Financial Crisis and Experience Itself: The Beginning of a Redeeming Story in Iceland

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Abstract

This thesis explores the experience – *experience itself* – of the economic crisis in Iceland 2008. This exploration takes its starting point in personal stories that together form a mythic narrative about the crisis in which the causes of the crisis are retroactively invented through the construction of a phantasmagoria. Since the reason for the stories peculiar form – their retroactive invention of the crisis’ causes – cannot be accounted for by the stories themselves, the stories are approached as symptoms of an experience that for some reason is articulated through a myth, rather than with the language of political economy, and this despite the fact that their narrators have experienced the consequences of a collapsed economic system. This thesis attempt to trace and formulate the experience that has given the personal stories illustrated in this thesis their mythic form. KEY WORDS: Iceland, financial crisis, experience, debt fetishism, Faustian bargain, phantasmagoria
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Chapter 1: Experience Itself

Jóhanna had told me several times that the crisis had to happen. “If you think about how crazy things were before, you realize that. Before the crash, in 2006 and 2007, things were insane. People borrowed money and bought things with money they didn’t have. So actually, the crisis was a good thing,” she argued.

She was a barista in a small coffee bar that I walked by every day. Just before lunchtime I was often the only customer and Jóhanna had time to talk.

This day I told her about Hannes, a young man I had met a few days earlier. Hannes was only fourteen years old when the Icelandic economy collapsed in October 2008. His sister was in her early twenties.

“She wanted to move to a place of her own and took a loan from the bank to buy an apartment. She took a 100 percent loan. Not even a year later everything collapsed and the loan just went up and up and up. She knows she will never be free of debt. Sometimes it happens that breaks down and cries because of this. She still feels anguish though it has been five years,” Hannes had told me.

During my time in Reykjavik I had heard about several people whose loans had skyrocketed, who had been forced to move and who had lost their house or will likely do so in a matter of months. Hearing about a woman my own age who had to start life like this – by realizing she would never be free from debt because she wanted to move to her own apartment and begin her adult life – really affected me.

Jóhanna listened to the story about Hannes’ sister.

“Of course it’s not fun to start your life like that,” she said. “But you can’t trust the banks and say ‘the bank said this and the bank said that.’ You have to sit down and calculate. In 2006 my husband and I looked for a house or an apartment in downtown Reykjavik. The number of newly renovated, exclusive apartments was endless. And who lived there? Kids! Young students and people who worked extra in coffee shops bought these apartments. Just took a 100 percent loan from the bank for a brand new apartment or a brand new car. People were stupid. Now they have to learn to take responsibility,” was Jóhanna’s reaction to the story. I asked her if she really thought Hannes’ sister had no one else to blame but herself.

“It’s true that the bank fooled them a little bit. The banks called people up and offered them 100 percent loans,” she said. “They called my parents for example. But in the end you can’t blame the banks. This is your own fault. I really hope people are changing. The smart people have realized they must change, but the stupid people keep doing the same thing.”
I finished my second cappuccino and reached for my coat. Just like the weatherman on the radio had predicted, it had started to rain. It was not the first time I heard this story about recklessness, stupidity and borrowed money. Jóhanna was not the only one who said that the pre-crash lifestyle was senseless and carefree. Money had been easy and cheap. People had indulged, consumed and lived far beyond their means. The crash had been a painful but necessary reminder that the pre-crash carelessness was unsustainable. The lesson had begun to sink in. The feast was over.

The Problem

Interestingly enough, it was also “after the feast” that Marx assumed that people would begin to reflect on things like capitalism. By this he meant that people could not experience processes except through their results – that it was by contemplating the concrete consequence of something that we could begin to understand how it had come about. The law of gravity, for instance, Marx said, “asserts itself when a person’s house collapses on top of him” (Marx 1990: 168). In order to grasp the forces behind something, however, people needed to actually figure out their operation behind such an event; the collapse of something was merely the starting point for a reflection that could eventually lead us to understand how this had happened. Marx called this starting point “experience itself” (Marx 1990: 168). This subsequently inspired Marxist anthropologists like Godelier to suggest that in order for us to figure out what an unfair system capitalism actually is, we needed to deploy Marx conceptual apparatus as a means to take us from “experience itself” to a “scientific understanding” of capitalism (1972) – rather in the same sense that we would need Newton’s physics in order to go from the experience of a house collapsing on top of us to an understanding of gravity. The hidden structure of capitalism, quite simply, had to be formulated in terms of capital, labor, surplus value and profit, or it would remain invisible to us. What is interesting about Jóhanna and other people who experienced the crisis in Iceland is that they know all about what an unfair system capitalism is, but yet do not talk about the crisis in terms of capital, labor, surplus value and profit. The crisis, even though in very tangible ways the result of an economic process, has made them reflect on completely different things than the capitalism as a system. Now, this may be explained with reference to the fact that they simply are not familiar with concepts like capital, labor, surplus value and profit – but it may also be because “experience itself” of a crisis, irrespective of the vocabulary people may have at hand, is something which requires completely different categories than Marx’s to be articulated. In this thesis I explore the latter option by approaching Jóhanna’s and other people’s stories of the crisis as expressions of an experience so profound that it largely renders a language of political
economy meaningless. That very experience of the crisis in Iceland is what I refer to in this thesis as *experience itself*. To define that experience represents the research question of this thesis. The nature of this inquiry is highly explorative, and begins with stories like Jóhanna’s. In this first chapter, I will present some of these stories and discuss the methodological challenges that follow from my objective to trace the experience that has given them their form. During the course of the remainder of the thesis, I continue the effort to trace this experience through several other stories in order to finally present a formulation that represents the closest I came to finding it. I can say, already now, that tracing, it, rather than finding it, was my real anthropological effort. That is what I mean when I say that the nature of my inquiry is explorative. Before any of this begins, we shall start by taking a closer look at the event that Jóhanna and Marx presumably both would agree ended the feast, and which actually caused an entire nation to reflect on what it was that had happened.

The Crash

Let us begin in the 1990’s, when Iceland began an economic transformation – from fishing to finance, to borrow Jónsson’s (2009: 36) catchy alliteration. In the 1990’s, fishing made up 40 percent of Iceland’s economy, which to a large extent was state-run (Berend 2013: 7-13). Capital controls were in place. The government set the interest rates. The maximum return of retail business was regulated, as were exchange rates and prices for agricultural products (Berend 2013: 7-13). Establishing a private bank that could compete with the three large state-run banks had up until now been hard.¹

After the parliamentary elections in 1991 things changed rapidly. Iceland received a new government and Prime Minister, Davíð Oddsson. Oddsson was the chairman of the Parliament’s biggest party, The Independence Party², and with support from the Social Democratic Party and later the Progressive Party, he remained Prime Minister until 2004. With Davíð Oddsson in office came a new era of deregulation, liberalization and privatization, and Iceland soon became the most neoliberal country in Scandinavia (Jónsson 2009: 38). Flat tax on individual income was set at 36 percent. The tax on financial income was set at 10 percent. Between 1988 and 2008, tax in corporate income was lowered from 55 to 15 percent (Jónsson 2009: 38). The telephone system and the energy system were deregulated (Durrenberger and Erem 2010: 277). The Icelandic krona was floated. Access to the European market, with its free flow of capital, labor, goods and services, was achieved through a special agreement between the European Free Trade Association (EFTA) and the European Economic Area (EEA), which Iceland joined in 1994 (Jónsson 2009: 38).
The next step in Oddsson’s deregulation plan was privatizing Iceland’s banks. The state-owned bank FBA was sold to Iceland’s at the time only major privately owned commercial bank, Islandsbanki (later Glitnir) in 2000 (Sjögren 2013: 26). In 2002, the Icelandic government decided to sell its shares in Landsbanki. The Icelandic state held 45.8 percent of the bank, which they sold to the third-highest bidder. Initially, the Icelandic Financial Supervisory Authority refused to approve the sale, but in February 2003, the deal was sealed (Jónsson 2009: 50). The sale of Landsbanki made two Icelanders, Björgólfur Gudmundsson and his son, Björgólfur Thor Björgólfsson, incredibly rich. Björgólfsson became Iceland’s first billionaire in 2005. His father bought the English soccer team West Ham (Jónsson 2009: 50). After Landsbanki, the government decided to sell its remaining shares in Bundarbanki. This time the highest bid was taken, and Bundarbanki was sold to the S-group, a group of inverters with close connections to the Progressive Party, which was in office at the time of the affair (Jónsson 2009: 50).

Oddsson seemed to be on a mission to transform Iceland into a banking paradise. The private bank Kaupthing has been deemed the key actor in this transformation. It opened in 1982 as a small financial advisory agency that brokered asset backed liabilities, but by 2008, Kaupthing was a major international bank and a giant on the Icelandic financial scene. From 1999, Kaupthing had created a model for growth that the other Icelandic banks followed. The model was international investment banking (Jónsson 2009: 44). The Icelandic banks bought assets all around Europe. The English department stores Debenhams and Hamleys received new Icelandic owners (Sjögren 2013: 27), as did the exclusive Danish department store Magasin Du Nord (Wahlin 2005). The airline Fly Me was founded with Icelandic capital. The Nordic bank Nordea was close to getting new Icelandic owners. In Britain they went by the name “the buykings” (Sjögren 2013: 27). The Icelandic banks grew. Kaupthing doubled in size 2004 (Braconier 2005a). The bank’s success was called a modern Icelandic saga (Braconier 2005b).

In addition to this, Kaupthing was the bank that completely altered Iceland’s housing market. Before 2004, the majority of mortgage lending was done by the state-owned Housing Financing Fund (HFF), which operated under state guarantee. The Housing Financing Fund was part of the government’s affordable housing policy. The maximum loan sum was fixed, regardless of the borrower’s income and collateral. Through this system, low-income borrowers could buy a house with a high leverage and cheap rates. Borrowers with higher income were financed with low leverage or high rates. This meant that in practice, loans to low-income groups were subsidized by the loans given to people with higher income. The system had several consequences. First, it had resulted in a widespread homeownership. Secondly, it seemed to have protected lower income groups from major credit problems. Thirdly, the price range for apartments in Reykjavik...
(where roughly two thirds of Iceland’s 320,000 inhabitants live) was remarkably narrow. Finally, it had resulted in a discontent among the middle class who was unhappy with the restrained credit facilities. (Jónsson 2009: 66-67). In August 2004 Kaupthing turned this system upside down when they started to offer mortgages with lower rates and higher leverage ratio than those thereto available in Iceland. The other banks had to follow. Within 12 months, the housing prices in Reykjavik had risen by 40 percent (Jónsson 2009: 68) and by 95 percent within four years (Elíasson 2014: 2)

From now on anyone could borrow money for anything. The banks called people up to offer them loans. They offered “special deals” for young people who had just graduated from University and were about to buy their first apartment. With special deals and loan offers it was often possible to borrow 100 percent for an apartment our house, though the general rule was that you could borrow up to 90 percent. The Central Bank tried to avoid over-heating by raring the interest rates, but high interest rates and a strong krona attracted foreign investment, and soon Iceland was awash with capital. Luxurious hotels, elegant boutiques, gourmet restaurants and a new concert hall appeared in Reykjavik. Travelling abroad had never been as cheap. Everyone could all of a sudden be a millionaire.

The Collapse

After 25 years of privatization and deregulation, and only four years after Kaupthing’s altering of the housing market, the Icelandic economy collapsed. Not only Iceland’s economy, of course. The crash was, as we know, worldwide. On Monday October 6 2008 Iceland’s Prime Mister Geir Haarde gave a speech to the Icelandic nation in which he stated that Iceland had been hit by an “economic natural disaster” (The Telegraph 2008). Iceland was facing major difficulties and the risk of nation bankruptcy. He was well aware this information might come as a shock, and encouraged the Icelandic people to stand together:

Fellow countrymen, I am well aware that this situation is a great shock for many, which raises both fear and anxiety. In such circumstances it is extremely urgent that the authorities, companies, social organisations, parents and others who can contribute make every effort to ensure that daily life is not disrupted.

If there was ever a time when the Icelandic nation needed to stand together and show fortitude in the face of adversity, then this is the moment. I urge you all to guard that which is most important in the life of everyone of us, protect those values which will survive the storm now beginning. I urge families to discuss together and not to allow anxiety to get the upper hand even tough the outlook is grim for many. We need to explain to our children that the world is not on the edge of a precipice and we all need to find an inner courage to look to the future. (The Telegraph 2008)
There are three words from this speech that no Icelander will ever forget. Three incomprehensible words with which Haarde finished this speech: *God bless Iceland*. *God bless Iceland* is not something you say. It is not like in the U.S. where “God bless” is used casually about this and that. Imagine the Swedish Prime Minister saying “Good Bless Sweden” on national TV after having asked the Swedish people to “stand together.” It would do more than scare us; it would be completely nonsensical.

“This was surreal. I heard this ‘God bless Iceland’ at work and it was as if there was a war coming or something. Something terrible. People went home. People started to cry. ‘What’s going on? We are bankrupt.’ The nation was basically bankrupt,” one woman I interviewed told me when we talked about that day in October. Another woman, Maria, was on vacation with her family in Florida when she heard about Haarde’s speech. She could not believe what he had just said.

“And then the Prime Minister said: ‘God bless Iceland.’ We were in the States when he said that and we just thought: ‘GOD BLESS ICELAND?! What the hell does he mean?’ and then the krona collapsed. We were in a shock when we came home.”

The God-bless-Iceland speech clearly scared many Icelanders, but it did not come like a bolt from the blue. The nation had been holding its breath for a while. No one knew what would happen or when it would happen, but people were convinced it was going to be very, very bad. They prepared for the worst. Ásgeir Jónsson, economist, former banker and author of the book *Why Iceland* (2009) describes how lines formed outside the banks since people had decided to withdraw their money. “The sight of an elderly women walking home with plastic bags stuffed with money notes was not uncommon,” Jónsson writes (2009: 150). All the banks, including the Central Bank of Iceland, were running low on notes. The stock market had closed. The Icelandic krona was collapsing and people desperately tried to find ways to protect their money from devaluating. “[They] bought up luxury items such as rare wines, cognac, Rolex watches, even apartments,” Jónsson notes (2009: 150). People started to store food. Iceland’s biggest grocery company, Bónus, ran the slogan “Stock up at Bónus,” which many Icelanders found absolutely tasteless since the company was owned by one of Iceland’s richest men, Jón Ásgrír Jóhannesson. Jóhannesson had started building his business empire at age 21 and by the time the Icelandic economy collapsed, rumor had it that he, and companies connected to him, owned between 70 and 80 percent of Iceland’s GDP. Because of this, and because of his close connections with the now bankrupted bank Glitnir, Jón Ásgrír Jóhannesson became the ultimate symbol for the greedy, arrogant businessmen who had built and now evidently also bankrupted Iceland’s economy (Jónsson 2009: 100-104, 150). Britain invoked its anti-terrorist laws to be able to freeze Icelandic
assets in the United Kingdom (Donaldson and Vina 2008). In the meantime, the media had surrounded the Prime Minister’s residence in central Reykjavik to try to get a comment out of any of the leaders that passed through the doors to meet with the Prime Minister. (“These included union representatives, business leaders, investment bankers, pension fund managers, central bankers, lawyers, economists, and every politician that counted,” Jónsson writes (2009: 149).)

The first week in October 2008, only days before Haarde’s speech, the streets of downtown Reykjavik were empty and quiet. People sat at home, watching the news, waiting for someone to say something about the situation. And so Geir Haarde did. God bless Iceland. Within days from the so called “disaster speech,” Iceland’s three major privately owned commercial banks, Glitnir, Landsbankinn and Kaupthing, had collapsed and been taken over by the state. The Icelandic krona dropped like a stone, losing just over 50 percent of its value within days. People started gathering at the square Austurvöllur right in front of the Icelandic Parliament Althingi in the heart of Reykjavik to protest. They brought pots, pans and whisks that they used to make noise with. That is how the protest movement earned its name – the Kitchenware revolution.

The protesters in Austurvöllur expressed four main demands. First, the government – a coalition government including the Independence Party\(^4\), the Progressive Party\(^5\) and the Social Democratic Alliance\(^6\) – should resign. Second, the head of the Icelandic Financial Supervisory Authority should resign. Third, Davið Oddson, now governor of the Central Bank of Iceland, should resign. Finally, Iceland should draft and adopt a new, more democratic, constitution that would safeguard Iceland from economic crisis in the future. As fall turned into winter, the protests grew bigger and more violent in Austurvöllur. Protesters set things on fire, climbed the roof of the parliamentary building, broke into a hotel where government official discussed Iceland’s critical situation on live television. They threw eggs, tomatoes, bottles and cans. No one had ever seen anything like that in Iceland. The police was completely unprepared. They had no riot fences and not enough new shields and helmets. In January 2009 they used teargas for the first time in 60 years. Last time that happened was during the anti-NATO protest in 1949. By late January 2009, the government announced its resignation. An early election was held in April the same year. The Social Democratic Alliance and the Left-Green Movement\(^7\) were voted into power, which meant that Iceland had elected a leftwing government for the first time in the nation’s history. A Constitutional Council was appointed by Prime Mister Jóhanna Sigurðardottír (Prime Minister from January 2009 to May 2013). The Constitutional Council consisted of 25 Icelanders from around the country and their task was to draft a new constitution. The general public were encouraged to leave suggestions on the Council’s website, where they kept the public updated on their work. In July 2011, the council handed over the bill to Althingi (The...
Constitutional Council 2011) and in October the following year a national referendum was held. 66 percent were positive to the new constitution (Fontaine 2012). The Norwegian economist Svein Harald Øygard replaced Davíð Oddson in February.

In very brief terms, this is what the end of the feast looked like. From the perspective of political economy, we can say that this end was indeed a systemic result of financial capitalism. This has also been said numerous times over the recent years (Harvey, 2010; Graeber 2011; Piketty 2014; Stiglitz 2012, 2010). Financialization, liberalization, deregulation and privatization – or simply rent-seeking and theft of common resources – are the forms capitalism has to take as the possibilities for capital accumulation through labor exploitation decline. This results in frequently reoccurring crises, which causes mass unemployment, indebtedness, homelessness and displacement. Jóhanna has lived through both the crash and its consequences. However accurate the analysis presented by these prominent scholars is, it seems to have very little to say about the human experience of crisis; the reflection that has arisen from Jóhanna’s experience holds that it was stupidity and economic recklessness on behalf of certain people that caused them post-crash economic distress and that Icelandic consumers needs to learn how to take responsibility.

Surprisingly, a lot of the anthropological work that I have found on Iceland’s economic crisis uses the political economy approach. Anthropologists Paul Durrenberger and Gisli Palsson (2015) have edited an interesting volume about Iceland’s crisis. Several of the articles in the volume point to the devastating consequences that the crisis has had for many Icelanders (Durrenberger and Palsson 2015; Carrier 2015; Willson and Gunnlaugsdóttir 2015; Maguire 2015 Einarsson 2015). But rather than voicing the experience of the people who lived through the crisis, the authors of theses articles let depopulated fishing villages, unemployment among migrant workers or cut back in public spending serve as examples of the destructive nature of financial capitalism. The articles in the volume strive, with the words of Dimitra Doukas, to see the invisible. “It comes up in almost every chapter – Skaptadóttir’s invisible immigrants, Willson and Gunnlaugsdóttir’s invisible factory workers, Rice’s invisible poor Icelanders, Maguire’s and Pinkerton’s invisible fish” (Doukas 2105: 225). Doing what Doukas suggest – making the invisible people visible – is important. It is crucial that the hardships of these people are related to the global political economy. Yet, the voices of the invisible immigrants (Skaptadóttir 2015), factory worker (Willson and Gunnlaugsdóttir 2015) and poor (Rice 2015) are missing in these articles. Rice has not spoken to “the poor Icelanders;” he has studied the medial image of the poor and talked to charity workers in Reykjavik. The invisible factory workers’ voices are represented in two quotes in Willson and Gunnlaugsdóttir. Skaptadóttir has interviewed immigrant workers – a group that for several reasons were hit hard by the crisis – but you find very little of these
interviews in her article. With this said, I have no intention of questioning the importance or the relevance of these works; I simply want to point to the fact that the human experience of the Icelandic crisis – beyond the language of political economy – has not been properly explored. I believe that the authors of the articles in Durrenberger’s and Palsson’s volume would agree with me, because the majority of them are well aware that the crisis has turned many Icelanders’ lives upside down, which, as we shall now see, is something that tends to disappear in the statistics about Iceland’s crisis.

“The Showcase Recovery” or, Locating the Experience

The Icelandic crisis could be described purely in numbers. Statistics Iceland, Central Bank of Iceland and the IMF provide all sorts of economic statistics about Iceland before, during and after the crash. Based on their numbers, Iceland may appear as the perfect example of how to recover from a severe economic breakdown. Iceland’s economy is growing again (Statistics Iceland 2014a). Real wages decreased in 2008, 2009 and 2010, but have increased annually since 2011 and are now approaching the pre-crash peak levels (Statistics Iceland 2015a). Unemployment was virtually nonexistent in Iceland right before the crash. Between 2006 and 2008, the unemployment rate was at times under 1 percent. Unemployment peaked at 9.2 percent in 2010 and has since been decreasing (Trading Economics n.d.).

Because of the positive figures, Iceland has been internationally praised for its crisis management, by for example Krugman (2012) and Stiglitz (International Monetary Fund 2011a). In the book Europe in Crisis: Bolt from the Blue (2013), Hungarian historian Ivan T. Berend gives a brief overview of the Icelandic crisis, which he ends on a positive note. The government has reduced the Icelandic people’s debt, prosecuted bankers and a 2.9 percent growth on 2012 signals “healthy recovery” of the economy, Berend writes (2013: 13). Swedish economic journalist Sten Sjögren (2013) wrote a whole book about Iceland’s recovery and gave it the title: Iceland after Ragnarök, about the art of creating a financial crisis and quickly recover. In a video from the IMF (International Monetary Fund 2011b) international and Icelandic economists as well as Iceland’s former Minister of Finance, Steingrimur J. Sigfússon, talk about Iceland’s well-implemented crisis management.

In addition to this, journalists around the world appear to love the story about the tiny country that went bankrupt and made an unexpected comeback. News articles on this subject appear in thousands, it seems (See for example: Lyall 2012; Mingels 2014; Lindvall 2011; Greenstain 2013.) These article follow a given template. They start with a quick recap of what happened in
Iceland in 2008, how the banks crashed, how the Icelandic kro
nà lost half its value and how growth dropped from 10 to -5 percent. Then comes a section about how Iceland managed to turn things around amazingly fast, built on the type of statistics summarized above. This is the part where key sentences like “Iceland let the banks take the big hit,” “Iceland cancelled mortgage debts” or “Iceland threw their bankers in jail” appear. A disclaimer of the kind “not-everybody-agrees-everything-is-this-good” in which the journalist refers to the mortgage debt situation or quotes someone who thinks the Icelandic government has not done enough typically follows this, yet a positive final paragraph that lets us know that the future is bright and that the Icelanders are in high spirit is always included.

It was precisely this rosy picture of Iceland’s upward economic trend, presented in international media and official reports, that we discussed when one of my informants, Sofia, said that what you get in these reports is “the IMF-version” is an airy-fairy version designed by the Icelandic government and the IMF. The same goes for Greece, she said: “IMF says [Greece] is on its way up, but people are starving to death. They cannot buy food or medicine. But from the financial point of view Greece is on the way up. From the Business point of view Greece is doing better. But not for the normal people.” Contrary to many IMF-reports, Sofia’s opinion is that for normal Icelanders, it is still getting worse, not better. So what is the actual case? Has Iceland recovered, or is the situation still getting worse? Some would say that statistical facts are everything we need to answer that question. If the diagrams are pointing upwards, things are getting better. Such an answer would reduce Sofia’s experience to a statistical exception. To avoid this conclusion, we should acknowledge that statistics has rarely told us anything about the human experience of economic transformation. As we shall see, when it comes to the human experience, statistics obscure more than they reveal.

**Locking Beyond Statistics**

In *The Making of the English Working Class* (1966), E.P. Thompson explores this problem, and he does it through a historiography of the rise of capitalism. In this classic work, Thompson argues that despite the fact that there are statistics indicating increase in life expectancy, birthrates, consumption, material standard and real wages between 1790 and 1840, the human experience of the very same period was that life became significantly worse. Two main reasons for this clash between cold facts and human experience can be found in Thompson’s book. First, the statistics do not take into account the unmitigated transformation of the human living conditions that the Industrial Revolution induced. “A per capita increase in quantitative factors
may take place at the same time as a great qualitative disturbance in people’s way of life, traditional relationships, and sanctions. People may consume more goods and become less happy or less free at the same time,” Thompson says (1966: 211). Second, the statistics provide diluted averages. For example, Thompson notes that the average wage increases during the first decades of the 19th century – that is a statistical fact. Yet, it is highly misrepresentative since it is based in the average wages of skilled, full-time workers in an era with chronic under-employment (Thompson 1966: 243). In fact, he notes, 60 percent of England’s workforce had a wage that was under this average (Thompson 1966: 208).

There are two points I wish to make by referring to Thompson here. First, there is strictly no contradiction between statistics that indicate economic growth on the one hand, and an experience like Sofia’s on the other. Things can look good in quantifiable terms and still feel bad. Second, statistical data are not necessarily as straightforward as they seem. Interesting enough, Sofia’s analysis of the relationship between experience and quantitative data is very similar to Thompson’s; the IMF-reports and the politicians’ rhetoric are built on diluted averages. Sofia says:

If you talk to the Minister of Finance he will say that in average the average couple have 400,000 ISK per person per month. But it’s an average. If you use those numbers you don’t get the real situation. I have a BA in business and economics, and I’ve calculated. An OK life in Iceland requires that you get 350,000 ISK after tax. Then I went to Statistics Iceland and found out that there are only three work genres in Iceland that, on average, pay more than 350,000 ISK per month. Those there are: financial service, specialists and managers. All other jobs don’t get over 350,000 ISK per month. Simple. People don’t live. And the politicians are only talking average. We have built up societies where we talk in average and the average has become a holy number. I have been fighting when it comes to income. And the politicians don’t like me; they don’t like me because I don’t back down. But when you start doubting the numbers, it’s like you start doubting God. Really. The politicians will tell you that ‘you cannot do that because of this and that.’ They try to undermine you and say that you are not bright, or that you are not educated. But they cannot do that with me. I have a BA in business and economics, I work with numbers.

One can agree or disagree with her calculations, but Sofia’s frustration is hard to miss. She feels excluded because the IMF-version has no room for people like her – people who despite upward pointing diagrams have to deal with the crisis’ consequences daily. Average has become a holy number that no one is allowed to question, which is to say that numbers beat human experience. When politicians and power holders use averages as the proof of their excellent crisis management the experience of all those who are worse off than average is reduced to a statistical exception. Their situation becomes a special case that the politicians are not really responsible for, because in general, and on average, Iceland is doing fine.
Curiously enough, it is not only single experiences that drown as anomalies in the statistics that suggests excellent recovery. I remember one example clearly. In October 2013, I met with an administrative official from the Debtors’ Ombudsman, an authority founded in 2010 that offers debt mitigation and financial advice to indebted Icelanders. During the meeting, I brought up the fact that in 51.5 percent of the Icelandic households said it was difficult or very difficult to make ends meet, according to numbers available from Statistics Iceland from 2011 (Statistics Iceland 2013). The response I got was that the figures should be taken with a grain of salt since they were built on self-report. When the experience of the crisis cannot be reduced to a statistical exception, its significance is reduced because it is a personal experience, and not something quantifiable. ‘Just because you feel you are facing economic difficulties does not mean you, from the Icelandic states point of view, are facing economic difficulties,’ seems to be the conclusion. Sofia’s experience of the crisis does not correspond to the official IMF-report description of Iceland’s recovery. Averages are sacred and questioning numbers is like questioning God, she says. In order to legitimize her experience, she had to start battling the numbers and she really describes it as a battle: what she meets are politicians and power holders that brushes her – and others in her position – off as unqualified to comment on the matter. Statistics, in other words, make it hard to formulate the personal experience of the crisis.

There are other facts about the Icelandic crisis management that have the same tendency to hide and shape the personal experience of the crisis. For example, Iceland is not only considered the perfect example of quick recovery because of growing GDP and falling unemployment rates. Besides this Iceland is known for being the only country that saved the people instead of the banks. The book The Debt Resisters’ Operations Manual (Strike Debt 2014: 191) states: “Thousands of protesters in Iceland put pressure on the government to refuse to pay its fraudulently imposed national debt. Today, after five years, Iceland has emerged from austerity to economic stability after renegotiation with their foreign creditors.” Furthermore, the book lets us know that “there was kind of a jubilee in Iceland after the 2008 economic crisis: instead of bailing out their banks, Iceland cancelled a percentage of mortgage debt” (Strike Debt 2014: 212). Krugman named Iceland’s quick bounce back “a sort-of miracle” (Krugman 2012). He praises Iceland for their debt relief program and for “letting creditors of private banks gone wild eat the losses.”

