

Icelandic politics in light of normative models of democracy

Vilhjálmur Árnason, Professor of philosophy, University of Iceland

Abstract

Icelandic politics are analysed from the perspectives of three normative models of democracy: the liberal, republican and deliberative democratic theories. While the Icelandic constitution is rooted in classical liberal ideas, Icelandic politics can be harshly criticized from a liberal perspective, primarily because of the unclear separation of powers of government and for the extensive involvement of politics in other social sectors. Despite strong nationalist discourse which reflects republican characteristics, rooted in the struggle for independence from Denmark, republicanism has been marginal in Icelandic politics. In the years before the financial collapse, Icelandic society underwent a process of liberalization in which power shifted to the financial sector without disentangling the close ties that had prevailed between business and politics. The special commission set up by the Icelandic Parliament to investigate the causes of the financial collapse criticized Icelandic politics and governance for its flawed working practices and lack of professionalism. The appropriate lessons to draw from this criticism are to strengthen democratic practices and institutions. In the spirit of republicanism, however, the dominant discourse about Icelandic democracy after the financial collapse has been on increasing direct, vote-centric participation in opposition to the system of formal politics. While this development is understandable in light of the loss of trust in political institutions in the wake of the financial collapse, it has not contributed to trustworthy practices. In order to improve Icelandic politics, the analysis in this paper shows, it is important to work more in the spirit of deliberative democratic theory.

Keywords: Deliberative democracy; financial collapse; liberalism; political culture; republicanism.



Icelandic Review of Politics and Administration. Vol. 14, Issue 1. Special issue on power and democracy in Iceland (35-60)
© 2018 Contact: Vilhjálmur Árnason, vilhjarn@hi.is
Article first published online May 31st 2018 on <http://www.irpa.is>
Publisher: Institute of Public Administration and Politics, Gimli, Sæmundargötu 1, 101 Reykjavík, Iceland

Stjórnmal & stjórnsýsla. 1. tbl. 14. árg. 2018. Sérhefti um vald og lýðræði á Íslandi (35-60) Fræðigreinar
© 2018 Tengiliður: Vilhjálmur Árnason, vilhjarn@hi.is
Vefbirting 31. maí 2018 - Birtist á vefnum <http://www.irpa.is>
Útgefandi: Stofnun stjórnsýslufræða og stjórnmála, Gimli, Sæmundargötu 1, 101 Reykjavík

DOI: <https://doi.org/10.13177/irpa.a.2018.14.1.2>

This work is licensed under a Creative Commons Attribution 3.0 License.

Introduction

In this paper, Icelandic politics are evaluated in light of the main philosophical ideas of democracy. In the first section, I describe the analytical framework, which draws partly on Habermas's distinction between three normative models of democracy. I then tease out three main features of each model that I will use for my subsequent analysis. In the second section, I discuss the constitutional arrangement and Icelandic political practices in light of these ideas. I argue that, while the political structure reflects classical liberal ideas, the republican idea of national self-government has been prominent in political discourse, rooted largely in the struggle for independence from Denmark. However, Iceland's actual political practices are not strongly characterized by either liberal or republican ideas. To the contrary, I argue that Icelandic politics can be heavily criticized from a liberal perspective and that republicanism has, for the most part, been marginal. In the third section, I argue that this changed radically in the period before the financial crisis, which was characterized by the liberalization of the financial sector, and in the wake of the crisis, when republican ideas became dominant in the political discourse. Further, I discuss the Special Investigation Commission's (SIC) criticism of flawed governance in the advent of the financial crisis when the financial sector had become dominant in Icelandic society. I then evaluate the reaction of the government to the crisis from a liberal perspective. In the fourth section, I analyse the SIC's report main criticism which revealed severe weaknesses in democratic working practices and institutions. I argue that this criticism reflects some of the main tenets of deliberative democratic theory that can provide valuable guidance to the political reconstruction. While the official reactions to the report emphasized the need to improve the political system and culture, the dominant reactions to the collapse have been characterized more by emphasis on direct democracy. The democratic exercises that have been undertaken have not, however, been successful due to weaknesses in democratic practices and institutions that have characterized Icelandic politics for a long time.

1. Analytical framework

In this attempt to analyse Icelandic politics from a theoretical perspective, I choose to work with three ideal types of democracy, the liberal model, the republican model and the discourse deliberative model. This tripartite distinction covers well the general spectrum of normative theories and can be helpful for analysing Icelandic democratic practices and assessing their strengths and weaknesses (Árnason 2013a).¹ The labels are taken from Habermas's (1996, 289–314; 1999b, 239–252) analysis of “normative models of democracy”, but I will not restrict myself to his interpretations of these models; rather, I will draw on other sources as I see fit. It is appropriate to describe their main characteristics before discussing Icelandic politics. Inevitably, this description reflects my interpretations of the models and their most relevant features for the current context. Moreover, each of the three theories chosen implies, in fact, a range of different features and even competing visions. It is important to bear in mind that theoretical models are ideal types that tease out and exaggerate characteristic features, not descrip-

tions of actual political practices in which attributes from different models are interwoven in a complex way for historically contingent reasons. I must also be selective in my discussion; I don't say anything, for example, about the judiciary power, the role of which certainly deserves attention in this context but would require separate research.

The liberal model of democracy is the most straightforward of the three. Here, the emphasis is on the institutional structure and processes intended to limit the authority of the government and to ensure that the rights of all citizens and the will of the majority are respected. I single out three main features that I take to be most important. The first is the protection argument, emphasizing that the main point of liberal politics is to protect the citizens from authoritarian and arbitrary use of power. This objective calls for a separation of the legislative, executive and judicial branches of government, which can provide checks and balances of the use of power. This arrangement is often described in a constitution along with the basic civil rights of the citizens, protecting their personal domain from illegitimate interference. Concomitant with this is the second main feature of liberal democracy, namely, emphasis on the negative liberty of citizens. This implies that the citizens should be free from political participation and leave political affairs to elected representatives who form the legislative body and, most often, the government.² This requires regular elections through which the citizens give their representatives legitimacy to exercise state power on their behalf and for which they are held accountable in general elections. The third main feature of liberal democracy is that politics "is regarded as a distinct and separate sphere in society, a sphere set apart from economy, culture and family life" (Held 2006, 77). This separation of the world of politics from other spheres of society was an important aspect of the secularization of society, freeing politics from religious ties. But it has also had profound effects on the visions of the citizens as private consumers pursuing their private interests in civil society and on freeing the domestic sphere from political regulation.

The liberal model of democracy has its historical roots in the seventeenth and eighteenth centuries in relation to attempts to set limits to the power of absolute monarchs, as captured in the ideas of writers such as John Locke (1689) and Charles de Montesquieu (1748). The roots of the republican model extend much longer back in history, and it refers primarily to the idea of the self-government of free citizens. There have been historical variations as to who are included in the category of "free citizens", but, here, I will only consider modern versions of republicanism which take the moral equality of citizens for granted.³ Again, I single out three main features that I take to be most important. The first is the development argument, which emphasizes that only by directly engaging in political thinking and decision making will the members of society mature as political citizens. This also leads to protection of citizens' rights and interests by making them more vigilant and aware of the misuse of political authority.⁴ This implies the second main feature of the republican model of democracy: the positive liberty of citizens to have an impact on the ruling of the polity. Thus, the citizens should be encouraged to engage in political participation that breeds the civic virtues necessary for self-government. From this perspective, it is more important that the citizens are

the authors of the laws that they are subject to than that the laws maximize their (negative) civic liberties, as is the main concern of the liberal model. The third main feature of the republican model is that the rule of self-governing expresses the *national will* and the values that the people the most important.⁵ This is often articulated in opposition to formal politics and the state apparatus. This may call for frequent elections, such as national referenda, to bring forth the national will on controversial political issues.

The third model of democracy I use for my analysis is the discourse theoretical or deliberative model. I do not see it as a distinct alternative to the previous models but, rather, as a way to critically reconstruct democratic politics by emphasizing three features that are not sufficiently acknowledged in them. The first is rational will formation in politics, which emphasizes the quality of policy and decision-making. This can be compared to the rational decision making of an individual who deliberates on an issue and seeks advice from knowledgeable people before he or she makes a decision. In politics, the task is to seek good solutions to collective problems, and the vehicle for that is informed reasoning and deliberation in politics and administration. This calls for both professional work practices in preparing the decisions and clear public policy goals to guide them. The second feature of this democratic model is the public accountability of elected representatives and public administrators who are required to justify political decisions. This aspect was well described by Simone Chambers (2003, 308), who focuses on the conditions for the democratic legitimacy of public policy rather than citizen participation: “Thus, accountability is primarily understood in terms of ‘giving an account’ of something, that is, publicly articulating, explaining, and most importantly justifying public policy”. This enables the citizens to assess political practices and provides conditions for informed public discussion about political affairs. The third main feature of this model is the need for strong institutions to sustain quality governance and democratic practices. This includes both the institutions of formal politics but also regulators and other actors in the informal public sphere, such as the media, which facilitate democratic opinion and will formation. As Habermas (1996b, 248) wrote: “Discourse theory does not make the success of deliberative politics depend on a collectively acting citizenry but on the institutionalization of corresponding procedures”. In this way, conditions are made for communicative action which can resist the prevailing social forces of money and administrative power.

