



Written by [James Heiser](#) on January 5, 2010

Icelanders Resist Bailout Scheme

As reported previously, last year's financial meltdown in Iceland seemed in many ways to offer a summary of the worldwide economic crisis. Rampant speculation, massive deficit spending, soaring unemployment, bank collectivization, and various schemes that, to say the least, did not seem to be in the national interest, may take on different forms in different countries, but points of familiarity remain the same.



In Iceland, as in the United States, last year's financial crisis led to markedly leftward shift in the national government. In Iceland, [the left-of-center coalition](#) led by Prime Minister Johanna Sigurdardottir, which formed in the Parliament after the collapse of the more conservative Independence Party government, brought with it an internationalist agenda that has outraged a significant portion of the population.

As Iceland's economy began to collapse, UK Prime Minister Gordon Brown exploited "anti-terrorism" laws to seize Icelandic assets, and thus put pressure on the tiny nation of roughly 300,000 to pay for an exorbitant bailout for losses on investments in Icelandic banks. The new Icelandic government pushed for membership in the European Union as part of the supposed cure for Iceland's financial woes, and prepared to sacrifice the country's financial future through a commitment to capitulate to Brown's demands.

According to a report from Reuters (["Icelanders petition president to veto Icesave bill"](#)), nearly a quarter of Iceland's entire electorate has petitioned Iceland's President, Olaf Ragnar Grimsson, to veto the proposed bailout:

Earlier this week parliament approved the amended bill to reimburse Britain and the Netherlands for the amount, which was lost by savers in both countries in 2008 who deposited funds in high-interest "Icesave" online savings accounts.

But the president has yet to sign the bill into law and 56,089 people, who represent 23 percent of the island nation's electorate, have signed the petition, the organizers said.

"I consider it to be a reasonable demand that the economic burden placed on the current and future generations of Icelanders, in the form of a state guarantee for Icesave payments to the UK and Dutch governments, be subject to a national referendum," the text of the petition read.

InDefence, the group responsible for gathering the signatures, said the Icesave legislation



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represented a "huge risk" for Iceland's economic future.

"All projections based on realistic assumptions ... showed without doubt that Iceland would be unable to meet the payments stipulated by the Icesave loan agreements as set out in the disputed legislation," it said in a statement.

Passing the Icesave legislation would boost Iceland's hopes of swift entry into the European Union, but the deal is deeply unpopular with the Icelandic population.

Parliament approved the bill by a slim margin — 33 members voted in favor, with 30 voting against — and one junior government minister has resigned over the dispute.

Prior to its anti-bailout petition, InDefence protested Brown's misuse of the UK's antiterrorism laws with an "[Icelanders are not terrorists](#)" petition that has garnered 84,649 signatures as of this date.

According to a [press release](#) from InDefence,

The mood of the Icelandic people and parliament is defiant and resolute. They are not frightened by the blackmail tactics of British and Dutch governments and their improper use of the IMF and EU to coerce the Icelandic nation into accepting devastating economic burdens for the sins of a privately owned bank and the defective banking regulations of the EU. If the British and Dutch governments do not accept the reasonable preconditions set by the Icelandic parliament for a state guarantee of the Icesave loans, then the Icesave agreements will simply not come into force. This means that the British and Dutch governments will have to pursue their claims through Icelandic courts of law, at least in the first run. As far as Icelanders are concerned, that is absolutely fine.

InDefence is also very quick to point out that a presidential veto of the Icesave bailout would not mean Icelanders were refusing to take financial responsibility for the bank's collapse. Instead, [InDefence declared on Monday](#):

Rather, a refusal to sign the new legislation would have the following implications. The government could either face a national referendum on the legislation or withdraw it. If the new legislation is either rejected in a referendum or withdrawn by the government, then previous legislation from August 2009 would remain in force. This older legislative bill outlines Iceland's reluctant agreement to cover the payment of the €3.91 billion needed to settle the Icesave dispute and sets out payment conditions that would protect the Icelandic state from bankruptcy.

It is also important to point out that the Icesave dispute is between the governments of Iceland, the United Kingdom and the Netherlands, not between Iceland and British and Dutch private Icesave account holders (as some journalists seem to think). Icesave account holders have already been paid well beyond the stated EU minimum guarantee of €20,887 by their respective governments. The reluctance of Icelanders to compensate the British and Dutch governments has two primary causes:

1. The unclear legal basis of the claims under the relevant EU directive and reluctance of the British and Dutch governments to have them clarified by the European Court of Justice.
2. The draconian nature of the proposed Icesave settlement and the preceding aggressive use of anti-terrorism legislation against Iceland by the British government. And the feeling that larger and more powerful European nations would have been treated in a very different manner.

A certain parallel between the efforts of InDefence and the "tea parties" in the United States is obvious.



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In both the United States and in Iceland, a significant issue at present is the role that the people will play in shaping the future of their respective nations. Clearly, a significant portion of the population in both nations are not content to simply acquiesce to the plans of the ruling parties; they recognize the danger that such financial recklessness poses to their futures as free peoples. In both situations, the future may rest with the ability of concerned citizens to help educate their fellow citizens and coordinate their response to the elites who are leading their nations into very uncertain futures.

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