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Article (Published Version)

Berry, David M, Belfrage, Claes and Bergmann, Eirikur (2015) A critique of neo-mercantilist analyses of Icelandic political economy and crisis. *Capital and Class*, 39 (3). pp. 515-536. ISSN 0309-8168

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A critique of neo-mercantilist analyses of Icelandic political economy and crisis

Capital & Class

1–22

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DOI: 10.1177/0309816815602082

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Abstract

Iceland's journey from rags to riches in the 20th century is related, in the dominant discourse, to its gaining independence in 1944. This discourse played a significant role in both the legitimisation of the finance-dominated growth model in the 1990s and 2000s and in the latter's defence as it came under scrutiny before its collapse in October 2008. It is therefore ironic – or perhaps, in some sense, logical – to find dominant analyses of the crisis arising from the neo-mercantilist tradition. Drawing on Marxist critiques of neo-mercantilism, we challenge these interventions and thus seek to redress the neglect of social struggle in the dominant discourse.

Keywords

Crisis, financialisation, Icelandic political economy, nationalism, neo-mercantilism

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Introduction

Iceland was for a short while in 2008 the poster-child of the global financial crisis, when it emerged that its highly leveraged financial sector could not be bailed out by the Central Bank of Iceland (Seðlabanki Íslands). Deep scrutiny, both domestically and internationally, of how this had come to pass followed. The erection of capital controls, the ejection of government, public refusal to settle the Icesave issue and the progressive settlement of the costs of (partial) rebalancing of the economy brought further attention. In roughly a hundred years, Iceland had gone from being a poor Danish colony to one of the most affluent countries in the world. The excesses permitted by the finance-dominated growth model (cf. Stockhammer 2008) in the run-up to the crisis aside, this 'rags to riches' story is commonly attributed to Iceland's gaining control of its economy after Independence in 1944. Nationalist discourse was also highly influential in the development of the finance-dominated growth model in the 1990s and early 2000s. It persisted, albeit as a defence of the same model, as the latter came under scrutiny before its collapse in October 2008. It is, against this background ironic – or perhaps in a sense logical – to find dominant accounts of the Icelandic political economy and the crisis arising from the neo-mercantilist or neo-developmental tradition (from here on, 'neo-mercantilist') (e.g. Wade 2009; Wade and Sigurgeirsdóttir 2010).¹ It reproduces the nationalism on which the 'Icelandic tragedy' is founded. Drawing on Marxist critiques of this tradition, particularly with reference to the capitalist state, alienation, technology and methodological nationalism, we critique these interventions. We employ two sets of literature. First, we employ the Marxist critique of the methodological nationalism inherent in the neo-mercantilist tradition (esp. Pradella 2014). Second, we briefly return to the so-called 'Innis debate' raging between leftist Canadian political economists in the 1980s, in which Marxists were pitted against neo-mercantilists in discussing the utility of the contribution of Harold Innis's staple theory for understanding the position of Canada in the imperialist chain. Marxist critiques highlighted the lack of understanding of the state, alienation, technology and the nationalist discourse that neo-mercantilist 'Innisians' promoted (e.g. McNally 1981; 1986; Panitch 1981). We illustrate how these critiques are valid with reference to the neo-mercantilist treatment of key developments in the history of Icelandic capitalism, which are either glossed over or misrepresented in this literature. Fundamental to these is the essentialisation of the micro-scale of the Icelandic political economy. Iceland's geographical smallness is a running theme in neo-mercantilist analysis, which drives clientelist corruption, renders alienation and technological developments a national blessing, and yet turns the nation-state into an ultimately useful agent in steering capitalist development. The country's small size thus indirectly excuses the alienation and exploitation of labour. We therefore seek to redress the neglect of the social struggle at the core of capitalist development in Iceland.

This said, we do not suggest that nationalism, national identity and the size of the economy are irrelevant in the analysis of Icelandic political economy. On the contrary, the analysis of nationalist discourse, national identity and scale should be fundamental to any understanding of hegemonic projects and accumulation strategies. Independence from Denmark, its geostrategic location and the structural limitations of capitalist development have rendered the fanning of nationalist fervour an attractive political strategy

(see Bergmann 2014a). Nevertheless, this must be understood in relation to social struggle, and in relation to how it may detract from tensions in the wage-relation.

The paper is organised as follows. First, key aspects of the neo-mercantilist analysis of the Icelandic crisis against the backdrop of its political economy are summarised. This is followed by a critique of the neo-mercantilist approach in general, and an analysis of Iceland in particular. This critique draws on primarily three sources: Pradella's critique of methodological nationalism (2014), Jessop's 'strategic relational' theory (esp. 1990, 2002) and McNally's critique of technodeterminism (1981, 1986). It focuses on a few foundational accounts in the neo-mercantilist analysis: the turn to capitalism in Iceland, the role of technological development in Icelandic capitalist development, the representation of the cod wars with the United Kingdom from the 1950s to the 1970s, and the neoliberal restructuring of the fisheries sector. The paper, in third place, revisits these developments to retell the story by drawing on this critical political economy literature, and providing a substantial historical background. This, we assert, is essential for explaining the premises underpinning the neoliberal accumulation strategy implemented to move away from dependence on fisheries products and towards financial markets, and thus supposedly stabilise capitalist accumulation. We also relate this to the construction of Icelandic neo-corporatism and the embedding of the labour movement in the finance-dominated growth model (Macheda 2012), neglected by the neo-mercantilist analysis. Without a historical materialist critique of the influential neo-mercantilist analysis of the Icelandic crisis, labour in Iceland may be encouraged to approach strategy-building from a nationalist perspective that obscures the historically specific problems it faces in the Icelandic political economy (cf. McNally 1991).

The dominant account of the Icelandic crisis

This section outlines key aspects of the dominant analysis of the Icelandic crisis, examining the neo-mercantilist critique of neoliberalism, the latter's fascination with financial markets, and the cronyism that often goes with privatisation. This analysis attributes particular characteristics and significance to Icelandic nationalism in telling this story. Historicising the crisis, it seeks to set out the premises for the neoliberal accumulation strategy implemented in the early 1980s to move away from dependence on fisheries products, and towards financial markets. The analysis highlights clientelist corruption, made out to be the key factor in the development of the finance-dominated growth model in the Icelandic case. The small size of Icelandic society is deemed to be a central reason for why clientelist corruption has become so widespread in Iceland, a phenomenon particularly evident in the creation of this growth model. Drawing on an analogy with the fate of Icarus in Greek mythology, Robert Wade (2009) tells a story of Icelanders in hubris attempting to create the means to escape the island economy's structural limitations of size and isolation by ambitiously pursuing a finance-oriented growth model. However, ignoring warnings of its unsustainability, they kept going until they, along with their growth model, crashed.

