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ECONOMIC NATIONALISM AND BUSINESS IN SMALL COUNTRIES

THE RISE OF ECONOMIC NATIONALISM, THE CASE OF NORWAY, 1814-1940

Nationalism and modern capitalism emerged at roughly the same time. There is a vast literature on both subjects, but little research linking them. Few economic and business historians have paid much attention to economic nationalism. Similarly, scholars working on nationalism have seldom focused on its economic and business content. Yet nationalism has often had a crucial impact on the economic development of countries and on business life.

There are several reasons why economic nationalism hasn't been more thoroughly explored. For Marxists, nationalism (and economic nationalism) is simply a cover or a distraction, for the real plot of history is about the development of productive forces and class conflicts. Furthermore, during the era of globalization, many observers have regarded economic nationalism as a relic, which can only hinder world trade and development. The economist Harry G. Johnson summed up this latter viewpoint very clearly when he claimed a bit dismissingly that countries – by following economic nationalism – attained “psychological income” at “the expense of material income.”¹

This paper approaches the subject economic nationalism from a different angle. Firstly: It is based on the firm belief that nationalism is a part of the main “plot of history”, perhaps especially so in many late developed, peripheral countries. Secondly: What Johnson calls psychological income may in fact help generate material income, or at least influence how this income is generated, not just destroy it. Economic nationalism may – as nationalism itself – be utterly destructive or benign.

The point of departure is the research of the late Czech historian Miroslav Hroch. He argued that nationalism often had an emancipatory content.² Nationalism helped countries to achieve independence and to build cohesive states. The American scholar Gregory Jusdanis has followed this line of reasoning. In many societies nationalism was a vehicle for modernisation. Jusdanis claims that “nationalism is born out of a theory of progress and that nationalists appropriate culture in their projects of modernization”. <...> “a significant impulse for the emergence of nationalism has been the discovery by intellectual and political

¹ Quoted after Jan Kofman, “How to define economic nationalism?” in Henryk Szlajfer (ed.), *Economic Nationalism in East Central Europe and Central America 1918-1939*, Librairie Droz, Geneva, p. 46. See also Harry G. Johnson, *Economic Nationalism in Old and New States*, Univ. of Chicago Press 1967.

² Miroslav Hroch, *Social Preconditions of National Revival in Europe*, Cambridge 1985.

elites of the tardiness of their societies. Nationalism is therefore in part a response to a condition of belatedness.”³ Nationalism was thus a driving force in the modernisation of many late developed countries.

Liah Greenfeld has taken these viewpoints much further. She has turned the tables on conventional wisdom by making modernization a product of nationalism, rather than vice versa. Greenfeld seeks to answer three questions: what caused the emergence of the modern economy, what made the economic sphere so dominant; and what are the reasons for sustained economic growth? She has done case studies on the British, Dutch, German, Japanese and American development. Her fundamental proposition is that nationalism – from the 16th century onwards – was responsible for the reorientation of economic activity toward growth. She claims in fact that “the spirit of capitalism was born as economic nationalism.”⁴

This paper has a more modest aim, namely to examine the emergence of Norwegian economic nationalism 1814-1940 and – as far as possible – review its effects on the country’s economic and business development. There has not been undertaken any systematic research on Western European economic nationalism. Such case studies may enhance our understanding of the evolution of national business systems and the “varieties of capitalism”.

The term economic nationalism is used in a wide sense in this paper. It covers all nationalist inspired politics that have aimed at protecting as well as expanding national wealth. The term is not only used in the protectionist or beggar-thy-neighbour sense which the concept is often used, but it also includes progressive modernisation and nation building policies. This approach is much in line with recent scholarship. In his discussion of the historic contents of economic nationalism Eric Helleiner includes all economic policies that help nations obtain “prosperity, civilisation and power.”⁵ The means to achieve these ends have varied from country to country and over time. One can therefore find several different strands of economic nationalism, ranging from autarchic policies to support for liberal economic policies.

The paper is structured in the following way. It starts with a short description of Norwegian politics, economy and nationalism. In the main part we’ll explore the manifestation of economic nationalism in four policy areas, namely the establishment of the monetary system, railway policy, tariffs and rules on foreign ownership of natural resources.

³ Gregory Jusdanis, *The Necessary Nation*, Princeton University Press, Princeton 2001, p. 7.

⁴ Liah Greenfeld, *The Spirit of Capitalism, Nationalism and Economic Growth*, Harvard University Press 2001, p. 107. See also Liah Greenfeld, *Nationalism, five roads to modernity*, Harvard University Press 1992.

⁵ Eric Helleiner, “Economic Nationalism as a Challenge to Economic Liberalism? Lessons from the 19th Century”, *International Studies Quarterly*, 2002, 46 (3), p. 322-327. George Crane, “Economic Nationalism, Bringing the Nation back in”, *Millennium* 1998, 27 (1), p. 55-76.

In the end we'll briefly sum up and discuss our findings and assumptions. A gentle warning should be added, as this is an early stage working paper not all assumptions are backed up by hard facts. A lot of archival work remains to be done.

Norway, a new state in the European periphery

Compared to Denmark, Sweden or Great Britain, Norway is a new state. It was (re)established only in 1814, more or less as an historical accident of the Napoleonic wars. Norway enjoyed a short independence as a fully sovereign state in 1814 and adopted a liberal and democratic Constitution. She was forced in August that year to enter into a loose union with Sweden as a junior partner.

