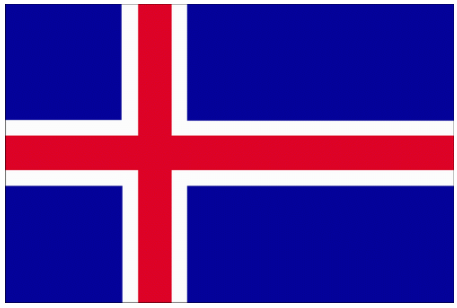

ICELAND'S ICESAVE REFERENDUM: A POSSIBLE OUTCOME SUGGESTED BY ELECTORAL PERSPECTIVE[1]

Francesco Rossi[2]

Abstract

The incoming Icelandic referendum (March 6th 2010) on the new version of "Icesave bill" offers a good chance to highlight the versatility of political science and of some of its numerous concrete applications. The approach chosen is an electoral perspective based on simple and intuitive postulates. Because of its political landscape, its social structure and its recent history, Iceland forms a "natural laboratory" for this attempt. At the end of this very empirical paper, a possible outcome of the referendum is suggested: that's not a prediction, but the climax of an entire theoretical-practical construction. Sometimes, as someone said, the path is more important than the destination. That's the case.

[1] This paper has been written between the 23rd and the 28th of February 2010.

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Introduction

The foremost aim of this paper is to demonstrate the great potential of the study of electoral processes and, as a consequence, of electoral systems, electoral history and electoral geography. In particular, in this case I will show how this potential includes the possibility of making forecasts (or, better, estimates) about the outcomes of various political events that are even only tangent to political elections.

It's almost obvious that a more direct analysis could be made through surveys, asking for opinions about this or that particular political event. But more "direct" doesn't mean more "accurate". In opinion polls we come across all the lacks of social statistics itself. Which sample group has been considered? Is it meaningful? How the interviewees have been approached by the interviewers? In which context? Can we extend that sample to the entire population? These are only few arguments that could be raised against the supposed "reliability" of opinion surveys.

On the contrary, the approach that I will follow, still far from being perfect, is primarily based upon certain elements: the election data. This statistical item is combined with an analysis of the main political actors taking part in electoral processes, namely political parties. To reach a plausibly conclusion, an accurate and comparative study of the historic, sociologic, economic and political context is also necessary. Indeed these analysis make the final result still imperfect (as always, in social sciences), even if (I think) more well-founded.

The road to referendum

Some years ago almost nobody paid attention to the fact that Iceland was a country that, accumulating vulnerabilities, was going ahead to the brink of bankruptcy. After years of unprecedented economic growth, the collective euphoria made (most) observers "forget" that the basis of that improvement was unstable or even absent.

Besides having a unique natural landscape, Iceland has also a unique political environment. An observer cannot understand what happened in this remote country in the last years without considering the Viking clan-like power structure that pervades all political institutions. Roger Boyes has even compared the most pronounced aspects of this structure to a mafia depurated from its (most) violent elements[1]. In the "land of ice" the party system, the media and the economic power have been (and still, are) strictly connected. It's very difficult or almost impossible to trace clear dividing lines between them. The control of many key sectors (for example, airlines, banking, pharmaceutical and food) lies in the hands of few people: the so-called oligarchs, which have wide connections with the political apparatus.

The fact that the term “oligarch” calls to mind the Yeltsin era in Russia is not accidental. Just like Moscow, Reykjavik had his own “shock therapy”. In this case, the name of the therapist was not Gajdar or Chubais but Oddsson, Iceland’s new Prime Minister in 1991. Davíð Oddsson, former mayor of Reykjavik from 1982 to 1991, considered himself the “Icelandic Thatcher” and started a wide privatization plan. His (laudable) project was to fight Icelandic chronic double digit inflation and to transform the country from a fish-based limping economy to a “new economy” based on well-advanced finance and new technologies: in other words, an economy capable of growing in a rapid and steady way.

The results were modest but still significant: from 1995 to 2004 (when Oddsson was succeeded by Halldór Ásgrímsson) the GDP growth had been of 3% on average. However, this is not the most important aspect for my analysis. More interesting is the fact that, with Oddsson’s rise, a shock in Icelandic power structure occurred. First of all, the Independence Party, the most relevant political actor since 1944 (when a four-day plebiscite terminated the union with Denmark and established the Republic of Iceland), obtained a Prime Minister after almost 10 years of control of the office by the enemy-ally Progressive Party (if we exclude the Þorsteinn Pálsson’s one-year premiership). Then, thanks to Oddsson, the so-called “Octopus”, an economic power group of tycoons (above all, Björgólfur Guðmundsson, now ex-chairman of Landsbanki) strongly linked to the Independence Party, returned to wield great influence on Icelandic political institutions. The third aspect is about the consequences of the privatizations started by Oddsson. As I’ve mentioned before, this (not always clear) process opened new opportunities and created a new class of oligarchs, some of them absorbed by the Octopus, others in open rivalry with it (this is the case, for example, of Jón Ásgeir Jóhannesson).

In the meantime, all the economic vulnerabilities of the country kept on worsening. It’s easy to understand how, in the context I’ve described above, the people responsible of monitoring the economic situation (at institutional and media level) just pretended, like in many other countries around the world, it was all ok. The power connections were too strong and the controllers got their positions only because the people who supposedly had to be controlled put them there. In the first years of the last decade, Iceland’s deficit problem persisted, while the weakness of the krona made the country very vulnerable to speculative attacks. In order to stabilize the krona, Icelandic authorities tried to obtain new foreign currency increasing interest rates. A vast carry trade phenomenon took place: international dealers borrowed money from low interest rate markets (like Switzerland) to invest it in Iceland in long term obligations. Enormous capital flows submerged a market of only 320.000 inhabitants. Icelandic banks, the hub of the Oddsson’s design, after having

expanded themselves unscrupulously in foreign markets, found their assets steeply blown up. In parallel, the risk of the collapse of the entire Icelandic financial system increased in a very dangerous way. At the time, Oddsson was Central Bank Governor (2005-2009). Truly speaking, his monetary policy didn't help the cause of stabilization at all: trying to cool the economy, the central bank raised interest rates, obtaining, because of new capital in-flows, the exact opposite effect. In the meantime, around the European Economic Area (European Union member States plus EFTA member countries except Switzerland) the little and aggressive Icelandic banks accumulated debts bigger than Iceland's GDP itself. Bailouts by Icelandic authorities were simply unthinkable. So, when in October 2008 Fitch rating agency expressed doubts about the sustainability of Iceland's sovereign debt, the country passed in one moment from euphoric expansion to deep depression.