2. Constitutional arrangement and Icelandic politics

In this section, I briefly discuss the Icelandic Constitution and the reality of Icelandic politics in light of the analytical framework that I have described. While the Icelandic Constitution does not contain the concept of democracy, it does describe an institutional arrangement which rests on traditional ideas of liberal democratic governance. The Icelandic Constitution is based on the Danish Constitution, which was established in 1849 and reflects the prevailing ideas in Europe at that time (Líndal 2011). Among them are the division of the legislative, executive and judicial powers, which has been at the core of constitutional liberalism, as have been the rule of law and the protection of

basic human rights. There is nothing distinctive about this in the Icelandic constitutional arrangement. What is special in the Icelandic Constitution, which was instituted in 1944, is the role of the president, who replaced the monarch in the Danish Constitution. This called for provisions regarding how a democratic president should be elected and what his powers should be.⁶ The result was that the president should be elected directly by the people, which, from a republican point of view, might be seen as giving the office a strong standing as a guardian of the national will (Kristjánsson 2002, 27–28, 38). The interpretation of this depends, of course, both on the constitutional articles about the powers of the President and how they have been interpreted in practice. The Constitution states (art. 2) that the president and the Parliament “jointly exercise legislative power” and that the president and other governmental authorities exercise executive power. But it also states (art. 11): “The President of the Republic may not be held accountable for executive acts”. The relationship between the president and the legislature is more complicated and controversial. The signature of the president is required for a legislative act to be validated; however, the Constitution states the following regarding the event of the president refusing to sign an act of law (art. 26):

If the President rejects a bill, it shall nevertheless become valid but shall, as soon as circumstances permit, be submitted to a vote by secret ballot of all those eligible to vote, for approval or rejection. The law shall become void if rejected, but otherwise retains its force.

For the first sixty years of the republic, no Icelandic president refused to sign an act of law, and this article was widely regarded as a dead letter. This changed in 2004, when the president refused to sign an act from Parliament on ownership of the media. At that time, the government withdrew the act, so the procedure did not follow the Constitution as described in article 26. However, this power of the president was to play a major role in the events after the financial collapse, as will be discussed below. What interests me here is how this role of the president in the Constitution resonates with theoretical ideas of democracy. I have already mentioned the republican interpretation of seeing the president as an embodiment of the national will. But it is possible to take a more liberal standpoint and see the president as an additional restraint on the use of power. When the government, supported by the parliamentary majority, oversteps the limits of legitimate power, the president can serve as an emergency brake and refer the law to the nation. The point of this arrangement, it has been argued (Thorarensen & Óskarsdóttir 2015, 147), is that the nation, in fact, exercises restraint on the president’s use of power. This squares well with the protective argument for liberal democracy while, at the same time, resounding the developmental argument of republicanism since it requires the nation to think the matter over and make up its own mind in a referendum. However, the weaknesses of this arrangement are more obvious from a liberal perspective because it can threaten the stability of a government that has been legitimately established and is supported by the majority of a nationally elected Parliament. I will return to these ques-

tions below.

In assessing Icelandic politics from a theoretical perspective, it is very limiting to look at the constitutional arrangements; it is more revealing to look broadly at actual political practices and see how they are in line with or deviate from the ideas discussed in the analytical models above. This is no easy task, but I will attempt to unravel certain dominant features that political scientists and historians have observed in their research of politics in the Icelandic Republic. To begin, it is relevant to place this discussion in a historical context because the struggle for independence from Denmark had a profound effect on the development of Icelandic politics. The ideological core of that movement was the demand for national independence, or freedom of the Icelandic nation from the domination of another nation and the right of the former to govern itself.⁷ From that perspective, the republican idea of national liberty (*þjóðfrelsi*) is more important than the liberal idea of individual liberty (*einstaklingsfrelsi*). It has even been asked whether the Icelandic struggle for national freedom was partly rooted in the attempt to resist the liberal policy of the Danish government (Hálfðanarson 2001, 76). For example, Denmark had adopted progressive ideas about the rights of labourers which would have undermined the authority of Icelandic farmers over their workers (Kristinsson 2007, 21). Already in the period before Iceland obtained home rule in 1904, there were interesting tensions in Icelandic independence politics. For example, the prominent political leader Hannes Hafstein argued that it was more important to fight for human rights in a liberal legislation than to fight for a republican home rule.⁸ The hero of the Icelandic independence movement, Jón Sigurðsson, was inspired by liberal ideas but had to show realistic and skilful patience in his dealings with his countrymen, who were often concerned with protecting traditional restriction of liberties. The Jón Sigurðsson's liberal ideas were, however, also mixed with nationalist ideas about political self-government as the free self-expression of a people's identity, which has republican features. This shows how complex it can be to discuss the influence of theoretical notions in a concrete historical context where ideas rooted in different ideological soil are interwoven.

The long history of Denmark's rule over Iceland put its mark both on developments of the Icelandic political system and of the political discourse and ideology (Einarsson 2014, Ch. 1). These can be traced and assessed from the perspectives of both liberal and republican models of democracy. From the liberal perspective, it is important to note that the Icelandic administration (or the professional side of the executive power) was, for a long time, part of the Danish government. In the years 1872–1904, the office of the Governor of Iceland (*Landsbýðing*) was instrumental in strengthening the Danish executive power in the country. During the time of the home-rule (1904–1918), the Icelandic minister was also formally part of the Danish government, although domestic public administration started in this period. Thus, the Icelandic executive power developed very late and was not only professionally weak, due to lack of experience, but also met with opposition from the Icelandic people, who were traditionally distrustful of public officials who, for a long time, had been associated with foreign domination (Kristinsson 1994, 79). The legislative assembly, however, was relatively strong in the sense

that it had the power to set the political agenda and public policy. This also secured the stronghold of regional representatives who were dominant in Parliament, emphasizing the interests of the farmers who resisted the processes of modernization and urbanization (Ásgeirsson 1988). This meant that the checks and balances of power that characterize the institutional arrangement of liberal democracy were not in place in Iceland in the years when the Icelandic state was in the early stages of development. This has had profound consequences for Icelandic politics.

This relative strength of the legislative assembly has been one of the main characteristics of Icelandic politics. Comparative analysis of the Nordic legislative assemblies has shown that the Icelandic Parliament is much more active in the process of legislation than the other national parliaments (Kristinsson 2018). Many more changes are made to government bills in the Icelandic Parliament than the others, often at the last minute before the end of the parliamentary session. This is in line with the view that has been pervasive in Icelandic politics that it is a major role of Parliament to write the bills or at least make its mark on them so as not to be the handmaiden of the executive sector. This seems to have been conflated with the supervisory role of the Parliament, which consists of holding the executive power in constraint. In fact, this role of Parliament has been neglected largely because of a strong majoritarian rule, which implies that the ministers of government come from the ruling coalition parties which together are backed by a majority of the members of Parliament.⁹ The ministers and the speaker of the House of Parliament are typically leading figures within their parties and control the agenda of the Parliament. At the same time, the standing of the minority in Parliament has been relatively weak. This system, in combination with an adversary style of parliamentary discussion and characterized by partisan bickering, works in favour of the ruling parties which, thus, control both the legislative and the executive sectors without much restraint. In practice, the main conflict has been between the majority and minority within Parliament rather than between the legislative and the executive branches (Helgadóttir, Kjartansson & Magnússon 2011, 223; Thorarensen & Óskarsdóttir 2015, 153).

On top of this, Icelandic governance is characterized by an exceptionally strong ministerial rule in which each minister has authority over administrative affairs in their respective ministries without having to consult their fellow members of government. This independence of the ministers conflicts with the fact that the government has a mandate from the parliamentary majority and is accountable to that majority for their policy decisions (Kristinsson 2007, 57). Moreover, ministerial power does not meet much restraint by the professional side of the executive branch, which has been rather weak although professionalization has increased in the last decades. For a long time, political appointments of public officials were frequent, which made it difficult to distinguish between the political and the professional sides of the executive branch, undermining impartiality and trust in public administration (Kristinsson 2007, 214–220). Finally, in a liberal society, restraint on the exercise of political power needs to come from an independent and professional media. The conditions for this are inevitably weak in a small society where it is difficult to finance and staff a media that can forcefully serve its democratic role.