At the beginning of the 19th century Norway had around 900.000 inhabitants. GNP per capita was probably somewhat lower than in Denmark and markedly lower than in the Netherlands and Great Britain. Norwegian economic growth was quite rapid until ca. 1875, but according to Angus Maddison, GNP per capita was still only half that of Great Britain.⁶

Norway was a quite egalitarian country as she lacked a land-owning aristocracy as well as numerous merchant class. Compared to Denmark and the Netherlands, agriculture was underdeveloped as well as constrained by climatic conditions. However, Western and Northern Norway had rich fisheries. The Eastern part of the country ran a flourishing timber trade and produced some iron and glass for export. Shipping and maritime services also played an important role in the Norwegian economy, especially in the Southern parts of the country.

The Swedish-Norwegian union lasted till 1905 when it was peacefully dissolved. During most of this time period the two countries had a quite harmonious relationship. They had the same king (who resided in Sweden) and followed a joint foreign policy. Apart from that Norway was to a large extent de-facto independent with its own constitution, parliament, government, army etc. The king exerted considerable personal power up till the 1830s, by the 1890s this power was very much reduced.

As Øystein Sørensen has shown in his works, Norwegian nationalism was rather peaceful, liberal and democratic. Norwegian nationalists have by and large looked upon their

⁶ Angus Maddison, *The World Economy: Historical Statistics*, OECD 2003, p. 61.

neighbouring countries primarily as partners and Scandinavian relatives, and not as foes.⁷ However, they did have an inferiority complex towards Denmark and Sweden. It should also be said that Norwegian nationalism has been somewhat stronger on the left side of the political spectrum than among conservatives.

Opinions differ on how strong Norwegian patriotism was prior to 1814.⁸ However, there is no doubt that it was strengthened or vitalised by the political upheavals that year. In the first two decades after 1814 Norwegian independence and state institutions were somewhat precarious. Nationalism was the cohesive force that held the new state together, gave her legitimacy and protected her against royal (and Swedish) encroachments of her sovereignty.

The most prominent 19th century Norwegian nationalists were poets, historians, priest and philologists, seldom economists or businesspeople. The nationalists focused on Norway's allegedly heroic past, on symbols like the national flag and coat of arms and they debated intensely the thorny question of how to construct a new Norwegian language (instead of Danish). In most nationalist circles conjugating verbs was a bigger issue than economic policy. Yet, from the early years onwards, economic nationalism played a vital role in securing the independence and survival of the new kingdom.

The emergence of Norwegian economic nationalism

In 1814, the newly created Norwegian state had a weak financial basis and the monetary system was in full disarray after years of war and conflict. In the following decade the establishment of a viable domestic monetary system with a central bank became a key aim for Norwegian politicians eager to safeguard national independence. The alternative was increased economic and political amalgamation of the twin kingdoms Sweden and Norway.⁹

After a rapid inflation during wartime and the first post-war years the Bank of Norway (established 1816) pursued a deflationary policy in order to regain the par silver value of the

⁷ Øystein Sørensen, *Kampen om Norges sjel 1770-1905, Norsk Idéhistorie bd. III*, Oslo, Aschehoug 2001, p. 227ff, 249 and 335.

⁸ Jens Arup Seip, *Utsikt over Norges historie*, Vol. 1, Oslo 1974, p. 29-36. Øystein Sørensen, *Kampen om Norges sjel 1770-1905, Norsk Idéhistorie bd. III*, Oslo, Aschehoug 2001, p. 23ff. Bo Stråht, *Union og demokrati, Dei sameinte rika Noreg-Sverige 1814-1905*, Pax 2005, 15ff, 168ff.

⁹ Sverre Steen, *Det frie Norge, bd. 2, På fallittens rand*, 1953, p. 100-01, 130-37, Francis Sejersted, *Den vanskelige frihet 1814-1851*, *Norges historie bd. 10*, p. 24 and 32-42.

speciedaler.¹⁰ This was finally achieved in 1842. There is no doubt that the two decades of deflation stymied growth and inflicted economic pain on businessmen and farmers. However, the electorate, the parliament and the government accepted the economic burdens of establishing a viable currency and they accepted the drawn-out process of achieving par value. This was primarily a counter-reaction to the preceding monetary chaos, but also a question of national pride and of upholding national sovereignty. As Leland Yeager has noted with regard to Russia and Austria-Hungary, monetary fluctuations were perceived “as a symbol of disorder and backwardness”. A stable currency and a modern monetary system “was the mark of a civilized country.”¹¹

From a purely economic point of view, it would probably have been better in the years after 1814 to have integrated Norway into the Swedish monetary system. But as such a move could have compromised the precarious Norwegian independence, this was never seriously considered as an alternative. In the Norwegian case, nationalism and economic policy thus became intertwined from the very birth of the state.

While Norway carefully protected her independence she pursued relatively liberal trade policies. As a small country with a large export sector and a limited home market this was a natural choice. The level of tariff protection and the number of trade restrictions were significantly lower than in Sweden. In 1825 Sweden and Norway entered into a free trade agreement that reduced and partly abolished tariffs on trade between the two countries. The treaty was beneficial to both countries, perhaps especially to Norway because of her large maritime industry. Norwegian ships now got the same access to British and Imperial ports as their Swedish counterparts.¹²

Norway benefitted greatly from the development of international free trade. The repeal of the British navigation act in 1849 opened a global market for Norwegian shipping. Similarly, the timber trade benefitted handsomely from the abolishment of tariffs in key export countries. Fish also enjoyed easy market access and high prices. From the 1840s onwards Norway probably experienced stronger growth than most other countries around the North Sea.¹³

¹⁰ The *speciedaler* was the Norwegian currency 1816-1875. In 1876 Norway adopted the gold based krone and a few years later she joined the Scandinavian currency union which lasted until 1914.

