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Comparing the Icelandic and Norwegian fishing industries' response to the economic crisis of the 1930s

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Introduction

This article examines the responses of Iceland and Norway, two of the largest fishing nations in Europe, to the economic crisis of the 1930s as reflected in their fisheries. The analysis focuses on comparing both public policy and actions within the fishing sector itself upon encountering the economic problems associated with the Great Depression. Despite similarities between the two fisheries in their production, the structure of the industry and their position in the world market, the two nations responded in many instances differently to the crisis. Norway favoured a more resolute protectionist policy than did Iceland. This article analyses how and why the responses in the two countries varied and impact the severe economic difficulties had on the fishing sector.

The fisheries' place in the economy

The economies of Iceland and Norway shared in many respects strikingly similar fates during the economic crisis of the 1930s due to the prominence of their fisheries. In Iceland, the fishing industry was a key sector in the growth and modernisation of the economy and in Norway it provided the mainstay of the many small communities living along one of Europe's longest coastlines. As a result of the rapid expansion of the fishing sector, Iceland and Norway became among the leading fish producers in Europe during the interwar period. By 1930, Iceland's share accounted for 10 per cent and Norway's no less than 29 per cent of the total European fish catch. The large contribution of the latter was largely due to its extensive herring fishing (Table 1). The fishing industry in both countries was highly dependent on international markets as between 80 and 90 per cent of fish production was exported, making it highly sensitive to fluctuations in foreign markets.

The table also gives indications of the importance of fisheries to the national economy. In the case of Iceland, the fishing sector, including the processing and marketing of fish products, accounted for 28 per cent of GDP on average in the 1920s and provided no less than 90 per cent of all export earnings. Such an extreme export concentration was almost unique in Europe. Icelandic waters were among the most fertile and productive fishing grounds in the world. By far the most valuable species, Atlantic cod, was mostly exported dried and salted to markets in the Mediterranean. The relative size of Norway's fishing sector (only fishing is included in the table) in the economy was smaller, but it nonetheless played a central role in large regions of Norway. The cod fishery dominated the northern

Table 1. The fisheries of Iceland and Norway: fish catch, output and exports, 1910-1939

Percentages, %

	1910	1920	1930	1939
Share in the total European fish catch[1]				
Iceland		5	10	8
Norway		20	29	28
Share in Gross Factor Income				
Iceland[2]	24,3	23,5	27,5	20,7
Norway[3]	3,5	-	2,1	1,3
Share in total exports[4]				
Iceland	75	83	91	85
Norway	36	18	18	13

Sources: Guðmundur Jónsson, *Hagvöxtur og iðnvæðing*, 350-53. - *Hagskinna. Icelandic Historical statistics,* 539. - Tande, *Norsk fiskeripolitikk*, tables 3-8. - *NOS* XI. 143, pp. 108-111; *NOS* XI.143, 135; *NOS* XI,109, 88. *Notes:* 1) 1939 figures refer to 1938. - 2) Fishing, fish processing and marketing. - 3) Figures 1939 refer to net domestic product. - 4) Figures include whale products. Figures for Norway refer to exports of food and drink. Fish products were by far the largest type og goods in this category. Figures for Norway 1910 refer to to 1911.

regions of Lofoten and Finnmark whereas herring, especially winter herring, was the most common species in the southern regions, from Møre and Romsdal south to Rogaland. Herring fishing was the biggest industry in terms of volume while cod fisheries were the most valuable activity. Norway differed from Iceland in that cod fishing was primarily confined to coastal waters, providing less incentive to invest in larger fishing boats and trawlers.

The structure of the fishing industries of Iceland and Norway had many features in common, reflecting their similar physical environment: the small and dispersed units, the prominence of the small-scale operator, the dominance of cod and herring in the fish catch, and similar processing methods. This meant that the two countries were competitors in international markets, operating more or less in the same markets for dried salted fish, *klipfisk*, and wet salted fish in Southern Europe (Spain, Portugal, Italy and Greece).[1] However, as Norway sold considerable quantities of *klipfisk* to Latin America, the Norwegian markets were not as concentrated as the Icelandic ones. In addition, large amounts of dried fish, *stockfisk*, were produced in Norway and sold mainly to Italy and West Africa whereas Iceland had discontinued this production in the late 19th century. Norway was a far larger producer of herring products, selling them mostly to the Soviet Union, Germany and Sweden, while most Icelandic herring was sold to Denmark and Sweden.