It is true Iceland did not save the three big banks Glitnir, Landsbanki and Kaupthing. The Central Bank of Iceland did pump their money reserve into Glitnir right before the state seized control of all three banks in October 2008, which limited their possibility to help Landsbanki and Kaupthing when it a few days later stood clear they were as close to a total collapse as Glitnir
The collateral for the three big banks’ loans from the Central Bank were bonds issued by each other. This means that in practice, there was no collateral at all for the loans Glitnir, Kaupthing and Landsbanki received from the Central Bank since the fall of one of the banks would likely have caused the fall of the other two. Hence, the Central Bank of Iceland went bankrupt when Glitnir, Landsbanki and Kaupthing collapsed. This required a 1.2 billion euro capital infusion from the Icelandic government, also known as the Icelandic taxpayers (Benediksdottir, Danielsson and Zoega 2011). The Icelandic state guaranteed national, but not all foreign, deposits. It is also true that Iceland has written off household debts. The so-called 110 percent option (sometimes the 110 percent rule) cancelled mortgage debt that was over 110 percent of the value of the property, up to 25 million ISK. The aim of the 110 percent option was to ease debt overhang – not financial distress (Ólafsson and Vignisdóttir 2012).

**Forced Sales**

Despite these statistics and rosy words, thousands of Icelanders have been hit very hard by the crisis. Indebtedness and financial distress have increased (Ólafsson and Vignisdóttir 2009). There are several reasons for that. The free-floating Icelandic krona had been very strong in the years before the crash. This meant that a loan in certain foreign currencies, or linked to foreign currencies, were beneficial since they could be acquired at lower interest rates than loans in Icelandic currency. When the krona collapsed these loans skyrocketed. This loan type was by 2008 far more common for car loans than for mortgage loans. The Supreme Court of Iceland ruled foreign currency linked loans illegal in 2010 and they have since been “recalculated” (The Homes Association n.d.). The majority of the Icelandic mortgages were instead linked to the consumer price index, (CPI), which means that these mortgages are indexed to the inflation rate. CPI indexed mortgages protects the lender from devaluation caused by inflation. In other words CPI indexation preserves the purchasing power of the money the bank has lent. If I borrow 100 ISK and the CPI index goes up by 2.5 percent, I owe 102.5 ISK. CPI indexation, or inflation indexation, exists in other countries, but CPI indexed mortgages are unusual. What is more, CPI indexation in Iceland differs from CPI indexation in other countries. The unusual thing about the Icelandic indexation is that the borrower does not pay the cost of the CPI indexation (the cost of preserving the purchasing power of the lender’s money) immediately. Instead, the cost of the indexation is added to the principal of the loan, which makes the loan grow slowly, but exponentially. After years of amortization the borrower will therefore still owe the bank more than he or she initially borrowed. (Margeirsson 2011a, Margeirsson 2011b; Willson and
Verifying the bank’s installment plan for a CPI indexed loan is practically impossible for the borrower since the banks had the right to adjust the loans calculation throughout the amortization period (Mallett 2013).

I have not been able to find the exact number of Icelanders that have lost their home in the wake of the crisis. Relevant statistics are not available from Statistics Iceland or the Debtors’ Ombudsman’s websites. I emailed the Debtors’ Ombudsman and asked them if they could provide me with relevant statistics. I got an answer from administrative official Svanborg Sigmarsdóttir who informed me that there have been 3,106 forced sales of personal residential properties between 2008 and 2012. However, when I contacted the Homes Association I was told to be careful with the statistics on evictions and forced sales. In an email Guðmundur Ásgeirsson, representative from the organization, told me the following:

Because of the complex structure of the debt enforcement system in Iceland, there are a myriad of ways in which homeowners can lose their homes, many of which never enter any publicly available statistics. For this reason it is very hard to sum the answer up into one convenient number and say: ‘this is how many have lost their homes due to unpaid mortgage.’

However, a detailed overview of the number of forced sales of residential and other properties is available from the Icelandic Parliament’s website (Althingi 2013/2014). The compilation is the Interior Minister’s answer to a parliamentary query from Social Democratic MP Árna Páli Árnason on the number of forced sales. According to this document there had been 4,730 forced sales of residential properties between 2008 and 2013. Besides the forced sales, residential properties have been appropriated by banks, holding companies owned by the banks and by the public Housing Financing Fund. According to numbers presented in the Central Bank of Iceland’s quarterly publication Monetary Bulletin (Central Bank of Iceland 2011) these creditors have acquired “a large number” of residential properties around Iceland. The total number of appropriated residential properties is not declared in the report. However, in September 2011, The Housing Financing Fund, the banks and their holding companies owned almost 2,500 properties – or 1.9 percent of the total housing stock in Iceland. Around 40 percent of these residential properties are rented out, most likely to the former owner. It is further stated in the report that the Housing Financing Fund, the banks and their holding companies are reluctant to sell the properties they own since putting them up for sale would increase the number of properties on the market and hence likely cause a price fall.
If these parties disposed of their residential properties in a short period of time, it can naturally be assumed to have some impact on the market. But they are not likely to do so, as that would not be in their interest. They will probably hold these assets as long as they expect to be able to sell them at a higher price than they can currently obtain for them. (Central Bank of Iceland 2011)

A rising number of tenants might be another indication of the impact of the appropriations and forced sales that have followed in the wake of the crisis. It has risen from 15.4 percent in 2007 to almost 25 percent in 2013. At the same time, the number of homeowners that pay mortgage has fallen from 65.2 percent in 2007 to 55.3 percent in 2013 (Statistics Iceland 2014b). In 2013, the mean number of people per household in Iceland was 2.5 (Statistics Iceland 2014c). 4,730 forcedly sold properties would mean 11,825 Icelanders lost their home due to the crisis. The at least 2,500 homes that had been appropriated by the banks and holding companies would give another 6,250 people. This means that at any rate, 18,075 people have been forced out of their homes because the bank, their holding companies and the Housing Financing Fund “must get their money back.” Again, the experience of these people disappears in the talk of “sort of debt jubilees” and “Iceland let their banks fail and saved the people.”

Furthermore, the bright numbers about rising GDP and “sort of debt jubilees” is likely to completely overlook the experience of people who were not homeowners before the crash, those who rent their home. Numbers from Statistic Iceland indicate that it is not the indebted homeowners, but the renters who are in most financial distress, which has caused criticism of the government’s latest debt relief program, launched in December 2014 (Fontaine 2014a). Crime, violence, the risk of child poverty and overcrowding is more frequent among the renters than among the homeowners that pay mortgage (Statistics Iceland 2014d; Statistics Iceland 2015b; Statistics Iceland 2014e). Housing cost overburden – that is when a household uses more than 40 percent of its disposable income on housing costs – is also more common among renters than among homeowners with mortgage. In fact, housing cost overburden has increased for renters since 2008, while it has decreased for homeowners with mortgage (Statistics Iceland 2012). The prices of rental apartments have skyrocketed since the crash. Icelandic newspapers Visir and The Reykjavík Grapevine both refer to numbers from Icelandic bank Landsbanki’s research department that indicate rents in the capital area have risen by 41 percent since 2011 (Árnadóttir 2015a; Visir 2015). The increasing numbers of tourists is part of the explanation, according to several of my informants as well as the chairperson of the Renter’s Association of Iceland, Jóhann Már Sigurbjörnsson, since tourists are willing and able to pay higher rent than locals (Fontaine 2014b). Tourism to Iceland increased after the crash when the Icelandic krona depreciated and when the duty free stores at Iceland’s international airport, Keflavik, used the
slogan “half-priceland.” Today, tourism is Iceland’s biggest revenue. Managing director of the Icelandic Travel Industry, Helga Árnadóttir, says this is worthy of celebration and says she believes there is room for even more growth (Fontaine 2015).

I am reluctant to draw conclusions from this data. Reliable conclusions require an examination far more sophisticated and comprehensive then the one I have presented here. I wish, however, to draw attention to two things. First, the relationship between the indebted homeowners and the tenants has to be carefully evaluated before we draw conclusions about the effectiveness of Iceland’s crisis management, the showcase recovery and success of the Icelandic debt relief programs. As it seems, it is among the renters, and not among the heavily indebted homeowners, that we find the most socially vulnerable people who seemingly are paying for the debt relief program and Iceland’s showcase recovery. Second, this shows that the consequences of an economic crisis are difficult to overlook, as indeed Durrenberger’s and Palsson’s (2015) volume show. (Though equally characteristic of capitalism, financial crisis is something quite different than exploitation of people through wage labor. When exploitation and wealth accumulation is unceasing and all embracing – as in the case with wage labor – resistance tend to materialize. Harvey takes trade unions and working class political parties formed in the 1950’s and 1960’ as two examples. In financial capitalism, the accumulation of (mostly) constant capital through dispossession, is “fragmented and particular – a privatization here, an environmental degradation there, a financial crisis of indebtedness somewhere else,” (Harvey 2005: 178). Thus, people are effected individually, not collectively, which, as Harvey notes, is precisely why resistance becomes difficult – people feel like exceptions. Sofia’s story provides one example of just how insignificant people can feel when there is no way to articulate the problem without having to conform to the language of statistics. Not even then can it be articulated properly. Statistics, in other words, does not merely disguise the experience of the crisis; it may also shape the experience of the crisis.

The magic-recovery-story has been criticized, but neither its critics seem to be very interested in the human experience of the crisis. It should be clear from the description above that we find the experience of the crisis neither in the political economy, nor in statistics. To understand the forms the experience of the crisis take, we must, of course, let people tell their story about the crisis.

The Stories, The Narrative and the Myth

There is not one experience of the crisis in Iceland. Of course not. During my fieldwork I encountered numerous stories about why the crisis had happened and what measures should be
taken to avoid similar crashes in the future. In this section I will give a brief overview of these stories, and how they seem to be part of a narrative, which will be analyzed in significantly greater detail in chapter two, three and four. I would like to start by saying something about the quite ambiguous tone that emerged directly after the crash – people expressed that there had been enough of laissez-fair capitalism, borrowed money, corrupt politicians, fake democracy and greedy bankers. Now was the time for change. It was now or never. At least a look in Iceland’s English-language weekly paper The Reykjavík Grapevine’s archive tells us so. In the issue that was published on October 11, 2008, you find articles stating that:

The Great Laissez-faire Dream is over. To many, it always seemed like more of a nightmare. In any case, we must now wake up and face the facts. It beggars belief how entire nations can blindly be led towards folly by leaders who in retrospect were so obviously wrong, and how all those who knew better were brushed aside. […] Thankfully, this will be the last we will hear of the market as the cure of all ills in our lifetime. Or at least until we start telling our grandchildren to beware of those who try to convince them that greed is good. Will they listen then? I doubt it. (Gunnarsson 2008)

Another article in the same issue ascertained that the Icelandic economy had crashed, and while politicians and bankers deserved their fare share of blame, so too did the Icelandic people:

The Icelandic people obviously deserve a share of the blame. Their blatant consumerism was fueled by the easy access to cold, hard cash and the misconception that the party would last forever. Well, it was fun while it lasted, but now we will need to clean up and get our house in order. And last, but not least, there are the adventurous investment bankers who were even more delusional than the general public when they joined the party. Greed seems to have been their guiding principle and eventually, they bit off more than they could chew (Benediktsson and Björnsson 2008).

The following issue listed the Top 5 important changes necessary, where Social Democratic MP Ágúst Ölafur Ágústsson gave his view on what Iceland needed to do to get through the crisis. His suggestions were EU-membership, the Euro, investment in education, research and technology, new policies in agriculture and “equality between the citizens” (Benediktsson 2008). Issue 1, 2009 featured an article on the protest movement, which began by stating that Icelanders had just discovered their economy was fiction and that they needed to “fight back” (Gunnarsson 2009). The hope for change and the dream of a more equal Iceland can also be found in Icelandic author and poet Einar Már Guðmundsson’s (2009) book about the Icelandic financial crisis.

The majority of personal stories I recorded in Iceland agreed with Benediktsson’s initial conviction. The Icelandic people deserved at least a share of the blame for the economic disaster that had hit their country. Say what you want, the story went, but the Icelandic people had acted
like a herd of consumer crazy maniacs, high on easy cash and fancy real estate. This does not mean that the banks were without responsibility. They had lent and borrowed money like there was no tomorrow. They had thrown money at anyone who entered a bank office. They even called people up and offered them special loan deals. Resistance was hard, I was often told. Who would not want a piece of the fancy banker lifestyle? Who would not want a bigger house, a better car and tastier food? Of course it was hard to say no when it seemed anyone could be a millionaire. In hindsight it is of course obvious that banks had tricked people I was told. They had lured people into borrowing their fake money, and some lightheaded fools had bought into their offers and special deals. Nevertheless, the banks had not *forced* anyone to sign a loan contact. Tempted, maybe, *but never forced*. This is the crucial line of division, because since the banks under no circumstances forced anyone to borrow money, the moral responsibility falls on the debtor, who must pay back the loan. “Lightheaded” is by the way a nice word in comparison to what indebted Icelanders are called by their fellow humans; I was often told that indebted people were stupid, greedy idiots who were responsible for their own misery. When people talk about themselves they are more forgiving. They do not indulge in masochistic self-blame, thinking they *deserve* to be indebted, yet they express the belief that they are morally responsible for their debt. Some of the stories hold that Iceland’s economy collapsed because of the close – and underhand – connection between political power-holders and financial institution. Politicians, bankers and other influential people were connected through friendship or kinship, and they had helped themselves and each other to the nation’s resources. Thus, capitalism had not failed – politicians and bankers had, and they had done it through edging out capitalism’s most central aspect, free competition. A woman I talked to put it this way:

> There has to be some rules. If you are in politics there are some rules you have to stick too. There have to be some rules. It’s needed on some levels. It’s not normal like it is here. The banker just calls up someone and say: ‘hey, this is Gunni, I need a 200 million loan.’ ‘OK, it will be in your bank account tomorrow.’ This is not normal.

The solution to the problem was therefore things like anti-corruption laws, more “transparency,” and – above all – new politicians and bank-leaders. A third narrative says that Iceland had not really experienced “a real crisis.” What had happened was that the banks’ fake money had disspread – which, as a matter of fact, was good. That should teach people a valuable lesson. This lesson has at least two versions, either Icelanders should learn that money and things are insignificant, that happiness cannot be bought, and that the truly important things in life are family and good health, or that over-reaching for that which one is not entitled to will always be
punished. If people are sad or upset, it was just because they could no longer afford to drive around their monstrous city jeeps or go to London every other weekend like they were used to.

From this short overview, we can see that contrary to what Marx assumed about the experience of a capitalist crisis – that it would be the starting point for understanding capitalism as a system – the stories about the crisis in Iceland contain a significant peculiarity. It appears in these stories as if indulgence, over-consumption, lost values and arrogance caused the crisis. Scientific understanding of the internal structure of capitalism is practically absent. Debtors are blamed and blame themselves; politicians and bankers became corrupt and tried to fool people; some bankers, but far from all, have done criminal things; nothing valuable has really been lost; now is the time for change. A narrative seem to emerge from these individual stories, a narrative structured by the myth of the Faustian bargain. The debtor is talked about as someone who desired the impossible – riches without effort. Everybody knows that in reality, riches without effort cannot exist, but at the time before the crash the banks lured people into believing so, and foolishly some people believed them. They travelled, they consumed, they partied, and paid the check with the devil’s money. Eventually the day of reckoning came, and the bank wanted its devilish money back. The feeling that follows upon this realization one cannot pay, and that the inability to honor the loan contract might cost me my house and my savings, is the feeling of the derisive laughter from hell: ‘you let yourself be fooled in your hunt for the money and the luxury you really do not deserve.’ The important thing is not whether it is the narrator him or herself or other indebted Icelanders that are blamed, but whether it is the creditor or the debtor. It is the debtor that has to take the biggest pat of the blame, seemingly because the creditor did not force the debtor to borrow money. The duality in the Faustian bargain is worth emphasizing; the debtor is blamed, but he or she also feels fooled. Thus, people feel guilty because they owe money that they cannot pay back. At the same time, they are angry at the banks for luring them into this loan contract, and with the Icelandic politicians for letting the banks do what they wanted with people’s money. The core of the Faustian bargain narrative is the establishment of not only a causal – but a meaningful – relationship between a “greedy and indulgent” lifestyle pre-crash, and indebtedness post-crash.

Let me develop this further. The stories people tell are told to understand a certain event – the collapse of Iceland’s economy. People tell them to understand what it is that has happened and why it has happened – to create a meaningful understanding of this event. It seems like the meaningful dimension of the crisis is acquired through a rearrangement of the past. Through this rearrangement, it appears as if people, in the years that led up to the crash, had been greedy idiots, lured into borrowing money to satisfy their desire for things, and that as if this is what caused the
crash. The truth is that what these stories hold to be causes of the crisis did not come into being until after the crisis. Icelanders did not feel particularly greedy, lightheaded, lost or arrogant in 2005, 2006 and 2007 when the Icelandic economy was at its peak. I lived in Reykjavik from September to December 2007. I never heard a word about greed or manic consumption. This is not to say people did not consume or borrow money, only that I never heard anyone speak of this as a problem. Everything was simply great and Iceland was an economic saga. In other words: the causal relationships that the stories establish in retrospect between greed and debts, manic consumption and crisis, lightheadedness and decline in the standard of living are reconstructions. Taking this into consideration, we could think of the crisis as “a manifestation of a circular structure in which the eventual effects retroactively determines its causes or reasons” (Žižek 2014: 2). In other words, the crisis was an event that preceded all its “causes.” The crisis receives its meaning from a restructuring of the past. This peculiarity, which is as intriguing as well as methodologically challenging, is the starting point for my analysis of the stories that I have collected for this thesis.

Method
As anthropologists we want to understand how the world appears to our informants. The stories they tell are therefore absolutely crucial; they are the starting point for seeing the world through their eyes. This makes it almost impossible to do good anthropological work without phenomenology (Husserl 1931; Jackson 1989; Schutz 1972); we do need a “scientific study of experience” (Jackson 1996: 1) – or, at the very least, an approach that “gives incompleteness and tentativeness the same analytical weight as the finished and the fixed” (Jackson 2007: xxv). My approach in this thesis is also phenomenological in so far as I wish to describe how the experience of the crisis feels. Yet, my interest in the experience of the crisis stretches beyond the subjective meanings my informants’ stories convey. A strictly phenomenological approach does not allow for us to problematize that fact that these stories retroactively invent the causes of the crisis. I would not claim to be the first to observe this problem; Gadamer observed how Husserl’s concept of empathy failed “to orient itself toward the functional circle of life, which goes far beyond consciousness” (Gadamer 2006: 242). I do however suggest that this observation serves well to describe precisely how insufficient a strictly emic perspective would be in the exploration of the research problem which this thesis posits. The very experience, which prompts people to retroactively invent the causes of the crisis lies, quite obviously, outside the stories that accomplish this retroactive inventions. The phenomenological experience is that the crisis actually is a consequence of a certain lifestyle and certain choices, and not an event that exceeds
its causes. Hence, looking at the stories merely as symbols expressing the experience’s subjective meaning is not enough.

Neither is the classic critique of this strictly phenomenological perspective, formulated in terms of political economy, helpful in the search for the reasons for the stories’ peculiar form. Consider for example Keesing’s argument, presented in *Anthropology as interpretive quest* (Keesing 2006). Symbols, Keesing notes here, do more than convey meaning. “They constitute ideologies, disguising human political and economical realities as cosmically ordained” (Keesing 2006: 259). The methodological implication of this would be to account for the political economy of the crisis and leave the stories aside. An account of the political economy of the crisis gives us just as many clues about the form of the stories as does the phenomenological approach that take them at face value. Zero, that is.

What we could do instead, is to view the stories of the crisis not as symbols whose meaning defines the very experience of the crisis, but as symptoms, in Žižek’s sense of the this term, of an experience which for some reason cannot itself be expressed by the stories themselves – as expressions, in other words, which need to be explored in order for their origin to be traced. If there is something like an experience itself of the crisis out of which people’s understanding of a crisis emerge, I believe it is precisely that unexpressed experience. This view had implications for how I listened to these stories and it has implications for how I illustrate these in this thesis. Before I discuss those implications, the data I collected has to be presented.

During 2013, I spent a total four months in Reykjavik. I interviewed just over 30 people, males and females between age 20 and 60. Many of them I interviewed only once, others two or three times. The interviews were unstructured and semi-structured. The majority of them are recorded, and one to one and a half hours long, a few of them are longer. Besides this, I participated in three protests outside the Icelandic Parliament, Althingi, where I conducted brief, unstructured interviews with several people. Furthermore, I contacted a number of Icelandic MPs via email and phone to ask specific questions. To find informants, I began by contacting representatives from grassroots movements and smaller political parties that have been formed in response to the crisis. “These people,” I figured, “are likely to be interested in talking about the crisis.” Furthermore, I contacted and interviewed journalists from Reykjavik’s English language newspaper, The Reykjavik Grapevine, where I did a professional practice the fall 2013. People I met and interviewed directed me to friends and colleagues that they thought would be interested in talking to me. Furthermore, I interviewed people I random met through protests, in cafés, in lunch restaurants or through working hard to become a regular – as in the case with Jóhanna who worked in the coffee shop close to where I lived. As mentioned, I lived in Iceland for four months
in 2007 and studied Icelandic full-time, but yet I do not speak it well enough to conduct interviews. Thus my informants and I spoke English. (There were a few exceptions where we spoke Swedish or a mix Swedish and Danish.) With one exception, I experienced no language difficulties.

*Stories as Symptoms*

Now, let us return to the question of the methodological implications of viewing the stories these people told me as symptoms rather than symbols. I quickly realized that I had one thing to offer the people who took the time to sit down to talk to me: the opportunity to tell their story. I also remember that I realized this in February 2013 when I attended a meeting of Alda\textsuperscript{20}, a grassroots movement that had been founded in the wake of the crash. One of the organization’s spokespersons told me that the need for this organization became evident to him and some other people when it stood clear that the leftwing government would not make substantial changes to Iceland’s political and economical system. The organization strives to show that there are alternatives to capitalism and market economy, that equality, sustainability and democracy is possible. This evening I attended their monthly meeting. We were not more than ten people who sat in the ragged sofas and had coffee in the big locale where various grassroots organizations and small anti-establishment political parties could have their meetings. We talked about the debt crisis. A woman started to explain to me how awful it all was. She was clearly upset.

“Before I owed the bank 7.2 million ISK. Today I owe them 11.6! This is because of the indexation…” I listened to her with great interest. A man sighed, and when the woman paused, he said calmly and impassively:

“Yes. She has debts that have sored. Just like the rest of us. We are all in debt.”

The meeting moved on. Soared loans were clearly nothing worthy of attention in this crowd. The man’s reaction, or rather lack thereof, is not surprising. To the Icelanders, stories about debts, foreclosure or anguish were anything but news.

“I have friends who are so sick of hearing about the crisis that they don’t watch the news anymore. They have not watched the news for the past five years,” the women who tried to tell me about her loans said when I interviewed her later.

To me, their stories were worthy of attention. I listened as if it was the first time I heard anything like that. I never interrupted, I rarely disagreed and with few exceptions, I never questioned what they said. This gave people the impression I shared their opinion.
“I would like to read your thesis when you have finished it,” one woman said to me after our second meeting. “I know it will be good, because we agree with each other. We are on the same page when it comes to this crisis, you and I.”

She was far from the only one who felt we were on the same page. Libertarian politicians and leftist activist felt we were on the same page. I felt like I cheated people. Both because I made them feel that I agreed with them when I did not, but mainly because of the way I have treated the stories that they thought they had told to someone likeminded – with the knowledge that the form of these stories could not be found in the stories themselves, that they were ideological – or at least fantasies – since they clearly invented the causes of the crisis retroactively. This is likely to be perceived as arrogant. Especially in our enlightened so-called post-ideological era where intelligence and rationality, two of the Western world’s dearest held virtues, are defined as being capable of thinking free from ideological or religious influences.

This is how I felt when I talked to Jóhanna. One day I just stepped into her coffee bar and started talking. I asked about the crisis, about the protest movement, about how she had been affected personally, about the best season for whale watching, about where to go if I wanted to get out of town and see Iceland, about her opinion of Reykjavík’s controversial mayor Jón Gnarr, about who I should talk to if I was interested in finding out more about the crisis. Jóhanna was always helpful. She helped me contact people that she thought would be interesting for me to talk to and she said that I should go to Ísafjörður, Snæfellnes and Stykkishólmur if I really wanted to experience Iceland. She was also generous with sharing her personal opinions of the crisis, the debt situation and the protest movement. When I listened to her I felt like a false friend. To her, our conversations were about the crisis: how it happened, what Iceland was like before and what it is like now. She was the one with the facts. Not that she ever claimed to know everything, or that what she said held for all Icelanders, but she felt we talked about the crisis itself. To me, our conversations were about her story about the crisis: why it was meaningful to her and why it had taken that particular form. I knew when I sat there and listened to her talking about recklessness and responsibility that I would never write about what she said in the straightforward manner that she imagined I would. I knew I would not treat what she told me as facts about the crisis. I knew I would never write about recklessness, consumption and light-headedness as something that had caused the crisis.

Finding a Better Story

If my aim with this thesis had been to tell people that they are wrong and provide them with information about “how things really are,” this stance towards my informants would have been
truly arrogant. It is arrogant to step into someone’s workplace, ask them to tell you about things they believe that you know little about just to reject or question what they tell you. That is not the point of this thesis, and that is not how I think about the stories Jóhanna or anyone else told me. Yet, two problems seem to arise from the victim-blaming stories that invent their own cause. First, it makes some people feel bad. Jóhanna herself might not feel particularly bad. She has not been hard hit by the crash, thus she does not have to retrace all her pre-crash decisions and invent them as causes of current misery. Yet there are people who do precisely this. They rearrange the past so it appears as if it was their choices that helped cause the crash, and doing this make people feel bad. Furthermore, stories which openly declares that people are stupid and should blame themselves feed the feeling of personal responsibility. They encourage people to feel the devil’s derisive laughter. They help meaning and guilt merge. I have encountered all sorts of ideological supplements to get out of that feeling. That nothing one truly deserves had been lost, that money does not matter, that acceptance of the given circumstances is the key to happiness. This points us to the second problem, which is political. These types of ideological supplements become meaningful and redemptive only when the meaningful story about the crisis is one in which the causes of the crisis is located in individual foolishness. Under those circumstances the possibilities for systemic change are minimal. Systemic change is what would really prevent the crisis from happening again. Better yet, systemic change is what would make the story about the crisis as a result of individual choices and personal responsibility nonsensical. My aim is therefore to contribute to the creation of a better story, in which people do not have to see themselves or their indebted fellow humans as neither economically, nor morally responsible for what has happened to them in the wake of the collapse of Iceland’s economy.

To say that one wishes to offer a better story can by all means still be considered pretty arrogant. One day an anthropologist shows up, claims to be interested in your story, just to tell you she has got a better one. Not really a good way to respect people’s understanding of the crisis. With this said, it might look like the phenomenological approach actually is the best option. What could be more respectful than taking people seriously by accepting what they have to say at face value? We could ask ourselves if this is the way we treat our friends when they feel bad or blame themselves. Most likely not. When our friends blame themselves or get lost in feelings of guilt, affirmation is not normally our response. We do not say that, “if this is how you feel then it must be true.” Instead, we try to make them feel better. We try to pull them out of whatever it is that make them hurt, sometimes by offering them a new, better, more redeeming story. If this does not help, they might pay a therapist to help them find that story. The ideal better
The merging of meaning and guilt is what we see in Lévi-Strauss’ (1967: 166-169) analysis of an event where a young Zuni boy in New Mexico was accused of sorcery. The boy was dragged before court after an event where a young girl was stricken by a nervous seizure just after this boy had held her hands. Initially the boy tried to convince the court of his innocence. The court did not believe him and he soon realized he would have to change his tactics if he wanted to live – sorcery was punished with death. The second time, the boy told the court that he mastered two sorcerous powers: to make girls insane and to cure them. To assure the jury that he had now told the truth, the boy preformed a ritual in which he simulated a seizure after he had eaten a piece of a root; after eating a piece of a different root, he came back to his normal state. He gave the girl the curing root and declared that she was now cured. The court was adjourned, and during the night the boy escaped. The following day he was captured by the girl’s family and brought back to trial where he came up with a third explanation. This time he told the court that he and all his ancestors were sorcerers. He said that he had killed infants and children by transforming himself into a cat and shoot needles into them. To take the form of different animals he used plumes – special plumes that his entire family used for this purpose. The court wanted to see the plumes as a proof of his truthfulness. The boy said he could not show the court the plumes; they had been hidden two years earlier in a wall of his home that he could not destroy. The court said that he had to find the plumes if he wanted to live, and so the boy began to tear down the wall. After hours of work he finally found an old plume. After explaining his evil magic to the court, he had to repeat the entire story at the public plaza. The second version had received significantly greater detail. He finished his speech be declaring he had now lost his sorcerous powers. This freed him from death penalty.

Lévi-Strauss’ point is that the boy does not escape the death penalty by claiming he is innocent, but by admitting he is guilty. By confessing his guilt the boy gives the court and the audience at the plaza something that is better than the justice that would have been achieved through his execution: he gives them the satisfaction of truth. The lurid event has been explained and everything is in order. Had the boy stood by his initial claim – that he was innocent – the event would have remained unresolved, and the entire structure of Zuni society would have been challenged.

