

Iceland: Vote “no” in IceSave referendum

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Working people must vote “no” in Iceland’s referendum on the IceSave agreement on March 6.

Icelanders that have suffered from a major economic downturn and a collapse in currency value have no responsibility for the €3.9 billion in losses incurred through the speculative practices of the bankers that brought the country to the brink of bankruptcy. They cannot be asked to pay back a debt of over €8,000 each, with interest rates adding to this bill for years to come that will be financed through cuts in wages, jobs and essential services.

The small savers in Britain, the Netherlands and elsewhere who were encouraged to take advantage of IceSave’s promised high interest rates were the victims of a fraud. But this was perpetrated by the bankers and financial advisers with the active collusion of the very governments that are now holding a gun to the heads of working people everywhere—with their demands for austerity and savage cuts. Iceland’s bankers should be arrested for what are criminal actions, along with their international counterparts who acted as co-conspirators.

Iceland’s Social Democrat-Left Green coalition cannot be trusted with safeguarding the interests of the working class. Whatever vote is delivered, they will collaborate with the International Monetary Fund and the European Union in gouging the losses incurred by the banks out of the pockets of workers, pensioners and young people.

Even as the referendum on the IceSave bill approaches, the government has stepped up its efforts to cancel the vote by negotiating new terms with Britain and the Netherlands for the repayment of almost €4 billion. The push to arrive at a more favourable deal reflects concerns on both sides that Iceland’s population will overwhelmingly reject the current offer, which, if repaid in full, would amount to over 50 percent of the country’s GDP.

A delegation travelled from Reykjavik to London to re-open negotiations and a revised agreement was sent to Iceland on February 20. Although its terms were not made public, reports indicated that a variable interest rate had been proposed, rather than the fixed rate of 5.5 percent in the previous deal. After a cabinet meeting to discuss the new offer, finance minister and leader of the Left Greens Steingrímur J. Sigfússon announced that the new offer was “not acceptable” and called for fresh talks with Britain and the Netherlands. He was supported by the opposition, including the Independence and Progressive parties, as well as “The Movement,” which was formed in the aftermath of the financial crisis.

The Social Democrats, the largest coalition party, was in favour

of the original deal which Iceland’s president, Ólafur Ragnar Grímsson, refused to pass in to law at the start of January. After the latest government talks, Prime Minister Johanna Sigurdardottir and her Social Democrat colleagues reportedly refused all media interviews, and left the venue through the back door without further comment.

Tensions within the coalition have been growing for some time, and commentators have suggested that the government could fall. Should the referendum reject the bill, the government will be thrown into deep crisis.

Iceland continues to face the real possibility of a state default. International Monetary Fund estimates put state debt as high as 300 percent of GDP, a sum which the organisation had previously identified as unsustainable. As Jon Danielsson of the London School of Economics wrote recently, urging a solution based on compromise, “Iceland is already just about the most indebted country in the world as a consequence of the crisis. The economy is in dire straits, but stabilising. If the Icesave repayments become too burdensome it may trigger a sovereign default of Iceland.”

A growing number of countries across Europe are facing a sovereign debt crisis, with calls from international finance capital for vicious spending cuts to be implemented in order to force working people to bear the cost for debts accrued by the financial elite.

Pressure is increasing for a resolution of the current dispute, with Standard and Poor’s indicating that it may follow Fitch in downgrading Iceland’s credit rating to junk status in the event a deal is not finalised before the referendum.

The IMF, which is leading a support package of \$4.6 billion (€3.41 billion) with a loan of \$2.1 billion, has delayed its review of Iceland’s economic progress, resulting in a hold-up of the latest instalment of its loan. The \$2.5 billion in support from the Nordic countries, while not formally linked to IceSave, is part of the IMF package and is also being withheld.

The resolution of the IceSave dispute has been further complicated by the collapse of the Dutch government. Although a caretaker administration has been established until fresh elections due in the summer, the new finance minister asked for some time to familiarise himself with the situation before making any public statement. The right-wing Liberal Party is expected to benefit somewhat from the collapse of support for Labour and the Conservatives, and it has taken an especially tough attitude towards the repayment of the Dutch loan.