The spectacular, precarious twenties

‘When all is said and done, life is first and foremost salt fish’.
Halldór Kiljan Laxness, *Salka Valka* (1931)

The 1920s were a boom time for the fisheries both in Iceland and Norway. The fishing fleet was vastly expanded and the gear and facilities improved, so that the two countries became

[1] Several types were cured, the most important were k*lipfisk* (dry, salted fish) and wet salted fish.

among the leading fishing nations in Europe. The increased pursuit and processing capacity together with good runs of cod enabled the fishing sector to increase production on a large scale, which in turn led to greatly increased production of salted cod, the far most valuable export article in both countries. Between 1920 and 1930 Norway increased its exports of salt fish from 37 thousand tonnes to 49 thousand tonnes while Iceland, more spectacularly, increased its production from 28 thousand tonnes to 80 thousand tonnes. The above quote from Halldór Kiljan Laxness's novel, *Salka Valka*, epitomises the dominance of salt fish in the Icelandic economy at that time. By 1930, Norway had become the largest fish producer in Europe with total fish catch exceeding 1.1 million tonnes. Iceland was one of the fastest growing fishing economies of Europe, sharing third place with Germany in 1930 in the league of Europe's main fish producing nations.

The Mediterranean markets, especially Spain, served as the outlet for most of the increased salt fish production. It was therefore a serious blow to Iceland and Norway, both of which had introduced alcohol prohibition, when Spain decided to raise tariffs on Icelandic and Norwegian salt fish in 1922 unless they increased imports of Spanish wines. The Icelandic parliament, *Althingi*, quickly gave in to Spanish demands, setting up a state monopoly of alcohol imports, while Norway resisted a little longer. In the subsequent years Iceland managed to outdo Norway and become the leading exporter to the Spanish market. One of the main reasons for the spectacular growth of Icelandic salt fish exports was the low-price strategy adopted by producers to boost their market share in increasingly competitive markets. Standardized, high-quality of products, obtained through centralized quality inspection of exported fish, first introduced in 1910 also contributed significantly to their success.[2]

The fishing industry was inherently unstable because of fluctuations both in supply and demand. Fish catches varied greatly due to changes in the natural environment. Moreover, fish supply was inelastic to changes in prices as the 1920s so acutely demonstrated.[3] The large increase in production tended to exceed effective demand in the second half of the 1920s, with serious consequences for both countries. At the same time as it became more difficult to find outlets for the record fish production, there was a downward pressure on fish prices. The cod fisheries had enjoyed favourable, although highly fluctuating, prices until the mid 1920s when prices started to fall, dropping to only half of the 1914 prices in the trough year of 1927.[4]

The marketing side of the industry was characterised by fragmentation and instability. Fishing firms were numerous and often very small, as little investment was required to enter the industry, whether fishing, processing or trading. Increased production led to intense competition in the often chaotic export trade. Little effort was made to stabilise the fish supply to offset or reduce short-term fluctuations in catch. The flow of fish to markets was uneven, especially in the case of herring, when large shipments sometimes produced a glut on the market. On the other hand, sales were often made in small quantities directly to retailers, undermining business with larger and regular importers. There was therefore little uniformity in prices or terms of sale and delivery; the same freight vessel could bring to the market commodities which were of the same quality but bought under very different terms. This was largely due to the fragmentation of the fish export trade, which was composed of both small and large firms, export agents, commission traders and producers' organisations.The entry for smaller firms into the fish trade was made easier when scheduled freighters began to operate between producing and market countries.

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[2] G.M. Gerhardsen, *Salted Cod and Related Species*, 92. – Thorvald Tande, *Norsk fiskeripolitikk*, 373–374. – Sigfús Jónsson, „Alþjóðlegir saltfiskmarkaðir og saltfiskútflutningur Íslendinga 1920-1932".

[3] G.M. Gerhardsen, *Salted Cod and Related Species*, 55.

[4] Abraham Hallenstvedt and Bjørn Dynna, *Fra skårunge til høvedsmann*, 12.

The impact of the Depression

The overoptimistic expansion of the 1920s weakened the economic basis of the fishing industry, making it very vulnerable to changes in foreign markets. This was particularly true for the booming Icelandic export economy with its heavy reliance on salt cod as the far most important export article. Demand declined sharply with the onset of the Depression and remained sluggish throughout the 1930s. Production was, however, maintained at a similar level, with the result a collapse in prices. Export prices for Norwegian dry salted cod dropped by 36 per cent 1929–31, recovering only slightly in subsequent years and remained about 75 per cent of pre-1930 prices in the late 1930s.[5] Iceland experienced even a greater blow with prices initially dropping by 40 per cent from 1929 prices, and only partly recovering in the following years to reach about two-thirds of pre-1930 prices.[6] World prices for salted cod, which have been computed for the interwar period on the basis of trade statistics, indicate that global prices were 35 per cent lower for the five-year average 1930–1934 and 39 per cent lower for 1935–1939 than during the 1925–1929 period.[7]

Spain, the most important market for salted cod, slashed its fish imports by more than half in the 1930s. No country suffered as badly from this reduction as Iceland; its salt fish exports to Spain had accounted for about half of total fish exports or 30–35 thousand tonnes annually until 1933, but dropped to less than 3 thousand tonnes in 1936. From 1935 to 1939, Iceland's salt fish exports were down by more than 40 per cent on the 1925-1929 period. Norway fared much better as its salt fish exports declined only by 17 per cent at the same time.[8]

The difficulties in the export trade had disastrous effects on the economies of Iceland and, to lesser extent, Norway. As Figure 1 shows, Iceland's fish export earnings dropped by a third from 1929 to 1931 and total export income fell even more, since agricultural exports experienced even larger contraction. A similar pattern can be observed in Norway where fish export earnings in 1931 were only 55 per cent of 1931 exports. Interestingly, despite suffering a greater drop in the price for dry fish, Iceland's fish export earnings did not contract as much as those of Norway, primarily because the fisheries increasingly diverted their operations to the export of herring and herring products.