For the first four decades of the Republic, the newspapers acted as mouthpieces for the political parties, and the board of the national radio was controlled by the ruling parties (Karlsson & Broddason 2018).

This is only one example of the significant intervention of Icelandic politicians in other sectors of society that, from a liberal perspective, should be free from politics. Before the privatization of the banks around the beginning of this century, the political parties had their representatives on their boards and secured strong influences on banking practices. The boards of financial institutions were directly elected by Parliament “to ensure an equal distribution of the patronage powers they hold between the political parties. [...] This gave politically appointed board members a key position in deciding the fortunes of individuals and firms” (Kristinsson 1996, 439). The uneven weight of the vote further enhanced the pork-barrel politics in the overly represented rural areas. The politics of patronage declined after 1960 due to a combination of several developments in Icelandic society, such as increased professionalization in the public sector (Kristinsson 1996, 440).

The upshot of this short discussion of the characteristics of Icelandic politics from a liberal perspective is that the legislative and executive branches of government are closely interwoven, as is a general feature of parliamentary government. This has provided leading political figures in government with power that they can exercise without much restraint between general elections. The discussion also shows that there have not been clear demarcations between the political sector and the financial and cultural sectors of society. This can be criticized in light of the liberal emphasis on the checks and balances of power and the requirement of the separation of the world of politics from other spheres of society, two major characteristics of the liberal model of democracy. This description of Icelandic political practices also reflects the narrow liberal idea that legitimacy for the exercise of political authority is sufficiently obtained through general elections as long as it is within the ramifications of law and the constitution. This is in line with the emphasis on the negative liberty of the citizens, who should be left free from politics to enjoy life as consumers, labourers and family members in the private and domestic spheres. Before the financial collapse, Kristinsson (2008, 105) argued that Icelanders were among the nations that have adhered most strongly to the liberal idea that the preferences of citizens should not influence public policy except by taking a stance towards the authorities in general elections. As Habermas (1999b, 247–248) put it, the liberal model hinges on “the institutionalization of an economic society that is supposed to guarantee an essentially non-political common good through the satisfaction of private aspirations of productive citizens”. This characteristic of the liberal model of democracy was further strengthened by the liberalization and de-regulation policies in the advent of the financial crisis, as will be discussed below.

If we look at the characteristics of Icelandic politics from a republican perspective, quite different features come to the fore. As I said before, the struggle for independence from Denmark put lasting marks on Icelandic politics. It has been a prevalent view that the most urgent political task of the sovereign nation is to protect the national liberty

from forces that seek to undermine it (Hálfðanarson 2001, 144; Einarsson 2014, 18). The largest political party throughout the political history of the Icelandic Republic is the Independence Party, a right-wing party which has been dominant in forming the political practices that I have briefly described and criticized from a liberal perspective. Unlike in other Nordic countries, social democrats and liberal right-wing parties who are internationally oriented have been relatively weak. I will not venture into discussing the complex and ambiguous notion of nationalism in this context except insofar as it provided a soil for certain versions of both liberal and republican democratic practices. It could be argued that in the Icelandic context, nationalism functioned primarily as “collective self-identification” which sustained “democratic citizenship” and solidarity among the citizens of the nation state (Habermas 1999a; Hálfðanarson 2001, 224–225). Clearly, such ideas can be harnessed in the service of special economic interests as well as national interests, for example by making them one and the same.¹⁰ This could serve an important ideological role in facilitating the stronghold of a rhetorical legislature at the cost of functional executive institutions, fuelled by a professional mentality which provides resistance to special interests. It has also been convincingly argued (Jónsson 1995), however, that nationalism fuelled economically progressive ideas which sustained the struggle for national self-governance. In any event, the reference to nationalism has been strong in the political discourse: “The discourse of the independence movement, its myths and ideals, still mould the mentality of Icelandic politicians and the general public. [...] Icelandic politicians fully realize that nothing sparks the interests of Icelandic voters as the discourse of nationalism” (Hálfðanarson 2001, 246–247).

However, nationalism is not republicanism, even though a characteristic feature of the latter is that the rule of self-government expresses the national will. It is only when the collective concept of national freedom is interpreted in a conservative communitarian language of shared values and traditions that republicanism takes on certain features of nationalism (Habermas 1999b, 244–245). As we will see below, this version of republicanism became dominant in the wake of the financial collapse, although it was also in contention with a more international version of demand for direct democracy (Kristjánssdóttir 2018). But in spite of pervasive nationalism, it is difficult to discern clear traces of republicanism in formal practices or policies in the political history of Iceland. Throughout the history of the Republic, there have been movements, mostly outside of the formal political domain, that have explicitly emphasized republican ideas. A clear example of this is the Constitutional Society (*Stjórnarskerárfélagið*), established 1953 with the aim of introducing “national rule” rather than “party rule”. The Republican Party (*Lýðveldisflokkurinn*) was founded in the same period and stressed the importance of changing the Constitution, partly with the liberal aim of distinguishing more clearly between the legislative, executive and judicial powers. Both these and other similar movements emphasized the need to uproot political corruption and maintained that one way to do that is to find ways to move the power more to the people (Kristjánssdóttir 2018). This discourse shows the main characteristic of republicanism, which implies

...a polemical understanding of politics as directed against the state apparatus. In [...] opposition to the acquisition of legitimation through entrenched parties, the political public sphere should be revitalized to the point where a regenerated citizenry can [...] appropriate the governmental authority that has been usurped by a self-regulating bureaucracy (Habermas, 1999b, 247).

However, for the most part, these ideas have been on the fringes in Icelandic politics and did not find fruitful soil until after the financial collapse in the fall of 2008.

3. Analysis of the financial collapse

In the last decade of the twentieth century and the first decade of the twenty-first century, Icelandic society underwent major changes (Magnússon 2008). This was a time of de-regulation and liberalization in the sense that the state loosened its grips on many sectors in society that had been subject to state control. This was partly due to the treaty between the European Union and Iceland about the European Economic Area and partly due to stronger domestic *laissez-faire* politics. The combination of the two later proved to be a poisonous mixture because Icelanders adopted the legal framework for financial corporations without setting restrictions appropriate for the size of the local economy. When the banks were privatized in 2002, they had a large leeway which they used for huge growth, enabled also by easy access to loans and a risky international business model. When the financial crisis started in 2008, the Icelandic banks were extremely vulnerable, and the Icelandic financial system collapsed in early October 2008. After the fall of the banks, the Icelandic Parliament set up a Special Investigation Commission (SIC) to find out what happened and to explain the main causes of the financial collapse (SIC 2010; Johnsen 2014). The Parliament also set up a Working Group on Ethics (WGE) to determine whether flawed morality and working practices had played a role in the course of events (WGE 2010).

The report with the results of these investigations entailed detailed descriptions and analyses of practices in politics and administration which are instructive for the current task. A key passage in the Executive Summary of the SIC-report (2010, Vol. 1, Ch. 2, 17) summarizes in a nutshell the situation in Icelandic society just before the financial collapse:

It is [...] clear that when the size of the financial system of a country is, for instance, threefold its gross domestic product, the competent authorities of the country have, in general, the potential to set rules for the financial system to comply with and to ensure compliance with such rules. However, when the size of the financial system of a country is nine times its gross domestic product the roles are reversed. This was the case in Iceland. It appears that both the parliament and the government lacked both the power and the courage to set reason-

able limits to the financial system. All the energy seems to have been directed at keeping the financial system going. It had grown so large, that it was impossible to risk that even one part of it would collapse.

This passage demonstrates vividly the impasse that the policies of the Icelandic government had led to. The authorities had facilitated this development not only by an ideological hands-off policy but also by actively encouraging the financial sector to grow so that it would become a major pillar for the Icelandic economy. Through these policies, the liberal idea of the separation of the world of politics from other spheres of society led to the domination of the political by the financial sector. Moreover, the financial sector prevailed in other sectors of Icelandic society as well, such as the social and cultural domains, where several projects were funded by the CSR programs of the banks. This fed into strong national solidarity with the banks, where “politicians, public officials and regulators were all on the same team”, as Lars Christensen, chief analyst at the Danish bank, put it (WGE 2010, 158). This solidarity was particularly striking and momentous when leading politicians, academics and bankers joined hands in responding to foreign criticism about the standing of the banks at a crucial time shortly before their collapse (Árnason 2015). A media report commissioned by the WGE concluded that the expansion of the banks and the activities of the bankers were primarily portrayed in a positive light in the media, which was mostly owned by the major financial groups (Guðmundsson et al. 2010). This development was fuelled by a nationalist discourse (Einarsson 2014, 84–86) which deafened many to the signals of warning that were given by specialists both abroad and at home (WGE 2010, 160–163).