There is, however, one thing Lévi-Strauss does not stress in his analysis of this event. The boy does not only tell his animated and detailed story about the plumes and his ability to transform into different animals to offer the satisfaction of truth merely to the audience and the
court. The boy’s story, even though it declares him guilty of a serious crime, must also reasonably be a means for himself to make sense of the fact that he stands accused of witchcraft. By telling the story, he also offers himself the satisfaction of truth – about the fact that he stands accused of a crime punishable with death – even though, in his case, this satisfaction at the price of thinking of oneself as guilty (Jansson 2008: 279). The same is true of the stories about the economic crisis in Iceland. The narrators tell these stories in order to make sense of a very peculiar event – the collapse of the Icelandic economy. Just like the case with the little boy it seems that understanding can only be achieved through admitting one is guilty. If we want to ease the feeling of guilt, we have to produce a better, more redeeming, story that allows us to account for all the other stories. The political problem that follows when the crisis is thought of as a consequence of individual choices cannot be resolved otherwise. So with this thesis the conversation with my informants continues. It will be over when the moral guilt and the monetary debt are gone.

Disposition

The stories I have collected for this thesis are presented in four chapters: Shock, Phantasmagoria, With horrible disgust and Redemption. The names Shock, Phantasmagoria and Redemption are borrowed from Walter Benjamin’s vocabulary. The vocabulary of phantasmagoria and shock appear in The Arcades Project (Benjamin, W. 2002), which takes the reader through the streets, arcades and sentiments of 19th century Paris. At the center of Benjamin’s portrayal, is the fetishization of commodities that culminates in the world exhibitions, which he describes as “places of pilgrimage to the commodity fetish” (2002: 7). “World exhibitions glorify the exchange value of the commodity. They create a framework in which its use value recedes into the background” (2002: 7). It is during the 1867 world exhibition in Paris that the “phantasmagoria of capitalist culture attains its most radiant unfolding,” Benjamin writes (2002: 8). “Paris is acknowledged as the capital of luxury and fashion. Offenbach sets the rhythm of Parisian life. The operetta is the ironic utopia on an enduring reign of capital,” he continues (2002: 8). The commodity fetishism Benjamin describes exceeds the traditional Marxian definition, according to which a “definite social relation between men […] assumes here, for them, the fantastic form of a relation between things” (Marx 1990: 165). This dimension of commodity fetishization seems to go without saying, but what Benjamin emphasizes in his writing is a fetishization more akin to Freud’s usage of the term – the commodities on display in the department stores or in the showcases of the world exhibitions evoke in their viewer an intoxicating desire. They have the power to transform a neutral gaze into hefty greed (Benjamin,
Department stores are “temples consecrated to this intoxication” (Benjamin, W 2002: 61) and “[world exhibitions] open a phantasmagoria which a person enters in order to be distracted. […] He surrenders to its manipulations while enjoying his alienation from himself and others,” he continues (2002: 7). This is crucial: the commodity is poisonous. It dazzles its possessor who ends in madness.

The madness, the intoxication and the greed do not become evident to the subject until after he or she has awoken from this fantastical dream. Phantasmagoria is “[t]he dream [that] waits secretly for the awakening” (Benjamin, W. 2002: 390) or “the sudden creation of an Order [that] confers backward signification on to the preceding Chaos” (Žižek 2008: 161). Benjamin uses both “moment of awakening,” “awakening” and “shock” to the describe the moment or the event through which the phantasmagoria comes into being:

It is the shock that brings someone engrossed in reverie up from the depths. Medieval legends invoke the state of shock peculiar to the researcher whose longing for more-than-human wisdom has led him to magic; the experience of shock is cited here as the ‘derisive laughter from hell.’ (Benjamin, W. 2002: 325)

Faust, the myth about the man who sold his soul to the devil in return for unlimited knowledge, is one version of such medieval legend. One day the devil comes to collect Faust’s soul, and as a result he will be damned forever. He did it all against better knowledge, and the fear and angst he feels when the devil comes to collect the debt is therefore even more horrible than it would have been if the devil had come to seize Faust’s soul unexpectedly.

The usefulness of this vocabulary to anthropologists has been made evident by for example Michael Watts (2001). He uses Benjamin’s vocabulary to tell the story about the violence and deprivation that seem to follow upon oil booms. “Why,” asks Watts, “is petroleum extraction such a violent endeavor?” (Watts 2001: 203). Watts’ first case is Ogoniland, a small territory in the Niger Delta in southern Nigeria. In 1958, Shell started pumping oil in Ogoniland. Soon ten major oil fields were established in the tiny region. The consequence of this comprehensive oil pumping was not “economic development” or “modernization,” but deprivation, violence, military occupation, massive violations of human rights and a comprehensive ecological disaster. Unfortunately, Ogoniland is not the only example of ecologic disasters, violence and poverty as a result of oil booms. Peru, Ecuador and Colombia are additional examples that Watts mentions in the article. Oil, appears, says Watts, as “wealth without effort” (2001: 193). The appearance proves false when the real consequence of the oil pumping turns out to be deprivation and misery. Watts quotes the Polish journalist Ryszard Kapucinski, who wrote the following about the phantasmagoria of the black gold: “Oil creates the illusion of a completely changed life, life
without work, life for free…The concept of oil expresses perfectly the eternal human dream of wealth achieved through lucky accident…In this sense oil is a fairy tale and like every fairy tale a bit of a lie” (Kapucinski, quoted in Watts 2001: 203). In this way, the stories about the oil pumping in Ogoniland and Ecuador are, with Watts’ word, “Benjaminian.” People dreamed of the impossible – magic wealth without effort – but what they received was desolation in every form imaginable. A Faustian contract par excellence as well as the key to understanding the violence linked to petroleum extraction.

The Benjaminian vocabulary presented above structures the first two of the ethnographic chapters, *Shock* and *Phantasmagoria*. Since it is the awakening that creates the dream, I start with the awakening. This chapter contains stories structured by the logic of the Faustian bargain. Those who have been affected by the crash must have been acting against better knowledge. They have been stupid and should therefore blame themselves, claim the narrators of these stories. *Phantasmagoria* follows this chapter. It covers the stories about the drunkenness, the desire and the stupidity that allegedly caused the 2008 meltdown. Together, these two chapters form the meaningful story about the crisis as a result of economic and moral irresponsibility on behalf of the Icelandic people.

Chapters four and five are reserved for those actions and components of stories that try to resolve both the feeling of individual guilt, and the political problem that stems from the narrative about the crisis as described in *Shock* and *Phantasmagoria*. In chapter four, I focus on the discontent with Icelandic politicians that has been expressed through public protests, demonstration and the formation of a very colorful “anrcho-surrealist” political party called Besti Flokkurinn. Unlike the other ethnographic chapters, chapter four has not been given a title from Benjamin’s vocabulary. The reason for this is that Benjamin has not written about the kind of protests and actions that we meet in this chapter. Its name, *With horrible disgust*, comes instead from Goethe’s *Faust*, and refers to the anger, disappointment and disgust people have felt for politicians and banks.

In chapter five, we find three stories that try to resist the Faustian bargain. This chapter has therefore received the headline *Redemption*. The term is Benjamin’s, but it does not appear in *The Arcades Project*. We find it instead in the critique of historicism that Benjamin presents in the essay *Theses on the Philosophy of History* (Benjamin 1969). For Benjamin, history is a text that receives its meaning retroactively. “Benjamin,” writes Žižek (2008: 151), “conceived history as a text, as a series of events which, ‘will have been’ – their meaning, their historical dimension, is decided afterwards, through their inscription in the symbolic network.” This is the fundamental assumption that makes historical redemption possible. The opposite view, “[…] conceiving
history a closed, homogenous, rectilinear, continuous course of events” does not allow for redemption, since this “traditional historiographic gaze is a priori, formally, the gaze of ‘those who have won’: it sees history as a closed continuity of ‘progression’ leading to the reign of those who rule today” (Žižek 2008: 154). It excludes from history every story, every voice and every act that has no place in the winner’s symbolic order. If meaning is assigned retroactively, if “[t]o articulate the past historically does not mean to recognize it ‘the way it really was,’” (Benjamin 1969) it becomes possible to retroactively, through the creation of a new symbolic order, redeem the sinners, the losers and the subordinated. It is the rejection of the winner’s symbolic order, an order in which ordinary Icelanders should blame themselves or be forced to leave their homes, which the narratives of chapter five have in common. Moreover, it is to the creation of this redemptive story I wish to contribute with this thesis.
Chapter 2: Shock

This chapter is concerned with the shock experience – the awaking that necessitates the rearrangement of the past and the creation of the phantasmagoria. I will begin with Gunnar’s story, which is an example of the derisive laughter from hell. Gunnar “foolishly” took a loan that he can no longer pay. He blames himself, because, in retrospect, it is so obvious that the loan was too good to be true. Gunnar’s story will be followed by two examples of Faustian bargains where the guilt is not explicitly expressed, as in Gunnar’s case, but implied. I will then turn to stories in which the shock has been filtered through the storytellers’ subjectivity. Let us begin with Gunnar’s story.

I got off the bus at the end station. “You should get out of 101,” I had been told. “The people you’ll meet in the suburbs will probably tell you a different story.” It was a gray Wednesday in March. Barely any people out. I walked by a closed-down office that had the Left Green Party’s logo on the door, a combined Tai food and hamburger place and a grocery store before I walked into a lunch restaurant. The view from the big window made up for the worn interior – far away in the distance you saw Reykjavik, the big Hallgrim’s church on the hill and the snow stained mountains on the other side of the bay. It was beautiful even on this cloudy day.

The two women behind bar counter looked at me and I wondered if I was the only guest who was not a regular. I ordered a cup coffee and the two women and I started to talk. We had not talked for long before Gunnar, who clearly was a regular, walked through the door. He ordered a beer and one of the women told him I was interested in what had happened in Iceland after the crisis.

“You should talk to her,” the woman said to Gunnar in Icelandic, and to me, in English: “You should talk to him.”

“Alright,” said Gunnar. He looked a bit surprised but did not waste any time. “I took a loan,” he began.

He borrowed the money to buy a house. He borrowed the money from a private, Icelandic bank in 2006. To have any business with the bank in order to buy an apartment or house had never been on his mind before – he did not trust the bank – but the interest on this loan was exceptionally low, only 4.15 percent. Having worked as an advisor at the Housing Financing Fund, Gunnar did not quite understand how the banks could offer him such low interest, but apparently they could and the deal seemed great.

“So, foolishly I did it,” Gunnar said.
The deal was everything but great. The loan started to grow, and soon it was clear that he would not be able to pay.

“It just went up and up and up…and in the end…my salary was not enough,” Gunnar said. He became quiet and fidgeted with the empty beer glass on the table. “You know,” he said slowly, still focusing on the beer glass, “I was doing fine before the crisis. I could pay all of my debts. All of them.”

He did what he could to pay the debt, because returning borrowed money is a matter of honesty, of being a man of one’s word, he told me. He even protested for his right to honor this agreement. “I wanted justice,” he said, when we talked about his participation in the protest movement. By justice, he meant the right to pay back the loan and prove he was an honest man.

“I wanted my loans corrected, first and foremost. I wanted to be able to pay my debts. Because it was very hard to…you know…I couldn’t sleep. I took it very hard. I took it very near myself, not being able to pay my debts,” he said.

One year after the crash he had sold everything he could sell and emptied his savings account to keep up with the mortgage payments. Yet it was not enough, and the bank foreclosed on his house.

Needless to say, the fantastic loan at 4.15 percent interest that the bank offered him was no bargain. It cost him his savings, his house and all his belongings of any value. The bank took it all. It seems to be through the recognition of his own foolishness that what happened to him after the crisis can begin to make sense to him.

Imply It To Deny It

The core element of the Faustian bargain is that it provides a meaningful understanding of the crisis through establishing a causal and meaningful link between pre-crash foolishness, greed or consumerism and post-crash indebtedness and misery. In Gunnar’s story this link is articulated; in the following stories – Bjarni’s and Stefán’s – it is not. I will start with Bjarni’s story.

Bjarni

Bjarni is a member and representative of The Homes Association of Iceland, an interest organization and lobby group for house owners who in the wake of the financial crisis have difficulties with paying their loans. The organization was founded in February 2009 (The Homes Association n.d.). By October 2013, the organization had 8,000 members, according to Bjarni.

The first thing Bjarni told me was that the Homes Associations’ main goal is to have the creditors’ “share” of the responsibility for the debt crisis recognized. “The crisis,” he told me,
“was at least to a substantial part, the responsibility of the lenders, because they have behaved recklessly.” He continued: “This has always been the main objective, to have this shared responsibility recognized.” That the creditors’ share of the responsibility for the crisis needs to be recognized, implies somehow that his – and others’ – spontaneous reaction was to blame someone other than the creditor, but also that this someone deserves a share of the blame. I think it is a safe bet that this “someone” is the debtor. The myth of the Faustian bargain appears, it seems, to be the default option when the crisis is to be assigned meaning, and this makes it impossible to think or say that the debtor is free of guilt. This might explain the Homes Association’s modest objective – to have the creditor’s share of the responsibility for the collapsed recognized.

This might be the reason why Bjarni avoids one of my questions. I had heard that members of The Homes Association have stopped paying their loans and I asked Bjarni if that is correct. Some have, he admitted, but that is because they simply cannot pay anymore. He assured me that people want to pay their debts, because paying ones debts is matter of honesty. Yet when prices and loan payment rise on a monthly basis one is forced to make drastic decisions. Faced with the choice of either paying their loans or putting dinner on their family’s table, people have to put their children first, Bjarni concluded. Twice I asked Bjarni if he himself has stopped paying off his loans. He did not give me a straight answer. The first time I asked him he hesitated for a second before he gave me a detailed account of why he and his wife borrowed money in the first place.

It all began in 2006. Bjarni was finishing his university studies. He, his wife and their two children lived in a student apartment that was already too small. They could not have stayed there even if they would have wanted to since Bjarni was about to graduate. They had to move. Bjarni stressed that they looked at different options, including renting, and came to the conclusion that borrowing money to buy an apartment was the best alternative, because borrowing money would give them the lowest monthly cost:

We didn’t have any money at the time to put up for a deposit. Then we looked at that and said: ‘We are borrowing to the hills, but what’s it going to cost us? What is the monthly payment going to be?’ Then we looked at rent. How is the rent market, and what will we have to pay?” It was obvious that renting was more expensive.

At this time, the banks were focusing their marketing on the group that they belonged to – young people who were about to buy their first new apartment. The banks had insane quantities of “unnatural money,” which should have been a telltale they were cheating.
“It’s like you had a drought during all the summer, but in the autumn, all farmers come to the market with a record crop to sell. How can that be natural? It obviously isn’t. They must have cheated,” Bjarni said.

The banks offered them to borrow 90 percent instead of 80 percent of the property’s value. On top of this, they offered a “graduation loan,” which was a loan up to 2 million ISK without collateral. With the special deals the bank offered Bjarni and his wife could borrow 100 percent of the money they needed. They ended up borrowing 20 million ISK from the bank Landsbanki. Bjarni and his wife knew they were going to have huge loans for a couple of years, but they had little choice; their family was growing and they really needed a bigger place soon. The plan was to pay off as much as possible to be able to sell the apartment later on, use the profit as down payment for a new apartment and borrow less the next time:

So we decided that well, we have a family, and we have to have an apartment. If we want to change apartment later, which will be in many, many years from now, we’ll sell the old one, take the profit as deposit for a new one and then we don’t have to borrow 100 percent. Then we can take out an ordinary loan, like 80 percent or lower, and get a lower cost, lower interest rates and stuff. This was our plan, to do this.

Their parents helped them to get through the first payments, and when Bjarni got a job with a salary that would cover their loan costs, they felt they were doing fine. Things looked good and their plan seemed to be working.

“Then we decided, well, we need a new car,” Bjarni said. “We had a growing family and Reykjavik city is big. Even if it’s not very populated, there’s a lot of spaces between houses and everything is all over the place and you have to go several kilometers between places.”

Their old car was “basically a piece of shit” and besides, owning a car is considered necessary in Iceland, he added. After comparing the alternatives, they decided to borrow money and buy a brand new car. A new car is more valuable, which means it is a stronger collateral. A strong collateral means lower interest rate, they reasoned. To minimize the interest, they chose a foreign-currency linked loan.

“Looking back, it probably wasn’t a good decision,” Bjarni said and laughed, “because this was basically what blew the lid off for us. When the Icelandic krona dropped like a stone these loans became twice or three times as expensive for the borrower to repay. Within a year from the car purchase, all reasons for our decision had just gone out the window.”

Only months after Bjarni and his wife had signed the loan contract for the new car, Bjarni lost his job. This was in early May 2008. Every month there was a new bill Bjarni could not pay
and due to the devaluing krona grocery prices soared fast. When Bjarni and his family had no margins left for things to get any worse, the Icelandic economy collapsed.

There is little explicit self-blame in Bjarni’s story. Phrases that indicate he thinks he should have known better or have himself to blame are nowhere to be found. Yet this is not a story told by someone who believes he is free of guilt. If Bjarni truly believed that he was not morally responsible for his debt, he could have proudly told me that he had stopped paying it. He would feel no need to carefully point out that he had under no circumstances been greedy or reckless. He would have wasted no time to justify the reasons borrowing money. With every word that Bjarni denies the logic of the Faustian bargain, he also implies this logic. If the logic of the Faustian bargain, the meaningful connection between pre-crash phantasmagoria and post-crash debt did not exist somewhere in Bjarni’s mind, he would not have to spend so much time convincing me that he had not been greedy, or that the bank actually is partly responsible for the crisis. In the end, Bjarni’s story is just as striking an example of a Faustian bargain as Gunnar’s is.

**Stefán**

Stefán has lived a few years in Sweden and speaks Swedish as if he were born and raised in Gothenburg. When he heard about my project from a colleague he wanted to be interviewed.

“I’m always happy to help a Swede,” he told me on the phone when we decided where to meet for the interview. He gives yet another example of the Faustian contract, even though he does not admit he has entered into one. Others have, and the story includes the same components as Gunnar’s story: the banks were not to be trusted, but foolishly people did so anyway. They borrowed for things that they were not entitled to have and naturally they now have to pay for their mistakes – and this despite the fact that the banks actually fooled people into borrowing money.

“We got fooled. We believed in it. If I would have thought something like this could happen, I would have thought twice before I bought my apartment in 2006,” Stefán said. “The belief was that the banks knew what they were doing. They are making money for everyone.” He continued:

“Of course people did not know back then that the banks were cheating.”

Though he admits the banks fooled him and others, he expresses little compassion for those who have been hit hard by the crisis, because ultimately people had a choice. Those who chose to finance a luxurious lifestyle with false and borrowed money were, according to Stefán, simply idiots. They should have realized borrowed money has to be returned sooner or later and that one actually has to adjust one’s lifestyle after one’s income. They have themselves to blame and they
are responsible for their own misery, because in the years before the crash, they had helped themselves to things they had no right to.

“We thought we had the right to do a lot of things that we actually have no right to do,” he said. “And now people shoulder the blame on others. They say that ‘I feel bad because of this and now I get to do what I want’ instead of saying ‘I made a mistake.’ Instead people say ‘Maybe I did something wrong, but he took my money!’”

Stefán’s story is, in other words, a good example of the duality in the Faustian contract – the debtor has been fooled, and thus the creditor has been dishonest, yet the debtor has not been forced, which makes him or her “an idiot.”

Stefán has indeed experienced the crisis’ negative consequences. Just like Gunnar, Stefán had no financial difficulties before the crisis. Quite to the contrary. He travelled, especially to Sweden, and felt that he could buy everything he wanted. Today the situation is different, mostly because of the loan he took to buy an apartment in 2006. He borrowed the money from the Housing Financing Fund to be on the safe side. As it turned out, there is no safe side, and just like all loans, Stefán’s mortgage loan soared after the crisis. The same happened to his student loan. He had only one payment left according to the installment plan, but after the crisis he all of a sudden got an additional payment. Today Stefán struggles to pay off his loans. Since he, like many Icelanders, owes the bank more than the current market value of his apartment, he can’t move, even though he is in need of a bigger place. Before the crisis, he and his teenage daughter lived in the apartment. Today, his ex-wife, their son and the ex-wife’s son have moved in since his ex-wife has become homeless. It is very crowded and far from an ideal situation, but there simply are no alternatives.

“She has a sister, but her place was overcrowded as it was, so what should we do?” he said.

Despite this, Stefán tells me that Iceland has not really suffered “a real crisis.” All loans exploded – and no, he admits, this has not been resolved yet – and everything became more expensive due to the devalued krona, but this does not seem to constitute a crisis for Stefán. What has really happened is that the toxic excess and the banks false money has disappeared from the island and people have gone back to a more “normal” living standard:

Honestly, the crisis was not really a real crisis. Sure, the loans have gone up, but compare this to Africa, or Syria, for that matter, and you’ll see this is not really a crisis in that sense. We have gone from luxury to what is normal. We have food and clothes and somewhere to live, millions of people in Africa don’t have that. We have nothing to complain about.

There is no point in being angry with politicians and bankers and rich people because of this. Doing that will hurt no one but you, he said. The only thing he can do is try to stick it out and
keep paying, even though it is tough. You can’t allow yourself to be angry and bitter; life goes on and regardless the circumstances, you have to find a way to live with them:

You must find a way to live with it, if not for yourself, so for your children. People have been forced to make radical life changes, sure. I too have been forced to change my life radically, but I dare say that I have found a way to live with it. This is how it is for me now. Panic and anguish will not change anything. I just do my best and eventually things will be OK. I feel no shame. I feel no anguish. I feel relatively fine. I have nothing to complain about. Sure, in the beginning…I was so angry! I just wanted to meet those guys and… But I got over that feeling, luckily. No matter what happens, you can’t allow yourself to be angry. This is my life and it is OK. My kids are doing fine. But my daughter has understood this is hard, because everybody around her is talking about how hard it is. But we have stopped talking about it. This is our life and that’s how it is.

All in all, Stefán thinks that the crisis was actually a good thing; there was a lesson to be learned. Corrupted politicians have been forced to resign, and the Icelandic people are changing their lifestyle. They are forced to reprioritize, which, according to Stefán, is positive.

“It was a good thing the crisis happened to us. We needed to learn something,” he said.

“Isn’t it tragic that people’s lives have to change just because they can’t afford certain things anymore?” I asked.

Stefán was quick to answer my question.

“No,” he said. “The harm is self-induced. People believed in the money and borrowed and spent more and more. They borrowed to buy a new car and vacation trips. Took a loan to go to Italy with the whole family for three weeks without caring about what it would cost. I cannot feel sorry for them. If you are so fucking stupid, you can only blame yourself. They took loans they can’t pay back, because they had a problem to adjust their lifestyle according to their income. You just have to do that.”

We sat quiet for a while before he continued:

“But this is sensitive to many. People want to believe they are not responsible for this crisis. But they are. We are all responsible one way or the other. Iceland as a nation is responsible for this crisis.”

I asked him if he has considered joining the debtors’ strike. He has, he said, but too few people have joined.

“So, in the end, they will take my apartment. I have two kids, so that can’t happen! I can’t afford that. It is better to keep paying, I think, because those who don’t do that will get nothing,” he explained.

I asked how those who joined the debtors’ strike could get away with it.
“They don’t,” Stefán said. “I think those who own that money will come to collect it, through the court system. That’s one thing that’s for sure. Absolutely sure. I think. They will go bankrupt.”

Throughout our conversation, Stefán switches between “they” and “we” when he talks about who is responsible for the crisis. Sometimes all Icelanders – including himself – are responsible for the crisis, and sometimes it is just the “idiots” who are responsible. Yet, we see the logic of the Faustian bargain in this story, too. Those who have borrowed money were stupid and now they have to pay for it. When it comes to the feeling of guilt, Stefán, just like Bjarni, implies what he wishes to deny. Saying he does not feel shame or anguish assumes there are things to be ashamed for. Saying panic and anguish will not help you assumes these feelings would be normal to feel if one was in his situation. I did not say a word about shame or anguish throughout the interview, so the vocabulary is clearly his. Furthermore, he uses “we” – not “them” – when he talks about who has been fooled and who has to learn the lesson the crisis brought with it. If he did not feel guilty, he would not accept his lesson; after all it seems quite extreme to accept loans one has to struggle to pay, a decline in living standard and an overcrowded house one cannot sell as a “lesson.”

Dealing With Shock

Stefán’s story includes one element that appears in neither Gunnar’s, nor Bjarni’s story, the idea that the crisis – to the extent that it can be called “a crisis” – was good. Stefán denies that anything he truly deserves has been taken away from him because of the crisis. What was lost was excess and luxury, things one does not deserve. The crisis turned things back to normal, and should provide all Icelanders a valuable lesson. This is an attempt to soothe the shock experience, to filter the derisive laughter from hell through one’s subjectivity. This says something about how powerful the shock experience must have been: it has forced some people into accepting the crisis negative consequences as “good” and talk about them as “lessons” that have to be learned. As we shall see in this section, Stefán is not alone in this reasoning. Several of the people I interviewed expressed similar ideas. Björg, for example, gave voice to the idea that all the money, the fancy houses, the excess, the wealth and the big cars were acquired at the expense of the nation’s soul, the national character and traditional, sound Icelandic values. For a little bit of money and luxury, people neglected their families and their friends and abandoned modesty and equality. They mistakenly assumed money could buy happiness, but the crisis showed people that money and material things are not part of life’s essentials, and was therefore – a good thing, Björg explained to me. We shall now take a closer look at hers and some other stories that illustrate how the
acceptance of the shock experience leads people to the conclusion that losing money, homes, cars
and other things, was positive.

Björg is around fifty, married and has two children who are in their early twenties. She has
not been as badly affected by the crisis as other I have talked to, but of course the crisis changed
her life. Like many other people, she now miraculously owes the bank more than she did before
the crisis. Before the crisis she owed the bank around 13 million ISK for her apartment. Today
she owes them 27 million ISK. In addition to this, her car loan went from 17,000 ISK per month
to well over 40,000. She called the credit company and they offered her to freeze the loan for a
month or two, but then she would have to pay.

“It was just the new payment for me now. So when I had the money I paid.”

Since the car loan was linked to a foreign currency, Björg got some money back when the
foreign currency linked loans were ruled illegal by Iceland’s supreme court. I asked her what she
thought about the Homes Association. “The thing is,” she said slowly, “I would never do that. I
would never stop paying off the loans. I would try to make a deal with the bank. And figure out
something, because I think that in the end, they will lose.”

“Who will lose?” I asked.

“This people. They will lose their houses. Because […] I don’t really…I understand that you
stop paying on the loan if you don’t have any money. If you just can’t pay it off. So it’s like
giving the bank the finger you know. So I’ll just stop paying of the loans, I will lose the house or
the flat anyway, so I use the money on something else instead. But I can pay the loan, so I pay it.
I would never stop paying just because…just because. I have to have a reason for it.

I asked her if the fact that her loan had gone from 13 to 27 million ISK was not
a reason. It
was, she said, but, she added, a loan is a personal responsibility:

Of course it’s a reason, but this is a global reason. […] So I think more like that: this is something
that will get better. Meanwhile, I will pay off the loan and see what happens. But also because if
you think about it, when you take a loan, you take the loan and it’s your responsibility. It’s always
a risk. In everything. Loans, bonds. And you take the decision and the risk is yours. Of course, the
institution, the bank, has to treat you properly, and do the right thing, the legal thing. And they are
still thinking about these interests, whether they were right or wrong. Whether it should have been
lower. So maybe something happens. And then this [new] government, maybe they’ll [will do
something]. But in the meanwhile, I just keep my head calm. I don’t want to take some decision,
because I think the people that stopped paying the loans, the bank will in the end say stop. And
take their flats. And I would never take that chance.

By the same token, Björg accept that she lost money that she had saved in bonds – she took
the decision herself.
“I remember talking to a consoler in the bank,” she said. “I took some money and put it in to bonds and then I lost it,” she laughed. “I often think about this girl. She was so convincing when she was talking to me. And she really meant it. But I thought, ‘I took the decision myself. She didn’t force me, I took the decision myself.’ So it is my responsibility. This was not a lot of money, but OK, it was money, and I lost it.”

Only weeks after the crash Björg lost her job. She had a good, well-paid job at a computer company. To be on welfare was not an alternative. She simply cannot understand those who saw this as an option, she explained. Well-educated, picky people who could not take a normal job, but rather sat at home and watched TV only to become crazy and eventually depressed. No, Björg was going to find a new job and after a few months she got one at a nursing home. The salary was not even half of what she earned at the computer company. After seven months at the nursing home she got the job she has today. The salary is better, but still not close to the salary she used to have. That is the biggest difference, she told me, that she has less money now:

This is the biggest difference: I have less money between my hands. That’s the basic thing. Much, much, less, than I had before. My purchases are different. I think a lot more about what I buy for the family.

This has made her and many other Icelanders go back the their roots, to old traditions and the simple way of life where you are careful with the resources you have. Björg gives me one example – the traditional slaughter.

You kill the animals and you prepare yourself for the winter. We did this when I was a kid. My mother and grandmother did it together and put it all in the freezer so that we would have all meat for the winter and then we had to buy fish and some milk. We went back to that time, to our inheritance. And I think that, hopefully, you look more at the family as a unit.

Just like Jóhanna that I met in the coffee bar, Björg believes it was about time this happened. To her, the spiteful dimension of the impassioned want for things and money had been obvious for years, she says. This is because she had lived in Denmark for fifteen years. She moved there in the 1980’s and came back to Iceland in 2000. When she returned, she immediately noticed something was not right. People lived “high.” They had everything. The banks would give you a loan for anything, no questions asked. People were not happy with what they had, and were therefore constantly working to be one step ahead of themselves. She noticed that children in Iceland had more activities besides school than children in Denmark did. They all learned an instrument, took dance lessons or played soccer.
“This was of course because people worked so long hours. They had to put the kids in some activities,” she explained to me.