The drop in foreign demand for fish was caused by a number of factors, not least the reduced purchasing power of consumers in the market countries in the wake of the Depression. Higher tariffs and quota restrictions imposed by various governments were also detrimental to the fish trade. Following the Ottawa conference in 1932, in which the system of imperial preference was negotiated between the Britain and Commonwealth nations, Britain reduced its imports of wet salted and fresh fish from Iceland and salted fish from Norway, and the fish importing countries of Southern Europe rigorously pursued bilateral exchanges with their trade partners. Bilateralism posed a particularly tricky problem for countries like Norway and even more Iceland which sold most of its exports to Spain, Portugal and Greece, but imported little from these countries. From 1933 these countries reduced their fish imports from Iceland by imposing quotas and other import restrictions. Lastly, the crucially important market in Spain completely collapsed during the late 1930s, partly because of the build-up of the Spanish fishing fleet, but most importantly because of the upheaval caused by the civil war.

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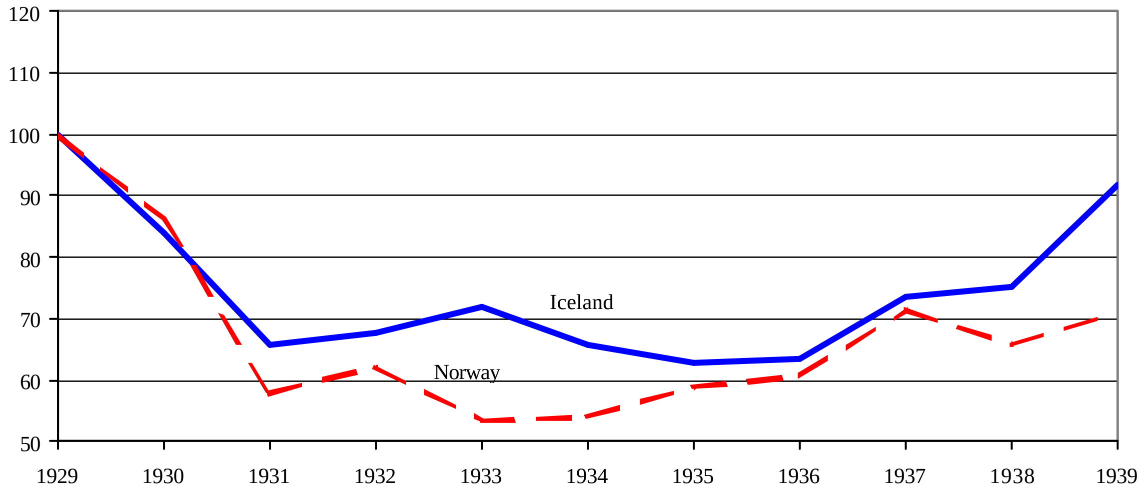
[5] Thorvald Tande, *Norsk fiskeripolitikk*, 428.

[6] *Verslunarskýrslur Íslands [Icelandic trade statistics] 1928–1939.*

[7] G.M. Gerhardsen, *Salted Cod and Related Species*, 85.

[8] *Statistisk sentalbyrå website, 1 December 2005: http://www.ssb.no/histstat/aarbok/tab-2000-10-04-07.html.*

Figure 1. The value of fish exports in Iceland and Norway 1929-1939
current prices, 1929=100



Sources: *Verslunarskýrslur* 1929-1939. – *NOS* XI. 143, National Accounts 1900-1929, pp. 108–111.

Norway also suffered cuts but managed to maintain a similar export volume of fish as before to Southern Europe, suffering only a slight reduction in Portugal while, in fact, increasing its sales to Spain in the late 1930s. Why was Norway more successful than Iceland in retaining, and even increasing, her fish exports to Southern Europe? The obvious answer is that it was unrealistic to expect that Iceland could sustain the extremely high export volume achieved in the booming 1920s. More important, though, Norway seems to have pursued a more successful trade policy that ensured more or less unchanged exports to the fish importing countries of Southern Europe by allowing increased imports, not least wine, from them.[9] Icelandic trade policy lacked this flexibility, primarily because the small economy and the pattern of foreign trade left little room for any significant increase in imports from Spain and Portugal against the huge volume of fish exports.[10]

Other branches of the fish industry enjoyed mixed fortunes. In Norway, exports of stockfish kept up quite well and prices were not nearly as depressed as for *klipfisk*. A major shift also occurred in the hard-hit herring industry when producers diverted their production from salted herring to herring meal and even fresh herring, aiming at the German market. The canning industry, concentrating on smoked herring and sprats (brisling), was also beset by a substantial drop in prices, but volume decreased only slightly during the 1930s.[11] In Iceland, herring fishing and processing, the second most important branch of fisheries, underwent a major renewal: production increased and emphasis shifted, as in Norway, from salted herring to meal and oil production.

