From Majoritarian Parliamentarism to Semi-Presidentialism?

The Case of Iceland

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**Introduction**

The financial crisis that hit Iceland in 2008 has affected its political system in some fundamental ways. One significant change is the more assertive role of the president in Icelandic politics. As a result the presidency has been recast as a check on the parliamentary majority. The paper traces these interesting changes by giving a historical account of the evolution of parliamentary rule in Iceland. The paper also offers a detailed explanation of why Iceland differed from its Scandinavian neighbours in that it developed a majoritarian type of parliamentarism, despite having a multi-party system and negative parliamentarism.\(^1\) The financial crisis then gave rise to increasing scepticism about political parties as well as the majoritarian features of parliament. This was evidenced, for example, by a dramatic decline in trust in parliament, demands for more direct democracy and more party fragmentation. All this presented political opportunities for the president to become more involved in the political process, thereby transforming the role of the president from a figurehead to a ‘safeguard of the public will’.

The lessons of the Icelandic case include that coalition politics cannot be easily separated from issues of economic stability and the context provided by the party system. Moreover, this case study provides insights into how a changed political-economic context can increase/decrease the power of the presidency *vis-à-vis* the government. The growing power of the presidency did not result from changes in the text of the constitution, but is the outcome of political calculations made by the president. In this the president has enjoyed public support despite criticism from those who fear the growing power of the presidency.

Organizationally, the paper is divided into three sections. The first section gives a brief historical overview of the introduction of parliamentary rule in Iceland. It also outlines the political-economic foundations of the government, which since the 1940s was characterized by majoritarian governments and a figurehead president. In the second section of the paper, it is argued that the reasons Iceland developed a system of majoritarian parliamentarism are linked to its system of macroeconomic management, and the structure of the party system. Finally, the third section outlines the weakening of the majoritarian system in the wake of the financial crisis, giving rise to a stronger presidency.

\(^1\) In part, sections one and two summarize findings presented in a book published in Icelandic in 2011. The book was commissioned by Alþingi and co-authored by the author of this paper. Its English title would be *Parliamentary Rule in Iceland: From the Past to the Present* (Þingræði á Íslandi: Samtíð og saga, Reykjavík, Forlagið).
The Introduction of Parliamentary Rule

When constitutional monarchy was introduced in Denmark in 1849 Iceland was still a part of the Danish kingdom. The 1849 reforms granted legislative powers to a new Danish parliament, but it shared this power with the monarch who had to approve all legislation with his signature. The monarch also controlled ministerial appointments until 1901.

The abolition of absolutism in Denmark fuelled demands for greater political autonomy for Iceland. Leaders of the Icelandic independence movement argued that as a separate nation Iceland should have its own parliament and government. In 1845 the local Icelandic parliament (Alþingi) was restored but only as a consultative body with no powers. Then in 1874 Alþingi was granted legislative powers in Icelandic affairs. The king still retained his veto powers, and Iceland remained under Danish administrative rule. But to Icelandic nationalists the reforms were too limited so they continued to press for more autonomy. However, at this point their demands did not include a demand for parliamentary government.

Instead the introduction of parliamentary government in Iceland and Denmark was the outcome of a power struggle between the king and the parliamentary majority in the Danish lower chamber (Folketing), where Iceland had no representatives. Eventually, the king conceded in 1901 that ministers needed the support of the parliamentary majority. After this concession the king had a very insignificant political role. The final turning point in this regard was the 1920 Easter Crisis when King Christian X dismissed the Danish cabinet. This led to a serious constitutional crisis. It was only resolved when the king backed down and accepted his drastically reduced role as symbolic head of state. Never again has a Danish monarch taken political action without the full support of parliament.

National Government

The introduction of parliamentary government in Denmark produced new concerns for Icelandic parliamentary leaders. The change stripped the monarch of his power to make independent decisions regarding the ratifications of laws and the appointments of ministers. The reduced power of the king upset Icelandic nationalists who resented that Danish ministers, representing the Danish parliament and its voters, had achieved such power over
Icelandic affairs. As a result demands for greater autonomy for Iceland intensified: with the result that home rule for Iceland was achieved in 1904.

Like Denmark Iceland also adopted parliamentarism. The first minister was the leader of the Home Rule Party (Hannes Hafstein) who had the backing of enough members of parliament. Since then almost all Icelandic ministers have also been members of parliament.\(^2\) However, home rule did not change the fact that Icelandic laws still had to be ratified by the king, who in turn took orders from Danish ministers.\(^3\) Icelanders continued to resent this, and kept pressing for independence from Denmark. In 1918 Iceland finally became a sovereign state although not a republic. The Danish king became the head of state of the new nation-state, just as he was the head of state of Denmark.

