues in Iceland's Alþingi shared this ambition: a pastor thoroughly educated in classical economic thought, and a carpenter who rose to prominence as a merchant in the 1870s and 80s. They nevertheless represent two intellectual strands that competed over the optimal recipe for the making of the modern debtor. On the one hand, Reverend Arnljótur Ólafsson hypothesised that the flames of the free market would most creditably christen him. Tryggvi Gunnarsson, on the other hand, proposed a slow but (supposedly) more certain cultivation, by lending only to expand the incipient fishing industry. Like Arnljótur's appraisal of it, Tryggvi's scepticism of widespread debt appears to have been grounded first and foremost on deeply moral territory. Since the bank had to be instituted, then it had to be just.

The Landsbanki's valence could not be denied. Hopeful owners of fishing vessels and anti-urban agrarians alike had an obvious interest in encouraging its establishment. The dominant nationalistic doctrine, in the end, dictated that an

Icelandic-controlled bank was a primary precondition for political sovereignty from Denmark. The increased circulation of capital available on the island would obviously benefit “progress”, on which the nation depended in this long struggle. But then there were other issues at stake than that. Bankruptcy, as we have seen from Tryggvi Gunnarsson’s private letters, signalled shame, surrender of freedom and loss of individuality; not to mention social unrest should it become widespread. At first glance, Tryggvi’s search for order appears to have stood in the way of the search for economic growth (and thus, the pursuit of national self-sovereignty). Arnljótur’s belief that the free flow of capital would automatically attract those with potential for advancement seems, in that sense, much more indicative of “modernity” and “capitalism” as we have come to imagine those concepts. In point of fact, Arnljótur foresaw the future of Iceland’s economic system—the utopian liberal that he was—as more or less scientifically predetermined.

Tryggvi’s views of modernity, including the extent to which man could hope to control nature through enlightenment and perfectibility, were certainly different and less utopian than those that we encounter in Arnljótur’s *Auðfræði*. But in the end, they were both variations on the same theme. Tryggvi certainly feared the Landsbanki’s side effects but he did not allow those fears to thwart the bank’s ultimate social aim. Stemming from Tryggvi’s solution to the paradox of modern debt, the Landsbanki therefore supported a lending policy that favoured a peculiar capitalism (in place of a universal one), centred on controlled economic growth via the expansion of one sharply defined sector of the economy. The oligarchic fishing capitalism that came to characterise, define, and dominate modern Iceland originated there, on board a few fishing vessels in Faxaflói Bay. For without its marriage to finance, Iceland’s nascent fishing industry would hardly have been able to challenge the

traditional political, economic, and socio-cultural dominance of rural farmers over Icelandic society.

Perhaps adapting to and mingling with the old, instead of ruthlessly subordinating it, may be one (quite convincing) reason why capitalism has been so successful in penetrating this planet's every last nook and cranny.

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