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ELECTORAL POLITICS IN CRISIS AFTER THE GREAT RECESSION

**CHANGE, FLUCTUATIONS AND
STABILITY IN ICELAND**

Eva H. Önnudóttir, Agnar Freyr Helgason,
Ólafur Th. Hardarson and Hulda Thórisdóttir



‘Descriptively informative and insightful, analytically ambitious and stimulating, this book is a must read for any student of comparative electoral behaviour’.

Hermann Schmitt, *University of
Manchester, UK*

‘The book is essential reading for anyone interested in Icelandic politics. It analyses the impact of the great recession against the backdrop of long-term changes among the electorate with a view to discerning short-term and long-term factors. It is easy to read yet analytically and methodologically advanced’.

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Electoral Politics in Crisis after the Great Recession

This book examines to what extent politics in Iceland have been transformed in the aftermath of the 2008 financial crisis.

The book focuses on whether the short-term sudden shock caused by the Great Recession has permanently transformed politics, political behaviour and the Icelandic party system or whether its effect was primarily transitory. These questions remain highly relevant to the wider field of political science, as the book examines under what circumstances sudden shocks lead to permanent changes in a political system. As such, the book situates the post-crisis Icelandic case both temporally and comparatively and evaluates to what extent the Iceland experience is reflective of broader patterns found in other Western democracies, particularly those other countries that were also hard hit by the Great Recession (e.g. Greece, Ireland, Portugal, Spain and Italy).

This book will be of key interest to scholars and students of Nordic politics, Icelandic politics and society, electoral studies, political parties and party systems, representative democracy, political behaviour and more broadly to European and comparative politics.

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List of political parties, their abbreviations and presence in the Icelandic parliament since 1930

The established parties:

COM	Communist Party (i. Kommúnistaflokkurinn) (1937–1938)
IP	Independence Party (i. Sjálfstæðisflokkurinn) (1930–)
LGM	Left-Green Movement (i. Vinstrihreyfingin-grænt framboð) (1999–)
PA	People’s Alliance (i. Alþýðubandalagið) (1956–1999)
PP	Progressive Party (i. Framsóknarflokkurinn) (1930–)
SDA	Social Democratic Alliance Party (i. Samfylkingin) (1999–)
SDP	Social Democratic Party (i. Alþýðuflokkurinn) (1930–1999)
USP	United Socialist Party (i. Sameiningarflokkur alþýðu - Sósíalistaflokkurinn) (1938–1956)

After a reshuffle among the left parties before the 1999 elections, the SDP was succeeded by the SDA and the PA by the LGM. The IP, PA/LGM, PP and SDP/SDA are sometimes collectively referred to as the ‘fourparty’ (i. fjórflokkurinn). In this book, they are also referred to as the established parties or the old parties.

New parties/challenger parties:

AESJ	Association of Equality and Social Justice (i. Samtök um jafnrétti og félagshyggju) (1987–1991)
ASD	Alliance of Social Democrats (i. Bandalag jafnaðarmanna) (1983–1987)
BF	Bright Future (i. Björt framtíð) (2013–2017)
C	Centre Party (i. Miðflokkurinn) (2017–)
CM	Civic Movement, also sometimes called Citizen’s Movement (i. Borgarahreyfingin) (2009–2013)
CP	Citizen’s Party (i. Borgaraflokkurinn) (1987–1991)
LP	Liberal Party (i. Frjálslyndi flokkurinn) (1999–2009)
Peop	People’s Party (i. Flokkur fólksins) (2017–)
Pir	Pirate Party (i. Píratar) (2013–)
PM	People’s Movement (i. Þjóðvaki, hreyfing fólksins) (1995–1999)
RP	Reform Party (i. Viðreisn) (2016–)
WA	Women’s Alliance (i. Kvinnalistinn) (1983–1999)

In this book, ‘new parties’ and/or ‘challenger parties’ refer to all parties except the aforementioned established parties.



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1 The consequences of the Great Recession on party politics and voters in Iceland

Theoretical framework

Abstract

The Great Recession in 2008 hit Iceland earlier, more suddenly and harder than most other countries. The outsized economic shock is the country's biggest crises since gaining independence in 1944. Remarkably, the combined bankruptcy of the three major banks ranks as the third-largest bankruptcy in world history. An astounding statistic for a country of around 350,000 inhabitants. This book is dedicated to evaluating the extent to which the Great Recession led to changes in the Icelandic party system and politics. Studying political developments after those dramatic events allows us to assess different perspectives and evaluate to what extent the changes we observe are driven by the crisis. By doing so, we contribute to the growing literature on the political consequences of economic crises in modern democracies. In this introductory chapter, we outline the theoretical framework used to understand developments following the collapse of the Icelandic financial system, focusing on how and why such economic crises as the Great Recession impacts politics, both short term and in the long run. We explain why the Icelandic case is interesting and important and we compare the Icelandic experience with other crisis countries in Europe.

Introduction

The global financial crisis of 2008 was a major blow to the Icelandic financial system, and its consequences reached far beyond the economy to politics and Icelandic society at large. The decade that followed was marked by mass protests, fiscal austerity, a miraculous economic recovery, extremely turbulent politics, political scandals, electoral volatility and the unprecedented success of multiple new political parties. The merits of the existing political system were questioned, political trust plummeted and there is still an ongoing debate about whether and how to change the Icelandic Constitution. Critics claim that the system is flawed, a change is needed and those steps that have been taken since the economic crisis are insufficient. In essence, they say that nothing has changed; the same old political parties, politicians and bankers continue to steer the country. Meanwhile, defenders of the system embrace its stability and warn against changes that might

2 *Consequences of the Recession on politics*

harm the democratic system in Iceland. Indeed, they emphasise that Icelanders did learn from the crisis, especially when it comes to managing the financial system, but also by reforms in public administration (Gunnar Helgi Kristinsson & Matthíasson, 2014), reforms of government procedures and increased coordination of government ministries (Alþingi, 2020; Indriðason & Kristinsson, 2018; Rannsóknarnefnd Alþingis, 2010).

These opposite sides of what has changed and what has not in Icelandic politics after the Great Recession represent the theme of this book. We ask whether the 2008 financial collapse in Iceland and the mass political protests that followed have had a long-lasting impact on the Icelandic party system and voters' behaviour and attitudes, or whether the effects were primarily ephemeral, with the system soon returning to the same situation as before the collapse. To be more exact, we seek to answer to what extent the party system and voters' behaviour and attitudes in Iceland have been transformed in the aftermath of the crisis, focusing on whether the sudden, short-term shock caused by the financial collapse has had a permanently transformative impact or whether its effect was primarily transitory.

The Great Recession and its aftermath in Iceland represent an important case to study the effects of economic crises on voters and electoral politics. Before the crisis, Icelandic politics was dominated by four established parties with roots in the early 20th century: the conservative Independence Party, the centre-right Progressive Party, the centre-left Social Democratic Alliance and the left-wing Left-Green Movement. The four parties garnered about 90% of the vote in 2007, the last election before the collapse, and were collectively commonly referred to as the '*fourparty*' (i. *fjórflokkurinn* or *fjórflokkarnir*).¹

In the years preceding the crisis, Iceland lagged after neighbouring countries in experiencing systematic changes to its party system such as an increase in the number of parties, and to the behaviour and attitudes of the electorate such as the decline in turnout, party identification and membership. In that context, electoral politics in Iceland can be viewed as a 'most likely' case of change following an economic crisis. That is to say, it can be leveraged to establish an upper bound on the effects of economic crises on factors such as shifts in voting behaviour, party-voter alignments, turnout and political trust—to name but a few of the major areas covered in the analysis. Such a benchmark can serve as a useful reference when evaluating the plausibility of the effects of economic crises in other contexts. Thus, the book contributes to recent debates about the electoral effects of economic crises, a topic that has seen renewed interest in the years following the Great Recession (Bermeo & Bartels, 2013; Fieldhouse et al., 2020; Hellwig et al., 2020; Hutter & Kriesi, 2019).

Given that more than ten years have passed since the crisis, we can now start to analyse and answer questions about whether and how the crisis has had a long-term impact on the political behaviour of both voters and politicians, as well as the Icelandic party system. In the next section, we explain the theoretical framework of the book followed by a short section in which we place Iceland in a comparative perspective and briefly discuss the impact of

the global financial crisis in other crisis countries in Europe. Thereafter, we describe the organisation of the book.

Overarching theoretical framework

The 2008 financial collapse is without a doubt a landmark event in the history of the Icelandic Republic. The collapse and ensuing economic crisis, and what has changed and what has not changed, are frequently referred to in public discourse (e.g. Arnardóttir 2010, Hilmarsdóttir 2018, Hauksson 2012), and terms like ‘2007’ are used to describe the pre-crisis way of thinking and living standards that were beyond the capability of ordinary people to sustain.

The collapse changed all that. From being hailed as an ‘economic miracle’ (Gissurarson, 2004), Iceland experienced one of the largest contractions in gross domestic product (GDP) in the world during the global financial crisis (Helgason, 2019). The impact of the crisis on living standards was further magnified by a sharp decline in the value of the Icelandic krona, a spike in inflation and rising unemployment. Figure 1.1 shows the substantial changes in GDP per capita and the exchange rate that occurred from the peak of the economic miracle, through the crisis years and beyond. From 2004 to 2007, economic growth averaged 5% and the value of the currency appreciated substantially. These developments were sharply reversed from 2008 to 2010 when GDP per capita dropped by over 10% and the Icelandic krona depreciated by over 35%. While the economy soon recovered, the effects of the crisis on living standards lingered for several years.

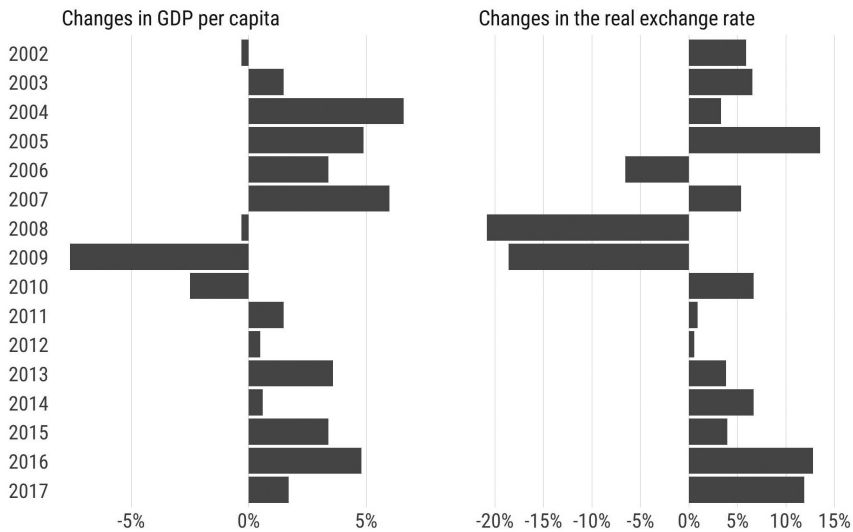


Figure 1.1 Changes in GDP per capita and the real exchange rate, 2002–2017. Sources: Statistics Iceland and the Central Bank of Iceland.

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Multiple accounts have been published about why the financial crisis hit the country as hard as it did (e.g. Rannsóknarnefnd Alþingis 2010, Wade & Sigurgeirsdóttir 2011), about the protests (e.g. Bernburg 2016, Juliusson & Helgason 2013, Önnudóttir 2016) and about the economic and welfare consequences of the crisis (e.g. Ólafsson 2011, Danielsson 2008, Gunnlaugsson 2012, Spruk 2010). Yet, little systemic research has been done on the consequences of the crisis for electoral politics, and in particular, whether and how the crisis had a long-term impact on politics and the political system in Iceland.

In many ways, the financial collapse was simply the first of a series of ‘electoral shocks’ (Fieldhouse et al., 2020) experienced by the Icelandic electorate since 2008, as explained in more detail in Chapter 3. The contentious left-wing government that took office in 2009, referendums and judicial rulings on the Icesave issue, failed attempts to radically change the Constitution, the Panama papers scandal that toppled the prime minister in office in 2016 and the eruption of yet another scandal in 2017 that ultimately led to another early election are just a few of the major shocks that the electorate has experienced since the Great Recession.

Ultimately, the financial collapse is the primary electoral shock that overshadows all shocks that have followed. To answer the fundamental question of how, and if, it has had long-term consequences for electoral politics in Iceland requires a theoretical framework that considers the interplay between historical events, such as the financial collapse, and the political system. The concept of *critical junctures*, commonly employed in historical institutionalist research, is useful in this regard. Critical junctures are defined as watershed periods in countries’ histories that create an opportunity for profound social change (Capoccia & Kelemen, 2007). A key feature of a critical juncture is that it relaxes pre-existing institutional constraints. At the time of a critical juncture, which can last for a short time—for example, a few days or weeks—or over a longer period, the actions and decisions made by key actors can have a crucial impact on the consequences of the juncture and the trajectory it will put in place. Of importance is that a critical juncture does not necessarily have to lead to a transformative change. One of the results of a critical juncture could be that the actions and decisions of key actors will lead to no change. A typical approach to defining whether a critical juncture has occurred or not is to trace the events as they unfolded, define and detect whether the political system was seriously undermined and ask whether the actions and decisions taken at the time were crucial for how it has evolved since then. There are already a number of publications that have described the events after the financial crash in Iceland and the related decisions and actions in detail (Bergmann, 2014, 2017; Bernburg, 2016; Jóhannesson, 2009; Johnson, 2014; Rannsóknarnefnd Alþingis, 2010), lending support to the idea that it was a critical juncture in Icelandic politics. There is an agreement that the events were unprecedented in Icelandic history and decisions and actions taken at the time were crucial; however, we still do not know whether those have led to a system change in Iceland’s political life.

Hernández and Kriesi (2016) make the point that the Great Recession might have initiated a critical juncture in European democracies but in the sense that it accelerated a change in the party systems that was already underway. They find

that, in post-crisis elections in Western Europe, the established and/or mainstream parties experienced a sizeable loss of electoral support, and instead, radical right, radical left and other challenger parties benefited the most. This, they say, might have led to a realignment, where voters shift their alliances from one party to another; this would mean that the Great Recession had a long-term impact on the party system.

Other consequences are possible as well, both for the party system and the wider political society in Iceland. The weakened ties between the established parties and voters could also result in a dealignment within the party system, meaning a decline in long-term partisanship, with voters not forming bonds with a different party. Under dealignment, the social structure and/or partisanship has less of an effect on the vote, and election-specific factors become more important (Dalton, 1984). The third possibility is that, after the Great Recession in Iceland, voters' ties with parties were temporarily upset, but they will settle into the same path as before the crisis (or have already done so).

Under what circumstances could we expect that the crisis has had a long-term impact on Icelandic politics? One way to look at it is that the severity of the crisis led to quotidian disruption among Icelanders (Bernburg, 2016). Quotidian disruption means that a sudden shock leads to a breakdown of the people's perception of a taken-for-granted reality. Relative deprivation theory (Gurr, 1970), which is closely connected with quotidian disruption, means that citizens' grievances are influenced by expectations about conditions of life that they are entitled to and their perception about discrepancies in their own conditions with the conditions of others.

During the boom years leading up to the financial collapse, it seemed as if everything Icelandic businesspeople touched turned to gold. Failing to adequately consider the highly favourable market conditions worldwide because of an abundance of available credit at the time, many believed Icelanders had come up with a new and better model for doing business. The businesspeople were treated as national heroes and cheered by politicians, the Icelandic president at the time and the public alike. Most people in Iceland were reaping the benefit of the booming economy, and the state coffers were better stuffed than ever before. This resulted in motivated reasoning (Kunda, 1990) when it came to critically assessing any negative signs about the economy. That is, people—business leaders, politicians and the public—were all motivated to believe that the Icelandic economic miracle was robust and healthy. Therefore, any reports, indicators or other signs to the contrary were interpreted as being incorrect, motivated by malice or incompetence. News and reporting on the economy reflected this. It was mostly positive and not always very probing, and trust was relatively high; people tended to trust what they were told by the media, politicians and bankers. Partly because of this situation, the financial collapse came as a great shock to members of the public (and undoubtedly many politicians), who felt they had been deceived. This led to feelings of humiliation, followed by anger and dismay.

An event of this magnitude with highly negative consequences brings up a strong urge for understanding. People are reluctant to accept that a large, negative

event can occur through a chain of low-probability events without a single cause; thus, they have a strong desire to search for a culprit and intention (Taleb, 2007). Surveys in Iceland show that people perceived the bankers and businesspeople as the primary culprits, followed closely by the politicians in government during the boom years—primarily members of the long-reigning Independence Party (e.g. Indriðason et al., 2017). It can be argued that the system and procedures set in place after the crisis in many ways took care of people's need for retributive justice regarding the bankers. The establishment of a fact-finding Special Investigation Committee, which issued an extensive report on the causes of the financial crash in the spring of 2010, and a Special Prosecutor's Office to investigate and prosecute the chief executives were considered successful at home, and especially, abroad (Milne, 2016). An attempt was made to set up a trial over the politicians, but for a variety of reasons that attempt was widely seen as mismanaged, and in the end, it satisfied few people's sense of justice (RÚV, 2010).

The desire for a fresh start, a new beginning based on clear ethics, manifested in many ways in the years following the crisis. At the same time, a large part of the desire was regressive in the sense that, prior to the crisis, the nation was thought to have lost its way and espoused materialistic madness; thus, it needed to return to its prized values of family, nature and honest hard work. A way to signal and implement these values was to appoint people to leadership positions who were perceived as moral and nurturing. In line with gender stereotypes, women were perceived as such leaders. In the years following the crisis, women were appointed or elected to more leadership positions than ever before, in business, public administration, education and the banks (Sunderland, 2009). The percentage of female parliamentarians rose from 32% in 2007 to 43% in 2009.

The demand for renewal and restoration of morals was evident in politics by the call for new candidates and parties. In 2009 and 2013, 43% of all parliamentarians were first-timers, and in 2016, that ratio went up to 52% before going down to 30% in 2017, when only a year passed between elections. As discussed in detail in Chapters 3 and 8, new political parties proliferated.

Given that the collapse of the Icelandic financial system was a severe shock that led to a breakdown of people's taken-for-granted reality of both how the economy worked and how the political system worked, it could have made the ground fertile for a critical change in Icelandic politics. In this way, the Great Recession may have acted as a catalyst to change for the political system in Iceland, voter alliances with parties and how politics works in Iceland. However, change does not happen in a vacuum. Hellwig et al. (2020) make the point that the reactions of the political elites are of importance when it comes to shaping the views of voters and voters' behaviour after economic shocks. In other words, to understand and detect changes in a comprehensive manner, one should take a holistic approach to mass political behaviour, considering the dynamic relationship between the demand side—here in terms of voters, of representation—and the supply side in terms of political elites and parties, as well as the political context within which they operate. In this way, our focus is on whether the content of the political system has been transformed, and to some extent, what the consequences of those changes

are for voters, the party system and the parties in Iceland. We do this by analysing whether people's faith in the political system and involvement in politics has been affected in the long term and whether the structure of the political system has been transformed. As explained in further detail in the next section, in the former case, we focus on the levels of political support in Iceland and how active they are in political participation and engagement. In the latter case, we analyse changes to the political system in terms of political issues, the party system and voters' behaviour.

In this book, we focus on the consequences of the crisis, and in this way, shed light on whether critical changes have occurred in the Icelandic political system. The project primarily builds on data from the Icelandic National Election Study (ICENES) (n.d.) from 1983 to 2017. In the Appendix, we describe the ICENES data in further detail. The post-election voter surveys serve as the backbone of the ICENES database and our primary object of analysis. However, we also use data from a survey among party candidates, which has been part of ICENES since 2009, and other data sources, such as Quality of Government data, survey data from Gallup and data from Statistics Iceland. Before we describe the organisation of the book, we briefly discuss the impact of the global financial crisis in other crisis countries. Even if we are mainly concerned with the case of Iceland in this book, placing Iceland in a comparative perspective draws attention to similarities—and differences—between Iceland and other crisis-stricken countries.

Iceland in a cross-national context

Worldwide, the financial and economic crisis had at least three economic dimensions (Shambaugh, 2012). There was a financial crisis, in which banks that were undercapitalised faced severe liquidity problems. There was a growth crisis, in which economic growth sharply contracted. Finally, there was a sovereign debt crisis, in which several countries found themselves in the position of not being able to fund public debt without external assistance. These three dimensions were not felt to the same extent in all European countries (or elsewhere), but those countries facing a sovereign debt crisis, including Greece, Ireland, Italy, Portugal and Spain, as well as Iceland, faced the most acute problems (Kriesi & Pappas, 2015). In these 'bailout' countries, the financial crisis not only led to economic distress but also had far-reaching political consequences, leading to political turmoil, and in the cases of Greece, Iceland, Spain, and to some extent, Ireland, massive political protests by the public (Dunphy, 2017; Sotiris, 2010).

All six bailout countries experienced either a large shift of support among their established parties or a considerable change in the architecture of the established party system (e.g. Kriesi & Pappas, 2015). In Table 1.1, we contrast total electoral volatility, which is also known as the Pederson index (Emanuele, 2015; Emanuele & Chiamonte, 2018; Pedersen, 1979), within the six bailout countries after the crisis in 2008 (period IV) to earlier periods, and for comparison, we list total electoral volatility in the other Nordic countries, none of which experienced large economic shocks in 2008. We see that after the crisis, total electoral volatility

Table 1.1 Total electoral volatility

Country	<i>Period I</i> (1946–1968)	<i>Period II</i> (1969–1991)	<i>Period III</i> (1992–2008 ¹)	<i>Period IV</i> (2008 ² –2019)	<i>Change between</i> <i>IV and III</i> (IV–III)
Bailout countries					
Greece		10.9	6.7	21.3	14.6
Iceland	6.6	15.2	8.5	28.0	19.5
Ireland	10.7	6.8	9.5	18.1	8.6
Italy	9.6	7.6	17.9	31.7	13.8
Portugal		13.1	11.4	12.0	0.6
Spain		19.8	8.4	18.5	10.0
Other Nordic countries					
Norway	7.8	12.9	10.1	17.0	6.9
Finland	5.4	8.8	10.0	11.0	1.0
Norway	4.6	11.2	17.1	10.2	–6.9
Sweden	5.1	7.9	14.6	10.3	–4.3

¹ Elections in 2008 before the onset of the crisis.

² Elections in 2008 after the onset of the crisis.

Note: Entries for Iceland based on data from Statistics Iceland (n.d.). Entries for other countries retrieved from the Dataset of Electoral Volatility and its internal components in Western Europe since 1945 (Emanuele, 2015), with updated data up to 2020.² Total electoral volatility is the sum of electoral volatility caused by vote switching between parties that enter or exit the party system (and receive at least 1% of the national share in an election at time $t + 1$), vote switching between existing parties and vote switching between parties falling below 1% of the national share in both elections at time t and $t+1$.

increased substantially between periods III (preceding the crisis) and IV (after the crisis) in all bailout countries except Portugal, and the increase was in general considerably greater than the changes in volatility in the other Nordic countries (which even decreased in Norway and Sweden).

Even if total electoral volatility has not changed to a considerable extent in Portugal, politics there were turbulent after the crisis. In Portugal, the Socialist Party was in power with an absolute majority in parliament when the crisis struck. Its initial response was counter-cyclical and neo-Keynesian. In the election of 2009, the party lost its parliamentary majority but stayed in power in a minority government. Stringent austerity policies were not implemented until 2010, after negotiations with the main opposition party, the centre-right PSD (Portuguese Social Democratic Party³). Relations between the two parties soured in 2011, which led to early elections and a major swing to the right among voters. The new centre-right government that came into power followed a programme of strong austerity, initially with Socialist Party compliance (Giorgi et al., 2015), and at the end of the term, the Portuguese economy was on the path to recovery (Magalhães, 2017). As the elections of 2015 approached, opposition intensified, leading to a strong swing to the left in the parliamentary elections that year. In the 2015

election, the Socialist Party captured part of the left vote but remained weakened by the crisis.

In the five other bailout countries, total electoral volatility increased to a considerable extent. In the Irish 2011 election, which has been termed an ‘earthquake’ election (e.g. Gallagher, 2011), the right-wing Fianna Fáil lost more than half of its support, going from 41.6% in the 2007 election to 17.4% in 2011. Fianna Fáil went from being the largest party in the state since 1932 to being ‘a bit player in Irish political life’ (Marsh et al., 2017:2). The Progressive Democrats, a small Irish party formed in 1985, was wiped out in 2011, and there was a huge swing among voters to left-wing parties. Regardless, Marsh et al. (2017) have termed the 2011 Irish election a ‘conservative revolution’ because the main players remained the same and no new party emerged.

Like in Iceland, new or relatively new parties have either appeared or increased their support to a considerable degree in Greece, Italy and Spain. SYRIZA (Coalition of the Radical Left—Progressive Alliance), a relatively new radical left-wing party in Greece, went from 4.6% in the 2009 election to 26.9% in the June 2012 election and 35.5% in the September election in 2015. In the 2013 election in Italy, the Five Star Movement, with its charismatic leader, Beppe Grillo, appeared with a boom, winning 23.8% of the national vote. In Spain, Podemos, a new radical left party with roots in the protest movement, was elected with 20.7% of the vote in 2015. Even if the electoral success of those new parties has varied in the most recent elections in each country (e.g. Podemos has lost support and the Five Star Movement has increased its support, while SYRIZA has similar support), all three of them have taken part in government or even, in the case of SYRIZA, led a government coalition in their countries. Thus, those three parties seem to stand a good chance (at least so far) of becoming lasting features of the party systems in their countries.

Teperoglou and Tsatsanis (2014) argue that the shift in the Greek political landscape in the 2012 election, when the two established parties, PASOK and New Democracy, lost extensively, was in part a result of the Greek sovereign debt crisis. The voters of the small left parties (KKE which is the Communist Party of Greece, SYRIZA and Democratic Left) expressed more negative attitudes about the Troika (European Commission, European Central Bank and International Monetary Fund) bailout compared with voters of other parties, and they were more in favour of civil disobedience. Teperoglou and Tsatsanis (2014) further argue that, in the Greek case, there has been a longer time trend of cultural division in society; together with increased cynicism towards the political elite and democratic institutions, this contributed to political turmoil and electoral volatility. Similar conclusions have been found for Iceland in terms of decreasing political trust (Indriðason et al., 2017) and the view has been put forward that the 2009 election might have been a critical election, resulting in increased volatility of voters and realignment, where voters shift their alliances from one party to another (Önnudóttir et al., 2017). Hooghe and Oser (2016) find that the supporters of the Five Star Movement in Italy expressed greater discontent with the processes of the democratic system compared with supporters of other Italian

parties. Passarelli and Tuorto (2018) make the point that the vote for the Five Star Movement was not only a protest vote; rather, the party was able to mobilise those voters in agreement with the party's policies and those who had lost faith in the established party system in Italy. In a similar vein, Cordero and Montero (2015) found that voters for the Spanish Podemos in the 2014 European parliamentary election expressed less confidence towards politicians and less satisfaction with how democracy works compared with those who voted for the PSOE, the established socialist party in Spain.

This short overview shows that politics have been turbulent in all six bailout countries. Apart from vote swings and new parties, some of those countries experienced early elections because of inability to form a government coalition (e.g. in Greece 2012 and 2015, in Spain 2016, or in the case of Iceland, due to political scandals in 2016 and 2017), minority governments (e.g. Portugal 2009–2011 followed by an early election) and/or caretaker governments (e.g. the technocratic government led by Mario Monti in Italy in 2011–2013). New parties have emerged in some of the countries and in some cases taken part in government (e.g. the Greek SYRIZA, Podemos in Spain and the Italian Five Star Movement). Placing Iceland in a comparison with other bailout countries shows that there have indeed been similarities in the changing political patterns after the Great Recession, even if how those have transpired have been different. In this book, we analyse how those changes have materialised and what could be the possible consequences of those changes.

The organisation of the book

The chapters that follow are organised in four parts. Part I, which includes this chapter and the next two chapters, provides the background to the economic crisis and the political landscape in Iceland. In this chapter, we have presented our theoretical framework, but in addition, each theoretical expectation is developed and explained in more detail in each chapter. In Chapter 2, we offer an overview of Icelandic politics and the party system and describe the political landscape in Iceland in broad strokes since the establishment of modern democracy in Iceland. In the 20th century, Icelandic politics went from patronage and party rule to pluralism and the market economy. Politics in Iceland have been marked by periods of stability and instability, but the 30 years prior to the crisis evinced rather stable politics and prosperity. The four established parties were dominant in Icelandic politics and had been so since the establishment and 'freeze' of the Icelandic party system in the 1930s or so, but since the economic crisis, they have lost their dominant status as the only players in Icelandic politics. In Chapter 3, we describe post-crisis politics in Iceland. Those years have been marked by huge electoral volatility, economic recovery, the rise of tourism as one of the main industries in Iceland, three early elections and a major increase in parliamentary parties. A change to the Constitution has been an ongoing debate, accession to the European Union was put on the agenda and withdrawn a few years later and there seems to have been an increase in tensions between different factions in the society.

This broad overview sets the stage for the analysis of what has changed and what has not changed after the Great Recession, where we focus on voters' views and behaviour, political parties, issues that frame the political agenda and the party system.

In Part II, we examine whether the Great Recession has had consequences for public attitudes, views of the political system and political participation. In Chapter 4, we analyse whether issue preferences of voters have changed since after the crisis, focusing on two dimensions—a *state–market* dimension and an *isolation–integration* dimension. We make use of existing theories on the potential effects of the economy on mass political preferences and we evaluate to what extent the preferences of different social groups changed in the post-crisis period. The analysis suggests that, in the immediate aftermath of the crisis, the public became less supportive of international integration, and this negative sentiment has only grown stronger over subsequent elections. Conversely, the public mood about the role of the state in the economy did not shift in the first election after the crisis, although it has since moved towards more support for government involvement. We find that these changes occur across different socio-economic and demographic groups, indicating that different subgroups mostly moved in parallel through the crisis years, with no evidence of increasing polarisation. Chapter 5 is devoted to the level of political support in Iceland, contrasting political trust and satisfaction with how democracy works in the pre- and post-crisis period. Both trust and satisfaction with democracy took a big hit at the onset of the crisis, but today, they seem to have at least partly recovered to a pre-crisis level. The sharp changes in political trust and satisfaction with democracy could be understood as the consequence of the shock the Great Recession was to the Icelandic economy, as well as the inflammatory period of protests and unrest in the months after the crisis, but both were rather quick to recover in the post-crisis years. Given that the levels of political trust and satisfaction with how democracy works are driven by the institutional (perceived and/or actual) performance of key political actors and institutions, the recovery of trust and satisfaction indicates that the core of political support has remained unscathed, which could be an important factor in legitimising and creating peace around those political changes that have occurred. Chapter 6 takes up the question of political participation and engagement. The chapter examines trends in election turnout, party membership and identification, and political interest. The analysis goes beyond looking at overall changes by building on theories of how economic crisis may affect groups in different ways, perhaps increasing engagement by some and reducing it for others.

In Part III, we turn from examining voters' preferences and participation in politics to investigating how they matter for the party system and whether they have changed in the post-crisis period. While we still make use of individual-level data, our focus in this part is primarily on the political parties and the profile of the voters of different parties. Taken together, the three chapters in Part III examine whether a party system change has occurred in post-crisis Iceland. The suddenness of the crisis is expected to be significant. The shock meant that the established parties had less time to respond and resist changes, and authorities

were more vulnerable to attacks from both the opposition and challenger parties. New parties emerged and gained representation, meaning that instead of the usual four parties plus one smaller party in parliament, eight parties were elected in the most recent election in 2017.

In Chapter 7, we focus on the four established parties that dominated Icelandic politics for almost a century prior to the crisis and allegiances of voters towards those parties. We find that voters' allegiances, in terms of party identification and party sympathy, weakened significantly as predictors of voting for one of those four parties, and we argue that those changes have made the ground fertile for new challenger parties to enter the stage, which is the topic of Chapter 8. While it is clear that the number of parties represented in parliament increased after the crisis, that does not say much about how different those parties are or the depth of the party system change. Contrasting pre- and post-crisis parties shows that there are clear differences in their origin, as most of the new challenger parties after the crisis had roots outside the established party system, while most of the new pre-crisis parties were splinter parties from one of the established parties. With four new parties represented in the parliament today, it begs the question of how different those parties are among themselves and whether they offer different choices than the established parties. We show that the new challenger parties line up from left to right, and they are different, as are the four established parties, in how supportive they are of the current political system. Thus, we have new challenger parties that stand for liberal issues versus conservative issues and are also different when it comes to how supportive they are of the current political system. Whether the new challenger parties will survive can be expected to depend on several factors—one of them being whether they are a credible alternative when it comes to policy preferences, which is the topic of Chapter 9. In the chapter, we explore how party–voter alignments have developed over time, focusing on partisan sorting by socio-economic variables, political trust and attitudes towards the role of the government in the economy on the one hand, and attitudes on international integration on the other. We consistently find that, in the pre-crisis years, the voter bases of parties were quite heterogeneous with respect to the above factors, reflecting a state of substantial dealignment. However, the Great Recession transformed party–voter ties. Partisans have become increasingly homogeneous within parties, with much greater differences between voters of different parties. Importantly, the issue space of electoral competition seems to have expanded in all directions: There are now parties with voter bases that are collectively either more left wing, more right wing, more integrationist or more isolationist than seen in the pre-crisis years. This applies not only to the four established parties but also to some new parties, which might indicate that they fill an important gap in the old party system. On the face of it, it seems as if the crisis facilitated the realignment of voters and parties.

The concluding chapter discusses the lessons learnt from the crisis in Iceland, the impact of the crisis on Icelandic politics and which of those impacts left a lasting mark on Icelandic politics. One of the main conclusions is that the core of the political system has remained intact, but its structure has been transformed, and

that those transformations were offset and/or accelerated by the Great Recession and the events that followed. Partisan sorting and party fragmentation have increased, resulting in challenges for both voters and the political elites as to how to deal with those changes. In the decades prior to the crisis, Icelandic society had undergone extensive social changes, and the party system was frozen; politics had moved towards dealignment, where the parties were not so different, even if they lined up from left to right. Thus, at the time of the crisis, the public in Iceland might have been ready for more variety of parties that would offer different and/or clearer policy alternatives. We argue that the Great Recession placed new issues on the agenda and intensified divisions, both among old parties and between old parties and new challenger parties, which have led to new challenges for both voters and the political elite. Throughout our concluding chapter, an emphasis is laid on the interplay between the public and the political elite, as well as the changes in the political context they face.

Notes

- 1 The term was coined by the colourful politician Vilmundur Gylfason in the early 1980s. Gylfason then left the Social Democratic Party, founded the Alliance of Social Democrats and claimed that all the four old parties were essentially the same—parties of the same establishment (Halldórsson, 1985, p. 388; Kristjánsson, 1986).
- 2 See the Dataset of Electoral Volatility and its internal components in Western Europe (1945–2015) website, <http://www.vincenzoemanuele.com/dataset-of-electoral-volatility.html>.
- 3 PSD is an abbreviation for ‘Partido Social Democrata’, or in English, the Social Democratic Party. Despite its name, PSD is generally considered to be a centre-right party or a centre party (e.g. Bruneau, 1997).

2 A precursor to a crisis

Politics in the era of the Icelandic economic miracle

Abstract

This chapter gives a necessary background to the analysis of post-crises politics in Iceland by outlining some major characteristics of the development of Icelandic society and the political system in the 20th and 21st centuries. Gradual changes from a strongly state-centred patronage system towards a liberal market system are analysed, as well as the Icelandic party system, the traditional four parties that dominated politics for decades, increasing fragmentation, left–right positions of parties, turnout, recruitment of MPs, electoral volatility, the electoral system, the open coalition system, candidate selection, membership of parties, party financing and women’s representation in parliament. The question of whether Icelandic politics have been characterised by conflict or consensus, ideology or pragmatism is also addressed.

Crash and burn

The bank crash in 2008 came as a great shock to the Icelandic nation. When Prime Minister Geir Haarde made his TV address to the nation on October 6, explaining that the government would not be able to save the Icelandic banks, and as a worst-case scenario, Iceland might face national bankruptcy, people watched in silence; and it is said that some burst into tears. His final words, ‘God bless Iceland’—a highly unusual phrase in Icelandic political discourse—underlined the gravity of the situation (Jónsson & Sigurgeirsson, 2016).

How could this happen? Icelanders had generally believed that, during the last century, Iceland had experienced an economic miracle, developing from being one of the poorest countries in Western Europe in the 19th century to one of the richest in the world. The economic boom of the first decade of the 21st century was seen only as a continuation of a long story of success.

While Icelanders enjoyed enormous economic, social, cultural and political progress during the 20th century, their history has been marked by both periods of stability and instability. For decades, inflation and devaluations of the currency were a constant problem. Unrest in the labour market was greater than was evident in most neighbouring countries. For long periods, government instability

was a major characteristic of Icelandic politics. However, since the late 1980s, stability increased. All coalition governments served their full term. The historic ‘National Reconciliation Agreement’ (i. *þjóðarsáttin*) in 1990 between employers, the labour unions and the government finally secured peace in the labour market. The problem of inflation seemed to have been solved.

From the 1990s, neo-liberal economic policies became a major emphasis of government policy. Most important was probably the privatisation of the banks at the beginning of the 21st century. However, this privatisation was carried out in the old style of patronage politics, which had been extremely strong for a long period in Iceland. The two government parties simply divided the two major banks between them: The Independence Party leadership decided what individuals were allowed to buy *Landsbanki*, and the Progressive Party leaders selected the buyers of *Búnaðarbanki*—a group that had its roots in the Co-operative Movement and had close ties to the party for a long time, supporting it financially (Kristinsson, 1991; Rannsóknarnefnd Alþingis, 2010; Stefánsson, 1991). The old ‘split-half’ rule was once again in operation.

From patronage and party rule to pluralism and the market economy

During the 1930s, the Icelandic economy had become extremely state-centred. Party bosses decided what companies and individuals could obtain loans from the state banks, and the parties divided the control of the banks between them. In *Landsbanki*, the bank director chosen by the Independence Party took care of firms in the private sector, while the bank director selected by the Progressive Party served the interests of the Co-operative Movement, which had become the biggest company in Iceland by far. This was frequently cited as an example of a ‘split-half rule’—a system established by the two largest parties, the Independence Party and the Progressive Party. When the Social Democratic Party entered government, their party bosses also took on the role of patrons in this system of patronage. In contrast, the role of the left-socialists—most often in opposition—was always weaker in this political system.