In the period following independence the party system evolved rapidly from loosely organized parliamentary alliances to well organized parties. By the late 1930s this transformation was complete. During the same time the economic challenges presented by the Great War, and later the Great Depression, laid the foundation of an economic system characterized by a high degree of public control of the economy. Furthermore, until the late 1960s fishing exports amounted to close to 90% of total exports. Today, in comparison, the value of fishing exports out of total export earnings is around 30%.

In the 1930s the unions managed to win concessions from employers that made union membership obligatory for all employees. The Icelandic union movement, like the Danish one, is organized around craft rather than sectors. But despite obligatory union membership the union movement remained rather decentralized until the 1990s (Óskarsdóttir 1995). Its decentralized structure was a detriment to the emergence of neo-corporatism, which has been considered one of the features of the Scandinavian model along with a tradition of minority governments (e.g. Arter 2006). In contrast to the neo-corporatism that emerged in some Scandinavian countries in the late 1930s, Iceland developed a model that partly involved compulsory incomes policies to deal with fluctuations in the export sector, associated with a great demand for labour, rising labour costs or adverse market conditions on international markets. This model relied on capital controls, the indexation of wages, price controls, agricultural subsidies as well as import and export controls. Later devaluations were added to this macroeconomic tool box. By 1971 devaluations had become the principle method of

\(^2\) To date only 19 people have not been members of parliament while serving as ministers.

\(^3\) Only once, during the period of home rule (1904 and 1918), did the Danish State Council refuse to ratify laws passed by Alþingi.
securing the profitability of the export sector. This gave governments great power over the economy, which they were expected to use to achieve economic stability (Óskarsdóttir 1995). But the functionality of the system also depended greatly on compromises between the political parties, both during the formation of coalitions as well as during their lifetime. In rough terms, it can be argued that the right-of-centre Independence Party, usually, represented the interests of business owners; the centrist Progressive Party represented the interests of farmers, co-operatives and rural areas; whereas the left strove to represent the labour movement.

The Icelandic Presidency

When Germany occupied Denmark in April 1940 Alþingi unilaterally terminated the 1918 Union Act. The act had allowed for a revision in 25 years, but the occupation of Denmark hastened Icelanders resolve to establish a republic. As a step in that direction Alþingi elected an interim president in 1941. Also a special parliamentary committee, composed of representatives of the political parties, was given the task of proposing necessary changes in the constitution in order to establish a republic.

What the committee proposed involved only minimal changes such as replacing the word king with the word president. However, the process of ratifying laws was changed to make it less likely that a president would be tempted to interfere in the legislative process (Bernóðusson 2010, 26-33). Thus laws, despite a refusal from the president to co-sign laws with ministers, would nevertheless take effect until the outcome of a referendum said otherwise (article 26). What this meant was that a refusal by a president to sign laws involved that a referendum would be called to determine the fate of the law.

Members of parliament in the early 1940s had already had some taste of how a president might act if left unrestrained. In 1942 the interim president had appointed men who were not members of parliament to run the government after prolonged coalition talks failed to produce a new government. Parliamentary leaders were unhappy with this, but there was also the realization that the parties were unable at the time to make necessary compromises in order to form a government. While this stalemate lasted the president’s government ran the country unopposed by members of parliament. Eventually, the political parties were able to
produce a parliamentary majority in late 1944; a few months after Iceland had become a republic.

So the aim of article 26 was to reduce the influence of the president over legislation. Other articles also ensured that the president only had nominal powers as ministers exercise all presidential powers (article 13); the president has no responsibility when it comes to governing (article 11); and ministers are responsible for the government (article 14). As a result the president became a mere figurehead, similar to the king earlier.

Although the constitution states that the president appoints ministers, the appointments are the outcome of bargaining between the political parties in parliament. In the 70 years since Iceland became a republic, presidents have only a few times been actively involved in helping forming a government (Óskarsdóttir 2011b). These cases have in common that the political parties had a hard time reaching compromises on how to handle the economy (1947, 1949, 1958, 1978 and 1979). One time disagreement over changes in the electoral system played a role (1958). Four times the stalemate would result in the formation of a temporary minority government (1949, 1958, 1979, 2009). When it comes to reasons for break-up of coalitions before the end of the term, differences on foreign policy partly explain the break-up of two coalitions (1946, 1956). Differences over how to handle the economy explain the break-up of all other coalitions (1958, 1974, 1979, 1987, 2009) (Óskarsdóttir 2011b). History also shows that three party coalitions have been more vulnerable to break-ups than two party coalitions. All these historical facts seem to rebuke the claim made by Kristjánsson and Indriðason that the role of the president in forming coalitions explains the prevalence of majoritarian governments in Iceland (2011, 172). On contrary, the role of the president has been rather limited as a coalition formateur (e.g. Jóhannesson 2006, Óskarsdóttir 2011b, 293).