As a consequence, there was no independent voice, and the main actors and institutions of democratic society, who were supposed to protect the public interest, failed to resist the development that took place in Icelandic society in the advent of the financial crisis. Eventually, the political authorities of the country were paralysed in the face of their own product, an enormous financial system characterized by extensive cross-ownership which implied that if one bank collapsed, the others would follow (SIC 2010, Vol. 7, Ch. 21). It is ironic that this process was initiated by a liberal project to privatize the Icelandic banks, which had been firmly in the grips of the political parties. The main political parties had their representatives on their boards and secured strong influences on banking practices. In the first phases of the privatization, sound principles were laid down in order to prevent such political control of the financial sector. But during the process, these principles were betrayed, and the privatization ended up as a political deal between the two parties that historically had maintained the main presence in the state-owned banks. The banks were sold to relatively inexperienced bankers and investors who were on speaking terms with these political parties. In that way, the strong ties between politics and finance that were meant to be severed with the privatization were instead strengthened in a new and less transparent form. As a consequence, a privatization policy which in theory was a liberalizing separation of the financial sector was in practice a continuation of the corrupting “symbiosis of

business and politics” that has characterized Icelandic society (Vaiman, Sigurjonsson & Davíðsson 2011, 260).

This development can also be assessed from the perspective of negative liberty of the citizens (characteristic of liberal democracy), that is, that they are to enjoy freedom from political participation in between general elections. The booming years in the advent of the financial crisis marked the heyday of consumerism in the country. Icelanders had easy access to loans, the currency was strong, which increased travelling abroad, and the lowest paid jobs in the service sector could be left to foreigners. The citizens were predominantly regarded as consumers with a maximum liberty for consumption, “living as well-fed, well-clothed, and well entertained vassals” (Sen 2000, 288). This was part of the prevailing political ideology in which the emphasis on freedom as non-interference is related to a belief that it will bring about economic prosperity. Individuals are to be provided with optimal conditions to maximize profit and consumption, which will bring wealth to the entire social body and happiness to the citizens. Some memorable comments from leading politicians at the time are revealing in this regard. In justifying the privatization policy of his government, Prime Minister Davíð Oddsson (1999) talked about “feeding the passion for possession” (*að ýta undir eignagledina*). And in a response to criticism from the opposition in the Parliament in 2007, the minister of economy (Mathiesen 2007) said, “Don’t you see the feast, boys?” (*Drengir, sjáid þið ekki veisluna?*). Surely, the consumer citizens were enjoying the feast and, unaware of what was going on, were strongly motivated to believe the success story about the banks (Þórisdóttir 2010). The nationalist solidarity also played a significant role here, as Kaarlo Jännäri (2009, 22, 37), former director general of the Financial Supervision Authority in Finland, observed:

The nation, up to its highest echelons, supported and admired the banks [...]. The supervisors were too timid and lacked legal authority in their efforts to intervene in these developments, but the overall national pride in the success of the banks would probably have made it futile even to try while the going was good and success followed success. By the time the tide turned, it was too late, and there was too little that could be done to avoid catastrophe.

The catastrophe of the financial collapse seems to demonstrate that the Icelandic authorities failed in meeting the all-important standard of liberal politics by failing to protect the citizens. David Held (2006, 78) described the principle of justification for “protective democracy” thusly: “Citizens require protection from the governors, as well as from each other, to ensure that those who govern pursue policies that are commensurate with citizens’ interests as a whole”. In light of this principle, the financial collapse marked a major failure in the way liberal politics had been practised in Iceland. But the reactions of the authorities to the collapse are just as important for this assessment. I find three things most relevant for this. The first is that none of the ministers or public

officials that bore the primary responsibilities for the policies in the advent of the crisis saw the collapse as a reason for resignation. The prevailing attitude was that it was more responsible to actively deal with the consequences of the collapse than to resign and leave that task to others. The second is that the Parliament decided to set up a special commission to thoroughly investigate the causes of the events. It is noteworthy that the SIC was given unprecedented and unlimited investigative powers where members of Parliament, including the members of the government who had failed to control the financial sector in the years preceding its downfall, were themselves under investigation. This reaction of the Parliament was facilitated by work that had been going on to strengthen parliamentary practices, particularly how the executive branch of government could more be effectively supervised (Report 2009; Sigurgeirsdóttir 2018). The third relevant reaction is that the government gave in to persistent pressure and public riots, resigned in January 2009 and announced general elections (Bernburg 2016).

From a liberal perspective, these three reactions give mixed signals. The first and the third indicate a prevalent feature of Icelandic political culture that political authorities hold onto their positions of power as long as they possibly can. In this case, they did not resign until they were literally forced out by angry citizens. This can be seen as a minimal requirement of liberal politics. The second reaction, however, to initiate a massive investigation where no stone should be left unturned goes beyond what a liberal government would be expected to do. The Icelandic Parliament decided not only to investigate the causes of the collapse from the prevailing perspectives of law and economics but decided to also take the dimensions of morality and governance into account. Moreover, the ethical investigation was not limited to the financial sector; working practices and governance in other sectors of society could also be subjected to critical scrutiny as members of the WGE saw fit. Thus, the WGE could place the SIC analyses explicitly into political and cultural contexts (Árnason 2010). Its conclusion (WGE 2010, 243) stated that the problems of morality and working practices were deep-seated and systemic:

Although several individuals certainly are guilty of reprehensible conduct which must be appropriately dealt with, it is misleading to focus on them. From a moral viewpoint it is most important in the long run to strengthen democratic structures of society and the political system; to improve practices and professionalism in business, governance and politics.

4. Lessons and reactions

The WGE's conclusion drew upon the thorough descriptions in the SIC report, largely based on the testimonies of the main actors in the financial sphere as well as those responsible for decisions in politics and administration, and detailed analyses of the course of events leading up to the financial collapse. These descriptions revealed flawed working practices in politics and public administration, poorly prepared policy, lack of

professionalism and unclear ideas and processes of accountability. This is succinctly put in the Executive Summary of the SIC (2010, Vol. 1, Ch. 2, 18):

[T]he representatives and administrators of those governmental institutions, that had the role of monitoring operations in the financial markets and the effects of those operations on state economics were, in various cases, unaware of who was meant to carry out and take responsibility for certain aspects of these affairs in the government's daily activities. It is imperative to look carefully to how the obligations of individual institutions and officials may be better defined and delineated, in this respect.

These factors contributed to poorly developed public policy and weak governance which undermined the “rational will formation” of the authorities to use the terminology of deliberative democratic theory. This theory of democracy can be described as a critical analysis of existing democratic practices that aims at improving them in light of the vision of a public dialogue free from domination. It aims to improve representative democracy by strengthening the institutions that provide the conditions for better preparation of policy and deliberative practices in formal politics, administration and in the public sphere at large. Political theorist Simone Chambers (2003, 309) described the main ideas of deliberative democracy in this way:

Deliberative democratic theory critically investigates the quality, substance, and rationality of the arguments and reasons brought to defend policy and law. It studies and evaluates the institutions, forums, venues, and public spaces available for deliberative justification and accountability. It looks at the social, economic, political, and historic conditions necessary for healthy deliberation as well as the attitudes, behaviors, and beliefs required of participants.

This describes a normative, critical perspective which envisions optimal conditions for rational will formation in politics, accountability for public policy and quality governance for implementing it. Although the investigations of the SIC and WGE were not conducted in the spirit of a particular theory, their criticism of the working procedures in politics and administration in the advent of the financial crisis shows strong kinship with these ideas. That is no coincidence. Arguments for good working practices in public policy inevitably take ideas of this kind into account; they are inherent to the internal criticism of democracy, where it is asked how public policy can be well formed, justified and legitimized. In light of such questions, the weaknesses and flaws of Icelandic democratic practices become conspicuous.