Between working to uphold their excessive lifestyle and driving around their kids between all their soccer games and dance lessons there was no time left to spend with the family and the kids. They were pushing one month ahead, living a life on credit. It was like driving 200 kilometers per hour and never stop, she said:

Everybody had everything and you bought a flat and you took a loan you changed the flat so that everything was new. You made a new kitchen, bathroom and, by the way, let’s have a new jeep! Everything for borrowed money.

Björg and her family never partook in this stressful hunt for money and things. She simply thought the pre-crash Icelandic lifestyle was nuts. The years in Denmark had given her a perspective that helped her keep her head cool and see that what was going on in Iceland was not normal.

“If I wouldn’t have lived in Denmark for so many years I would probably have been the same as the rest of the people,” she said and laughed.

That money is not the key to happiness is what she tries to teach her children. In Denmark they lived in a small flat where the children shared a room. When they moved back to Iceland they got a bigger apartment and the children got their own rooms. What they did not get, however, was their own TV, laptop, play station and video, even though this seemed to be the standard among their friends.

“They never had this luxury,” Björg said “and this is why they think differently and don’t take any loans from the bank. My daughter is in University, studying the same thing as you,” Björg said and smiled. “She’s not taking a student loan. She was working until school started and now she’s going to get a job again in the kindergarten,” she explained proudly.

Nanna shares the idea that Iceland has returned to its roots. Nanna is around 25 and works for Reykjavik city with activities for children and teenagers and has experienced the budget cuts made in the public sector after the crisis. The cutbacks have been noticeable, but money is not always what you need, Nanna said, because before the crisis it was the other way around: everybody had too much money.

“The crisis was like a slap in the face: ‘we don’t need to redesign our kitchens or have a brand new flat screen TV. We don’t need all this stuff. Stuff will not make us happy,’” she said. There is a chance people have started to realize this and ‘gone back to basics.’ Going back to
basics mean spending less, not focusing on things and money and turn to your family, friends and spirituality.

“There is a big change in the world. People turn to their family and friends and spirituality. People learn to take a moment and just chill out and have the time to think, ‘Job and money is really not that important.’ I mean, it’s quite boring actually.”

Going back to basics means doing things “the way you are supposed to,” which is by working hard and saving money instead of borrowing to live a life in luxury. Going back to basics means making compromises and understanding you can’t have everything:

You can bike instead of having a car, that’s a lot cheaper. If I wanted to have a car I would really had to compromise a lot of stuff and I’m not ready to do that. So I don’t have a car. And you can be without a car. Some people seem to think this is impossible, especially if you have children, then people will always go like, ‘You have to have a car!’ But you don’t.

In short, going back to basics means “connecting with people instead of connecting with your furniture.”

“People are proud to have gone back to basics,” Nanna said. “They can say things like: ‘Look at me, I’m not spending any money on Christmas presents.’”

Stefán is also eager to tell me the crisis by no means have had solely negative consequences. First of all, the crisis was not, as mention earlier, “a real crisis.” What was lost in the crisis was only false excess and monopoly money. Secondly, people do not try to buy happiness the way they did before. Instead, people do things together. They help each other.

“The best example I can give you is from the Twelfth-Day celebration that we have each year,” he said. “We always have a feast on January 6. We light fires down at the beach and it’s a thing for the whole family. In the years before the crash people had started to think that, ‘why should we try to make this happen and collect money for it? Can’t we just pay someone to do it?’ Social capital was about to vanish completely. No one was interested in doing this they way we usually do it – working together and making it a family thing.”

He says that the same thing happened when it was time to organize school trips. Parents were no longer interested in helping; they wanted to pay someone else to do it. People tried to buy happiness. What the crisis made clear was that happiness comes from within. It can never be external.

Maria – who will be properly introduced in the following chapter – said that Iceland has been influenced by the American, greedy, individualistic culture. It went really high in 2007, when money just flooded Iceland. People became egoistic. She wishes Icelanders would learn to be more polite, human and caring – like they were “in the old days.”
The Truth Behind Realizing The Truth

The idea that “money does not matter” might appear to be the opposite of capitalist consumerist culture, especially since the idea is conceptualized as a “realization” that followed naturally after the crisis. I would suggest we think again before drawing this conclusion. As a matter of fact, it has been argued that the idea “money does not matter” is capitalism’s best ideological supplement (Žižek 2014).

The “realization” money and things are not important is by no means a realization in the sense that it has made the real state of things clearer than they were before. People did not think that money is more important than family and friends in the years before the crash. Neither is it a realization that has revealed “the fetishism of the commodity and its secret” (Marx 1990: 163). The realization behind the expression “money does not matter” is simply that there are things that we want, which we cannot have. This insight is neither new, nor unique to Iceland or societies that have experienced an economic crisis.

The ideological supplements invented to deal with this realization have taken different forms throughout history. Christianity, says Nietzsche, is one fantastic example. From where originates the Christian idea that the poor, the unfree and the powerless will be granted eternal life in prosperity after death? How did it come into being that Christianity preached that a life in poverty, suffering and need was better than a life in prosperity, indulgence and pleasure? asks Nietzsche. To be misled by the value-judgments would be the greatest mistake: this question certainly is not a philosophical one. Yet Nietzsche starts his enquiry by tracing the origin of what is good. Good is originally the aristocracy’s word for themselves: “the powerful, the high-stationed, the high-minded,” Nietzsche says, “have felt that they themselves were good, and that their actions were good” (Nietzsche 2003: 11). Good was what constituted everything included a joyful and healthy life: “adventure, the chase, the dance, the tourney – […] everything, in fact, which is contained in strong, free, and joyous actions” (Nietzsche 2003: 16). The opposite of good in this scheme is bad, which so happens to be the aristocracy’s opposite: “all the low, the low-minded, the vulgar, and the plebeian” (Nietzsche 2003: 11). The bad were, in other words, the subordinated, the oppressed and the poor.

These people are deprived not only of all the pleasures a human life should include, but also of the possibility to change the order of things. What remains is only “imaginary revenge.” This revenge is found in the idea that only the poor, the sick and the wretched will be saved and rewarded – in a life after this, that is. This is the Jewish ethic, later on adopted by Christianity. This means that the revenge of the subordinated comes in the form of an inverted moral order:
‘The wretched are alone the good; the poor, the weak, the lowly, are alone the good; the suffering, the needy, the sick, the loathsome, are the only ones who are pious, the only ones who are blessed, for them alone is salvation – but you, on the other hand, you aristocrats, you men of power, you are to all eternity the evil, the horrible, the covetous, the insatiable, the godless; eternally also shall you be the unblessed, the cursed, the damned!’ (Nietzsche, 2003: 17)

The Christian promise to save the poor and wretched offers only fictitious comfort in an entirely fictitious world. In its war against the aristocracy’s wealth and indulgence, Christianity fights, on behalf of the poor, a war against “all the self-preservative instincts of a sound life” (Nietzsche, 1999: 23).

What Nietzsche accomplishes here is to show that what appears to be resistance to a certain ideological structure is shaped by that very ideological structure. The idea that poverty is good and that the suffering will be rewarded in the afterlife is an equally blatant expression of the aristocracy’s ideological order as is the idea that the low-minded and the plebeian are bad. But he does something more than this: he lets us glimpse the psychological mechanism behind this type of ideological supplement. The rich do not impose the idea that poverty is good and in fact desirable on the poor. Neither is it a case of false consciousness, of naïvely and unknowingly accepting ones subordination and assuming it to be fair. No, an ideological supplement requires an ideological subject, someone who actively constructs the supplement. Who would be in need of a fictitious comfort in a fictitious world? “Who alone has any reason for living his way out of reality?” – Nietzsche asks rhetorically – “The man who suffers under it. But to suffer from reality one must be a botched reality…. The preponderance of pains over pleasures is the cause of his fictitious morality (Nietzsche 1999: 23). Howsoever interesting, this is not the most appealing aspect of Nietzsche’s argument. Nietzsche’s reasoning implies an even more interesting question: why does the ideological supplement appear in this form? As mentioned earlier, realizations that make someone want to live him or her self out of reality, and into a fictitious world that provides fictitious consolation, are not new. They take different forms at different times in history. Now, neither Björg, nor any of the others believe poverty equals moral superiority. What they say is that money and things does not make you happy. Money, wealth, riches and the things you own are brushed off as insignificant to how happy you can be. More importantly, they are brushed of as insignificant for who you are. This position lets us distance ourselves from the stress capitalism makes us feel. We do not have to partake in the hunt for wealth and material status. We do not have to drive 200 kilometers per hour without ever stopping. We can allow ourselves to sit calmly on the side and simply observe the hysteria and madness, knowing that money truly does not matter. This is something else than the Christian slave morality or the protestant ethics. If we would like to call this ideological supplement something, I suggest we borrow Žižek’s
expression “Western Buddhism,” by which he refers to the “remedy for stressful tension of capitalist dynamics, allowing us to uncouple and retain inner peace” that we achieve when we retain “an inner distance and indifference towards the mad dance” of capitalism (Žižek 2014: 65).

Why does Western Buddhism appeal to us more than Nietzsche’s slave morality? The short answer would be that these people do not see themselves as poor. Neither do they wish to be seen as poor by others. Most of them had more money before the crash and even though their budget is tighter now they are not poor. Besides this, they see their constrained economic situation as temporary – the economy did collapse, no doubt, but it will recover and things will go back to normal. This is what people hope for and what they expect to happen. Once you have told yourself poverty equals moral superiority there is no return. If an opportunity to become wealthy would present itself you would be obligated to decline. This reason is however secondary. The idea that poverty equals moral superiority is for those who see no chances of becoming rich. Ever. Either way, Western Buddhism does not have to care about that since money and wealth is a non-factor. It has no impact on your moral position or your chances to happiness. Therefore you could gladly embrace the opportunity to become wealthy as long as you tell your less wealthy friends and fellow humans that, no, being rich is not what life is about, and it certainly has not made you any happier than you were when you got fired from your job and had to move back in with your parents since you could no longer pay your mortgage.

False, Bitter and Barren Money
Let us summarize. Gunnar has acted against better knowledge. Bjarni says he has not, but his story is nonetheless structured by the logic of the Faustian bargain. The story strives at conveying one message: I have been sensible. I had good reasons. I was not reckless. This is the message Bjarni eagerly builds his story around, and what makes me think that he has indeed felt, or feel that it is expected of him to feel, the devil’s derisive laughter. What one wants to deny has to first be implied. Stefán, Björg, Nanna and Maria all say that the crisis happened since the Icelandic people lost track of who they really are. They neglected their social responsibilities. They put their kids in extracurricular activities and had no time to talk to them. They became selfish. They connected with things instead of humans. They lost interest in helping each other and doing things together. They thought that paying someone to organize social activities was more convenient than organizing it together with others.

Now, consider again the legend of Faust: what Faust gave up in return for unlimited knowledge was a part of himself – his soul. The consequence of the barter is horrible. He loses
his lover Gretchen whose life he has ruined because of his desire for her. The same is true in *Schlemihl's Miraculous Story*, written by Adelbert von Chamisso. Just like Faust, Peter Schlemihl makes a deal with the devil. The devil offers him unlimited wealth in the form of a purse that produces gold coins. In return he wants Peter Schlemihl’s shadow. Said and done. The devil gets Peter Schlemihl’s shadow and he gets the miraculous wallet. Soon after his deal with the devil, Peter Schlemihl discovers that humans around him treat him strangely. They reject him. “A man without a shadow can’t be a real human being,” they seem to think. Even the woman he loves turns away from him. Ulysses makes the same epic mistake and suffers the same devastating comedies in Dante’s *Devine Comedy*. He desire for knowledge and adventure made him abandon his wife and his son. He sailed away from them, pas the Strait of Gibraltar though he knew it was forbidden. After months at sea his ship disappeared in the depth of the ocean. Faust, Peter Schlemihl and Ulysses gave up parts of themselves and forsook their social relationships in return for something to-good-to-be-true. But Faust, Ulysses and Peter Schlemihl all went back to basics. Faust was saved by Gretchen, Ulysses by his wife Penelope. Peter Schlemihl returned to a peaceful life in harmony with nature. This is precisely the logic that comes forth in many of the narratives from Iceland. To get their share of glittering wealth they had to give up a part of themselves – the care for their children, their traditional way of life, their values and their social responsibilities.

This forbidden tradeoff is well documented not only in ancient legends and myths, but also in anthropological literature. Taussig’s *The devil and commodity fetishism in South America* (2010) is one example. Shipton’s *Bitter money* (1989) is another. I will start with an example from Taussig’s book. In the Cauca Valley in Colombia, Taussig notes, wage labor in the agribusiness is the least desirable. For male workers that have despite this ended up in wage labor it is however possible to make a contract with the devil to increase one’s productivity and thereby one’s salary. “He did it in order to sell his soul to the devil, so that he could get money without working,” one of Taussig’s informant’s said to him about a man that had made such pact with the devil (Taussig 2010: 96). A man who makes a contract with the devil is likely to die young and in great pain, and while he is still alive the devil has power over him. Furthermore, the money he gets through a devil contract are barren – they have to be spent immediately and only on luxury items; they can’t be invested in anything productive and turned into capital. They can’t be used to raise one’s children. “If one buys or rents some land, the land will not produce. If one buys a piglet to fatten for market, the animal will sicken and die. In addition, it is said that the sugarcane thus cut will not regrow” (Taussig 2010: 94). This explains why women cannot or do
not enter into these devil contracts: they are the main provider of the household and especially for
the children.

Shipton’s example of bitter money comes from the Luo in Kenya. Wealth achieved through
forbidden transactions is useless, and will cause its owner misery in quite the same way as barren
money in the Cauca Valley: “Luo believe that if a man sells land and buys livestock with it, either
directly or indirectly, the animals or their offspring will die off by disease or other misfortune. If
he first uses the animals in a bridewealth payment, the bride will die before long” (Shipton 1989:
31). Shipton gives several examples of forbidden transactions that will result in bitter money, one
of them is the sale of land. Land is assessed and defended by references to ancestors’ graves. The
dead ancestors do not approve of land sales, and if the land is soled or abandoned, the ancestors’
spirits disappear. Land, in other words, is closely connected to the patrilineage. This is where we
find one of the differences between Taussig’s and Shipton’s examples. Bitter money is evil since
it has the power to destroy the whole lineage, not just the man who sold his ancestors’ land.

People in Iceland that I have spoken to use neither “bitter,” nor “barren” when they talk about
money. However, they refer to the money the banks lent as “fake,” “imaginative,” “not there,”
“Monopoly money,” “money that does not exist,” or “made up.” I will henceforth use the word
“false.” Just like a purse that produces money, eternal knowledge or epic adventure without
losses, the money that people borrowed during the boom was too good to be true. When it
disappeared during the crash, some people thought that nothing truly valuable had been lost, since
this money was not “real.” What disappeared was only the false, excess money that the banks had
created. This is how Nanna puts it:

What was lost in the crash was only fake/ imaginative money. We had all agreed on that this
was money. But the real value is still here. No cheep died. The cows are still here. The hens are
still laying egg. Carrots are still growing. All the material is still here, so we don’t need that
artificial money.

It was the false money and the luxury they could be transferred into that had made people neglect
sound values and social responsibilities. Just like the barren money in the Cauca Valley in
Colombia and the bitter money among the Luo, they evidently could not be successfully
converted into anything truly valuable – the happiness and inner peace one feels when one has
time for family and friends, when one care for social relationships and fellow humans. It is on the
basis of this logic, that money can never buy the truly valuable in life – social relationships and
obligations – that we can begin to understand why something like “going back to basics”
becomes meaningful to people. Nevertheless, we should keep in mind that people did not care
less about their children and their family in 2007 than they do now. Most likely they did not walk
around with the feeling that they had lost their true values or forgotten their heritage. As I mentioned earlier, I spent the autumn 2007 in Iceland. During those months I heard no one say anything to that effect. In the Event of the crisis, however, this logic was close at hand as a way to make sense of what it was that had happened. Just how false the money that flooded Iceland in the boom years were will become evident in the following chapter.
Chapter 3: Phantasmagoria

A man who claims to be a professor in black magic enters the stage of a theatre in Moscow. His assistant—a man in checks and broken pince-nez—as well as a fat, speaking cat that walks on his hind legs, accompany him. The people in the audience do not know it yet, but tonight they will experience something truly extraordinary.

It starts innocently. A deck of cards appears in the assistant’s hand. The assistant and the fat cat throw them between the, and the cards form a perfect arch. Suddenly, the assistant opens his moth and swallows the cards. The audience is delighted. The cards appear on the seventh row, in comrade Parchevsky’s wallet, but the deck of cards is not the only thing Parchevsky finds in his wallet—next to it, appears a bundle marked “One Thousand Ruble.” A pistol appears in the assistant’s hand. One, two, three, it goes off and newly printed ruble notes rains over the audience. Hundreds of hands reach for the notes. People are laughing and crying of joy. A man is crawling on the floor to catch notes that has disappeared under a set in the auditorium. “Let go! It’s mine—I caught it first!” someone cries (Bulgakov 1979: 135).

When the audience has calmed down, the assistant announces that a boutique for the ladies will open on the stage. From nowhere, the floor is covered with Persian carpets, mirrors, and showcases filled with dresses, shoes, hats, perfume and lipsticks in golden etuis. Money is not needed in this boutique; if you find a dress you like, you simply put it on and leave your old one behind. All women in the audience want to trade their worn dresses and shoes for new ones. The cat, the man in checks, a woman with red hair, dressed in black evening gown, assist the ladies. The read haired woman chats about the dresses, the fabric and latest trends in French. Even the ladies who do not speak French understand her perfectly. When it is announced that the boutique will close for the evening, the stage turns into a tumult of women grabbing everything within reach. Exactly one minute later, the pistol shot rings out for the second time this evening, and just like that, the dresses, the mirrors, the carpets and showcases are gone. The stage is empty, but the empty stage is the end of the story. This is what the theatre’s director sees from his office window minutes after the black magician and his entourage has left the theatre:

In the bright light of the street lamps he saw below him on the pavement a woman wearing nothing but of violet knickers, a hat and an umbrella. Round the painfully embraced woman, trying desperately to crouch down and run away, surged the crowd laughing in the way that had sent shivers down Rimsky’s spine. […] Shouts and roars of laughter were also coming from the side entrance, and as he turned in that direction Grigory Danielovich saw another woman, this time in pink underwear. She was struggling across the pavement in an attempt to hide in the doorway, but the people coming out barred her way and the wretched victim of her
own rashness and vanity, cheated by the sinister Faggot, could do nothing but hope to be swallowed by the ground. (Bulgakow 1979: 162)

What no one knew was that the magician was the devil himself. The fantastic show in the theatre that night was his delusion – phantasmagoria.

The structure in this story, borrowed, of course, from Bulgakov’s novel *The Master and Margarita* (1979), is the same as in Jóhanna’s story about the financial crisis. People have been seduced by money and material wealth. They have bargained with the devil, and just like the woman in pink underwear on the pavement, they are considered to be victims of nothing else but their own rashness and vanity. Yes, they have been cheated – the lady in underwear by the devil’s assistant, Hannes’ sister by the bank – but in the end, they only have themselves to blame. The parallel to Bulgakov’s novel might at first seem far-fetched. The devil does not exist. The money that rained in the theatre in Moscow was false. It was a trick, a stunt – an outright and deliberate deception. Above all, it is fiction. Yet this scene captures all aspects of phantasmagoria, the fantastic illusion that comes into being in the very same moment as it collapses and proves itself to be only that – an illusion. Pre-crash Iceland is described as phantasmagoria – a deceptively wicked and fantastic time, obviously too good to be true. Everybody was a millionaire and people ate gold flakes. The desire for money, wealth, things and luxury blinded them. Big houses and apartments, fancy cars, expensive vacations, disproportionately lavish house renovations and flat-screen TVs are the things people mainly mention when they describe this desire. Just like in the scene from Bulgakov’s novel, things might have started harmlessly, but once you have entered the stage and stand in the middle of luxury and superfluity and realize you can have anything, you lose control and the desire turns into obsession. The obsession with things and money led to a moral devaluation. It tricked people off the right path. They started to do things they would not normally do, things that everybody intuitively, at heart, knew were wrong. They borrowed money to buy things they actually could not afford. Greed, arrogance and individualism spread. People stopped caring about others. They neglected their family and friends. The chase for money and wealth led an entire nation into a haze of destructive consumption, lending, borrowing and false money, but in October 2008, it all vanished.

This is the phantasmagoria that emerges from an extrapolation of all the stories that I will present in this chapter. Abracadabra, and the parallel is not that far-fetched anymore.
Into the Dream World

“It was like we all went into a haze,” Stefán said when I asked him about the years before the crisis. In the haze that started somewhere around 2004, the Icelandic banks decided Iceland was going to be the new Wall Street and people seemed to love the idea, Stefán explained to me. From nowhere Iceland had billions. The banks lent money or anything, and people spent the borrowed money like they were millionaires. They bought big cars, fancy apartments and vacation trips. Stefán himself has never before or since travelled as much as he did during the years just before the crash. The krona was at its peak and his salary was high – especially compared to his Swedish friends and colleagues that he visited at least four times a year. Being in Sweden was wonderful, he said. He could buy anything. He bought plenty of clothes for his daughter and for himself. He travelled to Copenhagen and was surprised by how cheap everything was. “Flowers and roses everywhere you looked,” he said to describe the carefreeness and nonchalance that had embraced the whole nation. Because it really was everybody – except maybe a very small number of people – that enjoyed the haze rollercoaster-ride with, high on easy cash. That it was nothing but an illusion did not become clear until afterwards.

“After the crash we realized that this Wall Street thing would never happen,” he said. “[Back then] you thought that they knew what they were doing. Bankers can do things no one else can. It is wizardry. It is magic, what they are doing. All of a sudden a normal bank and an investment bank was the same thing. People’s money turned into Monopoly-money that they could play with.”

Maria, a woman I started talking to while I was waiting for an interviewee that never showed up, uses the word “drunk” instead of “haze” to describe the years before the crash. She says Iceland flooded with money. Everybody had high salaries, and everything was easy. It was hard not to get carried away. The extravagant lifestyle was everywhere. The media idealized it and everyone tried their best to live it. People lost control in their pursuit of the life they could not afford.

“There is something about human nature,” she told me, “when you get money, you get more ego. Then you spend more and more and more and more. Then everybody followed the greedy, high profile, luxury way of life.”

Hulda shares this view. I stepped into her elegant clothes shop on my way home one afternoon when to avoid getting completely soaked when the usual Icelandic drizzle had suddenly turned into a heavy shower. Hulda matched the elegant shop; she was tall and elegant with short blond hair and ice-blue eyes, dressed in a chic black suit and, like every Icelandic woman with self-respect, high heels. She said greed was what had caused the crash. People had become too
focused on material things and money, but this was not the only thing they had desired greedily. Rather, she said, the crisis and the specific desire for money was part of a more general problem – people had lost control of themselves:

We have all become greedy, not just here in Iceland, but everywhere. We eat things that are not good for us, we buy things, we party... The crisis and the money is just a part of this problem. In December for example, when it’s completely dark outside, people are still just partying, partying, partying. They go out, not only with their partner, but also with someone else – to have an affair. People sleep around, cheat and eat too much. Look at the girls here! Look at how they dress! I won’t say what they look like, but you know what I mean. This has not changed a bit. They still drink and have casual sex, they have no self-respect. We are all spoiled brats!

She had been wealthy before the crash.

“Before the crash I had a lot of money. I drove a Land Rover. That gave me respect and people treated me differently. It is still like that. We value people differently. You should have an expensive car, tasteful cloths and a lot of money, nice kids and a beautiful home. And you should be skinny. This has not changed. We pretend it has, but that’s a lie.” She paused. “I was not happier because of that car and that’s what we have forgotten. Nothing has happened in that respect. People don’t see what they have. They become greedy. We want more and more and more.”

Yet another word people use to describe the pre-crash years is “utopia” – a utopia built on borrowed money. It started before the election in 2003 when the Progressive party promised something “completely irrational and utopian and unrealistic” – to make it possible to borrow up to 100 percent for a house or apartment. Until that point, there had been common sense to have at least 20 percent for a down-payment, but the Progressive’s election promise – which the banks fulfilled before they did – turned common sense upside-down. Since Iceland is a young country with little experience of money and banking, things went haywire, I was told. Iceland experienced a “capitalist explosion.” Naïvely they thought they could set up a “utopian banking sector” that would make all of their money and enable Icelanders to “borrow the entire economy.” That was what people did. They bought sports cars and houses and as they did, they lost control of themselves and stopped caring about important things. No one saw any problems with anything. Everything was simply great, the story went.
Intoxication

“We were in a haze.” “We were drunk.” “It was surreal.” “It was bullshit.” “It was crazy.” “It was a bubble that burst,” “a house of cards that fell apart,” “a utopia built on borrowed money.” These are all descriptions of the pre-crash lifestyle, but they are told in hindsight. They are told by people who lost savings when the banks went bankrupt. They are told by people who have seen their loans double and struggle hard to keep up with their monthly payments. They are told by people who lost their job due to the crash. They are told by people who worry they will lose their house. They are told by people who have lost their house. This is important to keep in mind since the crisis is the event that gives the stories about the pre-crash lifestyle their meaningful content; phantasmagoria becomes phantasmagoria when the bubble has already burst and the haze has cleared up. This does not mean that we have to question the factual content of the pre-crash stories. Surely, people desired a good life with beautiful houses, big cars, weekend trips and all kinds of luxury. Surely, people borrowed money, redesigned their big apartments and bought expensive designer clothes. The important thing to keep in mind is that the stories about these activities as expressions of greed, overwhelming desire or foolishness are reconstructions of the past.

Stories like these, which retroactively invents a phantasmagoria and label the desire for things intoxicating and deluding, are by no means unique to post-crash Iceland. As we have seen, they reoccur in both fiction and anthropological work. I have already mentioned Michel Watt’s usage of phantasmagoria in his article on petro-violence in Nigeria and Ecuador, yet another ethnographic example is Stephen Hugh-Jone’s (1992) description of how Indians in Amazonia talk about manufactured goods brought to Amazonia by White people as infused with ewa. Ewa, in its turn, is an “irresistibly attractive and potent force which leads them to act in an uncontrolled manner and to do thing against their better judgment” (Hugh-Jones 1992: 46). The word for someone who is under the spell of this force, is the same as that for someone who is mad or drunk (Hugh-Jones 1992: 46). The manufactured goods are cursed since the desire for them forces one to work for, or barter with, the White. Those who do so are likely to end up in a debt-peonage, since goods are offered on credit, and Indians have no choice but to work off the debt. This ties them to their creditor until the debt is paid off, which it in practice will never be, since the debtor is kept in uncertainty of what the goods they receive are in payment for. It can be a “payment for last year’s work, an advance for the next, or both at once” (Hugh-Jones 1992: 46). It is this insight, that one is trapped and indebted, that creates the story about the irresistible things imbued with ewa.
Debt Fetishism

It is time to discuss debt. The topic reoccurs in practically every interview I have conducted for this thesis. People had debts. Banks had debts. The Icelandic state had debts. Debts needed to be recalculated, written off, reduced, paid, mitigated. Debts needed to be dealt with. Debt was what was discussed in the campaigns before the parliamentary election in April 2013. Debt is standing in the bright light of a street lamp, dressed in nothing but violet knickers and an umbrella: it becomes the evidence one has let oneself be fooled. Described in this way, debt belongs to the shock experience. The debt is the devil’s derisive laughter, the consequence which retroactively constructed causes are found in the phantasmagoric dream world. Yet, just like the dream world, the debt does not appear until after the event. In the boom years, no one had to think about the fact that they owed the bank for their cars, their houses and sometimes quite literally the shirt on their backs. The debt was a mere formality that could be found in the form of a signed document in a file somewhere in a dusty archive. With the collapse of the Icelandic economy this changed radically. Over night the debt had become not real, but real in its consequences. Creditors wanted their money back, and they wanted it back now. Savings accounts and pension funds where emptied, houses, cars and valuable belongings sold, and yet the payment schedule was impossible for many Icelanders. The debt is, not the dream – but the nightmare – that had secretly awaited its awakening. What is forgotten here is that strictly speaking, the debt does not exist. It is just as delusional as the dream world. The debt is a piece of fiction – or to use Taussig’s words: “a gigantic piece of make-believe (Taussig 1987: 128). That some lose their homes, their cars or their savings because they owe someone money has nothing to do with the fact that they owe someone money. It has to do with the fact that some people have been given the right and the power to evict, enslave and impoverish others for the sake of their own profit (Graeber 2011, 2007b). These people are in the 21st century commonly referred to as “the bank.” The language of debt is what makes this seem just, and this is what debt fetishism is. In other, by David Graber well-chosen, words:

If history shows anything, it is that there's no better way to justify relations founded on violence, to make such relations seem moral, than by reframing them in the language of debt-above all, because it immediately makes it seem that it's the victim who's doing something wrong (Graeber 2011: 6).

