What does Iceland’s “national assembly” represent?

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On November 14 a “national assembly” was held in Reykjavik, involving approximately 1,500 participants or 0.5 percent of the population. A coalition of organisations, businesses and individuals calling itself the “anthill” was behind the event, which was purportedly held to outline the “values” upon which Icelandic society should be based.

One year after the country experienced financial collapse, the event claimed that it would enable Icelanders to come together to rebuild society. The event’s promotional material declared that the national assembly aimed “to raise up the national discussion, above the daily arguments, and arguments on single issues and cast our eyes to the future, built upon the common values of the nation. The goal of the national meeting is to energize the wisdom of the population.”

The conception that society should embrace “common values” is nothing new. It reflects the interests of the ruling elite, who seek to convince working people that it is possible to reconcile their interests with those of the bourgeoisie within the current set-up. This was expressed most explicitly by Gudjón Mar Gudjónsson, a businessman who was one of the main figures behind the assembly. He decided that the results of the day would be presented on the Internet for everyone to view, declaring that this could form the basis for a more “participatory” democracy. He argued that “[Iceland] could become a key partner in the G-20 for prototyping these new values, tools and processes for a more sustainable capitalism.”

Gudjónsson insisted that the gathering was not in any way aimed at challenging the political establishment. Admitting that the assembly had no legal power to enforce its proposals, he stated, “If there are going to be discussions [about reform] in parliament, then the national assembly will be kind of a guiding light.”

Thus, the assembly will be used to provide a veneer of legitimacy to the unpopular measures that will be adopted in the coming period in the name of economic “recovery” and shared sacrifice.

In its coverage of the event, the media has presented the coalition as a grassroots organisation with no political ties. Notwithstanding such assertions, the orientation of the event’s organisers to the business and political establishment was clear. While there were 1,200 individuals selected at random from the population, 300 people were selected to represent businesses and other organisations deemed important. The assembly enjoyed extensive backing from business interests, and received roughly a quarter of its funding from the Icelandic government. Assembly organiser Halla Tomasdóttir is a businesswoman who has held leading positions at the Icelandic stock exchange and the chamber of commerce.

The organisers advocated the development of an economic “recovery plan” to run over 52 weeks, with a particular goal to be achieved each week. The aim was to remove any “negativity” which had developed amongst the population since the economic crisis of 2008—more correctly, to prevent the reemergence of a strong protest movement against the government and financial establishment.

The assembly outlined values that corresponded to nine areas, including education, welfare, the economy and public administration. The list contained numerous vague appeals to “improve business ethics,” the need for a “democratic administration that is free from corruption” and for future governments to be based on “integrity.”

This went hand in hand with the assertion that it was up to individuals to assume greater personal responsibility, with one of the main concerns of education being to ensure “financial literacy and how society functions.” This promotes the idea that the main cause of the financial collapse in Iceland was personal greed and recklessness, and not the failure of the capitalist system.

Far from seeing the first stages of economic "recovery," the preceding weeks and months have only confirmed that all of the fundamental problems of last year's crisis continue to sharpen. The assembly was held against the backdrop of worsening government finances, with each new estimate projecting a higher level of debt. The IMF, which is involved in providing Iceland with a $2.1 billion loan, stated last November that a debt ratio of more than 240 percent of GDP would not be sustainable for Iceland. Its latest prediction, released in October, estimates a debt level of approximately 300 percent of GDP.

A significant proportion of this debt relates to the "IceSave" agreement, which outlines the terms under which the state will have to compensate depositors who placed funds in the Internet-based savings accounts of Landsbanki. The total amount to be repaid is believed to amount to more than half of Iceland's GDP.

As the national assembly was held on November 14, parliamentarians were in the final stages of discussion over the latest version of the legislation they must approve in order to resolve the issue. The agreement will involve loans amounting to €5 billion from Britain and the Netherlands, both of which must be re-paid by 2024. The Left Greens, who are currently part of the governing coalition with the Social Democrats, officially support the proposal, although several MPs have indicated their opposition. Only enjoying a majority of 5 in the 63-seat parliament, three votes against the bill could be enough to see it fail.

A failure to pass the IceSave agreement could spell the end of the Social Democrat-Left Green administration. Tensions have been developing for some time, emerging recently in the decision of the Left Green health minister Ogmundur Jonasson to resign in protest at government policy. Although the IMF released the second instalment of Iceland's $2.1 billion loan last month, this amounted to little more than $150 million. The remainder awaits approval in six further instalments, and a destabilised political situation would undoubtedly place a question over continued support.

Confronting massive state debt and under pressure from the IMF, the government is pressing ahead with deep spending cuts and tax hikes. On November 19, a new tax plan was announced that will see increased taxation for middle and upper income groups. Although much was made of the commitment not to increase taxes on those on lower incomes, the proposals will have a significant impact on families and will see taxes rise by a total of 50 billion kronur (€272 million) next year.

The initial proposal to increase taxes was unveiled earlier this year in a package that included plans to make around 70 billion kronur (€380 million) in spending cuts over the coming three years. Meanwhile, the financial elite has been fully compensated for its speculative activities. Islandsbanki and New Kaupthing, which changed its name to Arion Banki on November 21, have both received tens of billions in funds from the government to recommence business.

The government also began the process of removing capital controls at the beginning of this month, with all new investments in the krona exchangeable into foreign currency. Capital outflow restrictions will remain in place on current investments, and could continue for another year. The elimination of these restrictions will again benefit the financial elite, threatening the population with a further slide in the value of the krona. Even with controls in place, the currency is down by 12 percent since March against major currencies.

Inevitably, these conditions are preparing the way for the reemergence of opposition and protest in Iceland. Working people, who have witnessed the bailout of the financial elite while spending for social services has been cut, will not allow this to go unopposed.

The business and political establishment is well aware that the development of opposition will take place in a climate where all of the political parties have been implicated in the economic crisis. When last year's protests broke out, the Left Greens were able to give them their verbal backing. But they have now sat in government for the last 10 months, presiding over a deepening of the pro-business policies pursued by the conservative Independence party in coalition with the Social Democrats.