The neo-mercantilist analysis tells a story of pre-neoliberal 20th-century Icelandic capitalism as one of romantic liberation. In an ironic twist, while intended as a critique of neoliberalism, this story resonates strongly with the same dominant nationalist

discourses in Iceland that have, post-crisis, obscured the social struggle at the heart of the current situation – the same struggle which neoliberal social forces so successfully marginalised with nationalist rhetoric and the consumerist lures of financialisation. The story of liberation (Wade 2009: 8-11; see also Wade and Sigurgeirsdottir 2010: 9-12) is a ‘rags to riches’ tale, highlighting Icelandic capitalism’s origins in the emancipation from feudalist social relations of quasi-peonage under the Danish King in the early 20th century. Feudal landlords, reluctant to allow farmers to find fishing-related jobs in towns, limited fishing to a seasonal activity and held technological development back to confine fishing to open rowing boats. At the turn of the 20th century, Icelanders were amongst the poorest in the region, isolated from world markets. As ‘big, engine-powered boats’ were introduced, new occupations, primarily fishing-related, in coastal villages and towns were ‘opened up’. Feudal landlords and the administrative class were unable to prevent workers from flooding ‘out of the countryside’. This gave Icelanders the impetus to gain sovereignty in 1918, and eventually independence in 1944. The independence gained ‘from landlords and from other countries’ became a powerful source of identity in Iceland, filling a rich literature that was enabled by high levels of literacy. A sense of uniqueness came into being, giving Icelanders a strong sense of national pride that has been evoked in political discourse ever since (see Bergmann 2014b). It has also been a driving force in making Iceland a highly affluent economy on a par with its Nordic brethren. In other words, the pace of technology and the birth of nationhood has driven Iceland’s catch-up. Ultimately, Wade and Sigurgeirsdottir (2010: 10) link this to the creation and temporary success of the finance-dominated growth model: becoming one of the richest countries in the world allowed Icelanders ‘to see themselves as “independent people” at last’. They also confidently, perhaps even arrogantly, portrayed themselves as such in the international arena. This sense of confident independence, buttressed by credit-enabled consumerism and low unemployment, blinded Icelanders to the dangers of allowing the financial sector to outgrow GDP at a rate of 10 to 1, and of the cronyism that enabled it with only a small currency and tax base, yet liberalised capital controls (Wade 2009: 14-15). Ultimately, however, this affluence, sense of independence and international confidence came crashing down as the three big banks’ liabilities became untenable for the Central Bank, the IMF became involved, and capital controls were erected. Indeed – and this is perfectly in line with the neo-mercantilist approach – Wade’s (2009: 16-17) story asserts the ‘phoniness’ of Icelandic catch-up and, quoting the neoliberal ideologue Milton Friedmann, asserts that Icelanders were enjoying a free lunch, when there is no such thing. Neoliberal forces set free a ‘finance capital’ fraction, sponsoring it by building a growth model around it. This came at the expense of an industrial fraction and entrepreneurialism. However, the growth model’s capacity to bring about catch-up remains limited by Iceland’s dependency position.

Wade and Sigurgeirsdottir (2010: 12) draw attention to the manner in which cronyism played a central role in this story, particularly in the creation of the three big private banks whose high degrees of debt leverage eventually were deemed unsustainable by markets and foreign depositors. The small size of the country structurally promotes corruption. As Wade (2009: 25) puts it elsewhere (with regard to the civil service), ‘Iceland’s small size means that nepotism, patron-client obligations, and cronyism (friends of friends) are constant dangers in civil service recruitment and promotion.’ At the same

time, compared with some other contexts ostensibly structurally inclined to corruption, he claims that Iceland's neopatrimonial bureaucracy has functioned well due to high levels of human capital (Wade 2009: 26). Indeed, it is this relative superiority of 'human' or 'mental' (as in the work of original neo-mercantilist Friedrich List) capital that has made Iceland relatively successful vis-a-vis other microeconomies in catching up with the core capitalist economies (cf. Pradella 2014: 190).

Yet Wade considers the bank privatisation of 1998 to have been a process too challenging for this bureaucracy. Neoliberal politicians and ideologues in the Independence Party along with their coalition partners in the Progressive Party handed over control of public financial institutions to their grandees in 'cronyist fashion'. These new owners were not only inexperienced but also highly ambitious, bringing them to set up a number of private-equity firms pursuing investments beyond the 'normal' national confines of Icelandic business activity. The same politicians and ideologues who presided over this handover of financial power also took on the roles of these financial institutions' regulators and supervisors without much, if any, experience of financial market governance. Until 2006 and the so-called 'Geyser crisis', in which speculative flows targeted Iceland, the growth model generated impressive GDP growth (of around 8 per cent, at its peak in 2004). Flying high on a strong sense of post-colonial nationalism, common Icelanders sucked up this success to the extent that neither the Geyser crisis nor subsequent squeaks in the growth model sparked public concern. To calm any jitters among foreign investors, a series of high-profile economists and regulators were mobilised to testify to the health of the growth model. In the end, this dangerous concoction of cronyism, ambition, inexperience and nationalism brought the growth model to its knees. Yet corruption is the standout factor – a factor linked to the microscopic size of Icelandic economic and society.

In the next section, we turn to our critique.

The neo-mercantilist analysis of the Icelandic crisis: A critical political economy critique

This section critiques the neo-mercantilist approach in general, and the analysis of Iceland in particular. The critique draws primarily on three sources: Pradella's critique of methodological nationalism (2014), Jessop's 'strategic relational' approach (esp. 1990, 2002; Jessop & Sum 2006), and geographical and technological determinism (McNally 1981, 1986; Panitch 1981). We focus our attention on a few foundational accounts in the neo-mercantilist analysis: the turn to capitalism in Iceland; the role of technological development in Icelandic capitalist development; the representation of the cod wars with the United Kingdom from the 1950s to the 1970s; and the neoliberal restructuring of the fisheries sector and the latter's role in the construction of the finance-dominated growth regime.

