

Governing coalition suffers huge losses in Iceland

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Voters in Iceland have inflicted a massive defeat on the Social Democrat-Left Green coalition that has ruled the country for the past four years. The two parties lost more than half of their support, as their combined total votes barely surpassed 20 percent.

The Social Democrats, who received 29 percent of the vote in 2009, saw their support fall to just 13 percent. The Left Greens, who obtained 21 percent of the vote in the last election, crashed to 10 percent.

After being elected as a supposed alternative to the Progressive and Independence parties, the Social Democrats and Left Greens have handed power back to the former by continuing the same right-wing policies.

The Social Democrat and Left Green government sought to place the full burden of the economic crisis of 2008 on the backs of ordinary Icelanders, while recapitalising the discredited financial institutions. Glitnir, Kaupthing and Landsbanki, the banks that collapsed the economy in 2008, have been rebranded and are back to business as usual, an achievement the International Monetary Fund (IMF) last year described as “impressive.”

The price for this has been paid by working people. The last four years have witnessed an explosion in the level of private household debts, as the value of the krona has dropped by more than half. For many who borrowed money linked to foreign currencies prior to 2008, this has resulted in a doubling of their debts. Prices for basic living costs have increased at a similar rate, driving up poverty levels.

The coalition attacked social welfare, cutting spending on health care, education and social services to the bone. In an interview with Germany’s *Sddeutsche Zeitung*, former finance minister and Left-Green leader Steingrímur Sigfússon summed up the government’s policies, commenting, “I was finance

minister during three horrible years, and I was always cutting spending and increasing taxes. It was clear that this was not going to be popular, but I thought the people would understand it better.”

One Icelander who spoke to the British *Independent* expressed the anger of many at the government, commenting dryly, “Okay, so there’s been a car crash. But then the government has come along and shot dead the survivors.”

The victorious Progressive and Independence parties both played a leading role in the period prior to the 2008 crash and have also not recovered from this. In fact, a dominant feature of the election results was a rejection of all of the main parties. Whereas the Social Democrats, Left Greens, Independence Party and Progressive Party received more than 90 percent of votes in 2009, this fell sharply to just 74 percent on Saturday. This was the lowest level of support for the four parties since 1987. Around 10 percent of the vote went to parties that will not be represented in parliament, since they did not obtain 5 percent of the overall total. Voter turnout was the lowest since Iceland’s independence in 1944.

The Independence Party, which received the largest share of the vote with 26 percent, only succeeded in beating its worst-ever result in 2009 by 3 percentage points. The Progressives managed to secure a 9.6 percent increase from 14 percent to 24 percent, thanks primarily to their opposition to the European Union and calls for debt relief for households.

Immediately after the vote, it was already clear that the pledge to significantly relieve struggling households from the debt burden was an election promise that will be quickly forgotten. Independence leader Bjarni Benediktsson, the likely new prime minister, remarked of the Progressive proposal, “We

don't make proposals unless they can be carried out and when we put forward proposals we are going to see them through."

The plans being drawn up by Benediktsson and Independence, who will almost certainly form a coalition with the Progressives, are for a continuation of austerity measures and tax cuts. Both parties won 19 seats, meaning that they would enjoy a comfortable majority in the 63-seat parliament.

The new coalition will look to lift capital controls in order to encourage growth in inward investment. The maintenance of the controls, imposed by the Independence-Social Democrat coalition that ruled between 2007 and 2009, has ensured that between €6 and €7 billion of capital remained within Iceland. This has helped the new banks to once again return to profitability, but there are fears that the removal of controls could provoke capital flight.

The capital presently frozen in Iceland amounts to two thirds of its GDP. Foreign investors have used this capital to invest in property, which has resulted in price rises in the region of 40 percent since 2010.

The Progressive Party-Independence Party coalition will take a harder line towards Iceland's accession to the European Union (EU), negotiations for which began under the outgoing government. Nationalist opposition to EU membership is driven largely by the powerful fishing industry, which is concerned about the likely loss of control over fishing rights to Brussels. The fisheries sector accounts for 10 percent of Iceland's economic output and more than one quarter of its total exports. Opposition is also based on concerns within ruling circles about the stability of the euro as an alternative currency.

The economic and social crisis that has deepened across the continent, as the Social Democrats and Left Greens proceeded with negotiations, has seen opposition to the EU increase to two thirds of the population. Working people justifiably view EU membership as a means to further undermine their living standards.

Two smaller parties gained from the decline in support for the political establishment, but neither of these organisations offers a genuine alternative. "Bright Future", formed by rebel MPs from the Social Democrats and Progressives, supports membership in the EU and has made no criticism of the outgoing

government's austerity measures. It achieved 8 percent of the vote and will be represented with six MPs in parliament.

Bright Future is supported by Reykjavik's mayor, Jón Gnarr, and his Best Party, which has gained notoriety for unconventional stunts and protest actions. Gnarr turned up to vote on Saturday in fancy dress. But as mayor of the capital city, he has forced through austerity budgets in line with the plans of the government.

The Pirate Party, led by Birgitta Jónsdóttir, managed to surpass the 5 percent hurdle with 5.1 percent and will have three MPs in parliament. Like its sister organisations across Europe, it focuses almost exclusively on questions of freedom of information and open access to the Internet, making no reference to social and economic conditions.

That the Pirates pose no threat to the political establishment is confirmed by the political record of Jónsdóttir herself. She supported Julian Assange and Wikileaks before playing a leading role in the Movement, a new party that emerged out of the popular protests in 2009 and entered parliament at the last election. But this organisation, which made no challenge to the existing setup and backed EU membership, quickly lost support within the population and will have no representation in the new parliament.



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