For a long time there was also a strong consensus that the parliamentary majority should control legislation. A good example of this is an explanation given by the former president Vigdís Finnbogadóttir (1980-1996). In early 1993 she signed laws making Iceland a member of the European Economic Area (EEA) despite the fact that thousands of voters had urged her to refuse to sign the laws. Finnbogadóttir concluded that a president could not go against the will of the parliamentary majority. She strongly believed that such an action violates the principle of parliamentarism (Þórhallsson 2007, 88-92).
Majoritarian Parliamentarism in Iceland

As has already been stated a few times in this paper, Iceland has a tradition of majoritarian coalitions, despite the fact that it has a multi-party system. Tables 1 and 2 in the appendix illustrate this. The two tables list the type (majority/minority) of all Icelandic coalitions from 1944, what party led each coalition; the number of coalition parties; the number of cabinet ministers and how the number has been divided between the coalition parties. The tables also show the parliamentary strength of all the coalitions at the time they were formed. The tables show that two party coalitions have been more common than three-party coalitions; coalition parties have received a similar number of ministers despite differences in parliamentary strength; most prime ministers have either been leaders of the Independence Party or the Progressive Party; and minority governments have been very rare (Óskarsdóttir 2011c).

In this last respect Iceland differs, for example, from Denmark, Norway and Sweden where minority governments have been very common. It has been argued that the prevalence of minority governments in these countries produced a type of parliamentarism that is alternatively called co-operative parliamentarism, or consensual parliamentarism, Strøm and Bergmann also associate the latter model with more parliamentary democracy, calling it the Madisonian model (2011, 13-14). In contrast, Iceland resembles Britain with its tradition of majoritarian parliamentarism (e.g. Magnússon 2011).

Majoritarian parliamentarism is believed to be characterized by a clear division in parliament between the parliamentary majority and the opposition; the dominance of the government over the legislature; minimal popular or constitutional constraints on parliamentary power; and adversary style politics. Reversely, in consensual style parliamentarism the distinction between the majority and opposition parties in parliament is more fluid, resulting in less confrontational political debates. Also, in consensual parliamentarism the cabinet is said to have a weaker position vis-à-vis parliament than is the case in majoritarian parliamentarism.

The differentiation between the two types closely resembles Lijphart’s distinction between majoritarian democracies and consensual democracies (1999). He argued that majoritarian democracies have a well-defined parliamentary majority, a majoritarian electoral system, pluralism in the area of interest group politics and the predominance of the government over the legislature. Reversely, consensual democracies are characterized by proportional representation, a multi-party system, a tendency towards neo-corporatist interest group intermediation and a weaker position of the government vis-à-vis the legislature. In his
grouping of consensual parliamentarism Lijphart also included oversized (and therefore inclusive) cabinet coalitions, federal structures, bicameralism, rigid constitutions protected by judicial review, and independent central banks.

Lijphart’s classification scheme is very useful for explaining the prevalence of majoritarianism in Iceland. Thus it stands out, that in the past Iceland lacked neo-corporatist structures; relying instead on compulsory incomes policies, and heavy state involvement in the economy (Óskarsdóttir 1995, 2011). The features of this macroeconomic model were briefly sketched in a previous section. In contrast, neo-corporatism remained a distinct feature of the Scandinavian model along with its tradition of minority governments, and the relatively strong position of social democratic parties (Arter 2006).

In the absence of neo-corporatist bargaining, Icelandic governments relied on their internal cohesion to pass laws that included devaluations, adjustments of the indexation of wages, temporary price freezes and even ban on strikes (Óskarsdóttir 1995). This logic also explains why no coalitions, including more than two parties, survived a whole term. It was easier for two party coalitions to survive a full term. But usually elections would produce changes in coalitions with the exception of two periods: 1959-1971 and 1995-2007.

In the former period the government of the Independence Party and the People’s Party relied in some degree on trilateral consultation between the state, labour and employers. This helped ensure the longevity of the government despite the fact that it had a very slim parliamentary majority for three terms. Perhaps, it may even be argued that because of the slim majority, the government sought to create a greater consensus around its policies through greater tripartite consultation with producers groups.

In the second period the economy had changed in some fundamental ways. The economy had become more open due to the EEA agreement, the scope of the private market had greatly expanded; and the government shared power with interest groups and semi-autonomous state bodies to a greater degree than was the case earlier. The resulting changes in the management of the economy reduced pressures on the government. The government no longer bore the sole responsibility of steering the economy nor did it have the tools to do so anymore. This partly explains why the partnership of the Independence Party and the

4 Neo-corporatism has been linked with the dependency of small states on exports. Thus small states, with open economies, develop neo-corporatism to help them fight the adverse effects of market fluctuations and imported inflation (Katzenstein 1985). This leads to the institutionalization of neo-corporatist mechanisms that facilitate the continuous bargaining between labour, capital and the state on issues that influence incomes and employment levels.
Progressive survived for three terms, 1995 to 2007. But changes in the party system in 1999, discussed below also pushed the two parties together.