In general, an over-politicised political system—dominated by party leaders—evolved in all spheres of society (Kristinsson, 1993, 1996). The economy was highly state regulated, and financial institutions were almost exclusively publicly owned. During a long period of import restrictions, party bosses decided who could buy goods, ranging from cameras to jeeps (Ásgeirsson, 1988). In the public sector, political appointments were the rule, not only for higher positions but also, for example, for elementary school teachers and janitors. The interest groups and the cultural sector had strong ties to political parties. The press ‘did not constitute an independent sphere of influence; it was simply yet another arm of party leadership’ (Grímsson, 1976, p. 20).

In the last half of the 20th century, important steps towards a more open economy—similar to the economies of the other Nordic countries—started to take place. In the 1960s, the longstanding government of the Independence Party and the Social

Democrats relaxed import restrictions, and Iceland acceded to GATT and joined the European Free Trade Association (EFTA). In 1972, Iceland made a bilateral trade agreement with the European Economic Community. Both the government of the Progressive Party and Independence Party (1983–1987) and the government of the Progressive Party, Social Democratic Party, People’s Alliance and the Citizen’s Party (1988–1991) introduced important liberalising measures to the economy. In 1994, Iceland joined the European Economic Area (EEA) and introduced four freedoms, which were as follows: free movements of goods, capital, services and persons. In the next decade, extensive privatisation took place, most importantly that of the banks. In a few decades, Iceland had transformed from an unusually state-centred economy to an economy strongly influenced by neo-liberal ideology. In a decade, this greatly increased economic inequality in a country that had been one of the most equal in the world for decades—and joined that group again in the post-crisis period (Ólafsson 2006, 2013; Ólafsson & Kristjánsson 2017).

Not only did this period of Icelandic history see economic liberalisation, but the old party rule in society also gave way to increasing pluralism. Political appointments in the public sector greatly decreased, while politics still played an important role in the selection of higher public officials in ‘strategic positions’ (Kristinsson 2006, 2012, 2018). The ties between newspapers and political parties weakened; in the 1990s, all party-political newspapers died. In 1986, the monopoly of Public Radio and Television was abolished. The links between political parties and interest organisations weakened (Hardarson, 2008).

How did these developments come about? In this chapter, we examine the Icelandic political system during the last century. This discussion represents a necessary background for understanding the dramatic events that took place in 2008 and the following developments in Icelandic politics and society.

Outlines of the modern Icelandic political system

For centuries, Iceland was a Danish dependency. In the 19th century, a peaceful ‘struggle for independence’ took off. In 1845, the old parliament Althingi—founded in 930—was re-established in a novel form with consultative powers. The first Constitution granted Althingi legislative and financial powers in 1874. Home Rule in 1904 brought an Icelandic minister and administration responsible to Althingi—and thus, parliamentarianism. From then on, Icelanders decided most of their domestic affairs independently.

Formally, Iceland became an independent and sovereign state in 1918 and a republic in 1944, when an Icelandic president took over from the Danish king. The new office continued to be mainly ceremonial. However, the president sometimes played an important role during coalition formations and had the formal power to refuse to countersign legislation, at which point, the matter would go to a referendum (Kristinsson, 1999; Hardarson, 2006). No president used this power until 2004.

The leaders of the government parties have always been the most powerful actors in Icelandic politics, at least since the 1930s. Majority government

coalitions became the rule. While Althingi played a stronger role than was the case in many neighbouring countries, most legislation consisted of government bills, and party discipline in Althingi was high, just as it was in the Scandinavian countries (Kristinsson, 2011).

The Icelandic party system

The first Icelandic political parties were formed around 1900—when Home Rule was in sight. The main motivation was probably eagerness to obtain the new prize in Icelandic politics—the office of minister and leadership of the new administration. Those parties were cadre parties of parliamentarians and newspaper editors, largely without mass membership and formal structure outside parliament. While important progressive legislation in many fields was passed during the Home Rule years, the main issues of political discourse were tactics concerning Icelandic independence: Should it be pragmatic or hard-line? The politicians of the two main parties showed clear opportunism on this issue, depending on whether their party was in government or opposition. While the parties were weak on ideology, the public debate tended to be confrontational, nasty and personal. Without any history of the bureaucratic restrictions on political patronage that had developed in the public administration of many neighbouring countries over time, Icelandic politicians handed out favours and jobs to their party colleagues, voters and friends (Hardarson 2004; Kristinsson 1991, 1996). Those characteristics became stronger when a new party system and mass parties replaced the politics of independence.

In 1916–1930, a new four-party system was formed—and has remained the core of Icelandic politics ever since, although new parties have regularly emerged since the 1970s, and especially after the 2008 crash (Figure 2.1). The four parties were based on social and ideological cleavages, following the development of party formation in neighbouring countries (see Lipset & Rokkan, 1967). The Social Democratic Party (1916) and the conservative Independence Party (1929) both had roots in class cleavage, while the urban–rural cleavage led to the formation of the Progressive Party (1916). As in most European countries, a split in the working-class movement and the Russian revolution were the main reasons for the founding of the Communist Party in 1930.

The Independence Party (Sjálfstæðisflokkurinn)

In 1929, the conservative forces in Icelandic politics united in a new party, the Independence Party, mainly as a response to the growing threat from the agrarian Progressive Party and the Social Democrats. From the start, the Independence Party was the largest party in electoral terms—a position the party has kept ever since, except in the first election after the bank crash in 2009, when it came second. From the beginning, the Independence Party had a considerable working-class following and gained some influence in the trade union movement (Hardarson, 1995).

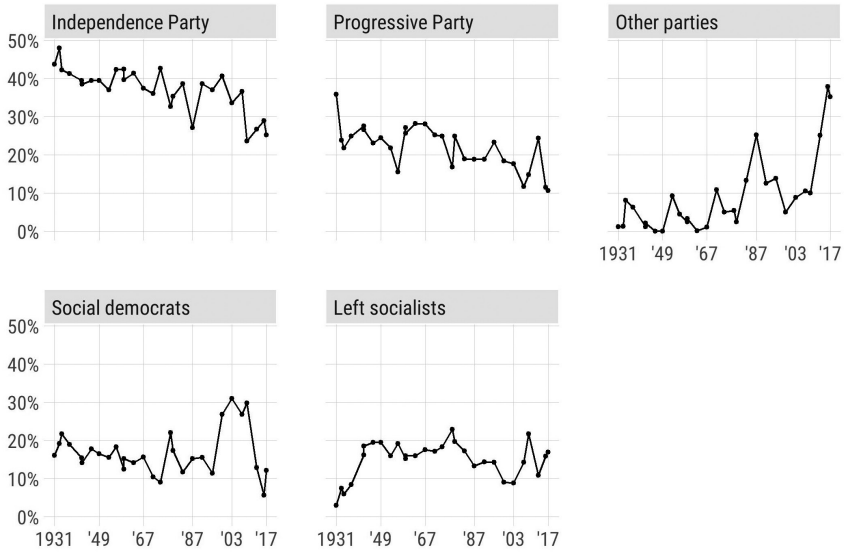


Figure 2.1 Vote share of Icelandic political parties, 1931–2017. Note: Social democrats: the Social Democratic Party, 1931–1995; the Social Democratic Alliance, 1999–present. Left-socialists: Communist Party, 1931–1937; United Socialist Party, 1942–1953; People’s Alliance, 1956–1995; Left-Green Movement, 1999–present. *Source:* Statistics Iceland.

Initially, the party emphasised liberal economic politics, opposing the new class parties that favoured more state interference in the economy and remained mostly in opposition. In the 1940s, the party moved to the centre, accepted a strong role of the state in the economy, accepted the welfare system and became ‘the natural party of government’, taking part in most government coalitions and often leading them.

The economic liberalisation of the 1960s was led by the Independence Party and the Social Democrats. From 1979, the Independence Party moved increasingly towards neo-liberal policies, especially after Davíð Oddsson became party leader and prime minister in 1991.

In 1940, Iceland was occupied by the British; thus, the Icelandic declaration of ‘eternal neutrality’ from 1918 was of little use during World War II (WWII). In 1941, the Icelandic government made an agreement with the United States, and American troops took over the defences of the country. This decision was not highly controversial in Icelandic politics. After the war, however, the continued presence of American forces in Keflavík and Icelandic membership in NATO became a major political cleavage. The Independence Party always strongly supported the US base and NATO membership, and the party leadership was clearly disappointed when the Americans decided unilaterally to close their base in 2006 (Thorhallsson, 2019). The Independence Party supported Icelandic membership

of EFTA in 1970 and the EEA in 1994. In contrast, the party has opposed full Icelandic membership in the European Union.

The Progressive Party (Framsóknarflokkurinn)

The Progressive Party was founded in 1916 as a party of farmers and rural areas. For decades, the party was the second largest in electoral terms. The party has always strongly defended the interests of the countryside and still enjoys much greater support there compared with the urban capital area (Kristinsson, 2001; Önnudóttir & Hardarson, 2018). With decreasing population in the rural areas—and a splinter in 2017—the party’s electoral fortunes have been declining since the 1970s.

The Progressive Party has been a centre party, frequently taking part in government, both in centre-right and centre-left coalitions. The party strongly supported the Co-operative Movement and received generous financial support from the biggest firm in Iceland in return (Kristinsson, 1991; Stefánsson, 1991).

The Progressive Party has always supported NATO membership, and most often also the US base. It opposed Icelandic membership of EFTA, the EEA and the European Union. For a few years at the beginning of the 21st century, the Progressive Party flirted with EU membership under party leader and foreign minister, Halldór Ásgrímsson. The party has never advocated that Iceland should leave EFTA or the EEA.

The social democrats (Social Democratic Party, Alþýðuflokkurinn 1916–1998; Social Democratic Alliance, Samfylkingin 1998–present)

The Social Democratic Party was founded in 1916 as the political arm of the Icelandic Federation of Labour. This formal association between the party and the labour movement lasted until 1942 when trade unionists from the left-socialists and the Independence Party joined hands and managed to cut ties. In the beginning, the party supported traditional social democratic policies of that time, for instance, emphasis on the welfare state and nationalisation. In the late 1950s, the party adopted the Scandinavian social democratic model of combining a market system, a strong welfare system and democracy. From then on, the Social Democratic Party played a major part in liberalising the Icelandic economy in the latter half of the 20th century (Hardarson, 2008).

Due to late industrialisation, the Icelandic working class was relatively small at the foundation of the Social Democratic Party, and the electoral system did not help the party. Besides, the party frequently split, losing its left wing each time. From the 1940s, the Social Democratic Party was usually the smallest of the four major Icelandic parties—in stark contrast to sister parties in Scandinavia.

In 1998, Icelandic social democrats formed a new party, the Social Democratic Alliance, consisting of the Social Democratic Party, the social democratic People’s Movement, the left-socialist People’s Alliance and the Women’s Alliance. The new party obtained around 30% of the vote in its first four elections but suffered

badly after leading its first government 2009–2013, following the crash (see Chapter 3).

The Social Democrats have perhaps always been the most internationally oriented of the Icelandic parties. They have emphasised Icelandic nationalism to a much lesser extent than other major parties have. The Social Democratic Party supported NATO membership and usually the US base. The party played a leading role when Iceland joined EFTA and the EEA. For a quarter of a century, the Social Democrats have supported Icelandic membership in the European Union.

The left-socialists (Communist Party, *Kommúnistaflokkurinn*, 1930–1938; the United Socialist Party, *Sameiningarflokkur alþýðu*—*Sósíalístaflakurinn*, 1938–1956; People’s Alliance, *Alþýðubandalagið*, 1956–1998; Left-Green Movement, *Vinstrihreyfingin—grænt framboð*, 1998–present)

In 1930, Icelandic communists left the Social Democratic Party and formed the Communist Party (which was a member of the Soviet-dominated international organisation *Komintern*), but the party did not have much electoral success. The situation changed in the 1940s, after the foundation of the United Socialist Party in 1938 when the left wing of the Social Democratic Party joined the communists in a new party. In 1942, the United Socialist Party became bigger than the Social Democrats. The Social Democratic Party split once again in 1956 when its left wing joined the United Socialist Party in the People’s Alliance. For the rest of the 20th century, the United Socialist Party/People’s Alliance almost always polled higher than the Social Democrats. The Icelandic left-socialists were stronger than almost all communist and left-socialist parties in Western Europe (Hardarson, 1995, 2006, 2008).

When the Social Democratic Alliance was founded in 1998, some more orthodox left-socialists in the People’s Alliance joined forces with some environmentalists and feminists and founded the Left-Greens. That party took over the left-socialist banner in Icelandic politics and is generally considered the current manifestation of the left-socialist movement in the traditional four-party format.

The Communist Party and the United Socialist Party supported a socialist economy, including widespread nationalisation, and had close ties to Communist parties in Eastern Europe. The People’s Alliance cut those ties and moved slowly towards the political centre, accepting the market system, just as the Social Democrats had done earlier. The Left-Greens have followed in the footsteps of the People’s Alliance, along with placing increased emphasis on environmentalism and feminism. In 2017, Prime Minister Katrín Jakobsdóttir came from the Left-Greens—a role that would have never been trusted to its more anti-system predecessors by the leaders of the three other main parties.

The left-socialist parties were strongly opposed to NATO membership and the US base in Keflavík. When the People’s Alliance took part in centre-left government coalitions in 1956–1958 and 1971–1974, a removal of the base was a part of the coalition agreements (but was not carried out). In 1978, the People’s Alliance participated for the first time in a coalition government without demanding a

removal of the base—and that was also the case in 1980 and 1988. While the left-socialist parties have always opposed NATO membership, this has never been a precondition for taking part in government coalitions. Now, a left-socialist prime minister represents Iceland at NATO meetings.

The left-socialists opposed membership of EFTA, the EEA and the European Union. The People's Alliance and later the Left-Greens, however, have joined coalition governments without demanding Iceland leave EFTA or the EEA. The government of the Social Democrats and the Left-Greens of 2009–2013 applied for EU membership. The parties agreed that Iceland should apply and try to negotiate a deal that would be put to a referendum. In that referendum, the Left-Greens would be free to campaign for a rejection of the deal. The Left-Greens have developed into a pragmatic party.

Other parties: Increasing fragmentation

For decades, the four old parties dominated the Icelandic party system. For 50 years—from the 1930s to the end of the 1970s—the four parties jointly obtained over 95% of the total vote in 13 elections out of 18. Only once in this period was their share slightly below 90% (see Chapter 7). Prior to the 1980s, only three new parties managed to have members elected to the Althingi—for one or two terms each. The four-party system was extremely stable and strong. The four old parties constituted the political establishment, sometimes jointly referred to as the *fourparty* (i. *fjórflokkurinn*).

The situation started to change in the 1980s. In 1987, the *fourparty* received less than 75% of the vote, and a total of seven parties entered the Althingi; in 1983, six parties had been elected for the first time. In six out of eight elections in 1983–2009, the joint vote for the old four was below 90%. However, after the restructuring of the left in 1998, the new Social Democrats and the left-socialist Left-Greens, along with the Independence Party and the Progressive Party, jointly obtained 95% of the vote. However, this was not to last.

From 1983 to 2007, six new parties entered the Althingi, and the total number of parliamentary parties was always five, six or seven. Four of those six new parties only survived for one term, while the Women's Alliance served four consecutive terms and the Liberal Party three terms.

Major changes took place in the aftermath of the crash. In the three elections that occurred in 2013–2017, the four old parties were down to 62–75%. One new party entered the 2009 election, and from 2013 onwards, five new parties entered the Althingi. There were six parliamentary parties in 2013, seven in 2016 and eight in 2018.

The development is reflected in an increase in the effective number of parliamentary parties. In the early 1930s, this number was below three. From 1934 to 2007, it was between three and four, except in 1987, when this number exceeded five (Hardarson, 2002, p. 154). The effective number of parliamentary parties exceeded four in 2009 and 2013, five in 2016 and six in 2017, as further explained in Chapter 7.

Left–right positions of the Icelandic parties

Left and *right* have been the most common words used to describe the general political positions of Icelandic parties, at least since 1930. It was generally accepted that the Independence Party was furthest to the right on the political spectrum, and the Communist/left-socialist parties were furthest to the left. The Social Democratic Party was seen as centre-left, while the Progressive Party occupied a centre position.

Since 1987, we have data from ICENES showing how Icelandic voters generally position the political parties on a left–right scale of 0–10. Voters' classification has been relatively stable from 1987 to 2017 and largely reflects scholars' previous ranking of the four old parties. In the last 30 years, Icelandic voters have positioned the Independence Party from 8.3 to 8.8 on the 11-point scale, with no clear trend. The Progressive Party was usually perceived to be at 5.6 to 6.3, and the Social Democratic Party at 4.9 to 5.6. From 1999, the new Social Democratic Alliance moved a bit further left, obtaining scores of 3.5 to 4.9. The People's Alliance (1.6 to 2.1) and later the Left-Greens (2.2. to 2.4) have clearly been seen as the parties furthest to the left in the party system (Thórisdóttir, 2012).

From 1987 to 2007, we have data on voters' left–right positioning for four of the new parliamentary parties. The Citizens' Party in 1987 was clearly a splinter from the Independence Party; voters put the new party at 7.9, not far away from the mother party, which had a score of 8.8 that year. The Liberal Party was also a splinter from the Independence Party, while voters positioned the new party much closer to the centre at 5.5 in all three elections from 1999 to 2007. To a large extent, the Liberals were a single-issue party, advocating radical changes to the quota system in fisheries.

The People's Movement was a splinter from the Social Democratic Party. The party was founded after an unsuccessful leadership challenge by a left-wing deputy leader in 1994. After the 1995 election, voters put those parties at 3.3 and 5.2 on the left–right scale. The Women's Alliance was not a splinter, but rather a new social movement. The party claimed it was neither left nor right; those concepts were outdated in politics. Voters, however, were ready to position the party, giving it a score of 3.4 to 3.7, clearly seeing the party as left of centre.

After the 2008 financial collapse, six new parliamentary parties emerged. One of them is clearly a splinter party—the Centre Party, formed in 2017 by a former chairperson and prime minister from the Progressive Party, Sigmundur Davíð Gunnlaugsson. In 2017, voters gave the Centre Party a score of 6.1, while the Progressive Party's score was 5.7. After the 2017 elections, the Centre Party moved to the right and showed some populist tendencies.

The Reform Party has been referred to in the public debate as a splinter from the Independence Party, as some of its leaders had been members of that party, and one had served as an MP, government minister and deputy leader of the Independence Party. However, the 'split' from the Independence Party was mainly in the form that party members (not party leaders) left the party, and the split was mainly ideological, not personal. Thus, it is questionable whether the

Reform Party should be referred to as a splinter, and in fact the leadership of the party does not consider it a splinter from the Independence Party. Supporting that, ICENES shows in 2016 and 2017, that voters gave the Reform Party left–right scores of 6.7 and 6.3, while the scores for the Independence Party were 8.6 and 8.4. Reform is clearly seen as closer to the centre than the Independence Party is. The liberal Reform Party supports EU membership, is highly critical of the current systems in fisheries and agriculture and advocates radical currency changes.

In the post-crisis era, four new parties that had no or little ties with the old parties were elected, and all those parties are close to the centre, according to Icelandic voters. The left–right scores were 4.1 for the anti-establishment Civic Movement in 2009, 3.6 to 4.1 for the anti-system Pirate Party in 2013–2017, 4.5 and 4.9 for Bright Future in 2013 and 2016 and 4.7 for the People’s Party in 2017. While the left–right dimension has been most important for decades in Icelandic politics, several other issue dimensions are also of considerable importance, as discussed in Chapters 4 and 9 (see also Hardarson, 1995).

Turnout and recruitment of MPs

In the first half of the 20th century, turnout in parliamentary elections steadily increased, with a temporary drop in the first two elections after women received the vote in 1915. However, women’s participation quickly increased, and since 1934, turnout has always exceeded 80%, except in 2016. For decades, turnout was around 90%, but it has decreased slightly since the 1990s. Nevertheless, Icelandic participation in parliamentary elections is still among the highest in the world.

In the 20th century, recruitment of new Althingi members usually fluctuated between 15% and 35%, without showing any clear trend (Figure 2.2). After the crash, this increased sharply. In 2009 and 2013, the number of new MPs rose to 43% in both elections and to 52% in 2016. In 2017, only one year after the last election, new members still constituted 30% of MPs. In 2021, only nine MPs had first entered the Althingi before the 2008 crash. A majority of MPs—32 out of 63—had first been elected in 2016 or 2017.

Electoral volatility

During the heyday of the four-party system, Icelandic voters remained relatively loyal to their parties. In the 1970s, electoral volatility started to increase because the number of new and successful parties was on the rise. This development became especially clear after the 2008 crash (Figure 2.3).

The electoral system

Ever since the first parliamentary election was held in Iceland in 1844, the weight of votes has been highly unequal between constituencies. This has resulted in a strong rural over-representation in the Althingi. In the first decades of the modern party system, the strength of parliamentary parties in Althingi did not reflect their total vote in elections. This *disproportionality between parties* could, for instance,

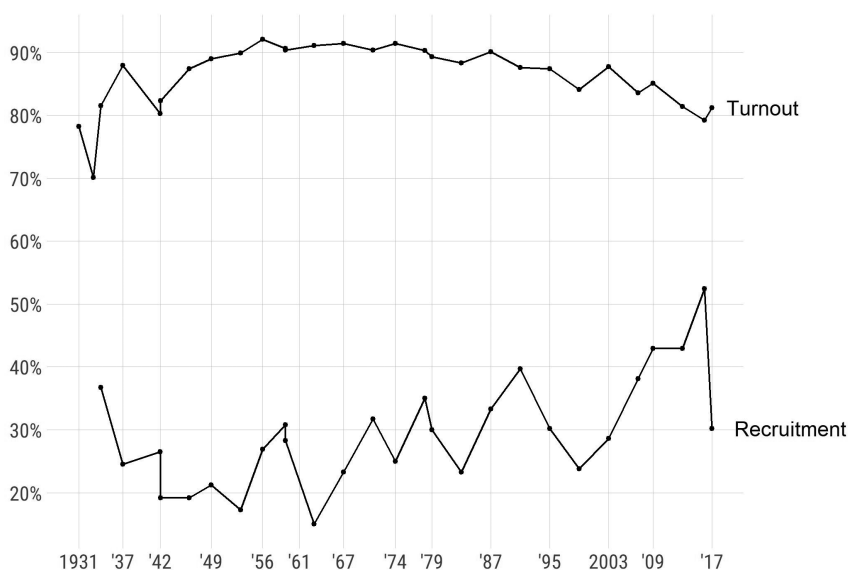


Figure 2.2 Turnout in Althingi elections and recruitment of MPs, 1931–2017. Note: Recruitment is defined as the proportion of new members who had not had a seat in the Althingi in the term previous to the election. *Source:* Statistics Iceland.

be seen in the 1931 election, when the Progressive Party obtained 35.9% of the votes but 58.3% of the seats, while the Independence Party received 43.8% of the votes and 33.3% of the seats. In 1923, the Social Democratic Party's share of total votes was 16.2%, but it only had 2.8% of the MPs (Hardarson 2002, p. 165). The major beneficiary of this inequality was the Progressive Party, which obtained 'bonus members' in all elections until 1987.

The disproportionality between parties was greatly reduced in 1959 when proportional representation was introduced in all constituencies, and it was fully eliminated in 1987. However, large *malapportionment between constituencies* remained. In 2017, 44% of all MPs came from the three rural constituencies, while only 35% of voters resided there. Thus, the rural areas are over-represented *within* all parties. This can have important consequences for policymaking (Valen et al., 2000). In Iceland, malapportionment has, for instance, strengthened parliamentary opposition to EU membership (Kristinsson & Thorhallsson, 2004; Thorhallsson & Vignisson, 2004).

Disproportionality between parties re-appeared in the three last elections. The Progressive Party obtained one 'bonus member' in 2013 and 2017, as did the Independence Party in 2016. With an increasing number of parties, the number of supplementary seats has proven to be too low to ensure the proportionality granted by the Constitution, which is supposed to be carried out in electoral law.

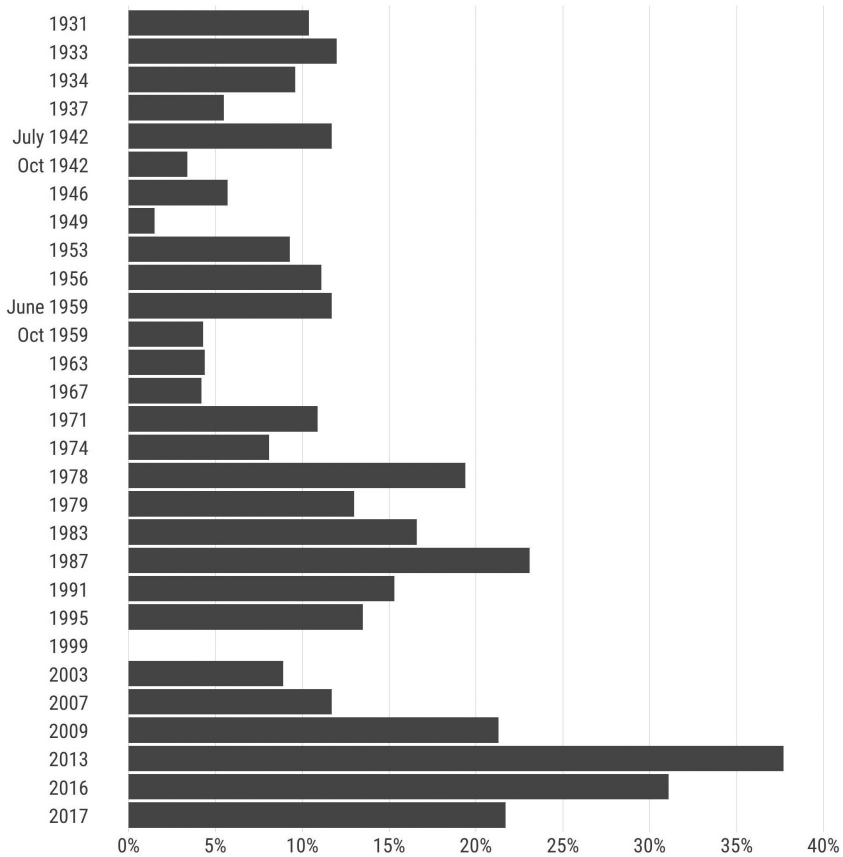


Figure 2.3 Electoral volatility (Pedersen's index), 1931–2017. Note: The 1999 election is omitted; calculations are problematic for that year because the Social Democratic Alliance replaced the Social Democratic Party, and the Left-Greens replaced the People's Alliance. Pedersen's index shows the total gains of all winning parties (including minor parties).

Increasing the number of parties has also led to more parties not achieving the 5% threshold necessary for obtaining supplementary seats. The number of 'dead' votes (i.e. the proportion of voters obtaining no representation in the Althingi) had not been a problem since the introduction of supplementary seats in 1934—in most cases, representing less than 2% and very rarely over 4% of the votes. In 2013, this figure rose to a record high, around 12%. That meant that the total vote needed for obtaining a parliamentary majority decreased from around 50% to around 44%. So far, this has been an exception: The number of 'dead votes' was below 6% in 2016 and below 2% in 2017.

Candidate selection, membership of parties and party financing

Before 1970, candidates were mainly selected by local party committees. However, since 1970, primaries have been the most common method of selection for most of the major parties. Many primaries have been hard fought; after all, the ranking on the party list is usually more important for a candidate than the exact number of party votes in the elections. Many candidates have created strong personal machines and spent a great deal of money on the primary battles (Hardarson & Kristinsson, 2008).

The individual campaigns in primaries have not led to weakening parties or party cohesion in Iceland, in contrast to the common expectation. The parties have remained strong organisations (Indriðason & Kristinsson, 2008). Voting patterns in the Althingi have continued to show strong party cohesion, placing Iceland in a similar position to Scandinavian parliaments and among the strongest in the world (Kristinsson, 2011).

The primaries are probably the main reason for an extremely high party membership in Iceland. According to ICENES, 15–20% of voters in 1983–2003 claimed to be party members, rising to 26–30% in 2007 and 2013. Most members are in fact inactive, except for voting in primaries. Obtaining membership rights is without any material cost, as membership fees are usually not strictly collected (Kristinsson, 2010).

As in many countries, election campaigns have become increasingly professional in recent years, and the importance of volunteerism on behalf of ordinary party workers has declined. This means a greatly increased cost, both for parties and candidates in primaries (Bengtsson et al., 2014). Until 2007, no rules existed on the financing and expenditures of parties and candidates. In the pre-crash years, parties and candidates obtained extremely high contributions from the private sector (Hardarson & Kristinsson, 2008).

A new 2007 law introduced stricter restrictions on contributions than in most Western European countries. That—and the recession after the crash—led to a great loss of party income from the private sector. In contrast, public financing has greatly increased and is quite generous in international comparisons. Now, political parties in Iceland are mostly state funded (Thorhallsson & Hardarson, forthcoming).

Women's representation in the Althingi

The first woman was elected to the Althingi in 1922. In the next decades, one or two women MPs were usually elected each time, although sometimes none were elected. In the 1970s, three women (5%) were elected in each election. Iceland was clearly lagging behind the other Nordic countries.

Since 1983, the number of women MPs has increased in almost a linear fashion (Figure 2.4). In that year, the Women's Alliance ran for election for the first time and had three female candidates elected, resulting in a total of nine female MPs as compared with three in the previous election. Since then, the number of female party leaders, MPs and government ministers has steadily increased,

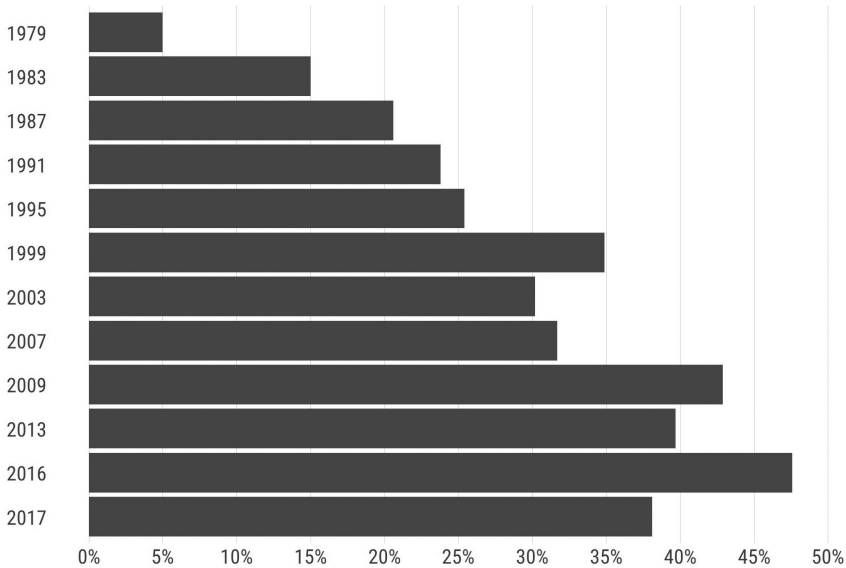


Figure 2.4 Percentage of women MPs in the Althingi, 1979–2017. Source: Statistics Iceland.

and the 21st century has seen two female prime ministers, Jóhanna Sigurðardóttir (2009–2013) and Katrín Jakobsdóttir (2017–present).

The open government coalition system

Since the formation of the four-party format, the Icelandic coalition game has been wide open, in stark contrast to the ‘red’ and ‘blue’ blocs in Scandinavia. Almost all governments have been majority coalitions—also in stark contrast to Scandinavia, where minority governments have been common. The four old parties have formed almost all coalitions; new parties only entered government in 1971–1974, 1989–1991 and in the short-lived coalition of 2017.

Since the foundation of the republic in 1944, the conservative Independence Party has served in government coalitions for more than two-thirds of the time, with the Progressive Party coming a close second. The Social Democrats have been a coalition partner for almost half of the time, compared with a quarter by the left-socialists.

The prime ministership has been in the hands of the Independence Party for more than half of the period since 1944. Prime ministers from the Progressive Party have served for around one-third of the time, and the Social Democrats for around one-tenth. The first prime minister from the left-socialists took office in 2017 (Thorhallsson & Hardarson, forthcoming).

Several government patterns have emerged. Coalitions formed by the Independence Party and the Progressive Party have been most common. Two other patterns have also been relatively common—coalitions of the Independence Party and the Social Democrats and centre-left governments, formed by the Progressive Party with two left-wing parties each time.

All four old parties have taken part in coalitions with all the others. In 1944–1947, the Independence Party led a coalition with the Social Democrats and the left-socialist United Socialist Party. During the Cold War, however, coalitions including both the Independence Party and the left-socialists were out of the question. That changed in 1978 when it became clear that the left-socialists did not make removal of the American base in Keflavík a precondition for government participation. In 2007, the Left-Greens were eager to form a coalition with the Independence Party—like the Social Democrats, who ultimately won that competition. Finally, in 2017, the Independence Party joined a coalition with the left-socialists—and the Progressive Party—under a left-socialist prime minister.

Only once in Icelandic history have the Social Democrats and the left-socialists had the parliamentary strength to form a majority government. That happened in 2009, after the crash.

The most unusual coalition in Icelandic history was the 1980–1983 government. The deputy leader of the Independence Party, supported by a few other MPs from the party, formed a coalition with the Progressive Party and the left-socialists, while the Independence Party was in opposition. Thus, the deputy leader of the Independence Party was the prime minister, while the leader of the same party was the leader of the opposition. The Independence Party rebels who supported this government were not expelled from the party. Most of them continued as MPs for the Independence Party after the 1983 election, having been successful in party primaries. Anything goes in the Icelandic coalition game (Hardarson, 1995).

Since the foundation of the republic in 1944, Iceland has fluctuated between periods of government stability and instability. For the first 15 years, no government coalition served its full term. Twelve years of stability followed with the long-serving three-term coalition of the Independence Party and the Social Democrats of 1959–1971. Then instability returned: in 1971–1991, only two out of eight governments served their full four-year term. Back to stability in 1991: four coalitions served their full term, the Independence Party and the Social Democrats (1991–1995), and the Independence Party and the Progressives (1995–2007). The 2008 crash reintroduced government instability: in 2021, only one government out of six had survived for a whole term, the coalition of the Social Democratic Alliance and the Left-Greens (2009–2013). The current Jakobsdóttir government is likely to be the second.

Besides government instability after the crash, government parties have usually lost votes in the following election, most dramatically in 2013. This is not a new phenomenon in Icelandic politics. Figure 2.5 shows the joint gains or losses of government parties in the Althingi elections of 1931–2017. In this period, 29 elections took place. Only in seven cases did the government parties jointly gain votes. In 22 cases, they lost votes—or in 76% of these elections.

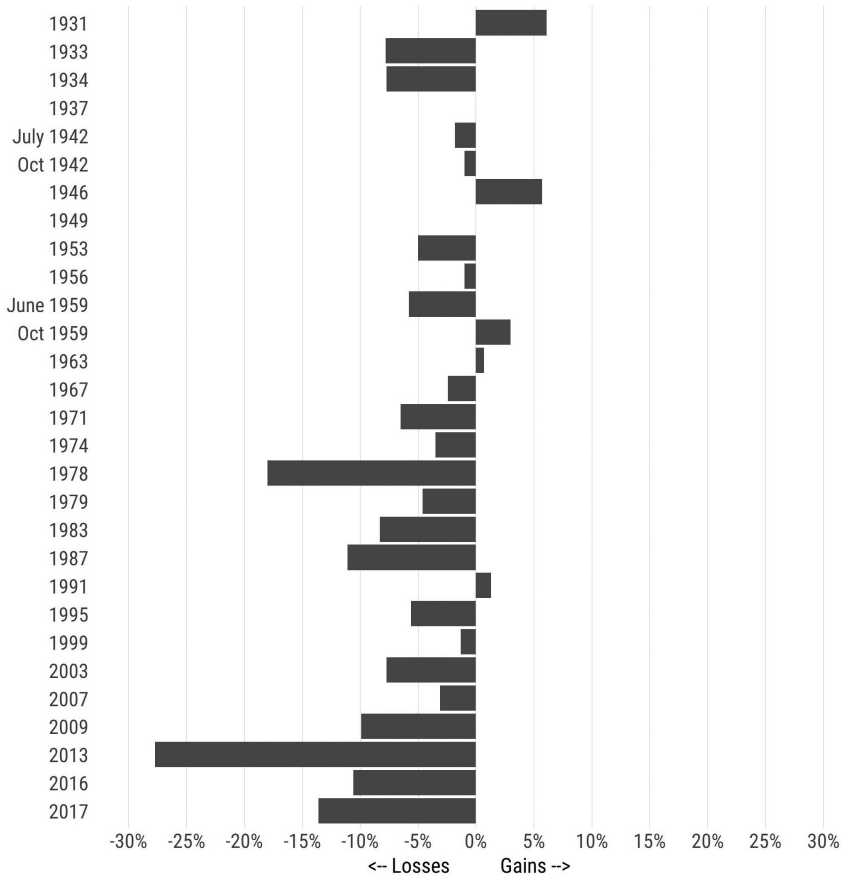


Figure 2.5 Total gains/losses of government parties, 1931–2017. Note: The figures show the joint gains/losses of all government parties. In some cases, one government party may gain while the other(s) lose(s) votes.

Some trends in the fortunes of government parties at the polls can be observed. For the whole period, joint losses of government parties have been on the increase, like they have in many Western European countries (Bengtsson et al., 2014). Since 1967, government parties in Iceland have only once jointly gained votes. Since the crash of 2008, their joint losses have exceeded 10% in all four elections. That only happened twice in almost 80 years before the crash.

Conflict or consensus? Ideology or pragmatism?

For more than 150 years, the political debate in Iceland has been extremely confrontational. Personal attacks have been common. The opposition parties have often opposed government measures, which they would almost certainly have

supported if they had been members of the government. The style of political discourse has more resembled the conflict politics of the UK and the United States than the consensus politics of the other Nordic countries (see e.g. Jónsson, 2014).

When it comes to government participation and government policies, pragmatism or opportunism generally seems to play a greater role than ideology does. All four old parties have worked together in government coalitions. In the 1940s and 1950s, the conservative Independence Party supported patronage and a strongly state-centred economy. While the left-socialists had made the removal of the American base a precondition of government participation in 1956 and 1971, they did not do so in 1978, 1980 or 1988.

Before the 1991 election, the centre-left coalition of the Progressive Party, the Social Democratic Party, the People's Alliance and the Citizens' Party had almost finished negotiating the EEA treaty with the European Union. The opposition parties, the Independence Party and the Women's Alliance had opposed these negotiations. The coalition narrowly kept its majority, despite the Citizens' Party losing all its MPs. As foreign minister, the leader of the Social Democrats, Jón Baldvin Hannibalsson, led the EEA negotiations. Now he doubted that all 32 government MPs would support the deal if the three-party coalition were continued. A single defection would mean that the EEA treaty would be rejected if all 31 MPs from the Independence Party and the Women's Alliance voted against it. The Progressive Party and the People's Alliance offered him the premiership and said they could guarantee plain sailing on the issue. However, Hannibalsson decided to form a coalition with the Independence Party—now ready to support the EEA agreement—and Davíð Oddsson became prime minister. When the agreement finally came to a vote in the Althingi, all Social Democratic MPs and most MPs from the Independence Party voted for the deal, while the People's Alliance and a majority of MPs from the Progressive Party and the Women's Alliance voted against it. During the process, three out of five parties changed their position in a few years: The Independence Party was *against* when in opposition but *for* when in government, the Progressive Party and the People's Alliance were *for* when in government, *against* when in opposition. Only the Social Democrats and the Women's Alliance did not change their stand—the former being a government party during the whole process and the latter in opposition all the time (Hardarson, 1992, 1993).