Tracing the foundations of the work of contemporaries Robert Wade and Ha-Joon Chang to the work of 19th century Prussian advisor Friedrich List, Pradella (2014) demonstrates how methodological nationalism in neo-mercantilism is founded on the conflation of society with the state and national territory. She asserts that in determining national economic performance, internal and external factors are isolated and separated,

with precedence afforded to the former. The nation-state is an organic whole and the unit of analysis. This means that the effects of the international order and the internal factors, other than state policy, are downplayed. The state is not merely left undefined, but is assumed to be autonomous from society. This sets up a dualism not merely between state and market, but also between the national and international. The 'complex relations between the national and the international dynamics of capital accumulation' are thus oversimplified, not least by ignoring the significance of social and political movements in the process of making economic policy (Pradella 2014: 190-191). In the words of Desai (2012: 62), 'as a spokesperson for a capitalist developmental state List was not concerned about class exploitation, only national exploitation'. In Marx's critique of List, what the individual bourgeois calls his nationality is the community of interest shared with other bourgeois inside the country, and directed against the proletariat inside, and the bourgeois outside the country (Marx 1975 [1845]: 281). This 'double standard' resurfaces in the neo-mercantilist recognition of class exploitation within domestic borders, as it abolishes the 'exchange values' outside the country.

While attributing significance to labour exploitation in economic growth, broader social and political processes are thus not incorporated in neo-mercantilist analysis. Indeed, the state is in the last instance considered benign. As cronyism, clientelism and corruption blur the distinction between autonomous state and civil society, these practices become the primary targets of critique. Ironically, because neoliberal restructuring is typically its target of critique, these premises, Pradella accurately demonstrates (2014: 181-182), are very similar to those of neoliberalism. As we have already seen, cronyism, clientelism and corruption play central parts in the neo-mercantilist analysis of the Icelandic crisis.

While attractive to the nationalist left and neoliberals alike, from the vantage point of the Marxist theory of the capitalist state as articulated by Jessop (1990; 2002), the neo-mercantilist focus on corruption is only of limited value. Here, the assumption of relative autonomy renders the state in capitalism in particular ways already 'captured', although only by capital in general, and affording workers with rights and duties that distract them from their sense of collectivity deriving from exploitation of surplus value. Indeed, the capitalist state is structurally inscribed to reproduce capitalism. At a high level of abstraction, the capitalist state plays a central role in *régulation* in the narrow sense by performing economic functions, and in the integral sense through its ethico-political and politico-military activities. It follows that political society thus has to make itself *appear* autonomous from civil society in order to reproduce its legitimacy. With regard to size, the small size of the country may make the density of networks that connect political and civil society greater, but there must still be a plausible pretense of autonomy in order to render the state, and capitalism with it, legitimate. This is arguably why the finding of elaborate corruption by the Icelandic Parliamentary Commission (Iceland 2010) investigating the crisis caused such shock and consternation in Icelandic society. However, in practice, that autonomy can only be *relative* because in order to secure its legitimacy, and thus its ability to secure basic resources (e.g. tax), the state must avoid appearing 'arbitrary, rationalistic, and willed' (Gramsci 1998: 377). Because the state's own particular powers and resources, as well as liabilities, are produced outside the formal confines of the state apparatus, in wider civil society its powers are always relational and conditional.

Its protection of capitalist social relations overdetermines the state's form in its institutional separation from the economic space of valorisation. This gives it a 'relative autonomy' from civil society and economy, which prevents the state from appearing as a 'class state' (Jessop & Sum 2006: 367).

The capitalist state is mutually constitutive with the market economy (Jessop & Sum 2006: 155). In order to regularise capitalist laws, the state must bring about 'a structured coherence [– a reciprocity –] between economic structure and the superstructures' (Jessop & Sum 2006: 358), and the appearance of a system as 'closed' and self-reproducing (Krätke, in Jessop 2006: 162). The leading group must articulate particular economic interests as being of universal interest, and economic strategies in convincing accordance with the 'decisive economic nucleus' (Jessop & Sum 2006: 161). Political parties, key constituents of political society, represent these, but seek to avoid being perceived as directly associated with particular economic interests. Since the contradictions and dilemmas in the coordination of accumulation are insoluble in the abstract, they can only be resolved through the formulation and realisation of particular 'accumulation strategies' (Jessop & Sum 2006: 317). To be successful, an accumulation strategy must outline a mode of *régulation*. In times of crisis, in which modes of *régulation* no longer successfully stabilise accumulation, the accumulation strategies fail. To relegitimate capitalism, therefore, a new accumulation strategy must be formulated.

Yet the construction and delivery of accumulation strategies take place in a strategically selective context, reflected in the capitalist state's 'path-dependencies'. This means that it is structurally inscribed with a particular 'strategic selectivity' – a specific configuration of 'state branches, apparatuses and institutions ... and institutional unities, and their specific patterns of domination and subordination' (2006: 97-98). This produces the differential ability of various political forces to pursue particular interests and strategies (Jessop 2002: 40). 'State projects' may, however, reconfigure strategic selectivities over time in order to shape the path-dependency of others (i.e. path-shaping, e.g. Jessop 2009: 340). However, it is key to remember that the 'state [itself] does not exercise power, it is "peopled"' (Jessop 1990: 366-7). Politicians and civil servants play temporary roles in its reproduction and transformation. Thus such a perspective examines how economic issues are translated into political problems for action by the state 'in its inclusive sense and ... mediated by the structurally inscribed, strategically selective nature of political regimes' (Jessop & Sum 2006: 372). As we will illustrate below, both the fishing-dominated growth model of the immediate post-Second World War period and the finance-dominated growth model sought to safeguard corporate profits. As we will see further below, the Icelandic state played a crucial role in facilitating this. In search of deeper social *régulation*, accumulation strategies, at least partly and at times more extensively, were devised so as to compensate for this compromise.

It is the case, no matter what, that nationalism is a key feature in any discourse seeking to legitimate a regime of accumulation. Indeed, central to mediating antagonistic ideological and economic interests in the formulation and implementation of accumulation strategies is the articulation of these interests in relation to longstanding or new hegemonic projects. Hegemonic projects are inherently nationalist, as is the case in Iceland. Nation projects often seek to unite populations through, for instance, the expansion of the welfare state in the post-Second World War period. Also, common enemy

projects identify and target a common threat, a foreign enemy or hyper-inflation. As we will later see, nationalist discourse in Iceland has at different points in time been dominated by both forms of hegemonic project (Jonsson 1993: 88).

Following on from the above critique of neo-mercantilism's simplistic conception of the state, its account of the economy suffers from technodeterminism, and also fails to challenge the international system of exploitation that is capitalism, and to thus outline a perspective from which social and political movements can at least understand the challenge on their hands. This brings us back to debates between Marxists and leftist nationalists in Canada in the 1980s on the subject of the work of the influential Canadian political economist Harold Innis in inspiring an understanding of Canadian economic history and its position in the international order. Innis stipulated that within civilisational, and in this particular case, 'capitalist' development, the 'periphery' (Canada) receives its culture through trade with the metropole (the British-US core). Trade is here the stimulus to development, and it is the character of the staple product produced for export, especially its geographic and technological constitution, which determines patterns of development and accompanying forms of social and political organisation in the periphery within Anglo-American 'civilisation': 'each staple in its turn left its stamp, and the shift to new staples invariably produced periods of crisis in which adjustments in the old structure were painfully made and a new pattern created in relation to a new staple' (Innis 2007: 24). The danger with Innis's staple theory is the inherent tendency towards commodity fetishism in his work. This results from a technological determinism (or in Innis's terminology, 'technological situation') and a geographical determinism (Innis's 'geographic background').² The result, in McNally's words, is 'a conception of capitalist production as constituted by relations between *things* and culminating in the production of *things*' (1981: 45).