Graeber does not use the term “debt fetishism,” but the quote above corresponds well to Michael Taussig’s description of what debt fetishism is. Taussig was probably the first anthropologist to use the term. In his book Shamanism, colonialism and the wild man (1987) Taussig discusses the debt-peonage system in the late 19th and early 20th century rubber industry in Putumayo,
Colombia. His discussion is based on reports written by Roger Casement for the British Foreign Service. Casement’s reports reveal that the debt-peonage system was founded on nothing else than brute force. The Indians were systematically flogged, raped and killed by the rubber traders, all because they “failed to repay their debt.” This debt had started with a gift. The Indians in Putumayo received goods from the rubber traders. In exchange for the goods they gave the Indians, the rubber traders wanted rubber. This made perfect sense in the Indians’ gift economy—a favor or a gift should be returned. Commodities were not fetishized or thought to have intrinsic value. What you owed somebody else therefore depended on what that person would want or desire in the future, as well as on what you could give him or her. The rubber traders said that they wanted the Indians to gather rubber and so they did. How much rubber the Indians should gather in return for what they had received was completely arbitrary.

This makes it clear that the debt is a fictitious construction—the rubber traders gave the Indians gifts that they desired and wanted, but which were worth nothing in comparison to the profit the rubber traders made on the rubber that the Indians gathered “in return” for these gifts. When they did not manage to gather as much rubber as the rubber traders wanted (that was needed to maximize the profit), they had to suffer the most unspeakable forms of physical punishment. The alleged debt was what justified the violence and this is where the accuracy of Graeber’s analysis becomes evident: “there's no better way to justify relations founded on violence, to make such relations seem moral, than by reframing them in the language of debt […]” (Graeber 2011: 6). Debt fetishism in Taussig’s sense is a euphemism that lets both parties escape the fact that the violence has no moral justification whatsoever. This is why the rubber traders, despite the fact that the whole arrangement was built on violence and terror, insisted on giving the Indians gifts “in exchange” for the rubber—to give them gifts was to indebt them.

The situation described in Casement’s reports does not share many features with post-crash Iceland. No one is systematically beaten or killed because of unpaid debts. Yet, the logic is the same—under the “debt,” we find a social relation built on force. The banks can stipulate the conditions, and people have to accept these conditions if they want something as basic as a place to live. If they do not pay up when the banks want them to, they will be forced out of their homes. When the debt is fetishized, we can escape the fact that the transference of wealth, from orderly Icelanders to the bank, that take place in the wake of the crisis has no moral justification, and is, as matter of fact, best referred to as “theft.” Therefore Casement’s answer to the chairman of the Select Committee applies just as well to post-crash Iceland as to 20th century Putumayo. “‘The hold on him was, was it, that he was supposed to be in debt to the company?’” the chairman had
asked Casement. “‘No, […] The hold on the Indian in the Putumayo was that he could not escape. It was a pretext altogether that he was in debt,’” Casement had replied (Taussig 1987: 71).

The fetishization of debt has been central in several of the stories I have presented so far. Gunnar, Bjarni, Björg and Stefán all believe that the consequences of the crisis are to some extent unfair. Loans have soared and many people have a tougher financial situation, but no matter how unfair or wrong they find things to be, the debt is what they talk about. Gunnar has lost savings and his home, because he was in debt. Björg accepted her new payments, because she was in debt. Bjarni refuses to blame himself for the situation he is in, still he and the other members of the Homes Association follow the logic of the debt fetishization: they do not question the banks’ right to create fictitious money and place people in debt. Instead, they try to negotiate the soared debts through the justice system. They want the debts “corrected,” they say, which implies the debt exists as such. The justificatory power of debt is what holds Stefán’s story together when he explained the Icesave dispute to me:

The politicians wanted us to pay for Icesave, but the issue went to national referendum and the people’s answer was simply ‘No, to hell with that! We are not going to pay the debts of private companies.’ But, you know, that’s what the Dutch and the Brits wanted us to do. They had taken the money and lent it to us even though we had never asked for it. They just said: ‘Let’s lend the Icelanders this billions and send them to all the people that have any money in the Icelandic banks.’ […] I don’t want anyone to lose his or her money. I don’t want anyone to suffer from this crisis, but neither do I want to pay interest just because the Dutch and the Brits said: ‘We are more than happy to lend them this money, and we will extract interest and all that.’ They still want us to pay interest. But that’s not going to happen! Hell no! Maybe we’ll have to fight them again, the Dutch and the Brits. In many ways I understand them. But the prerequisite for lending someone money must be that that person you lend the money wants the money.

I do not know for whom this quote is more confusing, those who know everything about the Icesave dispute, or those who know nothing. Either way I will give a brief overview of the dispute before I analyze Stefán’s comment any further.

Icesave was an online savings account brand owned by Landsbanki. It was available in two countries, The UK and the Netherlands. When Landsbanki went bankrupt in October 2008, it became clear that the Icesave depositors would not be compensated for their losses by the Depositors' and Investors' Guarantee Fund. The British and Dutch states insisted, however, that Icelandic government – in other words, the Icelandic taxpayers – should cover the Icesave depositors’ losses. Initially, the Icelandic government accepted to pay a sum equal to 35 billion SEK plus 5.5 percent interest, to the Dutch and British depositors, but the Icelandic people refused. 60,000 Icelanders signed a petition against Icesave, which caused Iceland’s president,
Ólafur Ragnar Grímsson, to call for a national referendum, which was held in March 2010. The Icelandic people were clear: they were not going to pay Landsbanki’s debts. 93.2 percent of the voters said no. The terms of Icesave has since been negotiated and renegotiated several times, and as if the answer was ambiguous the first time, a second referendum was held in April 2011. Though not as clearly this time, the majority of the voters still said no to paying Landsbanki’s debts. The case was taken to court, and in January 2013, the EFTA court ruled in Iceland’s favor. They Icelandic taxpayers will not pay Landsbanki’s debts.

Stefán’s version of the Icesave dispute is not really coherent. He starts by saying that the Icelandic people should never pay the debts of private companies. He is sorry for the Dutch and the Brits, because they too will have to suffer the consequences of the crisis. What he says then seems to contradict this; the Dutch and the Brits have “happily lent” the Icelandic people – at least all those who had money in the banks – money that they now want back with interest. The problem is that the Icelandic people never asked for the loan, and this is what makes the loan illegitimate. Yet, in this story, it is the Icelandic people who are the debtor. The logic of the story holds that if someone demands money from the Icelandic people, it must be so that they at some point have entered a loan contract and become a debtor. A “debt” is the only thing that could possibly bring forth such claims. The claims are illegitimate because the Icelandic people never entered this loan contract out of free will. They were lured into accepting money they had never asked for. This implies that loans accepted of free will are legitimate and have to be repaid. The peculiar thing is of course that it is the Icelandic bank Landsbanki who is the debtor and owes the Brits and Dutch depositors the money Landsbanki has borrowed from them, something that Stefán never mentions.

There are several other examples of how debt is fetishized in Iceland post-crash, which I show in the following section. I wish, however, to do more than simply describe how the fetishization of debt is expressed in my informants’ stories; I want to show how the debt becomes real in its consequences, because we act as if it actually existed. I will start with the most blatant expression of debt fetishism that I encountered.

"Bad Economics"

We sat in a cramped, messy office in the heart of Reykjavik. Siggi is a politician and had just finished a late debate in Parliament. He has strong opinions about the crisis and Iceland’s current financial situation, and he had strong opinions about this already before the crisis, which is more than you can say about most people, he told me with a smile that came across as slightly smug.
Now they care, he said, like it was obviously too little too late – now when the crazy heydays are over and they can no longer borrow money like they would never have to pay back.

Siggi emphasized that the crisis was the consequence of a naïve country that had not yet learned how to handle money or even “an economic system” – everybody just wanted to borrow money and get rich fast, but forgot that borrowed money has to be returned. They never thought something like collapse could happen, because Iceland, contrary to, for example Sweden, has never experienced and economic crisis.

“Nature has always been our enemy. The economy has never really been our enemy in that sense. Not capitalist economy anyway,” Siggi explained to me.

With the deregulation of the banking sector in the 1990’s, the economy became an enemy. Politicians, bankers and ordinary people naïvely thought that they could set up a utopian banking system that would make it possible to “borrow the entire economy into oblivion” and possibly pay back sometime in the distant future. The politicians implemented a variety of senseless economic reforms. For one, they made it possible to borrow 90 – and sometimes even 100 – percent for a house or apartment.

“Back then the maximum you could borrow was 70 percent, you had to actually have 30 percent for down-payment first. And that makes good sense. It makes sense in Germany, in Japan and it makes sense here. That’s not something humans decided, that’s just how economies tend to work out,” Siggi explained.

People started to borrow money, and it seemed indeed, Siggi told me, that it was possible to keep this economic wonder going forever. Things were great and no one had any serious problems. If you did, throwing some borrowed cash at it was likely to help. If you, like Siggi, were critical to Iceland’s financial or political system, you were almost frowned upon.

“So WHAT?! That’s what people told me when I criticized anything,” Siggi said in a sharp voice. To these people, critical people like myself and other so-called ‘angry young men,’ were nothing but windbags.”

People learned the hard way that negligence has a price. Too late they discovered that things were not as great as they seemed, and that Iceland actually need to make some changes. Hence, they voted Iceland’s first leftwing government into power. But the government had to make cutbacks and “went against everything and everyone,” Siggi said, and that is why the rightwing coalition was back in office already 2013. Siggi’s explanation for this is that the Progressive Party’s promise to give “free money for everyone.”

“This, plus the fact that people’s memory is relatively short,” he added.

I asked him to elaborate.
“They promised,” he said, but interrupted himself with an affected laughter, “pretty much to lower the indexed loans. Every time there is inflation, the loan goes up. I have one of these loans myself. Most people do. Most people that own anything have an indexed loan. The Progressive Party have been promising that they could somehow “rectify” this.

“Isn’t that good,” I asked, “writing off some debts for people?”

“You’re lucky enough not to be Icelandic, because then you’d probably be hanging from a tree right now just by asking that question,” he said, and added some of the affected laughter. “Because yes, people believe so. For one reason or another.”

“You don’t?”

“I don’t think it’s good economics, no. I mean, I feel for the people that have these problems, I just don’t believe in their alleged solution. I don’t think it’s possible, most importantly. I mean, there is no money to do this, regardless. The government does not have any money to give people for their loans. The money is just not there. It only turns into government debt,” Siggi answered.

“But if they decide that people don’t have to pay the banks, then the bank – not the state – pay’s the price for this crisis?” I objected.

Siggi became quiet.

“I don’t think so,” he said finally. “I don’t know. I don’t know, but I mean…” He became silent again. “The Progressives wanted to write a ticket on this issue. They’ve made their promises and are now having a crisis trying to fulfill these promises, which is understandable because these promises are not realistic! They are just not realistic.” He paused, but this time it was not because he did not know what to say.

“One might argue they’re not even fair, although that’s a taboo thing to say around here,” he said finally. “People have indexed loans. Until 2009 or 2010 loans were always indexed,” he continued, “and people find this unfair, as indeed it is, but they want a so-called ‘correction,’ not understanding that, quote on quote, ‘correcting a loan’ is the same thing as Giving Free Money. That is the economic equivalent.” Siggi’s voice was load, sharp and full of conviction.

Besides the ordinary crisis story that includes recklessness and decadent overreaching, Siggi’s story provides a perfect example of debt fetishism. The debt – as well as the entire economy – exists outside social relations. Such a thing as a “corrected debt” does not exist, because that means you have given someone “free money.” A debt is what it is and has to be repaid in full. Anything else is “bad economics,” since the economy according to Siggi tends to work out in certain ways. For example, economies tend to work out if people who buy apartments do not borrow more than 70 percent. Borrowing 90 percent or more does not make sense, because that is not how economies work. The debt fetishism is what holds Siggi’s reasoning together. If
the debt did not “exist,” his understanding of what caused the crisis and how it is best handled, would make little sense. The debt fetishization is what makes it possible for Siggi to just *en passant* mention that things indeed are unfair, but conclude that debts are debts and no one can get “free money” to get out of them.

**The Debtors’ Ombudsman**

Since August 2010, it is possible for heavily indebted Icelanders to seek debt mitigation through the Debtors’ Ombudsman. The Debtors’ Ombudsman is a governmental agency that “represents the interest of debtors,” which they do by offering “free assistance to individuals who have serious difficulties meeting their financial obligations” When I met with Sara, one of the agency’s administrative officials, I quickly realized that the assistance debtors get from their assigned ombudsman is little else than an installment plan. Debt fetishism is the premise for a governmental agency like the Debtors Ombudsman. They are, as we shall see, one of the actors that transform the debt from a signature in an archive into homelessness, material deprecation, anxiety.

Even though I had not called in advance to make an appointment, Sara had time to help me right away when I showed up at the Debtors’ Ombudsman’s office at noon that Friday. As could be expected, the Debtors’ Ombudsman’s office is not a fancy place. It is located a few kilometers from the city center, ironically enough just next to a huge shopping mall. I was asked to sit down in the waiting room after I had explained my errand to the woman behind the reception counter. Within a few minutes Sara showed up and said she could help me with my questions.

“All the people that we help are in a very tough financial situation. About 25 percent are in an extremely tough situation. They are either on social welfare, or have an income so low that it will be impossible for them to ever pay their debt. These people will have their loans written off,” Sara explained after she had shown me to her desk in an open-plan office. “The rest, 75 percent, get debt mitigation, which takes three years.”

When Sara or one of her colleagues meet a client for the first time, they start by taking a close look at the client’s entire financial situation. Who does the client owe money? What assets does he or she have? Does he or she have anything that can be sold? What type of loans does the client have?

“Then we try to give advice. Maybe we’ll say: ‘You can’t afford to keep your house, so you have to sell it,’ or: ‘You can’t afford to keep your car, so you have to sell it,’ or even something like: ‘You can’t afford to smoke, so you have to stop.’ We look at all overspendings,” Sara explained.
Giving good advice can be difficult. Most clients are in a very troublesome situation. They bought their house in 2006 or 2007 when the prices peaked. Selling the house today means that they have to sell it at a much lower price, thus the money from the sale will not cover the loan.

“This means they have to rent an apartment instead, which is not a good option either, since the rental market is as it is,” Sara said with a despondent sigh.

The heated rental market in Reykjavik had been a recurring topic this fall. Renting a place was difficult and expensive, which was not at all how it used to be. During my first two weeks in Reykjavik this fall, I stayed at my old friend Frederica’s place. She had just moved into one room out of two in the basement of a private house in Reykjavik. The landlord, a man in his fifties named Ólafur, lived in the apartment upstairs. She shared the bathroom and the kitchen with the couple that rented the other room in the basement.

“It’s a great place even though the kitchen is not quite ready yet,” Frederica told me on the phone the day before I arrived. “Ólafur is building it now and it will be ready in two months.”

After a week in the basement it stood clear that Ólafur was not very eager to finish the kitchen for his lessees; the not-quiet-ready kitchen was an empty room with unpainted, concrete walls and an earth floor. Every night when we came home, Frederica and I opened the “kitchen” door to see if there had been any progress during the day, only to find that the not-quite-ready kitchen was no more ready than it had been the night before. Yet Frederica paid full rent for the place, 55,000 ISK per month. And yet, she had no legal rental agreement.

“No, we can’t make a proper rental agreement until the kitchen is ready since you’re not really allowed to rent a place like this,” Frederica explained.

When rent for the third month was due and, the kitchen still was not anywhere near ready, Frederica explained to Ólafur that she thought she should not have to pay full rent for the place anymore. Living without a kitchen was not only tiresome, but also very expensive for Frederica, who besides working on her Ph.D. has three jobs to make a living. During the two weeks I stayed with Frederica we had to get a little creative with our eating habits. We stored food in plastic bags in the garden and in a tiny fridge at the University where Frederica worked. Every morning we took the buss to University to have breakfast and every evening I met Frederica at the University to have dinner, which meant sandwiches and fruit. On the weekends we had to eat out. Doing this for two weeks was not a problem, but by the time Frederica finally moved out, she had been living like this for more than four months simply because she felt she had no options. She did not want to move out to one of the suburbs where she had lived before, and she did not want a sublet apartment. When Frederica asked for reduced rent Ólafur said it was fine that she paid 50,000 instead of 55,000 ISK.
A young man who had bought a big house before the crisis did it the other way around. He moved down the basement and rented out the rest of the big house to be able to pay the mortgage. Stefán told me that this whole situation was a product of the crisis. People are indebted and need to supplement their incomes to pay their own mortgages. Fixing basements and renting them out was one option. Stefán found the whole situation despicable.

“They are making money out of other people’s desperation,” he said when we talked about the rental market and his ex-wife who had lost her house and now lived with Stefán since she, like Frederica, had no other options. This is how he put it:

It is almost impossible to rent. It’s awful really…People use other people’s misery for their own profit. Let’s just say they owe 100,000 ISK per month and to make ends meet they need to take out 110,000 or 120,000 from their lessee. But instead they take out 200,000 or more. And then it can be five or six or seven polish immigrants living there in a collective and the place is way too small for that. [...] I think it is just awful to know this is going on in Iceland. The landlord can just say: ‘I want 300,000, take it or leave it,’ and there are no laws or rules or anything that can stop them.

Others told me similar stories about people who had to move in with their parents, parent’s in-law or children. All because of soared mortgages and a heated rental market. When I hung out at the anti-capitalist political party the People’s Front of Iceland, a woman stepped in and started talking to the party chairman Þórvaldur Þóvaldsson. She spoke fast and in a shrill voice almost as if she would start crying any minute. I sat in a sofa and had coffee with Hannes – the young man whose sister still get outbreaks of panic because she will never be free of debt. We both silenced when the woman came in. I did not understand what she were saying; she spoke fast and unconnectedly. When she paused, Hannes asked her if she spoke English.

“Not well,” she said.

“Because I think she would really like to hear what you just told Þórvaldur,” Hannes said.

The woman looked at me and switched to English:

My brother has lost everything. He and his family, they have two children, have to move in with our parents. More people in our family have to move to my father’s house because everyone is in great trouble. My son for example, he wanted to be a pilot. He got a loan from Landsbanki, because he couldn’t get a loan from the government. He can’t pay it because there is no work for pilots. This means I will lose because I signed the papers for a 50,000,00 ISK loan. We have tried to get a solution everywhere, for many years, but people don’t listen, they don’t have hearts! There are only heartless ministers. They say go there, go there, go there. The system only goes round and round and round, and I’m only a number. We are only a number. There is no one who really says ‘Stop, we will help you’. No one! Even the Icelandic people can’t stand together.
The women slammed the door and left.

“Now you have a concrete example. This is happening all over Iceland. This is a phenomenon called the ‘boomerang generation.’ They move away from home, and then they come back to the home when they are done in university,” Hannes said to me.

“Many people say that, ‘Now we’re through with the crisis,’ and that there is a strata that has it a little bit better now because we have a little capital flow again and the official unemployment rate is a little lower,” Þorvaldur added. “But many people have lost their right to unemployment benefits, because they’ve been unemployed too long. Before, you could get it for three years, then they extended it to four years. Many people have been unemployed for more than four years already, but now it’s back to three year. After that, the municipality must support you, and then you are not in the figures for the unemployment rate.”

Sara and her colleagues at the Debtors’ Ombudsman are well aware of this. But there is nothing they can do. The law makes it impossible for them to help their clients in any other way than to tell them to sell their houses and start renting.

“If the bank take the house, you can ask them if you can rent it for one year,” Sara said.

In other words, the banks has taken the house, the former owner has to pay the difference between the original loan and the current market value of the house, and, in addition to this rent. If you have borrowed money from the Public Housing Fund, the difference will be written off after three years, but not if you have borrowed money from a private bank.

This was exactly what Sofia had described to me a few weeks earlier. Sofia and I met for the first time in February 2013. It was Hulda, the elegant woman in the elegant boutique, who gave me her number and encouraged me to call her.

“She’s a very good friend of mine and she has organized protests and demonstration. You have to talk to her if you’re doing research on the crisis,” she said about Sofia that day when I had walked into her shop to escape the rain. “I’m going to call her right away to tell her who you are and ask if it is OK you call. She loves to talk,” she continued while she picked up an iPhone.

When I met Sofia a few days later I quickly learned that she was an inspiring optimist who believed in change. The crisis had finally put a stop the freewheeling capitalism and the banks’ privilege to play with the nation’s money. People were fed up and this time; the politicians would have to listen to them, Sofia believed. When we met again eight months later, Sofia’s optimism was gone. She had lost her house, she said, but seemed unwilling to go into details about what had happened.
“I have lost the house that I’m renting or it has been sold or whatever,” was all she said. Because of this she and her children had been forced to move around a lot, and the kids had been forced to change school several times.

Economically it has been tough. And the situation was made even harder because of a loan for a summerhouse Sofia took out in 2005. She borrowed 10 million ISK and today she owes the bank 20 millions.

“I’m losing the house now,” she said hard headedly. “I can’t pay the loan anymore. I have really fought for it, but now I will lose it. This means I need a job. Because when I lose the house, I will end up on some blacklist and then I can’t get the student loan anymore, which means I can’t study anymore.”

“So, if you lose the house…” I began slowly.

“Then you have no life anymore,” Sofia filled in.

“So you can’t pay your loans, so the bank takes your house and then they put you on blacklist so you can’t study? That’s just…”

“Fucked up. Yes,” Sofia filled in again.

We looked at each other, and I do not know who started to laugh first.

“I don’t know if I should laugh or cry,” I said.

Sofia laughed with tears in her eyes.

“Welcome to my country! How do you like Iceland?” she asked, and the laughter managed to soften the hard headedness in her voice just slightly this time.

Sofia became serious again.

“I have four girlfriends who had their homes taken, and they can’t rent them. Until today, these homes are standing empty. It’s been three and a half years. They hate the situation, of course. Because they have to go out on the market and rent, and then there are houses that stand empty. They have to pay 300,000 ISK in rent for a five-bedroom apartment, which is just insane. Meanwhile, the bank is just sitting on the houses and the apartments, which make the prices go up and they empty houses damaged.”

“What’s their excuse for doing this?” I asked.

“They don’t have to do anything. They don’t have to put it out on the market. They don’t have to…I don’t know why they do it! I don’t know. I have no idea,” Sofia said, and for the first time she looked liked she really had no idea.

“One of my girlfriends who lost her house,” she started again, “she and her husband had bought it for 60 millions. They had paid 30 millions, so they took a loan for 30 millions. When they lost the house, the loan was 74 millions. The bank took the house for 4 millions. What they
do is that they take the house, but they try to get my friend to pay the loan for 74 millions. By law, they can do that. So the 70 million is standing in the banks bookkeeping as a credit. Someone has to pay them this money, so it’s on the plus side for them. They have taken the loan off the house, so the house is standing without a loan, on market value, which is maybe 60 millions. There you have 130 million plus in the bank.”

“But can they really do that?” I asked.

“That’s the law. When you lose the house they will try to get you to pay the loan.”

“But how can it be that you lose your house and still have to pay the debt?”

“Because we don’t live in a fair system, that’s how that can be. This is the way it is,” Sofia concluded.

When I heard this from Sofia I thought it sounded strange, but the meeting with Sara at the Debtors’ Ombudsman’s office made it clear that the bank has the right to take the both your house and your money. If they are generous, they will let you rent the house for one year.

“But we can offer our clients the so-called ‘110 percent rule,’” Sara said.

This rule means that if the house is over mortgaged, everything above 110 percent will be written off. Up to 25 millions, that is.” She continued: “When we look at the client’s financial situation, we look at what he or she needs. The rest goes to the creditors.”

My mind dwelled on the word “need” for a second, and I remember thinking that debt mitigation was about something more than just paying back borrowed money. It seemed to be moral, almost ritual, cleansing. Those who already had nothing did not have to pay. Their debts were written off right away. Sympathetic, it seems. But the rest had to go through a three ruff years where they were only entitled to what they “needed.” Not what they wanted, not what they desired, not what they wished for, but what the Debtors’ Ombudsman thought they needed. In a report published by the Central Bank of Iceland it was suggested that the Debtors’ Ombudsman’s of minimal living expenses did not cover everything a person needs:

We calculate each indebted household’s financial margin by subtracting total debt service payments and minimum necessary living expenses (based on the Debtors’ Ombudsman’s consumer guidelines) from the household’s disposable income. Because the consumer guidelines do not include all necessary living expenses, we chose to add a 60 per cent buffer when assessing the extent of financial distress. (Ólafsson and Vignisdóttir 2012: 30)

“A debt” forced people out of their homes, either because the Debtors’ Ombudsman would advice them to sell, or because the mortgage would be foreclosed. They would be forced to rent or move in with parents, ex-husbands or siblings. Their kids would have to change schools. All so the bank could have their house stand empty for three and a half years. Debt mitigation – and the
self-denial it entails – can become a “solution,” notes Graeber (2011: 379), only when the personal debt is conceived as a sign of self-indulgence. If the sin is gluttony, asceticism is the remedy. Björg expressed the same logic. Getting out of debt is to neutralize oneself, she told me:

If it would get too difficult to pay for the flat, if we would not have enough money to buy food and do things with the children, I would have gladly set the flat away to get away from this loaning business. To just neutralize myself again, having a job, not paying the loan and insurances and everything, and then just rent a flat. That wouldn’t have been humiliating for me. Because I could make things right for us as a family. Neutralize everything. I would have done that, without any hesitation.

The first time I met Sofia, in February 2013, she said that the real crisis had just started. When we met in October the same year I asked her if things had changed since then. “It is worse,” she told me. “There are more people losing their homes now. There are more people that cannot afford a normal life. I’m not talking about any luxury life. Just that you have food and housing. Renting apartments is really hard, so if they lose their homes they have to move in to their family and friends.”

I asked her if it was really that bad. Most people I had interviewed would agree that there had been a decline in the standard of living for numerous Icelanders, but that “no one had to suffer in Iceland,” or “no one has to starve in Iceland.” Sofia rolled her eyes. “This is simply bullshit,” she said. “There are lines at the places where you can go and get free food…and the lines are enormous. A few weeks ago, I paid medicine for a woman who was before me in line at the pharmacy; she couldn’t pay her medicine. I wrote a small blog post about this and I got around 3,000 that put it on their Facebook. And I got posts and emails from people that had done the same or had someone pay for them at the pharmacy or in the grocery store. This is not unusual. This is becoming more common. It was not at all common before, and I tell you that the situation is worse than four years ago,” she said.

I was surprised. but when I interviewed Bjarni a few days later he told me the same thing – every time the charity organization the Family Help gives away free food the lines are massive. And paying food or medicine for complete strangers was not unfamiliar to Bjarni. “I even did that one time myself,” he said when we talked about Sofia’s blog post.

It was at a time when Bjarni, after having lived off his parents for months, had finally gotten a job and a wage payment. He was in the grocery store, and in front of him in the line at the register there was a woman that had “the simplest of all shopping bags.”

“She looked like maybe she had children and she was just buying milk, bread, butter and cheese. The raw basics,” Bjarni said. “Then when she was going to pay, she realized she did not
have enough for all of it. She stood there, trying to decide, ‘am I going to get cheese or butter…or am I just going to run out of here crying?’ That was basically what was going through her mind. And this was just too heartbreaking so I bought her the cheese,” he said. After a while he added:

“I think that’s a perfect example of…what the symptoms of these difficulties are. This is a very clear symptom, when someone is standing at the register, with the simplest of all shopping bags, trying to decide what to pick out of it so they can pay the check.”

These stories do not acknowledged that the debt is a social relation, and that if anyone is forced out of their home, or to endure debt mitigation or hope someone can help them to pay for their medicine or food, it is not because they are “in debt,” but because the banks has been given the right to live off other people’s work. The Icelandic state guards that right through institutions like the Debtor’s Ombudsman, whose right to exist rests on the assumption that it is the debtor – and not the creditor – who is guilty, who is in debt. The Debtors’ Ombudsman writes off debts, yes, but only if the debtor disclaims his or her right to anything beyond what the Debtors’ Ombudsman thinks he or she needs – and this means that people cannot receive help from the Debtors’ Ombudsman without effectively admitting that they are guilty. If they by any chance felt they were not guilty – that they owed the bank nothing, that they had done nothing wrong and that really, the bank should pay for their own mistakes – a meeting with Sara or one of her colleagues would make clear that, in the eyes of the Icelandic bureaucracy, they are guilty, and the bank has the right to take everything they own away from them. That right is however not articulated, but hidden under the pretext that “they owe the bank money.”
Chapter 4: With Horrible Disgust

Thus far, this thesis has explored the shock experience and the creation of the phantasmagoria. I have described how the shock comes in the form of the derisive laughter from hell when one realizes that one has debts that will be difficult to pay, and how this realization necessitates the retroactive invention of the phantasmagoria. I have described how people try to evade the derisive laughter through filtering it through their own subjectivity, and how this results in conclusion that the crisis was good, since it offered an important lesson and invaluable insights about life. In addition to this, I have described how the debt is fetishized – treated as if it existed.