In many instances, vital legislation has been supported by all parties. Good examples from the last three decades include radical legislation on gay rights, women's rights and parental leave. In the 1980s, all political parties added clauses on environmental protection into their manifestos, although individual parties continued to differ on environmental policies, especially on hydroelectric power plants. Dividing lines in election campaigns prior to the 2008 crisis were generally based on a traditional economic left–right divide concerning issues such as privatisation and welfare, and along a rural–urban dimension, but those divides were less about ideology and more about how to prioritise and divide economic goods.

At the beginning of the 21st century, both Icelandic politicians and the public generally seemed to enjoy the economic boom that followed the privatisation of

the banks and more liberal economic policies. A great feast seemed to be going on, with Icelandic bankers and business leaders breaking into international financial markets and buying up businesses in other European countries. In the political arena, the Left-Greens were the only dissenting voice in the Althingi—and they were accused of being negative and pessimistic, not seeing the great feast that was before them. However, despite these concerns, the left-socialist party was eager to form a government with the Independence Party after the 2007 election, when Prime Minister Geir Haarde, to their disappointment, chose the Social Democrats as his dancing partner instead (Hardarson & Kristinsson, 2008; Árnason, 2019). To some observers, in those boom years, we were witnessing ‘the end of ideology’—if not ‘the end of history’—in Icelandic politics. Then came the crash.

3 The political consequences of the economic collapse

Abstract

This chapter sets the scene for post-crisis politics in Iceland, discussing both the massive size of the economic collapse and the ensuing political turmoil. It describes the severity of the financial collapse and the political protests that followed, which were unprecedented in the history of modern democracy in Iceland, as well as the resignation of the government, with an early election six months after the collapse. The left-wing government that took over had to steer the country through recovery, and the consequences of the financial collapse left a mark on the government's term in office. The post-crisis period has been marked by huge electoral volatility, the rise of new challenger parties and three early elections. Thus, even if the economy settled down, politics did not.

'God bless Iceland'

The global credit crunch in 2008–2009, which offset the Great Recession, hit the Icelandic economy with great force in early October 2008. At 4 pm on October 6, Geir Haarde, the Icelandic prime minister at the time, appeared live on TV to announce that Icelandic banks were on the brink of insolvency and that sovereign default was a real possibility if the government attempted to salvage them all. He ended his speech with the words 'God bless Iceland', a phrase that is almost never used by Icelandic politicians. His use of those words signalled to the public that something serious was going on, and his words are now considered as the starting point, at least in the minds of the public, of the economic crisis and the political events that followed.

Over the next few days, Iceland's three major banks collapsed and were taken into public ownership. Credit lines of the Icelandic banks with foreign banks were terminated along with other services, and for a few weeks, it seemed that the Icelandic economy was teetering on the brink of complete collapse. Emergency laws took effect in November 2008, enabling the government to stage an extensive intervention into the financial system, and capital controls were introduced (Baldursson et al., 2017). In the same month, Iceland entered an International Monetary Fund (IMF) programme, becoming the first Western country to be

bailed out by the IMF in over 30 years (Jóhannesson, 2009). Inflation, which has historically been high in Iceland, rose from 5.8% in January 2008 to 18.6% in January 2009 (Central Bank of Iceland, n.d.), and unemployment, which was almost non-existent in Iceland before the crisis, grew from 3.1% in April 2008 to 9.1% in April 2009 (Statistics Iceland, 2009).

As described by Jóhannesson (2009), the Icelandic authorities' initial response to the crisis was quite chaotic, and it appeared that there was a lack of coherence in the statements of the government and the directors of the Central Bank. A prime example of the lack of coherence has to do with the solvency of Icesave, an online deposit branch of the Icelandic bank Landsbanki, operating in the United Kingdom and the Netherlands. When Landsbanki collapsed, the British and Dutch authorities had taken on the repayment to the depositors in their respective countries, demanding that the money would be repaid by the Icelandic state. While the Icelandic government realised that it would have to negotiate (Jósefsson & Mathiesen, 2010), Davíð Oddsson, the chairperson of the board of governors of the Central Bank (and former prime minister) stated in a TV interview that the government would not pay the foreign debts of Iceland's reckless bankers. A few days later, the British authorities used their anti-terrorism law to seize control of the assets of the Icelandic banks in the United Kingdom—an act that all but ensured the collapse of Kaupthing, the last of the three Icelandic banks still standing, and was to become a major object of political contention, both in the international and domestic arenas.

Before the crisis, the Icelandic banking system had grown exponentially over a short period, and its size was such that it dwarfed the Icelandic economy. Indeed, in 2007, the balance sheet of the three largest banks was nine-fold Iceland's annual GDP (Danielsson & Zoega, 2009). Starting already in 2007, such rating companies as Fitch downgraded the Icelandic economy (Central Bank of Iceland, 2007), and the Icelandic authorities were warned by several foreign specialists and credit rating companies (Jóhannesson, 2009). However, those warnings were written off by the Icelandic authorities, and no action was taken to respond to them. The Icelandic authorities tried to frame the financial crisis as a global problem, not a local problem, and they assigned blame to the business leaders who had owned and abused the banks (Bernburg, 2016). However, the fact that the Icelandic authorities had ignored warnings may have undermined their attempt to avert blame for the economic crisis in Iceland. The lack of coherence in the responses of the authorities and their attempt to avert blame for their lack of control and regulations of the Icelandic banking system was not successful, which can be argued to have been an important factor in the context of the protests that took place in Iceland almost immediately after the economic collapse.

The 'Pots and Pans Revolution'

In early October 2008, citizens started to gather on Saturdays in front of the Parliament House in central Reykjavík, and at the end of October, the first meeting in a series of open meetings under the heading 'citizens meeting' was organised.

Bernburg (2016) describes how the number of participants in the protests, which became known as the ‘Pots and Pans Revolution’ (although it was by no means a ‘revolution’ in a proper sense [Hardarson & Kristinsson, 2010]; the uprising is also referred to as the ‘Pots and Pans protests’), slowly took off in numbers, starting with an estimated 1000 people but escalating quickly in November to between 6000 and 7000 people. Survey data from ICENES in 2009 shows that, when asked, 17% of all respondents said that they did participate in the protests at some point, while 24% of those living in the capital area said that they had participated at some point. Furthermore, in the same survey, 70% said that they had supported the protests. The main demands of the organisers of the protests were that the government should take responsibility and resign, that an early election should be called and that the directors of the Icelandic Financial Supervisory Authority of the Icelandic Central Bank should resign. All three demands were ultimately met.

The protesters not only demanded that the authorities take responsibility by resigning, but in their quest to understand how such a colossal crisis could have happened, they also started to point out flaws in the Icelandic democratic system. Bernburg (2016) describes how those demands developed into a demand for a revision of the Icelandic Constitution—to fix an allegedly flawed political system.

To start with, the Icelandic authorities were not swayed by the protests and sought to delegitimise them on several occasions. Early on, Geir Haarde, the prime minister and leader of the Independence Party, called the protesters a ‘mob’ and demanded they give parliament peace to work. Similarly, Ingibjörg Sólrún Gísladóttir, the foreign minister and leader of the Social Democratic Alliance, stated at a citizens’ meeting that the protesters present were not ‘the people’, implying that they did not speak on behalf of those who did not attend the protest (Jóhannesson, 2009). These and similar comments only seemed to fuel the protesters’ anger.

Shortly before Christmas of 2008, the protest organisers announced that there would be a short break in protesting over the holiday season, but they would be back in full force in January, which is exactly what happened. In January 2009, the protests were on again, and they had escalated in intensity, noise and number of participants. Protests of this scale and length had never before taken place in Iceland, with protesters regularly clashing with the police (Jóhannesson, 2009). What was perhaps a pleasant surprise is that, at a crucial point in the protests, around January 20, when the riots had developed into a harsh confrontation with the police, the protest organisers advocated for a peaceful encounter with the police, stating that—like other members of the public—police officers were suffering losses because of the economic crash (Felixson, 2009; Jóhannesson, 2009). Protesters that supported peaceful cooperation with the police started to show up wearing orange armbands or clothing and even offered the police the ability to stand down as guards, allowing protesters wearing orange to take their place; this offer was accepted when most police officers in riot gear left their posts, leaving only a few officers in uniforms as patrols. In general, the small police force showed remarkable restraint during the protest (Bernburg, 2016).

Faced with a credibility crisis and protests that were unprecedented in the history of Iceland, the government finally gave in at the end of January and resigned, with an early election being called three months later, in April. A few weeks later, the directors of the Central Bank and the Icelandic Financial Supervisory Authority were fired. As already described, the issue of revising the Constitution to fix an allegedly flawed political system was advocated by a great number of protesters, and one of the main campaign issues in the early 2009 election was the revision of the Icelandic Constitution. Since then, the issue of the Constitution has been a political debate, and no change has been made as a response to the demands of the protesters.

The left-wing government of 2009–2013

The government that resigned was a coalition of the conservative Independence Party and the Social Democratic Alliance, enjoying more than a two-thirds majority in parliament. The Independence Party was widely seen as more responsible for the crash than other parties (see Chapter 7), and thus, wanted to delay elections as long as possible in the hope of avoiding an electoral disaster. At the same time, dissatisfaction with the government was growing among the Social Democratic Alliance, who did not succeed in convincing their coalition partner that now was the time to apply for EU membership. Prime Minister Haarde was also unwilling to remove Davíð Oddsson—his former prime minister and leader of the Independence Party—from the post of director of the Central Bank. As mass demonstrations gained strength, the pressure on the Social Democratic Alliance leadership increased, and the party demanded that it had to take over the prime ministership if the coalition were continued. This was obviously unacceptable to the Independence Party, and the government resigned at the end of January 2009.

The Social Democratic Alliance formed a minority government with the left-socialist Left-Green Movement. Jóhanna Sigurðardóttir became the first female prime minister in Iceland, and a few weeks later, became the leader of the Social Democratic Alliance. The Progressive Party promised neutrality until fresh elections could be held. The government promised to continue with the IMF programme of economic recovery, while also emphasising welfare and support for indebted homes, ethics and transparency in government and the initiation of constitutional revision (Hardarson & Kristinsson, 2010).

In the April 2009 election, the four established parties won seats in parliament along with one new party, the Civic Movement, which had roots in the protest movement and received 7% of the vote (Statistics Iceland, 2010). The Liberal Party, a minor party that had held seats in parliament since 1999, did not win any seats and was soon disbanded.

In the 2009 election, the Independence Party suffered its worst loss ever, going from 37% in the 2007 election to 24%. The Social Democratic Alliance, which had entered government in 2007, gained modestly, going from 27% to 30%. The party that gained the most was the Left-Green Movement, with 22% of the vote in 2009, up from 14% in 2007. After the election, the two left-wing parties were able

to form a majority coalition for the first time in history, and they continued their partnership. They were faced with the challenging task of steering the economy through the recession and towards recovery, while at the same time, addressing issues ranging from revisions to the Constitution to accession to the European Union, which was considered by many to be a solution to the crisis in Iceland at the time, household mortgage relief and radical reforms to the fisheries management system. This was an ambitious programme indeed—probably too ambitious as things turned out.

The 2009 election showed that the first response of Icelandic voters after the Pots and Pans Revolution was a strong left-wing swing, while the four established parties were not really challenged. This was soon to change. The left-wing government started with 65% support in the opinion polls. However, this support declined quickly. From September 2010, it never exceeded 40%, and it was down to 28–35% in 2012. Government support figures below 40% had been a rare exception since Gallup started its monthly measurements in 1994 (Hardarson & Kristinsson, 2012).

The local elections in 2010 were the first clear electoral sign of massive discontent with the political establishment. Many voters abandoned the four established parties and voted for new parties, stayed home or turned in a blank ballot. Turnout in local elections was the lowest for decades, at 74%. Over 6% of voters turned in a blank or void ballot, while the average rate of such ballots had been 2% in 1950–2006.

The greatest shock to the establishment was in Reykjavik, where the new Best Party obtained 35% of the vote and became the biggest party in the City Council. The party made fun of the old parties and it had no comprehensive programme; it was difficult to know when the candidates were serious and when they were sarcastic or joking. One of Iceland's most popular comedians, Jón Gnarr, was the leader of the party, and most of the candidates were artists who had no political experience but claimed to be 'nice and competent people'. After the election, Gnarr became the mayor of Reykjavik in a coalition with the Social Democratic Alliance. The Best Party obtained 40% of the Left-Green 2006 local election vote and 30% of the 2006 vote of both the Independence Party and the Social Democratic Alliance. It could be argued that the Best Party may have offered Icelanders an effective outlet to vent their frustration at politics as usual, and in this way, prevented more people from becoming alienated from the political process in general. In Kópavogur, the country's second-largest municipality, two new parties obtained 24% of the vote, and in Akureyri, the largest municipality outside the capital area, a non-party list won an overall majority—the first one in Akureyri's history. In Hafnarfjörður, the country's third-largest municipality, only the four old parties presented candidates. Turnout was at an all-time low of 65%, and 15% of those who showed up at the polling stations turned in a blank or void ballot (Hardarson & Kristinsson, 2011).

In terms of economic recovery, the left-wing government can be said to have been quite successful. Unemployment dropped, inflation was under control, GDP slowly picked up and the economic recovery was hailed as a miracle by foreign

commentators (e.g. Indriðason et al., 2017). According to ICENES, Icelandic voters tended to give the government credit for a successful economic recovery (Hardarson & Kristinsson, 2014). Regardless, the left-wing government was voted out with a bang in the 2013 election as the government jointly lost a whopping 28% of the vote. This was the greatest government loss in Icelandic electoral history.

At least five factors contributed to the electoral disaster; these are as follows: the Icesave issue; the application for EU membership; mortgage relief for struggling households; problems with the new Constitution; and serious internal strife in the parliamentary group of the Left-Green Movement. The Icesave issue concerned deposit accounts of the Landsbanki in Britain and the Netherlands, based on rules of free movement of capital in the agreement of the EEA from 1994. When the bank fell, it was clear that the Icelandic Depositors' and Investors' Guarantee Fund (DIGF), formed according to EEA rules, would not be able to repay the considerable foreign deposits. The British and Dutch governments, however, decided to compensate each depositor in their countries with up to the European minimum of €20,877, and they demanded that the Icelandic authorities guarantee repayment of the sum. The Icelandic government claimed that there was a legal doubt as to whether Iceland had to pay anything in excess of the DIGF payments, but they were nevertheless ready to start negotiations with Britain and the Netherlands. Bitter disputes and tough negotiations followed in the next years.

A first settlement relating to Icesave, reached in June 2009, met with fierce resistance in Iceland by the opposition in the Althingi, several Left-Green MPs and the public. The Althingi subsequently made changes to the agreement, which the British and the Dutch could not accept. A second agreement was reached in October. That controversial deal was narrowly accepted by the Althingi in December. In January 2010, President Grímsson rejected countersigning the legislation, which then went to a referendum according to the Constitution. Before the referendum, the government declared that it would not campaign for its legislation, as a better deal was already on the table. In the referendum, 98% of voters rejected the Icesave legislation (Hardarson & Kristinsson, 2010, 2011). The third Icesave agreement was reached in 2011. Now the bill was accepted by 73% of MPs. All Social Democrats in the Althingi voted for the deal, as did most MPs from the Left-Green Movement and the Independence Party, including the party leadership. The Progressive Party and the Movement (former the Civic Movement) were opposed. Unexpectedly, President Grímsson decided to put this legislation to a referendum. The deal was rejected by 60% of voters (Hardarson & Kristinsson, 2012. Helgadóttir & Ólafsson, 2021).

In January 2013, the Icesave issue was finally solved when the EFTA court ruled that Iceland should be acquitted of all claims made by the British and Dutch governments. This greatly strengthened the Progressive Party—which had opposed all Icesave deals—in the election taking place three months later (Hardarson & Kristinsson, 2014).

A second major problem for the left-wing government 2009–2013 was the application for EU membership. When the majority coalition was formed after the 2009 election, it was clear that such an application was a precondition for

Social Democratic Alliance's government participation, while most Left-Greens were sceptical or opposed. It strengthened the bargaining position of the Social Democratic Alliance that, before the election, the Progressive Party and the Civic Movement had come out in favour of application; jointly, those three parties obtained 33 out of 63 MPs. The Left-Greens accepted that Iceland would apply for EU membership and the government would negotiate a settlement that would then be put to a referendum, in which the Left-Greens were free to fight against membership if they chose (Hardarson & Kristinsson, 2010). The fact that one of the government parties was not committed to EU membership weakened the coalition. The accession process created friction within the Left-Green Movement, both in parliament and cabinet. Slow but considerable progress towards reaching a membership deal that could be put to a referendum took place during the electoral term, but negotiations were not finished before the 2013 election (Hardarson & Kristinsson, 2015). On this score, the government had failed to deliver.

The third factor that contributed to the catastrophic electoral loss of the 2009–2013 incumbent parties was the matter of mortgage relief to shelter households that struggled with payments after the crisis (Indriðason et al., 2017). This became an unusually salient issue due to peculiarities in mortgage financing in Iceland. Because of the instability of the Icelandic krona during the 20th century, mortgages in Iceland have generally been price indexed, meaning that the capital of mortgages increases when inflation is high. Furthermore, before the crisis, interest rates in Iceland had increased to such an extent that it became an attractive option for Icelanders to take out loans and mortgages in foreign currency. As the Icelandic krona plummeted during the financial collapse and high inflation ensued, the principal of household debt increased automatically, pushing many households underwater with their mortgages (Ólafsson & Vignisdóttir, 2012). The perception that the government had failed to address the issue of mortgage relief adequately proved to be an important issue for opposition parties to highlight during the 2013 campaign (Indriðason et al., 2017).

The fourth problematic issue for the left-wing government was a new Constitution. Before the 2009 election, the left-wing minority coalition tried to amend the current constitutional provisions on constitutional changes, making it possible to approve such changes in a referendum—instead of needing an additional election if the Althingi passed a law on constitutional changes. While there was a majority in the Althingi supporting this change, the Independence Party used filibuster tactics and successfully prevented the bill from coming to a vote before the election (Hardarson & Kristinsson, 2010).

After the 2009 election, the left-wing government decided to create a constituent assembly that would make proposals for constitutional changes to the Althingi. Twenty-five members were elected by single transferable vote, with the whole country as one constituency. MPs and cabinet members could not run. There were no lists; the voters could rank up to 25 out of 522 candidates, most of them little known. This made the choice complicated for the voters, and no serious debates on constitutional issues could take place before the election. Turnout was only 37%—the lowest in any national election since 1916.

After the election, the Supreme Court had three complaints about the conduct of the election. The court unexpectedly ruled to nullify the results. This was a drastic step because there was no suspicion that the technical issues that the complaints concerned had any impact on the election results. The Althingi decided to offer the 25 elected individuals a seat on a new advisory Constitutional Council. All but one accepted. The Council convened in April 2011 and presented a draft of a new Constitution to the Althingi at the end of July. The draft was radical in several ways and met with a mixed response (Hardarson & Kristinsson, 2011, 2012).

In October 2012, the left-wing government held an advisory referendum on constitutional issues. On a 49% turnout, 67% of voters agreed that the Constitutional Council's proposals should form the basis of a new Constitution. Five additional questions on constitutional matters were also asked. Despite severe criticism on its handling of the constitutional process—both procedure and substance—the government decided to try to get a constitutional bill through the Althingi before the 2013 election that was due in only six months. Many MPs and academics expressed the view that more time was needed to make necessary revisions to the draft bill (Hardarson & Kristinsson, 2013). Time was running out. In the end, the bill never came to a vote in the Althingi. Again, the government failed to deliver.

The fifth major problem of the left-wing government was internal strife within the Left-Green Movement, especially concerning Icesave and the EU application. Several government MPs did not hesitate in criticising their own government harshly and openly. One Left-Green government minister was accused of using his ministry to delay the EU membership negotiations. At times, some government MPs did not support the government in important votes in Althingi. Prime Minister Sigurðardóttir complained that 'herding cats' was a major problem. In 2011, three Left-Green MPs left the parliamentary party, and when one MP left the Social Democratic Alliance in 2012, the government formally became a minority government (Hardarson & Kristinsson, 2012, 2013).

The right-wing government of 2013–2016

The 2013 election was not only a disaster for the government parties, the Social Democratic Alliance and the Left-Green Movement. The centre-left wing of Icelandic politics was in total disarray. A total of 14 parties fielded candidates, almost half of the voters switched parties, and according to Pedersen's index, net volatility was at an all-time high of 38% (see Chapter 2). Two new parties managed to have MPs elected—Bright Future (centre, 8%) and the Pirate Party (centre-left, 5%). The remaining eight parties that ran unsuccessfully for the election jointly obtained almost 12% of the valid votes, a figure usually below 2%. Most of those parties were centre-left.

The Independence Party recovered slightly from the 2009 disaster with 27%, gaining 3%. In contrast, the major victor was the Progressive Party, which gained 10% from 2009, ending up with 24% of the vote. The Progressive Party formed a coalition with the Independence Party after the election. Due to the high number

of ‘wasted/dead votes’, the two parties obtained 60% of MPs, while their joint vote share was 51%.

The Icesave ruling by the EFTA court in January 2013 was a clear turning point for the Progressive Party. In January, the party stood at 15% in the Gallup polls, as had been the case for most of the electoral term. Their support increased by 10% during the three remaining months of the election campaign. The party’s hard-line position on Icesave seemed to have borne fruit (Indriðason et al., 2017).

This ruling also seemed to give credibility to the Progressives’ bold election promises on housing debts and inflation–indexation, widely seen by other parties and many experts as irresponsible and populist—just as had been the case concerning the party’s opposition to the last Icesave deal in 2011 (Hardarson & Kristinsson, 2012, 2014). How to solve the mortgage issue was in its essence a redistributive issue about whether and by what means aid should be provided to households that were hit the hardest. Given that the left-wing government that took over in 2009 had not managed to solve this sufficiently, they were vulnerable to criticism by opponents, and their opponents, specifically the Progressive Party, managed to capitalise on the issue (Indriðason et al., 2017).

Unusual bedfellows? Governments after the 2016 and 2017 elections

Since the 2013 election, two more elections have been held, both early elections, in 2016 and 2017. In both cases, scandals brought the government down. In April 2016, it was revealed in the Panama papers that Sigmundur Davíð Gunnlaugsson, the prime minister at the time, together with his wife, owned large sums of money in offshore accounts. When interviewed about this by Swedish national TV, before the Panama papers were revealed, the prime minister was caught lying and stormed out of the interview. Once again, protesters gathered in front of the parliament to demand the resignation of the government and an early election. Prime minister Gunnlaugsson resigned, the government continued under the premiership of Sigurður Ingi Jóhannsson (deputy leader of the Progressive Party) and an early election was called in the autumn of 2016 (Hardarson & Kristinsson, 2017). After that election, a three-party government coalition took over, led by the Independence Party together with two new parties that had emerged since the economic crisis, Bright Future (centre) and the Reform Party (centre-right). Only twice before (1971–1974 and 1989–1991) had a new party taken part in a government coalition.

The three-party coalition had only lasted for one year when it was brought down by yet another scandal. The scandal had to do with the question of ex-convicts’ applications for so-called restored honour. The matter was much debated during the summer months of 2017 when it emerged that a convicted child molester had been granted a restored honour. When the Ministry of Justice was forced to make public their records of those who had been granted restored honour since 1995, it was revealed that the father of Bjarni Benediktsson, the prime minister at the time, had recommended that another ex-convict, a child molester, be granted this restored honour. It was also revealed that the prime minister had known about this

Table 3.1 Electoral support of parties in Iceland, 1983–2017

	% of vote										
	1983	1987	1991	1995	1999	2003	2007	2009	2013	2016	2017
The four established parties elected:											
Independence Party	38.7	27.2	38.6	37.1	40.7	33.7	36.6	23.7	26.7	29.0	25.2
Peoples' Alliance/Left-Green Movement	17.3	13.3	14.4	14.3	9.1	8.8	14.3	21.7	10.9	15.9	16.9
Progressive Party	19.0	18.9	18.9	23.3	18.4	17.7	11.7	14.8	24.4	11.5	10.7
Social Democratic Party/Social Democratic Alliance	11.7	15.2	15.5	11.4	26.8	31.0	26.8	29.8	12.9	5.7	12.1
The sum for the four established parties	86.7	74.7	87.4	86.1	95.0	91.2	89.5	90.0	74.9	62.1	64.9
Other parties elected:											
Alliance of Social Democrats	7.3										
Women's Alliance	5.5	10.1	8.3	4.9							
Citizens' Party		10.9									
Association of Equality and Social Justice		1.2									
People's Movement				7.2							
Liberal Party					4.2	7.4	7.3				
Citizen's Movement								7.2			
Bright Future									8.2	7.2	
Pirate Party									5.1	14.5	9.2
Reform										10.5	6.7
People's Party											6.9
Centre Party											10.9
The sum for the other parties	12.8	22.2	8.3	12.0	4.2	7.4	7.3	7.2	13.3	32.1	33.6
Others and outside parties (not elected)	0.5	4.2	4.3	1.9	0.8	1.4	3.3	2.8	11.8	5.7	1.5
Number of parties running	6	9	11	10	8	7	6	7	15	12	11
Number of parties elected	6	6	5	6	5	5	5	5	6	7	8

Source: Statistics Iceland 2017.

for two months and had not informed the leaders of the other government parties. Bright Future claimed that there had been a serious breach of confidence and left the coalition. Instead of trying to form a new government, the prime minister called for a new election in the autumn of 2017. Following that election, it took more than two months of negotiations until three of the established parties formed a government coalition, led by the left-wing Left-Green Movement and including the centre-right Independence Party and the centrist Progressive Party (Hardarson & Kristinsson, 2018). With the government, Katrín Jakobsdóttir, the leader of the Left-Green Movement, became the first left-socialist prime minister of Iceland.

Some could argue that, as of this writing—a little over 12 years after the economic crash and the protests that ensued—little has changed when it comes to Icelandic politics. The Constitution remains the same; the established parties have been leading one government after another; and to some extent, the same political leaders steer the country. However, taking a closer look shows there are some changes that seem to have occurred. While it has not been unusual that one or two smaller parties have campaigned in Iceland in addition to the four established parties, the growing number of new parties (meaning parties that are not one of the four established parties—they can also be referred to as outsider parties, challenger parties or splinter parties) running and elected has steadily increased since the 2009 election (see Table 3.1). In 2009, one new party was elected (Civic Movement); 2013 saw two new parties elected (Bright Future and Pirate Party), in 2016, there were three new parties (Bright Future, Pirate Party and Reform); finally, there were four in 2017 (Centre Party, People's Party, Pirate Party and Reform). The success of new parties since the crash reflects that the dominant status of the four established parties has weakened. An increase in the number of parliamentary parties indicates that the Icelandic political system has become more fragmented. One consequence of this shift is that the options for a two-party government with a majority are today more limited than they were before, and in more recent elections, the minimum number for a majority government has been three parties.

One could say that the Pots and Pans protests are unique in the sense that they ended when all the main demands of the protesters were met. This is so even if those who strongly supported the protests and/or took part might have wished for more revolutionary changes or different types of changes than have occurred since then. The revision of the Constitution is still being debated at the time of writing, to the great frustration and disappointment of the advocates for revision (Ásmundsdóttir, 2019; *Nýja stjórnarskrá*, n.d.). Politics have been turbulent in the post-crisis period, with three early elections, political scandals, a record number of parties running for elections and an increase in the number of new parliamentary parties. At the same time, the established parties have taken turns leading the government, and for some, it seems that things are settling into a similar track to the one that led to the collapse of the Icelandic banking system. In the remaining chapters of this book, we analyse what has changed, and what has not, in Icelandic politics, focusing on issue-cleavages, political support, participation and reshuffles/changes within the party system when it comes to voters' allegiances with parties and issue positions.

4 The issue preferences of the mass public and their social structural antecedents

Abstract

How the Great Recession unfolded in Iceland represents an ideal case to study the effects of economic crises on the policy preferences of the mass public. Its size and abruptness had every potential to disrupt taken-for-granted assumptions about fundamental political issues, and as such, can be considered a most likely case for preference change. In this chapter, we consider attitudes towards two major issues areas that were greatly affected by the crisis—the role of the state in the economy and Iceland’s relations to the external world. Based on the measures we construct for issue preferences and using multiple regression analysis, we find evidence that Icelandic voters became somewhat more averse to both market liberalism and internationalism, shifting in the direction of preferences for more state intervention and isolationism. In exploring differences in the preferences of socio-economic groups, we find that the relative preferences of different groups mostly moved in parallel over the crisis years, suggesting that the crisis did not have an overall polarising effect on the public.

The Great Recession and changes in issue preferences

In the autumn of 2008, the Icelandic ‘economic miracle’ was swept away. The mass public was faced with a new, uncertain political reality. While mainstream political parties had increasingly accepted and converged on various market liberalising economic reforms before 2008, the Great Recession provided an opportunity to radically change this consensus. At the same time, issues related to Iceland’s external affairs, including the question of joining the European Union and Icesave, were put prominently on the political agenda in the following years.

How did these events affect the issue preferences of the Icelandic mass public? In many ways, the Great Recession and ensuing events represent a perfect storm to examine the effects of economic crises on mass public preferences. The size and abruptness of the crisis had the potential to disrupt taken-for-granted assumptions about fundamental political issues, such as the role of the state in the economy and Iceland’s position in the world economy. In that context, the Icelandic mass public can be viewed as a ‘most likely’ case of preference change following

an economic crisis. If we observe no major shifts in attitudes following such a disruptive economic crisis, it throws doubt on the general idea that economic crises profoundly and systematically shift preferences. This is informative because prior work on the effects of economic crises on preferences has reached contradictory conclusions (Ferguson et al., 2013).

Building on prior work on Icelandic politics (Hardarson, 1995; Þórisdóttir, 2012; Bengtsson et al., 2014), as well as recent work on the emergence of a new international or transnational dimension of political preferences in Western Europe (Kriesi et al., 2008; Häusermann & Kriesi, 2015; Hooghe & Marks, 2018), we focus on two dimensions of issue preferences: First, we look at preferences on an economic state–market dimension, the conventional socio-economic dimension that has long characterised politics in advanced democracies. Second, we consider an international dimension, which captures aspects of the conflict between those who seek ever-closer integration across national borders and those who are more inward-looking in their attitudes (De Vries, 2018).

We delineate existing theories on the potential effects of the economy on mass political preferences and apply them to the Icelandic case. From a theoretical perspective, such work has primarily focused on the effects of economic crises on redistributive preferences (e.g. Merola & Helgason, 2016), with some work focused on how economic recessions affect preferences over various aspects of the international dimension (e.g. Hobolt & Wratil, 2015; Mansfield, Mutz, & Brackbill, 2019). We also evaluate to what extent the preferences of different social groups moved in tandem throughout the crisis period, that is, whether the economic crisis had a polarising or convergent effect on group differences in preferences or whether the preferences of different groups moved in parallel throughout the crisis period (Page & Shapiro, 1992; Gonthier, 2017).

We base our analysis on the ICENES data from 1983 to 2017, focusing both on mean changes in issue preferences on the two dimensions under study and polarisation between social groups. In particular, we ask whether the economic crisis of 2008 shifted and/or polarised preferences in the elections of 2009, as well as whether any of those preference changes persisted over the following elections. Based on the measures we construct for issue preferences and using multiple regression analysis, we find evidence that Icelandic voters have become somewhat more averse to both market liberalism and internationalism, shifting in the direction of preferences for more state intervention and isolationism.

We find robust and somewhat expected effects of social structural variables on these two issue dimensions. On the economic state–market dimension, men, young voters, individuals with high household income, those working in the private sector and those with low education are more supportive of market liberalism on average, while on the isolation–integration dimension, men, young voters, high-income voters, highly educated voters and those living in the capital area in Iceland are more supportive of increasing international integration on average. We find that these differences persist throughout the crisis years, with social groups mostly moving in parallel rather than polarising.

Dimensions of attitudes and economic crises

Before evaluating the effects of the Great Recession on issue preferences, one must first address the more fundamental question of *which* issue preferences to analyse. This can both be done with respect to the fundamental dimensions of issue preferences, which might differ across countries and across time, as well as in light of which preferences we might expect an economic shock of the size of the Great Recession to affect. Below, we discuss these two questions in succession, first about the potential dimensionality of issue preferences to focus on, and second, how we might expect crises to affect preferences.

How are the issue preferences of voters structured? Voters may have a variety of attitudes over different political issues. When we talk about dimensions of issue preferences, we implicitly assume that there are latent ideological dimensions underlying these attitudes, such that attitudes over similar issues are in some way internally consistent and coherent (Rovny & Marks, 2011). In other words, attitudes towards similar issues (e.g. taxation and welfare, trade and international openness) are similar and coherent enough to speak of a common ‘dimension’ of attitudes. This is in contrast with the view that there is no underlying dimensional structure to attitudes, that is, that voters have idiosyncratic views on specific issues that do not amount to a consistent ideological dimension or belief system (Converse, 1964). While the number of dimensions structuring attitudes could in principle be infinite, most research on dimensionality limits the number of dimensions to one, two or three dimensions (Rovny & Marks, 2011). The underlying justification for such a simplification of voter attitudes is that political competition has low dimensionality, that is, that political parties compete for votes based on relatively few coherent key issues, rather than being based on multiple disparate issues. As such, the number of *politically relevant* issue dimensions should be low (Benoit & Laver, 2012).

Whether such issue dimensions emerge primarily from the bottom up (a sociological perspective) or from the top down (a strategic perspective) is an open question. The bottom-up approach assumes that enduring social conditions structure the issue preferences of voters and that these dimensions are then translated into political competition (Lipset & Rokkan, 1967). From this perspective, changes in voters’ opinion should precede changes in the political position of parties, as political elites are responsive to shifts in voters’ issue preferences (e.g. Hakhverdian, 2012; Wleizen, 2004). Conversely, the top-down approach assumes that political actors can fundamentally manipulate the dimensions of political competition from election to election based on their political interests and that the issue dimensions that emerge among voters are fundamentally structured by these elite manipulations (e.g. Schattschneider, 1960).

The effects of the Great Recession on Iceland offer an interesting case study in evaluating the sociological and strategic perspectives in tandem. While the sociological perspective is based on the premise that social conditions have enduring and slow-changing effects of preferences, the strategic perspective allows for a more fluid and fast-changing approach (Rovny & Whitefield, 2019). The

abruptness of the Great Recession, with the ensuing reshuffling of the political environment (see Chapter 3), should have created ample opportunities for political entrepreneurs to challenge the pre-crisis *status quo* and introduce or increase the salience of alternative issue dimensions in the wake of the Great Recession (Van de Wardt et al., 2014). The Great Recession therefore had the potential to greatly affect the strategic perspective while having limited effects on the sociological perspective.

Issue dimensions of Icelandic politics

Relatively little has been written on the substantive issue preferences of Icelandic voters. An important exception is Hardarson's (1995) *Parties and Voters in Iceland: A Study of the 1983 and 1987 Althingi Elections*, which was the first major scholarly analysis of Icelandic voters. In the book, Hardarson uses exploratory factor analysis to develop several attitude indices, including left–right, old–new economy and populist attitudes in both elections; morality for the 1983 elections; and environmental attitudes for the 1987 elections. His findings suggest that left–right attitudes concerning the role of the state in the economy and welfare, as well as old–new economy attitudes (which might also be called urban–rural attitudes), have a strong relationship with party vote, although they generally proved to be weaker than they are in neighbouring Norway and Sweden. More recent work by Þórisdóttir (2012) confirms that the left–right axis, in terms of where people place themselves on a left–right scale, continues to be stable and well defined among Icelandic voters, and most of them are willing and able to locate themselves on the dimension.

Traditionally, the left–right dimension is closely associated with attitudes towards the role of the state in establishing an encompassing welfare system that ameliorates the effects of markets on living conditions, with voters preferring state intervention on the left and voters supporting a free market on the right. The finding that attitudes towards market liberalism play an important role among Icelandic voters accords well with the historical structure of the Icelandic party system (see Chapter 2 for more details). Indeed, during most of the 20th century, the economic state–market axis played an important role in structuring electoral competition, with the dominant right-wing Independence Party opposed by two smaller left-wing parties.

As discussed in Chapter 2, the relationship of Iceland to foreign countries has long deeply affected political competition among Icelandic parties. Many of the most contentious issues of the post-WWII era have been related to foreign affairs, including the Icelandic association to NATO, the presence of a US military base in Iceland until 2006, the cod wars (a series of disputes between the UK and Iceland over fishing rights), joining EFTA in the 1970s and the EEA in the 1990s, and of course, the perennial question of whether Iceland should join the European Union. This international dimension, historically dubbed as a conflict between integrationists (i. *opिंगáttarmenn*) and isolationists (i. *innilokunarmenn*), has always been strongly associated with the urban–rural dimension of Icelandic

politics, with parties enjoying strong support in rural areas advocating sovereignty and the clear demarcation of national borders from the outside world, while urban parties have pushed for more integration, especially with the European project.

The political relevance of the two dimensions, one economic and another international, are not unique to Iceland. While the economic dimension has always played an important role in Western European politics, recently, there has been increasing scholarly work suggesting that the international dimension is becoming the most important ‘second’ dimension of European politics (Kriesi et al., 2008; Häusermann & Kriesi, 2015; Hooghe & Marks, 2018). Although this dimension has been variously labelled, for example, the ‘integration–demarcation’ dimension and the ‘cosmopolitan–parochial’ dimension, the different conceptualisations agree on the rising importance of the national and transnational in domestic politics.¹

The Great Recession and issue preferences

How does an event like the Great Recession affect politically relevant issue preferences? Much of the literature on the effects of economic crises on preferences is focused on attitudes towards the welfare state and income redistribution, with other issue dimensions less studied. The direction of the effects of crises on redistributive preferences, however, is still an open debate (Ferguson et al., 2013; but see Merola & Helgason, 2016). One school of thought, commonly grouped together under the rubric of ‘policy mood’, suggests that economic crises should lead to less demand for redistribution among the public (Durr, 1993; Stevenson, 2001). In this view, welfare policies and income redistribution are considered ‘luxury goods’ in the minds of voters, and a worsening economy should lead voters to prefer less spending on welfare policies. Alternatively, the ‘economic need’ perspective predicts that, as economic crises bring about a greater need for state involvement, voters become more supportive of such measures (Blekesaune, 2013). A third perspective suggests that economic crises do not have a consistent effect on preferences either way (Kenworthy & Owens, 2011).