Although the SIC and WGE report was widely acclaimed and well received, these ideas have not been prevalent in the public discourse about strengthening Icelandic

democracy in the wake of the collapse. A special parliamentary committee had the task of reacting to and formulating proposals regarding the conclusions of the report. This committee agreed with the report's criticisms about poor conditions for formulating public policy. Understandably, the focus of this committee was largely on the role of the Parliament (Report 2010a, Ch. 2.1): "The main conclusion of the parliamentary committee regarding Alþingi is that there is a need to strengthen the independence of the Parliament against the executive branch, more emphasis is to be laid on the supervisory role of the Parliament and improve professionalism in the preparation of legislation". The committee also took the WGE's criticism of the political culture seriously and emphasized the need to improve deliberative practices and respect for facts in parliamentary discussion. An important part of this attempt to improve political culture was a pledge that members of Parliament would produce a code of ethics. All of this indicates a will to improve parliamentary practices in the spirit of deliberative democratic theory.

Genuine though these declarations of amelioration of Icelandic politics may have been, they were not translated into practice. It is difficult to change political culture, but for a small nation, the soil should have been fertile in the wake of a colossal financial collapse. As for the promise made by the parliamentary committee that members of Parliament would produce a code of ethics, that was held in name only. Any genuine process of setting of a code of ethics requires that the members of the group that are to abide by the code themselves deliberate the issues, clarify their understanding of the obligations implied in their role and articulate it in a written document. An attempt was made to work along these lines, but it failed (Árnason 2018). Instead, in order to check the box of completed tasks, they decided to adopt the code of ethics of the European Parliament. In that way, members of Parliament relieved themselves of the important task of reflecting on their moral duties, which could have increased their moral sensibility and deepened their understanding of their roles as public servants and eventually improved democratic practices.¹¹ But this mode of implementation requires a comprehension of the role of such codes, and this understanding seems to have been lacking. The predominant attitude towards ethical codes is to regard them more like quasi-legal rules which restrict the leeway of politicians rather than as guidelines for how to better serve in the role of an elected representative. This attitude was made manifest when the government that came to power in 2013 decided not to implement the ethical code that had been introduced by the first government after the post-crash riots in 2009. It is revealing that when the prime minister of that government was defending his case in relation to the Panama Papers, he insisted that he and his wife had not violated any law and that, in serving his country, his "morality is based on laws and regulations".¹²

This type of attitude which the WGE analysed as legalistic thinking surely played a part in the lack of interest in ethical codes as a means to improve political practices. Such mentality also provides fruitful soil for a style of politics where the main strategy is to be in a position of power and restrict political accountability and legitimacy to general elections. However, two major issues of bitter dispute also turned out to be

obstacles on the way to improved political culture and overshadowed the proposals of the parliamentary committee about the lessons from the SIC and WGE report. The first is the parliamentary committee's proposal that four ministers of the government should be prosecuted before the National Court. These charges caused major conflicts within Parliament, where the political affiliation of the ministers weighed more heavily than an objective evaluation of whether they were fairly charged with failing to take action in the advent of the financial crisis. It was a most unfortunate consequence of the parliamentary process that the former prime minister eventually stood alone before the National Court. The Parliament, which had unanimously agreed to initiate a process of reconstruction based on the SIC and WGE report, was divided and wounded after fierce political debates concerning charges against the ministers. Thus, the National Court affair undermined the task of improving political practices.

Even more damaging in this respect was the Icesave issue, which dominated Icelandic politics in the years 2009–2011, a crucial time for reconstructing society and rebuilding trust in Icelandic politics. I have discussed this difficult dispute elsewhere (Árnason 2018) and will not do so here except insofar as it affected Icelandic political culture and democratic practices. Two things are of major relevance in this context: the actions of the president and the position of the Progressive Party, which both have features of nationalist republicanism. The president's role in the affair was to activate Article 26 of the Constitution by refusing twice to sign a bill from Parliament about the terms of the agreement between Iceland and the UK and the Netherlands. When it came to the referendum in January 2010, it didn't have much significance because the agreement had already been withdrawn and was being renegotiated. The second referendum, in April 2011, however, was of major political significance. One of the arguments in support of the power of the Icelandic president to refer bills to national referenda is that it puts pressure on the executive and the legislative branches to uphold good working practices. This is what happened after the first referendum on Icesave. The government and the leading party of the opposition co-operated well and worked professionally across party lines on this difficult issue. However, the smaller party in the opposition, the Progressive Party, refused to be part of the agreement which, according to polls, was also supported by a good majority of the voters.

In spite of this, the president referred the bill a second time to a national referendum. In his statement when he refused to sign the bill, President Grímsson (2011a) wrote:

The fundamental consideration, which must determine the President's decision, irrespective of the merits of the new Icesave agreements, is that the people have exercised legislative power in the Icesave dispute and that no broad consensus has been achieved on having the Althingi alone determine the issue on this occasion.

Thorarensen and Óskarsdóttir (2015, 152) argued that this involves a novel and controversial interpretation of the Icelandic Constitution: "It implies a deviation from the

main characteristic of the constitutional arrangement of representative democracy, power relations have been changed and the office of the presidency has been given new meaning”. The main thrust of the change is that, instead of regarding the nation as a safeguard for the president’s misuse of power, the president is now seen as the guardian of the will of the nation. This can be seen as a shift from a liberal understanding of the checks and balances of power to a republican understanding of the presidency as a channel for the national will. In his address to the nation on New Year’s Day 2011, President Grímsson (2011) said that “the core of democracy is the will of the people”. At the same time, there are no clear criteria for the president to decide when the will of the nation is significant enough for bills to be referred to the nation. It is entirely up to the president’s own judgment as the custodian of the national will.

Another reason for seeing the exercise of the power of the president through the 26th Article of the Constitution as illiberal conduct is that it has been unclear where the responsibility for and the burden of justification of political decision-making lies. It is a general presumption in politics (and is stressed both in the liberal and the deliberative democratic models) that power entails responsibility. In accordance with that, it would be expected that a government would have to resign if an act of legislation were rejected in a national referendum (and that the president should resign if a bill were approved). A former prime minister of Iceland (Pálsson 2011) has argued that this presumption of responsibility was rejected in the Icesave elections, where the understanding was that the result of the referendum would have direct consequences for neither the government nor the president. Before the second referendum, the government had the policy not to speak on behalf of the bill, and the president emphasized his substantial neutrality about the issue. In effect, the Icesave bill was a political orphan, and the pros and cons of the agreement were left to the citizens themselves without responsible political guidance. In this way, the issue itself was meant to be in the limelight of the elections, untainted by the positions of the electorate towards the government or the president that could be determined by other matters. However, as has been aptly said in a different context, the risk is that such use of a national referendum on major political issues “ratifies the unconditional surrender of representative to plebiscitarian will formation” (Offe 2017, 22). The arguments of the spokesmen against the Icesave bill were shot through with nationalist ideas, which may have been decisive for the outcome of the referendum (Hálfðánarson 2009).

Another important reaction to the SIC report was a work of a committee commissioned by the prime minister assigned with the task of making proposals about how governance and working practices in public administration could be improved. The committee put forth five major proposals (Report 2010b, 2–3): (1) to take action to strengthen the professional side of the administration; (2) to improve working practices and conditions for the political leadership of the executive branch of government; (3) to clarify the obligations of public officials and increase discipline in governance, for example, in documentation of information; (4) to demarcate the role, authority and resources of the institutions that supervise the financial market; and (5) to provide the

executive branch with stronger external control, especially from the minority in Parliament, but also from public discussion in the media and academic institutions. Another report from a committee on revision of the laws about government offices in Iceland also emphasized the need to strengthen governance, for example, by clarifying the role of ministers and increasing their accountability, yet reducing their independence by emphasizing consultation within the cabinet about policy making (Report 2010, 3). This report became the basis for a revised law on the Icelandic government offices which, among other things, implied a code of ethics for its employees.

Although not phrased in those terms, these proposals can be seen as strengthening the deliberative underpinnings of governance and public policy-making that, in turn, improve the general conditions for quality governance and accountability which are key features of discourse democratic practices. It requires a separate study to find out to what extent these proposals have been implemented in the Icelandic system of governance and how they may have influenced political practices. But it is of considerable interest in this context that these ideas have rarely been associated with attempts to strengthen Icelandic democracy. To the contrary, proposals of this kind tend to be associated with “good governance at the cost of democracy” (Ólafsson 2014a, 119). This attitude implies that the process of democratization is limited to “attempts to increase the role of public participation in political decision making” (Ólafsson 2014b, 11). This participatory emphasis has dominated Icelandic discourse about democracy in the wake of the financial collapse. This is understandable in light of the fact that trust in political institutions plummeted after the collapse and has not been restored in spite of economic recovery.¹³ This situation provides fertile soil for republican ideas of direct democracy in opposition to formal politics and the state apparatus. These ideas found two different kinds of channels that need to be distinguished: 1) the dormant republican feature already in the Icelandic Constitution that the president could refer legislative decisions to the nation and 2) efforts of the post-crash authorities to meet public demands about having more political influence.