The Icelandic meltdown, worsened by the effects of the global financial and economic crisis exploded in that same period in the United States, produced an obvious and historic "regime change" in Reykjavik. After 14 weeks of protests over the government's handling of the crisis, Geir Haarde (Independence Party) resigned as Prime Minister. After a temporary Social Democratic Alliance-Left Green Movement government, political elections were held on April 25th 2009. The interim coalition gained the consultation and Jóhanna Sigurðardóttir (Social Democratic Alliance), who was previously Minister of Social Affairs and Social Security under Haarde coalition government, became Prime Minister. The Independence Party, in power for 18 years, lost a third of its support and nine seats in Alþingi, the 63-seats unicameral parliament of Iceland (and one of the oldest in the world).

However, of course, the consequences of the Icelandic economic meltdown weren't only political. In October 2008 the three main banks in Iceland (85% of its entire banking system) collapsed immediately; Landsbanki (and its online bank, Icesave) was one of them. It soon appeared clear that the Icelandic Deposit Guarantee Fund, established under EU legislation to cover losses in the event of a bank failure, wouldn't have covered more than a little fraction of the losses incurred by Icesave depositors (among them 350.000 English and Dutch citizens). Here, the point was that EU passport rules for cross-border banking were ambiguous. The fact that the Icelandic Deposit Guarantee Fund contained barely 1% of total deposited funds was perfectly legal: in other words, EU rules didn't foresee a systemic banking crash. Then, EU rules neither said that, in the event of a failure, a privately-run bank deposit insurance scheme of a country became responsibility of the government of that specific country.

On June 5th 2009 bilateral agreements with the United Kingdom and the Netherlands were reached: the Icelandic Deposit Guarantee Fund would have taken a state-guaranteed loan from the two

countries to repay them £2.35 bn. and € 1.33 bn. respectively (in total, 40% of Iceland's GDP). The money would be paid back between 2017 and 2023, not to coincide with the repayments to the IMF for the loans received by Iceland during 2009. On August 28th the Alþingi approved (34-15, with 14 abstentions) the "Icesave bill". According to this bill, the repayments to London and The Hague (that had compensated their savers in full) would have been linked to Iceland's GDP growth. United Kingdom and Netherlands required that the unilateral preconditions of the parliament entered into the bilateral agreement scheme of June and, in the meantime, they continued to block payments of the second tranche of the IMF loan to Iceland. After amending the Icesave bill of August, the Acceptance and Amendment Agreements were signed on October 19th 2009. A "second Icesave bill", consistent with October agreements, was narrowly passed by the parliament (33-30, no abstentions) on December 30th 2009. President Ólafur Ragnar Grímsson refused to sign the bill immediately, asking for more time to consider it. Two days later, a petition bearing more than 56.000 signatures (25% of the Icelandic electorate) solicited the President of the Republic not to approve the bill. After few hours the signatures were 61.000. So, Ólafur Ragnar Grímsson announced his decision not to sign it and, according to Art. 26 of Icelandic Constitution, he called a referendum on the bill. While the three governments are still trying to negotiate new terms of agreement, Iceland's authorities have decided that the consultation will be held on March 6th.

What polls say

Browsing the Net, it seems like every observer has its own sources, its own data and its own surveys. Impressively, they differ from each other so much that it's almost impossible to trace a general trend in opinions. Someone talks about a 65% of Icelandic population that wants the new Icesave bill repealed, others talk about 80%. In January, a poll showed a majority would vote against the bill while a second one, by Capacent Gallup, showed a majority would vote in favour (53% against 41%). Another poll, by MMR for the newspaper Viðskiptablaðið, said that 70% is against the passage of the bill in this current form; few days later, the same polling firm had reported 58% [2].

This variation in results is the consequence of different statistic methods used and of different samples considered. Let's try to draw a well-founded estimate of the most probable result of the referendum, using a wider "electoral approach".

The electoral approach

If we assume a rational electorate, that is also the first pre-condition of our analysis, the initial (almost certain) data is that the minimum result of the "against-the-bill party" will be about a 27%. This corresponds to the 61.000 signatures gathered by the InDefence movement. It's obvious to consider that the people who signed in few hours the petition will confirm their orientation during the referendum.

The other pre-condition concerns the party system. As political science has always thought us, one of the main function of political parties is to simplify reality to the electorate; in other words, to thin down political choices and options. So, looking at the party system means setting our sights on the general political mood of the population and on its trends. If we pay attention to election results and if we combine these results with different disciplines like geography, history and sociology, we can obtain significant data about political cleavages[3], territorial distribution of political opinions, chronological variations of political positions in different social classes, etc. Moreover, if we consider a political system characterized by proportional representation (like in Iceland), we could also obtain relevant information looking at parliament itself and paying attention to the power relations inside it. Indeed, a proportional electoral law photographs the political landscape and transfers this picture in parliament. Besides, in order to balance the electoral weight of different districts of Iceland (having the rural ones greater representation per head than Reykjavik urban area), a 1999 Constitution amendment reduced from 8 to 6 the constituencies, making the entire system even more proportional.

Combining InDefence's 27% with our party approach, we encounter a first problem. What kinds of people shape the movement? Is it politically oriented? According to InDefence Official Site, "*The In Defence of Iceland (InDefence) group was established in October 2008 by several Icelanders who were shocked and dismayed by the actions of the British government against Iceland during the height of the financial crisis. The group's first action was to organize an online petition ("Icelanders are NOT terrorists") to protest against the use of Anti-terrorism legislation by the British government against Iceland (…) The goal of the InDefence group is to gather information, provide analysis and contribute to a balanced discussion of issues such as the use of the Anti-terrorism Act against Iceland and the resolution of the Icesave dispute. (…) The InDefence group consists of individuals who have one thing in common: a concern for the interests of Iceland. While the members of the group hold a broad spectrum of political views, InDefence is a strictly non-partisan organization*"[4]. So, if we can assume that 27% will be the minimum result against "Icesave

bill II", on the other side, in our approach, we can't use that number to try to figure out the final outcome of the referendum.

Instead, a first look on the last 2009 political election is a good point to start.