The neo-mercantilist neo-Innisians of the 1970s (see Williams 1988), like Friedrich List before them, situated this analysis within the imperialist chain. They considered a change in staples to be not merely related to the requirements of international trade, but also conducive to repositioning within the imperialist chain. Typically, the merchant and finance fractions of capital benefited from this at the expense of the industrial entrepreneur with whom any limited hope for catch-up lay: the 'maximization of the mercantile surplus will minimize the industrial surplus' (Levitt, in Panitch 1981: 10). The financial fraction's dominance, founded on the close historical relationship between local merchants and the core, determined Canadian dependency. This class fraction kept the indigenous class of industrial entrepreneurs at bay, and sustained extensive exports of staple goods. This, in turn, brought about large-scale manufacturing by US multinationals in Canada. The parallels, to which we will return, with the neo-mercantile analysis of Iceland are striking. They thus periodised Canadian history according to changes in external relations. Their Marxist critics challenged the manner in which this neo-mercantilist analysis sets up a dependency geography of periphery-core, which is highly problematic for such an affluent country as Canada (Panitch 1981). While Iceland is a much smaller country than Canada, the two present similarities in their affluence, staple product reliance and geographic peripherality, which in turn are reflected in the neo-mercantilist analysis of Iceland. Panitch's (1981: 9) analysis of the neo-Innisian approach rings very true when considering the focus on the importation of trawler technology at

the turn of the 20th century in Iceland in Wade's analysis: 'importation of capital in this form is not the import of a thing, but of certain social relationships which are uncharacteristic of peripheral societies in the mercantile era'. This leftist nationalist approach is happy to conceive of strategies that bring the 'dependent' country to the core of the liberal international order, so that it can benefit from it without consideration for exploitative class relations.

As Panitch (1981: 9) states,

while the neo-mercantilist approach ignores class relations, from a Marxist perspective an appreciation of class relations of exploitation and struggle is essential to make sense of what is going on in a society and in relations between societies. Without this, one is forced to see development or underdevelopment entirely as the creation of international relations or of ruling classes or of reified organizations.

In the next section, we will account for key developments in the Icelandic political economy by doing just that.

Retelling the Icelandic story

We begin this section with an account of the origins of capitalism in Iceland. This is followed by a setting out of the historical developments in the relationship between political and civil society in Iceland. We then turn to an analysis of the fishing-dominated growth model in the post-Second World War period, as well as during its crisis in the 1970s. Finally, and against this background, we analyse the significance of the introduction of fishing quotas in the 1980s for financialisation in the 1990s and 2000s.

Origins of capitalism in Iceland

Through the expansion of the fishing sector, Iceland's late-emerging capitalism came to centre on a regime of extensive accumulation of absolute surplus value extraction. In the mid-19th century, Iceland played a limited part in the Danish empire and thus the mercantile system as a whole. Urbanisation had hardly begun, and most people worked for food and lodging on family-run farms in the countryside. Neither was there any functional monetary or other sort of financial system to underpin capitalist accumulation. A small number of farmers produced traditional food products, and the Danish monarch largely monopolised foreign trade. Capitalism's relatively late emergence in Iceland was spurred by the Danish Crown's promotion of Icelandic state-building and ambition to introduce capitalist accumulation throughout the empire, including Iceland. It sought to undermine the landowning class's control over social and technical change (or rather, reluctance to allow for it) by undermining its power in the Althing (Iceland's Parliament) in the run-up to sovereignty in 1918, and by gradually relaxing the Crown's control over external trade from 1855, and thus promoting the rise of merchant and fisheries fractions of the capitalist class. Limited imports had been financed by the Danish Crown. Now, capitalism and sovereignty required local commodities to be exchanged for foreign currency in order to pay for growing demands for imports.

Commodification of land, labour and money brought urbanisation and domestic markets (Magnússon 1985). The Danish Crown representatives and the small merchant class with links to foreign capital, also referred to as 'the industrialisers', criticised the landowning class and its representatives, also known as 'the preservationists', for their traditional ideals of small-scale farming and artisanship (Baldvinsdóttir 1998: 48-9). This provided the political space for the growth of foreign trade revolving around the fisheries sector. The ample fish stock, up to this point harvested seasonally and in open rowing boats to supplement nutrition, was the industrialisers' target for commodification. By importing basic trawler vessel technology and fish product processing equipment, the industrialisers could make the argument for opportunities for scale and speed of production. Merchants could point to overseas market opportunities. Thus, fish and fish products could be made the central export commodity. This commodification of land was only possible if coupled with the commodification of labour. By challenging the quasi-feudal mode of production in place, large numbers of workers were able to break away from quasi-peonage agricultural labour relations in the countryside, and take up wage-labour in coastal towns. Fishermen's income was based on a share of the catch, linking their interests, in the early years, with those of the fishing vessel owners. The heavy class distinction in agriculture was thus less severe in the fisheries-based coastal towns. The population of Reykjavik, the new hub of capitalist accumulation, grew from 10 per cent of the population in 1900 to 40 per cent in 1930. By the end of the 20th century, 75 per cent of Iceland's population had come to live in the greater Reykjavik area.

The commodification of money occurred through the creation of the Íslandsbanki (Bank of Iceland). In the 1890s, the Landsbanki (National Bank of Iceland) was set up to finance fishing capital and wages. However, it was soon found to be inadequate. Aiming at superseding the Landsbanki, local merchants and the Danish Crown came up with a series of proposals to enable the creation and flow of local currency. Following a struggle between industrialiser and preservationist forces, played out in the Althing, the former was able to push through the creation of the rather peculiar Íslandsbanki in 1902. Apart from being a privately owned, joint-stock central bank with the right to issue Icelandic króna against the Gold Standard, it was partly foreign-owned by Danish and British interests. Preservationists were, however, able to secure concessions on the size of the joint-stock, a reduction in the maturity of promissory notes, and the circumscription of Althing influence over the Bank (Snævarr 1993). Still, the creation of this mediating mechanism in the mode of regulation led to the transnationalisation of Icelandic capital accumulation, and was key to the accumulation strategy of the emerging industrialist fraction of capital, solidifying its ties to foreign capital (Baldvinsdóttir 1999: 49). Through these developments, capitalist accumulation came to centre on a regime of extensive accumulation of absolute surplus value extraction through the expansion of the fisheries sector. A historic bloc was thus formed by an emerging bourgeoisie of merchants and industrial entrepreneurs, much of which would come to revolve around 14 families (popularly known as the 'Octopus', see Arnason 1991), and wage-labourers.