¹¹ Leland Yeager, “The Image of the Gold Standard”, in M. Bordo and A. Schwartz, *A Retrospective on the Classical Gold Standard 1821-1931*, Univ. of Chicago Press, Chicago 1984, 657. Quoted after Eric Helleiner, “Economic Nationalism as a Challenge to Economic Liberalism? Lessons from the 19th Century”, *International Studies Quarterly*, 2002, 46 (3), p. 321.

¹² Bo Stråht, *Union og demokrati, Dei sameinte rika Noreg-Sverige 1814-1905*, Pax 2005, p. 125-28.

¹³ Fritz Hodne and Ola Grytten, *Norsk økonomi i det nittende århundre*, Fagbokforlaget, Bergen 2000, p. 92-93.

In 1842 and 1851 the Norwegian parliament adopted quite radical free trade bills, protectionist tariffs were – with the exception of textiles – almost totally abolished. In Norway, as in many other countries,¹⁴ economic liberalism and economic nationalism went hand in hand. This was seen as the best way to promote “prosperity, civilisation and power” to paraphrase Eric Helleiner.

However, even in this very liberal era, national sovereignty was cautiously guarded. The more protectionist leaning Sweden approached Norway in the mid-1840s and mid-1850s in order to achieve a free trade zone, loosely modelled on the German Zollverein. There would be no tariffs on trade between the two countries and the Swedes were willing to reduce most of their external tariffs to the same level as Norway. To their surprise they were rebuffed. The main stumbling block was the textile industry, as Norwegians feared that the Swedish mills were more competitive.¹⁵ However, there was more than cheap Swedish cotton fabric at play. Whereas Norwegian politicians were willing to accept a high degree of international competition on domestic markets they were sceptical towards accepting economic amalgamation with Sweden, a development which – in the long run – could have threatened independence.

From the mid-1840s the Norwegian government adopted a quite ambitious modernisation policy. A series of reforms were enacted in order to stimulate economic growth. This primarily encompassed improved education, structural reforms in agriculture and investments in infrastructure. In 1860 26% of state expenditure was used on building infrastructure, by 1900 this had increased to 34%.¹⁶ It is methodologically difficult to reveal the exact relationship between nationalism and modernisation policies. I totally disagree with Liah Greenfeld assertion that modernisation is caused by nationalism. There is in my view no doubt that material progress was seen as an aim in itself, this was of course one of the basic ideas in the European Enlightenment,¹⁷ and Norway was no exception. Yet, it is worth noting that many of the initiatives (and the costs) were justified by the need to modernise Norway and to elevate the country to the same level as her Western European neighbours. As the

¹⁴ Carlos Diaz-Alejandro, “Open Economy, Closed Polity?” in A. Velasco, *Trade, Development and the World Economy*, Basil Blackwell, Oxford 1988, p. 283-309. Quoted after Eric Helleiner, “Economic Nationalism as a Challenge to Economic Liberalism? Lessons from the 19th Century”, *International Studies Quarterly*, 2002, 46 (3), p. 320.

¹⁵ Carl Lund, *Det norske tollvesens historie 1814 til 1940*, Oslo 1977, Fritz Hodne, *Norges økonomiske historie 1815-1970*, Cappelen, Oslo 1981, p. 216-18. Bo Stråht, *Union og demokrati, Dei sameinte rika Noreg-Sverige 1814-1905*, Pax, Oslo 2005, p. 125-136.

¹⁶ Fritz Hodne, *Norges økonomiske historie 1815-1970*, Cappelen forlag, Oslo 1981, p. 293.

¹⁷ Joel Mokyr, *The Enlightened Economy, An Economic History of Britain 1700-1850*, Yale Univ. Press, New Haven and London 2009, p. 30.

senior politician Anton Martin Schweigaard stated in a parliamentary debate over railroads: If Norway were ever to prosper, she has to do as other countries” [i.e. invest heavily in infrastructure].¹⁸ Nationalist rhetoric was thus often used, to paraphrase Jusdanis, to propel the country on to path of progress.¹⁹ Nationalism and modernisation policies went hand in hand.

Railroad nationalism

Railways had immense significance for 19th century states and societies. We will briefly examine the rationale behind the choice of trunk lines before we move on to ownership and procurement policy.

Railroad policy was often notoriously messy. Private business interests, local politics, military considerations, traffic predictions etc all played a role. However, the *sine qua non* was modernisation and nation building. In Norway, highly expensive trunk lines were built across the mountains which divided the country. These investments were never justified on purely business terms as nobody had realistic hopes that they would ever be profitable. However, the trunk lines were important building blocks in the emerging national economy. They linked regions together and helped create an integrated national market.²⁰

The first Norwegian railroad was completed in 1854, the so called Hovedbane which can be translated as the main trunk. This railroad was built and operated by a British consortium, but partly financed by the state. The British were quickly criticized for doing shoddy work and extracting too high fees and profits. The criticism was probably quite unfair.²¹ However, contemporary perceptions were important. Domestic engineers soon claimed that they were able to build railroads cheaper and better suited to Norwegian conditions. In addition to these economically based arguments there was fierce nationalist rhetoric on the subject. It was argued that if foreigners were to run the railways this might endanger national sovereignty. A parallel was drawn to the late middle ages when the Hanseatic League came to dominate the Norwegian economy, which (according to general

¹⁸ Proceedings from the Norwegian Parliament 1869, p. 1176. The original Norwegian quote is: “Skulde i dette Land Fremgang befordres, maatte det skje paa same Maade som i andre Lande”.