Fig.1

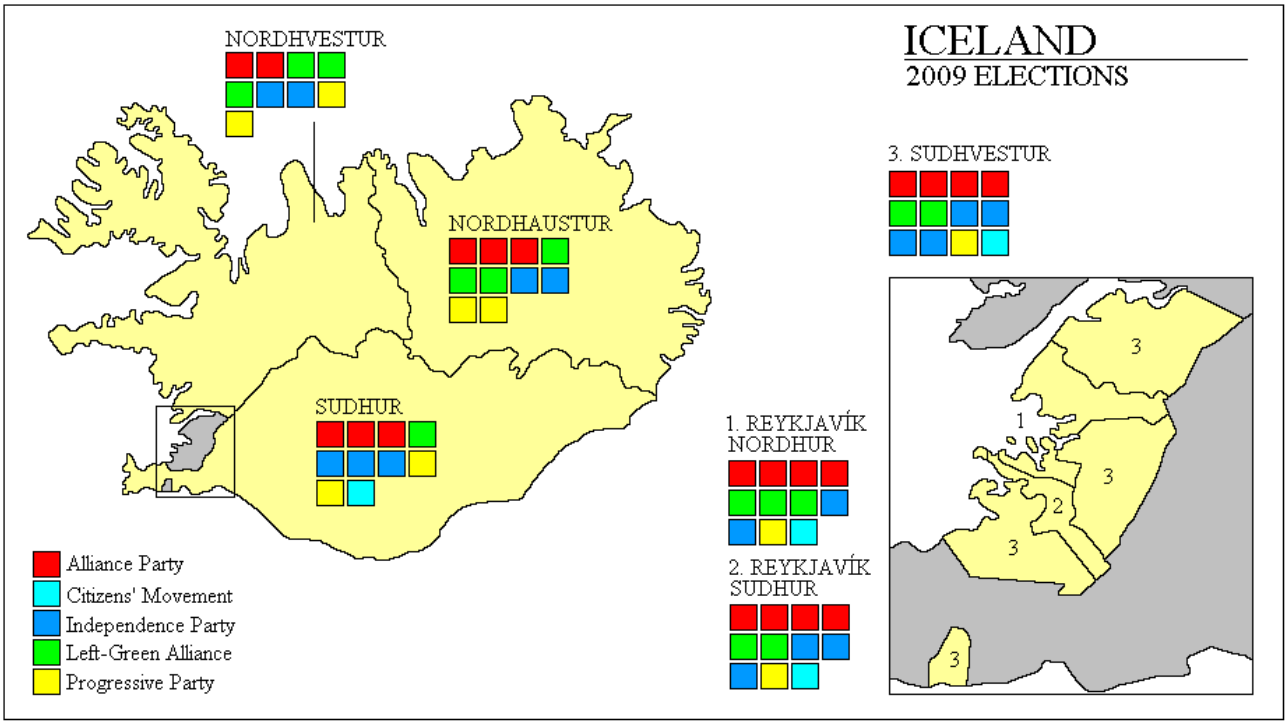
```
REPUBLIC OF ICELAND
LEGISLATIVE ELECTION OF 25 April 2009
=====================================================================
Election to the Althingi (Parliament)

Parties
---------------------------------------------------------------------
* Borgarahreyfingin (Citizens' Movement)
* Framsoknarflokkurinn (Progressive Party)
* Frjalslynda (Liberal Party)
* Lydhraedhishreyfingin (Democracy Movement)
* Samfylkingin (Alliance Party)
* Sjalfstaedhisflokkurinn (Independence Party)
* Vinstrihreyfing-Graent Frambodh (Left-Green Alliance)


NATIONAL SUMMARY OF VOTES AND SEATS
=====================================================================
Voters:                        227,896
Votes cast:                    193,934  85.1
Invalid votes:                   6,754  03.5
Valid votes:                   187,180  96.5
---------------------------------------------------------------------
Party                          Votes    %     Change       Seats
---------------------------------------------------------------------
Alliance Party                  55,758  29.8   +03.0       20  +02
Citizens' Movement              13,519  07.2                4  +04
Democracy Movement               1,107  00.6                -
Independence Party              44,369  23.7   -12.9       16  -09
Left-Green Alliance             40,580  21.7   +07.4       14  +05
Liberal Party                    4,148  02.2   -05.1        -  -04
Progressive Party               27,699  14.8   +03.1        9  +02
---------------------------------------------------------------------
Total                          187,180                     63
---------------------------------------------------------------------
```

[Source: http://psephos.adam-carr.net/countries/i/iceland/iceland2009.txt]

For the first time in its history the centre-right Independence Party finished second, behind the centre-left Alliance Party. This one could form a coalition government with the extreme Left-Green Alliance (20 + 14 seats). The right wing Liberal Party, which had based his electoral campaign focusing on fishing quotas issue (a topic that characterized for years Iceland foreign policy and its relations with Great Britain and European institutions), remained out of Alþingi. The same thing happened to Democracy Movement, a political party born in 1998, advocating direct democracy. The orange Citizens' Movement, a real meteor of Icelandic parliamentary landscape, gained 4 seats. This party, founded in the mood of 2009 economic crises, is no longer represented in Alþingi:

Þráinn Bertelsson is now an Independent member, while the other three representatives created a new party, Hreyfingin (*The Movement*). Finally, we have the centrist Progressive Party. Originally founded as an agrarian party (that, in Nordic tradition, means "centrist"), it has become more and more liberal (that, in this context, means "urbanized") along the years. Nevertheless, as Figure 2 shows below, its best results in 2009 election have been in the three rural subdivisions, where the party has gained two seats for each constituency. The Progressive Party has always been a fundamental political actor in Iceland. It has often joined government coalition with the Independence Party, even if sometimes it has looked at the left side. Despite the non-polarized nature of Iceland's multiparty system, the great political relevance of the Progressive Party lies in its centrism and, as a consequence, in its blackmail power[5]. This consideration doesn't mean that blackmail is always playable: as happened in last election, alliances by the centre-right or centre-left winning party are also possible with the extreme wings. The most relevant point is that a centrist ally takes away a potential ally to the other semi-centrist big party: that's why the Progressive Party has often been a key player in Iceland's politics.

Fig. 2



[Source: http://psephos.adam-carr.net/countries/i/iceland/icelandmapindex.shtml]

To highlight the most relevant trends of the electoral flows, let's take a look at the outcomes of the past three legislative elections.

Fig. 3

```
REPUBLIC OF ICELAND
LEGISLATIVE ELECTION OF 12 MAY 2007
====================================================================
Election to the Althingi (Parliament)

NATIONAL SUMMARY OF VOTES AND SEATS
====================================================================
Voters:                        221,368
Votes cast:                    185,071  83.6
Invalid votes:                   2,134  01.2%
Valid votes:                   182,679  98.8%
--------------------------------------------------------------------
Party                          Votes    %      Change     Seats
--------------------------------------------------------------------
Progressive Party              21,349  11.7    -06.0        7  -5
Iceland's Movement              5,953  03.3                 -
Independence Party             66,749  36.6    +02.9       25  +3
Liberal Party                  13,233  07.3    -00.1        4   0
Alliance Party                 48,742  26.8    -04.2       18  -2
Left-Green Alliance            26,136  14.3    +05.5        9  +4
--------------------------------------------------------------------
Total                         182,679                      63
--------------------------------------------------------------------
```

[Source: http://psephos.adam-carr.net/countries/i/iceland/iceland2007.txt]

Fig. 4

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REPUBLIC OF ICELAND
LEGISLATIVE ELECTION OF 10 MAY 2003
====================================================================
Election to the Althingi (Parliament)