The crisis in the fishing sector had a major impact on the domestic economy. The value of Icelandic exports dropped by a third between 1929 to 1932, due to falling prices and

[9] Thorvald Tande, *Norsk fiskeripolitikk*, 372, 381–82.
[10] The different positions of Iceland and Norway are aptly described in *Ægir* XLI (1938), 95: ”The fish trade with Spain is bound to contract while Norwegians’ sales ar likely to increase because they can buy proportionally more goods and in larger volumes from Spain than Icelanders.”.
[11] Thorvald Tande, *Norsk fiskeripolitikk*, Statistical appendix, tables 56–68.

reduced demand in foreign markets, leading to serious balance of trade deficits during most of the 1930s. Output fell by 5 per cent 1930–1932, and although the economy started to recover in 1933 it performance was poor compared to the other Nordic countries.[12] Data on unemployment is incomplete, but the available data suggests that the level of employment in the fishing sector remained fairly stable throughout the 1930s. The largest fishing towns, Reykjavik and Hafnarfjörður, in the southwest of Iceland were the hardest hit and struggled with substantial unemployment right into the Second World War. Fishermen in many smaller fishing villages were able to compensate for their reduced incomes by small-scale farming. The official unemployment rate in Reykjavik hovered between 8 and 15 per cent during the slack seasons (early winter) in the period 1931–1939.[13]

Norway fared somewhat better as the Depression was shallower and did not last as long as in Iceland. The fishing industry suffered considerable unemployment, conservatively estimated at 3 per cent in 1935, but seasonal unemployment was much higher and underemployment was widespread in both fishing and agriculture.[14]

Responses to the crisis and fisheries policy during the 1930s

> Fishermen have to wake up and realise that the order of the day is organisation. Stand shoulder to shoulder, as they say, in a strong formation. … Times have changed, my good people. We must listen to their unavoidable message and keep up with it, otherwise we will be crushed by the huge wheel called competition.
>
> Gustav Puntervold, head of Statens Kjøleanlegg in Ålesund, Norway[15]

Despite severe economic problems the fisheries of Iceland and Norway had considerable flexibility in two important ways to meet the challenge of the Depression. Firstly, the fishermen were as a rule paid a certain percentage of the catch value, and thus their incomes were directly adjusted to changing fortunes in the market prices. The problem of sticky prices was therefore not as pronounced as in many other sectors. Secondly, fishing was a seasonal activity which compelled the fisherman to engage in different kinds of activities, either farming, forestry (in Norway) or other types of fishing, which meant that he was not totally reliant on one source of income.[16] Of just over 100,000 fishermen in Norway in 1930, only 28 per cent had fishing as their sole occupation, 38 per cent had fishing as a main occupation and 34 per cent as a secondary occupation. As late as 1948, only 20 per cent of Norwegian fishermen had fishing as their sole occupation.[17] Comparable figures for Iceland are not available, but conditions were similar since many fishermen in the smaller fishing villages engaged in small-scale farming. In addition to about 14,000 persons registered as having fishing and fish processing as their main occupation in the 1930 census, just over 1000 persons were registered as having fishing as

[12] Guðmundur Jónsson, "The Transformation of the Icelandic Economy: Industrialisation and Economic Growth, 1870-1950", 140.

[13] Guðmundur Jónsson, *Hagvöxtur og iðnvæðing*, 233. - Magnús S. Magnússon, *Iceland in Transition*, 154. – Hagskinna, 245.

[14] Ola Grytten, En empirisk analyse av det norske arbejdsmarked 1918-1939, 101–103, 182.

[15] Abraham Hallenstvedt and Bjørn Dynna, *Fra skårunge til høvedsmann*, 76.

[16] Pål Christensen and Abraham Hallenstvedt, *På første hånd*, 19–21. – Guðmundur Jónsson, „The State and the Icelandic Economy 1870-1930.", especially 163–167.

[17] *Historisk statistikk 1978*, 171. – Thorvald Tande, *Norsk fiskeripolitikk*, 65.

a secondary occupation.[18] In times of high unemployment, the fishermen-farmers had more resources to fall back on than did wage earners in the towns, who more commonly relied on a single source of income.

Nonetheless, the severity of the crisis caused a major upheaval in the fishing sector resulting in contraction of exports, reduced incomes and even the bankruptcy of many fishing firms, and increasing unemployment in fishing communities. To counteract the crisis the fishing industry undertook various measures and governments also became heavily involved early on in various crisis measures as well as restructuring programs. The fishing communities in both countries formed a fairly strong political base, more so in Norway than in Iceland, giving the industry power to influence public policy.

Government policy and industry actions were primarily targeted at reducing or even eliminating short-term fluctuations in fish prices and stabilising incomes. Secondly, retaining their share in foreign markets was a matter of survival for the fishing industry. Furthermore, Norway adopted policies specifically directed at reducing unemployment in the fishing sector. From a policy point of view it may be useful to distinguish between private and public measures, but in practice they were often conceived and carried out in close collaboration between organised interest groups and the government. The following pages provide an analysis of the most important types of responses and policy measures.