¹⁹ Gregory Jusdanis, *The necessary nation*, Princeton Univ. Press, Princeton 2001, p. 5.

²⁰ Trond Bergh, *Jernbanen i Norge, Nye spor og nye muligheter 1854-1940*, Vigmostad & Bjørke, Oslo 2004, p. 97-99.

²¹ Trond Bergh, *Jernbanen i Norge, Nye spor og nye muligheter 1854-1940*, Vigmostad & Bjørke, Oslo 2004, p. 56ff.

wisdom at the time) helped bring about the downfall of the independent Norwegian kingdom in the 14th century.²²

In Trond Bergh's monumental book on the history of Norwegian railroads one of the subchapters is called "Norwegian railroad nationalism".²³ From 1857 onwards almost all railways were built by or under the aegis of the state. In the 1870s the government refused offers from British and German investors to finance and construct railways in Norway. In the same decade the government also gained *de facto* control over the Hovedbane from the British investors.

In Sweden, British investors participated in the first railway project. But before it was finished the government decided that all trunk lines were to be built and operated by the state. Foreign ownership was not accepted. In Denmark, British-owned railway companies initially gained a much stronger position. However, after the Danish-German war in 1864, Danish politicians feared a German takeover of the British-owned companies. As in Norway and Sweden, national ownership was then preferred.²⁴

Ownership and organisation mattered and did have implications for economic and business life. While the construction of the initial Hovedbane was executed by a British consortium, Norwegian engineers planned and built later railway lines. There were thus obvious links between state railway-building on one hand and the rise of the Norwegian civil engineering expertise and the domestic construction industry on the other hand.

In the early phase Norwegian authorities made few attempts at procuring railway equipment from domestic producers. The state railway managers preferred foreign (primarily British) equipment which was better and less expensive. From the 1890s this started to change. Around 1900 it was decided that orders were to be placed at Norwegian workshops, even if they were up to 15% more expensive (including tariff protection) than their foreign competitors. This proved crucial for the domestic locomotive shops, which came to dominate the national market from around 1905 onwards.²⁵

²² Trond Bergh, *Jernbanen i Norge, Nye spor og nye muligheter 1854-1940*, Vigmostad & Bjørke, Oslo 2004, p. 52.

²³ Trond Bergh, *Jernbanen i Norge, Nye spor og nye muligheter 1854-1940*, Vigmostad & Bjørke, Oslo 2004, p. 101ff.

²⁴ Sverker Oredsson, *Järnvägarna och det allmänna*, Lund 1969. Poul Thestrup, *Dampen binder Danmark sammen, vol. 1*, Odense 1997, p. 82ff, 105ff and 176ff. Trond Bergh, *Jernbanen i Norge, Nye spor og nye muligheter 1854-1940*, Vigmostad & Bjørke, Oslo 2004, p. 119-21.

²⁵ Pål Thonstad Sandvik, *Mekanisk industri i en europeisk periferi*, Ad Notam Gyldendal, Oslo 1994, 132ff. Trond Bergh, *Jernbanen i Norge, Nye spor og nye muligheter 1854-1940*, Vigmostad & Bjørke, Oslo 2004, p. 350-54.

The national approach to railways was a significant political choice. A large foreign-owned and foreign-operated railway network would undoubtedly have created a quite different economic and business development. Other countries made other choices. The Argentine example springs easily to mind, where British companies dominated the railroads and thus an essential part of the country's business system.²⁶

Democracy, nationalism and the Norwegian business system

The constitution of 1814 was very democratic after the standards of the time. Perhaps as much as 40% of all adult males got the right to vote. Furthermore, the parliament was entrusted real power. In the early decades of the 19th century, Norway was probably the most democratic country in Europe, and definitively the place where the social middle strata were best represented in politics.

Norwegian nationalists warmly embraced the lofty romanticist ideals about free and independent farmers. The farmers were seen as the true caretakers of ancient Norwegian traditions. One would find varieties of this thinking in many Western European countries, but it was especially influential in Norway, perhaps for the simple reason that it corresponded better to reality than elsewhere. Norwegian farmers were indeed quite independent, as there was no landowning aristocracy or large landholders to speak of.²⁷

As Norway had been politically subordinate to Denmark for more than 400 years, Norwegian elites were rather weak. For centuries, the king, the nobility and the *haute bourgeoisie* all lived in Denmark. In 1814 the Norwegian elite mostly consisted of mid-ranking civil servants as well as some merchant houses scattered along the coast. These people could often trace their family roots back to Denmark or Northern Germany. As a result, the elites were not only numerically and economically weak; they also represented – in the eyes of the most ardent nationalists – an alien culture.²⁸ In this respect Norway and

²⁶ Winthrop Wright, *British-Owned Railways in Argentina, Their Effect on Economic Nationalism, 1854-1948*, University of Texas Press, Austin 1974. Colin M. Lewis, *British Railways in Argentina 1857-1914, A Case Study of Foreign Investment*, Athlone Press, University of London, London 1983.