However, this bloc lacked solid support from a political party, and without this the bank's ability to finance the transnationalisation of capital accumulation was undermined. In the 1920s, it was contested in the Althing by the 'Preservationist' parliamentary alliance drawn from the Progressive Party, the Co-operative Movement and the

Social Democratic Party (which had been divided on its support of the bank). Developed around a common-enemy hegemonic project, this challenge represented the interests of a competing historic bloc also claiming to represent progress, albeit through innovation in agricultural production, to hinder the transnational capital from destroying small-scale Icelandic production. The premise of their political project was the bank's role in promoting industrialisation, and that foreigners should not have the right to hold shares in the bank. The bank was closed down in 1930 and replaced as Iceland's central bank by the newly formed Landsbanki in 1928. The newly formed joint-stock Fisheries Bank of Iceland hf. took over Islandsbanki's foreign debt, with the new central bank as majority shareholder. Constituting a central element of the accumulation strategy of the farmer fraction of capital, the Agricultural Bank was set up in 1929 to provide loans to the agricultural sector. While both groups claimed to represent national progress, the competing historic bloc made a more successful claim to defend the struggle for independence from the Danish Crown, which had become a hegemonic element of the Icelandic societal paradigm. Key outcomes were isolationism and a slowing down of industrialisation.

The Icelandic capitalist state

In contrast with neo-mercantilist analyses, we need to pay close attention to how political society, constituted by political parties and the state apparatus, is historically intertwined with civil society in Iceland. While elite networks are dense and as such significant in Iceland (Baldvinsdóttir 1998), we should be careful with assuming that micro-size makes for any particular infringement upon state autonomy. The capitalist state can merely be relatively autonomous. As such, we should never be surprised to see 'deals' being done between representatives of state and markets. This is a propensity within capitalism, not a matter of size. The state is not ultimately benign. It is what it is: a *capitalist state*, concerned with the reproduction of capitalism. This conception enables us to acknowledge the historically specific influence of capital on the state without turning the state into a mouthpiece of particular capitals. Such a simplistic understanding would also weaken our understanding of labour's role in financialisation and in the creation of finance-oriented growth models (cf. Belfrage & Ryner 2009). This is thus essential for grasping how the social relations of production at the heart of Icelandic capitalist accumulation were created and mediated.

The country's political party system was taking shape in the early 20th century. Ever since, the system has consisted of four main parties (see Kristinsson 2006). Despite repeated attempts, efforts to break up this party of four have thus far failed. The main ruling parties, the Independence Party (Sjálfstæðisflokkurinn, IP) and Progressive Party (Framsóknarflokkurinn, PP) managed the Icelandic economy through most of the 20th century, heavily controlled by regulations, governmental licensing, and import and export controls. Most private firms were closely tied to the IP through the Employers Association, and the powerful Co-operative Movement was in effect the business branch of the Progressive Party. The Co-operative Movement controlled companies in most fields of the economy, and was for a while, because of its centrist organisation, the most influential player in the economy. This was branded 'the rule of halves'

(*helmingaskiptareglan*), which itself was partially broken when the Co-operative Movement collapsed in 1992. Emerging partly in response to the political fragmentation of industrial capital, the right-of-centre IP emerged as the largest political party and indeed the country's hegemonic party throughout most of the century, following its creation in 1929. IP combined demands for a laissez-faire economy, in opposition to socialism and co-operativism, with demands for law and order that were often couched in nationalist discourse (Gudmundsson, in Baldvinsdóttir 1999: 31). To disguise its class allegiances, the party claimed to harmoniously represent all classes, a claim captured discursively by its slogan 'class with class' (Kristjánsson 1977) and practically by its commitment to full employment via highly accommodating monetary policies. It routinely used currency devaluations to sustain profits (not wages), which led to inflation and the undermining of financial sector development (Jonsson 1993). It was closely linked with the Confederation of Icelandic Employers (SA), including the Association of Fishing Vessel Owners (LÍÚ). The agricultural PP occupied the centre of Icelandic politics, and was often able to increase its importance by forming coalitions with both left and right.

The left wing in Icelandic politics failed, in contrast with its allies in the other Nordic countries, to overcome its tendential fragmentation in the 20th century. Trade unions emerged after the turn of the century with an established top-level organisation (Alþýðusamband Íslands, ASI). The Social Democratic Party (Alþýðuflokkurinn, SDP) was established in 1916 as the political arm of the ASI. However, the SDP was small by Scandinavian standards, and was dominated by a social-liberal faction, which welcomed individualism and the pursuit of wealth (Kristjánsson 1977). In 1930, a communist group split from the party, marking continued fragmentation in the coming decades. In the latter half of the century, the People's Alliance (Alþýðubandalagið, PA) emerged as the united home of those on the left of the SDP. A one-nation strategy focused on welfare expansion and import substitution strategies promoting the fisheries sector was developed. The split was enhanced by foreign policy issues and the classical divide in Icelandic politics between internationalists and isolationists divided the left. While the SDP promoted participation in international organisations like NATO and the European integration project, the PA was more rooted in the heritage of the independence struggle and concerned with protecting Iceland's sovereignty against outside forces (Kristjánssdóttir 2008).

Attempts at uniting the left continued throughout the century. The latest serious attempt was made around the turn of the millennium with the merger of the SDP and the PA together with two satellite parties into the Social Democratic Alliance (Samfylkingin, SDA). In effect, however, the establishment of the Left Green Movement (Vinstri Hreyfingin – grænt framboð, LGM) undermined that attempt, which was almost instantly able to fill the space to the left of the SDA that the PA had previously occupied. Left-wing parties have played only a marginal role in the articulation of Icelandic hegemonic projects in the post-Second World War period, and as a consequence, the welfare state never took the proportions of those found in some of the other Nordic states (Olafsson 2005).³

Through the Marxist conception of the capitalist state, we can make sense of the impact on the relationship between political and civil society of an economy's position in the international order. This becomes highly relevant when considering accumulation strategies and hegemonic projects in relation to size. We will turn to this next.