The schools of thought outlined previously all concern the mean level of aggregate preferences over state involvement versus market liberalism. However, economic crises could also affect the dispersion of preferences over the economic dimension (Gonthier, 2017; Page & Shapiro, 1992). This would not involve the public becoming more or less left wing or right wing, for example, concerning economic issues or following a crisis, but rather, it would mean that different social groups would become more polarised, for example, because economic crises have heterogeneous effects on the welfare of different social groups. Thus, one could imagine that, following a crisis, welfare policies would become more salient, and low-income and high-income groups would become more polarised in their attitudes.

While the literature on the effects of the economy on redistributive preferences is well developed, much less work has been done on the effects of economic crisis on preferences over the international dimension. Recent work, however,

has analysed specific aspects of the international dimension in the wake of the Great Recession, with conflicting results. Mansfield and colleagues (2019), for example, show that the American public became more protectionist in their attitudes towards trade after the crisis, while Hobolt and Wratil (2015) find that the crisis had limited effect on support for the euro among European publics and Hatton (2016) finds that attitudes towards immigrants in Europe are only weakly related to the economic contraction that countries experienced during the Great Recession.

Given the large effects of the Great Recession, which was a global economic crisis, on Icelandic society, and in particular, how they catapulted issues related to Iceland's relations to other countries to the foreground, there is every reason to expect the economic crisis to greatly affect preferences over the international dimension. While this dimension has always played an important role in Icelandic politics, it was pushed to the front in the years following the crisis. Iceland's application to join the European Union in 2010 (later to be withdrawn after the 2013 election), its diplomatic dispute with the British and the Dutch authorities concerning the Icesave accounts and the bailout from the IMF are all examples of foreign relations that might have increased the saliency of issues concerning transnational relations with other countries. Thus, voters who may not have given much thought to foreign policy were forced to grapple with such issues.

To summarise, in the analysis that follows, we focus on two politically relevant issue dimensions—the economic dimension and the international dimension. We have outlined arguments suggesting that the crisis should change the mean level of attitudes and their dispersion. In addition to exploring the aggregate development of the policy mood, we also examine the social structural antecedents of issue preferences and whether they changed over the course of the crisis.

Empirical analysis

We base our analysis on data from ICENES, focusing on the elections between 2007 and 2017, although we use single-item questions to analyse longer-term developments. ICENES includes several items related to our main dimensions of interest—an economic dimension, which we dub the state–market dimension, and an international dimension, which we dub the isolation–integration dimension (in reference to the historical conflict in Iceland between the camps of isolationists and integrationists). By measuring changes to these latent dimensions across elections, we seek to evaluate to what extent the Great Recession affected issue preferences, both in the short and long term.

Our analysis proceeds in three parts. First, we construct issue scales for the two issue dimensions based on a deductive approach. Thus, rather than focusing on individual questions, we combine several variables, which has the upside of reducing measurement error and increasing the reliability of our analysis (Ansolabehere et al., 2008). Second, we employ multiple regressions to evaluate the extent to which average preferences have changed over time, as well as to what extent social structural variables are associated with differences in market

liberalism and internationalism. By doing so, we gain insight into the issue preference configurations of different societal groups. Finally, we evaluate the extent to which the preferences of social groups have changed in parallel across elections, again using multiple regression.

Constructing issue scales

We construct two issue dimension scales using variables that are available across all elections from 2007 to 2017. Unfortunately, most questions are not available in all waves since 1983, which constrains our analysis considerably. We use confirmatory factor analysis to create the two issue scales. Because the questions were not purposely collected to measure the two issue scales of interest, we are likely to have to settle for relatively low reliability. However, for lack of a better alternative, we employ this method.² To allow us to explore long-term developments in issue preferences, we select one key question from each issue scale, which we track further back in time.

To operationalise the state–market dimension, we use three questions—one question on tax preferences,³ one on redistributive preferences⁴ and one on preferences for private provision of health care⁵—which all capture different aspects of issues surrounding questions of state intervention in the market economy. All variables are coded such that higher values indicate more support for market liberalism (more economic ‘right wing’). The resulting scale for the state–market dimension has low reliability (Cronbach’s $\alpha=0.45$). In exploring longer-term developments, we use the question on taxation preferences, which was first asked in 1983.

To operationalise the isolation–integration dimension, we use four questions—one on whether Iceland should apply for membership to the European Union,⁶ one on preferences over agricultural tariffs,⁷ one on immigration⁸ and one on whether respondents believe authorities should prioritise prosperity in rural regions over the capital area.⁹ While this last question is not strictly issue based, it can be considered a proxy for preferences over whether the government should focus on particularistic protection of rural areas rather than a more universal approach, which accords well with the cosmopolitan and parochial dimensions of transnational cleavage (De Vries, 2018). All variables are coded such that higher values indicate more support for internationalism. The resulting scale from these four questions again has low reliability (Cronbach’s $\alpha=0.45$).¹⁰ We use the question on agricultural tariffs, first asked in 1991, as our single item to gauge longer-term developments.

The development of issue preferences over time

How have average issue preferences developed over time? We start by evaluating changes in average attitudes on these two dimensions. We do so using both scales, as well as single-item questions to cover a longer time horizon. Figure 4.1 shows results from a multiple regression model with each of the variables

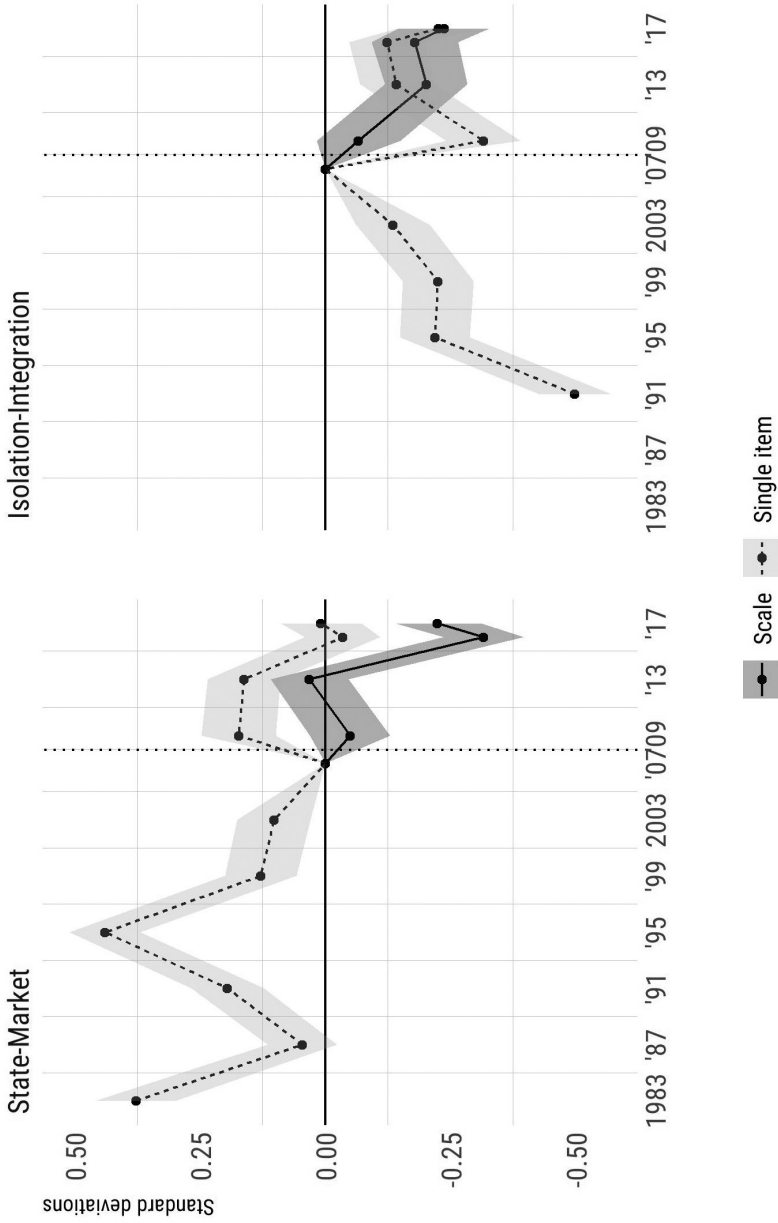


Figure 4.1 Attitudinal change over time. Note: Points show change from 2007, grey areas show 95% confidence intervals. The year 2008, the year of the economic collapse, is shown with a dotted line. 'Scale' refers to the scale for the respective attitude dimension, while 'single item' refers to the question on taxation for the state-market dimension and agricultural tariffs for the isolation-integration dimension. Data weighted by gender, age and location.

regressed on dummy variables for each election year. Each line shows the estimated difference in average attitudes preferences between 2007 and the relevant election year. The grey area shows a 95% confidence interval; when the area does not overlap with the x-axis, the difference between the two years is statistically significant.

We turn our attention first to the state–market dimension, shown on the left panel. Interestingly, average preferences did not shift markedly in the immediate aftermath of the crisis, with average opinion not changing drastically in a more pro-market or pro-state direction in 2009 and 2013, at least for the scale itself. However, there is a noticeable and statistically significant shift in the direction of more support for government intervention in the economy both in 2016 and 2017. Given that right-of-centre governments were in power prior to each election, this might be indicative of a ‘thermostatic’ response by the public, shifting in a leftward direction under a right-of-centre government (Wlezien, 1995; Soroka & Wlezien, 2012), although it is outside the scope of this chapter to evaluate this suggestion more rigorously. In any case, it appears that, overall, the economic crisis did not directly affect the general state–market policy mood among Icelandic voters immediately following the crisis.¹¹

Analysing attitudes towards taxation over a longer time horizon suggests considerable shifts in opinion between elections. As with developments in 2016 and 2017, these shifts appear to follow a thermostatic pattern. Thus, under the long-lived right-wing government that ruled from 1995 to 2007, attitudes became progressively more left wing, before returning to a more balanced position after the grand coalition of the Independence Party and Social Democratic Alliance took office in 2007. Indeed, the continued right-wing sentiment in 2013, following four years under a left-wing government, can also be explained by the same logic.

Shifting to the isolation–integration policy mood, we see a considerably different pattern. Beginning in 2009, the scale has been trending in the direction of more isolationism, with mean preferences for all post-crisis years significantly lower than in 2007. This is in accordance with the proposition previously outlined, as the salience of European integration increased considerably in the immediate wake of the economic collapse. With continuing salience and the new issue of Icesave on the agenda before the 2013 elections, the policy mood veered even more strongly in the direction of isolationism.

A similar, if noisier, pattern can be seen when we look at the development of answers to the question on tariffs on agricultural imports. While mean sentiment towards the question became ever more positive from 1991 to 2007, in the last four elections, it has overwhelmingly been answered in the negative. Unlike developments in redistributive attitudes, this pattern does not follow a predictable thermostatic response pattern. Overall, an evaluation of the policy mood on these two dimensions suggests that mood on the international dimension shifted right after the Great Recession towards more isolationism, with changes in the economic dimension occurring later in time and not appearing to be directly linked to the collapse, although later developments could reflect indirect effects.¹²

Social structural antecedents of issue preferences

A variety of individual-level factors may lead to systematic differences in attitudes towards the role of the government in the economy and the protection of national sovereignty from international integration. These factors are commonly associated with individuals' economic interests and opportunities, or alternatively, individuals' personal values or cultural outlooks. In the following analysis, we focus on several of the most commonly cited factors, namely, age, gender, residence, education and economic position. In a recent analysis of the configuration of individual-level preferences in advanced democracies, Kitschelt and Rehm (2015) suggest that there are three major blocs of voters, formed around a common educational background and/or employment position, which have similar attitudes to the two dimensions outlined previously. First, there is a bloc of low- to intermediate-skilled blue-collar workers who are broadly in favour of redistribution, while being opposed to integration and generally culturally conservative. Second, a bloc of highly skilled managers and professionals working in the private sector (e.g. business, finance and manufacturing) are more right wing in outlook, opposing redistribution while being supportive of political integration across borders and culturally liberal. Third, a bloc of highly skilled socio-cultural professionals mostly working in the public sector (e.g. in health care, education and social work) that are supportive of both redistribution and integration and culturally liberal. In addition, there is a smaller bloc of independent workers (the 'petty bourgeoisie') who are generally opposed to both redistribution and integration.

Why should education and employment position so strongly shape issue preferences? First, economic interests are strongly associated with both education and employment, with prior research showing a strong link between material interests and attitudes towards the role of the government in the economy (Guillaud, 2013; Iversen & Soskice, 2001; Rueda & Stegmueller, 2019). At the same time, education has a 'liberating' effect on preferences towards integration, with those who pursue higher education developing distinctive social identities and values (Stubager, 2009), having less attachment to national identities (Hjerm & Schnabel, 2010) and being more supportive of free trade and migration (Hainmueller & Hiscox, 2006, 2007). Thus, different constellations of education and employment—as described previously—should naturally lead to distinct combinations of issue preferences on the two dimensions.

Because of this interactive effect, we categorise individuals by a combination of these two factors into the following six distinctive groups: 1) blue-collar employment with low or vocational education;¹³ 2) other workers with low or vocational education; 3) public employees with intermediate or high education; 4) private employees with intermediate or high education; 5) the petty bourgeoisie; and 6) those not in the labour market.¹⁴ Overall, each group constitutes from 10% to 23% of the sample, although their relative sizes have changed substantially over time. While the 'manual workers' category was the largest group in 1983, with a 37% share, it has shrunk considerably and was down to 12% of the population in 2017. At the same time, the two groups of individuals with intermediate or

high education have each grown from around 8% in 1983 to 18% in 2017. This educational expansion is in line with developments in other Western European countries and has greatly affected political competition across countries, as we return to in Chapter 8.

In addition to the economic position of individuals, we consider age, gender, income and residence in our analysis of the antecedents of issue preferences. In line with prior research, we expect younger individuals to be more positive in outlook towards integration, reflecting a post-materialist generational change in values and beliefs (Inglehart, 1997), as well as urban residents, who are more likely to benefit from cultural and economic integration than their rural counterparts (Hooghe & Marks, 2018; Rodden, 2010). We expect income to powerfully shape attitudes towards the role of the state in the economy because of material interests (Guillaud, 2013), but we do not have a clear prediction for its association with attitudes towards integration. Finally, we do not have clear expectations for the effects of gender, although prior research suggests women are more left wing and more supportive of integration than men (Häusermann & Kriesi, 2015).

Table 4.1 presents the results of a multiple regression analysis, regressing each of the two issue preference scales separately on the socio-structural variables outlined previously. The models include measures for gender, age group and household market income quintile, an indicator variable for whether a respondent lives in the Reykjavik capital area, as well as a six-category variable for education–employment. The model also includes year fixed effects (not shown).

Model 1 shows the results for the state–market dimension. While the overall explanatory power of the model is weak—in part reflecting the relatively low reliability of the issue scale—several variables have a statistically significant relationship in the expected direction. In broad brushstrokes, men, younger individuals, individuals with limited education and individuals with high income are more likely to sway in the direction of market liberalism. Moreover, of the composite education–employment variable, only the category of high education and public sector workers is statistically different from manual worker respondents, suggesting that, overall, that is the only group with clear pro-redistributive preferences. Finally, residence is not associated with views towards the state–market dimension.

Model 2 in Table 4.1 shows the results for the isolation–integration dimension. The explanatory power of the social structural variables is considerably higher for this dimension, suggesting that, collectively, the socio-structural variables included in the two models are more predictive of attitudes on the international dimension than on the economic dimension. Men, young individuals, those who reside in the capital area, those with high income, those with high education and non-blue-collar individuals with low or vocational education are relatively more international in their attitudes than women, older individuals, those living in the countryside, those with low-income, blue-collar voters and the petty bourgeoisie. We explore these differences further below.

Table 4.1 Antecedents of preferences

	<i>Model 1</i> <i>DV: state-market</i>	<i>Model 2</i> <i>DV: isolation-integration</i>
Gender (female)	-0.12** (0.04)	-0.19*** (0.04)
Age (ref. cat. 18–25 years old)		
26–39 years old	-0.24*** (0.06)	-0.14* (0.06)
40–59 years old	-0.37*** (0.07)	-0.15* (0.06)
60+ years old	-0.45*** (0.07)	-0.23*** (0.06)
Residence (capital area)	0.05 (0.04)	0.46*** (0.04)
Income quintile	0.09*** (0.01)	0.11*** (0.02)
Education–employment (ref. cat. low/vocational education and manual worker)		
Low/vocational education, non-manual worker	-0.06 (0.07)	0.08 (0.07)
Intermediate/high education, public sector	-0.38*** (0.07)	0.42*** (0.07)
Intermediate/high education, private sector	-0.07 (0.07)	0.39*** (0.06)
Petty bourgeoisie	0.02 (0.08)	0.02 (0.07)
Other (e.g. not in labour market)	-0.11 (0.07)	0.07 (0.06)
Observations	3902	3491
R ²	0.068	0.155

Note: ***p<0.001, **p<0.01, *p<0.05. Data weighted by gender, age and location. Standard errors in parentheses. Year fixed effects and constant not shown. DV=dependent variable.

Polarisation or parallel publics?

While the previous discussion highlighted overall differences between social groups, it did not address to what extent the Great Recession may have changed the differences between the groups or longer-term developments. In particular, it might be the case that the crisis polarised issue preferences among certain groups that it led to a convergence of preferences in some groups or that the issue preferences of different groups moved in parallel over the post-crisis period. Furthermore, these differences may reflect a continuation of a longer trend, a trendless fluctuation or a sharp break with previous developments. In this section, we explore these differences.

Table 4.2 shows the results of regressions parallel to those in Table 4.1, restricted to specific election years. In particular, we show the results for the

Table 4.2 Changes in antecedents of preferences over time

	Model 3 <i>Anti-taxation in 1983</i>	Model 4 <i>State-market in 2007</i>	Model 5 <i>State-market in 2017</i>	Model 6 <i>Pro-ag. imports in 1991</i>	Model 7 <i>Isolation-integr. in 2007</i>	Model 8 <i>Isolation-integr. in 2017</i>
Gender (female)	-0.05 (0.08)	-0.31*** (0.07)	-0.09 (0.09)	-0.28*** (0.07)	-0.28*** (0.08)	-0.20* (0.09)
Age (ref. cat. 18–25 years old)						
26–39 years old	0.18 (0.11)	-0.15 (0.12)	-0.17 (0.16)	-0.34** (0.11)	-0.03 (0.11)	-0.36** (0.14)
40–59 years old	0.24* (0.11)	-0.25* (0.12)	-0.27 (0.16)	-0.41*** (0.11)	-0.04 (0.11)	-0.21 (0.14)
60+ years old	0.46*** (0.13)	-0.51*** (0.11)	-0.35* (0.16)	-0.55*** (0.11)	-0.11 (0.11)	-0.20 (0.14)
Residence (capital area)	0.01 (0.08)	0.17* (0.07)	0.02 (0.09)	0.51*** (0.07)	0.40*** (0.07)	0.58*** (0.08)
Income		0.08** (0.03)	0.03 (0.04)	0.10*** (0.03)	0.08** (0.03)	0.15*** (0.04)
Education–employment (ref. cat. low/vocational education and manual worker)						
Low/vocational education, non-manual worker	-0.15 (0.09)	-0.12 (0.12)	0.02 (0.19)	0.01 (0.09)	0.18 (0.13)	0.11 (0.16)
Intermediate/high education, public sector	-0.32* (0.13)	-0.42*** (0.13)	-0.49** (0.17)	-0.03 (0.12)	0.43** (0.13)	0.50** (0.16)
Intermediate/high education, private sector	0.11 (0.16)	-0.17 (0.12)	-0.11 (0.18)	0.24 (0.14)	0.39** (0.12)	0.36* (0.16)
Petty bourgeoisie		-0.07 (0.14)	-0.17 (0.20)	-0.11 (0.11)	0.10 (0.14)	-0.05 (0.13)
Other (e.g. not in labour market)	-0.28* (0.11)	-0.01 (0.08)	-0.25 (0.18)	0.01 (0.12)	0.18 (0.12)	0.28 (0.17)
Observations	894	925	623	935	842	547
R ²	0.041	0.092	0.049	0.126	0.113	0.205

Note: ***p<0.001, **p<0.01, *p<0.05. Data weighted by gender, age and location. Standard errors in parentheses. Year fixed effects and constant not shown. In model 6, “pro-ag.” stands for pro-agricultural, while in models 7 and 8 “integr.” stands for “integration”.

issue dimensions in 2007 and 2017, the last year before the crisis and ten years onwards, as well as analogous regressions for the single-item questions on taxation and agricultural tariffs to gauge longer-term developments. Although these single-item questions form parts of the two issue dimensions, it should be noted that they are not directly comparable with the scales, so any comparison between outcomes should be interpreted cautiously.

Analysing the outcomes for each independent variable across models suggests that overall changes in preferences have moved in parallel between groups. However, there are a couple of notable deviations from parallel developments when we compare the models for the single-item questions with data from 1983 and 1991, and the scales for the state–market and isolation–integration dimensions, respectively. First, the association of age with redistributive attitudes seems to have reversed—while younger people were relatively more state oriented than older people were in 1983, they have become more market oriented in later years. This might reflect the socialising effect of growing up during the Icelandic economic miracle when economic right-wing attitudes dominated public discourse. More generally, this might simply reflect generational effects—the youngest respondents in 1983 would be among the older respondents in 2007–2017.

Second, age seems to have been more predictive of attitudes towards international integration in 1991 than in later years, with younger respondents in 1991 being considerably more open to integration. Finally, the divergence between the preferences of manual workers and public sector workers with intermediate/high education towards integration seems to be a later phenomenon; the difference between the two groups was not statistically significant in 1991 while being substantively large in 2007 and 2017.

We end this analysis of subgroup developments in attitudes by exploring the combination of attitudes on the two dimensions in 2007 and 2017 (Figure 4.2). The figure allows us to see both major changes and stability between the two years for particular subgroups, while also giving a sense of internal differences between the groups as a whole. The figure is based on coefficients from models 4, 5, 7 and 8 in Table 4.2, which reflect changes in the standardised values of the outcome variables.

Looking first at the top left panel, we see that those aged 60+ years are collectively the most state-oriented age group, both in 2007 and 2017. At the opposite end of the spectrum, we see that the youngest category of respondents, from 18 to 25 years old, are the most market-oriented age group of respondents in both years, as well as the most supportive of integration. The two middle-aged groups have seen the most dramatic shifts in attitudes, with both becoming much more state oriented and isolationist.

The bottom row shows the development of attitudes by residence and gender. While the pattern for both factors suggests overall parallel developments, we see some indication that there has been a convergence between men and women. Men, in particular, have shifted considerably towards being more state oriented and towards more isolationist attitudes, while the average position of women suggests

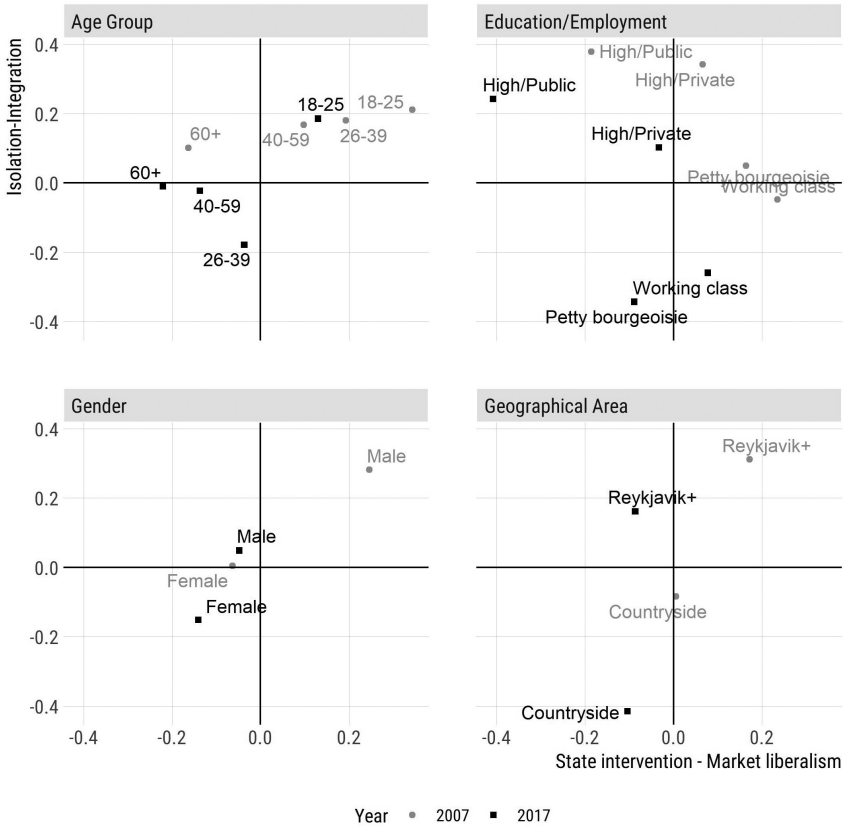


Figure 4.2 Preference configurations by socio-structural variables, 2007 and 2017. Note: Points show the predicted mean position of different subgroups on the two issue dimensions based on coefficients from models 4, 5, 7 and 8 in Table 4.2. Higher values on the x-axis indicate more support for market liberalism (economically right wing), while higher values on the y-axis indicate more support for international integration. Light-grey and black dots refer, respectively, to 2007 and 2017—comparing the two dots for each subgroup shows how preferences differ over time. Data weighted by gender, age and location.

more stability. On the urban–rural dimension, we see more parallel developments, with both groups being more state oriented and isolationist in 2017.

Finally, turning to our composition education–employment variable, we see similar patterns as those predicted by Kitschelt and Rehm’s (2015) classification of individuals.¹⁵ Individuals with high education who work in the public sector are, on average, both most state oriented and supportive of integration. Individuals with high education who work in the private sector hold similar views towards integration while being much more market oriented on economic issues. Meanwhile, the petty bourgeoisie are both relatively market oriented

and isolationist, with their views on the international dimension becoming most polarising in 2017. Thus, all three groups are generally in line with Kitschelt and Rehm's classification. However, blue-collar voters seem to diverge substantially from their typology. They are indeed among the most isolationist in attitudes, as Kitschelt and Rehm would predict, but contrary to their general expectations, they are actually the most market-oriented group in terms of state–market attitudes. We return to this issue in Chapter 8, exploring to what extent this affects the voting behaviour of manual workers.

Descriptively, we can say that the overall story of the period seems to be one of parallel publics with attitudes moving in tandem. Most social groups have become less supportive of both market liberalism and integration, as shown by the development of the overall changes in issue attitudes in Figure 4.1. At the same time, differences between specific groups remain mostly constant, rather than convergent or polarised.

Discussion

We have suggested, theoretically and empirically, that there are (at least) two politically relevant issue dimensions that structured the attitudes of Icelandic voters in the period under study. First, there is an economic dimension, spanning from those supportive of state intervention in the economy and a generous welfare state to those more in favour of a relatively free market economy with lower taxation by the state. Second, there is an international dimension, which spans from those who want to preserve Icelandic sovereignty and limit the integration of the Icelandic economy to the world economy to those who seek ever more integration by Iceland with Europe and the world.

The effects of the Great Recession on the issue dimensions differed somewhat. The analysis suggests that, in the immediate post-crisis period, there were no significant changes in the aggregate market liberalism of Icelandic voters. This is in accordance with, for example, Kenworthy and Owens (2011), who similarly find relatively weak effects of the global financial crisis on economic attitudes in the US context. Put another way, faced with one of the largest economic collapses in world history (Ólafsson et al., 2019), which surely had the potential to greatly affect beliefs about the merits of free markets and the proper role of the state in the economy, Icelanders were, on average, unmoved in their issue position. While voters veered more towards being state oriented in the 2016 and 2017 elections, it is not immediately clear whether this shift was a prolonged response to the crisis or driven by a 'thermostatic' response to the then centre-right governments at the time.

A much stronger shift can be observed in the aggregate internationalism of voters following the economic collapse. From 2007 onwards, there is a decided trend towards greater isolationism. This squares with the salience of issues related to the international dimension in the post-crisis era. Beginning in 2009, the application for accession to the European Union and then the matter of Icesave dominated the political agenda. With the historical importance of Icelandic foreign relations and

the ingrained opposition to foreign dominance, the effects of the economic collapse may have done more to affect attitudes towards the relationship of Iceland to the outside world rather than beliefs about capitalism and the role of the state in markets.

The social structural antecedents of these two issue dimensions are relatively stable across the crisis years. Thus, the same factors that predicted issue attitudes before the crisis continue to do so, with the attitudes of most groups developing in parallel over the period. In some cases, these stable differences are sizeable and potentially highly relevant politically. This is particularly true for the education–employment nexus, where the groups consisting of highly educated respondents have radically different attitudes than those with less education. As discussed previously, this difference may be closely related to how globalisation affects education groups differently, where those with lower education are more likely to perceive that they will not or have not gained anything from global economic integration, while those with higher education perceive their position to be more secure in an integrated world—representing a distinction of groups that have sometimes been referred to as winners and losers of globalisation.

The main limitation of our analysis is the low reliability of the two issue scales. This is primarily because there are relatively few questions that make up each scale, and the questions were not purposefully included in the election studies to form a common scale. This is especially problematic in the case of the isolationism–integration scale, where one of the four questions is essentially on the urban–rural dimension, and this does not strictly map onto the international dimension. However, the international and urban–rural dimensions are strongly correlated in Icelandic party politics (see party profiles in Chapter 2), and on those grounds, we believe this is an acceptable inclusion; still, it is clearly an important limitation. Furthermore, as our auxiliary analysis suggests (see endnote 12), changes in the scale are primarily driven by changes in attitudes towards joining the EU. As such, one could argue that the measure is primarily tapping into views towards the EU rather than the more general isolationism–integration dimension. In any case, these limitations should be borne in mind when interpreting the results of the preceding analysis.

Having established some caveats, we can ask the following: What might be the broader implications of the findings for Icelandic politics? Given the salience of foreign policy issues in the post-crisis era and the polarisation of educational groups with respect to the international dimension, we could expect that education and isolationism should have become more important predictors of voting behaviour. Thus, we should observe voters increasingly sorting themselves into voting for particular parties based on these two factors, with more educated voters and voters more supportive of integration voting for pro-integration parties, such as the Social Democratic Alliance and the Reform Party, while less-educated voters and more isolationist voters disproportionately vote for more inward-looking parties, such as the Progressive Party, Independence Party and the Left-Green Movement. Conversely, given the limited effects of the crisis on state–market issue preferences, we would expect overall stability with respect to how voters

sort themselves into parties on the state–market dimension of politics. We will take on these questions in a later chapter, where we analyse the effects of social structural variables and issue preferences on vote choice.

Notes

- 1 Kitschelt and Rehm (2015) argue that the ‘state–market’ and ‘inclusive–exclusive national collective identity’, along with the libertarian–authoritarian dimension of socio-political governance, form what they call the greed–group–grid trilogy of the most important dimensions of European party politics in recent times. The third dimension of libertarian–authoritarian preferences has not, however, been important in structuring Icelandic party politics, as discussed in Chapter 2, and as a consequence, we do not consider it further in this chapter.
- 2 Two points should be highlighted: Although the scales have low reliability, their reliability is much higher than the reliability of individual items across individuals and elections—using three items on a scale should reduce measurement error by about 33%, which is clearly preferable (Ansolabehere et al., 2008). Second, low reliability should militate against finding systematic changes across years or over groups. Thus, any significant results we do find are likely to constitute a lower bound on differences.
- 3 ‘Do you agree or disagree that taxes should be reduced, even though it meant that public services had to be reduced, e.g. in health care, education or social security—or do you not find this issue important?’
- 4 ‘Do you agree or disagree that the government should use its power to increase the equality of the income distribution in society—or do you not find this issue important?’
- 5 ‘Do you agree or disagree that the private provision of health care should be increased?’
- 6 ‘Do you think that it is desirable or undesirable that Iceland applies for membership in the European Union?’
- 7 ‘Do you agree or disagree that restrictions on agricultural imports should be considerably relaxed—or do you think this makes no difference?’
- 8 ‘Do you agree or disagree that immigrants pose a serious threat to our national characteristics?’
- 9 ‘Do you agree or disagree that progress in the capital area may be decreased to increase prosperity in the rural regions?’
- 10 Including a measure of attitudes towards NATO membership does not improve the reliability of the scale, nor does dropping the capital versus rural question.
- 11 In a separate analysis (not reported), we use each of the attitudinal questions as dependent variables, rather than the common scale. We find that the development of responses to the question on redistribution (endnote 4) is most in line with the overall scale, with the other variables showing different patterns.
- 12 In a separate analysis (not reported), we repeat the exercise with each attitudinal question. The isolation–integration scale is clearly mostly driven by the question on EU membership (endnote 7), although support for restrictions on agricultural imports (endnote 8) also increased from 2009 onwards.
- 13 The manual worker variable is based on respondents’ self-reported occupational category.
- 14 Because the dataset does not include a consistent indicator allowing us to differentiate the middle class into highly skilled individuals in business, finance and manufacturing and socio-cultural professionals, we use public/private employment as a proxy for these two groups.
- 15 For the sake of clarity, we focus only on the education–employment groups for which we have clear expectations about preference configurations.

5 Satisfaction with democracy, political trust and confidence in politics

Abstract

Satisfaction with how democracy works and political trust has generally been quite high in Iceland and on par with the other Nordic countries. Immediately after the economic collapse in 2008, those changed dramatically but seem to have recovered to a pre-crisis level. In this chapter, we first review what the literature says about what maintains high levels of trust and satisfaction with how democracy works and whether those relate to political support and legitimacy, and second, what factors contribute to sharp changes. Our findings indicate the sharp decrease in political trust and satisfaction with democracy did not have a lasting impact. Satisfaction, trust for politicians and for parliament have largely recovered to a pre-crisis level. We found some difference among subgroups, for example, the crisis might have increased tensions between voters of government and opposition parties concerning satisfaction with democracy and distrust for politicians, which is more likely to have had a lasting impact on the dissatisfaction with democracy among older people and those with lower household income.

The Great Recession and political support

Bernburg (2016) describes how the Icelandic authorities in the autumn of 2008 were faced with a credibility crisis, both due to their failure to regulate the financial system before the crisis and their immediate responses to the crisis. This, he claims, was a serious threat to the legitimacy of the authorities, which was greatly undermined at the time. Bernburg describes how the protest participants managed to frame the crisis not as a mere economic crisis, but as a crisis of democracy due to corruption and blind faith in market forces. Not surprisingly, political trust in terms of trust for parliament and political parties, and satisfaction with how democracy works, took a major downturn after the crisis. Thus, the legitimacy bases of the Icelandic democratic system seemed to be shaken at the time, and perhaps even disrupted. However, at the same time, the levels of trust for the police, who were at the forefront of protecting the government institutions and the National Bank against angry protesters, remained high and intact

(e.g. 79% said in early 2009 they either completely trust the police, trusted them highly or rather highly), whereas trust in the banking system was almost wiped out (Bjarnason, 2014). The drop in trust for the political institutions and the banking system and the stability in the high trust for the police indicate that the anger was aimed at those who were considered to be responsible for how hard the crisis hit Iceland and their response to the crisis (e.g. the bankers and the politicians), but not towards the police even if they guarded the institutions that the protesters were rallying against. A decade later, political trust and satisfaction with how democracy works had recovered (Önnudóttir & Hardarson, 2018; Vilhelmsdóttir & Kristinsson, 2018), which indicates that the disruption in the legitimacy of the authorities at the time of the crisis has not had a lasting impact on the level of political support, at least not when it comes to satisfaction with how democracy works, trust for politicians and trust for the parliament.

Political support: Satisfaction with how democracy works and political trust

Satisfaction with how democracy works and political trust can be considered crucial for the political system to function effectively and for the consolidation of democracy (Diamond, 1999; Mishler & Rose, 2001). The underlying assumption is that high levels of those types of support create an environment that enables governments to function more effectively than they would under an atmosphere of widespread distrust and dissatisfaction. This would mean that when support for the system is high in liberal democracies, citizens have confidence in their authorities and trust them to make right and just decisions, and if the authorities do not damage this support by their actions, it creates stability in the political system. However, there is limited empirical support for this assumption. Perhaps it is more fruitful to take a rational approach, viewing political support, including political trust, as a cognitive component that depends on the perception of others' competencies and motivations (Norris, 2011). Based on this approach, it is assumed that the more citizens know about the actions of the authorities the more reliably they can evaluate the authorities' intentions and how competent they are (Hardin, 2006).

Easton (1975) makes an important distinction regarding citizens' orientation of system support between diffuse support and specific support. Diffuse support refers to overall support for the political system, while specific support refers to support of the performance of the system and the political actors of the system. Based on this, Norris (1999) developed a conceptual framework of system support, with five levels from diffuse to specific support, as follows: support for the political community (most diffuse); regime principles; regime performance; regime institutions; and political actors (most specific). Those levels do overlap and placing the indicators under consideration in the chapter within this conceptual framework, we could place satisfaction with how democracy works on the level of support for regime performance, but it might also capture support on other levels such as on the level of regime institutions. Trust for parliament and

politicians could be on both the level of regime institutions and political actors. While we cannot conclude here whether each indicator belongs to one level and one level only (which they probably do not), we argue that those three indicators line up from most specific to least specific, and respectively that they do all contain elements of both specific and diffuse support. However, on that continuum and for the sake of the argument, we place trust for politicians as the most specific indicator for political support and satisfaction with how democracy works as the least specific, with trust for the parliament in between. By this, we argue that satisfaction with democracy is on a more diffuse level, but that it includes both diffuse and specific elements of political support.

Discussions of and research into the factors that impact political support quite often focus on how the characteristics of voters or the political system explain political trust and satisfaction with the workings of democracy, as well as how those factors are maintained and/or altered over the long term. Individual-level explanations for political support have included perceived institutional performance (Norris, 2011), perception of corruption (Stokemer & Sundström, 2013), whether voters voted for a government or an opposition party, often termed as winners or losers of the election (Anderson & Guillory, 1997; Holmberg, 1999), and ideology (Converse, 2006; Jost, 2006). When the performance of institutions is perceived to be good and corruption low, people express higher levels of political support. Voters for government parties and right-wing voters generally express higher levels of support than voters for opposition parties and left-wing voters. Macro-level explanations for the level of political support have been similar in terms of institutional effectiveness of the political system (Norris, 2011), level of corruption (Kubbe, 2013) and income inequality (Anderson & Singer, 2008). Better performance, lower levels of corruption and lower income inequality, in general, all go together with higher levels of political support.