²⁷ Øystein Sørensen, *Kampen om Norges sjel 1770-1905, Norsk Idéhistorie bd. III*, Oslo, Aschehoug 2001, p. 161ff.

²⁸ Øystein Sørensen, *Kampen om Norges sjel 1770-1905, Norsk Idéhistorie bd. III*, Oslo, Aschehoug 2001, p. 265ff and 320-324.

Sweden were worlds apart. Swedish economic and industrial elites had a secure legitimacy and a very prominent place in society.²⁹

The socio-economic structure, and the nationalist perceptions of it, had consequences for Norwegian economic development. Seen in a European perspective, Norwegian politics had a distinct egalitarian tendency, which increased over time. Parliament became more and more responsive to the needs of ordinary farmers, fishermen, small businesses and mutual companies. Politics thus contributed to the fact that the middle strata and small and middle-sized firms retained a strong position in Norwegian economic life.³⁰

This aspect of the Norwegian political economy was further strengthened in 1884 when the leftwing Liberal party (Venstre) formed government. Venstre dominated Norwegian politics during the next 50 years. The party was originally a quite diverse coalition, but was united by nationalist, egalitarian and democratic values. In the early 20th Century the party split and the dominant fraction took a sharp leftist turn with regard to economic policy. The Venstre-government now enacted a strict regulatory regime for natural resources and land ownership that significantly altered the Norwegian economy and business system. The economy was thoroughly politicised. As we shall see below, the peculiar Norwegian mix of nationalism, egalitarianism and the (relatively) weak standing of domestic elites all contributed to this outcome.³¹

The upsurge of nationalism and the concession laws

All over Europe, nationalism was rising in the late 19th century. This happened at a time when the basis for liberal economic policies became increasingly challenged, not the least because of disruptive imports of agricultural products from Russia and the New World and the prolonged depression of 1873-79.³² In several countries nationalist politicians turned to protectionism as the best way of promoting growth and prosperity.

²⁹ Francis Sejersted, *Sosialdemokratiets tidsalder, Norge og Sverige i det 20. århundre*, Pax forlag, Oslo 2005, p. 29-30.

³⁰ Francis Sejersted, "En teori om den økonomiske og teknologiske utvikling i Norge", *Demokratisk kapitalisme*, Pax forlag, Oslo 1993, p. 47ff. Pål Thonstad Sandvik, "En mer demokratisk kapitalisme? Økonomi og samfunnsutvikling i Trøndelag 1750-1920", *Historisk Tidsskrift no. 1*, 2007, p. 35ff.

³¹ Rune Slagstad, *Nasjonale strateger*, Pax forlag, Oslo 1998, p. 134ff. Pål Thonstad Sandvik, "Såpekrigen, Lilleborgsaken, Venstrekapitalismen og norsk økonomisk nasjonalisme", *Historisk Tidsskrift no. 3*, 2010, p. 389ff.

³² A. G. Kenwood and A. L. Lougheed, *The Growth of the International Economy*, Roulledge, New York, 1999, p. 71-73.

The Scandinavian Peninsula was no exception, and as a result, relations between Norway and Sweden soured. In 1888 Sweden introduced a protectionist tariff, while Norway remained a free trade country. Seven years later Sweden terminated the Norwegian-Swedish free trade agreement which dated back to 1825. The conflicts over tariffs soon affected foreign policy.³³ In order to take care of her trade interests Norway claimed the right to organise a foreign service and to appoint her own foreign minister. To make a long and complicated story short; when this was denied by the Swedes, the union was peacefully dissolved in 1905.

When independence was achieved, Norway had suffered a relative economic decline. While Swedish industry had surged ahead after 1880, Norwegian growth had slowed.³⁴ One major reason was that the Norwegian merchant marine was increasingly outcompeted as it was slow in adopting steam technology. The perception of Norwegian tardiness, and thus the nationalist zeal to do something about it, therefore gained strength around 1900.

The upsurge of Norwegian nationalism had repercussions for economic policy. After Sweden abrogated the free trade treaty, Norway took a few small steps towards protectionism (see below). The state railways implemented a more protectionist procurement policy. However, the major break with the past and with 19th century liberalism came with the introduction of the so-called concession laws 1906-17 which regulated the utilisation of natural resources.

No other Western nation had as much cheap and easily available hydro power. This proved very attractive to speculators and (foreign) electro-metallurgical companies. By 1905-06 several of the most promising waterfalls were in foreign hands. A public outcry ensued. According to the historian Lars Thue, a substantial part of the political community looked at the new and mostly foreign owned energy intensive industries as “big, ugly and alien.” They were very different from the traditional, mostly small scale Norwegian enterprises. He states that “National control of the management of natural resources and the distribution of the resource rent thus became particularly important issues.”³⁵

If the foreign acquisitions were allowed to proceed unchecked, many contemporaries feared that this could undermine the country’s newly won independence. Some nervous politicians drew a parallel to the fate of the Boer republics, where British control over gold-

³³ Bo Stråht, *Union og demokrati, Dei sameinte rika Noreg-Sverige 1814-1905*, Pax 2005, 15ff, 309ff and 359. Espen Storli, ”Hva ville egentlig Venstre med konsulatsaken?”, *Historisk Tidsskrift* 2007, no. 2, p. 225ff.

