

Iceland voters reject IceSave agreement

Jordan Shilton
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In a national referendum last Saturday, a large majority of Icelanders opposed being made responsible for the repayment of billions of euros resulting from the collapse of the country's banking system in 2008.

Nearly 60 percent of voters said no to an agreement which would have seen the state assume responsibility for the debts of IceSave, which owes several billion euros to creditors in Britain and the Netherlands.

The referendum was held after President Olafur Grímsson refused to assent to a parliamentary bill passed overwhelmingly in February. Mirroring his response to an earlier negotiated settlement last year, Grímsson called a national referendum.

The outcome of the vote threatens further instability for the ruling Social Democratic-Left Green coalition, which has held power in Reykjavík since winning elections in 2009. Recent months have seen increasing uncertainty over the government's ability to control a majority in parliament, with two members of the Left Greens resigning the government. The coalition headed by Prime Minister Johanna Sigurdardóttir is deeply unpopular thanks to its implementation of severe spending cuts and acceptance of an austerity programme dictated by the International Monetary Fund (IMF). The budget for 2011 passed in December last year contains proposals for over 200 million euros in cuts, a substantial sum in Iceland where annual Gross Domestic Product (GDP) is less than 10 billion euros.

The opposition responded on Wednesday by submitting a vote of no confidence in the coalition, which currently holds a majority of just two in the 63-seat parliament. The move came as speculation grew that the right-wing Progressive party could reach an agreement with the Social Democrats and Left Greens to strengthen the coalition.

With the announcement of a no-confidence motion by the conservative Independence Party, the largest

opposition grouping, Progressive leader Sigmundur Davið Gunnlaugsson rejected any claim he was about to join the government and pledged to support the no confidence bill.

Although the motion was narrowly defeated, another Left Green member withdrew his support from the coalition, stating he intended to resign from the parliamentary group. As further unpopular measures are implemented, the instability of the government will be exacerbated.

Discussions have been underway for some time regarding the possibility of an alternative government that could act more decisively. With the whole of the political elite in agreement that severe spending cuts must be made, talk of a national unity coalition has been circulating. Prime Minister Sigurdardóttir has already held meetings with the opposition parties in order to reach agreement on the measures to be taken.

Outside Iceland, the results were greeted with anger and contempt. Credit rating agencies have made clear that Iceland faces the prospect of having its bonds downgraded to junk status if it does not assume liability for the bank debts. Iceland's accession to the European Union (EU) could also be threatened, since progress to membership requires the agreement of all 27 member states including Britain and the Netherlands.

Both British and Dutch politicians have threatened to take court action to force Icelandic tax-payers to foot the bill for the debts of the failed banks. Britain's Treasury Secretary, Danny Alexander, declared on Sunday, "We had an obligation to people in this country who'd saved with those banks. We have an obligation now to get that money back and we will continue to pursue that until we do. There is a legal process going on and we will carry on through these processes."

Dutch finance minister, Jan Kees de Jager, was more blunt, stating, "The time for negotiations is over.

Iceland remains obliged to repay. The issue is now for the courts to decide.”

The concern in ruling circles is that for the first time since the economic crisis erupted, the attempt to make ordinary people pay for the gambling debts of the financial elite has been rejected. Ordinary Icelanders have shown that they will not accept these demands. If it is possible for a country, even one of Iceland’s small size, to refuse to cover the debts of one institution, what message does this send to working people across Europe who are being forced to endure billions of euros in savage spending cuts to bail out the financial elite?

Despite the vote, there is a high likelihood that the sums of money owed to both governments will be regained through the sale of the remainder of the assets of the collapsed banks. Landsbanki, which controlled IceSave, has announced that it believes that upwards of 90 percent of outstanding debts could be re-paid in the coming years, with a third paid within the next few months.

Opposition to the repayment of the banks’ debts is being strengthened as yet more revelations emerge regarding the criminal behaviour of the financial and political establishment in the lead up to and during the collapse of 2008. Former Independence Party leader and Prime Minister Geir Haarde is being prosecuted for negligence, and last month a court order was obtained to allow access to his email communications.

Last April’s “black report” uncovered widespread corruption and criminality throughout the political and financial elite in the period leading up to 2008. This includes president Grímsson, who, notwithstanding his attempts to portray himself as a champion of ordinary Icelanders by calling for national referenda, played a key role in boosting the reputation of the three main banks abroad. The report contained over 3,000 pages of evidence against some of the most prominent figures from finance and politics.

Within the past month, several sentences have been handed out to former top executives in the failed banks. On March 24, Kaupthing executives were given six month prison terms, and on April 7, Landsbanki officials and a former permanent secretary in the department of finance were sentenced for insider trading.

Investigations are also on-going in Britain, with the detention last month of billionaire brothers Vincent and

Robert Tchenguiz, both of whom were implicated in the collapse of Kaupthing. Britain’s Serious Fraud Office (SFO) have also conducted raids on offices in Luxembourg in connection with the downfall of the bank, which was formerly Iceland’s largest.

In spite of such individual prosecutions, the financial and political elite as a whole are in no way being held accountable for their crimes. All three institutions were granted vast sums of money from the government in Reykjavík to allow them to continue in business, and with much of the debts from Kaupthing and Glitnir transferred on to the state these institutions have been re-branded and allowed to re-commence their speculative activities.



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