NATIONAL SUMMARY OF VOTES AND SEATS
====================================================================
Voters:                        211.289
Votes cast:                    184,813  87.5%
Invalid votes:                   2,134  01.2%
Valid votes:                   182,679  98.8%
--------------------------------------------------------------------
Party                          Votes    %      Change     Seats
--------------------------------------------------------------------
Progressive Party              32,351   17.7   -00.7      12     0
Independence Party             61,575   33.7   -07.0      22    -4
Liberal Party                  13,470   07.4   +03.2       4    +2
Alliance Party                 56,552   31.0   +04.2      20    +3
Left-Green Alliance            16,104   08.8   -00.3       5    -1
Others                          2,627   02.0               -
--------------------------------------------------------------------
Total                         182,679                     63
--------------------------------------------------------------------
```

[Source: http://psephos.adam-carr.net/countries/i/iceland/iceland2003.txt]

Fig. 5

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REPUBLIC OF ICELAND
LEGISLATIVE ELECTION OF 8 MAY 1999
==========================================================
Election to the Althingi (Parliament)

Alliance is a coalition of:
* (Althydhubandalagith), People's Alliance, the former
   communist party
* (Althydhuflokkurinn), People's Party, the main social-
   democratic party
* (Samtok um Kvennalista), Alliance of the Womens List,
   a feminist party.


NATIONAL SUMMARY OF VOTES AND SEATS
==========================================================
Party                 Votes     %         Seats
----------------------------------------------------------
Progressive Party    30,415   18.4        12
Alliance             44,378   26.8        17
Independence Party   67,513   40.7        26
Left-Green Alliance  15,115   09.1         6
Liberal Party         6,919   04.2         2
Others                1,387   00.8         -
----------------------------------------------------------
Total               183,172               63
----------------------------------------------------------
```

[Source: http://is.wikipedia.org/wiki/Al%C3%BEingiskosningar_1999]

The last decade hasn't been good for the Independence Party [Fig. 6]. The general trend is quite clear: the party lost lots of votes in 2003 and even more six years later. In particular, it's very impressive how much, in 2009, the Independence Party has been punished by its centre-right electorate, which probably directed itself towards Progressive Party and (fewer) even towards Alliance Party (that was part of the coalition government). The most disappointed electors could also have brought their votes to the brand new anti-crisis Citizens' Movement. However, one thing is sure: Icelandic people know their own recent history quite well and have considered the party responsible for the financial crisis. Its entire background apparatus has been punished by the voters, first of all the obscure so-called "Octopus". More in general, it's the decline of an entire system of values (the "New Vikings") and of a precise political project with precise political ideas. The party, a catalytic force during the independence process from Denmark, is strongly nationalist. Nevertheless it has always been a great supporter of Icelandic membership of NATO. On the other side the Independence Party is opposed to the idea of joining the European Union. That's the

official position: *"The Independence Party holds that Iceland's interests are best secured by remaining outside of the EU while conducting a close healthy relationship with it based on the contract for the European Economic Area, which opens up the internal market of the EU. A complete membership would threaten to take control over Iceland's biggest national resources, such as the fisheries"*[6]. The European Union issue is fundamental to understand the possible outcome of the March referendum. The EU Spanish Chairmanship-in-Office has said that the Icesave consultation won't impact EU treatment (few days ago, the European Commissioner for Enlargement and European Neighborhood Policy has recommended to the Council of the European Union to start accession negotiations for Iceland, after the Alþingi approval, last July, of the Social Democratic Alliance's proposal to apply for membership). However, United Kingdom and Netherlands seem ready to obstacle the accession process, if the new Icesave bill won't pass. Of course, this pressure by London and The Hague is not a problem for the Independence Party and its faithful electorate. The party representatives in Alþingi have already shown their opposition to the Icesave bill II, compactly voting against it. At this point, we can assume that also the Independence Party electorate (nowadays, considering the political flow trends, it should be about 21% - see Fig. 7) will vote in the same way on March 6th .

Fig. 6

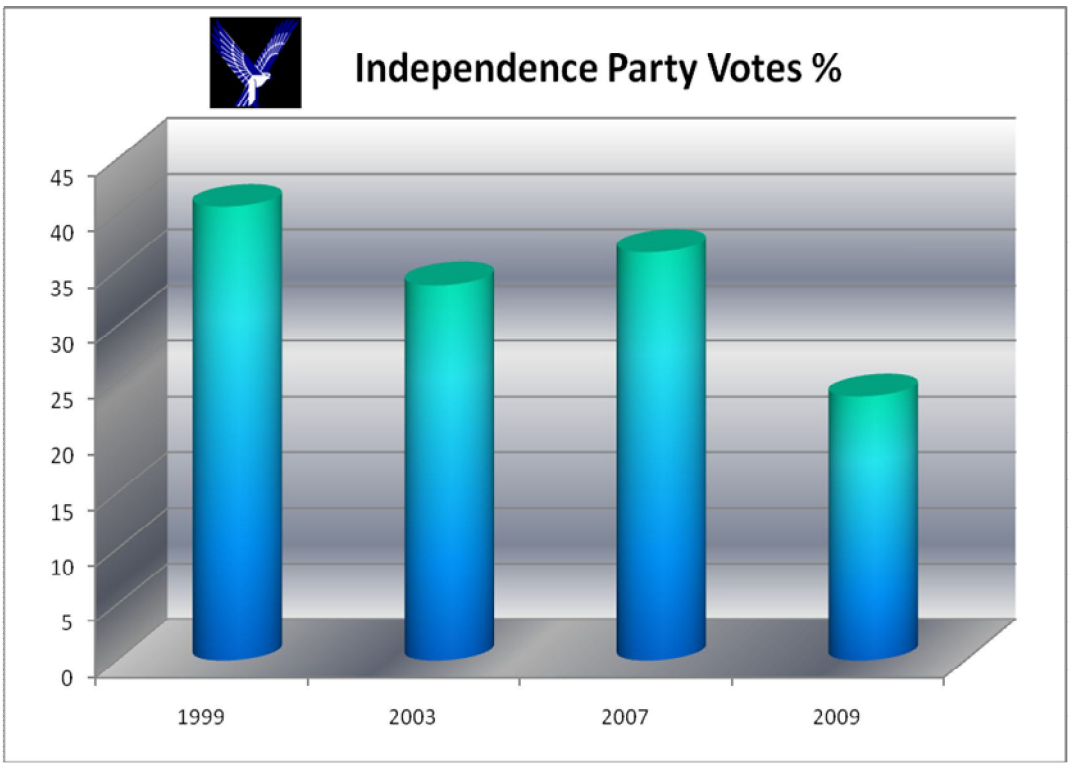
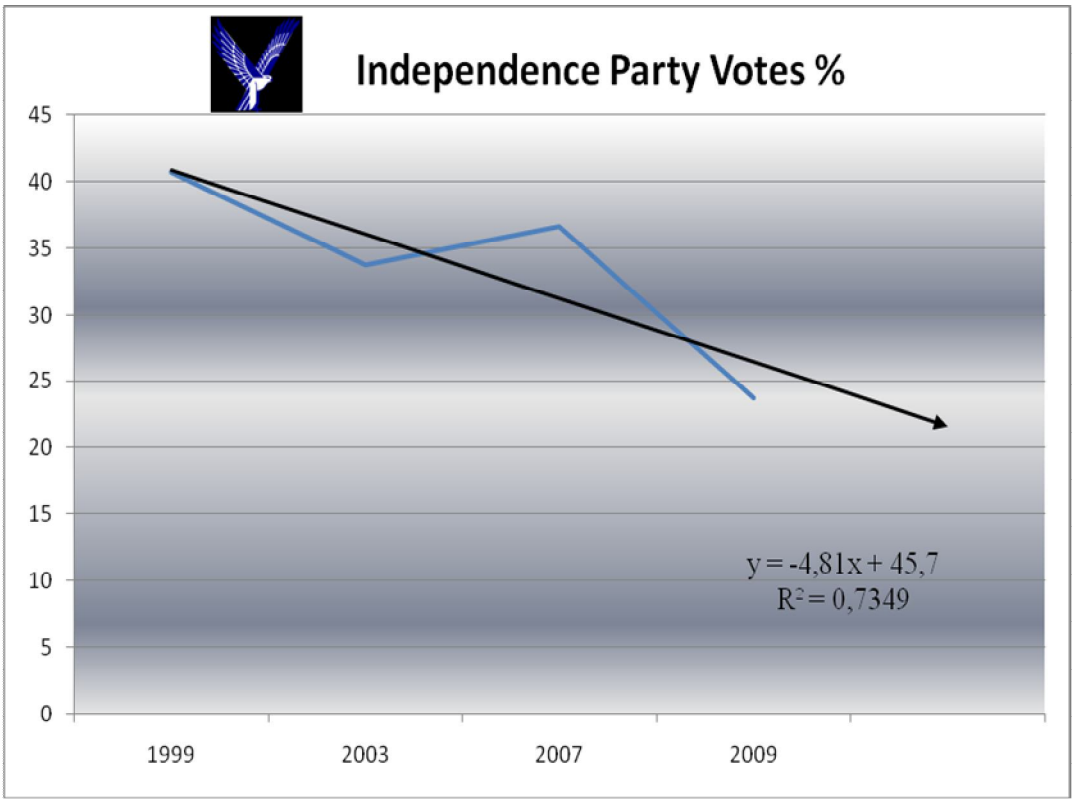


