



Written by [Alex Newman](#) on January 28, 2009

A Sinking Island

The problems really started in October after the Icelandic Krona lost half of its value and three of the nation's largest banks were nationalized due to solvency problems. The global credit crunch has hit Iceland particularly hard. This is because the volcanic North Atlantic island with a little more than 300,000 people made its fortune in banking and the credit markets, borrowing and loaning sums out of proportion to the nation's size. Icelandic companies were expanding aggressively around the world using money borrowed from abroad where interest rates were cheaper, and when the crisis erupted, banks found themselves unable to pay back their debts. Central bank mismanagement, of course, contributed heavily. When the crunch came, it wreaked havoc on the banking system, leaving depositors with no way to withdraw their money, grocery stores without the means to pay for importing more food, and riots in the street against what the people saw as a corrupt government and central bank.



In a frantic scramble, a wide variety of solutions have been proposed. One that has gained a lot of attention is letting the country be fast-tracked into the European Union and allowing the nation to switch to the euro. This would admittedly be very difficult, and its economic effects possibly negligible since Icelandic banks already follow the same rules as EU banks because they are part of the "Economic Area." However, fast-tracking Iceland into the EU would certainly lead to a further erosion of sovereignty. The International Monetary Fund has so far lent the crumbling \$20 billion economy \$2.1 billion and is supervising the stabilization process, announcing in December that the key objective of currency stabilization was being met.

The chaos that has broken out, especially in the capital of Reykjavík, has alarmed observers abroad, who wonder if it may spread with the global crisis. The prime minister's car was recently surrounded by protesters banging on the windows while pelting it with eggs. He reportedly had to be rescued by Special Forces. Thousands of rioters have clashed regularly with police in front of the Parliament building and the central bank, which they pelted with paint balloons and eggs while starting bon fires and banging pots and pans. Every once in a while, they would hurl things at police, who responded with pepper spray for the first time in over 50 years. Hundreds of angry Icelanders stormed the central bank and covered the inside with paint and yogurt, demanding that the board resign.

"I've just had enough of this whole thing," Gudrun Jonsdottir, a 36-year-old office worker, told Reuters.



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"I don't trust the government, I don't trust the banks, I don't trust the political parties, and I don't trust the IMF. We had a good country here and they've ruined it."

As the economic crisis continues to intensify around the world, this could be an opportunity for opponents of debt-based economies, fractional-reserve banking, fiat money, and other monetary-policy trickery to educate their fellow citizens. It could also be an opportunity for elitists to use the crisis for nefarious purposes and impose further central control on the peoples of the world. But one thing is for sure, people are paying attention, and this is a great chance for enlightenment.



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