Industry Restructuring

The immediate reaction of the fishing industry to the crisis was to search for ways to reduce costs and improve the efficiency of its operations. There were basically two possible routes. One was to rationalize existing activities by reducing operating costs, i.e. saving labour, adopting new technology or improving the organization of the production process. The other was to reallocate resources to new production. The economic constraints of the time, however, limited the possibilities of transferring activities into new fields and products.

Rationalisation could take the shape of cutting labour costs by eliminating labour or reducing wages in order to raise value-added per worker. In neither country was this strategy successfully pursued. On the contrary, Norway adopted an expansionary employment policy, as we will discuss later, while organised labour in Iceland succeeded in resisting any significant wage cuts. Wage levels therefore remained fairly high while the level of employment did not significantly change. In the capital-intensive trawler fishing, which suffered most from the crisis, many trawlers lay idle and some of the fishing firms effectively went bankrupt. Among them was the biggest firm in Iceland, *Kveldúlfur,* owned by Ólafur Thors, the leader of the Independence Party, and his powerful family. How to solve the fishing industry's problems became one of the most controversial political issues of the late 1930s.

Technical improvements and innovation offered a more promising way of increasing efficiency and hence the profitability of the fisheries. Overall, the tendency was to encourage diversification rather than improve the efficiency of existing production activities. The Norwegian Directorate of Fisheries (*Det Norske Fiskeridirektorat*) promoted knowledge of new methods and new gear, even carrying out experiments on its own. But innovations were introduced cautiously so as not to upset traditional forms of ownership and character of fishing in the Northern communities, so the Directorate's efforts were rather limited.[19]

[18] *Manntal á Íslandi 2. desember 1930*, 156–157.
[19] Fritz Hodne, *The Norwegian Economy 1920-1980*, 50.

Many firms in Iceland responded to the setback in the salt fish markets by diverting their resources to redfish fishing in order to produce fish meal. Even greater effort was put into herring fishing and the production was diversified. The government became actively involved in research and development with the establishment of the Fisheries Industry Board (*Fiskimálanefnd*) in 1934, a powerful organ represented by government, the banks, interest groups in the fishing industry and the Trade Union Congress. Backed by a new fund financed by levies on exports and direct state contributions, the Board looked to the more diversified Norwegian fishing industry for new ideas, supporting and even initiating fishing of previously unexploited species, such as redfish and shrimp, and encouraging new processing methods, such as production of dried fish Norwegian-style (*stockfish*) and canning of herring, fish roe and fish.[20] Of greatest importance in the long run was the Board's promotion of frozen fish products which accelerated rapidly in the second half of the 1930s, although accounting for only 4 per cent of exports in 1939.

Labour Market Adjustment

Paradoxical as it may seem, people flocked to the fishing areas on the Norwegian coast in search of work during the 1930s, despite the depressed state of the fisheries. For many workers and smaller farmers the easy access, low investment requirements – and the hope of the big catch – made fishing more tempting than many other jobs on the labour market, in manufacturing, mining, lumbering and agriculture. The result was that the number of fishermen shot up by no less than 23 per cent 1929–1939.[21] Increasing employment in fishing and fish processing became one of the chief demands of the fishermen and their political influence ensured that promotion of new jobs and preservation of the traditional decentralised structure of the fisheries, in which the small-time fishermen played an important role, became one of the main objectives of public policy.

The poorer fishermen of northern Norway had little means of adopting new and more expensive technology; they tended to be conservative and rely on traditional methods. Primitive longline fishing (*juksafiske*) gained a new lease on life and limitations were introduced on the use of large seines. The government encouraged small-scale fishing by providing loans on easy terms and grants to fishermen, restricting ownership of fishing boats to *bona fide* fishermen and, most notably, preventing further development of trawler fishing. Widespread opposition among fishermen to trawler fishing was spurred by fears that it would increase unemployment and expand at the cost of the coastal fisheries. This led to legislation in 1936 banning the expansion of trawler fishing, although only 11 trawlers were in operation in the whole country at that time.[22]

No comparable tendencies can be distinguished in Iceland in the 1930s. Opposition to advanced fishing technology was hardly noticeable in Iceland in the 1930s and trawlers were accepted as a modern way of fishing; the trawler fleet numbered around 40 vessels and accounted for nearly 40 per cent of demersal fish catch. Job creation under the auspices of local and central government focused on various public works which seem to have benefited primarily workers in construction, transport and manufacturing.

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[20] Stockfish, processed in a somewhat different way than the Norwegian stockfish, had been Iceland's chief export article until the early 19th century when replaced by salted fish. By the end of the 19th century stockfish production had all but disappeared.
[21] Thorvald Tande, *Norsk fiskeripolitikk*, statistical appendix: Table 22.
[22] Pål Christensen and Abraham Hallenstvedt, *På første hånd*, 20-22. – Thorvald Tande, *Norsk fiskeripolitikk*, 45. – Fritz Hodne, *The Norwegian Economy 1920-1980*, 79–80.