Fig. 7



[Note: the value of the correlation coefficient R^2 is not very high, being 1 the maximum, but it's sufficient to consider almost reliable the relation above]

The Alliance Party (or Social Democratic Alliance) is now the main political party in Iceland. Formed in 1999 by a merger of the former communist Icelandic party, the social-democrats and a feminist organization, the Alliance Party is headed by the actual Prime Minister Jóhanna Sigurðardóttir. It's not the first time in Iceland that a social-democrat gains that office (it happened also in 1979 with Benedikt Sigurðsson Gröndal and in 1958 with Emil Jónsson), even if it's the first time that a Prime Minister is manifestly pro-European. In fact, one of Jóhanna Sigurðardóttir's priorities in her agenda is EU membership for Iceland. In addition, she and her party carry the burden of government responsibility, and this makes the Alliance extremely prudent in its political choices and positions. Immediately after the President's decision, the Prime Minister expressed her disappointment with the referendum option. The executive stressed that "*the government of Iceland remains fully committed to implementing the bilateral loan agreements and thus the state guarantee provided for by the law*"[7]. The preoccupations of the Alliance Party regarded not only the EU membership, but also the consequences, on the relations with IMF and other international lenders,

of an Icesave bill II repealed. The President's move forced Icelandic government to plead with Nordic creditors for continued support: Finland, Sweden, Norway and Denmark are part of a multilateral aid program led by the International Monetary Fund. All these countries have immediately made clear that their loans will continue if Reykjavik meets its international obligations (in other words, if Iceland won't repeal Icesave bill II).

No surprise that Alliance's electorate will be the most favorable to the new bill. However, even if on December 30th the party voted compactly in favour of Icesave II, we can't presume that all the social-democrat voters (29.8%) [Fig. 8] will follow Jóhanna Sigurðardóttir's indications. The first reason is that many of those electors, as I've noticed before, are swing voters coming from different political areas (sometimes even from the Independence Party). The second reason is that the general disaffection towards Icelandic political institutions affects also the centre-left voters and, sure enough, voting in favour of Icesave bill II is a more "institutional" behavior than voting against it. Then, the anger towards United Kingdom and its actions during the financial crises, first of all the invocation of anti-terrorism legislation against Landsbanki and Icelandic government in order to freeze assets, affects centre-left electors as well. Last but not least, a reason connected to the man, President Ólafur Ragnar Grímsson, who called de facto for the referendum. The fifth President of Iceland assumed his office in 1996 and since then he has always been an extremely popular figure, although very controversial. He transformed the Presidency from a simple ceremonial and symbolic office to a relevant benchmark for the executive apparatus. This is the second time that Ólafur Ragnar Grímsson (and any other President before) has vetoed a law, the first time being in 2004, when he rejected the so-called "media law". In that case the government withdrew the bill and the referendum didn't occur. However, the most significant element for our analysis, besides his wide popularity, is the President's political background. Although he's not affiliated with any political party, Ólafur Ragnar Grímsson's political culture is essentially social-democratic (for many years, he had been an influential member of the centre-left People's Alliance). Lots of voters of the Alliance Party will follow him, not Jóhanna Sigurðardóttir: in fact, even if he hasn't taken an official position on the issue, his decision not to sign the bill has made many observers think that he isn't in favour of Icesave II.

Though much depends on government's capacity of persuading the electorate that the last plan is necessary in order to restore Icelandic economy and secure international loans, we could assume that not more than 80% of the electorate of the Alliance Party will approve Icesave II. As a consequence, a new 6% of total Icelandic voters will say "no" to the new bill.