What I have mainly explored so far, in other words, is one of the two aspects of the Faustian bargain that I pointed to at the beginning of this thesis – the feeling of personal guilt, the blame directed inwards. This chapter will explore the other dimension of the Faustian bargain – the anger that, through actions of resistance and protest, is directed outwards, at those who lured people into this toxic agreement, the banks and the Icelandic politicians. As we have seen throughout the previous chapters, the realization that one has been fooled – that the banks cheated, created false money and lent them recklessly – does not defeat the feeling of guilt. Stefán, Bjarni, Gunnar and Gudbjörg all agree that the banks fooled people, yet they blame themselves for having let themselves be fooled. A librarian I spoke to at the Reykjavik City Library told be that her husband died of anger. “He was so angry at all those bankers. That was what killed him, all this anger,” she said. Stefán repeats again and again that you cannot be angry, because the anger will destroy you. But at first, he too was angry. “I was furious! I just wanted to meet those bankers and…” he said and clenched his fists. “They had called people up to lend them money to buy the bank’s bonds. It was a carrousel. What they did was not allowed. They did it only to make money! What they did is even illegal! So the people in Austurvöllur that protested…they just wanted to beat them up!” he said. We find the very same structure in Goethe’s version of Faust; Faust blames himself, and hates the devil for his dishonesty. This is what Faust tells him:

To this has it come! to this! – Treacherous, contemptible spirit, and thou hast concealed it from me! – Stand, then, – stand! Roll the devilish eyes wrathfully in thy head! Stand and defy me with thine intolerable presence! Imprisoned! In irretrievable misery! Delivered up to evil spirits, and to condemning, unfeeling Man! And thou hast lulled me, meanwhile, with the most insipid dissipation […] (Goethe 1912: 203).
Yet, it is not outside the bank offices that people express their anger; it is outside the Icelandic Parliament. The rightwing politicians in Iceland that had been in power for many years before the crash and the bankers knew each other, I was told, and they made sure to look after their own interests and cheat the people. Many of my informants described this by saying that “something was sick in Iceland before the crash.” The state, in other words, let the banks lull the people “with the most insipid dissipation.” I can only speculate about why people did not protest outside the banks, because unfortunately – and believe me when I say I regret this – I did not ask very many of my informants about this. I asked Björg, however. She silenced for a moment. She said:

Maybe it’s because that’s where we are united, in the Althingi. There are all the people that we have voted. At that time the focus was on Althingi and the politicians, not the banks. But this is a good question, because we have often wondered, ‘why didn’t anything happen to these people that was in control of the banks? The people that made all the decisions? Those who basically put us upside-down, why didn’t anything happen to them?’ OK, they were painting their houses and destroying their cars or something like that, but I wouldn’t have been surprised if something bad had happened, because there was a lot of anger in society. Maybe it’s more visual like that. Because it’s Althingi, this is the place where everything happen, you know, this is a holy thing for us, Althingi, even though what’s going on there is sometimes bullshit.

The fact that the protests took place outside Althingi and not outside the banks appears to be an enigma even to Björg. But if we consider the fact that people – despite the fact that the banks have cheated them – hold themselves responsible for their debt, the whole thing might become a bit clearer. If I have entered a loan contract of free will, and thus feel I am obligated to honor this agreement, I probably will not find a moral position from which I could dispute the contract’s terms. What could I say to my creditor? ‘You cheated me’? ‘Well, I never forced you,’ the creditor would likely reply. ‘Is it not your signature there, at the bottom of this page?’ This is probably exactly what the banks would say – we did not force you, and – as sad as it is – this resonates with people since the narrative that has given meaning to this event is structured by the Faustian bargain. The loan contract is in order, and it has your signature. You owe the banks this money. Under these circumstances, protesting outside the banks seems pointless. Thus, people turn the government – the “holy thing” that “we have voted” – they turn, in other words, to the authority that they have given their confidence, and which stands over both themselves and the banks, only to find that the government watches as the banks collect their money and force people away from their home. Björg put it this way:

But the bank said no. They didn’t even try to help you. It was a one-way street. Just take the flat from that person. They just collect and collect. They have flats for example, I don’t know, hundreds of them. They took from the people, and the government didn’t do anything to stop
They could have said, “let’s take a look at this and figure something out,” but instead people are losing their homes. It is like they are worth nothing. People are waiting for the changes from the new government. They promised and promised and promised that they would cut down the debts for the people but they haven’t done anything yet. Yes, people are trying. They are trying to pay their debts, but there is something missing from the other side. There is something missing. It was too harsh.

This, I believe, is what makes people furious – the banks have cheated them, and as if that was not enough, the one institution that has the power to help them, neglects them. Even this fury appears in Goethe’s *Faust*. Faust turns to God in desperation; when he realizes he will not save him, “fury” is not enough to describe what he feels:

> It fills me with horrible disgust. Mighty, glorious Spirit, who hast vouchsafed to me Thine apparition, who knowest my heart and soul, why fetter me to the felon-comrade, who feeds on mischief and gluts himself with ruin? (Goethe 1912: 2004).

**Protests**

Since the Kitchenware Revolution, protesting has become, with the words of an MP I interviewed, “normal.” In fact they have become so normal that politicians do not have to respond to them – at least that seems to be what Iceland’s current Prime Minister Sigmundur David Gunnlaugsson thinks since he disregarded a protest that gathered thousands of people by saying that it was “simply […] a part of Iceland’s newly established tradition of protesting” (Benjamin, G. 2014b). I participated in three protests in Reykjavik, and in this section I will give an account of these protest.

I had found out about the demonstration for the implementation of the new constitution by a lucky coincidence the day before it took place. I had interviewed a representative from the Pirate Party.

> “I can tell you a little secret,” the man from the Pirate Party told me when we stood in the empty corridor outside his office in the parliamentary offices building. “First it’s going to be a meeting, and then there’s going to be some pots and pans”. He smiled cunningly at me. “But be quiet,” he said, placed his right index finger over his lips, and whispered: “The conservatives have their offices just at the other side of the corridor”.

We laughed together before he had to go. Something in the way he talked about this event made the word “theater” spring to my mind. This association seemed to be quite accurate.

The demonstration took place the following day. As I approached I heard drums, and when I turned around the corner I saw a samba orchestra playing. A woman in perfectly creased pants
and a fur coat danced to the samba music with her husband. She pulled out a camera from her handbag and took a picture of them where they smiled happily. A little girl in pink overalls played by the small waterfall that runs from the top of a stair and along the square where we had gathered. Three men circled around in the crowd and collected money. Here and there I saw people carrying pots, pans, lids, ladles, and whisks. The samba orchestra played for around ten minutes before a woman entered the stage. It’s not really a stage – the square where the meeting was taking place is slightly lower than the streets around it, and the woman and the samba orchestra were just standing at the top of three or four steps that takes you down to square. She took the microphone and held a short speech before she introduced another speaker. My Icelandic is not good enough to understand what they were saying. I crossed the square to find a sunny spot where I could defrost a bit. It was a sunny, but deceivingly cold, day. People smoked in the sunshine, chatted with friends and clapped their hands, hit some pots, and cheered when required.

After half an hour we were encouraged to walk to the parliamentary building. People made some noise with their pots and pans and cheered approvingly before we started to walk slowly. I followed, and caught sight of a man that carried a long stick on top of which he had glued an empty egg carton. I asked him about it, and this is what he told me:

In 2008 we were all standing here, protesting and throwing eggs at the Parliament. We were screaming, there were fires and riots. The police used teargas. Now, four and a half years later, we have become too poor; we cannot even afford to throw eggs anymore. But we are not satisfied, and we will make them listen to us! If we need to do the same again to make them listen, we will. We have to show the politicians that the Icelandic people are not going to accept this! That we demand the new constitution!

He pointed at the Parliament.

“That is only an empty shell to me! Nothing but empty. It’s just like in 1944. But this time they will not get away with neglecting the people’s will. Over my dead body! I’m ready to go far!” he said.

His words were strong, but there was unmistakably a humorous glint in his eyes. He was charismatic.

“Are you a journalist?” he asked. I said that I was writing a thesis on the aftermath of Iceland’s financial crisis.

“That’s good! I wish you the best of luck!” he said and disappeared to take the front position in the crowd.

A group of people lined up right in front of the parliamentary building. They made some noise with their pots and pans and whisks. Someone had brought maracas, someone else a
whistle. Someone was dancing. I heard them shout “The new constitution!” in unison. Most people kept a comfortable distance to the noise and shouting. I started taking to two men who were not participating in the screaming and noisemaking. I asked them why they had chosen to come here. At first, my question was met with silence. The silence lasted long enough to make me wonder if they had understood my question. One of them finally broke the silence:

“I came here today because it’s really important we get this new constitution. We have been working on it since the revolution.”

I asked if they thought the politicians would listen. They shook their heads and shrugged.

“No. We can all hope so, but no.”

I asked a few other people the same question and got very similar answers. No one was really interested in talking to me; people kept their answers short and almost evasive. The girl in the pink overalls had gotten hold of the stick with the egg carton. A smiling woman took several photographs of her when she danced with it in front of the Parliament. All of a sudden one of the women who spoke at the square took a step up on the stair in front of the Parliament and said something. Everybody shouted and cheered a short moment, and that was it. People called their kids, took their strollers, dogs and bikes and went home.

The second protest I attended was held on October 1, 2013, when the Icelandic Parliament opened its autumn session. Hundreds of people had gathered to protest. This time, the police had put up riot fences to prevent people from throwing eggs or tomatoes at the MPs as they walked from Althingi, across the street and into the cathedral where the Parliament’s opening ceremony is held. That had happened before.

The protest was going to start at 13:00 and I was there 13:00 sharp. Maybe a 100 people had gathered. It was damp and cold with a light drizzle in the air. The Facebook page had over 12,000 invited people. About 500 of them had attended the event. Just like last time, people were smoking, chilling, eating, drinking take out coffee. It was quiet. The police and the media were prepared.

Then the door to the Althingi opened. They notice level raised. People started kicking the riot fences to make more noise. I started kicking too. All Members of Parliament came out and walked over to the national cathedral. They did not look at us. They walked with their heads bent down, across the street and into the church. Some of them talked to each other. One woman pointed at us. One man pulled out a camera and started filming the protest. They both smiled. This provoked me. I found their behaviour to be both condescending and disrespectful. They smilingly filmed the protest, as if the people on the other side of the fence had gathered to provide them with some intriguing amusement, when as a matter of fact they stood there to show
them just how much they disliked their work. “How can they be so ignorant,” I thought, “when they know that about three quarters of the Icelandic people have little or even very little confidence in their ability to run this country?”

The protest was more intense this time. People made noise with pots and pans and kicked and shuck the riot fences. Still, you saw people smiling, taking pictures, texting and talking to each other without participating in the protest. One protester dropped his placard over the riot fence; a policeman picked it up and gave it back to him. The media people were busy. They ran around on the other side of the riot fences with their press passes and big cameras. At this time, I did an internship for Reykjavík’s English-language weekly paper, the Reykjavík Grapevine, and I had been sent to the protest to write a short news story about it. A journalist from the paper had followed to take pictures. He was my age and had participated in the big protests 2008-2009. Back at the Grapevine office, we uploaded the article and the picture. I scrolled through the picture he had taken and suggested one of them.

“No, not that one. She looks too happy,” the journalist said and pointed at a smiling woman in the photo.

“But people were quite happy,” I replied.

“Well…” he said hesitantly.

We looked through the rest of the pictures and I suggested another one, taken probably about one second later than the first one I had suggested, when the woman did not smile anymore.

“No,” he said. “The only thing worse than the smiling woman is the fact that this girl is looking at her smartphone.”

“Well,” I said this time, “that’s what it was like. It was a pretty light event. People were protesting and laughing and texting.”

He did not agree and a picture without smiling faces and smartphones was what ends up on the webpage.

The third protest took place the following evening. A group had gathered to burn the budget in front of Parliament to show their discontent with it. The Facebook event page announced the protest would start at seven o’clock. When I show up nothing even remotely similar to a protest was going on. Some kids played soccer on the grass. Two old men in worn clothes drank beer on a bench. In one corner of the park 15 or 20 people had gathered. I was not completely sure if they were there for the protest so I took a seat at the bench next to the men in worn clothes. The air was crisp and chilly. The sky was clear and along the horizon you could catch a glimpse of a pink sunset. People started to show up and I recognize some of them from yesterday’s protest. They had brought placards, drums and tambourines. They shouted, drummed and burned a copy of the
Policemen from the Reykjavik police were there, but not as many as the day before, just a handful. I got the chance to talk to the police who was in charge of the surveillance both this night and the day before. We talked about the protest in 2008 and 2009 and how the police was totally unprepared for them.

“We definitely leavened the hard way,” the police officer told me. “Before they didn’t think we would use pepper spray because that had never happened before. Now they know that we will use it if we have to. They have learned by now, the protesters. They know the rules now, they know we don’t want them too close, and they stay there by themselves. And this is a small community, we know several of protesters and we can talk to the people. We know some of the leaders and we talk to them and we can make some kind of deal. In 2009 there were some anarchists here and they were all dressed in black, but we of course recognized them. There are so few of them in Iceland. So we just used their names and said that they had to move,” he said and we laughed.

Despite my warm coat and shoes, I was getting cold. I had been standing in the park for almost four hours. Paul, who I had gotten to know during my visit to Reykjavik seven months earlier, came by the protest. We decided to go the Café París right across Austurvöllur to grab something warm to drink.

“While you were away Birgitta Jónsdottir came down to protest with us!” a young man said when I came back fifteen minutes later.

I was confused. Birgitta Jónsdottir was voted into Althingi for the Pirate Party in the 2013 election. Sure, she was in opposition, but why would a Member of Parliament come out of Parliament, walk by the police, cross the stone paved areas where protesters are not allowed and pare up with the people that have come to show their dislike of what was going on in Parliament. One thing should be said in Birgitta Jónsdottir’s defense. The party’s main message is that democracy is not mainly about a parliamentary election every fourth year and maybe some national referendum now and then, but about direct democracy and transparency. Still I found the whole situation pretty odd.

Around eleven o’clock the protest had died out. Paul and I were the last two to leave. Someone had handed me two pot lids and then disappeared. I brought them home and Paul promised to pass them on to other protesters in need of kitchenware if I would not get the chance to do it myself before I had to leave Iceland.

People come to these protests for very different reasons. Some said it is simple because the government is incompetent. Some said it is because the 2013 autumn budget did not prioritize the environment. Others were there because they are stuck in a debt trap that the government does
A young man told me that he was convinced the Prime Minister, Sigmundur Davíð Gunnlaugsson, is a psychopath:

“I think the Prime Minister is a psychopath. This is so evident. Most people in power are psychopaths. That’s how they end up at the top: they don’t care about anyone else, only about themselves and their family maybe. I think this is how society is today, a psychopathic society. We are slaves to our own currency. The bankers are the mafia; it’s just an organized form of crime,” he said when we talked during the budget protest. “Companies like Visa and MasterCard are creating money out of nothing. Before, you could take your twenty dollars bill, go to the bank and they would give you gold for it. Today it’s only numbers. Money has No Real Value anymore. It’s just an act. You could check what I’m saying about economy. It’s actually true. I said I took his word for it.

Representatives from the Humanist Party said that they protested because the new right-wing government was making life significantly harder for thousands of Icelanders through cutbacks in the public sector and tax-cuts for the richest:

We are protesting because the new government is diminishing the existence of thousands of Icelanders everyday. In January 2009, the government made cut backs in the support and benefits for the pensioners and the disabled. They made some cut backs in their own salaries as well, but that was corrected in December 2011. Before the election, The Progressive Party promised to correct all the cut backs that the Left-green coalition employed, but now the Minister of Social Affairs says that they’re not going to do anything about this. Instead they are lowering the taxes for the rich and the quota owners and neglecting the health care system. They have also said the will cut back the household debts by 20 per cent. That might be good for some people, but not for the really poor, because they don’t have big loans. They don’t have any real estate to raise a loan on.

Cynical Reason and the Objectively Subjective

There is something curious about protests like the ones I attended: they seemed more like spectacles than protests, an act in which all parties knew their role and played it well. People stand outside Parliament, protesting and shouting, declaring their distrust and their discontent. Besides this, they sip coffee, chat, text, dance and photograph. The media is running around. The police is there to make sure the protest or demonstration does not get out of hand: that the protesters keep within their designated areas, that they cannot throw thing like eggs or tomatoes at the politicians, that they cannot break into Parliament, clime up on the roof of the parliamentary building, set things on fire or pick a lock and disturb political meeting as they did during the protests in 2008 and 2009 – when the government eventually had to resign. The
protesters accept these conditions, they have, as the policeman I spoke to, “learned now.” They know how close they are allowed and they know the police will use teargas if they overstep the agreement. The politicians – elected by popular vote – do not have to do as much as give the protesters a brief look. They can walk by, with their heads bent down, or stop, pick up a smartphone and smilingly film the people’s dissatisfaction with their work.

I was curious about what the Members of Parliament thought about the protests. I emailed all 32 of the MPs from ruling parties, the Independence Party and the Progressive Party. Five of them responded. These five all agreed that the people have the right to make their voice heard – expressing one’s opinion is, with the words of one of the MPs “every person’s sacred right.” “People that participate in the political debate deserve respect,” said a MP from the Progressive Party. Four of them agreed that protests affected their work; either they said that it is important to listen when people are protesting, or that protest encouraged them to do a better job. The fifth respondent said it does not affect him at all, since protests are “normal” and since it is hard to understand what the protesters want. Protests or not, the politicians should always do their best, he said.

When I asked them to be more concrete, I only got one answer. An MP from the Independence Party said that the government are doing many things to take the protester’s demands into account; she mentioned the new budget as one example. When I informed her that the budget for 2014 was what the protest was about, she responded that the government got great support in the latest election and that disagreeing and having different opinions is what democracy is all about. Another MP from the Independence Party said that it is important that the people do not “misuse” their power:

I think that people have their right to protest, but should be careful not to misuse their power and avoid violence. The protest does of course affect my work, if you have someone standing near you at work, any work, giving you the message that you are not doing your work properly, in this loud and sort of aggressive way, it must affect you. And of course the Protestors know that. Otherwise they would not be there.

Protests are more than excepted as long as they do not get violent or uncomfortable for the police or the politicians. Protesters have to stick to the rules and keep within designated areas and politicians do not have to be concrete about how they “listen to the people” – something that they say is important. For example, it has soon been four years since the Constitutional Council submitted the bill for the new constitution to Althingi, and two and a half years since the national referendum was held. The right-wing Independence Party has always been against the constitutional changes suggested by the Constitutional Council and since they got back in power
it looks like the new constitution will never happen – despite the fact that 66 percent of the voters were positive. I asked Paul, political journalist since ten years, if the constitution has been voted on yet. He laughed.

“God no. That’s about as dead as Dillinger,” he said. “And by that I mean quite dead.”

That the Icelandic politicians are not very interested in the opinion the Icelandic people becomes clear in the case with the petition against lowering the fee for fishing quota owners. During my time in Iceland, a petition with roughly 35,000 signatures – representing over 10 percent of Iceland’s total population – was handed to President Ólafur Ragnar Grimsson (Iceland Review 2013). Yet, the Progressive Party/Independence Party government still passed the bill (Iceland Review 2013b). Interesting background facts: various Icelandic fisheries have donated about 1.8 million ISK to Independence Party MP Illugi Gunnarsson’s election campaign (Fulton 2013).

It seem like the economic crisis has actualized the paradoxical relationship between real democracy and the state, as described by Graeber in the article There never was a West: or democracy emerging from the spaces in between (2007a).

I would add that even the most impressive accomplishments of the liberal state, its most genuinely democratic elements—for instance, its guarantees on freedom of speech and freedom of assembly—are premised on such agoraphobia. It is only once it becomes absolutely clear that public speech and assembly is no longer itself the medium of political decision-making, but at best an attempt to criticize, influence, or make suggestions to political decision-makers, that they can be treated as sacrosanct. (Graeber, 2007: 366)

If Graeber is right – and I believe he is – we must pose the question: why are people protesting? The therapeutic dimension of the act of protesting should of course be recognized here. It gives people the opportunity to collectively express their anger and direct it at responsible politicians. However, if their “sacred right” to protest, sign petitions, participate in the drafting of a new constitution, freely speak their mind is indicative of a liberal Western regime where these things have no impact of the decision-making process, their protest becomes mysterious. That people would be deceived and believe that their protests and petitions are actually part of the democratic decision-making process is not an option. There are exceptions, but most protesters I spoke to had no hope that the politicians would listen to them or consider their critique. “They will not listen. They don’t want to know us.” “We are slaves.” “I don’t want them to listen; I wan the people to listen!” “No. We can all hope, but no.” These are some of the answers besides straight no’s I got when I asked if the politicians would listen. One woman looked at me if I was deluded when I asked her.
“No,” she said. “Do you?!”

People know that politicians do not have to take their opinion into account beyond the results of the parliamentary elections held every fourth year. Yet they act as if they did not know. There are ways to account for this peculiarity. We can do it by employing what Žižek refers to as “the bizarre category of the objectively subjective – the way things actually, objectively seem to you even if they do not seem that way to you” (Žižek 2006: 170). It seems to people that they do not trust parliament, that they do not believe politicians will listen to them, but through their actions, through protests, through petitions, through the usage the freedom of speech and the freedom of assembly – of what Graeber refers to as “the most impressive accomplishments of the liberal state, its most genuinely democratic elements” – they show that, objectively, they do trust Parliament. The bizarre category of the objectively subjective rests on the assumption that “belief […] is radically exterior, embodied in the practical effective procedure of people” (Žižek 2008: 31), which is opposed to our everyday view that belief is personal, subjective and internal. Yet again, people have not misrecognized how modern democracy really works – they are not deluded – they simply act is if they did not know. It is not like the old Marxist expression “they don’t know it, but they are doing it,” but rather “they know very well what they are doing, but still, they are doing it” (Žižek 2008: 30). Does this mean there is no illusion? No, says Žižek. If there were no illusion, we would have to rephrase Marx and say: “They know what they are doing, and they are doing it.” The illusion – the bizarre – lies in the words as if. What is being misrecognized here is that the social reality is structured by this as if. This is what Žižek calls ideological fantasy. This can be part of the explanation for the peculiar, circus-like form the protests takes – people and politicians alike know that the literal meaning of the word democracy is not translated into a modern representative democracy. The people simply do not rule themselves. A striking example is the cover tag of The Reykjavík Grapevine’s special crisis issue that marked the five-year anniversary of the financial collapse. “The more things change, the more they stay the same” (The Reykjavík Grapevine 2013).

This explains why politicians and power holders are not very interested in responding to the criticism – that they are corrupt, that they “do not want to know the people,” that they only care about themselves and their rich friends etc. – the critique is a sacred right, and, according to some “what democracy is all about.” It is come il faut, part of the game and already taken into account. The result is a cynical reason: we laugh, we joke, we ironize to blind ourselves to the fact that everyday, in all of our social activities, we overlook everything we know about how things really are, and act instead as if we did not. The result is a social reality structured by the illusion that we so well know to be false.
The Best Party

The political party Besti Flokkurinn and Jón Gnarr, mayor of Reykjavik 2010-2014, serve well as an example of such cynical reason. Besti Flokkurinn literally meaning the “best party” started as one of popular comedian Jón Gnarr’s jokes. At least that is how it was initially received, and at one point Jón Gnarr said that it was, only to seconds later admitted that what he had just said, was the actual joke, and that he would “rise up ‘like the bird Felix’” (Proppé 2015: 81). People were of course confused and wondered: “Was he in or out of the game? Was he so stupid that he thought the Phoenix really was called Felix? Was he a genius? A clown? A moron?” (Proppé 2015: 81). The party, which defines itself as anarcho-surrealist, ran in the 2010 election for Reykjavik city council. Jón Gnarr announced that Besti Flokkurinn, in conformity with all other political parties in Iceland, was a corrupt party. Jón Gnarr refused to talk about “boring things,” such as the economy, in favor of “everything that is fun.” He promised a drug-free Parliament by 2020 and “sustainable transparency” (Proppé 2015:83). He promised a funnier city, a polar bear for the Reykjavik zoo, free entrance and towels at the cities swimming halls. The party made the statement that they would not be in a coalition with anyone that has not watched all five seasons of the HBO series The Wire (Boyer 2013: 279). In the parties official campaign video, Gnarr stated the following:

Fellow citizens, the time has come for everyone in Reykjavik to look inside their hearts, to discuss with their family and friends. Do I want a bright future with the Best Party? Or do I want Reykjavik destroyed? Free towels in all the swimming pools! A polar bear for the Reykjavik zoo!...Disneyland in the Vatnsmyri area! A drug-free parliament by 2020! . . . Do away with all debt! Economize, we only need one Santa! And, and, we will not accept the mediocre! We want the Best! (Quoted by Boyer 2013: 280)

He also promised to break all his election promises if he would actually become mayor of Reykjavik. That is what happened. In May 2010, Besti Flokkurinn became the biggest party and Jón Gnarr the mayor.

To call Besti Flokkurinn an example of cynical reason might be provoking to some. Several of my informant’s say they love Jón Gnarr. If they do not, they say “everybody else” do. People appreciate his honesty, his humor, the fact that Best Flokkurinn does not have any affiliation with the political elite, that he is working class and grew up in Breiðholt, one of Reykjavik’s low-income neighborhoods.

“I love the Mayor. I love the way he got elected. It was a joke. When he is asked questions he cannot answer he just say that, ‘I don’t know.’ He is not a part of this pact between the political elite, the bankers and the venture capitalists” one man told me when we talked about him.
Jóhanna, the barista in the coffee bar at the end my street, agrees with this. She talked about Jón Gnarr a lot. She likes him because he is just a normal guy who knows what it means to fight – something the political elite has never even heard of.

“He grew up with his mother who is handicapped and he had to take care of her. He was bullied until he graduated from school. He has ADD so he could not read. He could not write. He could not concentrate. He knows what its like to be handicapped in Iceland. He knows what its like to be poor. He knows what reality looks like; other politicians don’t have a clue!” Jóhanna said one day when I dropped by her coffee bar.

I believe its safe to say Jón Gnarr gives hope to many. Hope that that Iceland could be a fairer and more democratic place, run by someone who is just a “normal guy from Breiðholt.” This should not be disregarded. Dominic Boyer (2013) has analyzed Besti Flokkurinn and argues that it is indeed possible to see Besti Flokkurinn not as a form of cynical reason, but as an act of kynicism, – a sarcastic mockery of the power, in which the ruling ideology is ridiculed, “thus exposing behind the sublime noblesse of the ideological phrases the egotistical interests, the violence, the brutal claims to power” (Žižek 2008: 26). Besti Flokkurinn achieves this. Behind what might appear as foolishness lies biting criticism, Proppé says (2015: 82). Nonetheless, we have to ask: is Besti Flokkurinn substantially different from the political establishment? Many would say no, and point to the fact that Besti Flokkurinn is not a group of ordinary people, but rather a group of Jón Gnarr’s best friends: a bunch of artist and musicians, connected through kinship and friendship just as the political elite.

“Jón Gnarr has been extremely influential the past five year because of his career as a comedian. But the people around him are not just ‘ordinary people.’ They are musicians, artists, filmmakers and singers, all of them very influential. They are the cultural elite, the artistic elite, who had an idea that they were ‘normal,’” one woman said to me.

Besti Flokkurinn has been forced to make tough budget cuts. Schools have been combined or closed. Services of all kinds had to be slim lined. Not surprisingly, this was unpopular. Einar Örn Benediktsson, Besti Flokkurinn council member, said that Besti Flokkurinn could do this since they had no interest to be re-elected (Proppé 2015: 86). Some people I have spoken to say Jón Gnarr has achieved only symbolic, but not structural change. Some feel that Jón Gnarr has received some special treatment from the media because he is a well-known and popular comedian.

“When the Bestil Flokkurinn recorded a song it was breaking new. If there had been any another party it would have been illegal to play the song, basically. But because he is popular comedian, he gets a lot of media time to talk about his love for kittens and share his best cookie
recipes,” representatives from the Left-green party told me. “You cannot become a member. It is really just the name of a group of people. There is no such thing as a member or meeting when it comes to Besti Flokkurinn.” It seems from these descriptions that what Besti Flokkurinn ridicules in other parties exists within Besti Flokkurinn, too.

However, Domenic Boyer puts it nicely when he says that Besti Flokkurinn refuses to accept the “distinction between parody and sincerity in its mode of political performance” (Boyer 2013: 276). This is a nice description that allows us to see more than one ideological function in Besti Flokkurinn: they offer redemptive ridicule of the establishment parties that in many Icelander’s view ruined Iceland. Yet it does not seem – and I admit more detailed ethnography and analysis should be conducted before we really draw this conclusion – that they have managed to change the as if. After all, Besti Flokkurinn is a political party, elected on the same premises as any other political party in Iceland. Its power rests on the same foundation as the Western democracy itself: popular election held with regular intervals. Participating in the political debate on those conditions is, as Graeber notes (2013), to legitimize it. Moreover, there are those who believe that Besti Flokkurinn are just as nepotistic and keen on power as any other political party. I would therefore like to suggest that there is no opposition between cynical reason and genuinely wishing that things were different. The concept of the objectively subjective and cynical reason can begin to explain the form of phenomena as Besti Flokkurinn and circus-like protest. People know how corrupt and truly non-democratic Western democracy is, and they wish this were not the case.
Chapter 5: Redemption

In this chapter I will present three stories that tries to resist the logic of the Faustian bargain – three stories told by people who tries to find an explanation for the crisis that does not include blaming themselves or others. Yet, their critique of their stories’ place in that which Žižek (2008: 154) refers to as “the winner’s symbolic network” is, it seems, articulated in relation to the myth of the Faustian bargain. The Faustian bargain is the logic their stories have to fight. We will begin with a story told by a man called Jón.

The fall 2008 Jón was still in University, and he did not have any housing loan. He had had one, but realized well before the crash that he would never be able to pay and sold the apartment – the best thing he has ever done, he said. Today he rents an apartment from one of Iceland’s very few rental concerns. Food has become really expensive after the crash, he said. Before the crash 80,000 ISK per month was enough to feed his family of five. Today, he has to spend 130,000 ISK. Because of this, Jón has nothing to blame himself for. He has no escalated debt and he says he never participated in the hunt for material wealth, which he refers to as strive to be “hip and cool.”

