

## **Situation in Iceland - a report prepared for a meeting of activists and left green parties in Brussels 31. may 2011.**

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### **Introduction**

Two years ago, Iceland elected a new parliament or Alþingi, as a result of a people's revolt. The revolt was a spontaneous democratic popular reaction to the collapse of the banks and the de facto bankruptcy of the country. At the time it seemed destined to be an isolated incident, a rare occurrence in the history of Iceland and a unique upheaval in a developed European welfare society.

However, events have proved since then that the Icelandic revolt was only a harbinger, the first stirrings of what now has become an international democratic revolutionary movement of common people against the power of the financial oligarchy, represented by the IMF, the EU and USA, and against Empire, primarily represented by the military and political power of USA. Several of the themes prevalent in the Icelandic movement have since come to the fore both in the Arab revolutions and in the Spanish Democracia Real YA! movement. Primary among these are the demand for more democracy and the fall of dictatorships, and in Spain the demand for the wholesale reorganisation of democracy, with enormous dissatisfaction aimed at the current system of party politics. This system is experienced as being undemocratic, stale, static, unresponsive and entirely decadent.

This criticism is very familiar to Icelanders, as the political system, especially the political parties, have proved to be almost completely unresponsive to the demands of the population and unable to deal with the challenges the new world situation has brought to the fore. As a result the political parties have been stripped of their authority and support, with consistent high levels of abstention in opinion polls and the election of a joke party in the municipal elections of the capital, Reykjavík. A similar collapse of authority has been experienced by the official, non-web media and a yawning precipice has opened between the daily experience of common people and the world-view propagated by the media.

The difference between the Arab revolts and the European revolts is thus perhaps less than appears, despite the enormous difference of levels of violence and the existence of more or less long standing formal democracy in the European countries. That the European countries are democracies has in some ways proved to be a myth, as political power in these countries have proved to be completely enslaved by the power of international capital and the financial markets. There does not seem to be any will, interest or breathing space for the kind of economic policies that in other times and places has brought relief to societies ridden by crisis, financial collapse and speculation. The only recourse of the suffering populace has been to resort to popular movements demanding referendums on burning issues like the Icesave issue in Iceland. That these have succeeded is indeed positive, but a more coherent and constructive solution to the present crisis of the political and administrative system of Iceland and of Europe must be sought and found.

There has, remarkably, been no will at all to learn from the experience of countries such as Argentina, Malaysia and other countries that have rejected the advice of the IMF because of the gross errors and mistakes this institution made in the conduct of the Asian and Russian crisis of 1997, and of the Argentinian financial crisis 2001-2003. The IMF in conjunction with the EU blindly orders cuts and adversity in country after country, leading to a deepening and prolongation of crisis everywhere this remedy is applied. This applies to Iceland also, where cuts in state expenditure have been part of the IMF-led response to the financial collapse.

## **Interaction between activists and administration**

After the parliament elections in april 2009 a government of the traditional left parties took power. The interaction between the agents of the Icelandic revolutionary movement created between early October 2008-January 2009 and this government/administration has been of the utmost interest. A number of leaders appeared during the revolt, some of whom were elected to the Alþingi in April 2009, like Lilja Mósedóttir. Others of their number are active outside the Alþingi. The quite neoliberal economist Þorvaldur Gylfason, who somehow became a spokesman for a kind of a respectable wing of the revolutionary movement in Iceland, now heads the constitutional assembly, which is a result of the government meeting one of the core demands of the popular movement against the consequences of the financial collapse, the rewriting of the Icelandic constitution. The writer Einar Már Guðmundsson, whose inspirational addresses in Austurvöllur more or less kept the opposition against the old neoliberal government going in October and November 2008, has been on the board of Attac Iceland from the beginning in 2009, which was started as a direct consequence of the confrontation of the popular movement with the representation of international financial power, the IMF.

The "left" government that came to power in Iceland in april 2009 has in most fields been resoundingly at odds with the popular anti-neoliberal democracy movement, in almost all ways failing to cooperate with or meet the demands of the democracy movement. The democracy movement has sometimes and in some issues received the support of right wing politicians and right wing media, who regard the government as some kind of "left" government and would like to exchange it for a "right" wing government. This goes for the issue of the application for a membership of the European Union, and also for the issue of debts proposed by the Icelandic "left" wing government to be payed by Icelandic taxpayers, but which was the result of completely irresponsible financial projects, in Great Britain and Holland by the newly privatised Icelandic banks. As a "right" wing government would have no credibility or authority at all because of the leading role played by the right wing party in the debacle of Icelandic neo-liberalism, this has in reality played the de facto leadership of the opposition to the irresponsible policies of the left government into the hands of the democracy movement.

