

# Iceland's former prime minister acquitted over role in financial crisis

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Last week, Iceland's high court, the Landsdómir, acquitted ex-Prime Minister Geir H. Haarde of all major charges in the case brought against him over his role in the 2008 financial crisis. The crisis led to the collapse of the country's three main banks in a matter of days, as the economy entered a deep recession.

On three out of the four charges against him, Haarde was found not guilty. The court judged that he had done all he could to urge the banks to reduce their exposure to foreign debt, that he had not been negligent by failing to react to the danger of a financial crisis, and that he could not be held responsible for having failed to compel the banks to transfer the liabilities for foreign deposits in savings accounts to subsidiaries based in other countries. The only count on which he was found guilty was the token charge of failing to organise a sufficient number of cabinet meetings to discuss the issue of the financial crisis.

The court indicated its approval of Haarde's activities, declaring that he would face no punishment. The judges ruled that his legal expenses for the trial would be borne by the state.

If anything, Haarde emerged strengthened politically from the process. He told the Daily Telegraph, "I'm proud of the way we handled the crisis. We did not guarantee the external obligations of the banks, which made us unpopular with creditors, and there are lots of court cases currently taking place. But we protected individuals, and we protected our domestic banking system."

In reality, the policies initiated by Haarde and continued by the current coalition have placed the full burden of the economic crisis on to working people while the banks have been fully compensated. Due to its small size, Iceland was in no position to fully guarantee the debts of investors. But these debts are

being repaid with interest over a longer time frame. Moreover, the deep attacks on social spending launched in collaboration with the International Monetary Fund (IMF), in return for a \$10 billion support package to Reykjavík, has facilitated the transfer of vast resources from public spending into banks which have been fully recapitalised.

From the start, the investigation into Haarde's activities was to prevent an examination of the responsibility of the political elite as a whole in bringing about the financial collapse. Last October, two further charges initially filed against Haarde, that he had "neglected his Prime Ministerial duties" and that he had failed to ensure that the government had adequately studied the risks facing the banks, were dismissed.

This narrowed the focus of the trial as much as possible, with the result that it only considered the actions of Haarde between February 2008 and October 2008. In this way, the more fundamental issues which led to the Icelandic crisis, including the privatisation of the banks in the late 1990s and 2000s, the deregulation of the financial sector, and above all the largest international crisis of the capitalist system since the great depression of the 1930s, was excluded from the trial.

Current Prime Minister Johanna Sigurðardóttir stated at the conclusion of the trial that she was "relieved" the process was over, and that she had never believed in bringing Haarde to trial in the first place. Sigurðardóttir was herself a member of Haarde's government during the crisis period, as minister of social affairs. She has instead focused on the trial of several former leading Kaupthing bankers which is currently on-going.

As with her other Social Democratic colleagues who participated in that coalition, she has not faced any

examination of her actions during the financial crisis. As for Haarde's own Independence Party colleagues, no charges have been brought.

A major share of the responsibility for this state of affairs lies with the pseudo-left that currently sits in government with the Social Democrats. The Left-Green Movement has been at the forefront of pushing for the prosecution of Haarde, while covering for the role of the Social Democrats. Party leader Steingrímur Sigfússon has stated that the trial was a necessary part of a national reconciliation in the aftermath of the crisis. He told the Financial Times recently that the Haarde trial was "one of the big things that needs to be dealt with... before the country can return to normal."

Sigfússon and his Left Green ministerial colleagues came to power on the basis of claims that the 2008 collapse would be thoroughly investigated and that all those responsible would be held to account. Three years later, together with the Social Democrats, the Left Greens have presided over the re-establishment of the financial institutions that brought about the crisis through their speculative and criminal activities.

Haarde's acquittal proves that the promise to hold those responsible to account was little more than hot air, employed by the Left Greens to bring the popular mass movement that developed in the wake of the banking collapse back in to safe channels.

The "normal" conditions desired by Sigfússon are those under which the banks can go about their business without the threat of social upheaval. He is currently holding meetings with foreign investors with a view to issuing long-term government bonds later this year, in what will be only the second auction since 2008. This has been made possible by the upgrading of Iceland's credit rating from junk status to investment grade by the major credit rating agencies. Explaining its decision to do so in February this year, Fitch declared that Iceland had shown a commitment to "structural reforms" which had stabilised the economy.

The Left Greens have played a critical role in the implementation of such policies, presiding over cuts to social spending and the bailout of the failed financial institutions. The consequences of such policies have been devastating for workers and their families. The currency is down by over 90 percent, average household purchasing power has fallen by over 30 percent, and the Krónur is only protected from

complete meltdown by capital controls which prevents investors from withdrawing money from the country. The large number choosing to emigrate is the only reason that unemployment figures appear comparatively low at around 7 percent.



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