It has been found, both for satisfaction with how democracy works and for political trust, that such institutional factors as economic performance and policy performance explain their levels to a greater extent than voters' socio-economic background (Mishler & Rose, 2001). Contrasting those two explanations, institutional factors and peoples' socio-economic background, Norris (2011) makes the point that even if institutional factors seem to be the main drivers for satisfaction with how democracy works, the socio-economic aspect or people's affective loyalties for the authorities could still matter, as was originally argued by Easton (1975). His point was that it might be that people form some type of affection towards the authorities in their early adult years, for example, via socialisation, and that this affection might be reflected in their level of support for the political system, both specific and diffuse. This might seem to contrast the winner or loser impact, in which those who vote for government parties express higher levels of political support, both in terms of political trust and satisfaction with how democracy works. However, a few studies have shown that the relationship between satisfaction with democracy and voting for a government is more complex than people simply being happy because their party is in government. For example, Singh (2014) finds that the winner–loser effect is more profound in majoritarian

systems, indicating that its impact depends on the institutional setting of the electoral system. Blais and Gélinau (2007) find that eventual winners have already been more satisfied than eventual losers before the election took place, but they become more satisfied when their party wins the election. The fact that eventual winners were already more satisfied with democracy prior to the election than eventual losers could indicate that voters who are more satisfied with democracy are in general more likely to vote for mainstream parties that are more likely to enter government as opposed to, for example, new challenger parties or niche parties. This is in line with a well-known theory within political psychology called *system justification theory*. According to the theory, people vary in their disposition to defend and protect the system in which they find themselves, whether that system is as small as the family unit or as large as a society. Research has shown that system justifiers are more likely to be right wing, support incumbent parties and express satisfaction with their life and the system in which they live (Jost, 2020).

As already pointed out, what factors maintain or alter the levels of political support have quite often focused on long-term changes and/or gradual changes. Less is known about whether sudden shocks, external or internal, can cause a long-term change in the levels of political support, that is, how people's experiences and perceptions of the performances of their regime, political institutions and political actors might alter their levels of support. In the case of Iceland, the Great Recession was a sudden external shock, but its impact was accelerated by internal factors, meaning the great flaws there were in the system in regulating and supervising the financial system in Iceland.

In the next section, we show that there was a sharp change in the levels of political trust and satisfaction with democracy at the onset of the Great Recession, but those seem to have recovered to a pre-crisis level. After that, we discuss and analyse whether long-term differences can be detected in the winner–loser effect on trust and satisfaction and whether there are differences depending on people's age and income. Given the political turmoil after the crisis, a sharper divide can be expected between government and opposition parties. Furthermore, we argue that the crisis was felt more severely by those who were in a vulnerable position economically and that younger people might have been more strongly affected because they were still in their formative years at the onset of the crisis.

Political support in Iceland

Since 1995, Gallup in Iceland has asked about trust for various institutions in yearly polls. Figure 5.1 shows an overview of the level of trust for the parliament since 1995; as shown in the figure, trust took a big hit after in 2009, which was the first poll since the onset of the economic crisis. Trust for parliament went from 42% in early 2008 to 13% in early 2009 but has since then been on a path of recovery. This is in line with Vilhelmsdóttir and Kristinsson's (2018)

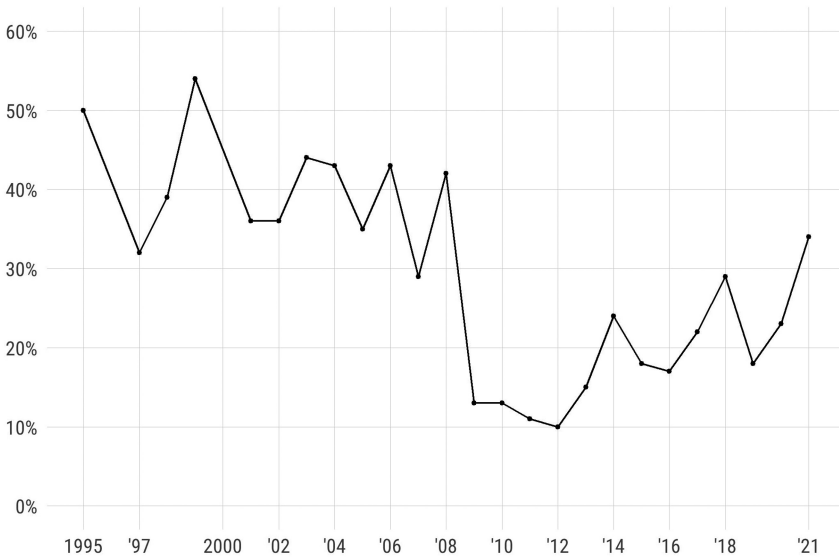


Figure 5.1 Trust in parliament, 1995–2021. Note: Question asked: ‘How much or little do you trust Althingi?’ The figure shows the share of respondents who responded with ‘complete trust’, ‘very much’ or ‘rather much’. Source: Gallup in Iceland.

findings, using data from the European Value Study (EVS), that confidence in parliament dropped from 72%¹ in 1999/2000 (after an increase from 56% in 1984 and 54% in 1990) to 40% in 2010. Similarly, Önnudóttir and Hardarson (2018), using data from the European Social Survey (ESS), find a drop in mean trust from 5.9² in 2004 to 4.2 in 2012. In 2016, the ESS data for Iceland show that trust in parliament had risen again to 5.1.³

When it comes to trust, since 1983, respondents in ICENES have been asked a slightly different question than those cited previously. Instead of asking about trust for parliament, respondents have been asked to what extent they consider politicians to be trustworthy; they can respond to say that they are trustworthy in general or that many of them, some, few or none are trustworthy. Figure 5.2 shows the proportion of respondents who express *distrust* in politicians (saying that few or none are trustworthy) together with dissatisfaction with how democracy works (who are not very or not at all satisfied), which has been asked since 1999. Before the crisis, there is no apparent up- or downwards linear trend in distrust for politicians and dissatisfaction with how democracy works, but there is a clear result that both increase immediately after the crisis. Dissatisfaction with democracy goes from 29% in 2007 to 58% in 2009, and distrust from 22% to 41%. After 2009, both indicators seem to recover to some extent, but with a slightly higher proportion of dissatisfaction with democracy after the crisis compared with

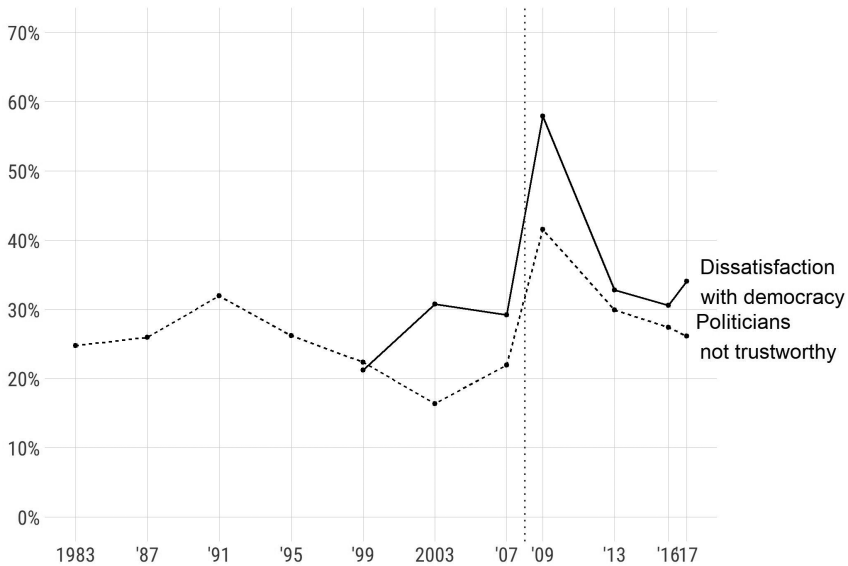


Figure 5.2 Dissatisfaction with how democracy works and political distrust. Note: Question asked for satisfaction with democracy since 1999: ‘On the whole, are you very satisfied, fairly satisfied, not very satisfied, or not at all satisfied with the way democracy works in Iceland?’ Question asked for trust in politicians: ‘Do you think that politicians are generally trustworthy, that many of them are trustworthy, some are trustworthy, few or perhaps none?’

before the crisis. Meanwhile, the perceived trustworthiness of politicians seems to have recovered to a pre-crisis level. Our results concerning satisfaction with how democracy works are in line with results from the ESS data. In 2004, the mean satisfaction with democracy according to the ESS data was 5.9, while it was 5.7 in 2012 and 5.8 in 2016.

The questions about trust for the parliament used by Gallup, EVS, ESS and ICENES all show that trust has recovered to some extent whereas no long-term changes seem to have occurred in people’s satisfaction with how democracy works. Based on this, it can be argued that support for the performance of democracy in terms of satisfaction with how it works has not changed permanently in Iceland after the Great Recession, while trust for parliament and politicians as indicators for more specific political support seem to have taken a longer time to recover.

We consider it possible that, even if dissatisfaction and distrust for politicians might have recovered to a pre-crisis level and the immediate increase after the crisis was a mere fluctuation, the crisis may still have had long-term impacts in at least two ways. First, the crisis might have intensified the divisions within the political system between those who support the ruling authorities and the opposition.

Based on this, we expect bigger divisions in distrust and dissatisfaction depending on whether the voter voted for an opposition party versus a government party or whether he/she voted for a new party instead of one of the established parties. In terms of voting for a government or opposition party, those changes could be due to the crisis bringing to light the failures of the government to regulate and surveil the financial system before the crisis, with later governments being under scrutiny for their performance when it came to economic recovery. Furthermore, two after-crisis governments went out with a bang due to political scandals (in 2016 and 2017). Those two factors, the failures and the scandals, could have brought to light severe tensions between government and opposition parties, rallying citizens into camps—with or against the government. This could mean that the impact of voting for a government party on both distrust and dissatisfaction with democracy increased after the crisis.

Second, the crisis might have had a stronger impact on younger people and people in a more economically vulnerable position. In the former case, it might be that the crisis and the events that followed influenced younger people's status of trust and satisfaction with democracy more strongly compared with older people, given that they are still in their formative years. In the latter case, those who are in a more vulnerable position economically, here in terms of household income, might have been hurt to a greater extent by the Great Recession, leading them to be more distrustful of politicians and more dissatisfied with how democracy works. This is because the crisis might have altered the status of political support formed in early adulthood (the starting point) and altered the status of support among those who were hurt by the recession (how the levels of support are altered).

Data analysis

To test whether the crisis changed the impacts of whether people voted for a government party or a new party, or whether the crisis changed the levels of support among different segments of people (here, age and income) in terms of dissatisfaction with how democracy works and political distrust, we conducted several linear regression models and present the results in Table 5.1. In addition to our explanatory variables of interest, we include the year of the election and a dummy for whether it is a pre-crisis election (before 2008) or a post-crisis election (after 2009), labelled 'after the crisis'. We then interact that dummy variable with each of our main explanatory variables to detect whether the impacts of those factors have changed after the crisis. Perception of government performance, education, employment status, gender and where people place themselves on a left–right scale have all been found to affect satisfaction with democracy and/or political trust (Anderson & Singer, 2008; Blais et al., 2017; Jost, 2006; Vilhelmsdóttir & Kristinsson, 2018), and therefore, we add those factors as control variables.

Table 5.1 shows the results of the eight models. In models 1a to 1d, dissatisfaction with democracy is the response variable, and in models 2a to 2d, distrust for

Table 5.1 Dissatisfaction with how democracy works and distrust for politicians, OLS regressions

	<i>Dependent variable</i>				<i>Dependent variable</i>				
	<i>Dissatisfaction with how democracy works</i>				<i>Distrust of politicians</i>				
	<i>Model 1a</i>	<i>Model 1b</i>	<i>Model 1c</i>	<i>Model 1d</i>	<i>Model 2a</i>	<i>Model 2b</i>	<i>Model 2c</i>	<i>Model 2d</i>	
<i>B (SE)</i>	<i>B (SE)</i>	<i>B (SE)</i>	<i>B (SE)</i>	<i>B (SE)</i>	<i>B (SE)</i>	<i>B (SE)</i>	<i>B (SE)</i>	<i>B (SE)</i>	
Education, reference group: university education									
Primary education	0.007 (-0.009)	0.007 (-0.009)	0.007 (-0.009)	0.007 (-0.009)	0.063*** (-0.008)	0.063*** (-0.008)	0.063*** (-0.008)	0.064*** (-0.008)	
Secondary education	0.004 (-0.011)	0.004 (-0.011)	0.003 (-0.011)	0.004 (-0.011)	0.027*** (-0.009)	0.027*** (-0.009)	0.027*** (-0.009)	0.028*** (-0.009)	
Vocational education	0.005 (-0.010)	0.005 (-0.010)	0.004 (-0.010)	0.005 (-0.010)	0.037*** (-0.008)	0.037*** (-0.008)	0.037*** (-0.008)	0.037*** (-0.009)	
Household income	-0.161*** (-0.025)	-0.160*** (-0.025)	-0.172*** (-0.025)	-0.155*** (-0.035)	-0.052** (-0.022)	-0.050** (-0.022)	-0.052** (-0.022)	-0.056** (-0.025)	
Occupation, reference group: non-manual workers									
Manual workers	-0.002 (-0.009)	-0.002 (-0.009)	-0.003 (-0.009)	-0.002 (-0.009)	0.031*** (-0.007)	0.031*** (-0.007)	0.031*** (-0.007)	0.030*** (-0.007)	
Farmers/farm workers	0.004 (-0.015)	0.004 (-0.015)	0.007 (-0.015)	0.004 (-0.015)	0.028** (-0.011)	0.029** (-0.011)	0.029** (-0.011)	0.028** (-0.011)	
Working in public sector	-0.007 (-0.007)	-0.007 (-0.007)	-0.004 (-0.007)	-0.007 (-0.007)	-0.007 (-0.006)	-0.007 (-0.006)	-0.007 (-0.006)	-0.007 (-0.006)	
Age	0.006*** (-0.001)	0.006*** (-0.001)	0.005*** (-0.001)	0.006*** (-0.001)	-0.003*** (-0.001)	-0.003*** (-0.001)	-0.003*** (-0.001)	-0.003*** (-0.001)	
Age squared	≈0.000*** (≈0.000)	≈0.000*** (≈0.000)	≈0.000*** (≈0.000)	≈0.000*** (≈0.000)	≈0.000** (≈0.000)	≈0.000** (≈0.000)	≈0.000** (≈0.000)	≈0.000** (≈0.000)	

Male	-0.001 (-0.007)	≈0.000 (-0.007)	-0.001 (-0.007)	-0.025*** (-0.006)	-0.025*** (-0.006)	-0.025*** (-0.006)	-0.025*** (-0.006)
Voted for a government party	-0.080*** (-0.007)	-0.065*** (-0.007)	-0.081*** (-0.007)	-0.043*** (-0.006)	-0.043*** (-0.006)	-0.043*** (-0.006)	-0.043*** (-0.006)
Left-right self-placement (0=left, 1=right, 11-point scale)	-0.110*** (-0.017)	-0.115*** (-0.017)	-0.109*** (-0.017)	-0.002 (-0.013)	-0.002 (-0.013)	-0.002 (-0.013)	-0.002 (-0.013)
Perceived government performance	-0.258*** (-0.014)	-0.261*** (-0.014)	-0.257*** (-0.014)	-0.195*** (-0.011)	-0.195*** (-0.011)	-0.195*** (-0.011)	-0.195*** (-0.011)
Election year, 1999 to 2017	-0.002** (-0.001)	-0.002** (-0.001)	0.00 (-0.001)				
Election year, 1987 to 2017				-0.003*** (≈0.000)	-0.003*** (≈0.000)	-0.003*** (≈0.000)	-0.003*** (≈0.000)
After the crisis (2009 and onwards)	0.037*** (-0.014)	0.051*** (-0.016)	0.038*** (-0.014)	0.075*** (-0.010)	0.075*** (-0.010)	0.072*** (-0.019)	0.073*** (-0.011)
Voted for a government party* after the crisis	-0.025* (-0.013)			-0.027** (-0.012)			
Age* after crisis		0.002*** (≈0.000)				≈0.000 (≈0.000)	
Household income* after the crisis			-0.013 (-0.055)				0.014 (-0.045)
Constant	4.842** (-2.084)	4.867** (-2.084)	4.531* (-2.481)	6.708*** (-0.929)	6.742*** (-0.929)	6.706*** (-0.929)	6.743*** (-0.935)
N	5,053	5,053	5,053	6,827	6,827	6,827	6,827
R ²	0.18	0.18	0.18	0.11	0.11	0.11	0.11

Note: Significance levels are ***p<0.01, **p<0.05 and *p<0.1. Data are weighted by vote choice, electoral participation, gender, age and constituency. SE=standard error.

politicians is the response variable. For each response variable, we first present only the main effects (models 1a and 2a), and in the remaining models, we test one interaction at a time. First, we point out that the explained variance is rather low. In all the models for dissatisfaction with how democracy works, R^2 is 0.18, and it is 0.11 for the distrust models. This indicates that our explanatory variables measure a rather low part of the variances in dissatisfaction and distrust, but regardless of that, there are some interesting relations in our models that are to some extent in line with our expectations.

The results regarding our control variables are largely in line with expectations, but with some differences between dissatisfaction and distrust. Focusing on models 1a and 2b (without interactions), household income, votes for government party and perceived performance of the incumbent government all affect dissatisfaction and distrust in the same direction. Those with a lower household income who voted for opposition parties and view the performance of the incumbent government as bad are more likely to express dissatisfaction with how democracy works and distrust for politicians. Age has an opposite relation with dissatisfaction and distrust; older people are more likely to express dissatisfaction with democracy, but at the same time, to express more trust for politicians compared with younger people. In the case of education, occupation and gender, those factors explain the levels of distrust but have a negligible impact on satisfaction with democracy. Those without a university degree, females and manual labourers and farmers/farmworkers are more likely to express distrust compared with those with a university degree, males and non-manual workers. Left-wing respondents are more dissatisfied with how democracy works, whereas there are negligible differences between left- and right-wing voters when it comes to political distrust. Election year is significant both in the case of satisfaction with how democracy works and political trust, with a negative sign hinting that dissatisfaction with democracy and distrust for politicians has generally increased over the years. Election year is non-significant in the case of satisfaction with how democracy works, while it is significant for political trust, with the negative sign hinting that distrust for politicians has generally increased over the years, while it has not changed when it comes to dissatisfaction with democracy.

For dissatisfaction with democracy, two out of three interactions—whether respondents voted for a government party and age—are statistically significant, while the interaction with household income is not. In the case of distrust for politicians, we find that the impact of voting for a government party has changed after the crisis, but not the impacts of age and household income. To ease the interpretation of the interaction effects, we plot their predicted values in Figures 5.3 and 5.4.

Examining the interaction between the impact of whether the respondent voted for a government party, contrasting pre- and post-crisis elections, we see that the impact of voting for the winner of the election is stronger after the crisis, both on dissatisfaction with democracy and distrust for politicians (Figure 5.3). After the crisis, there was an increase in democratic dissatisfaction and distrust among both those who voted for a government or an opposition party, but this

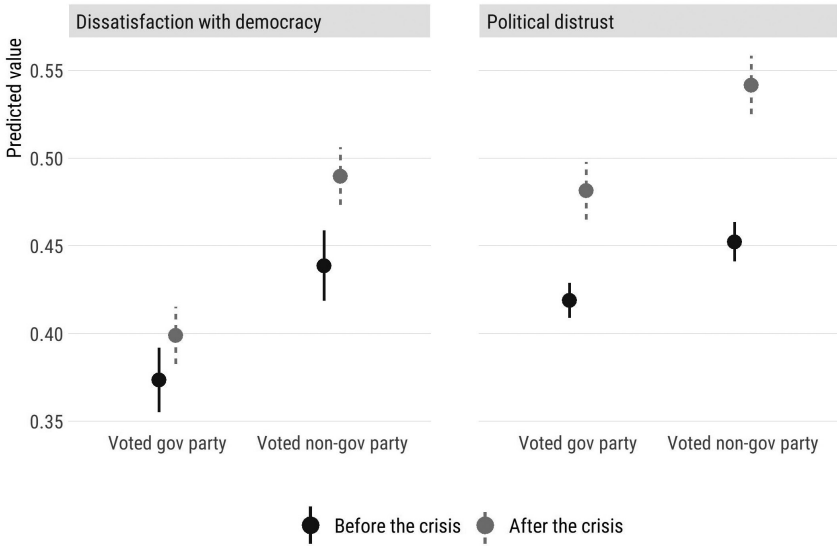


Figure 5.3 Dissatisfaction with how democracy works, distrust for politicians and voted for government party, before and after the crisis. Note: gov party=government party.

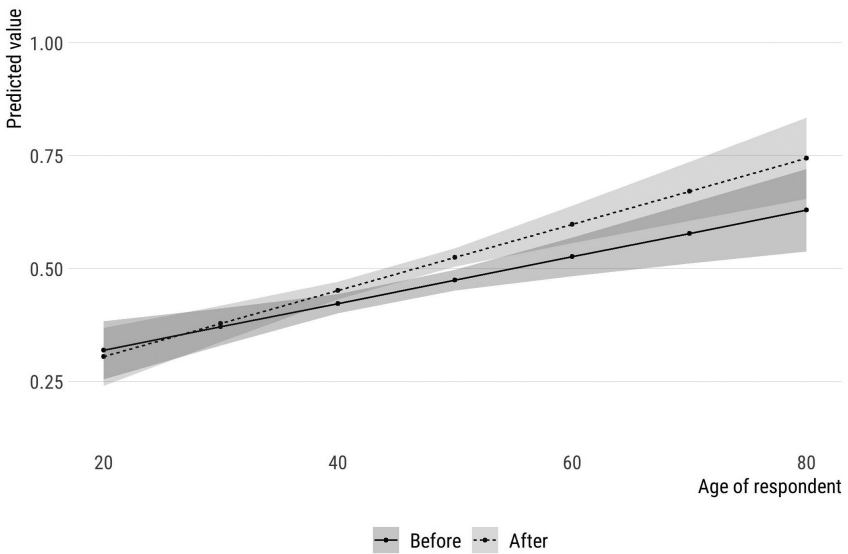


Figure 5.4 Dissatisfaction with how democracy works and age of respondents, before and after the crisis.

impact was more profound among those who voted for the opposition. Given that the crisis has altered the impact of the winner–loser effect on dissatisfaction and distrust, which could be a consequence of increased tension between government and opposition parties because of both the responsibility of the government parties at the time for the crisis and their handling of the consequences of the crisis. The political scandals in the later years that brought down the governments in 2016 and 2017 might even have intensified the tension between those who voted for a winner of the election and those who voted for the opposition (Table 5.1).

When it comes to age, our findings are that it has a stronger impact on dissatisfaction with democracy after the crisis, but in the opposite direction of what we expected (Figure 5.4). Instead of a change in dissatisfaction with how democracy works among younger people after the crisis, as we suggested, it is older people who express greater dissatisfaction after the crisis. Furthermore, older people express greater dissatisfaction with how democracy works, both before and after the crisis, but this age effect is stronger after the crisis. This finding could indicate that older people might have felt a stronger disappointment with the political system, both when the crisis hit and in how the governments have handled themselves since then. Another possible explanation is that the crisis had a stronger impact on older people in their 30s and above because they were more likely to have felt the impact of the crisis: This group is more likely to have had family obligations, mortgages to pay or even to have lost their savings due to the crisis. That is, people over a certain age are more likely to have felt the impact of the crisis because they are in a more vulnerable position both when it comes to family obligations and their economic situation.

Discussion

After the crisis hit Iceland in 2008, there was an immediate increase in dissatisfaction with how democracy works, distrust of politicians and distrust of the parliament. At the time of writing, dissatisfaction, distrust for politicians and trust for parliament seem to have recovered to a pre-crisis level. We have argued that these three indicators contain elements of both diffuse and specific support and that out of those three, satisfaction with democracy is the least specific one. Based on our findings that satisfaction with democracy and trust for politicians and parliament have largely recovered to a pre-crisis level, several inferences can be made. First, the fact that all three indicators recovered could indicate that the drop in trust and increase in dissatisfaction was due to that the elements of specific support melted away, and the little trust and satisfaction that were left were based on the elements of diffuse support. Second, support for the performance of the democratic system, in terms of satisfaction with how democracy works, has recovered to pre-crisis levels, meaning that Icelanders in general consider the existing political system to be functioning effectively, or at least to a similar extent as prior to the crisis. Second, the fact that trust in the parliament has recovered to a pre-crisis level only recently indicates that, while Icelanders support the existing system, the parliament has been under increased scrutiny, and its actions have been more likely

to be challenged, criticised and deemed untrustworthy when compared with the years prior to the crisis. When it comes to politicians, the trust for them or how trustworthy they are considered seems to have recovered to a pre-crisis level, at least as it is measured in the ICENES data. Why trust for politicians as actors recovered more quickly than trust for the parliament can only be suggested here. It might be that people are more likely to attach responsibility to and blame political institutions for political events or downturns, such as an economic crisis, as opposed to individual politicians. In addition, trust for politicians could be quicker to recover when old politicians have been replaced by new ones, meaning that disappointment with individual political actors does not necessarily carry over to those who replace them. As discussed in Chapter 2, the recruitment or turnover rate of MPs increased to a considerable extent after the crisis. This means that a loss of faith in institutions could have more profound and lasting consequences for such institutions as the parliament compared with when the actions of individual politicians are questioned because politicians can be replaced more easily than institutions can.

Taking a closer look at whether the crisis might have changed well-known determinants of dissatisfaction and distrust, considering whether people voted for a party that formed a government after the election, age and economic status, we do find some differences. After the crisis, there were greater differences in dissatisfaction and distrust between those who voted for a winner of the election and those who voted for an opposition party. Opposition party voters expressed much more dissatisfaction and distrust after the crisis, while both have recovered to some extent among government party voters. In this instance, the crisis might have had long-term consequences on dissatisfaction and distrust among those who felt the greatest disappointment at the onset of the crisis in the years that followed, and it has left its mark on their dissatisfaction and distrust. In addition, the loss of the combined support of the four established parties and the growing number of new parties, as discussed in more detail in Chapters 7 and 8, means that distrustful and dissatisfied voters have had more leeway and more parties to choose from to express their discontent by voting for a new party that is more likely to be in opposition.

We also argue that the crisis might have had a long-term impact on certain social groups in terms of age and their economic position using household income as an indicator for the latter. We find that the impact of age has become a stronger predictor of dissatisfaction with how democracy works, but not political distrust, while the impact of household impact has not changed in neither case. Older people expressed much greater dissatisfaction with democracy after the crisis, while the change was less dramatic among younger people. We argue that the explanation could be that people over a certain age are more likely to have felt the impact of the economic crisis on their own skin, whether that is due to their family obligations; economic factors, such as mortgage payments; or being in a position to have either themselves or someone close to them lose their jobs and/or a big chunk of their savings. In this fashion, the economic crash might also have had more long-term and serious consequences for people over a certain age in

terms of perceived (real or not) limited options for recovery, whether this would be due to time, economic status or other related factors.

One of the main conclusions of this chapter is that, even if there are some differences between social groups, and tensions might have increased between opposition party voters and voters of government parties and social groups, Icelanders are today, in general, as supportive of the political system as a whole as they were before. The sharp changes in political trust and satisfaction with how democracy works after 2008 in Iceland are not permanent, at least not in general. Thus, the crisis did not alter people's general belief in the workings and performance of the democratic system in Iceland, and their trust in politicians has recovered, but they still express greater distrust (at least up to 2020) for the parliament as an institution of their democracy.

Notes

- 1 The figures for trust are those who say that they trust a great deal or quite a lot on a four-point scale.
- 2 Scale for trust for parliament in the ESS data is from 0 (no trust) to 10 (complete trust).
- 3 See data on www.europeansocialsurvey.org.

6 Political participation and engagement

Abstract

The primary question we seek to answer in this chapter is if, and then how, the economic crisis impacted political participation and engagement in Iceland. The crisis may have had a short- or long-term effect; it may have stopped, reversed or accelerated trends that were already in progress. Overall, Western democracies have seen indicators of conventional political participation, such as turnout and party membership, decline since the 1980s. However, there is not much evidence that the Great Recession resulted in a shock to turnout, although it may have affected different groups in different ways. In this chapter, we examine the following four indicators of political participation and engagement: turnout/electoral participation; party identification; party membership; and political interest. In doing so, we consider whether they have changed significantly after the global credit crunch. The results show that a downward trajectory in turnout had started before the economic crisis, and the path remained largely unchanged during and after the crisis. Membership in political parties and party identification show an acceleration of a downward trend after the crisis, from what was perhaps an unsustainable high point in 2007. Political interest remained stable during the period. The results do not show sorting in participation based on demographic groups following the recession. Overall, the pattern for political participation is similar to that observed in other chapters of this book: people did not abandon the broad system of democracy, but they turned away—at least temporarily—from particular actors within the system (the political parties).

Political participation and engagement

Political participation and engagement are the foundations of democracy. In a representative democracy, elected officials are supposed to make decisions that reflect their constituents' wants and needs. In order for that to work, the public needs to inform policymaking by communicating their wants and needs and subsequently elect the politicians they believe most likely to implement them. Across countries, participation in elections is higher in very small countries, when voting is compulsory, accessible and when the race is close (Blais, 2006). Although

voting is the quintessential, and arguably the most important mass political participation in modern democracies, participation can take on a variety of forms, ranging from the conventional to the highly radical. Belonging to a political party or expressing support for it, contacting an elected representative through established means and engaging in political discussions are further examples of conventional political participation. In contrast, signing petitions, boycotting and staging protests or demonstrations fall under the rubric of unconventional political participation. In this chapter, the focus is on conventional political participation following the economic crisis. Non-conventional political participation, such as participating in public protests can clearly be affected by economic crisis (Kurer et al., 2019). That was the case in Iceland. Writings on popular protests have identified Iceland as the first country to experience such protest following the global credit crunch; they then spread (also part of a larger and long-running anti-globalisation protest movement) to Lithuania, Slovenia, Romania, and in the wake of austerity measures, southern Europe. A detailed account of the political protests and other non-conventional political participation has been given by Bernburg (2016).

Conventional political participation has been declining in liberal democracies in recent decades. Turnout in 31 relatively free and long-term democracies across the world was highest on average around 1980, at 82% of registered voters, but decreased to about 71% in 2017 (Vowles, 2018). Although between-country variation is larger, the decline in turnout over time is clear and cannot be explained by such factors as changes to the electoral systems. Turnout in Iceland has followed this international trend, although it departed from a higher average and started about a decade later than in other long-term democracies. Figure 2.2 in Chapter 2 shows electoral turnout in Icelandic parliamentary elections from 1931 until 2017. As can be seen in the graph, turnout hovered around 90% from around 1950 until 1991, when a very slow decline began that bottomed out at 79.2% in 2016; there was then a slight uptick to 81.2% in 2017. Compared with the other Nordic countries during this period, Iceland does not stand out as being different (Bengtsson et al., 2014). The overall finding from studies comparing turnout across the world is that changes in turnout within countries can largely be explained by generational shifts. In almost all Western countries, younger generations are substantially less likely to vote than older generations (Franklin et al., 2004; Wass, 2007; Vowles, 2018), and studies in Iceland have been in line with this (Halldórsson & Önnudóttir, 2019). A study of changes in voting among young people in Iceland from 1999 until 2016 (Sigurjónsdóttir, 2019) showed that turnout among young people had fallen much more rapidly than it had for older voters during the period, and Halldórsson and Önnudóttir showed that there has been a generational shift in electoral participation since 1983. Sigurjónsdóttir (2019) tests and obtains support for the explanation that the observed decrease in turnout among this group can at least partially be traced to delayed maturation among young people. Since 1999, young people have gradually been entering adulthood later as measured by being a parent, holding a job, marital status or being out of school. Halldórsson and Önnudóttir (2019) also find that, over time, the impact of political interest on electoral participation had remained stable over

the period they study, whereas the impact of party identification on electoral participation had weakened, indicating that young people today are less likely to form a loyal bond with a political party.

Membership in political parties and party identification have also been on the decline in Western democracies for the last three to four decades, whereas, interestingly, the trend in Iceland has been remarkably different for much of that period. Party identification, usually measured as self-reported support for a particular party, has generally declined in Europe, and to a lesser degree, in the United States (Berglund et al., 2005; Dalton, 2016). Although a generational trend similar to turnout is clear (Önnudóttir & Hardarson, 2020), the reason for declining partisanship has not been established. One possible explanation that has been offered is that cognitive mobilisation concerning people's ability to evaluate political issues and form informed opinions reduces the need for party identifications as a shortcut for forming opinions and aligning with parties (e.g. Dalton, 2016). Considering education as an important factor that enhances cognitive mobilisation, expanding education levels could be one explanation for the generational shift in the levels of party identification. In comparison with party identification, the data on party membership is even clearer. A 2010 study of 27 European democracies (not including Iceland) reported that 4.7% of people on average in those countries belonged to a political party. Membership had been on a slow but steady decline; the same study showed that the decrease between 1980 and 2010 was nearly five percentage points on average in the 13 long-established European democracies (Van Biezen et al., 2012). Iceland has long been a peculiar outlier among European democracies in terms of party membership, probably due to the widespread use of primaries to select candidates and the low cost of party membership. In 1979, around 21.5% of the voting-age population belonged to a political party according to numbers from the parties. In 1995, that rose to 28.6%, reached 39.1% in 2007 and increased to an even higher 41.7% in 2010 (Kristinsson, 2010). The self-reported membership numbers reported by the parties are, however, likely to be exaggerated: Data from ICENES show a lower proportion of party membership as reported by survey respondents. As discussed in Chapter 2, between 15% and 20% said that they were party members between 1983 and 2003, and that figure rose to 26%–30% in 2007 and 2013; since then, however, party membership has been around 19% according to ICENES (in 2016 and 2017). Kristinsson (2010) makes the point that membership in Icelandic political parties is considered a 'free good' by the public because it does not require membership fees or any other commitment on behalf of the registered member. The vast majority of members are utterly inactive, and some are not even aware of their membership, only having registered at one point to participate in a primary election within the party—possibly only to support a personally connected candidate.

Political interest has been remarkably stable over the last decades in Western democracies. It has resisted the gradual and/or generational changes seen for turnout, party identification and membership. Not only that but individual changes in political interest are also minimal over the life cycle, with longitudinal studies

showing that any change in interest due to personal or societal circumstances tends to bounce back within a few years (Prior, 2010, 2018). Therefore, political interest is largely dispositional and should not be expected to have changed during the economic crisis.

How can we expect political participation to change when a crisis hits?

Theoretically, prior research suggests that the effects of economic shocks on political engagement and participation, including voter turnout, could be either positive or negative (Kern et al., 2015). In this section, we outline how political participation may be affected during economic crises by considering two individual factors and two systematic factors: demographic variables and political trust for individual factors. Electoral competitiveness and frequency of elections as systematic factors.

Economic crises could exert a negative effect on political participation, as people may have to take on more work when their personal finances become strained, and as a result, not have time to invest in political activities (e.g. Guiso et al., 2017). People who lose their jobs or homes, or who experience other such negative events, may also experience a drop in their general and political efficacy, resulting in less motivation to engage in politics (e.g. Marx & Nguyen, 2016). Contrary to this would be the idea that economic recessions mobilise people to voice their grievances by voting the incumbents out of office and to demand a change in the country's leadership or policies (e.g. Burden & Wichowsky, 2014). On balance, the available evidence today points to decreased turnout following negative economic changes, especially among those who become unemployed (Margalit, 2019). As explained in Chapter 3, following the economic crisis in Iceland, there was a sharp rise in unemployment from 3.1% to 9.1% but also an unprecedented turnout in mass protest, with 17% of people reporting they had participated in at least one protest meeting. Reliable data on the employment status of the protesters does not exist.

The positive relationship between higher *socio-economic status* and turnout is well documented in the literature (Hellwig et al., 2020; Smets et al., 2013). Longitudinal studies have shown that unemployment (Emmenegger et al., 2015) and negative changes in economic situation (Guiso et al., 2017) are associated with lower turnout. Marx and Nguyen (2016) show that unemployment is linked with reduced internal political efficacy, offering up a potential explanatory mechanism for these effects. As the negative consequences of economic crises are usually more profoundly felt by people with low income, the young and those with few assets (Hellwig et al., 2020), we can expect turnout to be even further suppressed among those groups in the wake of a crisis. This could be above and beyond the general decline in turnout observed in most Western countries for the last 50 years.

The *age* of the voter can also be an important moderating factor for the relationship between economic crisis and turnout. When it comes to economic crises,

the interplay between age and habit becomes especially important. Voting is normally motivated to a substantial degree by the socialisation of civic duty, party loyalty or both (Dalton, 2013). If voting is a socialisation process, then we would not expect much decrease in turnout among older voters who have made voting a habit, despite political upheaval following the crisis. Younger voters, in contrast, will have a less established voting habit and may be more easily alienated from the political process because of a fall in trust or practical obstacles to voting stemming from economic hardship. This alienation might lead to younger voters being even less likely to turn out to vote after the crisis than younger voters were prior to the crisis. If, in contrast, voting is affected by trust in politicians and the parliament, voting should drop across the board to the degree that trust falls similarly across all age groups.

From a social psychological perspective, we can predict that the dramatic *breach of trust* by authorities experienced by the vast majority of the public during the economic crisis in Iceland (see Chapter 5) can lead to alienation from the political process. Research in the 1980s and 1990s tended to assume that the positive link between political trust and turnout could be entirely explained by the third-variable influence of demographic variables such that higher educated people were both more likely to vote and trust authorities (e.g. Rosenstone & Hansen, 1993). Later research has established that trust is a consistent independent predictor of turnout in Western democracies (M. Hooghe, 2018; Smets et al., 2013). More specifically, trust in political institutions seems to matter more for turnout than trust in specific politicians or even the current government (Grönlund & Setälä, 2007). As a result, we can expect that political trust emerges as a consistent predictor of turnout over time, with its influence growing as turnout declines. However, this expected relationship could have been different in Iceland between the 2007 and 2009 elections because the sharp fall in trust in that period will reduce its variance and predictive power: We know that turnout did not decrease in 2009, but rather, edged up somewhat despite dramatically falling trust levels. As trust starts to crawl up once more in 2013, we expect it to become a stronger predictor of electoral participation again.

On the systematic level, as globalisation has increased, countries have become increasingly dependent on international trade, treaties and organisations. As a result, the argument goes, people perceive the government as being primarily focused on serving outside, capitalist and international interests at the cost of their own people (Hellwig et al., 2020). In the case of an economic crisis, such constraints will only increase as the government will be forced to focus on foreign debt, credit ratings and international commitments. This will reduce *electoral competitiveness* (Franklin et al., 2004), which is defined as how potential voters perceive the upcoming elections in terms of closeness of the race, importance of the outcome and perceived difference between options. If potential voters perceive electoral competitiveness to be low, they will be less likely to vote. According to this line of reasoning, the better educated will be more aware of these constraints and perceive electoral competitiveness to be low (Hellwig et al., 2020). As a result, a decrease in turnout should be more evident among the highly

educated compared with those with less education, who will be more likely to believe the government has substantial leeway to act.