The Party System

Since 1959 Iceland has had a proportional electoral system with a 5% threshold. It replaced a system that mixed majoritarian and proportional features that produced a party system that consisted of four parliamentary parties. Since the early 1930s the largest political party was the right-of-centre Independence Party. The second largest party was the centrist Progressive Party that had roots in the rural areas; followed by two smaller left-of-centre parties the People´s Party and the People´s Alliance (formerly the Socialist Party). From 1983, however, five or six parties have always been represented in Alþingi.

Before 1999 the Progressive Party and the People´s Party had a critical role in forming coalitions (Óskarsdóttir, 11b). Without the support of either party the Independence Party had no chance of entering government despite its size. From an ideological standpoint it was also impossible for the Independence Party to form a coalition with the People´s Alliance or vice versa. Going further back, the Progressive Party and the People´s Party had remained tight political allies until 1942. But from then on the two parties never had a parliamentary majority. That meant that they either had to include the socialists in their coalition or negotiate with the Independence Party. At the height of the Cold War, the socialists were not considered attractive coalition partners, because they opposed NATO membership and were sympathetic to the Soviet cause. This ensured that the Independence Party was in government from 1944 to 1956 and again from 1959 to 1971.

In the 1971 and 1974 parliamentary elections a new left-of-centre party (Party of Liberals and Leftists) won parliamentary seats. This was evidence of the fragmentation of the left, but between 1983 and 1999 the left wing was represented by four parties in parliament. However, their combined share of the votes was less than that of the Independence Party that, usually, got close to 40% of the votes. But the fragmentation of the left, and failure to attract wide support in the Reykjavik metropolitan area, cost the Progressive Party some of its previous parliamentary strength. Thus in 1980s its share of the votes dropped from around 25% to less than 20%.

By the 1999 elections the four parties of the left had merged to form the Social Democratic Alliance. But more radical socialists and environmentalists refused to join the
alliance. Instead, they established the Left-Green-Movement. In the 1999 elections the Social Democratic Alliance received 26% of the votes compared to Left-Green’s 9%. The Liberal Party was the third new parliamentary party emerging out the 1999 elections. It received some 7% of the total votes. In contrast, the Independence Party won its greatest electoral victory in 25 years (40.5%). Between 1999 and 2013 five parties always won seats in Alþingi. In 2013 six parties won parliamentary seats and the parliamentary strength of the Independence Party (24%) and the Social Democratic Alliance (12%) was greatly reduced in comparison to 1999.

The realignment of the left in 1999 changed the dynamics of coalition formation. The creation of the Social Democratic Alliance made it a much larger party than its predecessors. It had an ambition to replace the Independence Party as a governing party; not to work with it. This aim shaped both its rhetoric and political tactics. But its leadership failed to court the leadership of the Progressive Party. This failure ensured that the collaboration of the Independence Party and the Progressive Party that had started in 1995 continued until 2007.

The three term collaboration of the Independence Party and the Progressive Party enhanced the majoritarian features of parliamentary politics. As a result, the opposition became increasingly frustrated with its lack of power. Critics also argued that parliament had been reduced to a rubber stamp institution, and they called for parliamentary reforms.5

To sum up: In this section it has been argued that practices relating to the macroeconomic management of the economy as well as the structure of the party system explain the fact that minority governments were not seen as attractive options in Iceland. Some have argued that the tradition of majority governments in Iceland stems from the office seeking nature of Icelandic parties (e.g. Kristinsson and Indriðason 2007), and a tradition of clientelism (Krisjánsson and Indriðason 2011). This may be partly true, especially, when it comes to the years prior to 1990. But it should be noted that it has not always been easy to form coalitions or sustain them. Furthermore, the argument assumes that there are no costs to joining coalition. That is not the case however. The costs might, for instance, include a loss of popular support, which then translates into a loss of parliamentary seats and less state funding. Since the 1980s state funding has become the primary source of income for the political parties. Political parties also have to calculate to what degree a participation in government affects their chances of succeeding in municipal elections. Finally, as has already been

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5 Some steps to reduce the control of the majority over Alþingi were taken in 2008 when new rules gave the opposition more power over the agenda of Alþingi.
pointed out in an earlier section of this paper, the influence of the state over the economy steadily declined in the 1980s and 1990s. Therefore it became more difficult to award loyal party supporters with public appointments or financial favours. Instead of focusing on the office seeking nature of the political parties it is more productive to study the impact the party system has on coalition politics; and the ways in which important producers groups are included in the public policy making process (e.g. pluralism vs. neo-corporatism).