³⁴ Fritz Hodne and Ola Grytten, *Norsk økonomi i det nittende århundre*, Fagbokforlaget, Bergen 2000, p. 227-28.

³⁵ Lars Thue, ”Norway: a resource-based and democratic capitalism”, in Susanna Fellman, Martin Iversen, Hans Sjøgren and Lars Thue, *Creating Nordic Capitalism, The Business History of a Competitive Periphery*, Palgrave Macmillan 2008, p. 425.

mining paved way for the later political subjugation. The concession laws were later extended to almost all sectors of the economy and became a cornerstone in the Norwegian political economy right up till the 1990s.

The first concession law was hastily adopted in 1906. This was just a temporary measure in order to regulate the use of Norwegian hydro power. (In Norway, rivers were private property, not a part of the public domain as in most European countries.) In addition to the lawmaking both the state and several municipal authorities started acquiring waterfalls, in order to secure public interests.

The concession laws were extremely controversial. One of the key questions was whether the law should explicitly discriminate against foreigner investors. In 1909 it was decided that foreigners and domestic citizens should get equal treatment. Norway needed foreign investments and could not develop its hydro power resources on her own. In the following years Norway experienced rapid economic growth, at least partly fuelled by large investments in hydro power and electrometallurgical industry.

In 1917 Parliament adopted what was to become the “final” concession law. It introduced a formerly unheard of level of state regulation of business life and especially of the utilisation of hydro power. If several parties jockeyed for a particular waterfall, state and municipal companies were given first claim. Private businesses were only second in line. Foreign acquisitions of hydro power should only be accepted under ‘singular circumstances’ (særlige omstendigheter). Furthermore, developers were required to use Norwegian workers and as far as possible use equipment produced in Norway.³⁶

When parliament enacted the 1917-law, Norway was experiencing economic euphoria. As a neutral country Norway had profited enormously from World War I. The need for foreign investment was thus minimal. However, this changed quite dramatically with the post-war depression. The 1920s became a difficult decade for Norway, with sluggish growth, banking crises and high unemployment. Foreign investments were again needed, and the government eased the restrictions on foreign acquisitions of hydro power.³⁷ However, state and municipal projects still had priority. In at least one case (Steinsfoss) foreign investments met so strong opposition in parliament that it in effect killed the project. In other cases the

³⁶ Olaf Amundsen, *Koncessionsloven af 14. desember 1917 med kommentarer*, Kristiania 1918.

³⁷ Andreas Dugstad, *Chasing Waterfalls, Foreign direct investment and Norwegian watercourse concession policy 1916-1926*, MA-thesis, NTNU Trondheim 2011, p. 55ff.

authorities' processing time of the applications took such a long time that the investors lost interest in the undertakings.³⁸

The concession laws had three effects that are important in our context. Firstly, they secured domestic, and very often state or municipal, ownership over natural resources. Public control and ownership was in line with the egalitarian and democratic traditions of Norwegian society. Secondly, it seems that the concession policy, at least after 1916, dented foreign investment and probably reduced economic growth. Thirdly, the laws (and state procurement policy) favoured domestic producers of generators, turbines and other types of electric equipment.³⁹

Norway was not alone in introducing concession laws. The Norwegian laws were inspired by somewhat similar laws in several Swiss cantons and in Baden, Bayern and Württemberg.⁴⁰ The Swedish parliament introduced restrictions on acquisition of forests in Northern Sweden in 1906. A decade later a concession law (Innskränkningslagen) was introduced, controlling and restricting foreign investments. The main motive was to secure Swedish ownership of iron ore deposits.⁴¹

In newly independent Finland, even more radical measures were introduced. Several foreign owned companies were nationalised and foreign investments were strictly curtailed. However, it should be emphasised that not all Nordic followed such economic strategies. Denmark had no large natural resources and no resource rent to protect. She maintained an open door policy and succeeded in attracting a large number of foreign companies.⁴²

Nationalism and the end of laissez faire

The adoption of concession laws was not the only change to the Norwegian political economy. Tariffs were raised and protectionism was introduced. Norway had – as previously mentioned – followed a free trade policy from the 1840s onwards. She continued to do so,

³⁸ Pål Thonstad Sandvik and Espen Andresen, *Kristiansand Energiverk: I elektrisitetens århundre, 1900-2000*, Kristiansand 2000, p. 70-73. Andreas Dugstad, *Chasing Waterfalls, Foreign direct investment and Norwegian watercourse concession policy 1916-1926*, MA-thesis, NTNU Trondheim 2011, p. 82-85 and 108-09.

³⁹ Harald Rinde og Sverre Christensen, *Nasjonale utlendinger, ABB i Norge 1880-2010*, Oslo 2009, p. 82-89.

⁴⁰ Erling Ananiassen, *Rettsgrunnlag og konsesjonspraksis*, MA in History, University of Oslo 1983, 262f.

⁴¹ Sven Nordlund, *Upptäkten av Sverige, Utenländska direktinvesteringar i Sverige 1895-1945*, Umeå 1989, p. 44f. Francis Sejersted, *Sosialdemokratiets tidsalder, Norge og Sverige i det 20. århundre*, Pax forlag, Oslo 2005, p. 35-36.