The fishing-dominated growth model and the Cod Wars

During the decades immediately following independence from Denmark in 1944 and the Second World War, extensive accumulation based on the fisheries sector resumed. As in its Nordic neighbours (see Katzenstein 1985), capitalist development in Iceland came to revolve around a heavily export-oriented regime of accumulation based on its rich but narrow range of natural resources. Despite food and staple goods being relatively disadvantaged under the General Agreement on Tariffs and Trade (GATT), fungible fish products generated high profits. The industrial 'Octopus' fraction of capital (*Kolgrabbinn*), closely linked to the Independence Party, dominated many branches of the economy, including fishing, imports, petrol distribution, shipping and insurance, and held a monopoly on much of the country's business with the US army base. It was able to gain some support from workers by expanding the workforce, mainly through feminisation and urbanisation, but also through its successful articulation of common enemy hegemonic projects. Throughout the second half of the 20th century, labour force participation was amongst the highest in Europe, with an unemployment rate averaging around 2 per cent. However, the success of IP had to do in no small part with the fragmentation of the labour movement. Since the 1940s, all political parties were represented in ASÍ, and labour leaders also wore different organisational hats, which may have tempered radical behaviour. In the wake of the Cod Wars of the 1950s and 1970s, in which Icelandic governments of all ranks were able to extend the country's territorial waters and thus protect the interests relating to the export sector in relation to the British fishing industry, the fast-growing fishing companies could introduce new forms of exploitation into accumulation by expanding and updating their trawler fleets. Fisheries came to generate the bulk of the country's foreign income.

During the Cold War, the Independence Party and the Progressive Party were able to construct, exploiting the fragmented left, a common-enemy hegemonic project in relation to the Cold War. Aligning Iceland with the US and NATO, they could successfully articulate a position of 'national interest', navigating between internationalist and isolationist interests. They were thus able to secure massive support through the US Marshall Aid Plan, and also to construe Iceland as an important, independent state in world politics by its becoming a founding member of NATO and joining the UN. In exchange for the right to set up a US base on land in Keflavik on the Reykjanes Peninsula close to Reykjavik, Iceland secured a bilateral defence agreement in 1951 as well as the opening up of the US market for Icelandic seafood products (Ingimundarson 1996). In its first decade, the military base accounted for up to 20 per cent of the country's foreign exchange earnings. Through politico-military moves, it was thus able to secure the economic and financial basis to import new social relations of exploitation.

The close relationship with the USA enabled Icelandic governments to be more assertive in relation to the British during the Cod Wars. In gradual steps, Icelandic governments unilaterally expanded the country's exclusive fishing zone to 200 nautical miles. This politico-military move enabled Icelandic governments to displace internal ethico-political challenges from both right and left by asserting sovereignty. The first confrontation occurred in 1958, when the PP-PA government moved the zone from four to twelve miles. Foreign trawlers, mainly British, which for decades had been fishing close to

Iceland's shores, were unhappy with the move. After repeated incidents of ramming between Icelandic patrol vessels and warships of the Royal British Navy, which had been called in to protect the British fishing trawlers, an agreement was reached. The British agreed to move out of the 12-mile zone in exchange for the Icelandic government's agreement to refer any further expansion to the International Court of Justice in The Hague (Jóhannesson 2006).

A second confrontation broke out in 1972 when the new left-wing government unilaterally announced an expansion to 50 nautical miles. The fisheries minister, Lúðvík Jósepsson (PA), justified his decision to abandon the previous agreement of the right-wing government with the UK on the grounds that Iceland not only had the right but was also obligated to protect its economic independence (Jósepsson 1973). Despite this assertion, British trawlers kept on fishing within the 50-mile zone. Iceland's coastguard responded by cutting the fishing nets from behind British trawlers. The government was able to claim that it served Iceland's national interest that this confrontation between two NATO states at the height of the Cold War might weaken the organisation. Its Secretary General, Joseph Luns, was subsequently able to broker an agreement whereby fishing by British trawlers within Iceland's 50-mile zone was limited to a small area.

The Cod Wars reached their height in 1975, when the IP-PP government announced an expansion to 200 miles (see Jóhannesson 2006). As before, the British trawlers refused to leave. The Icelandic coastguard thus resumed cutting their fishing nets. The British Navy could, of course, have intervened; however, the Icelandic government was able to leverage the significance attributed to the NATO base in Keflavik. By threatening to leave NATO and close its military base in Keflavik, thus opening up the North-West Atlantic to the Soviet Union, the Icelandic government was able to exploit its newly established Washington connection to secure its expanded maritime territory in international law in 1976.

In the various political discourses employed by the different governments, the Cod Wars were articulated as a continuation of Iceland's 'eternal' independence struggle, this time as a fight for economic independence against a foreign authority that had for over a century exploited Iceland's natural resources. On the back of this historical struggle over Icelandic national resources, the strained relationship between Iceland and the UK during the Cod Wars were later to be re-articulated in the dispute over the Icesave deposit accounts in 2008.

Thanks to the vast expansion of the exclusive fishing zone during the Cod Wars, the fishing sector grew, which accelerated foreign income. This increased foreign currency inflows significantly. However, this also caused increased inflation, in the range of 30-50 per cent annually. Indeed, fishing provided the only export industry of importance, constituting roughly 90 per cent of all merchandise exports in the early 1960s, making the social relations of production pertaining to the fishing sector absolutely central to the Icelandic political economy. Average annual aggregate GDP growth was 4 per cent for the following two decades, but this figure hides both the fact that profit rates were only secured by currency devaluations and the unpredictability of the annual size of harvests.

Translated into labour market relations, the narrow focus of the growth model created strategic selectivities that favoured fisheries capital. Emphasising Iceland's microsize and reliance upon the revenue generated from fisheries exports, government economic policy

accommodated the demands of fishing capital in a context of price volatility. Monetary policy was kept lax to protect profit rates under the pretence that this also served workers in the fisheries sector. Repeated devaluations of the króna spurred inflation, with the effect that the population in effect came to live on a 'share-of-the-catch income' (Jónsson 2009: 37).

Although the labour movement had grown relatively large and did, for instance, engage in collective wage bargaining, and successfully defended full employment, it was fragmented and its interests were ineffectively channeled into parliamentary politics. Indeed, the labour movement never succeeded in establishing common ground with employers, which could serve as the foundation for relatively peaceful labour relations, as, for example, in Sweden. Emerging partly in response to the political weakness of industrial capital, the Independence Party took advantage of this fragmentation by representing itself as a defender of the interests of both capital and workers.

Successfully claiming to harmoniously represent all classes, the IP weakened the labour movement's ability to push for any compromise-based incomes policy, which could have enabled the reinvestment of profits into labour and technology to ensure social protection and competitiveness. Iceland's construction of a comprehensive and universalist welfare state unfolded at best unevenly during the period, and was able neither to provide effective wage protection against the effects of small annual harvests, nor to reduce inequality (Ólafsson 2005; Mjøset 1987). Aside from health policy and education, Iceland's economy could hardly be seen as redistributive. The growth model thus remained focused on extensive accumulation of absolute surplus value extraction, and developed a strong procyclicality. This, however, started to change with the destabilisation of international monetary relations and price levels in the late 1960s.