Financial aid to fishermen

The relatively large trawler fleet in Iceland suffered heavy losses and many operators faced liquidation, resulting in major credit losses for the two major banks. Having a more flexible expenditure structure, the operators of smaller boats fared better, but they too were in dire straits. In 1934, the government introduced a rescue scheme in which the debt of smaller boat owners was renegotiated. Trawler operators were not included in the scheme and received only moderate tax reductions. Other direct public aid to the industry was not forthcoming. In retrospect, it is curious to see how little public financial assistance was given to the stricken trawler industry. The economic problems of the trawler industry became the focus of one of the largest political controversies of the late 1930s with the governing parties highly critical, the Social Democratic Party even calling for the nationalisation of the industry, while the opposition wanted substantial government aid to rescue the industry from near bankruptcy. The financial reorganisation of the trawler businesses required huge resources which the government was unable to furnish. The matter was not resolved until World War II broke out and the fortunes of the economy changed dramatically for the better.

Special banking financing (*Lånekassen for Fiskere*), subsidised by the Norwegian government, was established for fishermen in 1932. The purpose was to provide fishermen loans on easy terms, which were mainly granted to enable bankrupt fishermen to re-establish themselves. The government took various other measures in form of favourable loans or grants to provide fishermen with capital to buy fishing gear and new boasts.[23]

Cartelisation and regulation of fish exports: The cod fisheries

Demands for a more organised and regulated industry became louder in both countries towards the end of the 1920s. This was especially true in herring fishing which was exposed to wild fluctuations in both catches and prices in foreign markets. As the quote at the beginning of this chapter indicates, the Norwegian fishing industry was under great pressure as early as the latter half of the 1920s to organise, in order to better cope with the adverse economic environment. The situation was very similar in Iceland. Producers' prices on fish were falling faster than prices in general while production costs changed little, lowering fishermen's incomes.[24] Under these precarious circumstances the numerous small fishermen had little influence on prices set by speculators, big processing firms or even local merchants, and even less so as the competition between the fishermen themselves intensified with increased production capacity.

Norwegian fishermen started to organise themselves in order to get more control over their livelihood, strengthen their market position and promote stable, and preferably higher, prices. Several regional organisations were established, followed by the founding of a nation-wide organisation, the Norwegian Fishermen's Association (*Norges Fiskarlag*), in 1926 which aimed at promoting fishermen's interests and improving prices and marketing of fish.[25] The organisation was to play a central role in regulating producers' prices in Norway. In subsequent years organisations within the fishing industry proliferated both in different sectors and different regions of the country. The most important difference was between the cod fishing industry, which sought to control the export trade better through cartels and regulation, and the herring fishing industry, which established organisations in production and processing and concentrated its efforts on regulating the domestic trade between fishermen and the various buyers. The division was not clear-cut; minimum prices did exist in the domestic cod trade and export boards were set up for the herring industry.

[23] G.M. Gerhardsen, *Salted Cod and Related Species*, 73.
[24] Thorvald Tande, *Norsk fiskeripolitikk*, 139.
[25] Thorvald Tande, *Norsk fiskeripolitikk*, 139.

The next section deals with developments in the cod fisheries and the following provides a discussion of the herring fisheries.

As the Depression deepened between 1931 and 1933, public policy focused on regulating export prices. As early as 1929, the Norwegian government had worked out a detailed plan for uniting salt fish exporters and processors in a nation-wide organisation. Processors were required to sell their produce to the members of national organisation and export trade was to be conducted only by producers organisations or firms, thus excluding commission traders. Minimum export prices would be fixed by a price council, appointed by producers and processors. The agreement did not materialise, however, because of opposition from fishermen in Finnmark.[26] Instead, an Association of Norwegian Klipfisk Exporters (*De Norske klippfiskeksportörers landsforening*) was founded in 1931 with membership on voluntary basis and confined to exports. Since even voluntary agreement on the regulation of exports was not forthcoming, the Norwegian parliament, *Storting*, adopted the Klipfish Act in 1932. It made exports subject to membership of the Association of Klipfish Exporters or to approval by the Association. In effect, this was a state-protected cartel in the salt fish export trade, aimed at limiting competition and regulating supply and prices, although individual firms conducted the trade. Moreover, the Association obliged itself to purchase dry salted fish through Norway's Association of Fishermen and the Processor's Association. A price council was set up to determine minimum prices on exports in several markets, but was widely evaded by exporters because of intense competition, prompting the Association of Klipfisk Exporters to impose quotas on exporters as the only way of enforcing it. Sales organisations (*Norklip* and *Hispana*) were set up for Portugal and Spain, respectively, each allocating quotas to their members with the approval of the Department of Trade. Export of salt fish to other markets was unrestricted. This arrangement continued well into the Second World War.[27]

Public measures were also aimed at fixing prices domestically. As the crisis deepened fishermen's organisations called on the government to give more support to the industry either in the form of subsidies or minimum prices. In 1936, the *Storting* gave in to demands and introduced what was called a guaranteed minimum price for cod (called "crisis cod", *krisetorsk*). The government paid exporters a subsidy intended to cover reasonable costs , provided the minimum price established by the government had been paid for the fish".[28] Minimum prices were fixed for each stage in the production chain from the fisherman to the processor and the exporter.