The majoritarian features of coalitions, outlined in this section, ensured that the parliamentary majority controlled both the government and legislation. In contrast, the opposition is relatively powerless. The fact that the same parliamentary majority was in power from 1995 to 2007 made the opposition increasingly frustrated with its lack of influence. This gave rise to a political atmosphere which allowed the president to take action to become a counterweight to the parliamentary majority. This will be the topic of the following section.

The Rise of the President

Sometimes the text of a constitution gives limited information about the actual power of parliament vis-à-vis the president. In this respect, the political context is all important. Austria is an example of a state with a constitution that seems to give a popularly elected president some power over parliament. Icelandic presidents have had a very limited role in coalition formation, with a few exceptions pointed out in an earlier section. Moreover, the president does not have the power to dissolve parliament without the consent of the prime minister. Also presidents never interfered in the legislative process until 2004. When that happened a new era in the relationship between the president and the government (parliamentary majority) was ushered in that may have future implications for the power of the president when it comes to government formation and public-policy making.

Ólafur Ragnar Grímsson

In 2004 Ólafur Ragnar Grímsson became the first Icelandic president who refused to sign laws passed by parliament. Grímsson had been elected president in 1996. Unlike most of his
predecessors he was a politician before becoming president.\textsuperscript{6} He had been the leader of the socialist People’s Alliance, served as a member of parliament for almost two decades and been the finance minister in 1988-1991. Despite this political background, Grímsson received more than 40\% of the votes in a presidential race with two other candidates. In comparison, his party had only received 14\% in the 1995 parliamentary elections.

During Grímsson’s first two terms in office the Independence Party and the Progressive Party controlled the government. During this time he made no attempts to get involved in politics. But an opportunity presented itself when Alþingi passed controversial laws in 2004 that placed limits to how much of the media market could be owned by one business group. People with stakes in the media mobilized, using their influence in the media to disseminate their objections to the laws. The opposition in parliament also opposed to the laws. It argued that the laws provided yet another evidence of the total control the government majority wanted to exert over the political sphere. Not within long, polls showed that the majority of voters were sceptical about the necessity of setting the new laws.

Thus it seemed like a rather safe bet for president Grímsson to use this case to expand the scope of the presidency. He gave a public announcement saying he would not sign the media laws on the grounds that they lacked wide popular support. By this action he recast the president as the people’s ombudsman that ensured that the parliamentary majority did not ignore the ‘will of the people’. This was a radical reinterpretation of article 26 of the constitution that had been put in place in 1944 to limit presidential inference in legislation.

Not surprisingly, the reinterpretation was not well received by the parliamentary majority. But its leaders accepted the action as \textit{fait accompli}. Moreover although the constitution called for a referendum in a situation like this, government leaders agreed that the best course of action was to annul the laws. Polls had already shown that the government had good reason to believe that it would lose a referendum. The opposition, however, applauded the president.\textsuperscript{7} It had gained an ally that could help strengthened the opposition in relation to the government majority. But the government was not willing to give up with some fight. It appointed a constitutional committee to revise the constitution. In particular, the committee was instructed to scrutinize the constitutional articles centring on the presidency. But attempts

\textsuperscript{6} Only one of his predecessors has previously been a politician. That was Ásgeir Ásgeirsson who served from 1952 to 1968. In Alþingi Ásgeirsson had represented both the People’s Party and the Progressive Party.

\textsuperscript{7} After this episode presidential elections were held in the summer of 2004. The president did not run unopposed in 2004, but he received 85.6\% of the votes. Electoral turnout was low in comparison with parliamentary elections, only 63\%. 
to ensure the limited scope of presidential powers failed because of lack of consensus which was widely regarded as a precondition for any constitutional changes. The opposition liked too much the new possibility of having a president that could act as a counterweight to the government.

The Financial Crisis and Icesave

In 2007 the Social Democratic Alliance replaced the Progressive Party as the coalition partner of the Independence Party.\(^8\) A year later Iceland was severely hit by the international financial crisis. The state lacked the resources to save its three main banks whose financial obligations had become nine times larger than Iceland’s GDP. This led to their bankruptcies in October 2008. The ensuing economic crisis had great impact on the political system (Óskarsdóttir 1013).

At the end of January 2009 the Social Democratic Alliance terminated its co-operation with the Independence Party to form a minority government with the Left-Green-Movement. The government relied on the support of the Progressive Party in return for a promise of early elections and constitutional reforms. Elections in April 2009 then secured the Social Democratic Alliance and the Left-Green-Movement a solid majority in parliament. But many difficult tasks awaited the new government. One of its most difficult ones was to settle a dispute with the British and Dutch governments on liability for the failure of an online savings operation run by one of the failed private banks in their countries. For marketing purposes the bank had called these online accounts Icesave.

