

German Left Party, Marx 21 group praise “Icelandic Model”

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3 May 2013

Certain events cast an especially harsh light on the class character of political organisations. The parliamentary elections in Iceland last weekend were such an event. The Icelandic electorate swept the nominally “left” government, a coalition of the Social Democratic Party of Iceland with the Left-Green Movement, out of office.

The ruling coalition gained just 23 percent support at the polls, less than half its vote in 2009.

The working class has rejected the austerity policies of the social democratic/Left-Green government, which placed the entire burden of the economic crisis on the population. At the same time, the anti-working class character of Germany’s Left Party and the Marx 21 group, a pseudo-left tendency inside the Left Party that maintains relations with Britain’s Socialist Workers Party and its International Socialist Tendency (IST) has been thoroughly exposed.

In the weeks before the elections, the Left Party and Marx 21 seized every opportunity to praise the policies of the Icelandic government. In numerous interviews and articles, they celebrated its leaders and the “Iceland Model” as an “alternative”, demanding an “Icelandic” solution for the crisis-ridden countries of Europe.

On March 20, the deputy chair of the Left Party, Sahra Wagenknecht, published a commentary entitled “Follow Iceland’s example! Put a stop to the speculators” in the Left Party-affiliated newspaper, *Junge Welt*. She wrote, “The fact...there are alternatives is shown by the example of Iceland. Its population has refused to shed blood for the debts of the banks. Foreign creditors have been left empty-handed, banks have collapsed, then been taken over by the state and faced micro-regulation. It would be good if this Icelandic solution was applied in Cyprus and other countries.”

In the *current* issue 2/of the magazine, Party parliamentary deputy Andrei Hunko also calls for “the Icelandic solution” as an alternative policy for Europe.

Hunko is positively effusive in answer to the question of whether the “Icelandic Model” has worked, saying, “Yes, in two ways. On the one hand, economically. After a temporary slump, the country’s economy has recovered in a relatively short time, and today stands on a stable basis. Moreover, it is a success for democratic culture.”

Then he claims: “At the same time, the then left government worked hard to uphold the relatively high level of the Nordic welfare state, that is, not to cut benefits. This is precisely the opposite of the current Troika policy,” referring to the austerity measures dictated by the EU Commission, the European Central Bank (ECB) and the International Monetary Fund (IMF).

The statements of Wagenknecht and Hunko are the lies of bourgeois politicians who represent the interests of big business and the banks and despise the working class. From the standpoint of ordinary working people, what has taken place in Iceland is not an “alternative” policy, but the salvation of the Icelandic banks at their expense.

In their four-year reign, the Icelandic Social Democrats and the Left-Green movement have restructured the Icelandic banking sector, which collapsed in 2008, with the help of the IMF. First of all, the failed banks Glitnir, Kaupthing and Landsbanki were taken over by the state and recapitalised. As in Greece and other crisis-ridden European countries, the Icelandic bank rescue was combined with a drastic austerity programme that has had catastrophic consequences for working class living standards.

To raise the gigantic sums needed to refinance the banks, the Icelandic government imposed swingeing cuts to public spending; the budget deficit was reduced from 14 percent of GDP to 2 percent in less than four years. According to an OECD study, with the exception of Ireland, no other country has expended such a large proportion of its GDP on rescuing the banks.

During the same period, wages in Iceland's public sector fell by 10 percent, and by 20 percent in the private sector. Unemployment rose from 2.4 percent in the year before the crisis to 7.4 percent three years later. In subsequent years, the only reason it fell to just above 5 percent was because more than 2 percent of all Icelanders have left the country due to the economic and social crisis.

The devaluation of the Icelandic krone by more than 50 percent, and the inflation this unleashed, has meant real impoverishment for the population. Household debt has increased dramatically, and consumer prices have exploded in just the last three years by 26 percent. The risk of poverty has increased from 24 percent to 38 percent.

One Icelander summed up the consequences of the politics of the social democratic left-green government in the British *Independent* as follows: "Okay, so there was a car crash. But then the government came along and shot all the survivors."

Wagenknecht's and Hunko's phrases about the "democratic culture" of a supposedly "left government" in Iceland that defends the welfare state have no basis in reality. They are lies that serve to obscure the class character of the "Icelandic Model", which the Left Party now wants to be imposed throughout Europe.

Only deeply reactionary forces could propagate political and economic concepts aimed at impoverishing the entire European working class. The glorification of the "Icelandic Model" by the Left Party and Marx 21 shows that these organisations have nothing to do with left-wing or socialist politics. They are right-wing bourgeois forces, which represent not the interests of the German and European working class, but rather those of German imperialism.

In reality, behind the slogans of an "Icelandic solution" and the fight against "speculators" stands the defence of the interests of German finance capital against its competitors in Europe. The restructuring of

the banks in Iceland (as well as in Cyprus) has produced a huge inflow of capital into Germany.

In its April 18 edition, the German weekly *Die Zeit* wrote: "Since governments and banks are faltering in Europe, Germany has become a giant magnet attracting capital from around the world. Among investors, the Federal Republic [of Germany] counts as one of the few places where savings are still safe."

There are very definite reasons for the support of the Left Party and Marx 21 for the "Icelandic Model". Like Germany's ruling elite, the privileged middle class layers, for whom the Left Party and Marx 21 speak, profit from the capital streaming into Germany, in the form, for example, of the extremely low interest rates on loans and mortgages. This is why they support the banking sectors of other European countries and the attacks on the European working class.

As the social crisis deepens, intensifying social contradictions throughout Europe, the Left Party and Marx 21 are springing to the defence of the increasingly aggressive assertion of German imperialist interests. With reference to Iceland, they also defend the plundering of Cyprus on behalf of German finance.

Hunko said: "Cyprus and Iceland are quite comparable. Iceland had become a massive banking centre in the early 2000s. At the high point of the crisis in 2008, the banking sector comprised nine times the gross domestic product—in Cyprus it is now seven times. By comparison: In Germany, the banking sector is three and a half times as large as the gross domestic product" (see also "Germany's Left Party defends the looting of Cyprus").

Workers in Germany must regard the call by Hunko and Wagenknecht for an "Icelandic solution" for Europe as a warning. The Left Party and Marx 21 are declaring that they will support similar cuts in Germany to those that have already been implemented in Iceland.



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