“Yes. I mean, in 2005, 2006, 2007, everybody wanted everything new. Everybody wanted too big a piece of the cake. And all the people that had too much wanted even more. And then everything collapsed and everybody went like: ‘Oh we need to change everything!’ But really nothing changed. We just hit the pause button for a few months, or one or two years, and then everything is starting up again.

Jón continued to tell me about the pre-crash years when everybody took huge loans for reasons that Jón never understood. They borrowed money to go on vacation, to buy new flat-screen TV and new tires for their fancy cars. People should have known better, he said, and many of them probably did, but people are herd animals: they do what everybody else is doing. The idea people are herd animals, is not far from the idea of collective psychosis or haze that the held sway of Iceland from around 2004 until the economy collapsed. This is simply another way of describing the phantasmagoria that people acted on before everything collapsed, I thought, but Jón’s version of the pre-crash years, the collapse and its aftermath is different from many of the stories I have heard. Like most he says the excessive lending was what caused the crash. Everybody took loans, private people, companies and banks, Jón said, but unlike many of those I have talked to, Jón does not think it is mainly the households and common people have themselves to blame. The banks were those who really bankrupted Iceland, and they should take the hit.
In Jón’s story, pre-crash Iceland is a rich man’s world where the people with money and the politicians could do whatever they wanted. It was the greed of these people – the people that already had everything – that caused the economic collapse. Instead of letting them lose their money, the politicians made ordinary Icelanders pick up the bill and pay for their mistakes.

Jón’s answer to the question: “What did you think when you understood what would happen to Icelandic banks?” is indicative of this: “The first thing that crossed my mind was ‘a lot of rich people are going to lose a lot of money,’” he said. “But eventually that’s not what happened, because the common people just picked up the bill so the very rich people could still be very rich,” he continued.

**Threatened to Pay**

As a matter of fact, people did not really just “pick up the bill” – they were threatened and – forced – to do so, Jón said. The politicians turned their back on them and decided that the rich people’s wealth was more important than the people’s, Jón told me:

Instead of doing things for the people, [the government] did things for the money people. And we are seeing people that had companies that lost billions…and the check is being picked up by the taxpayers. They still have their companies and they’re still making billions. Instead of just saying: ‘Fuck it, you’re bankrupt! You’re going to lose everything.’ they just say, ‘Oh no wait, we’re going to pay all your bills so you can keep on with your company because that’s so important.’

The politicians chose to help the rich people over everybody else for two reasons. First of all, most politicians are rich themselves. Secondly, the politicians get into Parliament by horse-trading with their rich friends. Jón said:

You don’t get elected to Parliament unless you have a lot of money. Because it costs a lot of money to put your message out there and for advertisement…and that’s how you win elections these days. And you don’t get a lot of money unless you promise someone, ‘if you give me 1000 ISK, I will pass something beneficial for you.’

When bankers and other rich people realized they were bankrupt they simply took advantage of the fact that they knew politicians:

It was in their interest that people kept on paying so that they would still get money. So of course they would go and knock on the guy was in power. ‘Hey remember those favors you owe me?’ I need you to go out and tell people to keep paying, because I’m telling that otherwise everything will just collapse again and things would be even worse.
So the politicians helped the rich and made sure people paid. People were threatened into paying since the politicians and rich people made sure people knew what would happen if they did not: they were going to lose everything.

“People were scared not to pay – if you don’t pay you’re going to lose everything,” Jón said. He continued in a sarcastic voice, indicating what he said was obviously nonsense: “The country is going to go bankrupt, everything is going to go to hell, we won’t have any jobs, the fish will disappear, we’ll never be able to do anything. We will all just die, so pay!!” He was quiet for a moment. “Of course people were scared,” he said, finally.

I asked him about the sort-of debtors’ strike that the Homes Association has started. Jón believes that the idea is “fantastic.” The problem is that they are too few.

The idea is fantastic. And if everybody would have joined and stopped paying they would have forced change. But percentage of people that participated was too small to make a change. [...] If more people would have done it, it would have actually forced change. People just kept on paying.

I asked him why more people had not joined. His answered in a loud voice, indicating that I should have understood this by now:

“Because the people in power and the people with money…” he interrupted himself. “It sounds like I’m paranoid just talking about these people that have money,” he said. “But it’s a fact: some people have more money than other people. So what else should you call them than “the people that have money? Anyway, it was in their interest that people kept on paying so that they would still get money. So of course they would go and knock on the guy was in power.”

**The Tilted Game and the Man Who Moved to Norway**

Jón gave me an example about a man who braved the fear and stopped paying. When he realized he would lose his home, he stopped paying his loans, saved the money and moved to Norway:

I know a guy that had to take a 100 percent loan to buy a house. Soon he realized that he was never going to be able to keep up those payments. He started losing his house just before the crash. Then the crash came and he thought ‘Shit!’ and everything started to get worse. So he came up with a plan: he decided to stop paying off his loan. Instead he just took the money from the mortgage and put it in a bank. So he was living free in his house. He stopped paying of all his loans, every single one, and just put the money away. And he waited until he was about to get evicted from the house. Then he had enough money to start a new life, so he moved to Norway, took all the money with him, and bought a house there. I thought that was very, very cleaver. He rode it out, it was not easy because there were always debt Collectors and stuff that came knocking on his door. He actually has a very good life in Norway now.
After Jón had told me this I asked if he really thought this was fair. Should one not pay back money one had borrowed? Jón did not give me a yes or a no – he responded with a question: what if the game is rigged from the start?

When I asked him to elaborate, he said that the banks are cheating people to keep paying off loans that do not exist anymore; in order to lend people money, the banks borrow money from other banks. When the banks went bankrupt, their loans defaulted. Despite this, they kept collecting money from the people they had lent money. Because of this, it is not uncommon that the banks refuse to show people their original loan documents. The loan the bank forces them to pay off does not exist anymore, Jón told me.

“My friend was just thinking about his family,” Jón continued. “He knew he would never be able to make a decent life here.”

“The politicians believes the banks when they say that people have to keep paying. They act as if the world would just stop if they let a bank completely smash. As if no one would ever be interested in opening up a new bank,” he said sarcastically. “Sure things would be bad for a while but eventually they would be better. Maybe a few companies would close. Some people would lose their job for a short period of time. But new companies would rise. Everything just grows again,” Jón said.

The Way Out of the Faustian Bargain

It is time to return to the dark lunch restaurant where this story began. Gunnar had ordered a second beer. We talked about how Gunnar felt right after the crash when he realized that he would not be able to repay the money that he had borrowed to buy his house. The loan was CPI-indexed and it had grown. He had been protesting to get it corrected so that he would have a fair chance of paying it back and show that he was an honest man who stood by his agreements. Gunnar felt he had been foolish. He had known very well that it is best to stay out of business with the bank, but despite this he had borrowed money to buy the house. He was angry and disappointed with the Independence Party who was one of the parties in power at the time. He hated them, he said, for what they had did to Iceland. He could not sleep. He took it all very hard – “very near himself.”

“You know,” said Gunnar, “the day I realized that nobody was going to do nothing for me, that the bank was going to take the house away from me, this feeling just went away. I didn’t care a shit. And I still don’t care. I’m not going to give them that satisfaction, to be their slave. The
bank’s. They won’t have one krona out of me. I rather declare myself bankrupt. I rent out my apartment now, and I pay just pay what I have to pay, what’s fair, but I don’t pay any debts. The feeling of guilt was gone. He stopped paying off his loan.

The money that is left from his salary when he has paid rent, food and bills goes into a bank safe.

“I don’t put it in a bank account, I put it in a safe, because if something happens, if they cease me without a warning, I don’t want them to be able to get anything from me,” he said.

This is the opening of the other part of Gunnar’s story, the part that reaches beyond the Faustian bargain. Even though Gunnar called himself foolish for borrowing money for a house, he later on disagreed with me when I said that all the people that borrow millions must have been a little careless. He said that a little carelessness is part of the Icelandic character. He refers to the famous Icelandic expression “þetta reddast,” which basically means things will be all right one way or the other, even though no one at the moment has the faintest idea how. He told me that people were fed with incorrect information from the banks. The banks told people that the feast would never end. No one understood how the banks worked their magic and no one really cared, but to ask of ordinary people that they should have known that things could have collapsed, is simply too much. This was the banks responsibility.

I mean people were…how do you say, fed with wrong information from the banks, like this party would never end. Nobody understood what the hell was going on and how the hell it could go on. How they could loan all this money. Nobody understood where the money came from, but nobody cared. I don’t think anybody had the thought that the Icelandic krona could collapse or go down. Nobody was thinking about that; that was a very big and dangerous factor.

Right after the crash he was angry with the Independence Party for creating the crisis. Now he is disappointed with the leftwing government’s handling of it. He disappointed with what the leftwing government has done for people like him – ordinary people who can’t pay their mortgages anymore. To him, Iceland’s two leftwing parties, the Social Democrats and the Left Greens, are parties for the rich. Not for the richest, like CEOs, businessmen and bankers, but for well-educated people that went “straight from University to working for the government.” “The latte people,” he said mockingly. The way they managed the crisis seem to be a mystery to Gunnar. He believes most Icelanders would agree that the leftwing government that took over from the coalition government including the Independence Party, the Progressive Party and the Social Democrats in early 2009, did all the wrong things. One of the first things they did was to raise all taxes.
“So stupid! If you can’t pay your debts, how the hell are you going to more tax? You can’t pay the taxes you already are paying, how the hell are going to be able to pay even higher taxes? So…so I’ve been struggling, you know, most of the time,” he said.

Besides this, they wanted Icelandic taxpayers to pay for Icesave.

“That was dangerous times! You know, really, those people were just traitors, who wanted me to pay the debts of private banks,” he said with contempt in his voice.

As if suggesting Icelandic taxpayers should pay the debt of private Icelandic banks was not bad enough, they also let the rich people who caused the crisis off the hook:

You see, the people who created the collapse and the crash walk away with their pockets full of money, and not paying their debts because they have been written off. When The Progressive Party immediately started to say that the loans of the Icelandic homes must be corrected then the Prime Minister said ‘Who’s going to pay that? Do you know how much that is? It’s 300 billions.’ But the private debts of people like Jón Ásgír who owns a lot of the media Fréttabladíð, 27 people like him, the chairmen of the banks and people in the fishing industry…5000 billions has been written off for them. They couldn’t write off 300 for us. Who do you think pays these 5000 billions? It’s me! Nobody else.

Gunnar and I met in March 2013, only a month before the parliamentary election. I asked him if he had decided how to vote.

“Oh yes!” he said. “I’m going to vote for The Right Greens.”

I have interviewed a few politicians and politically engaged people throughout my fieldwork. Most of these people told me the Right Greens should not really be taken seriously. First and foremost they are racists, I was told. Secondly, they have only crazy ideas such as 20 percent flat tax and “writing off all household debt.” Remember Siggi, Member of Parliament from one of opposition parties, who told me that they wanted to write off 45 percent of all household debt and called it “a wack.” “Then we might just shut down the entire economy,” he had added.

“The Right-Greens is a new party. The man who founded it was a stockbroker on Wall Street, and as such you could expect him to be on the other side – on the other side, with the greedy people that stole our money, but he really hates these people and all the greed that came up in society,” Gunnar continued. “They have promised to lower our debts with 45 percent. And they are going to do it the way the Americans did it, so that’s very reliable. It has been tried before, and it worked. I believe in them.”

The Right Greens want Iceland out of Schengen, which Gunnar thinks is good idea. Schengen has brought Iceland nothing but misery since Schengen is “heaven for organized criminals.” Copenhagen for example, is in deep trouble because they can’t control their borders,
and Gunnar does not want the same things to happen in Iceland, he said. Before Schengen Iceland did not have any organized criminals.

“We of course had our Icelandic criminals, but they were not organized,” he admits, “but you can compare and see that after Schengen we have trafficking, women that are being sold between countries and we all of a sudden had Hells Angles and outlaws and Eastern Europe mafias. The police say they know where they live and where they are, but they can’t do anything. They can’t kick them out of the country because of Schengen.”

If it would not be for the Right Greens, he would vote for the Progressive party.

“They were the first party to say the debt of the Icelandic homes must be corrected, and they said that the day after the collapse,” he said when I asked him why. “And they were always against Icesave,” he said.

I walked back towards the bus station, passed the Tai food/hamburger restaurant, the grocery store and the closed-down office with the Left Greens logo on the door. I took the same bus back to town. Before we said good-bye, I had asked Gunnar where the Right Greens had their office. It turned out to be no further than a five minutes walk from where I lived. “There are people there every Friday from 10 o’clock or so,” he said. I decided I would pay them a visit. I wanted to meet this ex Wall street banker who wanted write off all house hold debt and save Iceland “the way the Americans did it.”

**The Right Green Party**

The Right Green Party – as well as a cheap car rental company – resides in a funny pink house close to one of Reykjavik’s many swimming halls. I showed up a Friday morning, and Ragnar, a man around fifty, took the time to talk to me. He poured me a cup of coffee from an old drip brewer and asked me if it was all right if we spoke Danish rather than English.

The Right Green Party is the most conservative party in Iceland, Ragnar explained proudly, when we had sat down in cramped conference room. “Even more so than the Independence Party.”

“Then you can imagine why we are so disappointed with the current, leftwing government,” he said. Though they have not said it explicitly, they are secretly working to get everyone to move to Reykjavik. Fishing villages along the coast die when the fishing quota is sold and leave the village. Homeowners outside Reykjavik have to suffer the difference in market prices between urban and rural areas, Ragnar explained.
“The money the quota owners make end up in foreign as well as Iceland stock corporations. Or they are invested in fancy flats and jeeps for Icelanders with money. They disappear from the village, and the village dies. We want to make sure that they money stays in the village,” Ragnar said. When it comes to the difference in house prices, he stressed that the production cost is the same, regardless if the house is built in Reykjavik, Ísafjördur or Hveragerði – but nonetheless the market value and the loan deals differs depending on where the house is located. This is unfavorable to Icelanders in rural areas since Icelanders outside Reykjavik owe the bank more than the market value of their house, said Ragnar. This is why the Right Greens is a party that wants to focus on all of Iceland, and not just Reykjavik – like the other political parties are doing, he said. Besides this, Ragnar thinks that riding the bus, as well as using the public swimming halls should be free for all Icelanders. This made me wonder if the Right Greens were really the most conservative party in Iceland. When party leader and former Wall Street stockbroker Guðmundur Franklin Jónsson showed up, I did not have to wonder anymore. Guðmundur is a charismatic and well-dressed man who likes the idea of getting an article about himself in a Swedish newspaper. It did not seem to matter how many times I told him that I was not a journalist; as we talked he occasionally paused to tell me that it would be great if I could emphasize what he had just said when I spoke to “my editor.”

Guðmundur Franklin Jónsson just wants to save Iceland. The sitting government has not done much for the people, which he thinks is strange since they are a leftwing government – “who you could expect to care about the people.” In practice, it is only the rich people who have benefited form their policies. The richest people’s debts – hundreds of millions of ISK – have been written off, while ordinary people with smaller debts are forced to pay. He tells me that 50,000 Icelandic homes are on the edge of foreclosure, and that this is a direct consequence of the leftwing government politics. “The socialists tax people and throw them out on the street,” according to Guðmundur.

“The left has not saved the homes, as they said they should. But that’s what we’re going to do if we get elected. We are going to bail out every single homeowner in Iceland!” Guðmundur said proudly and resolutely. Ordinary Icelanders should not have to pay their growing loans, because these loans are illegal, Guðmundur said:

Complex and complicated banks bank services are banned in the entire EU since November 1, 2007. The law forbids banks to offer these complex services that people can’t understand. This is banned everywhere, except in Iceland! But this is what happened! The debt people have are illegal! They should not pay for it. If I could achieve only one thing in my life, it would be to save the Icelandic homes.
So far, still not particularly rightwing, but when we started to talk about how the Right Greens are going to fulfill their election promises, it became clear that the Right Greens are more or less libertarians. American conservative-libertarian Ron Paul is their “idol,” Guðmundur explained. Ron Paul is a Republican congressman, and two-time presidential candidate. He was the presidential nominee for the Libertarian Party in 1988. A true-believer libertarian, he advocates a minimal state and free trade, believes income tax could be abolished, emphasizes “individual freedom” and thinks that the state should not be in the “healthcare business.” Furthermore The Right Greens “worship” the Austrian school of economic. Just as Gunnar told me, the Right Greens say that they want to save Iceland “the American way,” since that has proven “effective.” Briefly put, this means a minimal state and low taxes – “flat tax, 20 percent,” Guðmundur says confidently when I ask. I asked if the “American way” really is effective. American authorities are not really known for their smooth crisis management. Millions of people are poor and indebted and millions have lost their homes. (Graeber 2011; Graeber 2013; Harvey 2010; Strike Debt 2014). Guðmundur responded that there will always be poor people, and that he thinks that they should “help each other.” He does not see the need for any public help for low-income groups since “those who visit the soup kitchens and need food are Polish immigrants who just waste the money they have on vodka anyway.” The statement that the only people in Iceland in need of any public aid are drunk and irresponsible workers is probably provoking to many. To the Polish workers, to people like Sofia and Bjarni who have themselves paid groceries and medicine for people who cannot afford it, and maybe even to the administrative officials at the Debtors’ Ombudsman’s office who daily meet the people who are in need of public help because of their financial situation. “Does he just want to provoke me?” I thought. Maybe. Guðmundur is confident and sometimes arrogant. He loves attention. He loves to talk. During our conversation he walked back and forth in the small conference room. Every well-articulated word that came out of his moth was accompanied with big, sweeping hand gestures. His voice filled the room – having another conversation would be hard, and the rest of the Right Greens’ members observed our conversation without interrupting. Yes, it is possible Guðmundur Franklin Jónsson wanted to provoke me. This is of course not the only possible explanation for this statement: it can well be that Guðmundur does not know any better. Only to someone who has never experienced financial difficulties or needed public aid, would the picture of unemployed construction workers waiting in line at a soup kitchen come to mind as the immediate association to the word “poor.” Only someone that has no clue about what kind of public help people can be in need of, or what indebtedness and poverty looks like in 21st century Iceland, could come up with the idea that “poor people can help each other.” Guðmundur Franklin Jónsson is Lopsided structures of
imagination (Graeber 2015) in action. He is precisely the kind of politicians that Sofia had told me about:

The people in power have had money all their lives. They haven’t experienced monetary difficulties for 20 or 30 years, since they were in University. How are they supposed to understand the people down here that has nothing? They don’t live like we do. Their lifestyle is totally different. That’s why I have always been saying that people that go into Parliament should be obligated to live off the lowest wage you can find in Iceland the first three months. Then they would begin to understand the lives of the people in the country. But you are usually surrounded by people that are similar to you. People have similar lives and similar interests. Similar everything and probably also similar economic situation. It’s the same with the politicians. They don’t have friends like me who don’t have money.

“Low taxes will create new jobs for these people,” Guðmundur said. That is what the Icelandic state can do to help them, lower the tax. But creating jobs is not the state’s job.

“That’s exactly your job,” I said. “Unemployed people can’t support themselves and that will cause a lot of problems that will indeed be your problems, given that you are the Prime Minister of Iceland.”

Guðmundur did not look at me.

“No. That’s not my problem. Low tax creates more jobs. The companies will grow, and they will hire more people,” he said confidently. “Today, working hard does not really pay off since the leftwing government tax people too hard! Lower taxes mean more companies, more jobs, more investments and more money for the Icelandic state.”

When I left, Guðmundur walked me out. He told me about his plan for the funny pink house that was being renovated at the time of my visit. “It is going to be magnificent.”

When we stood on the street outside the etrence, he said I should come back and celebrate when they had won the election.

“We’ll celebrate with Danish smørrebrød and champagne!” he smiled. “And by the way, is that your BMW?” He pointed at a black, double-parked BMW further down the road. It had Swedish registration plates. “Fancy for a journalist!”

I gave in to his stubborn belief and said I would move the car, but first I had one more question: what about the green in the Right Greens? Free iPads to all school children was the answer. Super green. We shook hands and Guðmundur walked back into the pink palace. I passed the double-parked BMW on my way home.
**The More Redeeming Story**

A few days before my visit to the Right Greens I had interviewed Iceland’s leftwing party, the Left Greens. Gunnar had expressed so much disappointment with their crisis management that I decided I had to talk to them too. After talking to both the Right Greens and the Left Greens, it became very obvious why someone like Gunnar would turn to the Right Green Party – the Left Greens offers no way out of the Faustian bargain. I talked to four representatives from the Left Green party at their office in Reykjavik. They told me that generally speaking, indebtedness, evictions, foreclosures and soared loans are middle-class, and upper middle-class, problems. The idea that there had been extremely easy to borrow money in Iceland is also “some kind of middle-class idea.” Working class people would never have been granted the same huge loans as the middle-class and upper middle-class. The people who have lost their houses or risk of doing so are rich, they said. They had “high salaries and well-paid jobs” and they bought way too expensive houses that they financed with a 100 percent loan. Not all of them were reckless – some just had bad luck – but many had been careless, I was told. That some people were going to lose their homes was quite simply inevitable.

“There simply is no solution – never mind a leftwing one! – that could have saved all these people!” one man from the Left Greens said.

When I asked the Left Greens if it is really fair to let people pay their soared loans, they simply laughed at me. The idea to write off, let us say, 20 percent of all household debt is “easy to sell,” they said. Who does not want their debts written off? But the problem is that people who really don’t need money would get it, while those who really need it would not. That is why it is better to find “individual solutions.”

I asked the Left Greens who vote for them. They seemed to share Gunnar’s view on this matter: “well educated, middle-class women who live in downtown Reykjavik,” they said.

“It’s people like me, basically,” one of the women added.

“Yes, precisely, people like you!” the others laughed.

I asked them which party the people with low incomes should vote for if the most leftwing party in Iceland is a party that appeal to well educated middle-class women from Reykjavik. They vote to the right, for the Independence Party, they said.

“This must be a big failure to you,” I said, “that you’re not able to attract the people you say would benefit from your policies?”

“It’s hard to say something about that…” a woman said. She laughed and looked uncomfortable. “It’s hard to say something about that without sounding arrogant.” I laughed too.
“That’s okay,” I said in an I-know-it-might-be-politically-incorrect-but-chances-are-I’ll-agree-way.

“Alright,” she said and hesitated for a second. “They don’t know so much about ideology. They’re not well educated or well read. I guess that makes them easier to fool, or at least more receptive to slogans and things like that.”

“They think the rightwing suggestions with lower taxes sounds great. They want to keep their pay checks,” a man filled in.

A perfect example of charm-and-betray. She said this to me because I was precisely the kind of person who would vote for the Left Greens, young, female, middle-class and well educated. She and I were on the same page. And here is what she said, turned against her, put in a context where it will make her appear precisely the way she did not want to appear, as arrogant. Nonetheless, it is in the light of what the Left Greens said that it makes perfect sense that Gunnar speaks of them with contempt. Gunnar and people in his position – people who do not perceive themselves as greedy, well-paid or middle-class but despite this are facing the situation that the Left Greens claim only greedy, well-paid and middle-class people have to face – are invisible in their story about the crisis. At least in the story they offered me during that group discussion down at their office that day in March 2013. As mentioned in chapter one, there is at least one report (Ólafsson and Vignisdóttir 2012) published by Central Bank of Iceland that indicate that the Left Greens are right when they say that debt write-offs, in general, has benefited the middle-class rather than the low-income earners. Whether this is correct or not does not matter to Gunnar. He perceives himself as neither rich nor well paid, and this is precisely why he is invisible in the Left Greens’ story. His problems are brushed off as middle-class and due to at least a little bit of recklessness. Besides, people like him don’t know enough about ideology and are receptive to slogans.

The narrative the Right Greens offer is far more redeeming than anything the Left Greens told me: the Right Greens acknowledge that the debt crisis is one of Iceland’s most pressing problems. 50,000 Icelandic households risk foreclosure they told me, and they will bail out every single one of them, because their loans are illegal. In the Right Greens’ version of the crisis Gunnar does not have to declare himself guilty in order to make sense of what has happened to him. The fantastic loan at 4.15 percent interest that seemed, and was, too good to be true, was so because it was illegitimate, and he should not take the blame of the consequences of the bank’s swindle. The bank should. Gunnar is free of guilt.

The peculiar thing is of course that the Right Greens’ libertarianism is likely to work against Gunnar’s long-term economic interests. When Gunnar and Ragnar describe the problem that the
Right Greens are going to solve through their “pragmatism,” they talk about indebtedness, depopulation of rural villages and unfair housing prices. These are all consequences of the libertarian, free market principals that the Right Greens say that they worship and hold to be “proven affective.” The Right Greens want to save Icelanders from the consequences of laissez-fair capitalism with more laissez-fair capitalism. They claim that the crisis had nothing to do with capitalism. It happened since the banks were taken by surprise when people “all of a sudden” wanted to withdraw all their money. All the banks would have needed was a little more time, since they did not have all the money “just then.” Besides this, “greed” – which has nothing to do with capitalism – caused the crash:

Some people say that the crisis happened because capitalism has failed. That’s not how I see it. It wasn’t capitalism that failed – it was people who failed. What happened has to do with greed. All these bankers and businessmen, they were very greedy, and greed has nothing to do with capitalism. The bankers and the businessmen didn’t follow the laws of capitalism. They were greedy and egoistic. They made sure to make money, and then just invest the money in a way that was beneficial for them and not everyone. And when the banks were privatized, it didn’t happen according to the market principle. All the bankers and the politicians knew each other and were friends! This means everyone didn’t have equal opportunities in this process when they were all friends!

The solution is beating capitalism with more capitalism, in other words. They have promised to save the Icelandic homes and write off a more household debt than any other political party (maybe the communist party, the People’s Front, had similar suggestions), but then what? Would Gunnar benefit from 20 percent flat tax and a government that does not think it’s the governments’ responsibility to make sure people can support themselves? Would Gunnar, who has lost most of his valuable assets (house, pension fund money, savings and valuable belongings), benefit from a government who thinks there are no poor people in need of welfare service in Iceland if would lose his job one day? Most likely not.

So why would Gunnar chose to vote against his long-term economic interests? The more redeeming story is probably a part of the explanation, but is it all? The explanation the Left Green comes up with is degrading – it suggests that Gunnar is easy and not well read enough to see through the rightwing slogans and catchphrases. I suggest we dismiss it right away, and consider the fact that what the Right Greens offer, except a redeeming story, is the chance to distinguish oneself from the well educated middle-class who “went straight from University to working for the government” – the “latte people.” The argument goes the other way around as well: well educated, middle-class people I have talked to say that the Right Greens can’t be taken seriously. They are “very, very rightwing,” “creepy,” “conservative” and “racist.” In this way, what is
obviously a class conflict – we should not be misled by the fact that left and right has been flipped – appears as a value-conflict: racist conservatives against well-educated, ideologically enlightened, latte-drinkers.

Pálína

There is one more story I would like to tell – a story that is rare in the sense that it completely lacks self-blame.

The café she had suggested for our meeting is located in a basement on Reykjavik’s main street, Laugarvegur. It is a cozy and homely place, which just like so many other places in Reykjavik serves as café, restaurant, brunch place, bar and pub, all depending on the day of the week and the time of the day. This was a weekday and the place was not even half full. Pálína waited for me at a table in a corner. She had a sketchbook and several felt tip pens in front of her. She is a very skilled drawer. We talked about this and that. I ordered a cup of tea. Pálína told me about how she had to move around, three different places in four months, because it was impossible to find an apartment in Reykjavik. The prices are rising every year, and people buy apartments, fix them up and rent them out to tourists and “people with a lot more money than a normal person” – which is what Stefán told me, and what I experienced myself when I lived my friend Frederica’s basement apartment without a kitchen. Pálína had to move out of town, a fifty minutes long bus fare away. On weekends, the first bus for Reykjavik left at 11.40 a.m. This would not work, she soon realized. She was pregnant, and soon she would be a single mother. Living an hour away from her work place would be impossible. Reykjavik city offered her help. They could not find an apartment for her either, so they suggested she move into a guesthouse. That is what Pálína did. She found a nice guesthouse and moved in, but soon it became clear that she could not get rent benefits for a guesthouse, and she had to move out again.

“No I’m moving again. Back to my grandparents where I started four months ago,” she said. “It’s kind of crazy. I didn’t realize that until you asked me about it,” she said and laughed a little. I thought about my interview with the representatives from the Left Green Party, which together with the Social Democrats, had been in power the past four years. When we talked about the debt crisis, they had said that part of the problem was that “people that should not have bought a house did so anyway, when they could have chosen to rent. As we understand from Pálína’s story, finding a place to rent is easier said than done. I asked Pálína if the new government has done anything for her. Before I had formulated the question she interrupted me:
“We are not supposed to pay for this. Sorry. It’s just ridicules. I don’t like the idea of this. My idea of this would be that we all pay for this, not Iceland, but everybody. Pálína was quiet for moment before she continued:

I don’t support the system. I don’t think the system is working. Who is in power does not change anything. Everybody is just trying to think of him or herself. A person that is in my situation, who has to go by the bus system...who the fuck thinks its enough that the bus start going at 11.40?! Sorry. I know it’s not the government, but the government should be thinking about the public system. And they should be thinking about the people who want to get out of the suburbs before 11:40 on Sundays. Just that is enough. But they are not thinking about that, because they are not taking the bus. They are not going to try to get more apartments or buy more apartments; the government is not going to put more money into apartments for people that can’t afford the expensive ones.

She looked away.