⁴² Per Boje, *Danmark og multinationale virksomheder før 1950*, Odense, Odense University Press 2000. On Finland, see Niklas Jensen-Eriksen's paper in this session.

even when several of her trading partners chose a more protectionist approach in the 1870s and 1880s. Sweden was of course the most important in this regard. In 1895 Sweden abrogated the Swedish-Norwegian free trade treaty. As a response, Norway raised her tariffs in 1897 and again in 1905. Fiscal and protectionist motives were intertwined. Agricultural tariffs were reintroduced, albeit at a low level. The 1905 tariff placed a 2-6% duty on grain, 10% on butter etc. Industrial machinery gained a tariff protection of 10%.⁴³ In addition there were much higher, and solely fiscally motivated, on sugar, wine, tobacco, paraffin etc.

The 1905 tariffs remained in place for 17 years. Even though the principle of free trade was broken, Norway did not become a protectionist country, at least not if she was compared to Sweden or most countries on the European continent. However, tariffs were higher than in the UK and the Netherlands.

In the last years of peace before 1914, Norwegian politicians began discussing introducing an anti trust law. This was partly inspired by the American example and aimed at ensuring fair competition. Economic nationalism also played a role. What one feared was mainly foreign cartels and monopolies. Because of the war, legislation was delayed till the 1920s. At that time cartels were permitted, so far as they were approved by the trust control, a newly created state authority. The trust control especially clamped down on foreign cartels and monopolies, beginning with foreign producers of agricultural implements and later battling the British-American combine BATCO and the Anglo-Dutch Unilever. The aim was to defend Norwegian producers, not consumer interest. The Norwegian laws on competition were thus used as a protectionist means to defend domestic industry against foreign companies.⁴⁴

In 1930-31 Unilever became embroiled in an intense political battle when it tried to purchase a controlling block of shares in the Norwegian company Lilleborg. The move would give Unilever a de facto control over the Norwegian margarine and soap industry. This incident shows both how intense economic nationalism could be (the government was forced to step down in 1931 because it had acquiesced Unilever's investments in Norway), but also that nationalism – in the end – was tempered by quite simple cost-benefit analysis. As Unilever was Norway's largest customer of important export products as whale oil, cod liver

⁴³ Carl Lund, *Det Norske Tollvesens Historie*, Direktoratet for toll og særavgifter, Oslo 1977, p. 93f and 105f.

⁴⁴ Pål Thonstad Sandvik and Espen Storli, "Confronting market power; Norway and international cartels and trusts, 1919-1939", to be published in *Scandinavian Economic History Review* no. 3 2011 or no. 1 2012. Pål Thonstad Sandvik and Espen Storli, "Controlling Unilever, Whale Oil, Margarine and Norwegian Economic Nationalism 1930-31", unpublished manuscript, 2010.

oil and dried fish, Norway could not bear the costs of battling the company. A compromise was thus found, to the chagrin of the most passionate nationalists.⁴⁵

While Norway placed heavy restrictions on foreign investment and on foreign ownership she did not become very protectionist. According to Carl Lund's calculations, the average level of tariffs only raised from 4% in 1920 to 11% in 1930.⁴⁶ The increases were partly motivated by fiscal necessity and partly by the need to protect agriculture and some instances manufacturing products. Norway followed a policy of selective protectionism, this tendency increased throughout the 1930s. In the wake of the Depression other types of import regulations were also introduced such as quotas and licensing systems, especially for agricultural products.⁴⁷

However, as a small and export oriented country, Norway could not risk alienating her larger trading partners by erecting high tariff barriers. In 1930 the Liberal Party's Prime Minister Mowinckel initiated what later became known as the Oslo-convention, this was a joint Nordic and Benelux effort to lower international tariffs. Mowinckel hoped that the convention would become the germ of a revival of global free trade. This of course, did not happen, but the attempt shows that Norway at least tried to battle the protectionist tendency of the era.⁴⁸

In the 1920s, economic necessity forced Norwegian economic nationalists to sober up. As the country needed foreign investments, the concession laws were not strictly enforced. However, this did not prevent occasional flare-ups of nationalist anger over foreign companies, most notably over Unilever's attempt at securing market dominance in 1930-31.

The Unilever-debacle proved to be the last high water mark of the anti-foreigner-strand of economic nationalism in Norway. Thereafter attitudes towards foreign investments became somewhat more pragmatic. This was partly due to the Depression; foreign investments were better than no investments. In addition, the rise of the Labour movement implied that the most ardent nationalists lost political clout. In 1935 Labour became the governing party in Norway. Official Labour party doctrine had no room for nationalist sentiments. For the socialists it was of secondary importance whether the capitalists were

⁴⁵ Pål Thonstad Sandvik and Espen Storli, "Controlling Unilever, Whale Oil, Margarine and Norwegian Economic Nationalism 1930-31", unpublished manuscript, 2010.

⁴⁶ Carl Lund, *Det Norske Tollvesens Historie*, Direktoratet for toll og særavgifter, Oslo 1977, p. 121.

⁴⁷ Monica Værholm, "Why did Norwegian trade policy become more active in the interwar period?", in Sven-Olof Olsson, *Managing Crises and De-Globalisation, Nordic foreign trade and exchange 1919-39*, Routledge 2010, p. 34ff

⁴⁸ Van Roon, *Small states in years of depression, The Oslo-alliance 1930-1940*, Assen / Maastricht, Van Gorcum 1989. Sven-Olof Olsson, *Nordic trade cooperation*, in Sven-Olof Olsson, *Managing Crises and De-Globalisation, Nordic foreign trade and exchange 1919-39*, Routledge 2010, p. 20ff and 29.