Britain has continued its demand for Iceland to fully compensate the treasury to the sum of £2.3 billion (€2.6 billion), even though it has generally been acknowledged that the UK’s regulatory

framework was partly responsible for the operations of IceSave in the UK. When President Grímsson announced his intention to call a national referendum, Britain responded tersely, with Minister for Financial Affairs Lord Myners declaring that Reykjavik could face international isolation.

This danger was confirmed when the announcement that Iceland would begin accession talks with the European Union was received coolly in London. While noting that Britain would support Iceland's attempt to join the EU, a government spokesman pointedly added, "It's essential they meet their international obligations under the deposit guarantee scheme."

While the EU has been held up by some in Iceland as a way out of the current crisis, it is only necessary to note the demands currently being placed on Greece to dispel such myths.

Working people in Iceland face not only the demands of international financiers to meet their supposed obligations, but also their own ruling elite who are in the process of implementing massive spending cuts while fully compensating the very speculators who brought Iceland to the brink of economic collapse.

A recent comment from the Icelandic federation of employers denounced the government for failing to push forward with sufficient spending cuts. Complaining that rises in taxation had not been met with comparable spending reductions, the employers' group claimed that this was a breach of last year's "stability pact." In the pact, agreed last June with the employers' organisation and the trade unions, the government had pledged to make 55 percent of savings over the next three years in spending cuts and 45 percent in tax hikes. If such commitments are to be kept, spending cuts of 50 billion kronur (€287 million) would be necessary by 2011, a devastating sum for a country whose GDP does not even reach €10 billion.

Even before such cuts are enforced, social services in Iceland are under severe strain. Ten local authorities have been identified as facing serious financial problems, four of which have already sought assistance from and agreed to plans drawn up by financial regulators. The deficit in Alftanes, a municipality close to the capital, amounts to 2.1 million kronur (€12,000) for every resident.

At the same time, reports have emerged of huge payouts to those managing the assets of the failed banks that were bailed out by the government. According to statistics, the resolution committees of the old banks are earning anything from 3 to 5 million kronur per month. Gylfi Magnússon, the minister for business, claimed that it was necessary to proceed with caution on questions related to private wages. This unwillingness to take action comes from the same government that agreed with the trade unions last year to hold down their wage claims in the private sector until the end of 2010.

The financial collapse has already devastated ordinary Icelanders, as the value of the krona dropped dramatically, and unemployment rose sharply. Many have been forced to emigrate, which is considered one of the main reasons why the jobless level is not higher still.

The crisis has not prevented the financial elite from continuing to engage in speculative and criminal practices. The latest revelations concern several employees of the Straumur bank, who used their position to trade illegally in kronur by bypassing the currency

restrictions imposed in late 2008 to prevent the currency's precipitous decline. A total of 13 billion kronur were reportedly funnelled through one Swedish firm alone.

These latest developments underscore the inadequacy of simply opposing the IceSave deal and voting "no" in the upcoming referendum. While such sentiments on the part of ordinary working people are entirely legitimate, rejection of the IceSave agreement will not halt the onslaught on the living standards of the working class that is being prepared.

One need only examine the leaders of the "no" campaign, grouped in the InDefense organisation. With close links to the right-wing Independence and Progressive parties and to the indebted banks, their call for a "no" vote is made on an explicitly nationalist basis to pressurise global financiers into making concessions to Iceland's bankers and Reykjavik. That is why they have separated entirely the IceSave issue from the general debt crisis confronting Iceland, raising no opposition to the spending cuts already imposed and the massive bailouts handed to the failed banks. Well aware of the crisis which the current coalition faces, some have no doubt concluded that a defeat in the upcoming referendum would pave the way for the assumption of power once again by an openly right-wing administration led by Independence and its traditional partners in the Progressive party.

To prevent this, working people must advance their own independent alternative. Starting with the rejection of any obligation to cover the debts of a handful of speculators, they must seek to unite their struggles with working people internationally, who in all countries are being confronted with the demand for sacrifice to compensate the financial elite. This urgent task can be accomplished only on the basis of a socialist programme.



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