Similar, although not as radical, centralization occurred in the stockfish export trade. In 1931, the Association of Finnmark's Stockfish Producers was founded. It controlled most of the exports from northern Norway and sold to a single buyer, the United Africa Company. This arrangement lasted only for three years and it was not until exports to the single biggest market, Italy, were centralized in 1937, that the Norwegians responded with the founding of the nation-wide Norwegian Stockfish Exporters' Association (*Norges Törrefiskeksportöreres Landsforening*). The association effectively controlled the exports to Italy on the basis of quota allocation to its members in accordance with their previous exports.[29]

The response of Icelandic cod fisheries was similar to that in Norway with regard to cartelisation of the export trade. The largest salt fish exporters were forced to form the

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[26] Thorvald Tande, *Norsk fiskeripolitikk*, 211–212.

[27] G.M. Gerhardsen, *Salted Cod and Related Species*, 71. – Thorvald Tande, *Norsk fiskeripolitikk*, 211–220.

[28] G.M. Gerhardsen, *Salted Cod and Related Species*, 72. See also, Pål Christensen and Abraham Hallenstvedt, *På første hånd*, 54–55. – Thorvald Tande, *Norsk fiskeripolitikk*, 168.

[29] Thorvald Tande, *Norsk fiskeripolitikk*, 226–229.

Union of Icelandic Fish Producers (*Sölusamband íslenskra fiskframleiðenda = SÍF*) in 1932 after the two principal, state-owned banks threatened that if producers did not organize on voluntary basis, a state fish export monopoly would be imposed.[30] At first, SÍF was composed of three of the largest exporters, but soon almost all the processors joined the new association, which controlled over 90 per cent of salt fish exports. These measures were followed by a law in December 1932 which gave SÍF legal backing and set rules for the regulation of exports. In the years that followed, wrangling over the composition of the executive board and the role of government in it almost led to the break-up of the Union.

The aforementioned act of 1934 further centralized the industry by establishing on the Fisheries Industry Board (*Fiskimálanefnd*). The Board was to have wide-ranging powers to control catching, processing and marketing of salt fish, but fierce opposition from producers led to a compromise in 1935. As a result, the board had only a formal role and the influence of the biggest firms in its administration was limited. Real control remained with SÍF which, contrary to its Norwegian counterpart, was itself in charge of marketing and export of salt fish.

The Icelandic government neither set minimum prices nor offered subsidies during the 1930s. However, duty on coal used in the fishing industry was refunded under legislation passed in 1938 and collection of import duties on salt was suspended.

Cartelisation and the regulation of domestic fish trade: the herring fisheries

The domestic fish trade was also subject to detailed organising, which was most pervasive in the herring fishing industry. Of all the branches within the fishing industry, herring fishing was the most unpredictable and at times even chaotic. It was subject to wild fluctuations in both catches and prices and marred by cut-throat competition. The Norwegian government was heavily involved in the organization of the industry as demonstrated by the founding of the two organisations, *Storsildlaget* and *Stor- og vårsildlaget* on the west coast in 1927–1928. They marked the first serious organising in the fresh fish market and would not have lasted long without government legislation in 1929, allowing export only by parties who had been accepted by officially licensed organisations.[31] In the following years 13 other national or branch organisations were founded, the most important of which was Norway's Herring Trade Association (*Norges Sildesalgslag*) in 1936.[32]

The main task of these organisations was to allocate the herring catch to different uses and processing in order to control quantity better and ultimately improve the price to the fishermen. The Herring Act of 1930 gave licensed fishermen's organisations the power to regulate the quantities of fresh herring which could be bought for salting or reduction. A number of sales organisations were set up for each of the markets and regions and special export boards allocated quotas to regions and individual firms. The Herring Act was extended to salted herring in 1932, requiring all exporters to be members of the Associations of Salted Herring Exporters (*Saltsildeksportörenes Landsforening*).