Finally, it should be noted that the economic crisis triggered substantially more frequent elections and national referendums than Icelanders are used to. Since 1979, parliamentary and municipality elections were each held every four years without a hitch, in addition to four presidential elections, for a total of 19 elections in the 28 years before the crisis hit. No national referendums or other national elections were held during that period. After the crisis hit in 2008 and until 2017, Icelanders were asked a total of 12 times to cast their vote in the following elections (turnout in parentheses): parliamentary elections in 2009 (85.1%), 2013 (81.5%), 2016 (79.2%) and 2017 (81.2%); presidential elections in 2012 (69.3%) and 2016 (75.5%); and municipal elections in 2010 (73.5%) and 2014 (66.5%). Finally, for the first time in decades, there were several national referendums in the wake of the crisis. In 2010 (62.7%) and 2011 (75.3%), the president triggered a national referendum on the Icesave negotiations when refusing to sign a law from the Althingi into effect. The movement to have the Constitution changed included two elections, first to elect members to a Constitutional Assembly in 2010 (36.8%) and then to vote on the proposed changes to the Constitution in 2012 (48.9%). These frequent elections may have saturated voters' political interest and sense of civic duty, creating 'voter fatigue' (Lijphart, 1997), where voters become tired of elections, resulting in higher perceived cost in participating in more elections that reduces voters' motivation to participate (Garmann, 2017).

To sum up, the literature does not give a clear prediction on how or whether economic crisis will affect political participation and engagement, whether that is electoral participation, partisan ties or political interest, as two forces may be exerting opposite effects or not effects. On the one hand, it could be that economic hardship results in less political engagement due to practical difficulties, such as the cost of voting, the perception of low electoral competitiveness, alienation from politics and low trust. On the other hand, the economic situation may infuriate and motivate people to participate or be engaged, such as by voting out those they see as responsible for their predicament. We could see different demographic groups respond in different ways. The older and better educated might continue to participate out of habit, and even be more motivated than before, whereas the younger and the more economically vulnerable may become less likely to participate and be less engaged. This effect, however, may be mitigated to the degree that the higher educated perceive authorities as operating under such constraints that elections will not matter much. Overall, we expect any effect of the crisis to be overlaid—and perhaps dwarfed—by the trend seen in virtually all Western democracies over the last three to four decades, whereby younger generations are far less likely to vote than those who are older.

Data and variables

Information about turnout by gender and region is available on a population basis from Statistics Iceland for the entire period of 1983–2017. In 2016 and 2017,

Statistics Iceland also recorded turnout by age (Statistics Iceland, 2017). For most analyses in this chapter, however, we employ the ICENES data from 1983 until 2017, with data weighted by age, gender, region, turnout and party voted for.

Our three main dependent variables are electoral participation, party identification and political interest, and to a lesser extent, party membership. All four have been asked about since 1983. Electoral participation is measured by asking people—without any further preamble—if they voted in the last parliamentary elections. Party identification has been measured with the following question: ‘Some people consider themselves to be supporters of specific parties or organisations, while others do not experience such support. Do you, in general, consider yourself to be a supporter of a party or organisation?’ The available answers were yes or no (or other responses coded as missing). Political interest was gauged with the question: ‘Do you consider your interest in politics very great, great, some, little or are you not interested in politics at all?’ Party membership has been measured in two different ways since 1983. Until 1995, only those who previously had indicated they supported a party were asked if they were members of that party. Since 1999 everyone has been asked: ‘Are you a member of a political party?’

The independent and adjustment variables are trust for politicians, education, occupation, geographical location and age. The trust question is on a five-point scale: ‘Do you think that politicians are generally trustworthy, that many of them are trustworthy, some are trustworthy, few or perhaps none?’ (Scale reversed in regression analysis so higher number indicates more trust.) Education has the four following categories: primary, secondary, vocational training and university degree. Occupation is also measured with four categories, which are as follows: private sector, public sector, manual and farmer. Region in the analyses is a dummy variable for capital region versus other parts of the country.

Age was recorded from the national registry, but for these analyses, we categorised age into five generations based on year of birth. The classification refers to what was taking place in Icelandic socio-political history when respondents came of voting age (Grasso et al., 2019). The categories are as follows: 1) born 1900–1946: the first years of Iceland as an independent country; 2) born 1947–1959: the flower generation; 3) born 1960–1972: the inflation generation; 4) born 1973–1983: the privatisation generation; and 5) born 1984–1999: the economic crisis generation.

Turnout

The general trend for turnout, as discussed previously and displayed in Figure 2.2 in Chapter 2, has been a slow decline with no discernible change following the economic crisis. For the period under analysis, the years 1983–2017, turnout rose the highest in 1987 to 90.1%. Although the downward slope since then has not always been uniform, even sometimes moving up slightly between elections, the overall trend has been clear until the lowest point of 79.2% in 2016. Further analyses into background variables available at the population level from Statistics Iceland (2017) reveal minuscule but consistent gender differences in turnout over time. While initially voting in lower numbers, for the last two decades, turnout for women has been about one to two

percentage points higher compared with men. Data for the current voting districts are available from 2003 and onwards from Statistics Iceland (Statistics Iceland, 2010). Since the 2003 election, there have been six voting districts in Iceland, two for the capital Reykjavik, one for the towns surrounding Reykjavik and three for the rest of the country. The two capital districts have consistently had the lowest turnout, or 81.7% on average, compared with 84.0% for the rest of the country. All six districts follow the national trend for turnout over time, with no fluctuation observed around or after the economic crisis.

Turning to age, as mentioned previously, we have population data from Statistics Iceland for the 2016 and 2017 elections, as shown in Figure 6.1. The figure shows a stark difference in turnout by age for both years. For example, in 2017, turnout in the 20- to 24-year-old group was 69.6%, with a linear increase until around the 60- to 64-year-old category, in which it was 90.5%.

By analysing turnout by year of birth instead of age, we focus on generational changes instead of life-cycle effects when it comes to political participation and engagement. In other words, we evaluate whether people overall become more likely to vote as they get older, or if there has been a generational shift that is unlikely to change over time. More pertinent to our topic, we can see if the economic crisis had a differentiated effect on turnout by generation. Figure 6.2 shows turnout by the five generations, people born in 1900–1946, 1947–1959, 1960–1972, 1973–1983 and 1984–1999. Note that, in our discussion, we take care when interpreting the last few elections for the oldest generation because of attrition due to old age, as well as for the first few elections for the youngest generation because of the building up of the voter base. Two important results emerge from Figure 6.2. First, the economic crisis did not have a clear effect on turnout. Second, the figure reveals a stark difference in turnout by generation, especially for the youngest generation.

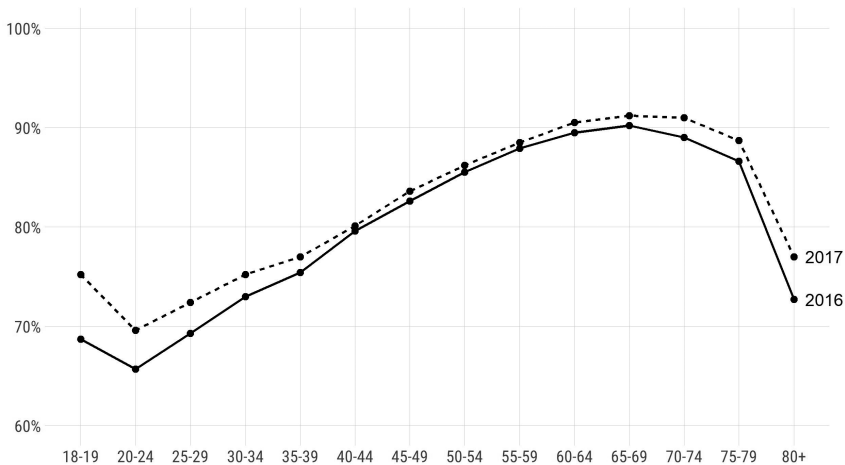


Figure 6.1 Voting by age according to Statistics Iceland (2017).

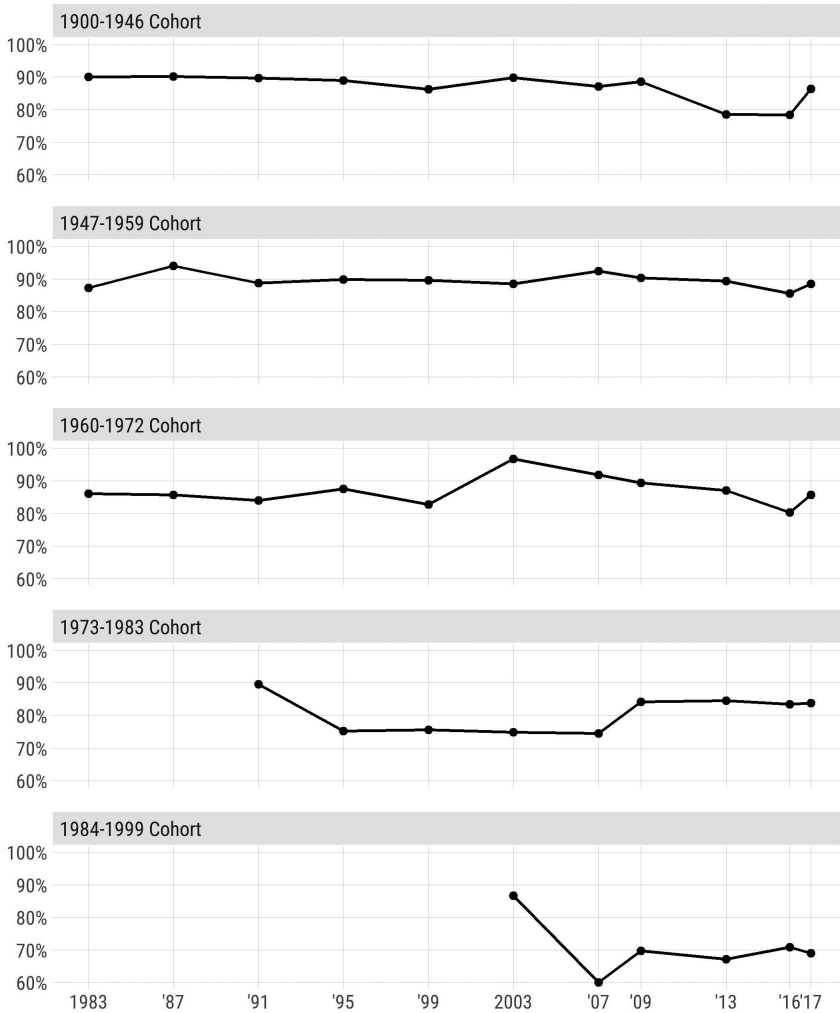


Figure 6.2 Turnout in 1983–2017 in the five different generations.

As discussed previously, theories offer conflicting predictions for the effects of an economic crisis on turnout depending on socio-economic status. On the one hand, predictions derived from rational theories, such as Franklin’s (2004) theory of electoral competitiveness, expect that better-educated voters will assume that the government operates under greater restrictions following a crisis. This leads them to perceive less electoral competition, and thus, lower their motivation to vote. On the other hand, theories grounded in political psychology predict that economic crises will primarily reduce turnout among those who suffer the most economically because it will reduce their sense of political efficacy. Because

people of lower socio-economic status tend to be hit the worst during economic crises, their turnout, already relatively low, will decrease more than that of other groups. In Figure 6.3, we see turnout over time based on education. The figure shows that the most educated group (last panel) is consistently more likely to vote than other groups. According to the figures, turnout among the primary and secondary education groups has been more volatile following the crisis but has been returning to pre-crisis levels.

The results of four binary logistic regression analyses using all previously discussed independent and adjustment variables to predict electoral participation over four periods are presented in Table 6.1. The models demonstrate that all these demographic variables explain a fairly small proportion of electoral participation, ranging from 4% to 10%. Unsurprisingly, there is a consistent linear effect of age, but there is also a non-linear effect, reflecting that the very oldest and youngest are less likely to vote compared with other groups. The two occupational class variables are consistently statistically significant, with manual labourers and farmworkers being less likely to vote than non-manual labourers.

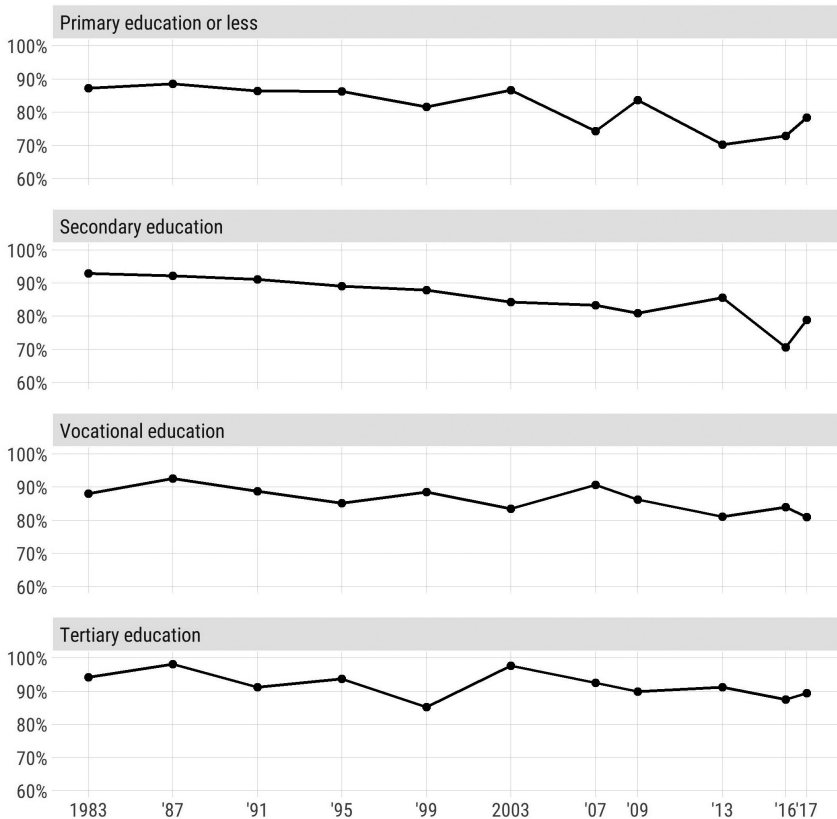


Figure 6.3 Turnout in 1983–2017 by education.

Table 6.1 Results of a binary logistics regression analysis predicting voting

	<i>Response variable: yes, voted</i>			
	1983–1995	1999–2007	2009	2013–2017
	(1)	(2)	(3)	(4)
	<i>B</i> (<i>SE</i>)	<i>B</i> (<i>SE</i>)	<i>B</i> (<i>SE</i>)	<i>B</i> (<i>SE</i>)
Age	0.086** (0.019)	0.156** (0.018)	0.221** (0.054)	0.085** (0.018)
Age squared	-0.001** (0.0002)	-0.001** (0.0002)	-0.002** (0.001)	-0.001** (0.0002)
Gender (female)	-0.126 (0.121)	-0.158 (0.123)	0.608* (0.270)	-0.062 (0.131)
Residence (rural)	0.085 (0.120)	0.169 (0.120)	-0.158 (0.249)	0.042 (0.122)
Education (reference group is primary education)				
Secondary education	0.400 (0.206)	0.443** (0.169)	-0.292 (0.356)	0.043 (0.175)
Vocational training	0.046 (0.143)	0.208 (0.165)	-0.362 (0.354)	-0.190 (0.171)
University	0.179 (0.250)	0.420* (0.177)	-0.429 (0.370)	0.178 (0.171)
Public sector (yes)	0.252 (0.130)	0.434** (0.136)	-0.493 (0.272)	-0.199 (0.135)
Job type (reference group is non-manual worker)				
Manual work	-0.221 (0.135)	-0.348** (0.133)	-0.496 (0.288)	-0.593** (0.148)
Farmer	-0.515** (0.189)	-0.504* (0.217)	-0.852 (0.529)	-0.519* (0.249)
Political trust	0.651*** (0.061)	0.593*** (0.061)	0.430*** (0.143)	0.623*** (0.072)
Constant	-0.755 (0.442)	-3.056** (0.404)	-2.915** (1.085)	-1.488** (0.411)
Observations (N)	4,153	3,250	794	2,516
Log likelihood	-1,266.577	-1,189.401	-266.826	-1,066.387
AIC	2,557.154	2,402.803	557.651	2,156.773

Note: Levels for significance are * $p < 0.05$, ** $p < 0.01$ and *** $p < 0.001$. Standard errors are in parenthesis. Data are weighted by vote choice, electoral participation, gender, age and constituency

Of interest is the last variable in the model, trust towards politicians. Trust consistently predicts voting but comparing the t -values for the coefficients across models, we see that trust was the strongest predictor of voting before the crisis, weakest during the 2009 crisis elections and moved upward again after this point (1983–1995, $t = 10.67$; 1999–2007, $t = 9.72$; 2009, $t = 3.00$; 2013–2017, $t = 8.65$). We assume that this can be explained by the dramatic fall in trust levels immediately following the crisis (see Chapter 5), accompanied by an uptick in turnout.

Party membership and identification

As discussed in the introduction to this chapter, reported party membership in Iceland has been extremely high in international comparisons. This can mostly be explained by heavy recruitment by individual candidates during primaries. Figure 6.4 shows self-reported membership in a political party according to ICENES. The noticeable uptick in 2007 can be explained by what can only be called a primary frenzy before the parliamentary election that year (Kristinsson, 2010). In that year, all four main political parties used primary elections exclusively or predominantly to select their candidates. With the economy booming and laws for campaign financing not as strict as they later became, individual candidates received large sums of money from companies and wealthy individuals, enabling a massive recruitment effort—with individuals possibly signing up for more than one party to support personally connected candidates or further other agendas. Reported party membership has gone down since then by about ten percentage points. Given that once people become a member of a party, no commitment is required to maintain membership and the parties do not actively collect membership fees, and an active resignation is needed to leave it, it may be that people linger within a party even if they are not active in the party and long after they stop supporting it. We do not know to what extent people’s response to

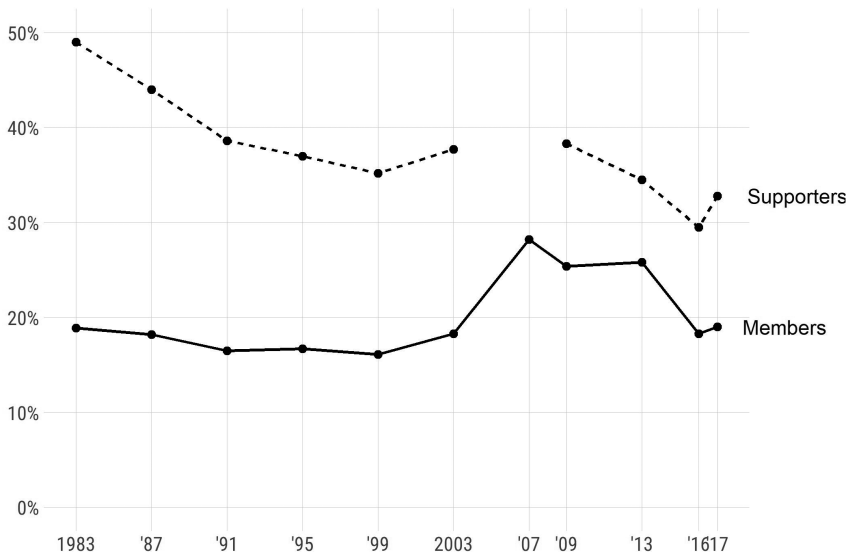


Figure 6.4 Supporters and members of political parties according to ICENES. Note: The question about being a supporter of a political party was not asked in 2007. From 1983 to 1995, only those who previously answered that they supported a party were asked if they were members of a party. From 1999 onwards, everyone was asked if they were members of a party.

this question in the ICENES survey reflects active membership in a party or their preference for that membership at the time of the survey.

Because of the limitations to the party membership variable in the Icelandic context, the variable may not be a good measure of ‘true’ support of a party at the time of the survey. For the following analyses, we therefore employ party identification. Figure 6.4 shows the trend for party identification over time. As for party membership, the trend is clearly downwards, but considering the figure, this trend does not seem to have accelerated after the crisis. However, we do see a clear generational difference in party identification (Figure 6.5), which is similar

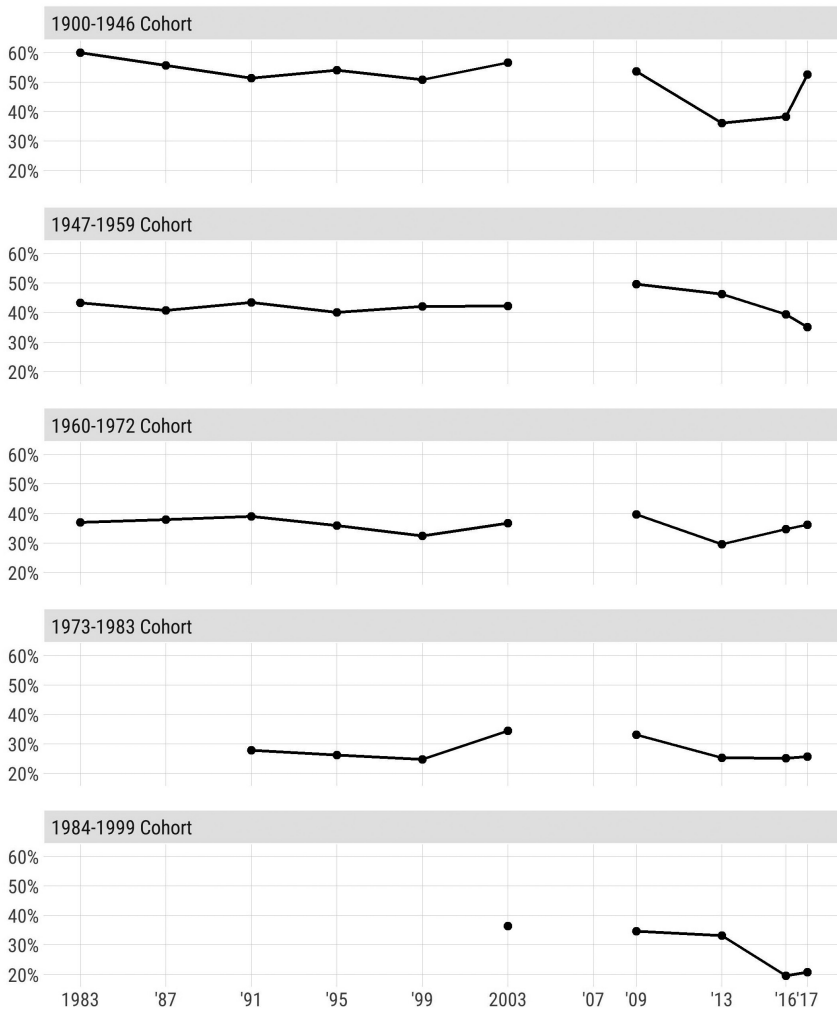


Figure 6.5 Party identification in 1983–2017 by generation.

to that seen with turnout. Interestingly, the clear increase in people who say they do not identify with a party after the economic crisis did not occur during the first post-crisis election in 2009, but rather, in 2013, indicating that the crisis might have had a delayed impact on the levels of party identification.

The binary logistics regression analysis in Table 6.2 shows that the only demographic predictors that consistently predict party identification over time are being female and a non-manual worker. Compared with a reference group, both females and

Table 6.2 Results of a binary logistics regression analysis predicting party identification during the four periods

	<i>Response variable: Support a political party, yes</i>			
	<i>1983–1995</i>	<i>1999–2007</i>	<i>2009</i>	<i>2013–2017</i>
	<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>
	<i>B(SE)</i>	<i>B(SE)</i>	<i>B(SE)</i>	<i>B(SE)</i>
Age	0.003 (0.013)	−0.008 (0.017)	−0.029 (0.038)	0.014 (0.015)
Age squared	0.0002 (0.0001)	0.0004* (0.0002)	0.001 (0.0004)	0.00002 (0.0002)
Gender (female)	−0.307*** (0.075)	−0.388** (0.104)	−0.326 (0.175)	−0.274** (0.103)
Residence (rural)	0.093 (0.073)	0.047 (0.103)	0.006 (0.171)	0.184 (0.100)
Education (reference group is primary education)				
Secondary education	−0.010 (0.110)	0.233 (0.143)	0.389 (0.246)	−0.164 (0.151)
Vocational training	−0.040 (0.090)	−0.046 (0.139)	−0.188 (0.240)	−0.013 (0.148)
University	0.241 (0.127)	0.015 (0.138)	0.244 (0.231)	−0.202 (0.134)
Public sector (yes)	−0.207** (0.076)	−0.076 (0.107)	−0.120 (0.177)	−0.059 (0.109)
Job type (reference group is non-manual worker)				
Manual work	−0.250** (0.081)	−0.271* (0.122)	−0.115 (0.206)	−0.376** (0.134)
Farmer	−0.042 (0.121)	0.065 (0.187)	0.409 (0.402)	0.150 (0.206)
Political trust	0.329*** (0.035)	0.496*** (0.052)	0.623*** (0.098)	0.599*** (0.056)
Constant	−1.063*** (0.295)	−1.650*** (0.393)	−1.196 (0.802)	−2.426*** (0.367)
Observations (N)	4,096	2,207	787	2,506
Log likelihood	−2,900.236	−1,483.803	−539.742	−1,640.702
AIC	5,824.472	2,991.606	1,103.485	3,305.404

Note: Levels for significance are * $p < 0.05$, ** $p < 0.01$ and *** $p < 0.001$. Standard errors are in parenthesis. Data are weighted by vote choice, electoral participation, gender, age and constituency.

non-manual workers are less likely to say that they identify with a party. Not surprisingly, trust for politicians consistently predicts party identification, where those who trust more are more likely to identify with a party. Unlike turnout, however, trust did not become a stronger (or weaker) predictor of party identification after the recession.

Political interest

Based on the research reviewed in the introduction, we expected political interest to remain more or less stable throughout the period. As seen in Figure 6.6, that

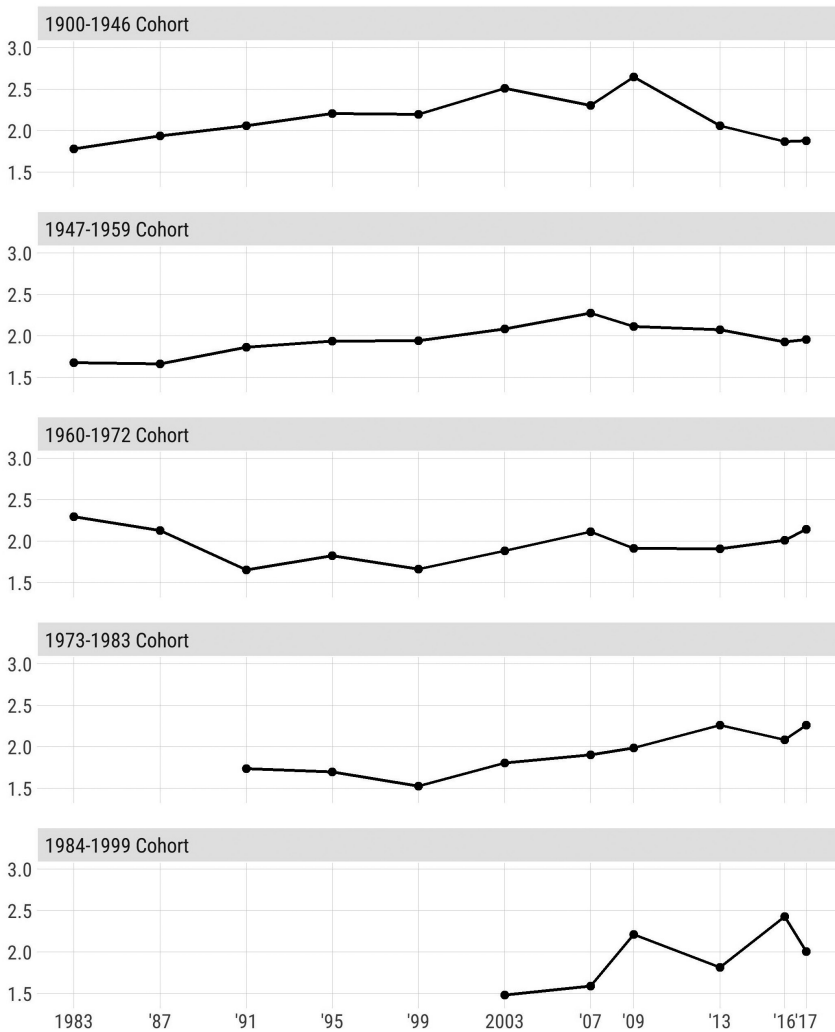


Figure 6.6 Political interest (on a scale of 0–4) in 1983–2017 by generation.

turned out to be the case. As before, the last few elections for the oldest generation and the first for the youngest generation should be interpreted with caution. Furthermore, but again in line with other research, the generational gap seen for electoral participation and party identification does not emerge here. Younger generations are just as likely to report being interested in politics as those who are older.

Unlike for electoral participation and party identification, there is a clear demographic profile when it comes to predictors of political interest that does not change over time. More political interest is associated with being male, having more than primary education (the longer the education, the stronger the effect), having a non-manual occupation and having higher political trust. Interest also tends to increase with age (Table 6.3).

Conclusion: The economic crisis and political participation

In this chapter, we have examined how the economic crisis may have affected several indicators of political participation and engagement, more specifically, electoral participation, party membership, party identification and political interest. Previous research on the topic gave us reason to expect that the crisis would probably influence a fairly small change to each of those indicators but that some demographic sorting could have taken place due to the unequal effect of the economic crisis on social groups.

Data from Statistics Iceland showed that turnout in national elections was not systematically hurt by the crisis but continued its slow decline that started in the 1990s, going from around 90% in 1987 to 79% in 2016. Our analysis using the ICENES survey data from 1983 until 2017 clearly demonstrates that the age effect evident in the population-based data from Statistics Iceland in 2016 and 2017 is driven by a large generational change. People born in 1984 and later are much less likely to vote compared with older generations, which have remained equally likely to vote over time. This corroborates the reporting by Halldórsson and Önnudóttir (2019), who used slightly different analyses. Interestingly, our regression analyses show that the predictive power of demographic variables did not change before, during or after the crisis. Therefore, the results do not support the hypothesis that some people (those with abundant resources) become more politically engaged following or during a crisis, whereas others (those with fewer resources in terms of time, money or both) became less likely to vote (Margalit, 2019). Trust in politicians did become a stronger predictor of electoral participation over time, possibly supporting the thesis that compared with older voters, younger generations are less likely to vote out of civic duty (Fieldhouse et al., 2007). That is, young people may be less likely to vote irrespective of how trusting they are of politicians. If people stop voting out of duty, trust in politicians may become a stronger predictor of willingness to participate in the political process. Given that turnout went up by two percentage points between 2016 and 2017, after a campaign run by several youth organisations aimed at increasing the young vote, it will be extremely interesting to see how turnout evolves in Iceland

Table 6.3 Results of a linear regression analysis predicting political interest during the four periods

	1983–1995		1999–2007		2009		2013–2017	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	B(SE)	B(SE)	B(SE)	B(SE)	B(SE)	B(SE)	B(SE)	B(SE)
Age	0.019*** (0.005)	0.020*** (0.007)	0.008 (0.016)	0.027*** (0.006)				
Age squared	-0.0001** (0.0001)	-0.0001 (0.0001)	0.00001 (0.0002)	-0.0002*** (0.0001)				
Gender (female)	-0.322*** (0.030)	-0.353*** (0.043)	-0.255*** (0.072)	-0.338*** (0.040)				
Residence (rural)	-0.051 (0.030)	-0.036 (0.042)	-0.148* (0.070)	-0.054 (0.039)				
Education (reference group is primary education)								
Secondary education	0.275*** (0.045)	0.198*** (0.059)	0.267*** (0.102)	0.352*** (0.058)				
Vocational training	0.126*** (0.037)	0.128* (0.057)	0.197* (0.097)	0.132** (0.058)				
University	0.488*** (0.052)	0.440*** (0.057)	0.401*** (0.095)	0.405*** (0.052)				
Public sector (yes)	0.046 (0.031)	0.069 (0.044)	-0.047 (0.073)	-0.031 (0.042)				

(Continued)

Table 6.3 Continued

		Response variable: Political trust (1–5)			
		1999–2007	2009	2013–2017	
		(2)	(3)	(4)	
		B(SE)	B(SE)	B(SE)	B(SE)
Job type (reference group is non-manual worker)					
Manual work		-0.164*** (0.033)	-0.224*** (0.049)	-0.184* (0.085)	-0.140*** (0.051)
Farmer		-0.170*** (0.050)	-0.151 (0.078)	-0.108 (0.166)	0.283 (0.083)
Political trust		0.226*** (0.014)	0.284*** (0.021)	0.269*** (0.038)	0.275*** (0.021)
Constant		1.072*** (0.119)	0.848*** (0.157)	1.384*** (0.327)	0.750*** (0.139)
Observations		4,091	2,204	787	2,504
R ²		0.168	0.206	0.153	0.169
Adjusted R ²		0.165	0.203	0.141	0.166
F statistic		74.639*** (df = 11; 4,079)	51.858*** (df = 11; 2,192)	12.681*** (df = 11; 775)	46.207*** (df = 11; 2,492)

Note: Levels for significance are *p<0.05, **p<0.01 and ***p<0.001. Data are weighted by vote choice, electoral participation, gender, age and constituency

in the coming years. Although we do not have the data to address it in this chapter, the frequent elections could either have led to an ‘election fatigue’ or maintained political interest and prevented even further decline in turnout from taking place.

The story was a bit different for party identification and party membership. The slow and steady decline in party identification observed in our data since 1983 continued after the crisis. It reached an all-time low of 30% in 2016, down from 42% in 2003. Interestingly, unlike for electoral participation, age was neither a strong nor a consistent predictor of party identification. More generally, the demographic predictors of party identification did not change over the period, indicating that the continuation of the negative trend after the crisis took place fairly evenly across social groups. This can clearly be reflected in the breakdown of the old four-party system and the six new *post-crisis* parties that have entered the scene, which is explored in further detail in Chapters 7 and 8.

Data for party membership are a bit hard to interpret in the Icelandic context due to the heavy recruitment before primary elections and the no-cost, no-commitment party membership, which makes people linger in parties that they may or may not support. Thus, our analysis remains inconclusive about whether party membership has changed due to the crisis or even whether the levels of party membership reflect partisan involvement. Interestingly, we see no change over time in self-reported political interest, nor does there seem to be any generational difference in interest. Overall, we see no evidence of sorting before and after the crisis on such variables as gender, education, age and occupation when it comes to electoral participation, party identification or political interest.

Previous research offered mixed messages in terms of what to expect. The overwhelming message in research on conventional political participation in established democracies, measured with turnout and membership in political parties, has been one of decline. This trend started at least a decade later in Iceland, which makes it difficult to discern to what degree Iceland is simply ‘catching up’ with other countries regardless of other factors, or if the economic crisis is playing a significant role. There is no doubt that events like the ones Iceland went through in 2008 can turn people off politics, at least temporarily. In the Icelandic context, however, two factors may have helped mitigate the effects on political participation. First, the successful mass protests may have led people to experience political efficacy and thus increased interest in politics. Second, the variety of new post-crisis parties may have helped mitigate further decline in turnout because they offered an outlet to vent frustration (anti-establishment parties) or by offering party platforms that reflected the current state of affairs and the changes people wanted to see.

7 A crumbling party system?

Abstract

Six new parties have been elected to the parliament in Iceland since 2009, with four of them winning seats in the 2017 election. The loss of the dominant status of the four established parties and the increasing momentum of the new parties is a strong indicator that the Icelandic party system has been changing since the economic collapse. It remains to be seen whether such changes are transitory or permanent and whether they are directly attributable to the economic collapse or are consequences of a longer trend of adjustment in electoral behaviour in Iceland—which is the topic of this chapter. This topic will be assessed by analysing the status of the four established parties and voters' partisan loyalties: party identification, party sympathy and party leadership. Furthermore, we analyse whether the impact of these factors on vote choice has decreased after the crisis and instead whether parties' perceived competence play a bigger role in guiding vote choice. We do this by analysing whether they have changed gradually over time and contrasting their impact before and after the crisis. Our main findings are that partisan allegiances have in general been decreasing since before the crisis but have since the crisis weakened considerably as predictors of vote choice.

The Great Recession and party system change

Since the establishment of the modern party system in Iceland in the early 20th century, the perseverance and stronghold of the four established parties have been such that they are often referred to together as the '*fourparty*' (i. *fjórflokkurinn*) and the Icelandic party system as a 'four-party system'. Today is a different story. Since 2009, six new parties have been elected to parliament, with four of them elected in the most recent election in 2017. The decreasing support of the *four-party* and the increasing success of new parties are indicators that the Icelandic party system has been transformed and that the economic collapse acted as a catalyst in that change. Here, the suddenness of the crisis can clearly be of importance. If the onset of a crisis is gradual over a longer period, instead of a sudden shock, the established parties are more likely to be able to respond to the crisis in a credible manner, and the voters of the parties, specifically partisan voters, are more

likely to accept the reactions of their party (Mair, 1983). In other words, parties are more likely to resist or adapt to changes that take place over a longer period, but they tend to have a hard time with abrupt changes. If the onset of the crisis is sudden, as the Great Recession was for many European countries, including Iceland, the consequences for the party system could be more severe (Kriesi & Hutter, 2019). The sudden shock could have made the incumbent government in Iceland more vulnerable and exposed to attacks from both the opposition and new challenger parties, leading to a party system change.

What is a party system change, and how can it be defined and detected? One can consider a party system change to be on a continuum, from small shifts in the support of parties within the system to realignment and dealignment as intermediate changes, and finally, full party system collapse (Dietz & Myers, 2007). As pointed out by Mair (1983), smaller changes, such as shifts in support and realignment, do not necessarily affect all parties or all groups of party voters in multi-party systems. There is an important distinction between whether there is simply a change in support for different parties, a change in party alternatives within the existing cleavage system or an actual change in the conflicts that are articulated within the party system. The success of new parties in being elected is not sufficient for a party system change to have occurred. A strict definition of a party system change would be if new parties make a lasting impact on governing and policymaking in a different way than has been done before. A fluctuation in party support from one election to another is symptomatic of electoral volatility, while a party system collapse or change is considered to manifest over a longer period, or at least three election cycles (Dietz & Myers, 2007). Voters who shift their support from one party to another can be high in two elections in a row but result in no change to the party system when voters return to their old parties. Another non-change would be if parties that lose support in the first election manage to gain support from a different group of voters in the next election(s).