I have already discussed and briefly analysed the president’s decisions to send bills about Icesave to national referenda and argued that his reasons for them have clear republican features about the role of the nation in the legislative process. The channels for republican ideas activated by the government mainly related to plans to revise the Constitution. A new bill about national referenda was passed as law from the Parliament in 2010, and two national gatherings were held in 2009 and 2010. The national forum in 2009 was a citizens’ initiative but was supported by the government as a venue to discuss national values and mould a new social contract for a nation at a crossroads: “New circumstances require re-evaluation of the basic values upon which society is founded and a clearer vision for the future”.¹⁴ To reach this objective, over 1,200 people selected randomly from the population gathered together for a day in Reykjavík’s main sports arena. For a disillusioned nation in shock after the financial collapse, this could have been a valuable enterprise, but due to the ideology and methodology of the national forum, it produced no significant results (Árnason 2013a, 27–31, 2013b; Fishkin 2014). Although

its only results were quantification of the popularity of general moral ideas which are essentially contestable, such as honesty, justice and equality, it received international attention as a significant democratic exercise (Legaspi 2010).

Of greater consequence was the decision of the Icelandic government to use this national forum as a model for “crowd sourcing” ideas to feed into a new constitutional assembly. The objective of the national forum in 2010 was “to call for the principal viewpoints and points of emphasis of the public concerning the organisation of the country’s government and its constitution”.¹⁵ This was a commendable objective, but the method chosen for calling for the viewpoints and concerns of the public were seriously flawed. As before, the emphasis was on collecting as many ideas as possible that were condensed into single statements or slogans, demonstrated in a “cloud of ideas”. It was not permissible to subject these statements to rational debate, nor was there time to test their relevance by relating them to complex political issues. As a consequence, the participants never got their teeth into the real food for thought in democratic society (Árnason 2013b, 214):

The interesting thing to discuss is what these values mean, what implications they have for particular social policies, and what powers stand in the way of implementing such policies. There is a need to inquire about administrative practices through which policies are delivered and the system of political, legal as well as administrative mechanisms by which elected officials are held accountable. Such a discussion takes time, invites conflict and the exchange of arguments, all of which was deliberately avoided and excluded in the national forums.

In this case, however, a constitutional committee processed the ideas of the national forum and prepared them in the form of a working paper for a Constitutional Council. The Council, which was assigned with the task of revising the Icelandic Constitution, often referred to the products of the national forum as reasons for certain revisions. In public debates about the proposals of the Constitutional Council, some of its staunchest spokesmen have referred to the results of the national forum as the “will of the people” which must be respected (Gylfason 2012a). In so doing, the statements collected in a brainstorming session that could have fed into public debate were instead used to silence it in the name of democracy. The same can be said about the use of a national referendum that was held about some of the proposals of the Constitutional Council in October 2012. Even though the main conclusion of this advisory referendum was that a large majority of Icelanders agreed with the statement that the proposals of the Constitutional Council will serve as a basis of a bill for a new Constitution, it has often been interpreted as a binding result to adopt the bill of the Constitutional Council (Lesig 2016). The purpose of the referendum was never clear, and Kristinsson (2012, 569) argued that “the aim was to silence discussion and hinder further comments from those who might have serious criticism of the proposals”.

The third main manifestation of the republican emphasis in post-collapse politics in Iceland were the proposals of the Constitutional Council in which the role of the citizens in the political process was radically increased. This was in line with ideas that had been popular in the National Assembly which reflected demands for direct democracy in society at large. In the notes with the bill about the new Constitution, it says that many in the Assembly had been of the opinion that “increased participation of the public in decision-making would increase political maturity and responsibility of voters and be conducive to more agreement in society” (Bill 2011, art. 106). This statement implies the development argument, which is one of the core features of republicanism. The Constitutional Council took a strong stance towards increasing direct democracy by proposing that 10 percent of the voters could demand that an act of Parliament be submitted to a national referendum (art. 66). In addition to this, the right of the president to refer an act of Parliament to the judgment of the nation was preserved (art. 61). The citizens were also granted the right to take the initiative to propose a bill in Parliament, and for this, only 2 percent of the voters were needed (art. 67). However, Parliament had no obligation to deliberate a bill from the public unless 10 percent of the voters were behind it. If Parliament did not bring this to completion and it had not been withdrawn by the voters who brought it forth, this could result in a national referendum (art. 133).

These proposals about radically increasing direct, vote-centric democracy were controversial, and it was argued that no research had been undertaken to show what effects these proposals would have on political practices (Kristinsson 2012, 567). But the bill of the Constitutional Council also had proposals that could be seen to strengthen political practices from the perspectives of the liberal and discourse theoretical models of democracy. For example, in a liberal spirit, the bill aimed to sharpen the division of power between the branches of government, even the weight of each vote, and strengthen the independence of state agencies and parliamentary investigation committees. The deliberative underpinnings of political practices could be strengthened by proposals to increase the freedom of the media, transparency in governance and the citizens’ right to information (Gylfason 2012, 17, 31). Some of these proposals could be seen as intending to improve the working practices in politics and administration that were harshly criticized in the SIC and WGE report. It is ironic, therefore, that among the main reasons why this attempt to revise the Constitution failed is how poorly the process was prepared and governed. The chair of the Constitutional Council has since argued that it was never made clear by the authorities what the objective was of involving the public in the revision of the Constitution or exactly what the procedure of handling the proposals of the Constitutional Council would be (Nordal 2015, 137). The Constitutional Council, however, “made a point of distancing itself from Parliament [...], the members seeing themselves as representing the common public rather than the privilege[d] elite” (Einarsson 2014, 179). Here we encounter a well-known republican theme in which an appeal to the national will is articulated in opposition to the formal political system.

The lack of sufficient preparation of the procedure for revising the Constitution was all the more serious because the constitutional affair involved many hotly debated politi-

cal issues. It was bound to invite serious ideological conflict and strategic use of political power. In such cases, it cannot be expected that a consensus be reached on all substantial issues, but it is crucial to have an agreement about how matters are to be handled and brought to a reasonable conclusion. This is one of the main lessons of the discourse democratic model of democracy about how political authority and administrative power is legitimized and exercised. A major requirement of this is quality governance and well-functioning institutions which provide the pillars of a mature democratic culture. If that is lacking, the general political will that has been formed in the public sphere will not be able to find effective means for realization. This has been the case in Icelandic society, which has experienced phenomenal economic recovery in recent years, but the political sphere has lagged behind and has been ridden with scandals rooted in a weak political culture.

5. Conclusion

I have discussed Icelandic political practices in light of three key features of the liberal, republican and discourse democratic models of democracy. I criticized Icelandic politics from a liberal perspective, primarily because of the unclear separation of powers of government and for extensive political involvement in other social sectors. I also argued that while republican characteristics are reflected in strong nationalist discourse rooted in the struggle for independence from Denmark, republicanism has, for the most part, been marginal in Icelandic politics. I conjectured, however, that nationalism provided an ideological soil for political practices characterized by weak resistance to special interests identified with national interests. Around the turn of the last century, Icelandic society underwent a process of liberalization in which power shifted to the financial sector without disentangling the close ties that had prevailed between business and politics. In the investigative report on the causes of the financial collapse, Icelandic politics and governance was heavily criticized for flawed working practices and lack of professionalism. I argued that the appropriate lesson to draw from this criticism was to strengthen democratic practices and institutions in the spirit of deliberative democratic theory. While official reactions to the report have emphasized the need to improve the political system and practices, the dominant view after the financial collapse has been on increasing direct, vote-centric participation in the spirit of republicanism in opposition to the system of formal politics. While this development is understandable in light of the loss of trust in political institutions in the wake of the financial collapse, it has not led to improvement of the political culture. It follows from my analysis that the reconstructive task in Icelandic politics needs to be guided more by certain feature of discourse democratic theory, aiming at strengthening the deliberative underpinnings of the political system and of the public sphere at large.