The organisation of the salt fish exporters in Norway paved the way for increased centralisation of the herring industry. Under the pressure of a strike by fishermen in Finnmark, landmark legislation was passed by parliament in 1938. The Fresh Fish Act (*Råfiskloven*) gave the government wide powers to regulate prices of first-hand sales in the domestic market. The central idea was to subject all fish landed by Norwegian fishermen to prices and sales conditions negotiated between organisations within the industry:

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[30] Halldór Bjarnason and Valdimar Unnar Valdimarsson, *Saltfiskur í sögu þjóðar* I, 131–132.
[31] Abraham Hallenstvedt and Bjørn Dynna, *Fra skårunge til høvedsmann*, 76–83.
[32] Thorvald Tande, *Norsk fiskeripolitikk*, 155–193.

fishermen, processors and trade organisations, under the administration of the Norwegian Fresh Fish Association (*Norges Råfisklag*).[33]

The canning industry was the most extensively regulated branch within the fishing sector during the 1930s. As early as 1933 exports of canned sprat and herring were subject to regulation by licensed sales organisations. After a protracted struggle between fishermen and processors, and amongst processors themselves, three central bodies in the form of limited companies were set up for each of the main branches, sprat reduction in 1933, herring reduction in 1937 and kippers production in 1938. These companies regulated supply and prices, the last two on the basis of quotas allocated to processors, assured a fixed price for production, and sold to exporters for a fixed price.[34]

The development of herring fisheries in Iceland was characterised by even greater state intervention. A state monopoly of herring exports (*Síldareinkasala ríkisins*) was established as early as 1928 to regulate exports and limit cutthroat competition in the trade. This arrangement lasted only three years before being disbanded because of the government's dissatisfaction with its administration. In 1935 the Herring Fishing Board (*Síldarútvegsnefnd*) was established, a public body authorised to regulate the processing and export of all herring through a licensing system. The Board tried to control supply, especially of salted herring, according to market demand, and promoted other types of products, i.e. matjesherring and meal and oil production.

Conclusion

The paper has focused on the similarities of the two North Atlantic fishing nations in terms of their physical environment, the structure of their industries and the importance of the fishing sector to the overall economy. Both nations embarked on a similar development path during the first decades of the 20th century, rapidly expanding their fisheries by introducing modern technology, especially the mechanisation of fisheries. Salt fish and herring production formed the two most important avenues of growth for this development. The rapid expansion in fisheries created similar problems in both countries: overproduction, cutthroat competition and falling prices, in short, a very volatile environment which weakened the financial basis of the sector when the countries encountered the Depression in 1929.

Given these similarities, it is hardly surprising to find concurrence in policy responses between the two countries. It should be pointed out, however, that problems encountered in the 1920s had prompted organised action and state intervention even before the Depression, especially in the herring industry. In both countries, cartels with wide-ranging powers were established in all the major branches of the fishing industry, either backed by government or even state-run, as in the case of the Icelandic Herring Fishing Board. They regulated supply, fixed prices and, in the case of the herring industry, allocated raw material to different processors.

However, responses did differ in some fundamental respects between the two countries, with Norway generally pursuing a much more interventionist policy than Iceland. The Norwegian government went much further in regulating the fishing industry through subsidies and price fixing. By 1938, most of the industry was subject to price fixing either in form of agreements between different cartels or government minimum prices. The Norwegian government also introduced subsidies on cod prices. The Icelandic government

[33] Thorvald Tande, *Norsk fiskeripolitikk*, 142-55. – Pål Christensen and Abraham Hallenstvedt, *På første hånd*, 77–115.
[34] Thorvald Tande, *Norsk fiskeripolitikk*, 246, 250, 257-261.

did not set minimum prices nor did it introduce subsidies: the fishing industry had to bear its own risk without any significant support from government.

Protectionist policies in Norway also went further in other spheres. The policy of protecting, even promoting, employment in the fishing sector called for various public measures such as direct aid in form of loans and grants and, even more importantly, legislation that halted the advance of superior technology (trawlers) and venture capital. Although it is difficult to make conclusive generalizations, the Norwegian fishing industry appears to have adopted a much more cautious approach towards innovation, especially those which seriously affected the size and ownership of the existing means of production.

How are these national differences best explained? The short, the preliminary answer is that fisheries were so dominant in the Icelandic economy that they had to stay price competitive, there was little else to fall back on. The relative size of the fisheries in the overall economy meant that introducing significant subsidies would have imposed a huge burden on public finances. The Norwegian fisheries, on the other hand, were not as prominent in the economy, although playing a central role in the more sparsely populated regions of western and northern Norway. Having a bigger economic muscle Norway could afford more generous support to theses individual regions. The lack of price fixing between different levels of salt fish production in Iceland can be explained by the fact that production and marketing was more concentrated than in Norway; the three biggest exporting firms were also dominant in fishing and processing.

The cartelisation of the fishing industry and government price controls stabilised prices and incomes, but it is unlikely that these measures were able to raise prices in foreign markets in the long run. In fact, the little research available indicates that it did not result in higher prices.[35] We can more safely assert that government policy in Norway tended to shelter the fishing sector from the vagaries of the world market than it did in Iceland. The much stronger opposition to large-scale fishing in Norway is more difficult to explain, but here we suggest that the importance of coastal fishing and different socio-political circumstances, especially greater risk aversion and strong political support for small-scale operators, significantly contributed to this policy stance.

In both countries, however, the extraordinary steps taken in the 1930s to change the structure and organisation of the fishing sector paved the way for even more extensive regulation in the following two decades. And in both countries, fishermen became a more integrated part of society as a result of the changes; their concerns and problems became an important focus of public policy.

[35] G.M. Gerhardsen, *Salted Cod and Related Species*, 60, 83–87.

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