A severe crisis can lead to voters first shifting their support from one established party to another, but voters' dissatisfaction with how the chosen alternatives handle a prolonged crisis or the recovery from the crisis can mean that they turn their back on all established parties. The sudden shock of the crisis together with a breakdown of Icelanders' taken-for-granted reality about their economic prosperity, security and even national identity, the blame avoidance of the incumbent government for the financial crisis, a legitimacy crisis of the political system (Bernburg, 2016) and an extended period of austerity might all have undermined the credibility of the established parties and opened up a space for new parties. Whether the changes are transitory or permanent and whether they are directly attributable to the economic collapse or consequences of a longer trend of adjustment in electoral behaviour in Iceland is the topic of this chapter. Given that the success of new parties can partly be attributed to the established parties having lost their former dominant status, here in this chapter, we focus on factors that have contributed to the loss of support of the four established parties. In Chapter 8, we focus on the new parties and the outlook of the party system after the Great Recession.

A crumbling party system?

Since the apparent freeze of the Icelandic party system in the 1930s and 1940s (see Chapter 2), little has indicated that the status of the four established parties could be challenged. Figure 7.1 shows that the combined vote share of the four established parties from 1931 until the 2013 election was over 85%, except for the election in 1987.¹ In the first election immediately after the crisis, the 2009 election—which was an early election—the four parties obtained 90.0% of the vote. Since then, in the last three elections, their support has decreased gradually. In 2013, the combined support of the four parties was 74.9%, decreasing to 62.1% in 2016 and 64.9% in 2017.

There could be at least two reasons why the four established parties did not lose their combined support in the 2009 election immediately after the crisis. First, the 2009 election was an early election, held six months after the Great Recession hit Iceland, meaning that there was little time for a number of new parties to form completely from scratch. One new party, the Civic Movement, was elected. That party had roots in the protest movement and had four MPs elected, with 7.2% of the national vote (Statistics Iceland, 2010). The second reason is that the 2009 election was a ‘typical’ crisis election, where the shift of power was within the established parties. The Social Democratic Alliance left the government coalition led by the Independence Party and formed a government with the Left-Green Movement, representing the first left-wing government in Iceland since 1988–1991. Even if the Social Democratic Alliance was in a government

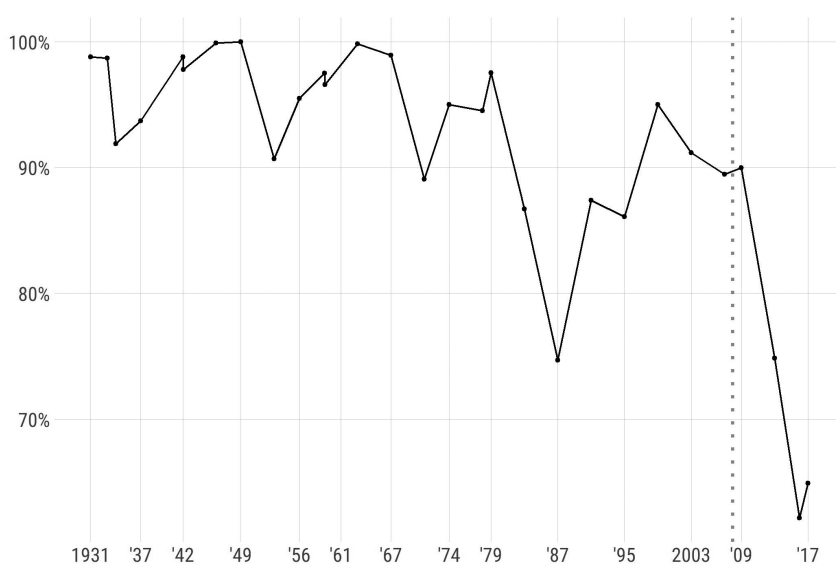


Figure 7.1 Sum of the vote share of the four established parties 1931–2017. *Source:* Statistics Iceland.

coalition with the Independence Party when the crisis hit, it had only been part of that coalition for two years after a 12-year period with a government coalition between the Independence Party and the Progressive Party. Thus, the shift of power was such that the Independence Party lost its dominant status, and a 'pure' left-wing government took over. Supporting this is the fact that voters blamed the Independence Party to a much greater extent than the other three parties when asked in ICENES 2009 about how responsible each party was for the crisis. On a scale from 0 to 10, where 0 indicates no responsibility and 10 indicates that the party was very much responsible, the mean blame for the Independence Party was 8.2. The Progressive Party was blamed the second most, with 6.8, followed by the Social Democratic Alliance (6.1) and the Left-Green Movement (2.9).

The left-wing government that took over in 2009 had to manage austerity and cuts, steering the economy through the crisis over the next years, and it was voted out with a bang in the 2013 election. In that election, a record number of 15 parties ran for parliament (Indriðason et al., 2017), and as Figure 7.1 shows, the combined vote share for the four parties went down to 74.9%. This pattern of vote swings, first between the established parties and then after a prolonged crisis when voters throw in their support for an outsider or a new party, can be taken as a sign of a delayed impact of a crisis on the party system (Roberts, 2017).

Changes in the combined support for established parties in Iceland are not sufficient to argue that a party system has changed. However, one can point to an obvious change, which is the number of parties that constitute the party system. Before the 2013 election, the Icelandic party system was commonly referred to as a four-party system, or a four-point half system, referring to the four main established parties; it was not uncommon for one and at most two other parties to be elected to the parliament at different times. The number of parties that ran for elections since 1946 was usually from four to six, and at most 11 in the 1991 election. Since 2013, there has been a huge change to this, with 15 parties offering candidates in the 2013 election, 12 in 2016 and 11 in 2017.

Accounting for the electoral support of parties, Figure 7.2 shows the number of effective parties (Laasko & Tagapera, 1979), both at the electoral level and the parliamentary level (Gallagher, 2019). Until the 2013 election, except for 1987,² the number of effective parliamentary parties was rather stable, ranging from 3.2 in June 1959 to 4.2 in 2009. After the 2009 election, there was a steady rise in the number of effective parliamentary parties. Even if it could be argued that this rise had started already following the 1999 election, the increase was clearly accelerated after the 2009 election. This indicates that fragmentation has increased in the Icelandic party system, with a rising number of smaller parties represented in parliament.

There can be two theoretical explanations for the number of parties in a party system. First, it is determined by the electoral system, where a majority system favours a two-party system, while a proportional system favours an increased number of parties to win seats. The second explanation is that the number of parties is dependent upon the number of cleavages in the electorate, for example, based on socio-economic factors or ideology (Lipset & Rokkan, 1967). In the

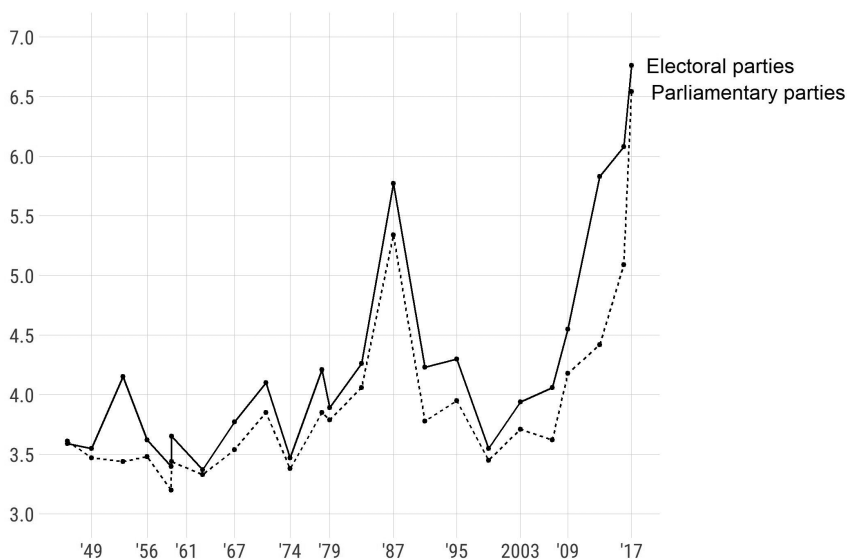


Figure 7.2 Number of effective parties, 1946–2017. Note: Data retrieved from Election Indices (Gallagher, 2019).

Icelandic case, the change in the number of parties and increasing fragmentation since the crisis is not attributable to a change in the electoral system, as it has been completely based on proportional representation since 1959. It is much more likely that a shift has occurred among the electorate. Having established that the four main parties lost their dominant status after the Great Recession, a status that they have not recovered to a pre-crisis level, and that the number of effective parliamentary and electoral parties has gradually increased since then, we next discuss whether these changes can be explained by weakening ties in terms of alliances of voters with the four established parties.

Voters' alliances with the *fourparty*

To detect whether a party change has occurred, one needs to analyse at least three elections in a row. One reason for this is to be able to detect whether voters' loyalties towards parties are affected permanently and what are the consequences of those for electoral behaviour. Given that people form a party identification, it is assumed to be formed in people's formative years and those who form a party identification are loyal to their party throughout their lives (Kroh, 2020). Party identification can also serve as a shortcut or cue for voters for their policy preferences (Dalton, 2016). A different, but related, viewpoint is that party identification is more dynamic in the sense that people's strength of party identification can change depending on their experiences, for example, voting for their preferred

party strengthens their bond with the party (Fiorina, 1981). Those different viewpoints do not exclude one another, the debate is first and foremost about what mobilises changes in party identification. Furthermore, there are party leaners or those who do not identify with a party but are more sympathetic with some parties than others (e.g. Dalton, 2016) and those could be more likely than party identifiers to shift their support from one party to another. Therefore, both party leaners and those who do not line up with any party at all should be more likely to base their vote on other factors such as to what extent they like the party and/or its leaders, issues and perceived performance and competence of the parties they can choose from (e.g. Green & Hobolt, 2008).

Given that voters who identify with their party are more likely to stick with their party throughout a crisis or return to it again after leaving it for one or two elections, while party leaners and unbound voters are more likely to change their vote means that a change to the electoral behaviour that might lead to party system change following a crisis could be delayed, if it occurs at all (Roberts, 2017). In this regard, the profiles of different groups of party voters are important. Let us consider, for the sake of the argument, party A and party B in a multi-party system. The profile of the group of party voters of party A is that, in general, party loyalties are low. This means that the support for this party is more likely to be influenced by other factors than partisan loyalties, such as its perceived performance, issue voting or perceived competence of the parties. Thus, the electoral success of party A is more prone to shift extensively from one election to the next, both in general but also specifically under the circumstances of a prolonged crisis. The profile of party voters for party B shows that they are more likely to be loyal and identify with party B. Loyal voters who identify with their party do not generally switch parties; they always vote for 'their' party, which they also like, perceive their performance to be good and agree with on issues. This means that the electoral success of party B should be quicker to recover to its former status if it loses support at all to begin with. If a severe and prolonged crisis leads to a gradual change in the support for party B, that change can only be detected after three or more elections, given that loyal voters that desert it do not return to their party again and they either form a loyal bond with a different party or their profile becomes more similar to the profile of party voters A, which are unbound voters.

Given that there has been a change in party loyalties paving the way for a party system change in Iceland, we present results in this section about voters' loyalties with the four established parties, focusing on voters' party identification, party sympathy and party leader sympathy. Since 1983, except for 2007,³ respondents in ICENES have been asked whether they consider themselves to be a supporter of a party, and if so, which one. In 1983, party identification in Iceland was already weaker than it was in Scandinavia. Figure 7.3 shows that, since 1983, the Independence Party has always held the biggest share of voters who identify with that party, but their share of party identifiers decreased after the crisis. Prior to the crisis, the rate of those who identified with the Independence Party was from 18% to 24%. Immediately after the crisis, this dropped to 13%, and it has not recovered to a pre-crisis level since. For the other three parties, there has been no

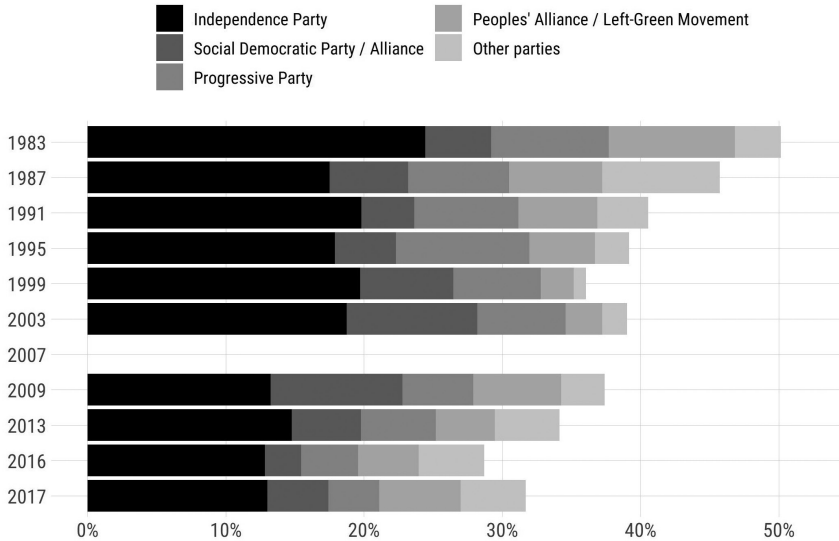


Figure 7.3 Party identification of the four established parties, 1983–2017. Note: The total percentage of party identifiers are proportions of those who answer yes when asked about whether they consider themselves to be a supporter of a certain party. The entries for the parties are those who say what party they are supporters of, where the proportions are calculated based on the total number of all respondents that consider themselves to be a supporter or not a supporter of a certain party. The question asked was as follows: ‘Many people consider themselves supporters of political parties, whereas others do not feel solidarity with any party. Do you generally consider yourself a supporter of any political party or organisation?’ If yes, respondents were asked what party.

apparent change in their share of partisan voters after the crisis, but those parties also held a much smaller share of voters that identify with them to begin with. This means that, over the years, these three parties have had to rely on weaker alliances with their voters and have had to put more effort into attracting a number of voters that would place them on par with the number of partisan voters of the Independence Party.

Party sympathy, or the extent to which voters like their party, can be considered as a bond between voters and parties, but a weaker bond than party identification. Voters can like two or more parties equally, whereas party identification is generally assumed to exclude rival parties. Party sympathy is also more flexible than party identification in the sense that, even if voters like the party they vote for, they are more likely to switch parties than those who are also party identifiers. Both party identification and party sympathy are considered to be bonds with the party and one line of argument is that those have weakened due to an increase in the personalisation of politics and that party leader sympathy should become more important instead (Garzia, 2013; Pruyers et al., 2018). Even if this debate

remains inconclusive, it has been established that party leader sympathy is closely connected with party sympathy, where people who like a party are also likely to like the party's leader (Mughan, 2009; Schwirz & Marsh, 2012). Figure 7.4 shows to what extent voters of each party like or dislike their party and the leader of their party. The question wording and response scales for party and party leader sympathy have been changed over the years (see note to Figure 7.4). Figure 7.4 gives

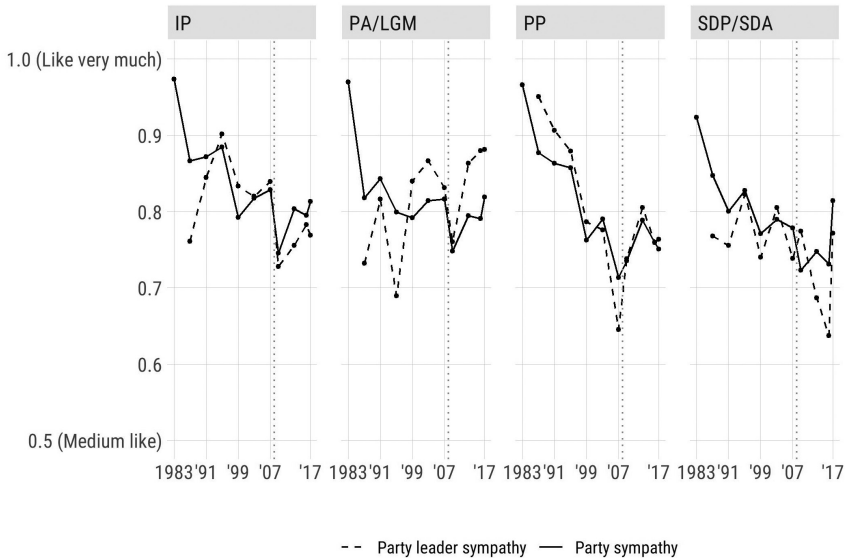


Figure 7.4 Party voters' party sympathy. Note: Entries are the means for party/party leader like/dislike for each party on a scale from 0 to 1. In 1983, respondents were asked to rank the parties on a four-point scale from dislike the most to like the best. From 1987 to 1995, respondents were asked to rate the parties and the party leaders on an 11-point scale ranging from -5 (dislike) to +5 (like). From 1999 onwards, respondents were asked to rate the parties and the party leaders on an 11-point scale from 0 (dislike) to 10 (like). Question asked in 1983: 'Now I would like you to rank the four old parties, that is, the SDP, the PP, the IP and the PA, according to how much you like or dislike them. What party do you generally dislike most? Which one is the second best? And which one is the best?' Questions asked in 1987–1995: 'Now I would like to ask if you generally like or dislike individual political parties. You indicate this by giving each party a mark from -5 to +5. If you like a party, you give it a positive mark of up to 5, but if you don't like a party, you give it a negative mark of down to -5. Zero means that you neither like nor dislike the party in question' and 'What if you use the same scale for people who have been in leadership positions in Icelandic politics?' Questions asked in 1999–2017: 'I'd like to know what you think about each of our political parties. Please rate the parties on a scale from 0 to 10, where 0 means you strongly dislike that party and 10 means that you strongly like that party. If I come to a party you haven't heard of or you feel you do not know enough about, just say so' and 'And now, using the same scale, I'd like to ask you how much you like or dislike some political leaders'.

us no reason to suspect that a change in party sympathy is driven by the changes in the response scales, at least not since 1987 and onwards when party sympathy was asked about on an 11-point scale. In addition, we see in the figure that the voters of the Independence Party usually rate their party higher or equal to the party that comes second in party sympathy. Furthermore, over the whole period, or at least since 1987, there is a negative trend in party voters' party sympathy, but no change is apparent in 2009 or afterwards.

The fourth factor we take into consideration is perceived party competence, which we argue should become more important after the crisis than it was before and has a different nature when contrasted with party identification and sympathy. Party competence and its impact on vote choice can be driven by where people stand on so-called valence issues instead of position issues (Stokes, 1963). Valence issues are issues that all or most voters agree to be important, but instead of estimating parties based solely on their position on those issues, voters estimate the competence of the parties to deal with those issues (e.g. Green, 2007; Sanders, 2003). Here we will not dive into the theoretical debate about the nature of valence versus position issues or whether one has become more important than the other, but instead, we approach party competence as a possible factor that might replace factors such as party loyalties and/or become more important as a guide for what party to vote. In Figure 7.5, we see that since 2007, when respondents in ICENES were first asked what party was the best one to deal with the most important issue, there are no clear trends in whether perceived party competence among party voters has increased, decreased or stayed the same. For two of the parties, the Left-Green Movement and the Independence Party, the proportion of their voters

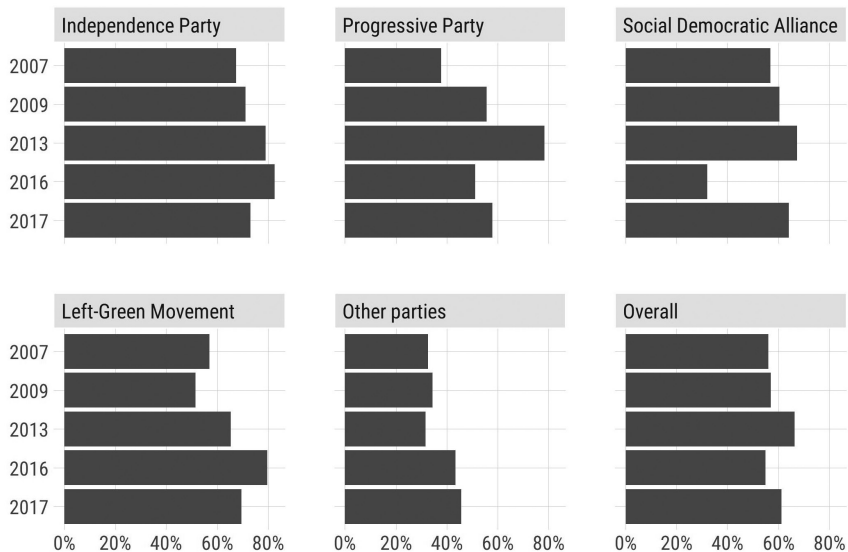


Figure 7.5 Party voters that name their party as the most competent one.

that name their party as the most competent one seems to have increased after the crisis, whereas this proportion has decreased or fluctuated among the voters of the Social Democratic Alliance and the Progressive Party. Those changes (increase, decrease and fluctuations) could reflect at least two things that are not mutually exclusive. First, an increase in electoral support reflects that a higher proportion of the party voters consider the party to be the most competent, in that case, the electoral support could be mobilised by the parties' perceived competency. A decrease in electoral support could also mean that the pool of voters for the party shrinks and a bigger proportion of partisan voters are left, and those partisan voters would 'always' consider their party as the most competent one. Whether those changes are due to an increase and/or a decrease in electoral support, both indicate that the impact of party competence on vote choice might have increased after the crisis.

Taken together, the long-term trends for partisan allegiances in terms of party identification and party sympathy are mixed. Party leadership sympathy largely follows the trend of party sympathy. There is a general negative trend, with fluctuations in party sympathy for all four established parties, and only the Independence Party seems to lose party identifiers after the crisis. The levels of perceived party competence among the voters of each party seem to be either stable or to fluctuate since 2007, one year prior to the crisis. However, stability or fluctuations in the levels of partisan allegiances, party leader sympathy and party competence do not necessarily imply a status quo in the impact they have on the decision to vote for particular parties. It may be that even if the levels of those factors do not change over time, they do change in their impacts on vote choice. It has been argued that the 2009 election in Iceland was a critical election in the sense that voters' allegiances and ideological attachments with parties significantly weakened, and that those factors did not recover to a pre-crisis level in the following election in 2013 (Önnudóttir et al., 2017). This was so even if the combined vote share of the four parties did not decrease considerably in the 2009 election but did so in the following elections. The question raised here is whether those changes are permanent, which is the topic of our next section.

Partisan alliances with the *fourparty* before and after the crisis

Even if it is assumed that party identification and how much voters like parties tell a story about voters' party preferences (Campbell et al., 1960), these do not exclude other factors, such as voters' socio-economic status, ideology, issue voting and parties' perceived competence (Dalton, 2006). One way to look at it is that different groups of voters are mobilised by different factors. Just to name some examples of how voters decide what party to vote for, there can be partisan voters that cast their vote based on party identification, there can be voters that select parties based on their issue preferences and there could be voters that cast their vote based on their perception of their competencies. By this, we are not arguing that different groups of voters use only one or two things as beacons to decide how to vote, but main motivations and prior factors can be different, and

causality does not have to occur in only one direction (e.g. from issue preference to voting or vice versa). We do not solve the issue of causality in this chapter, nor do we dive deep into the debate about causal mechanisms. Instead, our focus is on whether there is a significant change in the post-crisis elections when it comes to the impact of party identification, party sympathy, party leader sympathy and perceive party competence on vote choice. The first three factors, and especially party identification, can be considered cornerstones in the bond between loyal voters and their party. If those ties weaken significantly, it means that the party or parties in question have lost an important core of their supporters, where the votes were usually guaranteed, and those weaker alliances could precede a party system change. Given that partisan allegiances and sympathies weaken, other factors such as parties' perceived competence could become more important in guiding vote choice. In this section, we analyse and compare long-term changes and changes after the crisis in the impacts of partisan attachments, both party identification and party sympathy, on vote choice. Furthermore, we analyse whether party competence has increased in importance since 2007, one year prior to the crisis, with that time limit set due to data for perceived competence only being available since then. Because these two factors are highly correlated, we analyse their impacts separately.

We use binary logistic regression models to analyse changes in the impact of party allegiances and competence on vote choice. For each, we analyse the impact on vote choice for all parties together that have been elected to the parliament that we have data for, both the established parties and other parliamentary parties. In our models, we use a stacked data matrix, where the stacking criterion is the party and the unit of analysis is the respondents' evaluation of each of the parties. This means that each party stack includes information about whether a respondent voted for that party, the respondent's attachment to the party, party sympathy and so on. Organising the data in this way makes it possible to analyse how a set of independent variables affects the vote in a generic sense, because by doing that we can examine respondents' evaluations of all relevant parties at once, without focusing on party specifics (Schmitt, 2009; Van der Brug et al., 2007; Van der Eijk et al., 1996). In this way, the stacked dataset respects the unique character of parties instead of reducing them to single properties. This generic approach means that instead of focusing on the support for a specific party or focusing on particular characteristics (e.g. sympathy for that party) of the political parties, the focus is on the process that leads to the decisions about vote choice (which party of those available people decide to vote). The shift in focus is from analysing a single vote choice to analysing the multiple relationships between each voter and each of the parties that are available to that voter. Thus, the unit of analysis is voter and the choice set each voter is faced with (party-voter dyads) (Van der Eijk et al., 2021).

To analyse and contrast long-term changes versus abrupt changes in the impacts of voters' alliances with parties, we include time (the year of the election) and a variable for pre- or post-crisis elections and interact them with party identification, party sympathy and party leader sympathy. If both interaction terms are

significant, year and pre- or post-crisis elections, in the same model, that indicates both a long-term change in the impact of party voters' alliances on vote choice *and* an additional change after the crisis. For parties' perceived competence, we only interact it with year, as the data is only available one year prior to the crisis (from 2007 and onwards).

Given that we are testing for several interaction terms in our models, which lays strain on the models, and that our indicators for party allegiances and party competence have been shown to be very close to vote choice, specifically in the context of European multi-party systems (e.g. Berglund et al., 2005), there are limited options for including a great number of control variables. The main purpose of our models is to distinguish between long-term changes and sudden changes in voters' allegiances with parties and perceived party competence, and not to present a full model for determinants of vote choice; the results are interpreted as such. However, we do control for a few factors, which are as follows: the number of effective parliamentary parties; ideological congruence between parties; and voters and respondents' socio-economic status. The increase in the number of effective parliamentary parties could mean that the changes in the impacts in voters' allegiances with parties might be due to the fact that a greater share of voters vote for new parties that they have not formed or will not form bonds with, and for that reason, voters' loyalties with the established parties have a weaker impact on the vote in the later years. At the individual level, we include ideological congruence between parties and voters in terms of how close the voters place themselves to the parties on the left–right scale and the impacts of respondents' socio-economic status on vote and party choice. Using a stacked dataset, where voters' evaluations of parties are nested at the lowest level 'within' voters, meaning that we have indicators for each voters' evaluations of each party they can choose from, means that we have to transform information about their socio-economic status to fit the stacked version of the dataset. For that, we follow the approach of Schmitt (2009; see also van der Eijk et al., 2021) and use information about respondents' gender, age, marital status, whether they live in the capital area or not, education, occupation and whether they work in the private or the public sector. In the setup of a stacked data matrix, we predict the likelihood of voting for that party for each respondent in each party stack. We do that by regressing all the predictors on the dichotomous vote choice (voted or did not vote for the stack party) and saving the result of each of these regressions as a predicted vote probability (also called \hat{y}) for each respondent/party dyad.⁴ As our main interest is to control for respondents' social and economic status, we combine the predictive power of all the socio-economic indicators into one \hat{y} instead of running them separately.⁵

In Table 7.1, we present our results from our regression models. Models 1a, 2a, 3a and 4a include only main effects, and models 1b, 2b, 3b and 4b present the results for vote choice in general, in this order: for party identification, party sympathy, party leader sympathy and party competence. In the case of party identification (model 1b), the interaction between year and party identification is not significant, while it is negatively significant when we interact it with whether it was a pre- or post-crisis election. This indicates that, over the long

Table 7.1 Impacts of partisan loyalties and parties competence on vote choice, gradual changes over time and changes after the crisis

	Party identification		Party sympathy		Party leader sympathy		Party competence	
	1983–2017		1983–2017		1987–2017		2007–2017	
	Model 1a	Model 1b	Model 2a	Model 2b	Model 3a	Model 3b	Model 4a	Model 4b
	B (SE)	B (SE)	B (SE)	B (SE)	B (SE)	B (SE)	B (SE)	B (SE)
Main effects, election level								
Electoral year	-0.047*** (-0.012)	-0.050*** (-0.013)	0.087*** (-0.011)	-0.199*** (-0.054)	0.066*** (-0.011)	-0.414*** (-0.047)	-0.246*** (-0.068)	-0.312*** (-0.069)
After the crisis (2009 and onwards)	0.363*** (-0.085)	0.418*** (-0.087)	0.082 (-0.077)	1.257*** (-0.362)	-0.043 (-0.072)	2.581*** (-0.296)		
Effective number of parliamentary parties	-0.201*** (-0.024)	-0.202*** (-0.024)	-0.355*** (-0.022)	-0.343*** (-0.022)	-0.229*** (-0.02)	-0.200*** (-0.02)	0.162 (-0.092)	0.17 (-0.093)
Main effects, individual level								
Socio-economic status (y-hats), vote choice	5.519*** (-0.214)	5.536*** (-0.214)	4.521*** (-0.2)	4.503*** (-0.2)	5.127*** (-0.185)	5.127*** (-0.185)	5.199*** (-0.348)	5.179*** (-0.348)
Left-right distances between respondent R and party	-4.254*** (-0.109)	-4.246*** (-0.109)	-3.255*** (-0.109)	-3.241*** (-0.109)	-4.428*** (-0.109)	-4.468*** (-0.109)	-4.191*** (-0.186)	-4.238*** (-0.186)

Party identification	4.501***				
Party sympathy	-0.207				
		9.244***	7.567***		
		-0.12	-0.305		
Party leader sympathy		5.579***	2.857***		
Party competence		-0.092	-0.28		
				3.647***	1.495***
				-0.064	-0.384
Interactions					
Election	0.094				
year*party identification	-0.055				
After the crisis*party identification	-1.273***				
	-0.375				
Election				0.375***	
year*party sympathy				-0.071	
After the crisis*party sympathy				-1.570**	
				-0.492	
Election					0.640***
year*party leader sympathy					-0.062

(Continued)

Table 7.1 Continued

	Party identification		Party sympathy		Party leader sympathy		Party competence	
	1983–2017		1983–2017		1987–2017		2007–2017	
	Model 1a	Model 1b	Model 2a	Model 2b	Model 3a	Model 3b	Model 4a	Model 4b
	<i>B (SE)</i>	<i>B (SE)</i>	<i>B (SE)</i>	<i>B (SE)</i>	<i>B (SE)</i>	<i>B (SE)</i>	<i>B (SE)</i>	<i>B (SE)</i>
After the crisis*party leader sympathy Election year*party leader sympathy								
Constant	-0.218 -0.116	-0.213 -0.116	-6.052*** -0.138	-4.797*** -0.251	-3.910*** -0.124	-1.946*** -0.228	-0.366 -0.229	0.212 -0.245
Observations (N)	41,568	41,568	47,018	47,018	44,657	44,657	19,597	19,597
Log likelihood	-12,187.578	-12,177.311	-12,228.546	-12,205.882	-14,361.203	-14,297.585	-4,972.729	-4,957.106
AIC	24,389	24,373	24,471	24,430	28,736	28,613	9,957	9,928

¹Dependent variable is vote choice in a stacked dataset using a binary logistic model for analysis. Parties in elections included in the stacked data are the Social Democratic Party/Social Democratic Alliance (1983–2017), Progressive Party (1983–2017), Independence Party (1983–2017), People’s Alliance/Left-Green Movement (1983–2017), Women’s Alliance (1987–1995), Citizen’s Party (1987), People’s Movement (1995), Liberal Party (1999–2007), Civic Movement (2009), Pirate Party (2013–2017), Bright Future (2013–2016), Reform Party (2016–2017), Centre Party (2017) and People’s Party (2017)

²Dependent variable is whether respondent voted for each party using binary logistic models for analyses.

Note: Levels for significance are *p<0.05, **p<0.01 and ***p<0.001. Data are weighted by vote choice, electoral participation, gender, age and constituency.

term, there has not been a gradual change in the impact of party identification on vote choice, but its impact has decreased significantly after the crisis. For party sympathy (model 2b) and party leader sympathy (model 3b), there seems to be a gradual increase in the impact of those on vote choice, but when contrasting pre- and post-crisis elections, party sympathy and party leader sympathy both have a weaker impact on vote choice after the crisis. Contrary to this, the impact of party competence (model 4b) on vote choice has grown stronger since 2007 one year prior to the crisis.

For a clearer interpretation of the changes in the impacts of party allegiances before and after the crisis, we graph all the significant interactions in Figure 7.6. Looking at the figure, the change in the impact of party identification on vote choice does not seem to be particularly strong. There is a tendency that the probability of voting for a party one identifies with is lower after the crisis than it was before, and at the same time, the probability of voting for a party that one does not identify with is higher. It should be noted that the seemingly small change in the impact of party identification on vote choice should be interpreted keeping in mind that party identification is generally not expected to change much once it is established and that party identifiers are less likely to abandon their party. Thus, a seemingly small change in the impact of party identification could indicate a bigger and more lasting change in partisan allegiances when it comes to vote choice.

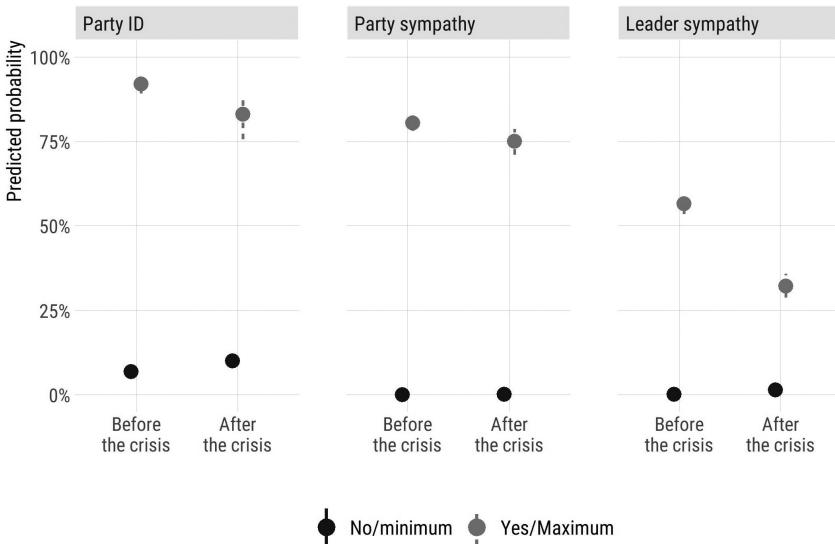


Figure 7.6 The impacts of party identification, party sympathy and party leader sympathy before and after the economic crisis. Note: Before the crisis refers to the year prior to the 2009 election and after the crisis since the 2009 election and onwards (until 2017).

Figure 7.6 shows that the impact of party sympathy on vote choice decreases after the crisis, and this is after we have controlled for the long-term increase in its impact on vote choice (by interacting party sympathy with election year). This trend is similar, and even stronger, for party leader sympathy. The interplay between the long-term increase in the impacts of party sympathy and party leader sympathy and the decrease after the crisis can be interpreted as such: as the years pass, liking a party and/or a party leader becomes a stronger predictor of vote choice, but this is halted or stalled after the crisis.⁶ When contrasting pre- and post-crisis elections, party and party leader sympathy has a weaker impact after the crisis because the differences in the probabilities of voting for a party depending on to what extent they or the leaders are liked are smaller than they were before. The main change is among those who like a party in the sense that, after the crisis, voters are less likely to cast their vote for a party that they have expressed a like for (or a like for the leader of the party). Thus, the disjunction between weaker effects of party sympathy in post-crisis elections and the increased long-term impacts of party sympathy is in this sense not a contradiction.

Conclusion

For decades, the dominant status of the four established parties in Iceland was such that they were often referred to as the *fourparty*. Their combined share of their vote was usually over 85%, and it was not uncommon that it was 90% or their more, a status that they held in the 2009 election—the first election after the crisis. Since then, their fortune has shown a downwards trend, first with 75% of the vote in 2013, then with 62% and 65% in the two elections since then. At the same time, fragmentation in the party system has increased. We maintain that, even if the four established parties held on to their dominant status in the 2009 election, the crisis still acted as a catalyst in a party system change, but its transformative impact was delayed. Apart from the limited options of new parties to emerge and organise prior to the 2009 election, six months after the onset of the crisis, the main change in that election was a shift of power between the established parties. In the period that followed, the established parties—whether in opposition or not—were under scrutiny for their part in how the financial system was organised prior to the crisis, their failure to prevent how hard the crisis hit Iceland, their handling of austerity after the crisis and their actions or non-actions in how to assist those who were struggling with their mortgage payments. This meant that an unprecedented number of voters cast their vote for one of the new parties in 2013, a trend that continued in the 2016 and 2017 elections. The continuing trend in the number of effective parliamentary parties since the 2013 election means that, at least for now, the Icelandic ‘four-party system’ is history, but it remains to be seen whether it will stabilise itself as a ‘six’ or ‘seven’ party system.

The shifts of support for parties alone does not indicate the depth of the change in the ways the party system has been transformed or whether the system has crumbled. If a party system change is on a continuum from shifts in support for different parties to dealignment and/or realignment within the party system, and

finally, party system collapse, the intermediate changes are the hardest to detect. Considering partisan loyalties and allegiances as an important bond aligning voters with parties, loosening ties of those loyalties can precede and/or indicate dealignment and/or realignment in a party system. In this chapter, we have established that partisan loyalties in terms of party identification and partisan alliances in terms of party sympathy weakened significantly as a predictor of the vote in the post-crisis elections. The impact of party leader sympathy also weakened, whereas party competences have become more important as a factor guiding vote choice. We have also established that those transformations, after the crisis, are not a continuation of a long-term adjustment in electoral behaviour; thus, it can be argued that those changes in the process that lead to a vote choice are consequences of the economic crisis and the events that followed. Singling out the parties, it is the Independence Party that seems to bear the biggest burden of those transformations. The Independence Party was not only usually the biggest party in parliament, but it was also the party that held the biggest share of party identifiers before the crisis. Its loss of partisan loyalties could go a long way to explain the loss of the party's electoral support. Weaker partisan loyalties mean that other factors become more important such as party competence or evaluation of the past or expected performance. A shrinking of loyal partisan voters also means that there is a bigger group of voters that are likely to switch parties between elections and thus we could expect a continuation of electoral volatility and shifts in support for both new and old parties.