Fig. 8

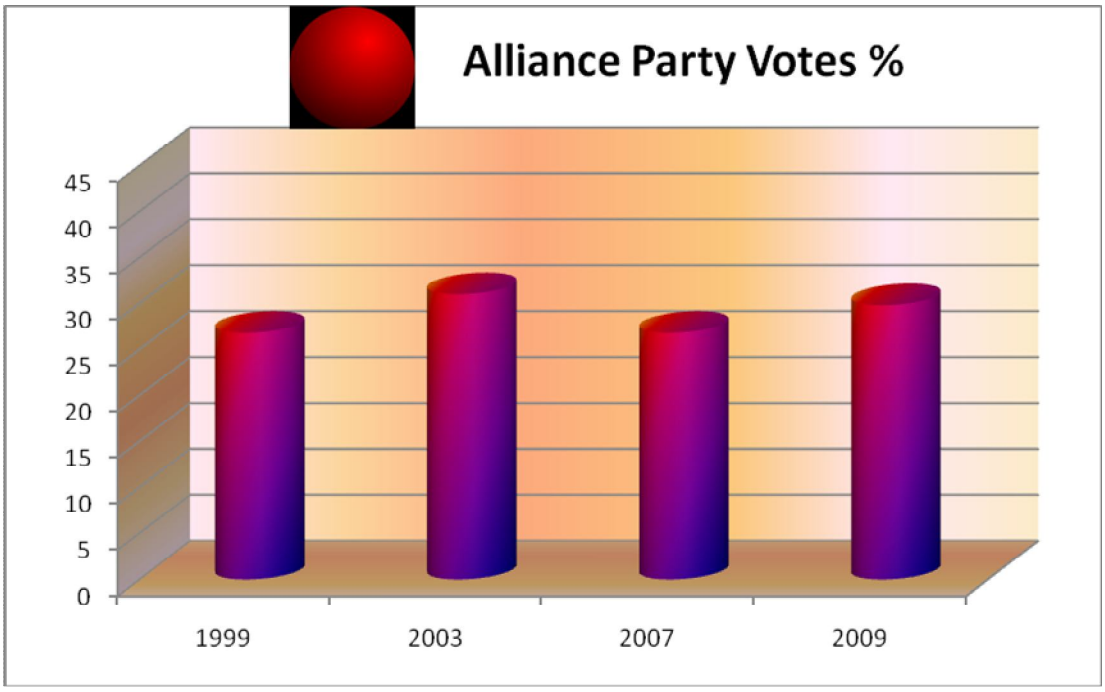
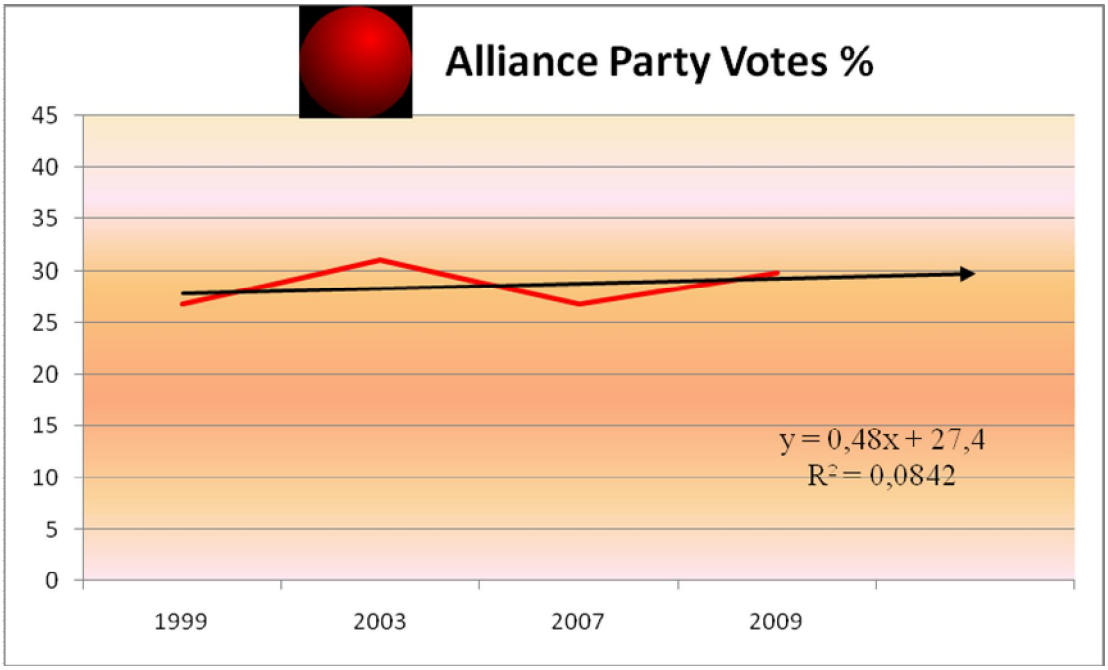


Fig. 9



[Note: the value of the correlation coefficient R^2 is very low, so the equation above isn't reliable. It's hard to deduce the general trend of the consensus for the Alliance Party, even if it seems to be little positive]

The Left-Green Alliance (or Left-Green Movement) is now Iceland's third-largest party and the minor partner in the centre-left coalition government. Its political momentum in the last years has been impressive [Fig. 10], and the general trend shows that the party could gain even more votes in future elections [Fig. 11]. In 2009 the Left-Green Alliance has had its best result (21.7%) since it was founded in 1999 as a left rib of the Social Democratic Alliance. With its +7.4% compared to the previous parliamentary election, the Left-Green is the party that has "gained" more from the economic collapse of 2008-2009, obtaining lots of votes coming from the base of the governmental Alliance Party. Being a Nordic green-socialist political party, the Left-Green Movement opposes Iceland's involvement in NATO and European Union membership as well, because "*EU-membership would diminish the independence of Iceland even more than the EEA Agreement does and jeopardize Iceland's control over its resources*"[8]. It's very interesting to notice that on December 30th, two representatives of the Left-Green Alliance (Ögmundur Jónasson, former Minister of Health who resigned in September because of Icesave bill II, and the economist Lilja Mósesdóttir) voted against the measure and so, against their own government. There are good reasons to think that at least one sixth of the growing electoral base of the Left-Green Movement will also vote against Icesave II. As a consequence, a new 4% of total Icelandic voters will probably say "no" to the last version of the bill.