When the bank failed depositors found themselves unable to access their money. To calm fears, and avert a run on banks in their own countries, the two governments decided to quickly refund the Icesave depositors. They then demanded a refund from Iceland. In June the new government reached an agreement with the British and the Dutch governments guaranteeing that Iceland would pay them €5 billion at relatively high interest. This was a huge sum for a small state with a population of only 320,000, and already heavily in debt. Many in Iceland also questioned whether the relevant EU directive – applying to Iceland as

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\(^8\) Before the 2007 parliamentary elections the leadership of the Social Democratic Alliance had given up hope that the left could win an outright majority. Instead they courted the new leadership of the Independence Party with success.
part of the European Economic Area – actually committed member states to refund depositors if national depositor insurance schemes, financed by the banks, were unable to do so.  

Because of the enormity of the financial obligation for tax payers, there was great popular resistance in Iceland to the Icesave agreement. People argued that the bank, not taxpayers, should be held responsible. Nevertheless, parliament passed the agreement after a lengthy debate and failed efforts to renegotiate the terms. The agreement was supported by all the MPs of the two coalition parties, but strongly opposed by the opposition.

Opponents of the agreement quickly turned to the president for help to stop the laws. There had been some scepticism about whether Grímsson would turn against his former political allies at such a critical time. But as it turned out the president joined the opposition and refused to sign the laws in January 2010. As a result his popularity ratings soared to new heights. In contrast, the government was quickly losing support. Polls at the time also showed that trust in parliament was at an all-time low. By the end of 2009 it had dropped from more than 40% in early 2008 to around 10%. The lack of trust reflected the fact that the public blamed politicians for the ongoing economic crisis (Óskarsdóttir 2013).

President Grímsson used the lack of confidence in parliament as one of the two main public reasons for not signing the Icesave laws. The other was that polls showed a great divide between the public and parliament on the issue. Moreover, he had received a petition signed by 25% of the electorate begging him not to sign the laws. In his statement president Grímsson then went on to argue that a referendum on the divisive issue would help restore faith in the political system and promote national unity.

The leaders of the government were shocked by this turn of events; the president was effectively blocking an important agreement they had made with foreign governments. But there was little that they could do apart from calling a referendum that received a lot of international attention. The president gave interviews in all the major international media where he explained that Iceland was a small, democratic country that could not be pushed by great powers to accept unfair terms. Also, the public should not be expected to pay the private debts of bankers (Óskarsdóttir 2013). The national-democratic dimension of his argument had

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9 Although the Icelandic government gave in to pressure from Britain and the Netherlands and agreed to guarantee the full repayment with interest, it nevertheless insisted that the legal obligation to do so was unclear. Its decision reflected a calculation that it was in Iceland’s best interest to maintain friendly relations with the two governments. There was also the fact that an agreement was a condition for help from the International Monetary Fund.
strong resonance in Iceland. The president’s admirers claimed that, unlike the ‘spineless’ government, he had the guts to protect Icelandic interests. It also endeared him to the public that he seemed to be taking power away from unpopular politicians and giving it to the people. The interviews in the foreign media reflected the growing political assertiveness of the president. Hitherto Icelandic presidents had never spoken against government policies, nor had they been perceived to be promoting their own foreign policy.

In the March 2010 referendum ninety three percent voted against the Icesave laws. Following this defeat the government put together a new team of negotiators, including people the opposition trusted. Months later a more favourable Icesave agreement was reached. It was passed by Alþingi with the support of two thirds of MPs, including the support of most of the MPs of the Independence Party. Yet, Grímsson refused to ratify the laws. He argued that the public should have the final say on this controversial issue not parliament. He gave three main reasons for this: A new parliament had not been elected, trust in parliament still remained extremely low, and voters supported a referendum.

So a second referendum on Icesave was held in April 2011. Despite the strong parliamentary support, the laws were rejected by sixty percent of voters. Upon this outcome Britain and the Netherlands decided to take the dispute to the court of the European Free Trade Agreement. In February 2013, the court reached the verdict that the EU directive in question did not obligate states to refund deposits in private banks even when national insurance schemes failed. This was very good news for Icelandic tax payers as well as for the president. But, by the same token, the verdict was a severe blow to the credibility of the government that had fought hard to pass the controversial Icesave agreements through parliament. That battle had cost it a lot of support. It had also undermined the cohesion of the parliamentary majority.

