

Anti-government sentiment dominates elections in Iceland

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Elections in Iceland this weekend are likely to see a massive anti-government vote, putting an end to four years of rule by the Social Democrat-Left Green coalition that came to power in the aftermath of the 2008 economic crisis.

The latest polls show a dramatic decline in support for both parties, with combined backing falling below 20 percent. In contrast to the 29 percent they received in 2009, the Social Democrats have been polling between 10 and 13 percent. The Left Greens, having won 21 percent of the vote in 2009, have fallen to single digits in today's polls. According to one tally, they would be unable to garner the 5 percent necessary to clear the hurdle for entry into parliament.

Collapse in support for the coalition reflects the anger felt by working people towards Jóhannah Sigurðardóttir's government. The Social Democrats and Left Greens have ensured that ordinary people have borne the brunt of the costs of the economic crisis, while the financial elite, which helped bring about the collapse with their speculative and criminal activities, have been compensated.

When the Social Democrats and Left Greens won the parliamentary election in April 2009, mass protests in Reykjavík had driven the previous government from office. Independence Party prime minister Geir Haarde had been in a coalition with the Social Democrats since 2007, which oversaw the takeover of the collapsed banks by the state and the negotiations of a bailout with the International Monetary Fund.

The Left Greens channelled the popular movement behind the coalition they built with the Social Democrats, claiming the coalition would fight for "democracy" and a full accounting of the crisis and all those implicated in it.

The policies followed by the coalition have brought

about a social catastrophe for working people. Purchasing power has collapsed, with the value of the krona having fallen substantially. When inflation is taken into account, at 4 percent annually, estimates suggest that ordinary Icelanders have seen their purchasing power fall by more than a third since 2008.

The devaluation of the currency has led to a massive rise in household debt. The government has cut spending sharply, reducing the budget deficit from 14 percent of GDP to just 2 percent in less than four years. As a result, between 2008 and 2012, the risk of poverty climbed by more than 50 percent—from 24 to 38 percent.

The impact of these policies has led to mass emigration. Since the crisis, Iceland's population has fallen by around 7,000, or more than 2 percent. This is the only thing holding unemployment figures at the comparatively low rate of 5 percent.

In contrast, proceedings were launched only against a number of individual bank executives targeted as "bad apples". When Haarde faced trial, he was acquitted of all major charges and his legal costs were covered by the state, even though he was prime minister in the period leading up to the crash and finance minister when the major banks were privatised. Instead of holding him to account, the trial offered him a platform to justify his role in the events of 2008.

The three banks that collapsed in 2008, Kaupthing, Landsbanki and Glitnir, were re-branded and fully capitalised by the state so that they could resume their activities. On April 11, *Bloomberg* reported that in its latest move to reimburse creditors of the old banks, the state had acquired a further 18 percent in one of the new banks by offering a bond of \$777 million. This will continue to ensure the flow of capital to the banks and hedge funds.

The rehabilitation of these institutions has come at considerable cost. An OECD study concluded that only Ireland had spent more as a percentage of GDP to rescue its banks than Iceland. An assessment by two Icelandic economists calculated that up to 25 percent of GDP had been spent on refinancing the banks.

This took place in opposition to the wishes of the vast majority, who when given the opportunity voted decisively against bailing out creditors of the banks. In two separate referenda, voters decisively rejected terms for the repayment of billions of euros in debts from the old banks, even in the face of almost universal support within the political elite.

The Left Greens and their supporters internationally continue to play a critical role in presenting this right-wing record as a progressive and even alternative “model” of crisis management. As states across Europe have imposed brutal austerity to pay for the bailout of the banks, Iceland has been held up as proof that other options are available.

The huge decline in support for the government, brought about by its anti-working class policies, exposes the dishonesty of such claims.

The undeserving political beneficiaries of the social disaster that has deepened under the current government are the right-wing Progressive and Independence parties, who formed a coalition together from 1995 to 2007 and played a leading role in the privatisation and deregulation of industry in the lead up to the crisis. They are the traditional parties of rule for Iceland’s bourgeoisie. One or both of them have been in power for 63 of the 69 years since Iceland gained independence from Denmark in 1944.

Sigmundur Davíð Gunnlaugsson, the leader of the Progressives, has led a populist campaign against the government, which has helped boost the party’s support. He has pledged to write down household debt by imposing taxes on foreign creditors. He won some public sympathy for his opposition to the IceSave deal, which would have seen the state reimburse Britain and the Netherlands for several billion euros of lost deposits in the failed bank. The repayments were supported by the rest of the political establishment. However, in January, a European court ruled that Iceland should not be made responsible for the full costs.

Gunnlaugsson has also been able to exploit the justified hostility of the population towards the

European Union (EU), which is also opposed by a section of Iceland’s ruling elite from a nationalist standpoint and out of a desire to maintain their own currency. The Social Democrats and Left Greens have firmly supported EU membership and have successfully completed most of the negotiations to join. The devastating social counter-revolution imposed on workers across the continent has seen support for the EU sharply decline.

Should his party come to power, Gunnlaugsson has indicated his intention to cut taxes for the wealthy and lift the capital controls that currently remain in place to protect the kronur from meltdown and a massive outflow of capital. This could provoke a renewed crisis.

The support for the Progressives is by no means secure. The events of the past five years have seen the political elite as a whole discredited, as shown by a recent poll in which only 10 percent of the population said they trusted parliament. This has led to splits within the major parties and the emergence of new formations seeking to capitalise on the widespread discontent.

Among the 15 parties that will contest the election are “Bright Future”, a split-off from the Progressives, and “Rainbow”, formed by several disaffected Left Green members who left the government.



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