

A near-riot and parliament besieged: Iceland boiling mad at credit crunch

By [Omar Valdimarsson](#)

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Thousands of Icelanders have demonstrated in Reykjavik to demand the resignation of Prime Minister Geir Haarde and Central Bank governor David Oddsson, for failing to stop the country's financial meltdown. It was the latest in a series of protests in the capital since October's banking collapse crippled the island's economy. At least five people were injured and Hordur Torfason, a well-known singer in Iceland and the main organiser of the protests, stated that the protests would continue until the government stepped down.

As crowds gathered in the drizzle before the Althing, the Icelandic parliament, on Saturday, Mr Torfason said: "They don't have our trust and they are no longer legitimate."

The value of the Icelandic krona has been cut in half since January.

Four Nordic countries, as well as the International Monetary Fund (IMF), have pledged to lend the country a combined \$4.6 billion to help revive its deflated economy. The loan would be the first by the IMF to a Western nation since 1976.

One young man climbed on to the balcony of the Althing building, where the president appears upon inauguration and on Iceland's national day, and hung a banner reading: "Iceland for Sale: \$2,100,000,000" – the amount of the loan the country is getting from the IMF.

A separate group of 200-300 people gathered in front of the city's main police station, throwing eggs and demanding the release of a young protester being held there.

Police in riot gear used pepper spray to drive back an attempt to free the protester during which several windows at the police station were shattered. The pro-tester was later released after his fine was paid.

As daylight began to wane, demonstrators drifted away into the nearby coffee shops. Here, as currency tumbles, the price of a cup of coffee has shot up by about one-third since before the crisis struck.

The demonstrators accuse the government – elected last year – of not doing enough to regulate the banking industry and have called for early elections.

Iceland's next election is not required until 2011.

Opposition parties tabled a no-confidence motion in the government on Friday over its

handling of the crisis, but the motion carries little chance of toppling the ruling coalition which has a solid parliamentary majority.

Gudrun Jonsdottir, a 36-year-old office worker, said: "I've just had enough of this whole thing. I don't trust the government, I don't trust the banks, I don't trust the political parties, and I don't trust the IMF.

"We had a good country and they ruined it."

BACKGROUND

ICELAND'S three biggest banks – Kaupthing, Landsbanki and Glitnir – collapsed under the weight of billions of dollars of debts accumulated in an aggressive overseas expansion, shattering the country's currency. Iceland's government seized control of all three institutions in early October.

This week, the North Atlantic island nation, which has a population of only 320,000, secured a package of more than US\$10 billion (about £6.7 billion) in loans from the International Monetary Fund (IMF) and several European countries to help it rebuild its shattered financial system.

Despite the intervention, however, Iceland still faces a sharp economic slowdown and surging job losses while at least one-third of Icelanders are also at risk of losing their homes and life savings.

Geir Haarde, the Icelandic prime minister, has promised that the government will use the IMF money to bring back a flexible interest rate scheme and rewrite financial laws, particularly legislation relating to insolvency.

Iceland was the first country to ask the IMF for help as the turmoil in the credit markets in October hit home.

The UK government used anti-terrorism legislation to freeze money deposited by UK savers in Icelandic banks in order to ensure that their money was protected.

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