The crisis of the fishing-dominated growth model

As prices on fish products rose, the pressure on the growth model and the social relations of accumulation underpinning it were amplified. In accordance with the mechanisms of addressing pressure in the growth model, the resulting profit surge was not effectively channeled into productive investments, thus preventing excessive inflationary pressure, but was rather used to offset growing (albeit not internationally deviating) wage demands. This became a fundamental problem for the growth model once demand stagnated and fishing stocks collapsed in the 1970s. Governments from across the political spectrum were troubled in dealing with this inherent weakness. The economy slowly stagnated as foreign investment, more plentiful during and immediately in the wake of the Second World War, seized up (Mjøset 1987).

Social Democratic participation in government in the late 1960s led to the introduction of wage indexation, which resulted in wages partly following profit rates. Although labour-market conflict was avoided, public indebtedness and inflation kept on growing. With the OPEC oil shock in 1973, stagflationary pressures in the world economy caused disarray, as demand for fish products slumped. Profit rates fell, public indebtedness grew, and inflation once again shot up. The government responded to demands from fisheries capital to defend profit rates by dropping wage indexation and repeatedly devaluing the króna to strengthen the distribution of income transfers towards the fisheries sector

(Mjøset 1987). The government, however, failed to reverse the accommodating monetary policies, with public indebtedness and inflation remaining high. As the subsequent resumption of growth in the economy, benefitting the fisheries sector in particular, was understood to come on the back of unfair income transfers, an unprecedented wave of strikes hit the country, lasting from 1974 to 1977. Radical dissent against this rentier capitalism (Gylfason 2006), as well as the societal paradigm underpinning it, resulted in unprecedented support for the SDP and the more radical leftist People's Alliance in the 1978 elections.

Each of the three state banks was closely connected to a political party: Landsbanki (or Landsbankinn) to the Independence Party; the Agrarian Bank (Búnaðarbanki Íslands) to the Progressive Party; and the People's Bank of Iceland (Alþýðubanki Íslands) to the Social Democratic Party. Inflation had been common in the economy throughout most of the century, causing great difficulties. During the inflationary period of the 1970s and 1980s, real interest rates were kept negative as the nominal rate was kept below a fixed ceiling. Government-controlled banks issued loans according to nepotistic principles, financed by an inflation tax on deposits and other monetary assets. Consequently, savings rates fell and deposit installments shrank, rendering the financial system unsustainable (Halldórsson & Zoega 2010). However, it also brought about a large percentage of dwellings being privately owned, since the paying back of mortgages could be done more easily. Through these mechanisms, home-owning became an important part of the societal paradigm, and was often drawn upon in the construction of hegemonic projects and in the justification of accumulation strategies. As a part of a broad-based economic reform, this led the PP-SDA-PA government in 1979 to introduce an innovative mechanism of inflation indexation on bank loans, which soon became standard lending practice across the financial sector. Debtors were to pay fixed interest rates, but the costs of inflation would be added to the principal, which as a result would grow with inflation throughout the maturity of the loan. As a result, the lion's share of bank loans in the system would gradually become immune to changes in short-term policy rates. The equity of households, however, became immensely sensitive to inflation, greatly affecting the home-owning proportion of the population. Significantly, this creation of sensitivity to inflation through home-ownership came to play a fundamental role in the financialisation of the 1990s and 2000s.

Neoliberalism, fisheries quotas and financialisation

Without paying sufficient attention to the causes of the crisis of the fishing-dominated growth model in the 1970s, the neo-mercantilist analysis, as we have seen, fails to see crucial missing links between its decline, the rise of neoliberalism and financialisation: that is, the way monetarist ideas informed the articulation of a new accumulation strategy, and how the labour movement was incorporated into a new historic bloc by giving it a key role in managing financialisation.

The crisis of the 1970s provided the space for the emergence of a neoliberal faction within the IP. Within the IP, a generational shift was occurring, and young neoliberals rose through the ranks around the journal *The Locomotive* (*Eimreiðin*). Inspired by libertarian and monetarist ideas, this new generation targeted a revamp of the foundations of the regime of accumulation. Influenced by neoliberal economists like James M.

Buchanan, Milton Friedman and Friedrich von Hayek, who all visited the country in the 1980s, private property was to be given a new injection of life, as secured by a monetarist policy framework of anti-inflation, and supported by financial markets capable of efficiently allocating resources. The promotion of private property and financial markets was also intended to support the diversification of the economy.

IP governments after the 1983 elections were significantly influenced by the neo-liberal Locomotive Group's agenda, and set out first and foremost to fight inflation through raising interest rates and weakening special interests, particularly labour. The devaluation of the króna as a regulatory mechanism was now deemed unacceptable. Instead, strong private property rights and financial market liberalisation were emphasised since such steps, it was argued, provided incentives for efficient market behaviour. Central to the formulation of this accumulation strategy was the commodification of land with the introduction of the regulatory system of Individual Transferable Quota (ITQ).

After the Cod Wars, the pressure on the harvesting of fish rose rapidly. Initially, this brought greater export revenue. However, it soon resulted in a decline in fish stocks. Inspired by the new neoliberal faction, the right-of-centre government sought to introduce a quota system based on dividing the total allowable catch between fish vessel owners, and allowing for the trading of fishing rights. The design was such as to hand open-ended fishing rights to those fishing vessel owners who had exploited the stock in the few previous years. This move instantly created massive equity for those who happened to have been fishing in Icelandic waters during the selected period. While they were formally not their private property, fishing vessel owners could nevertheless freely trade fishing rights. This was based on the argument that fishing rights 'should be developed as far as possible into a system of private property rights' (Gissurason 2000).

While the shift to the finance-dominated growth model was not institutionalised until after the turn of the 21st century, the introduction of the ITQ system was crucial to its emergence. By turning uncaught fish into property rights, the very right to harvest and all its derivatives were made tradable. In addition to doing away with overfishing, this was intended to incentivise optimal efficiency in the fisheries sector. In broad accordance with Chicago School principal-agent theory, inefficiently employed capacity would now be appropriated. This was supported by the 1985 deregulation of the stock exchange, which enabled fishing firms to float its stocks and reorganise in accordance with shareholder value ideas of corporate governance. On the back of commodification of unruly land, secure property rights and efficient corporate governance would break the boom-and-bust nature of the fisheries cycle. While anti-monopolistic in the abstract (Gissurason 2000), strong oligopolistic tendencies were inscribed into the ITQ system. By playing into hands of the 'giants' in the Icelandic fisheries sector, further opportunities were created for fisheries capital to separate ownership from actual fishing through the construction of a leasing system. While ostensibly intended to generate competition, the ITQ system provided a strong mechanism for the centralisation of capital.