## **The disastrous policies of the "left" wing government in Iceland**

The "left" government in Iceland has completely failed to solve the practical problems of large parts of the population that appeared in the wake of the financial collapse because of the enormous increase in the burden of paying back bank loans. This increase was mostly the result of the collapse of the currency, its value plummeting by half, with loans obtained in foreign currencies doubling in

value, and a galloping inflation resulting in the increase in value of other loans because of their attachment to an automatic price index. This has again and again provoked outburst of frustration, most memorably in the pelting of the political elite at the opening of Alþingi with eggs and tomatoes by members of the public in huge demonstrations at Austurvöllur in the fall of 2010. This frustration continues unabated.

The "left" government has also completely failed to come up with any kind of solution to the problem of unemployment, a hitherto largely unknown situation in Iceland. It has slavishly adhered to the austerity program proposed by the IMF, and so the crisis has been prolonged and little relief is in sight. It has again and again refused to even look at solutions to these problems put forward by Lilja Mósesdóttir and other MP's from various parties, solutions that are based on the experience of Argentina and other countries who have confronted and successfully overcome similar situations.

The government has been instrumental in reorganising the banks that collapsed in 2008 using exactly the same neoliberal principles that proved so disastrous then. It is no wonder that the population expresses dissatisfaction with this state of affairs in any way it can, anywhere it can. The basic problem is the lack of clear and worked out alternatives to the current government and administration and its adherence to outdated ideas of economic governance, but these have to appear slowly and as a result of struggle, trial and error. The Icelandic democratic revolt is by no means over, it has kept on going far longer than anyone active within its organisations and networks ever expected. It achieved a decisive victory in march 2011 with the final rejection of the Icesave deal.

## **"The Icelandic Revolution?"**

Attac Iceland has during the winter been showered with questions about what many people in Spain, Portugal, France and elsewhere have seen as an "Icelandic Revolution" against neoliberalism. The perceived inspiration from Iceland has indeed been very visible in the Spanish democracy movement, and Attac Iceland is of course proud of the inspiration the efforts of Icelandic people to fight the adverse consequences of neoliberalist policies has given.

However, Attac Iceland has been reluctant to agree with the analysis that there has been an Icelandic revolution. There has been a toppling of government, but unlike Tunisia or Egypt there has been no victory in the sense that a dictatorship or oppressive system has fallen. The neoliberal order is in tatters, to be sure, but that was its own doing. And indeed, the neoliberalists are completely in power, ruling over the ruins, both in Iceland and Europe, in a quite unbelievable way, trying to rebuild what cannot be rebuilt, attacking along the way the populace with cuts in every social and official kind of service possible. The power of the Shock Doctrine is great indeed.

The democracy movement in Iceland has tried and hitherto failed to find a solution to the problem of viable alternative to the present system. There have been several propositions for a solution: calls for an emergency government outside of Alþingi, the parliament, also calls for the dissolution of the four party political system prevalent in Iceland, calls for a radical transformation of the political parties, with a democratic opposition being especially active within the left green party, and many other ideas have cropped up and are being discussed. This has now become a Europe-wide debate. How are the democratic, national, political systems of each country to be revitalized? Must not the financial controlling heights of the economy be wrought from the financial oligarchy, in order to give the political system some kind of leverage? The only solution seems a radical, democratic one, with the dictatorial power of the financial institutions abolished, the ideology that supports this power discredited and the power of decision moved to where it belongs, to the democratic institutions and movements of the common people.

## **Asphyxiation of society by financial markets, privatisation, etc.**

The best efforts of the good people elected to serve on the constitutional assembly in creating a modern, democratic constitution for Iceland will be of no avail if democracy is outlawed by finance. It results in a kind of asphyxiation of society by capital, which inevitably will lead to reactions by the majority of the population, as we have seen. In the end the neoliberal dream will defeat itself: it is

frought with contradictions it cannot solve.

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