Norwegian or foreign; what they aimed at was a grand reform of the capitalist system, with more state intervention, not a nationalistic renewal.

Conclusion

Norwegian nationalism was by and large more peaceful, liberal and democratic than many other nationalist movements. Norway had no threatening neighbours. This basic fact probably goes a long way explaining why Norwegian economic nationalism was of the relatively benign kind. While some protectionist measures were introduced from 1897 onwards, Norway never opted for autarchic or beggar-thy-neighbour policies, at least not for industrial products. She remained an essentially free trade country even in her most fervent nationalist moments around 1905. Norway also benefitted handsomely from free trade. As a small export dependent country she needed access to foreign markets and could not run the risk of implementing policies that hurt her major trading partners. Denmark and Sweden pursued quite similar trade policies. The Scandinavian development thus confirms Helleiner's assertion that economic nationalism could go hand in hand with liberal economic policies.

The development in the Irish Free State provides an interesting contrast to the Scandinavian combination of strong nationalism and (relatively) free trade policies. The Irish national liberation was of course much more turbulent and economic dependency more pronounced. When de Valera's Fianna Fáil party came to power in Ireland in 1932 it urged that the country should be made as "independent of foreign imports as possible". It aimed at creating "a self-contained unit, providing all the necessities of life in adequate quantities."⁴⁹ While this was never achieved the policies brought her into sharp conflict with Great Britain with a damaging trade war as a result.

It feels safe to claim that Norwegian nationalism generally had rather progressive effects on society, including on economic development. The country can be used as a textbook example of Jusdanis' viewpoint that nationalism was in part "a response to a condition of belatedness" and that it was a driving force in the modernisation of late developed countries. This aspect of nationalism was by all appearances stronger in Norway

⁴⁹ Alan O'Day, "Nationalism and the Economic Question in twentieth century Ireland", in Alice Teichova, Herbert Matis and Jaroslav Pátek, *Economic Change and the National Question in Twentieth-Century Europe*, Cambridge University Press, Cambridge 2000, the quotes are from p. 9 and 24-26. See also Mary E. Daly, *Industrial Development and Irish National Identity 1922-1939*, Syracuse Univ. Press 1992, p. 37ff, 59ff and 75ff.

than in older and more advanced countries like Denmark or Sweden. In Norway, nationalism underpinned much of the state-led modernisation efforts. This in turn played a vital role in creating an integrated Norwegian economy, distinct from the Swedish economy or other North Sea economies.

There is one illuminating difference between Norwegian and Swedish economic nationalism. The Swedes did much more to support industry, in this sense they followed a much more Listian approach. Beginning with Friedrich List, economic nationalist often emphasised the importance of industrial development. The Swedish state did much more to support selected growth industries through selective protectionism and lent strategic support to technological innovation in key companies.⁵⁰ There were some attempts at this in Norway as well, we have mentioned the preferences for domestically produced locomotives and electrical equipment, but policies were never as sophisticated or comprehensive as in Sweden.

In Norway, economic nationalism was especially pronounced with regard to foreign investment and foreign ownership. From the 1860s onwards, foreigners were not allowed to invest in the main railway lines. The state, and not foreign entrepreneurs, therefore got a prominent place in the Norwegian business system. The concession laws of the early 20th century can be interpreted as a more radical and comprehensive version of this policy, as these laws regulated and restricted foreign acquisitions of Norwegian natural resources and real estate. Many politicians dreaded the prospects of a future Norway dominated by foreign-owned large scale industries – and where foreigners pocketed the resource rent from cheap hydropower. There is little doubt that the concession laws helped change the Norwegian business system and thus the country's variety of capitalism.

In his paper on Finland, Niklas Jensen-Eriksen argues that Finnish economic nationalism probably went too far. He describes a “draconian” system that placed obstacles in front of all foreigners who wanted to invest or work in Finland.⁵¹ This restricted the benefits that foreign investors could bring to the country and may have undermined entrepreneurship. Norwegian economic nationalism was more moderate. While maintaining the overall positive assessment (with regard to growth) of Norwegian economic nationalism it should be noted that the strict 1917-law quite certainly dented investments. But, foreign investments were never excluded, just restricted and conditions became more lenient in the 1920s. However, it

⁵⁰ Mats Fridlund, *Et svensk utvecklingspar i elkraft, ASEAs och Vattenfalls FoU-samarbete, 1910-1980*, Forskningsrapport nr. 2, Handelshøyskolen BI 1995. Mats Fridlund, *Den gemensamma utvecklingen, staten, storföretaget och samarbetet kring den svenska elkrafttekniken*, Symposium, Stockholm 1999. Francis Sejersted, *Sosialdemokratiets tidsalder, Norge og Sverige i det 20. århundre*, Pax forlag, Oslo 2005, p. 29ff.

⁵¹ See Niklas Jensen-Eriksen's paper in this session.

is quite clear that Norway opted for more restrictive legislation in this regard than Denmark and Sweden, but less so than Finland.

Norwegian economic nationalism was a part of an enlightened and democratic nation building process. The aim was to raise the country's economy to the levels achieved by her more prosperous neighbours, not to battle them – or more distant countries – in destructive trade wars.