There was significant resistance to the introduction of the ITQ system. First, the market mechanisms set in motion by the ITQ system were criticised for fundamentally

transforming the power distribution in production relations to the benefit of fisheries capital, at the expense of labour. Equal wages across the fisheries sector was fundamentally undermined as wages became increasingly determined by the market prices of different fish, the size of the annual catch, trade quotas and oil prices. This also profoundly undermined solidaristic wage-bargaining. The distribution of quotas on the basis of catch history was also criticised. This related to the principle of distribution, which allocated quotas to vessel owners rather than to fishermen. Fishing rights, it was argued, were 'traditionally the birth right of all Icelanders, but would now be inherited by the holders' descendants like any other privately owned item' (Helgason & Pálsson 1997). Blind pursuit of profit of the fisheries capital from the commodification of uncaught fish was also criticised, and even deemed 'immoral'. However, these criticisms were partly mitigated by the accommodation of the SDP's insistence upon the insertion of the first article in the Fisheries Management Act, stating that the fish stocks are 'the common property' of the Icelandic nation (Gissurarson 2000). Yet, in practice, this became more a symbolic act than an act with any real consequence.

Over-fishing was not instantly corrected with the introduction of the quota system, leading eventually to a collapse of the cod stock in 1989. The left-of-centre government responded by devaluing the króna. As before, the result was a sharp increase in inflation. The damaging effects suggested that the ITQ system had not had the desired effect. This time, however, for the purpose of promoting stability in the economy, the government did not compensate wage-earners for the currency devaluation, and in addition, it was a left-of-centre government administering the policy response. The government froze salaries, reducing purchasing power significantly in the process.

From this hardline position, the left-of-centre government was able to negotiate a historic neo-corporatist agreement referred to as the 'National Consensus Agreement' (*Þjóðarsáttin*) with most labour market stakeholders, including all major employers and labour unions in 1990. This aimed at breaking the vicious cycle of wage increases eaten up by inflation. Attaining the support of a potentially destabilising labour movement (ASI) was here essential. In the crisis years, the labour movement had come to accept the longstanding position of the right that inflation was caused by wage demands, and not by employers demanding that profit rates should be preserved. Moreover, with the left-of-centre government turning against the already fragmented labour movement, there was no meaningful political representative providing an alternative to the ASI. It was thus open to being incorporated into the new growth model. This was done by making it jointly responsible, in a tripartite system, for the management of Iceland's substantial occupational pension funds. This also rendered it inclined to support the growth of the financial sector, not least since the latter was already firmly positioned at the centre of the widespread aim of diversifying the economy and breaking the inflationary procyclicality of the old model. With wage growth restricted, demands for high returns on pension savings were considerable. This contributed to bringing the ASI around to adopting portfolio management principles of investment (Macheda 2012). This was later inscribed into the funded element of the new pension system, introduced at the turn of the millennium. As such, the labour movement not only came to accept the neo-corporatist compromise of the early 1990s, but also came to play a significant role in promoting financialisation in the 1990s.

Conclusion

This paper has demonstrated the irony – in some ways understandable, considering the weakness of labour in Iceland – of the fact that neo-mercantilist analysis dominates the commentary on the Icelandic crisis. Its references to nationalism, corruption and essentialist claims relating to the scale of the Icelandic economy are central to its account of the Icelandic crisis. Relatedly, its foundational methodological nationalism and techno-determinism obscure the fictitiousness of land, labour and money as commodities. This is profoundly debilitating of the efforts of social and political movements to draw attention to neoliberal restructuring of social relations of production, and the use of this to fuel counterhegemonic social struggle. Having critiqued the neo-mercantilist analysis of the Icelandic political economy and crisis, we proceeded by reconceptualising key moments in the history of capitalist development in Iceland. In this reconceptualisation, we do not move away from analysing nationalism and national identity, but rather seek to draw attention to it as a fundamental element of hegemonic projects, central to the legitimisation of accumulation strategies. This becomes, arguably, all the more relevant in times of crisis such as those experienced in Iceland today.

Finally, we believe that this study brings attention to questions that warrant further consideration. How much does the scale of a national economy matter in determining history as a process made by human beings, albeit in circumstances not chosen by themselves? In other words, in what ways are nationalism and economic scale structurally related? More research should be conducted into this issue for the sake of empowering workers in small and microeconomies, too often taken advantage of and too often blinkered by nationalist discourses and rapid technology shifts (Berry 2011, 2015). Icelandic political economy promises to provide a telling case for exploring this issue, not least in relation to the crisis. Neoliberalism sought to overcome the procyclical ‘boom and bust cycle’ of the Icelandic monosectoral growth model through diversification, primitive accumulation, commodification and financialisation. Triggered by developments in international political economy, this eventually brought about the Icelandic crash. This in turn required the introduction of capital controls. With the financial sector part dismantled and part-nationalised, the question arising is whether these capital controls do more than prevent the fall of the Icelandic currency and resulting inflation. Did financialisation in Iceland merely relocate inflationary pressures to the financial sector? Would their removal therefore unleash procyclical tendencies in other sectors, not least in fisheries? The questions arising are many and worrying. Would going against IMF conventions, perhaps, and keeping capital controls for this micro-economy provide the platform for Icelandic labour to assert itself, and thus acquire a greater degree of control of the political economy? The point is, however, that any such accumulation strategy must be premised on an understanding of capitalism as an international system of exploitation of labour. If it is not, it is likely to be hijacked by a ‘common enemy’ hegemonic project. Whether this would be founded on neoliberalism or neo-mercantilism is of less importance. Either is ultimately to the long-term detriment of workers.

Notes

1. Wade (2009) and Wade and Sigurgeirsdottir (2010) are respectively the second and fourth most cited journal articles solely focused on the Icelandic crisis.

2. In fact, Innis himself discussed Iceland quite extensively in his 1940 book, *The Cod Fisheries: The History of an International Economy*. In his analysis, technodeterminism and geographical determinism are clearly on display (see e.g. p. 472).
3. In addition to these four main parties, a fifth and sometimes also sixth party have temporarily occupied seats in Parliament. The longest surviving of these extra parties was the Women's List (Kvennalistinn), which was represented in Parliament between 1983 and 1999, until it merged with others into the SDA. The 2013 parliamentary election saw two new parties emerging, a centrist liberal party Bright Future and an Icelandic version of the international Pirate Party.

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