Notes

- 1 In recent years I have led an interdisciplinary research project “How Does Democracy Work in Iceland? Practices, norms and understanding” Funded by Icelandic Science Fund, Rannís (2013–2015). The analytic frame of this project is Habermas’s three models of democracy. A book in Icelandic with the results of this project will be published by the University of Iceland Press 2018.
- 2 While there are versions of participatory interpretations of liberalism (Macpherson 1977 is a case in point), they are exceptional.
- 3 A major work in this tradition is Jean-Jacques Rousseau, *Du Contra social* (1762).
- 4 David Held distinguishes between the intrinsic value of development and the instrumental value of protection. Held (2006), 35.
- 5 This characterization is tainted by Habermas’s (1996 and 1999b) discussion which stresses a communitarian interpretation of republicanism which is not typical in many other versions, such as that of Philip Pettit (1997).
- 6 It has been convincingly argued that the constitution from June 17th 1944 was regarded by members of Parliament as a temporary measure. See on this Jóhannesson (2011).
- 7 This demand was not formulated in terms of national sovereignty until later, in the first decade of the 20th century. See on this Hálfðanarson (2017).
- 8 See Friðriksson (2005), e.g. 210: „Hann telur baráttuna fyrir mannréttindum meira virði en baráttuna fyrir stjórnfrelsi“. Hafstein voiced this position as a young man and it did not characterize his views as a politician.
- 9 Cf. Indriði H. Indriðason and Gunnar Helgi Kristinsson (in this volume).
- 10 This could constitute an Icelandic version of “what’s *good* for *General Motors* is *good* for *America*”. It would be an interesting research project to see how major Icelandic companies, like Eimskipafélag Íslands, played such a role.
- 11 It should be mentioned in this context that in the last years two governments have had to resign because of issues of morality and conflicts of interests.
- 12 Sigmundur Davíð: Bar ekki siðferðislega skylda til að segja frá [Icelandic PM: Was under no moral obligation to reveal]. <http://www.visir.is/g/2016160329462>
- 13 Sjófn Vilhelmsdóttir and Gunnar Helgi Kristinsson (in this volume).
- 14 www.thjodfundur2009.is/thjodfundur/um_thjodfundinn/.
- 15 <http://www.thjodfundur2010.is/english/>

References

- Árnason, V. (2010). “Moral Analysis of an Economic Collapse – an Exercise in Practical Ethics”, *Etikk i praksis. Nordic Journal of Applied Ethics* 4(1), 101–123.
- Árnason, V. (2013a). “Valdið fært til fólksins? Veikleikar og verkefni íslensks lýðræðis í aðdraganda og eftirmála hrunsins” [Power to the People? Weaknesses and Challenges of Icelandic Democracy in the Advent and Aftermath of the Financial Collapse], *Skeirnir* 187(Spring), 11–54.
- Árnason, V. (2013b). “To Model a new way of Democracy? The Case of National Forums in Iceland”, in M. Bøss, J. Möller and S-E. Skaaning (eds.), *Developing Democracies. Democracy, Democratization and Development* (pp. 203–216). Aarhus: Aarhus University Press.
- Árnason, V. (2015). “Something Rotten in the State of Iceland. “The Production of Truth” About the Icelandic Banks”, in G. Pálsson and P. Durrenberger (eds.), *Gambling Debt: Iceland’s Rise in the Global Economy* (pp. 47–59). Boulder: University Press of Colorado.
- Árnason, V. (2016). “Democratic Practices, Governance, and the Financial Crash”, in V. Ingimundarson, P. Urfalino and I. Erlingsdóttir (eds.), *Iceland’s Financial Crisis. The Politics of Blame, Protest, and Reconstruction* (pp. 121–139). London: Routledge.

- Árnason, V. (2018). “Have Icelanders Learnt Their Lesson? The Investigation of the Icelandic Collapse and its Aftermath”, in Th.O. Sigurjonsson, D. Schwarzkopf and M. Bryant (eds.), *The Return of Trust? Institutions and the Public After the Icelandic Financial Crisis* (pp. 173-193). Bingley, UK: Emerald Publishing House.
- Ásgeirsson, Ó. (1988). *Iðnbylting hugarfarsins. Átök um atvinnuþróun á Íslandi 1900–1940*. Reykjavík: Menningarsjóður.
- Bernburg, G. (2016). *Economic Crisis and Mass Protest: The Pots and Pans Revolution in Iceland*. London: Routledge.
- Bill (2011). Frumvarp til stjórnskipunarlaganna ásamt skýringum. Reykjavík: Stjórnlagaráð.
- Chambers, S. (2003). “Deliberative Democratic Theory”, *Annual Review of Political Science* 6, 307–326.
- The Constitution of the Republic of Iceland. Retrieved from <http://www.government.is/constitution/>
- Einarsson, E.B. (2014). *Iceland and the International Financial Crisis. Boom, Bust and Recovery*. New York: Palgrave Macmillan.
- Fishkin, J. (2014). “Rökraðulýðræðið og „lýðvastaða stjórnarskráin“. Tilraunastarfsemin verður að halda áfram”, in J. Ólafsson (ed.), *Lýðræðistilraunir. Ísland í bruni og endurreisn* (pp. 23-32). Reykjavík: Edda and Háskólaútgáfan.
- Friðriksson, G. (2005). *Ég elska þig stormur. Ævisaga Hannesar Hafstein*. Reykjavík: Mál og menning.
- Grimsson, Ó.R. (2011). “Nýársávarp forseta Íslands: Ólafur Ragnars Grímssonar”. Retrieved from http://www.forseti.is/media/1440/2011_01_01_aramotaavarp.pdf
- Grimsson, Ó.R. (2011a). “The President’s Icesave Declaration” *Iceland Review*, February 20. Retrieved from <http://icelandreview.com/news/2011/02/20/presidents-icesave-declaration>
- Guðmundsson, F.Þ., Ólafsson, K. Jóhannsdóttir, V., and Broddason Þ. (2010). Umfjöllun fjölmiðla á Íslandi um banka og fjármálafyrirtæki 2006–2008. [Media Coverage in Iceland About Banks and Financial Companies 2006–2008], prepared for the Working Group on Ethics, in SIC (2010), vol. 8, annex 1.
- Gylfason, Þ. (2012). “From Collapse to Constitution. The Case of Iceland”. CESifo working paper no. 3770, Category 2: Public choice. March.
- Gylfason, Þ. (2012a). “Leidsögn þjóðfundarins”, *DV* [newspaper], October 12. Retrieved from <https://notendur.hi.is/gylfason/leidsogn.html>.
- Helgadóttir, H., Kjartansson, H.S., and Magnússon, Þ. (eds.) (2011). *Þingræði á Íslandi. Samtíð og saga*. Reykjavík: Forlagið.
- Karlsson, R., and Broddason, Þ. (forthcoming 2018), “Íslenska fjölmiðlakerfið: Þróun og sérkenni”, in V. Árnason and H.A. Henrysson (eds.), *Hvað einkennir íslenskt lýðræði?* Reykjavík: Háskólaútgáfan.
- Kristjánsdóttir, R. (forthcoming 2018), “Lýðræðisbyltingin – á Bessastöðum. Þjóðræðishugmyndir og forsetaembættið frá lýðveldisstofnun og fram yfir hrun”, in V. Árnason and H.A. Henrysson (eds.), *Hvað einkennir íslenskt lýðræði?* Reykjavík: Háskólaútgáfan.
- Kristjánsson, S. (2002). “Stofnun lýðveldis – Nýsköpun lýðræðis”, *Skírnir* (spring), 7–45.
- Habermas, J. (1996). *Between Facts and Norms. Contributions to a Discourse Theory of Law and Democracy*, (English translation by William Rehg). Cambridge: Polity Press.
- Habermas, J. (1999a). “The European National-state: On the Past and Future of Sovereignty and Citizenship”, in C. Cronin and P. de Greiff (eds.), *The Inclusion of the Other. Studies in Political Theory* (pp. 105-127). Cambridge: Polity Press.
- Habermas, J. (1999b). “Three Normative Models of Democracy”, in C. Cronin and P. de Greiff (eds.), *The Inclusion of the Other. Studies in Political Theory* (pp. 239-252). Cambridge: Polity Press.
- Held, D. (2006). *Models of Democracy* (3rd. ed). Cambridge: Polity Press.
- Hálfðanarson, G. (2001). *Íslenska þjóðríkið – uppruni og endimörk*. Reykjavík: Hið íslenska bókmenntafélag and Reykjavíkúakademían.
- Hálfðanarson, G. (2009). “Hver erum við? Um „okkur“, „hin“, Icesave og ábyrgð þjóðar” [Who are we? About “us”, “others”, Icesave and responsibility of a nation], *Saga* XLVII(2), 158–174.

