



Written by [Alex Newman](#) on April 12, 2011

Iceland Voters Reject Bank Bailout Again

After the polls closed over the weekend, the final tally showed that about 60 percent of the electorate voted against the scheme. And that was despite a lengthy international intimidation campaign waged against the North Atlantic nation of 320,000 people.

"I had no part in causing those debts, and I don't want our children to risk having to pay them," 33-year-old Icelander Svanhvit Ingibergs [told](#) Reuters. "It would be better to settle this in a court."



The plan would have made Icelandic taxpayers liable for around \$6 billion in debt incurred by several large banks — a figure representing about half of the country's Gross Domestic Product (GDP). It was approved by Parliament in February, but [vetoed](#) by the President who sent it to a national referendum instead.

"The leaders of other states and international institutions will have to respect this expression of the national will," Icelandic President Olaf Grimsson [said](#) after the referendum showed taxpayers still refused to assume the debts.

Leftist Prime Minister Johanna Sigurdardottir, meanwhile, took to scare-mongering about the potential fallout of defying bankers and European governments. "We must do all we can to prevent political and economic chaos as a result of this outcome," she [said](#) after initial results were announced, noting that she supported the plan to make taxpayers pay.

Before the most recent vote, Icelanders had already [overwhelmingly rejected a similar scheme](#). In March of last year, more than 93 percent of the people voted against the tax-funded bailout. Less than two percent supported it.

The British government, which reimbursed depositors in the failed banks, exploded after last year's vote. It used legislation meant to fight terrorism to freeze Icelandic assets and immediately began a campaign characterized by threats and bullying, attempting to isolate the country internationally. Holland, which also gave money to Dutch depositors affected by the bank failure, adopted a similarly hostile position.

But Iceland was undeterred. Instead of bailing out the banks with tax money outright, the nation pursued a different approach: It [arrested](#) the bankers allegedly responsible for the crisis and other crimes. A special prosecutor is still investigating and more prosecutions are expected in the coming weeks and months. Central bankers are also being scrutinized.

On top of that, it adopted emergency legislation that put bank depositors at the top of the creditor list — above even national pension funds and debts to the Icelandic central bank. So, at great expense to



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Iceland, the assets of the failed banks will indeed be used to compensate foreign governments. And those assets should be enough to cover most of the debts, [according](#) to Iceland's President and [InDefense](#), a group which lobbied against the first referendum and was heavily involved in providing information for the second one.

"I think Iceland is well within its rights to say no to these demands, especially because they don't seem to be supported by legal claims," InDefense co-founder Ólaf Elíasson told *The New American* in a phone interview. And he said the people showed they were not willing to write an "open check" by guaranteeing debts of private banks with taxpayer money. "They didn't buy it," he said.

But the fight is far from finished. The governments of the U.K. and the Netherlands still plan to [sue](#) Iceland to recover all of the money, plus interest. They refuse to give up.

"This is not good for Iceland, nor for the Netherlands. The time for negotiations is over. Iceland remains obliged to repay," [claimed](#) Dutch Finance Minister Jan Kees de Jager after the vote. "The issue is now for the courts to decide."

The U.K. government was not quite as harsh, but it, too, vowed to pursue legal action. "It seems the people of Iceland have rejected what was a negotiated settlement," [said](#) Chief Secretary to the Treasury Danny Alexander. "It's obviously disappointing."

The matter will now head to an international court in Brussels. And though Iceland is not part of the European Union yet, it is a member of the European Free Trade Association, which reportedly governs these sorts of disputes.

The debt case could take a year or more to resolve in court. And Icelanders could still end up forced to pay the remaining debts, depending on the court verdict. What exactly would happen if the court rules against Iceland remains unclear.

Rating agencies including Moody's said they were [considering](#) downgrading the country's debt rating after the vote. But central bank officials urged them to move carefully. Fitch Ratings downgraded Icelandic debt last year after the first referendum failed.

The economy of Iceland [suffered](#) a severe beating in 2008 during the financial crisis. It was among the worst-hit nations due in part to its overextended banks. Political and economic chaos ran rampant as angry citizens chased down politicians and central bankers perceived to be responsible for the mess.

But despite fear-mongering about what a "no" vote could mean for the country's future, data [cited](#) by ZeroHedge shows the economy has been recovering relatively well since rejecting the first debt deal. And at least some analysts expect the trend to continue — if Icelanders can prevent the nation from being shackled to the enormous debts of its failed banks.

Photo of Johanna Sigurdardottir: AP Images



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