This was, especially, the case with the Left-Green-Movement that began to experience defections from its parliamentary group already in 2010. By the end of 2011 the government had become a minority government that relied on the support of the small Citizens´ Movement. The dissention over Icesave, the pending EU application of Iceland, conflicts over and plans to revise laws on the management of the fisheries were all sources of serious

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10 By 2012 it had become clear that the estate of the failed Landsbanki would be able to repay British and Dutch account-holders in full.
conflict within the Left-Green-Movement. Furthermore, the government majority was torn apart by its own agenda of changing the constitution which is the topic of next section.

Direct Democracy

When the new government came to office in February 2009, it announced plans to revise the constitution to ensure the establishment of a new and more just Iceland. To achieve this the new constitution was to be written by the common people rather than the political elite. In November 2010, national elections were held to choose 25 people tasked with drafting the new constitution. In comparison to the Icesave referendums, turnout was low (34% compared to over 60%), and shortly before the constitutional assembly was to convene for the first time, Iceland’s high court annulled the election on the grounds that rules securing secret balloting had not been properly observed. This was yet another setback for a government that had then already suffered two referendum defeats.

The government settled on having Alþingi appoint the 25 people to a Constitutional Council that was given the authority to rewrite the constitution. Most of the council members had university degrees, and lived in the Reykjavik metropolitan area. But none of them was a constitutional export and only two had backgrounds as politicians. All of them, however, were well-known, which had helped them in a race that involved 522 candidates. Strangely, given the lack of expertise among the council members, they were only given three months to come up with a draft that would have to be ratified by two successive parliaments.

The draft that the council introduced in the summer of 2011 was widely criticised by the scholarly community for its unclear terminology, poorly considered ideas on separation of powers, complicated electoral system and misguided efforts to reduce the role of political parties. Despite this criticism it soon became clear that the parliamentary majority was reluctant to change the draft in any way. The stance reflected that the parliamentary majority had committed itself to hand over parliament’s power to change the constitution to people who did not represent the political parties. But there was also another more practical reason for the reluctance of the government to change the draft. Its reduced parliamentary majority made it dependent upon the support of the small Citizens Movement, which strongly supported passing an unchanged draft. But as some of the MPs belonging to coalition parties started to have second thoughts because of the criticism of the draft it was clear the draft did
not enjoy parliamentary support. To help get the draft passed the government called for a consultative referendum in October 2012, six months prior to the next parliamentary elections.

Voters were asked to vote on several questions. The first one was whether they supported the draft becoming the basis of a new constitution. Voters were also asked whether they supported a move towards more direct democracy. Two thirds of voters voted “yes” on both questions, but the turnout was only 50%. Although it pleased the government to be finally on the winning side in a referendum, the outcome did not resolve the controversy over whether the draft could, or should, be changed in any way. Due to the fact that the draft included more than 100 articles, a simple “yes” or “no” vote gave little guidance to the question of what changes, if any, voters favoured. Some voters regarded the text as a good rough draft, others wanted it passed unchanged while one third of voters wanted to get rid of the draft.

The constitutional draft gives insights into what the council members regarded as the weaknesses of the political system which they blamed for the economic crisis. They seemed to agree that representative democracy based on political parties was problematic because it facilitates the formation of parliamentary majorities that control government. They sought to reduce this control by giving the president a greater role, introducing more direct democracy and individualizing the electoral process to a greater degree.

According to the constitutional draft, the president would still have had the power to refuse to sign laws; parliament would have to vote on the president’s candidate for prime minister; parliament would not be able to introduce its candidate until in the third round of voting on prime ministerial candidates; new elections would be called if a coalition had not been formed within ten weeks after elections. Restrictions were also put on the vote of confidence, involving that a vote of confidence could not be proposed unless there was enough support for an alternative. Moreover, ten percent of voters could demand a referendum on laws passed by parliament, excluding international treaty obligations and the budget. Also two percent of voter could have introduced legislative bills and proposals in parliament. Finally, the president was to appoint the chairman of a committee set up to select top civil servants; and he was to formally appoint judges with no inference from ministers or parliament.
The New Political Reality

As it turned out the government ran out of time to pass the constitutional draft before the 2013 parliamentary elections. Despite a failure to adopt a new constitution the political reality is that the power of the president has increased *vis-à-vis* the parliamentary majority with the result that the parliamentary majority needs to become more accommodating towards the opposition.

Given that there are no formal guidelines in the constitution about when the president can refuse to sign laws it has been up to Ólafur Ragnar Grímsson to develop such guidelines. In previous cases the president has relied on public polls as a barometer of the public mood. He has only refused to sign legislation that was likely to be overturned by the majority of voters. He has also explained that he believes that the referendum tool should be used sparingly, and only on laws that have irreversible effects. In other cases, the opposition needs to await its turn to get into government. He has also stated that referendum should not be applied in cases that involve regular taxation.