- Hálfðanarson, G. (2017). „Ísland sé fyrir Íslendinga“. Þegar fullveldið hélt innreið í íslenska stjórn-málaumræðu“, in S.Í. Ólafsdóttir (ed.), *Fullveldi í 99 ár. Safn ritgerða til beiðurs dr. Davíð Þór Björgvinsyni* (pp. 51-70). Reykjavík: Hið íslenska bókmenntafélag.
- Indriðason, I.H., and Kristinsson, G.H. (2018). “The Role of Parliament Under Ministerial Govern-ment” in this volume.
- Jännäri, K. (2009). Report on Banking Regulation and Supervision in Iceland: Past, Present and Future. Icelandic Government 30 March. Retrived from <https://www.stjornarradid.is/media/forsaetisra-duneyti-media/media/island/frettir/25.pdf>
- Johnsen, G. (2014). *Bringing Down the Banking System. Lessons from Iceland*. New York: Palgrave MacMillan.
- Jóhannesson, G.Th. (2011). “Tjaldað til einnar nætur. Uppruni bráðabirgðastjórnaðráðgjafanna”, *Stjórn-mál og stjórnsýsla* 1(7), 61–72.
- Jónsson, G. (1995). “Þjóðernisstefna, hagþróun og sjálfstæðisbarátta”, *Skírnir* 169, 65–93
- Kristinsson, G.H. (1994). *Embattismenn og stjórn-málmennt*. Reykjavík: Heimskringla.
- Kristinsson, G.H. (1996). “Parties, States and Patronage”, *West European Politics* 19(3), 433–457.
- Kristinsson, G.H. (2007). *Íslenska stjórnmál*. Reykjavík: Háskóli Íslands.
- Kristinsson, G.H. (2008). “Lýðræði. Drög að greiningu”, *Stjórn-mál og stjórnsýsla* 4(1), 89–111.
- Kristinsson, G.H. (2012). “Ráðskast með stjórnarskrá”, *Stjórn-mál og stjórnsýsla* 8(2), 565–570.
- Kristinsson, G.H. (forthcoming 2018). “Sérstaða íslensks þingræðis”, in V. Árnason and H.A. Henrys-son (eds.), *Hvað einkennir íslenskt lýðræði?* Reykjavík: Háskólaútgáfan.
- Legaspi, A. (2010). “The Many Ants of Iceland”, *Foreign Policy Magazine*, January 11. Retrived from <http://foreignpolicy.com/2010/01/11/the-many-ants-of-iceland/>
- Lessig, L. (2016). “Does the Parliament Ignore the Sovereignty of the Icelandic Nation?” *The Reykjavik Grapevine*, March 8. Retrived from <https://grapevine.is/mag/column-opinion/2016/03/08/does-the-parliament-ignore-the-sovereignty-of-the-icelandic-nation/>
- Líndal, S. (2011). “Grundvöllur stjórnarskrár lýðveldisins Íslands”, *Skýrsla stjórnlaganefndar*, 2, 13–24. Reykjavík: Stjórnlaganefnd. Retrived from https://www.stjornarradid.is/media/forsaetisraduneyti-media/media/stjornarskra/Skyrsla_stjornlaganefndar_seinna_bindi_Grundvollur_stjornarskrar.pdf
- Locke, J. (1689), *Two Treatises on Government*.
- Macpherson, C.B. (1977), *Life and Times of Liberal Democracy*. Oxford: Oxford University Press.
- Magnússon, G. (2008). *Nýja Ísland. Listin að tyna sjálfum sér* [New Iceland. The art of Losing Oneself], Reykjavík: JPV.
- Mathiesen, Á.M. (2007). “Svar við fyrirspurn – frumvarp um váttryggingarsamninga: 133. löggjafarþing — 94. fundur, 17. Mars 2007”. Retrived from <http://www.althingi.is/altext/133/03/r17183448.sgm>
- Montesquieu, C. de (1748). *De l'esprit des lois*.
- Oddsson, D. (1999). “Ekki rétt að gera lítið úr athugasemdum um að verið sé að hafa sameiginle-ga audlind af þjóðinni”, *Morgunblaðið*, March 12. Retrived from <http://www.mbl.is/greinasafn/grein/455031/>
- Offe, C. (2017). “Referendum vs. Institutionalized Deliberation: What Democratic Theorists can Learn From the 2016 Brexit Decision”, *Daedalus* 146(3), 14–27.
- Ólafsson, J. (2014a). “Rökraðulýðræði verður stofnanalýðræði: Er hættulegt að færa vald til almennin-gs? Athugasemdir við grein Vilhjálms Árnasonar „Valdið fært til fólksins?“, *Stjórn-mál og stjórnsýsla* 10(1), 119–142.
- Ólafsson, J. (2014b). “Viðbrögð við áfalli í lýðræðisríki. Mat lagt á reynslu Íslendinga”, in J. Ólafsson (ed.), *Lýðræðistilraunir. Ísland í bruni og endurreisn* (pp. 7-21). Reykjavík: Edda and Háskólaútgáfan.
- Nordal, S. (2015). “Þátttaka borgara í ákvarðanatöku og ábyrgð stjórnvalda”, *Skírnir* 189 (spring), 119–141.
- Pálsson, Þ. (2011), “Áhrif valdheimilda forsetans á þingræðið”. Retrived from <http://afkogunarholi.is/ahrif-valdheimilda-forsetans-a-thingraedid/>

- Pettit, P. (1997). *Republicanism. A Theory of Freedom and Government*. Oxford: Oxford University Press.
- Report (2009). *Eftirlit Alþingis með framkvæmdarvaldinu*. Reykjavík: Alþingi. Retrived from https://www.althingi.is/pdf/efirlit_althingis_med_framkvaemdavaldinu_skyrsla.pdf
- Report (2010). *Sambent stjórnsýsla. Skýrsla nefndar um endurskoðun laga um Stjórnarráð Íslands*. Reykjavík: Forsætisráðuneytið. Retrived from <https://www.stjornarradid.is/media/forsaetisraduneyti-media/media/Skyrslur/lokaskyrsla-stjornarradslaganefnd.pdf>
- Report (2010a). “Skýrsla þingmannanefndar til að fjalla um skýrslu rannsóknarnefndar Alþingis: 138. löggjafarþing 2009–2010. Þskj. 1501—705. Mál”. Retrived from <http://www.althingi.is/altext/138/s/1501.html>
- Report (2010b). *Víðbrögð stjórnsýslunnar við skýrslu rannsóknarnefndar Alþingis. Skýrsla starfsbóps forsætisráðuneytisins*. Reykjavík: Forsætisráðuneytið. Retrived from <http://www.forsaetisraduneyti.is/media/Skyrslur/Skyrsla-starfshops-6-mai2010.pdf>
- Rousseau, J.-J. (1762). *Du Contrat Social*.
- Sen, A. (2000). *Development as Freedom*. New York: Anchor Books.
- SIC (2010). “Aðdragandi og orsakir falls íslensku bankanna 2008 og tengdir atburðir”, in P. Hreinsson, S. Benediktssdóttir and T. Gunnarsson (eds.), *Special Investigation Commission's report delivered to the Icelandic Parliament: Nine Vols*. Reykjavík: Alþingi.
- Sigurgeirsdóttir, S. (forthcoming 2018). “Eftirlit með eftirlitinu: Rannsóknarnefnd Alþingis og hugmyndin um eflingu þingeftirlits”, in V. Árnason and H.A. Henrysson (eds.), *Hvað einkennir íslenskt lýðræði?* Reykjavík: Háskólaútgáfan.
- Thorarensen, B., and Óskarsdóttir, S. (2015). “Gæslumaður Alþingis. Breytt valdastaða forseta Íslands”, *Stjórnmal og stjórnsýsla* 11, 139–160.
- Dórisdóttir, H. (2010). Afsprengi aðstæðna og fjötruð skynsemi: Aðdragandi og orsakir efnahagshrunins á Íslandi frá sjónarhóli kenninga og rannsókna í félagslegri sálfræði [Situational Determinants and Bounded Rationality: Causes and Consequences of the Icelandic Economic Collapse from the Viewpoint of Social Psychology], prepared for the Working Group on Ethics, in SIC (2010), vol. 8, annex 2.
- Vilhelmsdóttir, S., and Kristinsson, G.H. (2018). “Political trust: Performance or politics?” in this volume.
- Vaiman, V., Sigurjonsson, Th.O., and Davidsson, P.A. (2011). “Weak business culture as an antecedent of economic crisis: The case of Iceland”, *Journal of Business Ethics* 98, 259–272.
- WGE (2010). Árnason, V., Nordal, S., and Ástgeirsdóttir K. *Sjöferði og starfsbattir í tengslum við fall íslensku bankanna 2008* [Ethics and Governance in Relation to the Collapse of the Icelandic Banks 2008], in SIC (2010), vol. 8.

