

Iceland: Overwhelming rejection of Icesave bill in national referendum

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Saturday's referendum in Iceland on whether to accept a deal to pay back nearly €4 billion to Britain and the Netherlands resulted in a massive "no" vote. More than 90 percent of the electorate voted the proposal down, with only 1.5 percent in favour. There were more blank ballots cast in the referendum than votes in favour of the proposal.

The referendum concerned demands by Britain and the Netherlands for the full repayment, with interest, of the monies the two countries paid out to depositors in the Icesave online bank which collapsed in 2008.

Anticipating such a defeat, politicians in recent days had been playing down the significance of the vote, claiming that the deal on which the referendum was based had been superseded. Prime Minister Johanna Sigurðardóttir labelled the proposal an "orphan law" and refused to cast a ballot. She insisted that negotiations with Britain would recommence as soon as possible to arrive at a new agreement. Answering speculation that the defeat would destabilise the governing coalition she declared, "This has no impact on the life of the government. Now we need to get on with the task in front of us, namely to finish the negotiations with the Dutch and the British."

Steingrímur Sigfússon, the finance minister, agreed and stated that the result of the referendum was irrelevant. "We want to be perfectly clear that a 'No' vote does not mean we are refusing to pay. We will honour our obligations," he commented.

Given that less than 2 percent voted yes, Sigfússon made the truly remarkable statement that, since negotiations with London and Amsterdam had moved beyond the original offer, "a surprising number of people said yes".

Even President Ólafur Ragnar Grímsson, who vetoed the legislation in January and brought about Saturday's vote, was keen to emphasise that the mass opposition did not meant a rejection of taxpayers covering debts caused by the speculative practices of the financial elite. He told the BBC, "The referendum was not about refusing to pay back the money. The referendum was about doing it on fair terms."

In reality, the overwhelming majority of the Icelandic population made clear their hostility to a bailout of the financial establishment. One woman speaking to the BBC said, "I think it's the same kind of message that people all over the world would like to give to their government about the bailouts. We don't want to pay for a system that isn't working."

Another voter added, "I think what has happened is that people are not willing to accept being put in to any sort of debt slavery."

Earlier in the day, several hundred protesters gathered outside the parliament building in Reykjavík, with chants of "Icesave, no, no, no!"

Ruling circles internationally, who greeted Grímsson's veto in January with fury, are responding with increased concern to developments in Iceland. Their fear is that the rejection of a deal over Icesave could set a precedent for opposition movements to develop across Europe. As Rowena Mason wrote in the British *Daily Telegraph*, "On Saturday Icelanders became the world's first rebels against the idea of clearing up after the mess made by a reckless private bank. This popular insurrection has been watched anxiously by the governments in Greece, Ireland, eastern Europe—and even Britain—concerned that this defiance could become contagious."

Icesave has focused public anger on a government which, like its counterparts, has worked tirelessly to impose the burden of the financial crisis on to the backs of working people. Brought to power last spring on a wave of opposition to the right wing Independence party, the Social Democrat-Left Green coalition has handed out billions of krónur to the failed banks while preparing similarly large spending cuts on social services. Tax rises are also being implemented to boost state funds.

The Social Democrats have suffered the most as a result, with the latest polls showing the party falling to third place behind the Left Greens and the Independence party. Sigurðardóttir's refusal to vote in the referendum and her assertion that it was not important has created considerable

anger.

Although the Left-Greens appear to have gained in opinion polls at the expense of the Social Democrats, the party is divided over Icesave. Several leading members opposed the vote in parliament which approved the original bill in December. The most high profile of these was ex-health minister Ogmundur Jónasson, who resigned his post last September over his disagreements. Sigfússon, in comments to Icelandic radio on Sunday, hinted that he had considered doing the same after President Grímsson vetoed the Icesave legislation in January.

Reflecting the mounting tensions within the coalition, political professor and Social Democrat supporter Eiríkur Bergmann Eiríksson described the government as “hanging by a thread” in the aftermath of the vote.

The growing mood of opposition to the bailout of the financial elite in Iceland is also expressed in a sharp rise in opposition towards the European Union. Whereas in the immediate aftermath of the financial crisis the population was split relatively equally, with 40 percent in favour, 40 percent against and the remainder unsure, EU membership is opposed by 56 percent of the population according to the latest poll.

This opposition is being driven by events internationally. The claim that EU membership offers a safe haven for Iceland is becoming threadbare, particularly as Brussels imposes brutal austerity measures on the people of Greece, with Spain, Portugal and Italy set to follow a similar path.

Britain’s chancellor, Alistair Darling, put on a brave face in the aftermath of the “no” vote, stating that he had always understood that it was likely to be “many, many years” before the £2.3 billion owed to Britain would be repaid by “a small country like Iceland with a population the size of Wolverhampton” and that the Brown government was prepared to be “flexible” on the “terms and conditions and so on”.

Behind such softly-softly language, there are threats that the “no vote will lead to further isolation for Iceland. The International Monetary Fund has indicated that the remaining installments of its \$2.1 billion loan will not be disbursed until Icesave is resolved. The Nordic countries, which have pledged a further \$2.5 billion in support, have followed suit. The hold-up will have major consequences, with estimates suggesting that GDP could contract by 5 percent this year if the additional funds are not made available, rather than the 3 percent anticipated earlier.

While working people in Iceland have taken an important stand in opposition to paying for the debts of the financial elite, the “no” vote is insufficient. As government representatives have already indicated, they will seek to arrive at a new deal with Britain and the Netherlands as

quickly as possible in the hope that this can be presented in a more favourable light to the electorate.

More significantly, Icesave forms only a small proportion of the total debt which confronts the state, which is estimated to be as high as 300 percent of GDP. Those parties which have led the calls for a “no” vote, particularly Independence and the Progressives, have raised no concerns about the massive sums which have been handed out to Kaupthing, Landsbanki and Íslandsbanki to allow them to recommence their speculative practices. On the contrary, the right-wing character of the opposition parties is clear.

It was a coalition of the Independence and Progressive parties between 1994 and 2007 which laid the basis for the vast expansion of the financial sector through the privatisation of the banks at the beginning of the 2000s. Their latest calls for a rejection of Icesave, which have been championed by the InDefence movement, have been based on explicitly nationalist appeals. Some figures have also indicated that they may be willing to come to an agreement with Britain and the Netherlands, with Progressive Party leader Sigmundur Davíð Gunnlaugsson stating that if both countries wanted to reach a solution he would support helping them to do so.

Working people in Iceland must make the rejection of the Icesave terms the starting point for a political struggle against all of the established parties. They must seek to unite their struggles with those of working people throughout Europe and internationally, who are all faced with the consequences of massive bailouts for the banks and threatened with deep spending cuts by governments of the so-called “left” and right.



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