In 2012 Grímsson was re-elected president. The results showed that the majority of voters liked the changes president Grímsson stood for. He regarded the results as a mandate to become more vocal on issues relating to sovereignty and constitutional changes. Over the years the president has also created a strong international profile. He has, for example, cultivated closer links with leaders in countries like China, India and Russia. He has also promoted closer international co-operation in the Arctic region and has an international reputation for fighting global warming.

It should be added that Grímson is now the longest serving president in Europe. Before that he also had a long career in parliament. All this experience enhances his position in relation to the relatively young and inexperienced cabinet ministers who took office last year. In public at least, none of them seems to object to the perception of the growing influence of the president. When asked who determines the foreign policy of Iceland, ministers keep replying that it is the government, but then adding that the president is free to speak his mind and pursue his own agenda.

11 In the elections a record number of new parties were formed. In all 15 parties ran but only 6 passed the 5% threshold needed to secure parliamentary seats. The former coalition parties lost half their seats. The Independence Party did not recover its pre-crisis parliamentary strength, receiving 25% of the votes. The winner was the Progressive Party which got the same number of MPs as the Independence Party. The two parties formed a new two-party coalition, but only after the president ceremoniously declared that he had given the chairman of the Progressive Party to form a coalition.
Conclusions

This paper outlines the strong majoritarian features of Icelandic parliamentarism evidenced by government control over parliament. Moreover it shows that from the beginning of parliamentary rule in Iceland the head of state remained a figurehead - there was no real change in the political role of the president after Iceland became a republic. For decades the president stayed above politics as it was widely accepted that the parliamentary majority should control both legislation and government formation.

The case presented in this paper illustrates that coalition politics cannot be easily separated from issues of economic stability or the context provided by the party system. In the absence of neo-corporatism prior to 1990, Icelandic governments relied on being able to enforce incomes policies in a unilateral fashion. Only majoritarian governments were considered strong enough to do so. This majoritarian pattern went together with a great economic dependency on export earnings as well as a highly unionized labour market, which was also characterized by great demand for labour and the relative decentralisation of the labour movement. In political and economic circles it was therefore regarded as the primary task of governments, if negotiations with unions failed to produce results, to respond to falling profits in the export sector brought on by rising labour costs, inflation or drop in export values. The tools at the disposal of governments included adjusting the currency rate, price controls, subsides, and laws on strikes. As a result coalition talks centred on cementing a union, which would be united enough to respond to the economic pressures as a team. By the same token minority governments were not regarded as a viable option.

After 1990 consensual incomes policies replaced the compulsory approach. In the 1990s Iceland also joined the European Economic Area (EEA), privatization went ahead, and the Central Bank became more independent as did various state bodies. These developments as well as the realignment of the left, which reduced the number of pivotal parties, help explain the long duration (1995-2007) of the coalition of the Independence Party and the Progressive Party. The longevity of the centre-right coalition had a downside for the opposition, because for three terms the opposition had very little actual influence on legislation and public policy-making. This was in sharp contrast to the preceding two decades when the main political parties had been in and out of governments. This lack of influence of the opposition may have tempted the president of the republic to act in an unprecedented way
in 2004, when he became the first president to refuse to ratify laws. That action changed the political game by introducing a new check on the parliamentary majority.

The political upheavals caused by the financial crisis of 2008 have accelerated the development of a more politically active president. To many the financial crisis seemed to validate claims that the majoritarian features of parliament were detrimental to true democracy. This was accompanied by a dramatic decline in trust in parliament, demands for more direct democracy and more party fragmentation. All this presented political opportunities for the president to become more involved in the political process, thereby transforming the role of the president from a figurehead to a ‘safeguard of the public will’.
References


**APPENDIX**

<table>
<thead>
<tr>
<th>Year</th>
<th>Party of PM</th>
<th>Number of parties</th>
<th>Promise of support in vote of confidence</th>
<th>Number of ministers and division between parties</th>
<th>Majority govt.</th>
<th>Minority govt.</th>
<th>Parliamentary strength</th>
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<td>Yes</td>
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**Table 1. Characteristics of Icelandic Governments, 1944–1979**
Table 2. Characteristics of Icelandic parliamentary governments, 1979–2013

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<th>Year</th>
<th>Party of PM</th>
<th>Number of parties in coalition</th>
<th>Promise of a vote of confidence</th>
<th>Number of ministers and division between parties</th>
<th>Majority government</th>
<th>Minority government</th>
<th>Parliamentary strength</th>
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<td>1979</td>
<td>The Social Democratic P.</td>
<td>1</td>
<td>From Independence Party</td>
<td>6</td>
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<td>1980</td>
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<td></td>
<td>4+4+3</td>
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<td>3+1 MP</td>
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<tr>
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<td>Independence P./Progressive P./Independence P.</td>
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<td>2009</td>
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<td>2013</td>
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