Fig. 10

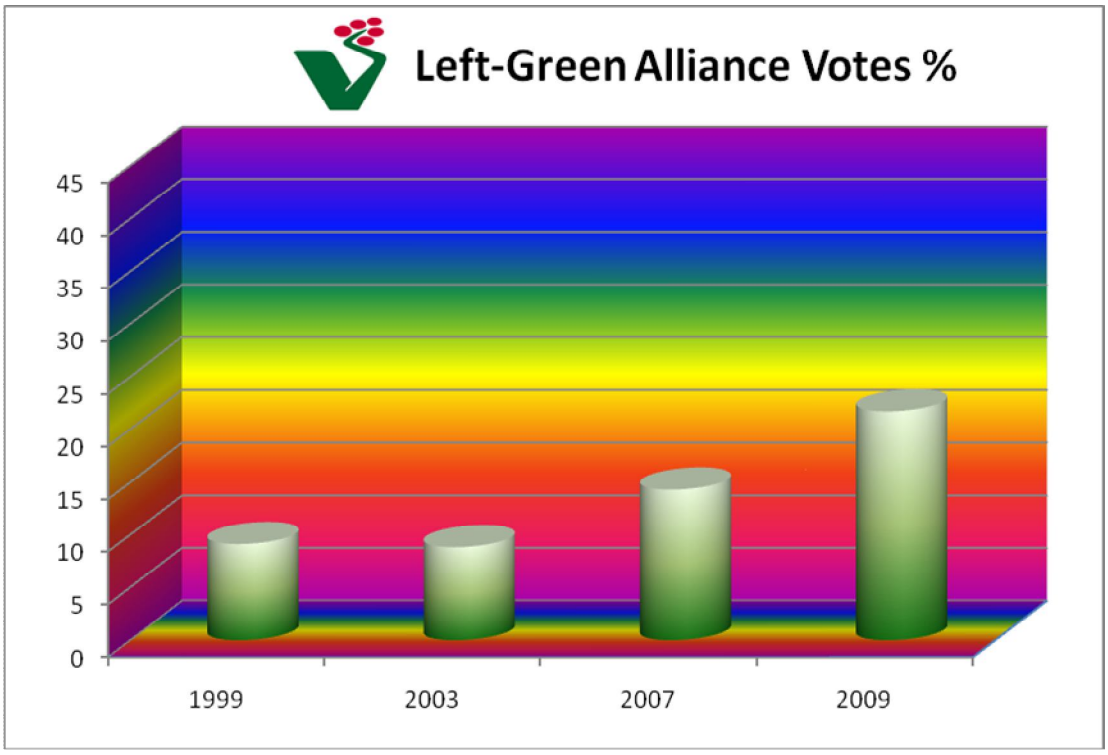
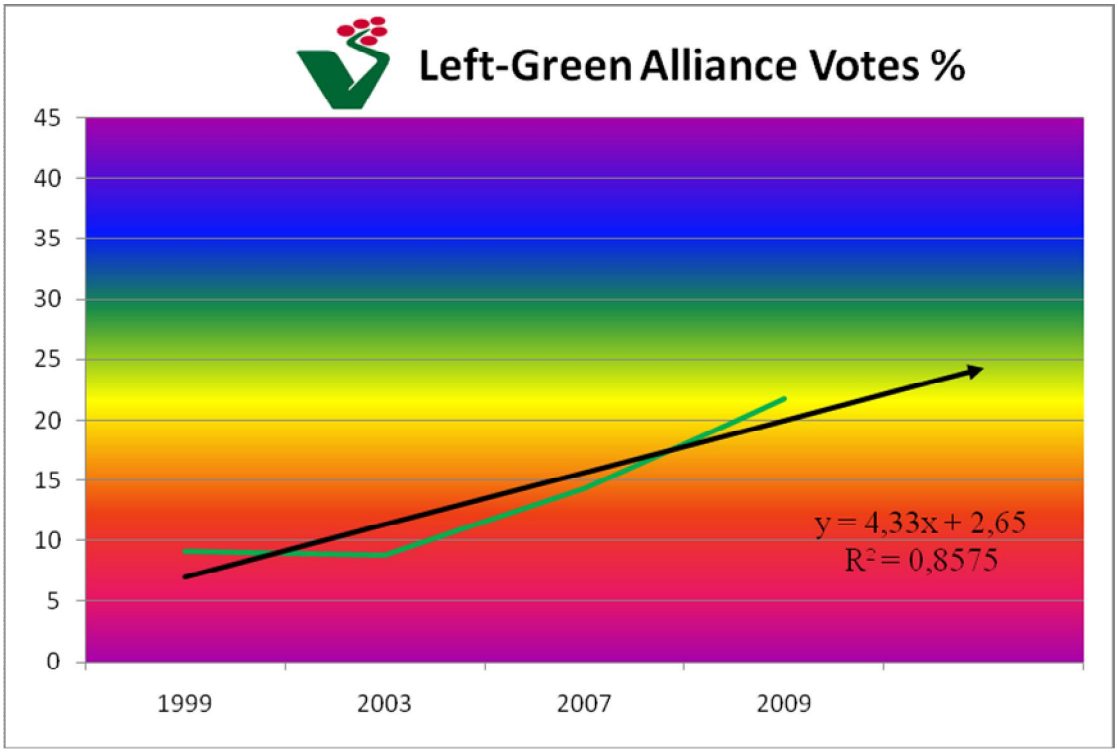


Fig. 11



[Note: the value of the correlation coefficient R^2 is sufficiently high, so the equation above is quite significant]

The agrarian, liberal and centrist Progressive Party has most often been the second largest party in the history of the Republic of Iceland. In 2007 election it suffered great losses, obtaining a mere 11.7% (-6%, compared to 2003). In April 2009 the party did somewhat better, gaining 14.8% of the votes [Fig. 12] and increasing its seats in Alþingi from 7 to 9. When the leftist interim government was formed in February 2009, the Progressive Party defended it from a no-confidence vote, but then, after April, it didn't take part to the governing coalition. In the same year, at its annual conference, PP decided to change its position on EU membership, becoming the second party in Iceland, after the Social Democrats, to publicly support it. This makes the Progressive Party quite sensitive to British and Dutch pressures on Icesave issue, even if in parliament its representatives voted compactly against the new version of Icesave bill. The ambiguity that has characterized the political behavior of this party persists. However, considering the freshness of its pro-EU position and the vacillating consensus towards its political platform [Fig. 13], we can add a new 14% (coming from the electorate of the PP) to the mass of votes against Icesave bill II.