“Its not we who made the mistakes. It was only a few guys. They are the reason the market is fucking up now. The way everybody is trying to be a rich guy now,” she said. “I will write this down for you.” She reached for the notebook I had in front of me. “These crackers that are called ‘mjólkurkex,’ just normal crackers, they are supposed to cost 300 ISK, but in a store in Vesturbær they cost 710 ISK. Nobody would ever buy that unless they were super rich.”

Vesturbær is one of Reykjavik’s fancier neighborhoods, known to be expensive. That is where Icelandic singer Björk lives, if that says anything. I asked Pálína about this.

“It is now, but it shouldn’t have to be. It shouldn’t be that expensive…I know the store manager; she’s not a bad person. It’s just what the price is now. I cannot shop there. It’s a nice store but I have to shop at Bónus, the store that’s owned by the guy who’s the reason my parents does not have their house anymore.”

It turned out Pálína’s parents had lost their house in the wake of the crisis. They had borrowed money, the loan soared, they could not pay and eventually the bank foreclosed on the house. That the bank takes someone’s house is, to use Pálína’s words “pretty normal.” Her parents found a house they could rent a few months later, but their old house stood empty for years:

They owned the house, or you know they had borrowed money to buy it, and my dad owned a company too. He lost the company and the house. And the house stood empty for three years. And nobody lived there. It was super silly to see the house like that. My dad built the fireplace and the garden and the porch, you know everything. And it stood empty for three or four years. My grandfather had built the one right across the street and that’s why we moved into that house.
I was quiet for a moment, but Pálína broke the silence.

“It’s so illegal. So illegal that it amazes me. They are not even thinking. It’s so easy. It’s the easiest thing in the world. The banks just multiply everything with seven.”

Again Pálína reached for my notebook and started drawing up calculations.

“It’s so stupid, but if you had a loan, you had a house, a car…it went times seven within three years after the crisis.”

Multiplying loans with seven to trick people into paying more than they actually owe is not the only way the banks cheat people, according to Pálína. They also refuse to show people their original loan contract. Once the loan contract had been signed, and the deal closed, the debtor can never see the original file.

“You can see a copy of it, but never the original file. And then the bank raise the loan, I don’t know, sometimes times two, sometimes times ten, but they are raising them, not on any condition that was made in the beginning of the contract.”

The viciousness and unlawfulness of the banks and politicians is what holds Pálína’s story together. A few guys that thought only about themselves cheated on the rest of the people and destroyed Iceland’s economy.

“They even shipped money, no, gold out of the country on boats,” she said in a low voice, and looked me straight in the eyes.

I asked her when this happened and who did this.

“I don’t fucking know. I’ll get you more information. This is just something I can say because my grandfather said it word by word, and he knows everything. But they did. They shipped gold out of Iceland.”

Pálína did not get back to me with any more information about the lost gold, and I never got the chance to talk to her grandfather. I asked Björg and a few other people if they had heard anything about gold or money that had been shipped away from Iceland in secrecy. No one I asked had heard anything like that, and to be frank I had not anticipated so. The whole thing sounded strange I thought, at least when I sat in that basement café and listened to the conviction in Pálína’s voice.

We packed up to leave a few minutes later.

“Probably I should not tell you this,” Pálína said, “but I spit in Jón Ásgeir’s coffee once. He is one of the guys that own Bónus. He went to the restaurant where I worked, and I knew he was one of the reasons my parents did not have their house anymore. He was sitting there, snapping his fingers to get attention from a waitress, and, yeah, I made him a coffee and spit in it.”
We stepped outside. Jón Ásgeir Jóhannesson, the archetype of the greedy businessman that had ruined Iceland’s economy and gotten away with it. (Yes, he was one of the Icelandic business leaders and bankers that were sentenced to jail – for tax fraud, in Jóhannesson’s case. The jail sentence was, however, like in several other cases suspended. Today he lives London with is wife Ingibjörg Pálmadóttir, who is now the owner of the Icelandic multimedia empire 365).

The sky was clear the stars were out. Maybe I would see northern lights on my way home, if I were lucky.

“I thought it was nice. It was the first time I did anything like that. My boss hated him, too.”

We both looked at the clear sky. “A piece of old-school Scottian (Scott 1992, 1987) resistance,” I thought. Just like the barista I talked to that charged another rich and well-known businessman extra for his takeaway latte: “’For you it’s 550 instead of 500,’ the barista had told the rich businessman when he charged him for the coffee. The sum of money was insignificant; the meaning of the action was not. The rich businessman had not said one word.

The Wizard’s Magic

Recklessness or overreaching as far as ordinary people are concerned is not mentioned anywhere in Pálína’s story. It is the bankers and the politicians who have messed things up, borrowed and made up false money and deliberately tried to fool people into paying more that they really owe. Besides this, they have “fucked up the market” – Vesturbær has become ridiculously expensive and normal things like crackers do not cost what they are suppose to cost anymore. The politicians and rich people are thinking only about themselves and have no understanding of what it is like to be pregnant and forced to move around between neighborhoods with insufficient public transportation. The Icelandic people should not pay for this, because they, unlike the banks, have done nothing wrong. The idea they should is “just ridiculous.” Neither does Pálína speak of lessons learned or crazy pre-crash consumption mania. Yet they are paying. The Icelandic people are paying off manipulated loans that the banks have raised illegally, with the intent of cheating people to pay more. They are also paying for the banks’ mistakes through rising rents, rising food prices and insufficient public service.

Some of the things Pálína said can be questioned. I doubt the banks simply multiplied all loans with seven or shipped gold away from Iceland on boats, but the truth or falsity of the story is not what makes it relevant. What makes it interesting is its analysis of the relationship between the bank and ordinary indebted Icelanders – the relationship between creditors and debtors. In Pálína’s version of the crisis there is no doubt the relationship between the creditor and the debtor
is asymmetrical. The bank has the right to stipulate the condition and change them when it sees fit. The bank has stolen the people’s money and tries to use it to pay for its mistakes. Pálína also points to the fact that the bank has the right to create money “that is not there.” There is not one word about free will or entered agreements that needs to be honored, as is the case in several others of my interviews.

Something more than the asymmetrical relationship between creditor and debtor comes through in Pálínas story: the magical dimension of capitalism, the wizardry of money creation. What other word could one use for the process by which wealth can be created completely without effort? Durrenberger and Erem (2010) refer to this as money magic and compare the banks to shamans. Every now and then we talk of bankers and the creation of money in terms like these metaphorically, but I suggest – as I think Durrenberger and Erem do too – that we take this should be taken quite literally.

How could a bunch of highly educated economists with Ph.D.s screw up the world’s economy? By looking after the interests of corporation and the ruling class instead of the people of the planet. The year 2009 is a proof. OK, let’s try a little relativism here. Suppose an Inca priest told you that the world would cease functioning if you didn’t do what you were told. You better believe him because you want your world to continue functioning and you’re not about to test that by questioning the veracity of an Inca priest. The point is that the Inca priest doesn’t have to be right anymore than these money shamans do. Remember, in hindsight, the Maya kings who kept building temples were wrong. (Durrenberger and Erem 2010: 244).

Whereas Pálína talk of the shipping of gold from Iceland and the random multiplying of loan payments as something that has actually happened, Bjarni’s talk of the farmer (the bank) that comes to the market with a record of crops to sell, is metaphoric or parable. We can also recall Stefán, who said that the banks creation of money is “wizardry.” The mythical form these ideas take are indicative of the difficulty to verbalize the fact that the banks have been granted the right to create money – lend and indebt infinitely – whereas ordinary people have not. The bank has the right to stipulate the terms; the other has to accept if something more than survival is desired. With this in mind, Pálína’s claim that the bank multiply all loans by an arbitrary number, or her grandfather’s story about ships with pure gold leaving Iceland, are not as crazy as they might first seem. What is more, Iceland’s CPI indexed mortgages are really not that different from arbitrarily raising the loans, “sometimes times two, sometimes times ten […] on condition that was made in the beginning of the contract.”

If Pálína’s story about gold and random multiplications is a lie, it is a lie without which the truth could not be verbalized.
Chapter 6: The Beginning of a Better Story

This thesis has explored the experience of the economic crisis in Iceland of 2008. This exploration has been done through the personal stories that I have presented and analyzed in the previous chapters. What all these stories seem to have in common is an underlying narrative, which retroactively invents the crisis’ causes so that it appears as if it was over-consumption, foolishness, lost values and arrogance on behalf of virtually all Icelanders that caused the crisis. The experience of the crisis is, in other words, articulated through a narrative structured by the myth of the Faustian bargain, rather than with the vocabulary of political economy – and this despite the fact that their narrators have experienced the consequences of fully developed financial capitalism, and know quite a lot about precisely how unfair and exploitative capitalism is. Instead of assuming that the form of the stories about the crisis depends on what vocabularies people have at hand, or on their analytical grasp of capitalism, I chose to approach the stories as expressions of an experience so profound – the experience itself of the crisis – that actually requires mythic categories in order to be articulated in a meaningful way. It is now time to answer the question: what is this experience, which can only be articulated as a myth?

Habermas briefly discusses myths that, like the legend of the Faustian bargain, are structured by the categories “victory and defeat, love and hate, salvation and damnation” (Habermas 1989: 247) and argues that the meaning they can offer belong to medieval, feudal ideology, but are superfluous in the modern, technocratic, bureaucratic form of efficient capitalism. Nonetheless, it is a myth structured by the medieval category of damnation that makes sense of the crisis. Yet, when Habermas wrote this in the 1960’s, he did not take the experience of a total capitalist collapse into consideration. What he had in mind was capitalism as an economic, functioning, bureaucratic system. A systemic collapse – the impossible event – is what lies between Habermas’ conclusion and the fact that the myth of the Faustian bargain emerged as the meaningful narrative about the crisis in Iceland 40 years later.

One way to approach the effectiveness of this myth is to consider its ability to offer an escape from the fact that the impossible, that which cannot be symbolized or articulated, has happened. If the meaningful explanation of the impossible causes feelings of guilt, or reduces thousands of Icelanders to greedy over-reachers, that is nothing compared to the angst that stems from complete meaninglessness. Understood in this way, the meaningful narrative about the crisis – structured through the myth of the Faustian bargain – approaches Žižek’s definition of ideology as a myth – or fantasy, with Žižek’s catchy terminology – that functions not through offering us “a point of escape from our reality, but […] the social reality itself as an escape from some
traumatic, real kernel” (Žižek 2008: 45). What the stories about Iceland’s financial crisis do seem to achieve, is precisely that – an escape from the fact that our lives can be completely altered, without our consent, because of reasons that, to use Pálina’s words, are not reasons. The entire economic system had collapsed. The banks collapsed. The stock market collapsed. Withdrawing money was impossible. The president begged God to bless Iceland – a completely nonsensical utterance that could only begin to make sense if something truly core-shaking was happening. People started bunkering food. Britain invoked anti-terrorist legislation to freeze Icelandic assets in the United Kingdom. The government resigned. Debts skyrocketed. It stood clear that many Icelanders would be forced out of their homes – and all this for what seemed like no particular reason. For no particular reason, you can no longer live in the house next to your parents’. For no particular reason, you are no longer allowed to have a car. For no particular reason, your children have to change school yearly. For no particular reason, your ex-wife and her new children have to move in with you. For no particular reason, you can no longer keep the apartment you bought to start your adult life. For no particular reason, you must find a new job with lower pay and adjust your life accordingly. For no particular reason, you are no longer allowed a life of your own. This, I believe, is as close as we can get to experience itself – or a “real kernel” – of the Icelandic economic crisis: the sensation that everything you have can be taken away from you for no particular reason. The closest we get to a direct verbalization of this experience are the stories about that week in October when everything collapsed. “It was a shock,” people said. “It was as if there was a war coming.” “We were completely bankrupt.” “People started to cry.” “People were scared.”

When experience itself is given meaning, it is done with the categories that we have at our disposal. It is when the world is at its most chaotic that we need those categories the most, regardless of the consequences this has. Think of Lévi-Strauss’ example with the Zuni boy. What the boy provides the court, the audience and his fellow humans when he admits the crime is, as Lévi-Strauss puts it, “the satisfaction of truth,” without which the entire structure of Zuni society would have been challenged. “The judges do not expect the accused to challenge their theory, much less to refute the facts. Rather, they require him to validate a system of which they possess only a fragment; he must reconstruct it as a whole in an appropriate way” (Lévi-Strauss 1967: 167). Nobody questioned the categories, not even the boy that had to admit to sorcery, even though this meant situating himself as someone who had committed a terrible crime.

The category at play in the myth of the Faustian bargain is precisely that medieval category of damnation that Habermas considered irrelevant in modern capitalism. This is the category through which the years immediately before crisis in Iceland are rearranged into a time of
phantasmagoria. The satisfaction of truth is achieved through the meaningful description of the crisis’ cause as phantasmagoria, and its effect as the derisive laughter from hell. Seen through this myth, social reality appears again as order and not as chaos. The impossible did not happen because the system failed, but because people got drunk on magic money; now they have to pay the price for their foolishness. The meaningless fragment has been encapsulated in a coherent story, and thus the impossible ceases to be impossible. The social reality of capitalism is intact. This is what Lévi-Strauss means when he talks about the satisfaction of truth. When we let his, Benjamin’s and Žižek’s vocabularies merge, we can say that the satisfaction of truth and the offer of social reality as an escape from experience itself – or the real kernel – comes at the price of shock. Experience itself is the meaningless fragment that disorganizes our social reality, but it is also the starting point for the reconstructive narrative that can turn chaos back into order. This narrative of the Faustian bargain validates social reality as we know it, and makes it appear as an escape from the impossible, but at the price of the derisive laughter from hell – the feeling of personal and collective responsibility and guilt.

Debt fetishism seems to be the result of the feeling of guilt. The feeling one is morally responsible for the debt gives the debt its meaning, and creates the feeling that it really exists. This, of course, is not true. The debt does not exist; all there is, is a social relation built on force. But people sense that they owe someone something, and thus they pay. Maybe they want their loans recalculated or reduced, but even when this does not happen, they keep paying. “That was just the new payment for me now,” Björg said about her car loan when the monthly payment went from 17,000 ISK per month to over 40,000. Equally, she told me that she would never stop paying her mortgage since taking a loan means that you are responsible to repay it. Stefán pays his mortgage; he could have chosen not to borrow money, but he did, and if he would stop paying, the bank – who “owns the money” – will get the money he owes them back “through the court system,” he explained to me. I gave four representatives from the Left Green Party a good laugh when I asked them if it was really necessary that people repaid their soared mortgages. They should, I was told, because people with skyrocketed mortgages were either wealthy, or people that “should not have bought a house in the first place.” There was not a leftwing solution to the debt crisis, I was told. People had incurred debt and they had to pay. Furthermore, Iceland now has an administrative authority based on the assumption that people are personally responsible for their debts. What they can offer is debt mitigation, which seems to be achieved through financial as well as moral restructuring. This is how debts are fetishized into a regulative power that forces people out of their homes.
As we have seen, the feeling of guilt does not prevent people from protesting. Their anger with politicians and their disgust of greedy bankers has been clearly expressed. They feel cheated. Tricked. Fooled. What the banks did was magic, and magic is hard to resist. This is the ambiguity in the myth of the Faustian bargain. One is angry with oneself because one let oneself be fooled, and with the swindler because of his shameful trick. The problem seems to be that in most cases, the idea of personal responsibility gets the upper hand. ‘Yes it is true that banks did some bad things, but you have to sit down and calculate,’ or ‘You really signed that loan contract. No one forced you to borrow that money.’

The protests and the election of Jón Gnarr as Reykjavik’s mayor can be seen as expressions of confidence in the political system, at least if we accept the assumption that belief in a political system can be approached as external and manifested in action, rather than internal, subjective and personal. By now we could add yet another element to our understanding of these protest, and see that, as a matter of fact, they contribute to the reestablishment of social reality as an escape from the impossible – it means that the political system is, in fact, working, and that it is worthwhile asking the politicians in power for help. After all, is that not what these protest express, a hope to be helped by the authority that one has given one’s confidence? By the same token, the prosecution of bankers confirms that the system is working, and that the impossible happened because of individual failings or crimes.

Gunnar, Jón and Pálína have searched for a way to make sense of the crisis that does not include blaming ordinary Icelanders who have debts. Jón is, by the way, a fantastic example of someone who does not let the idea of personal responsibility take over. He uses the phantasmagoria to explain the crash – so far, nothing new – but when I ask him if it is fair to escape to Norway when one realizes that one cannot pay ones debts, he responds that, “no, maybe not, but what should people do when the game is rigged from the start?” Gunnar, Pálína and Jón have something else in common than stories that try to evade the Faustian bargain. They have difficulties with formulating their critique. Despite their attempts to evade it, they still have to battle the story of the Faustian bargain. Gunnar escaped the Faustian bargain through joining the Right Green Part, which offers a more redeeming story – one in which Gunnar no longer has to blame himself. The problem is that the party is seen as a bunch of crazy racists, and their plan to cancel 45 percent of all household debt is referred to as “a wack.” Pálína cannot formulate her critique without a mythic language of boats loaded with gold that sailed away from Iceland in secrecy, and of loans that the banks categorically multiplied with seven. When Jón has told me about the rigged game and how the rich and wealthy people force indebted people to pay, he added: “It sounds like I’m paranoid just talking about these people that have money.” This
indicates that he is aware that what he is saying is not the usual, accepted version of why people have lost their houses or struggle with heavy debts. It seems that as long as the Faustian bargain is the prevailing myth about the crisis, critique cannot be properly formulated. What is more, when statistics and “IMF-versions” of the fantastic recovery reduce the experience of financial hardship to an exception, the formulation of critique becomes even more difficult – because it appears as if there cannot be one structural solution to all these particular statistical exceptions. Instead, the individualization of failure to recover from the crisis encourages mythic contemplation: ‘I must have done something wrong since I am the only one not recovering.’

This is why the conversation about the crisis must continue – the shock has not been resolved. Critique and attempts to redemption are conditioned by this aspect of the myth of the Faustian bargain, which, unless we do something to resolve it, will leave phantasmagoria as a piece of history as “the way it really was.” If we end the conversation here, we leave people in the feeling of guilt – and locked in guilt, people are not likely to imagine alternatives to indebtedness, foreclosures, forced sales, debt mitigation and a life on the margin, because they find no moral ground for such creative imagination. This is why the stories presented in this thesis must be treated as symptoms – rather than descriptions – of experience itself. Treated as if they really describe experience itself we would have to accept that these were the only meaningful stories about the crisis. A critique of the stories from the viewpoint of political economy would also fail to resolve the shock. It provides only facts, and no meaningful description that could offer an escape from the impossible. It could tell people that, ‘yes, social reality has collapsed, and no, there really is no meaningful explanation for this – no satisfaction of truth.’

The best we can do, I believe, if we want to accomplish a moral foundation for imagining alternatives to indebtedness, foreclosures, forced sales, debt mitigation and a life on the margin – for a creative imagination of the future – is to create a story that resolves the feeling of guilt. There are probably many ways to achieve this. I can only make a suggestion, and encourage others to revise, elaborate and, finally, complete this suggestion.

If we want to resolve the guilt, I think it is a good idea to start with a re-examination of that which people perceive as the moral ground for this guilt – the phantasmagoria. I would like to start this re-examination by asking how people can know with such certainty that it was greed and consumerism culture gone haywire that led people to borrow money. People borrowed money to pay for things as different as houses, cars, vacations, party nights, stiletto heels, kitchen renovation and flat screen TVs. Yet, when the crisis’ causes are being invented, these purchases are lumped together and referred to as “connecting with one’s furniture instead of with people,” “trying to buy happiness” or “being materialistic” – all as if it was the greed and the blinding
hunt for the things in themselves that made the impossible happen. Surely, people did borrow money to buy all these things, but since the meaning of this so-called over-consumption was constructed in retrospect, we could retroactively assign these actions with a new meaning. Graeber’s article *The very idea of consumption: desire, phantasms, and the aesthetics of destruction from medieval times to the present* (2007c) can provide us with a good starting point.

One out of the many interesting suggestions Graeber makes in this article is that we should acknowledge that what we call “consumption” – that which my informants talk of as “being materialistic” or “connecting with things” or “buying happiness” – actually refers to a broad range of very different activities, all directed at creating and sustaining human relationships. People that borrowed money tried to create a nice home for themselves or for their families. They spent money on social activities like parties and vacation trips. They paid their children’s school fees. Others bought their children apartments or co-signed their loans – indebting themselves to give their children a chance to start a life of their own. In other words, they borrowed money and indebted themselves to do that which they since has accused themselves of having ignored – to care about human relationships. Only the capitalist logic could make it appear as if this was about the things, and not about the human relationships. Debt then – and now I am talking about debts people incur to care for their near and dear ones, and not about financial speculation – is not a sign of greed, but of generosity and human responsibility.

Maybe this idea could help us all think differently about why people signed those papers and took those loans. If they wanted a good place to live, if they wanted to go on vacation, if they wanted to help their children pursue their dreams, if they wanted a car that could make their everyday life a little easier, they actually had no choice but to sign that loan contract. What is more, people told me that they borrowed money to go to the dentist or do essential maintenance on their house. One man I met told me that he was in desperate need for dental care, but could not afford it. His debts were already a big burden, and taking a new loan to fix his teeth was not possible. Most people would probably believe this is absolutely wrong. Adequate health care should not be a matter of money. This, however, is nothing the banks care about. To them, the distinction between care and capital accumulation is irrelevant. They could not care less about what the borrower intends to spend the money on as long as they get it back with interest.

If we thought of our choices in terms of human relations, two, very essential questions could arise: why do we have to borrow money to be able to live a complete life? And more importantly: are there options? That is the point at which creative imagination about the future has a chance to emerge, out of experience itself.
References


Endnotes

1 Private banks came and went in Iceland during the 20th century, but the majority of the banking sector
2 Icelandic: Sjálfstæðisflokkurinn. Center-right party.
3 Acronym for Fjárfestinga Banki Atvinnulísins
4 Icelandic: Sjálfstæðisflokkurinn. Center-right party.
5 Icelandic: Framsóknarflokkurinn Center-right party.
6 Icelandic: Samfylkingin-Jafnaðarmannaflokkur Íslands. Center-left party.
7 Icelandic: Vinstrihreyfingin – grænt framboð. Left-wing party.
8 The year before the crash, Iceland’s GDP grew by almost 10 percent. The year of the crash, 2008, GDP
grew by circa 1 percent. 2009 and 2010 were years with negative growth rates. The worst year was 2009
when GDP decreased by 5.1 percent. Since 2011, GDP is growing again, and by 2013 the growth rate was
3.5 percent (Statistics Iceland 2014a).
9 My translation from Swedish.
10 Other measures have been taken by the Icelandic government to deal with the debt situation. Debt
mitigation became possible through the Debtors’ Ombudsman in 2010. Installments and interest payments
were frozen immediately after the crash. The burden of CPI-linked loans were temporarily eased through
linking these loans to a “modified mortgage payment index.” Foreign currency linked loans have been
recalculated. Furthermore, it has been permitted to use third-pillar pension fund – that is voluntary
individual pension savings – to pay down a mortgage. (Ólafsson and Vignisdóttir 2012: 25-25). These
measures had all been implemented by the time I came to Iceland to do fieldwork. In December 2014, the
Icelandic government launched a new mortgage debt relief program. This was launched after I had
finished my fieldwork; its assumed effect on the mortgage debt situation in Iceland will therefore not be
reflected in this thesis.
11 When the economy collapsed in 2008, the Icelandic households were already among the most indebted
in the world. The average Icelandic household had debts that exceeded its disposable income by 200
percent in 2007. This can be compared to the average Euro area household, which had debt that amounted
to 100 percent of the disposable income in 2007. The average equivalent number for Swedish is 150
percent. Since the crisis, household indebtedness has increased in Iceland. In 2010, the average Icelandic
household owed roughly 250 percent of its disposable income. The two lowest-income quartiles hold 22
percent of the total household debt in Iceland. In Sweden the two lowest income quintiles hold 6 percent
of the household debt, and in Norway 14 percent. (Ólafsson and Vignisdóttir 2012) 12.5 percent of the
indebted Icelandic households were in financial distress at the beginning of 2007. The effects of the global
economic crisis became evident towards the end of that year. The krona had begun to deprecate and
inflation rose monthly. At the end of 2007, 17 percent of the Icelandic households were facing financial
distress. By October 2008, when the Icelandic banks fell, the number was up to 23.5 percent. Right after
the crash, payments were frozen. This delayed the effects of the crisis, and it was not until October 2009
that the number of households in financial distressed peaked at 27.5 percent. (Ólafsson and Vignisdóttir
2012: 30)
12 84 percent of all motor vehicle loans were linked to foreign currency, while only 10 percent of the mortgages were mainly or partly linked to foreign currency per December 2008 (Ólafsson and Vignisdóttir 2012: 16).

13 On his blog Olafur Margeirsson, Ph. D. student at the University of Exeter, researching financial instability and foreign direct investment, state that the CPI indexed mortgages have “disastrous” effects (Margeirsson 2011a). He gives an example on his blog. The borrower takes a 20 million ISK loan. The loan is to be repaid in 40 years. Payments are monthly. The real interest rate is 5 percent and the inflation is 2.5 percent. The way these type of loans are calculated means that the loan will grow for the first 18 years. Month 212 – after 17.5 years of monthly repayment, the borrower owes the bank 24,005,720 ISK. The original, nominal principal, will have shrunk to roughly 15 million ISK, but what the borrower owes is just over 24 million ISK.

14 In a publication from the Icelandic Institute for Intelligent Machines Mallett (2013: 14) states the following concerning CPI indexed mortgages:

There are other objections that can be raised against the index-linked loans besides their inflationary influence though. The formula used for their calculation are not readily available; their historical calculation also rests on time series data on the applied indexation rate that is difficult to locate; and it is has consequently proved extremely difficult for borrowers to validate their payment schedule. Since changes are periodically made to how the indexation is calculated their future behaviour is also impossible to predict, considerably complicating individual financial planning. With the newer form of the loan that has been issued since 2005, the base interest rate can also be arbitrarily adjusted by the lender after an initial period, and there appear to be no contractual limits on this.

The negative amortisation of the principal, which is responsible for the loan’s interaction with the CPI, also violates normal principles of prudential borrowing. Borrowers do not typically begin repaying capital until 15-20 years into the loan, and they incur extraordinary debt loads as a direct consequence, especially with the 40 year loans. Unfortunately these loans have been the predominant form of lending in Iceland for over 30 years, and the long term outlook is not known: in particular excepting loans which are repaid through property sale, what percentage of these loans are ever successfully repaid?

15 There had been 770 forced sales of real estates in Iceland by the end of 2008. 400 of these forced sales were the sale of personal, residential property. The remaining 370 forced sales concerned the property of legal persona. The same report shows that the number of forced sales of personal, residential property rose to 451 in 2009, 1,028 in 2010, 623 in 2011, 953 in 2012 and 1,275 in 2013. According to these number Sofia is right when she says there are more people losing their house now than it was right after the crash in 2009. In total there has been 4,730 forced sales of personal residential properties between 2008 and 2013 according to this report. To this we can add 3,964 forced sales of properties belonging to legal person. I have not been able to find any statistics for 2014.

16 In 2013, 7 percent of the children living in mortgaged properties were living “at risk of poverty.” The equivalent number for children in rented homes is 28.6 percent. Equally, 5 percent of the children in mortgaged properties are facing material deprivation, while the number for children living in rented properties is 20.6 percent (Statistics Iceland 2015b). Moreover, violence, crime and vandalism is more frequent among renters than among homeowners with mortgage. 7.5 percent for renters, compared to 1.8
percent homeowners with mortgage (Statistics Iceland 2014d). In 2013, 45.7 percent of the rented homes in Iceland are overcrowded, while only 4.2 percent of the mortgaged homes are (Statistics Iceland 2014e).

17 In 2013, 16.4 percent of the renters used more than 40 percent of their disposable income on housing costs, while only 6.8 percent of the homeowners who paid mortgage did the same (Statistics Iceland 2012).

18 Harvey then argues that it is difficult to oppose the fragmented and the specific without invoking universal principles (Harvey 2005: 178). For an example from Iceland, see Einarsson (2015).

19 The Financial Times published an article with the heading *The Darker Side of Iceland’s Showcase Recovery* (Tett 2014). Icelandic economist Jon Danielsson has criticized the fantastic picture of the Icelandic recovery, painted in IMF reports and International media (Danielsson 2011a, 2011b).

20 Full name of the association is “Alda – Association for sustainability and democracy.”

21 Icelandic: Hagsmunasamtök Heimilanna

22 Icelandic Omúðsmóð skuldara

23 Icelandic: Alþýðufylkingin.

24 An Occupy Reykjavik movement was organized on October 15, 2011 (g). Since then a varsity of issues has been protested. Budget cuts, the treatment of asylum seekers and the fact that the implementation of the publically drafted constitution is delayed have caused protests. The government’s decision to break the talks with EU also caused heavy protest. As recent as November 2014, 4,500 people gathered for a general protest of the government. The protesters expressed a variety of opinions about the government. Some claimed that they were corrupt, and that their policies benefits only the wealthy. Others demanded a new election (Benjamin, G. 2014a) and expressed strong displeasure with the rightwing government’s tax-politics, privatizations and police militarization (Benjamin, G. 2014b). Needless to say, confidence in Althingi is very low (Árnadóttir 2015b).

25 Icelandic: Pirataflokkur

26 Icelandic: Húmanistaflókr

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