Fig. 12

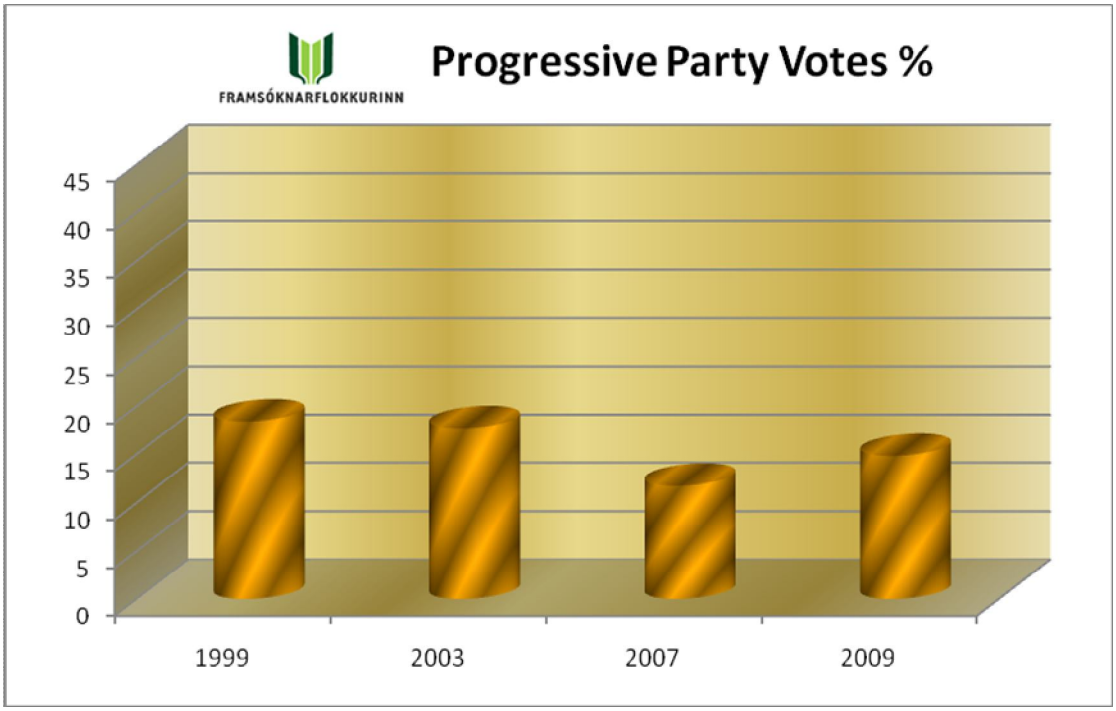
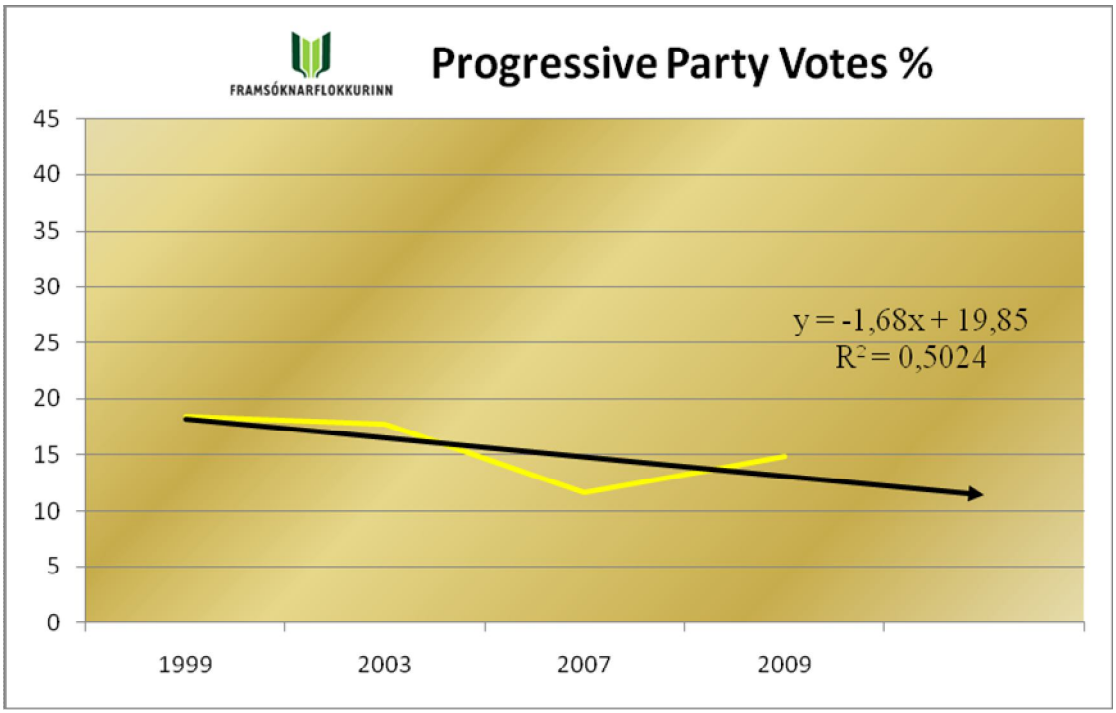


Fig. 13



[Note: the value of the correlation coefficient R^2 is quite low, so the equation above is not very significant]

Until now, according to my "back-of-the-envelope calculations", a 45% of Icelandic electorate (21% + 6% + 4% + 14%) will vote against the new version of Icesave bill. Then, we could take into account that it's very likely that the rightist, anti-EU nationalist electors of the Liberal Party (2.2%) will oppose Icesave II; by the way, the founder of the party, Sverrir Hermannsson, had been the Chief Executive of the National Bank of Iceland (Landsbanki) before it was sold out of public ownership. In the same direction will probably vote also the few electors of the Democratic Movement (0,6%): so, the opposition to the new bill should rise to 48%.

If we consider a turnout similar to the average one of the past political elections (about 85%), it's easy to understand how the decisive votes in the referendum will lie among the electors of the defunct Citizens' Movement. How this 7.2 % will vote? First of all, it's very significant that the responsibility of the final outcome of the referendum could be traced in the electorate of a party founded in the middle of the financial meltdown. Then, it's also significant that this grassroots (without-a-leader) movement doesn't exist anymore in parliament: it's a proof of its genuine, contingent, impulsive (and chaotic) nature. On December 30th 2009, of the four representatives of the Movement, only one (the now Independent film-maker Thráinn Bertelsson) voted in favour of Icesave bill II, supporting the government. If proportion between elected and electors is respected, we can assume that, at least, an additional 5% will vote against the bill (48% + 5% = 53%).

Conclusion

According to my analysis, **about 53%** of Icelandic voters will probably oppose the new Icesave bill and so it will be declared void. Few votes, in particular coming from the electorate of Citizens' Movement, are going to be decisive for the final outcome. The orientation of the voters of the Left-Green Alliance will be equally crucial. The result I've found is very similar to the estimates offered in different polls. However, that's not the point of my paper: I didn't want to indicate the precise upshot of the referendum, even because my result could be wrong (much will depend on the persuasive abilities of both sides and on the events that will precede the last hours before the vote). My purpose has rather been that of giving a well-founded explanation of the most probable outcome, showing, in the meantime, the great potential of an indirect, electoral approach. A comparison between my analysis and real results will be very interesting.

[1] See Boyes Roger, *Meltdown Iceland*, London, Bloomsbury Publishing Plc., 2009.

[2] Poll results have been taken from the following websites:
http://www.euractiv.com/en/enlargement/iceland-pm-optimistic-icesave-referendum/article-188722
http://www.grapevine.is/News/ReadArticle/About-Seventy-Percent-Oppose-Icesave-Bill
http://www.angus-reid.com/polls/view/34828/icelanders_oppose_icesave_referendum
http://matizandrea.wordpress.com/2010/02/18/cercando-una-soluzione-allultimo-minuto/
http://www.earthtimes.org/articles/show/302557,poll-iceland-split-over-bank-compensation-bill-referendum.html
http://www.italianbloggers.it/islanda-con-i-suoi-debiti-e-la-finanza-mondiale/
http://www.edmontonjournal.com/business/Iceland+proposes+debt+repayment+referendum/2415152/story.html?id=2415152 [February 23rd 2010].

[3] See Rokkan Stein, *State Formation, Nation-Building, and Mass Politics in Europe: The Theory of Stein Rokkan*, Edited by Peter Flora, Oxford UK, Oxford University Press, 1999.

[4] http://www.indefence.is/?m=8 [February 24th 2010].

[5] See Sartori Giovanni, *Parties and party systems: a framework for analysis*, Cambridge UK, Cambridge University Press, 1976.

[6] http://www.grapevine.is/Home/ReadArticle/Independence-Party-Sjalfstaedisflokkurinn-Iceland-Elections-2009 [February 24th 2010].

[7] http://eng.forsaetisraduneyti.is/news-and-articles/nr/4089 [February 25th 2010].

[8] http://www.vg.is/stefna/utanrikisstefna [February 26th 2010].

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