Keeping in mind that partisan loyalties can act as a buffer to a party system change, as parties can resist change to the extent that voters identify with them (Mair, 1983), a change in the impact of party identification can pave the way for a party system change in the form of dealignment or realignment. Whether these changes occur depends not only on whether there are changes in the partisan loyalties of different groups of voters but also on whether new parties emerge that either take over the role or part of the role of the established parties or offer new political alternatives that are different from the established parties. The question is—what types of new parties do the voters turn to? That is the topic of the next chapter.

Notes

- 1 In the 1987 election, two smaller parties were elected—the Women's Alliance, with 10.1% of the vote, and the Citizens' Party, which was a splinter party from the Independence Party, with 10.9% of the vote. The Citizens' Party did not run for the next election, and the remainder of it merged back into the Independence Party.
- 2 See endnote 1.
- 3 Due to a mistake in data gathering in the 2007 study, the question about whether respondents considered themselves to be a supporter of a party was not asked.
- 4 The y-hats have different intercepts, and thus, we centre them on the party means before using them as control variables for vote choice. By centring these y-hats on the party means, we have transformed the measure so that it captures the effect (slope) of social and economic status on vote choice and excludes the difference in the intercepts as an effect.

- 5 By combining the predictive power of all the socio-economic indicators, we sum the effects of respondents' socio-economic status instead of analysing each in turn—and we prevent piling up of error terms as could occur if we created one \hat{y} for each socio-economic status item.
- 6 In our models, the time variable interacted with party sympathy is used to estimate whether there has been a gradual trend in one direction, whereas the pre- and post-election variables contrast two periods. The long-term trend does not independently capture whether there is a disruption in its gradual trend. By adding a before- and after-crisis interaction variable to our models, we show that this increase has indeed been interrupted when contrasting pre- and post-crisis elections.

8 The party system and new parties in post-crisis Iceland

Abstract

In Chapter 7, we established the loss of the dominant status of the four established parties in Iceland and that party fragmentation has increased since the Great Recession. The increase in the number of parties alone does not tell us about the depth of the change. In this chapter, we focus our attention on the new post-crisis parties and compare them both with former new parties prior to the crisis and the established parties. One of the main differences between new parties before and after the crisis is that pre-crisis new parties were almost always short-lived splinter parties from one of the established parties, while most of the new post-crisis parties have roots outside of the established party system. Analysing the profile of both the voters and the candidates of the post-crisis parties, we find that, in both groups, the new parties differ among themselves when it comes to support for the political system and their issue profiles. This has also had consequences for a government bargaining process where three or more parties are needed to form a majority government coalition, whereas two parties were usually needed before. We conclude that the new post-crisis parties can be taken as one symptom of a party-system change, but their survival will depend on several factors, such as how effective they are in organising their infrastructure and whether they will successfully take part in governments in the future.

New parties, new politics?

In Chapter 7, it was illustrated that the four established parties together have lost their dominant status, and voters' allegiances with the four parties changed dramatically after the Great Recession. This has opened a space for new parties to enter the stage, and that is exactly what has happened. Before the Great Recession, the longest surviving challenger party outside of the four established parties was the Women's Alliance, which was elected in four elections between 1983 and 1995, and after them, the Liberal Party, which was elected three times between 1999 and 2007. Hereafter, we refer to those challenger parties as new parties, even if some of them survived for a number of elections. After the Great Recession, the number of parties represented in the Althingi has steadily been increasing, and out

of the four new parties in the parliament today, the Pirate Party is the oldest, first elected in 2013. The Reform Party is the second oldest, elected in 2016 and 2017, and two new parties, the People's Party and the Centre Party, were first elected in 2017. Two other new parties have been elected since 2009, the Civic Movement in 2009, which lasted for one term, and Bright Future in 2013, which lasted for two terms. As discussed in Chapter 7, the considerable success of new challenger parties after the Great Recession and the loss of the four established parties indicate a party system change.

One of the questions that remains is how different the new parties are from the established parties. If they are simply new parties that have taken on similar roles to those of the established parties, the party system change would be smaller than if they are new parties presenting new choices in politics and a new style of politics, attracting a group of voters who have felt that their interests are not represented by the established parties. Another question that remains, echoing Mair's (1992) line of thought, is whether the party system change matters. While it is easier to answer the former question about whether the new parties offer different policy packages, styles of politics and/or new ways of representing their voters, the latter question about how much this change matters is a harder task to answer. In this chapter, we focus on the profile of different groups of party voters, both prior to the crisis and after it. We also analyse the profile of the candidates of both the established parties and the new parties after the crisis. Finding difference in those patterns, prior and pre-crisis, and between new post-crisis parties and the established parties can clearly be taken as symptomatic of a party system change. Based on that, one could start to answer the question about whether these changes to the party system matter when it comes to, for example, the salience of issues and/or policy cleavages, which are the topics of Chapters 4 and 9. As to what extent this party system change matters, other possible consequences could be changes to the composition of government (e.g. because more parties than before are needed to form a majority coalition) and a lengthier and/or more complicated bargaining process for government formation (e.g. due to the number of parties and different types of parties), which are topics that will be addressed in Chapter 10.

The party system and the success of new parties

Since Lipset and Rokkan's (1967) argument about the party system freeze in Western democracies in the 1920s, it has regularly been debated whether party systems have been set on a path of defreezing (Dalton & Flanagan, 1984; Mair, 1983, 1992). Usually, such debates have arisen around increasing electoral volatility and the success of parties outside of the established party system, for example, the emergence of green parties in the 1970s (Dalton & Kuechler, 1990; Dolezal, 2010; Kaelberer, 1993; Müller-Rommel, 1989; Müller-Rommel, 2019; Richardson & Rootes, 2006) and the appearance of nationalistic populist parties since the 1980s, with both rises and declines in their electoral support since then (Mudde, 2013, 2014; Muis & Immerzeel, 2017; Wagner & Meyer, 2017). As

pointed out by Mair (1992), those changes are often exaggerated where a relatively small increase in electoral volatility or a modest success of a new party is taken as an indicator of a party system change. Other scholars have pointed to the success of those parties as a symptom of a party system change (Dalton & Flanagan, 1984), that new issues have been placed on the political agenda (Hobolt & Tilley, 2016) and that their success has come with increased fragmentation and electoral volatility (Best, 2013; Chiaramonte & Emanuele, 2017). One of the core questions of these debates is what constitutes a party system change and to what extent the entrance of new parties is a symptom of a change in how politics work, a debate that has so far, at least to our knowledge, been inconclusive. From this debate, it can be learned that there is a general consensus that the outlook and composition of the party system do change, for example, when it comes to the electoral success of parties, the profile of different groups of party voters and the profile of the political parties, which are changes that can quite often be empirically tested. It is the debate about the consequences of those changes for the ‘bigger’ picture of political change such as in terms of whether they matter for the legitimacy of the political system, whether they lead to a regime change or a change in the political culture, which are questions that are both harder to answer and to test empirically. In this chapter, we focus on the former types of questions, focusing on the profile of new post- and pre-crisis parties that have challenged, to a various extent, the four established parties that have been the core of the Icelandic party system.

Of importance here is to distinguish between established parties and other parties, and their role in the party system of the politics of their respective country. In the European context, a party system usually consists of two or more established parties that compete for the vote and usually take turns entering government (Mair, 1996). Those parties are commonly referred to as lining up from traditional left-wing parties (e.g. socialists, social democrats) to right-wing parties (e.g. conservative parties). This scenario does not exclude the possibility of the presence of smaller parties that usually do not take part in national governments and are not necessarily defined as part of the party system even if some have been elected to their national parliaments in a number of elections. An example of this is the British party system, which is commonly referred to as a two-party or two-and-a-half party system as a result of its majoritarian electoral system, even if several smaller parties have been elected to the British Parliament. Numerous terms have been used to refer to different types of smaller parties, such as niche, regional, ethnic, single-issue, protest, anti-establishment, populist and splinter parties, as well as many others. Some of those smaller niche parties have a permanent presence in their countries, while others appear for a short time; the latter are also referred to as ‘flash’ parties, in the sense that they emerge for a brief time and then cease to exist (Erlingsson & Persson, 2011).

The different types of smaller parties do not by any means exclude them from running on an ‘established’ platform, in the sense that they emphasise and offer policy packages that already define the party competition among the established parties. New parties, also called *challenger parties* (Hellwig et al., 2020), can

offer new policy packages or campaign on new or different issues from the established parties, while others compete directly with the established parties on their policy platform. The main story here is that new parties are not just new parties; they are as different as they are numerous. Sikk (2011) makes the point that the success of new parties is often explained by some sort of failure of the established parties, whether that is a failure to represent new issues and/or cleavages, a problem where the established parties have become too distant from voters or an issue where a general feeling of disappointment and disillusionment about the established parties arises among voters.

The success of new post-crisis parties in Iceland can be explained by some sort of failure or disillusionment with the established parties, even if the success of the new parties has lagged. One could say that the Great Recession and its aftermath created a window of opportunity for newcomers that overcame the obstacles of the entry costs, meaning that they met minimum requirements for members, funds and publicity (Lucardie, 2000) and gained enough votes to break through the barriers created by the electoral system (especially the 5% threshold in the Icelandic electoral system). While not the topic of this chapter, one of the reasons that two of the six new post-crisis parties, the Civic Movement and Bright Future, did not survive could be that they failed to create an infrastructure within their party as an important step to establish their party. While those new parties can be termed as ‘flash’ parties in hindsight, they also fell victim to several other new challenger parties, meaning that, even if the number of new parties has increased in Iceland, there is still an upper threshold to the number of voters they can mobilise. In addition, while there is no doubt that the number of effective parties increased in Iceland after the recession, indicating an increase in fragmentation and that dealignment has occurred, we still know little about the extent of the change when it comes to the role of the new parties in the system; this is the topic of the remaining sections in this chapter.

Electoral volatility and new parties

Even if debated, electoral volatility can still indicate a possible change in the party system; however, it should be considered together with other indicators before an inference is made about the extent of a party system change. In Figure 8.1, we present those who report voting for a different party than they did in the previous election and the proportion of voters that vote for one of the new parties (non-established parties). Considering the figure, shifting parties and voting for new parties do not necessarily follow each other, nor is there any apparent linear trend over time before the Great Recession. After the 2009 election, there is a hint of a trend with a higher increase in both the proportion of those who switch parties between elections and the proportion of those who voted for one of the new parties.

As discussed in Chapter 7, the first election in 2009 after the Great Recession offered limited opportunities in terms of time for completely new parties to form from scratch, meaning new parties that are formed outside of the established party

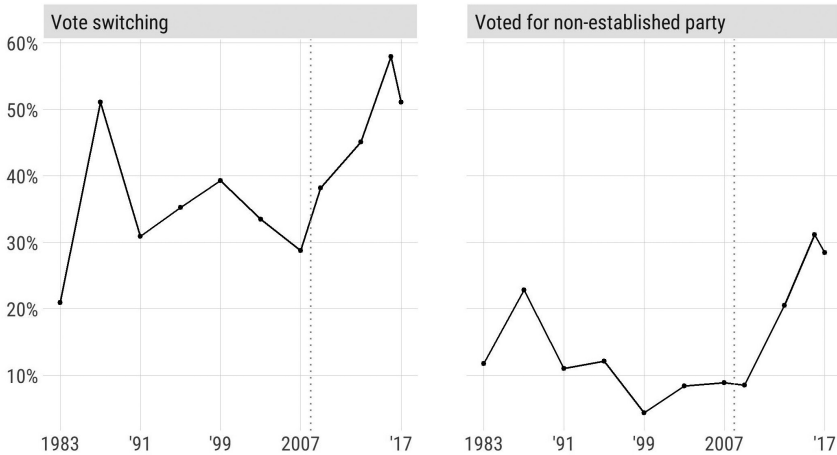


Figure 8.1 Party switching and votes for new parties, 1983–2017. Note: Entries for the percentage who voted for different parties and the percentage who voted for another party (not one of the four established parties) are calculated based on the sum of respondents who said what party they voted for in the current election and what party they voted for in the previous election. Data are weighted by vote choice, electoral participation, gender, age and constituency.

system and/or by people that have not been active members in party work before (e.g. not as splinter parties or by veteran politicians). A second explanation for the delayed success of new parties after the crisis is that their growth occurred in three main phases, with the first two phases dominated by the established parties. In Phase 1, a left-wing government was elected in 2009 where the two established left-wing parties, the Social Democratic Alliance and the Left-Green Movement, made the first attempt as a government to deal with the crisis. The main actor at this stage was the government, which came under strong pressure from domestic actors and the IMF to introduce an austerity programme in exchange for a bailout. Stuck in the crossfire between domestic protest and external pressure, the government lost support, setting the stage for Phase 2. During Phase 2, the initial government was replaced in the 2013 election by an alternative right-wing government of the two other established parties, the Progressive Party and the Independence Party, which had to deal with the same type of pressure as the initial one. Failing to satisfy domestic demands for a quick solution to the problems of the crisis, the second government also lost support. Simultaneously, partisan loyalties towards the established parties weakened (see Chapter 7). During Phase 3, starting with the 2016 election, both major government alternatives made up by the established parties were discredited, leaving the stage open for new parties.

How are the new post-crisis parties different from the pre-crisis challenger parties and the four established parties? If we focus on the challenger parties that have been covered by ICENES since 1983, there are 12 parties altogether, six of

Table 8.1 New parties in parliament since 1983

	% of vote										
	1983	1987	1991	1995	1999	2003	2007	2009	2013	2016	2017
Alliance of Social Democrats	7.3										
Women's Alliance	5.5	10.1	8.3	4.9							
Citizens' Party		10.9									
Association of Equality and Social Justice		1.2									
People's Movement				7.2	4.2	7.4	7.3	7.2			
Liberal Party											
Civic Movement									8.2	7.2	
Bright Future									5.1	14.5	9.2
Pirate Party										10.5	6.7
Reform											6.9
People's Party											10.9
Centre Party											11
Number of parties running	6	9	11	10	8	7	6	7	15	12	11
Number of parties elected	6	7	5	6	5	5	5	5	6	7	8

Source: Statistics Iceland.

them originating before the Great Recession and six after (Table 8.1). Of the six new parties elected before the Great Recession, all but the Women's Alliance were splinter parties from one of the established parties.¹ In that era, the Women's Alliance was the only new party that was different, both in the sense that it was not a splinter party and that it ran on a different platform from the established parties—advocating women's rights, closing of the gender pay gap and other important issues regarding equal rights for women and men.

While most new parties before the Great Recession were splinter parties in the sense that they were founded by former party members of one of the four established parties, those were a minority of the parties after the recession. Both the Reform Party and the Centre Party have strong roots from within the established parties, the former from the Independence Party and the latter from the Progressive Party. However, they differ from each other in the sense that the establishment of the Reform Party was mostly led by former party members of the Independence Party who had not been on the front line of the party, such as party leaders or MPs, while the establishment of the Centre Party was led by a former party leader and MPs for the Progressive Party. Thus, it can be argued that the Centre Party is more of a splinter party than the Reform Party, while it remains to be seen whether both those parties will become a permanent feature of the Icelandic party system.

The four other new parties, the Civic Movement, Bright Future, the Pirate Party and the People's Party, all have roots outside of the established party system, and most of them were founded outside of the established system. Bright Future had roots in the Best Party, which was a flash party that ran once for the local election in Reykjavik in 2010 (obtaining one-third of the vote), led by a famous Icelandic comedian, Jón Gnarr, who served as mayor of Reykjavik in 2010–2014. Bright Future was clearly intended to take over a more serious role from the Best Party. One of the founding members of Bright Future and the leader of the party for its first three years (2012–2015) was Guðmundur Steingrímsson, who was an independent MP at the time, as well as a former MP for the Social Democratic Alliance and the Progressive Party. Thus, to some extent, Bright Future can be considered both to have roots from within the established party system and from outside of it. The People's Party was founded in 2016 by members outside of parliament and was first elected to parliament in 2017. For clarification, we refer to those four parties in the following sections as new post-crisis outsider parties, including Bright Future in this category, as opposed to the others, the new Centre Party and the Reform Party as having more of an insider status.

In Table 8.2, we list the proportion of what parties the voters of the new parties, when first elected to parliament, had voted for in the previous election. For simplification, we only show the previous vote choice for the four established parties and all other parties under the category 'other parties'. Table 8.2 shows variance in the previous vote choice among the voters of the new parties, and this difference can partly be explained by the origin of the new parties as either

Table 8.2 New parties when they were first elected and previous vote choice

<i>New parties when first elected (year when first elected)</i>	<i>Voted in the previous election</i>					<i>N</i>
	<i>Left-Green Movement/ People's Alliance</i>	<i>Social Democratic Alliance/ Social Democratic Party</i>	<i>Progressive Party</i>	<i>Independence Party</i>	<i>Other parties</i>	
Women's Alliance (1983)	48%	11%	7%	33%	0%	27
The Alliance of Social Democrats (1983)	21%	32%	12%	32%	3%	34
Citizens' Party (1987)	2%	8%	10%	73%	7%	110
People's Movement (1995)	17%	32%	15%	11%	25%	53
Liberal Party (1999)	2%	24%	15%	49%	10%	41
Civic Movement (2009)	17%	35%	7%	30%	12%	60
Bright Future (2013)	12%	61%	7%	12%	7%	82
Pirate Party (2013)	37%	37%	0%	12%	15%	41
Reform Party (2016)	8%	28%	17%	32%	15%	65
Centre Party (2017)	1%	3%	55%	29%	12%	129
People's Party (2017)	8%	5%	22%	13%	53%	64

Note: Due to a low number of respondents (n=11) who reported that they voted for the Association for Equality and Justice in 1983, that party was dropped from the table. Data are weighted by vote choice, electoral participation, gender, age and constituency.

outsider parties or splinter parties from one of the established parties. Before the crisis, this pattern is quite clear among the voters of the Citizens' Party and the Liberal Party, both splinter parties from the Independence Party; 73% of the voters of the Citizens' Party voted for the Independence Party in the previous election and 49% for the Liberal Party. Among the post-crisis parties, we have argued that the Reform Party and the Centre Party both have strong roots from within one of the established parties (Reform in the Independence Party and Centre in the Progressive Party), but that the Centre Party is more of a splinter party than the

Reform Party. Examining the previous vote choice among those parties reflects their origins and that the Centre Party has a stronger resemblance of a splinter party, as 55% of the Centre Party voters say that they voted for the Progressive Party in the previous election, while 32% of the voters of Reform report voting for the Independence Party. It is notable that 28% of the voters of the Reform Party voted for the Social Democratic Alliance in the previous election, indicating that, even if Reform was founded by many former party members of the Independence Party, it appeals to a broader pool of voters from the centre to the centre-right. It is also noteworthy that 29% of the Centre Party vote came from the Independence Party, while the party had almost no appeal among voters of the Left-Greens and the Social Democratic Alliance.

It is notable that, among the four other new post-crisis parties, the Pirate Party and Bright Future seemed to draw support from the two established left parties when they were first elected, and the Civic Movement took both from left and centre-right. The high proportion (53%) of voters of the People's Party saying that they voted for 'another party' in the previous elections is largely explained by that the People's Party ran unsuccessfully in the previous election; 28% of the party's 2017 votes came from its 2016 voters, whereas 47% of the votes for the People's Party in 2017 came from the old four parties, almost half of which consisted of former voters of the Progressive Party.

New party voters, political distrust and dissatisfaction

The difference in the origins of the new parties before and after the Great Recession could indicate that the new after-crisis parties attract a different type of voters compared with the established parties. In this section, we examine the profile of the party voters of new parties, contrasting new parties before and after the crisis to the established parties.

It is a well-known finding that new parties or smaller niche parties can mobilise on a protest vote, meaning that they are able to capitalise on the lack of voters' support for the political system, such as in terms of their dissatisfaction with how democracy works or distrust in the political system. Those factors have also been found to have a 'winners–losers' effect, meaning that people who vote for government parties tend to express higher levels of satisfaction and trust (Anderson & Singer, 2008; Holmberg, 1999). This indicates that trust and dissatisfaction are a consequence of whether the party voted is represented in government. However, the causal mechanism is not clear, and it can be assumed that it works both ways: voters who are more trusting and satisfied with democracy are more likely to vote for one of the established parties, and voters for established parties that end up in government could likely express even more trust and satisfaction compared with voters of established parties that end up in opposition. Leading from this, it can also be assumed that the more extreme the distrust and dissatisfaction with democracy is, the more likely voters are to turn their backs on the established parties and vote for a new party.

Table 8.3 shows the levels of distrust for politicians and dissatisfaction with how democracy works among the voters of both new and old parties. The figures show the extent to which the voters of the parties deviate from the mean trust and mean satisfaction in each election. Concerning the four established parties, the general pattern is that the voters of the Progressive Party and the Independence Party express more satisfaction than the voters of the Social Democratic Alliance and the Left-Green Movement and its predecessors. Usually, the voters of the Left-Green Movement express less distrust than the three other established parties, and thereafter the voters of the Social Democratic Alliance. There are some variations that could reflect the parties' status as government parties, specifically concerning satisfaction with how democracy works. For example, the voters of the Social Democratic Alliance expressed more satisfaction in 2009 when their party was both part of the new and the previous governments, while the voters of the Progressive Party expressed more dissatisfaction in that same election, in which they were not part of either the preceding government or the government that took over in 2009.

It does not come as a surprise that voters of new parties generally express higher levels of distrust and dissatisfaction with how democracy works. Certainly, the levels of distrust and dissatisfaction could be because of the outsider status of the parties, which, at least in their early days, are not part of the established political system. Contrasting new parties that have been elected twice or more before and after the crisis, we see a different pattern between the two periods. Political distrust seems either to increase or fluctuate over time among the party voters of pre-crisis parties (the Women's Alliance and the Liberal Party), and there seem to be no dramatic changes in dissatisfaction with democracy. After the crisis, distrust seems to decrease rather than increase among the new parties that have been elected twice or more, whereas dissatisfaction does not change to a considerable extent.

Out of three after-crisis parties that have been elected twice or more, the voters of Reform express the highest level of both political trust and democratic satisfaction. The same applies to the voters of Bright Future except for 2013 when they exhibited a similar level of distrust as the voters of the Pirate Party. Given that the voters of Bright Future and the Reform Party generally express higher levels of trust and satisfaction with how democracy works, this indicates that the profile of the voters of those parties is more likely to be similar to that of a typical voter of the established parties. Thus, their vote cannot be considered a protest vote against the political system to a similar extent as voting for one of the other new post-crisis parties. For the Pirate Party, which has had the longest success (three elections) as a new after-crisis party, we see a different pattern. The levels of trust among Pirate Party voters increase from their first election to their last, but their dissatisfaction with how democracy works stays roughly the same. The increasing levels of political trust, even if still below the mean trust, can be taken as a sign that the Pirate Party has managed to earn the trust of voters; today, the party may be seen more as a part of the political system, even if it is not necessarily (yet) perceived as a part of the established party system. It could also be that the increase in trust among the voters of the Pirate Party reflects a general increase in trust for

Table 8.3 Political trust and satisfaction with how democracy works among voters of new parties

Party	1983	1987	1991	1995	1999	2003	2007	2009	2013	2016	2017
Political trust (– indicates distrust and + trust)											
Left-Green Movement/	0.0	-0.1	0.0	-0.2	-0.1	-0.1	-0.2	0.1	-0.1	-0.1	-0.1
People's Alliance											
Social Democratic	0.0	0.0	-0.1	0.0	-0.2	-0.2	-0.1	0.1	0.1	-0.2	0.2
Alliance/Social											
Democratic Party											
Progressive Party	0.3	0.1	0.2	0.1	0.1	0.1	0.1	-0.1	0.0	0.2	0.1
Independence Party	0.0	0.1	0.0	0.2	0.1	0.2	0.2	0.1	0.2	0.3	0.2
Women's Alliance	-0.1	-0.1	-0.3	-0.4							
(1983–1991)											
The Alliance of Social	-0.4										
Democrats (1983)											
Citizens' Party (1987)		-0.2									
Union of Liberals and		0.1									
Leftists (1987)											
Peoples' Movement				-0.5							
(1995)											
Liberal Party (1999–2007)					-0.4	-0.5	-0.4	-0.5			
Civic Movement (2009)									-0.3	0.0	
Bright Future (2013–2016)									-0.3	-0.4	-0.2
Pirate Party (2013–2017)										-0.1	0.0
Reform Party (2016–2017)											-0.2
Centre Party (2017)											-0.7
People's Party (2017)											
Satisfaction with democracy (– indicates dissatisfaction and + satisfaction)											
Left-Green Movement/					-0.2	-0.2	-0.4	0.0	-0.2	-0.1	-0.1
People's Alliance											

(Continued)

Table 8.3 Continued

Party	1983	1987	1991	1995	1999	2003	2007	2009	2013	2016	2017
Social Democratic Alliance/Social Democratic Party					-0.2	-0.3	-0.1	0.1	-0.1	-0.1	-0.2
Progressive Party					0.1	0.2	0.1	0.0	0.0	0.1	0.2
Independence Party					0.2	0.4	0.3	0.1	0.2	0.3	0.4
Liberal Party (1999–2007)					-0.3	-0.4	-0.4				
Civic Movement (2009)								-0.5			
Bright Future (2013–2016)									0.0	0.0	
Pirate Party (2013–2017)									-0.4	-0.4	-0.4
Reform Party (2016–2017)										0.0	0.1
Centre Party (2017)											-0.1
People's Party (2017)											-0.5

Note: Entries are the distances whereby the voters of each party deviate from the means of each scale in each year. Question and response scales: 'Do you think that politicians are generally trustworthy, that many of them are trustworthy, some are trustworthy, few or perhaps none?' and 'On the whole, are you very satisfied, fairly satisfied, not very satisfied or not at all satisfied with the way democracy works in Iceland?' (response scales included in the question). Data are weighted by vote choice, electoral participation, gender, age and constituency.

politicians over this period. At the same time, Pirate Party voters express higher levels of dissatisfaction with how the system works, which has not changed over the three elections. This result could mean that Pirate Party voters are as critical today as before of the political system and how politics works in Iceland, making them more prone to support a change in the political system.

There are also some notable differences between the other three new after-crisis parties that have only been elected once. The voters of the Civic Movement (2009) and the People's Party (2017) express much higher levels of political distrust and dissatisfaction compared with voters of the Centre Party (2017), which has roots from within the Progressive Party. Taken together, the voters of the post-crisis parties that have strong roots from within one of the established parties, the Reform Party and Centre Party, express higher levels of support for the political system, with Bright Future (which has roots from both within and outside of the established parties) trailing behind them, while the rest of the after-crisis parties all seem to have mobilised to a greater extent on voters' distrust and dissatisfaction with how the system works.

While it is likely that the new after-crisis outsider parties have managed to mobilise the votes of dissatisfied and distrustful voters, this is not sufficient for parties to establish themselves. The next question is how different the profiles of the voters of the new parties are on policy dimensions, and here, we consider where they stand on the state–market and isolation–integration dimensions. In Chapter 4, we found that there was not a substantive shift in issue emphasis of Icelandic voters in general concerning state–market liberalism, but when it came to isolation–integration issues, there was an ongoing trend towards greater isolation after the Great Recession. Using the same scales as in Chapter 4 (see Figure 4.1), we plot the positions of the voters of each party since 2007 and present the results in Figure 8.2. Examining the state–market dimension, the positions of the voters of the four established parties are in line with their references as parties from the left to the right. The voters of the two left-wing parties (the Left-Green Movement and the Social Democratic Alliance) are more prone to emphasise that the state should have a role in the economy, the Progressive Party is placed squarely in the centre and the voters of the right-wing Independence Party emphasise market solutions. When it comes to the new parties, their voters are generally closer to the centre when asked about state–market attitudes. Out of the new post-crisis parties, the voters of three of them, the Civic Movement, Bright Future and the Pirate Party, are more state oriented; the voters of the Reform Party and the People's Party are closer to the centre while the Centre Party voters are more likely to support market solutions.

There is a different pattern concerning the isolation–integration dimension. Among the established parties, the divide does not follow the traditional economic left–right dimension. In general, it is the voters of the Social Democratic Alliance that express attitudes towards integration, while the voters of the three other established parties, including the Left-Green Movement, are more prone to emphasise attitudes towards isolation. Among the new parties, voters of three of them, Bright Future, the Pirate Party and the Reform Party, have a more integrationist outlook, while the voters of the Centre Party and the People's Party are more likely to emphasise isolation.

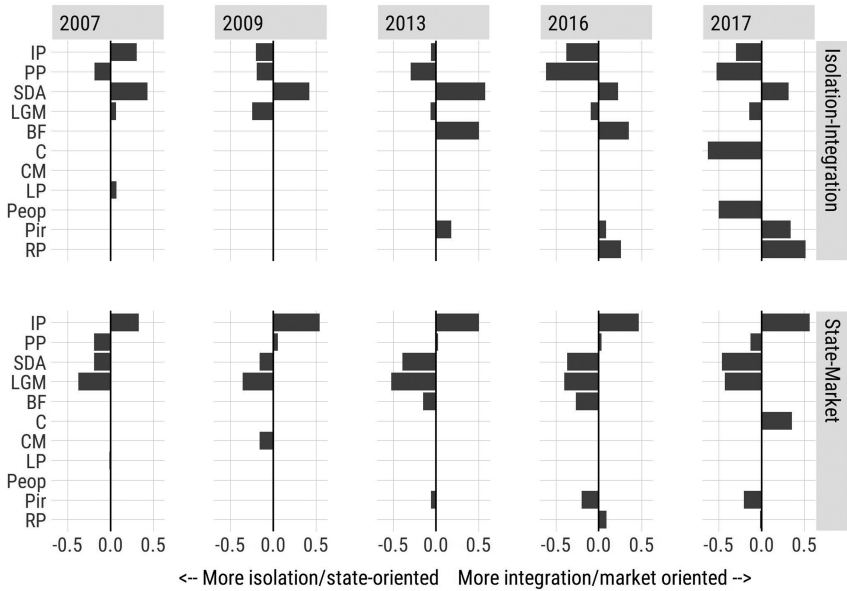


Figure 8.2 Party voters' issue preferences, state versus market and isolation versus integration. Note: Entries are the distances that the voters of each party deviate from the means of each scale in each year. For the calculation of the scale, please see Chapter 4. Data are weighted by vote choice, electoral participation, gender, age and constituency. See the list of abbreviations for party names.

Drawing the findings together, there is a divide in the issue preferences of the voters of the new after-crisis parties, but to a large extent, these divides fit into the policy divide of the established parties. The issue preferences of the new after-crisis parties concerning the state–market divide are not particularly different from the issue profiles of the established parties, even if all the new parties are closer to the centre than the Left-Green Movement on the one hand and the Independence Party on the other.

There is a clear difference between the new after-crisis parties on the isolation–integration divide, with three of them being more likely to emphasise integration and two of them likely to emphasise isolation. However, it should be noted that the most extreme issue preferences of the party voters of the Centre Party and the People's Party, emphasising isolation, are roughly in line with the same preferences of the voters of the Progressive Party, and to some extent, the voters of the Independence Party.

Issues and profile of parties' candidates

Having established that, to some extent, the profiles of the voters of some new after-crisis parties are different from the profiles of the voters of the established parties regarding their beliefs in the political system and their issue preferences,

we next look at the profiles of the parties themselves after the crisis. While we do not have at our disposal strictly comparable data to the voters' data, for the profiles of the parties, there are indicators in the candidate survey that do shed light on whether similar patterns can be detected among the candidates of the parties as there are among voters. The candidate survey, which is part of ICENES, has been fielded among all parliamentary candidates after every national election since 2009 and our analysis is thus limited to the timeframe since then. First, we examine the candidates' views about the political system, and second, we look at their issue preferences concerning the role of the government in the economy and their liberal versus conservative views.

The candidate survey contains a question battery about the candidates' views on democracy, and we use the results to create two scales reflecting, on the one hand, their support for the current workings of the political system, and on the other, their support for more direct democracy in the form of referendums. The former scale, support for the current political system, is a calculation of the mean scores of five questions where candidates were asked whether they agreed or disagreed, on a five-point scale, with whether 'legislation reflects the interests of the citizens', 'citizens have ample opportunities to participate in political decisions', 'political parties are the essential link between citizens and the state', 'special interests have too much influence on law making' and 'our democracy is about to lose the trust of the citizens'. The next scale, support for referendums, contains the mean value of two questions about whether the candidates agreed or disagreed that 'referendums tend to be poorly thought out and make bad law' and 'citizens should be able to initiate a binding referendum', with the latter question asked in a slightly different form in 2009 as 'a certain number of citizens should be able to initiate a referendum'.²

In Figure 8.3, we plot the mean values of each scale separately for the candidates of each parliamentary party since the crisis, with the four established parties on the top and the new parties on the bottom half. Several things stand out. Among the established parties, there is a divide between the left and right parties in how supportive their candidates are of the current political system and referendum. The left parties, the Left-Green Movement and the Social Democratic Alliance, express lower support for the political system or are closer to the centre, whereas the two other parties, the centre-right Progressive Party and the right-wing Independence Party, are more supportive of the political system and less supportive of referendums. In addition, focusing on the two latter parties, there is an increase in their support of the political system over the years, and at the same time, a decrease in their support for referendums. Even if we do not have data about candidates' views prior to the crisis, the low point in the support for the political system among the candidates of those two established parties immediately after the crisis indicates that, like others, they were disillusioned about the system at the time, but their support for the political system recovered over time. Examining this for the new parties, the candidates of the Civic Movement in 2009, the Pirate Party since 2013 and the People's Party in 2017 clearly express much less support for the political system compared with both the other new post-crisis parties and the established parties. Furthermore, the candidates of the Pirate

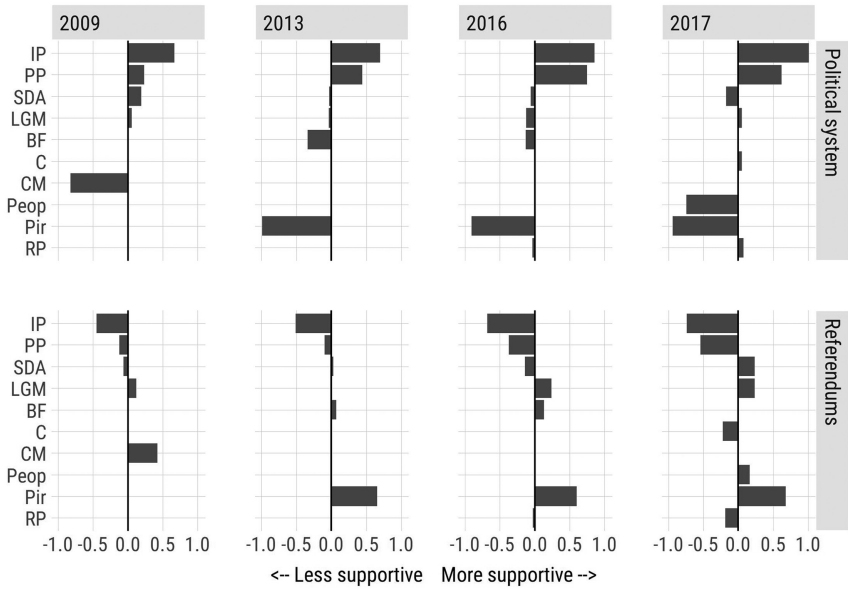


Figure 8.3 Candidates’ support of the current political system and referendums. Note: Entries are the distances candidates of each party deviate from the means of each scale in each year. See the list of abbreviations for party names.

Party clearly stand out as those who are consistently most supportive of referendums. The candidates of Bright Future, as the fourth outsider post-crisis party, also express low support for the political system and some support for referendums, but to a much lesser extent than the other three outsider post-crisis parties. Again, there is a notable divide between the post-crisis outsider parties and the new post-crisis insider parties. The candidates of the latter parties, the Reform Party and the Centre Party, both express more support for the political system and tend to be unsupportive of referendums.

Having established that there is a difference in the profile of the post-crisis parties, where the parties with an outsider status have different views about the political system compared with the new insider parties, we turn to whether there are analogous differences in the issue preferences of their candidates. Based on candidates’ responses to seven issue questions where they were asked on a five-point scale whether they agreed or disagreed with eight issue statements, we created two scales, state–market and liberal–conservative scales. For the state–market preferences, we calculate the mean value of two items where candidates were asked to what extent they agreed or disagreed that ‘the government should take measures to reduce differences in income levels’ and ‘providing a stable network of social security should be the prime goal of government’. For the liberal–conservative scale, we use five items, where candidates were asked whether

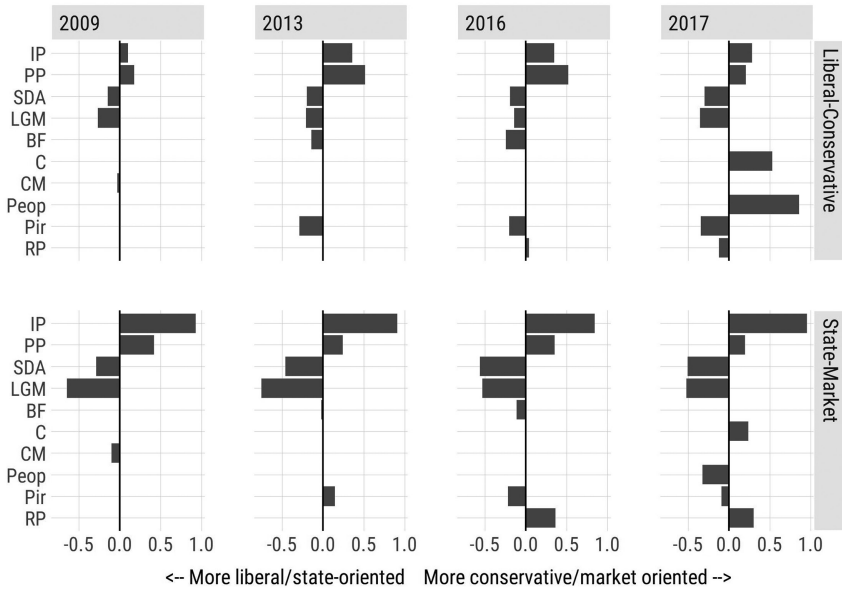


Figure 8.4 Candidates' issue preferences on state-market and liberalism-conservatism scales. Note: Entries are the distances candidates of each party deviate from the means of each scale in each year. See the list of abbreviations for party names.

they agreed or disagreed with the following: 'immigrants should be required to adapt to the customs of Iceland', 'immigrants are good for Iceland's economy', 'people who break the law should be given stiffer sentences', 'women should be free to decide on matters of abortion' and 'same-sex marriages should be prohibited by law'.³

Contrasting the established parties, the issue preferences of their candidates align with their placement as parties from the left to right (Figure 8.4). The two left-wing parties, the Social Democratic Alliance and the Left-Green Movement, are both more state oriented and more liberal compared with the Progressive Party and the Independence Party. Among the post-crisis parties, the candidates of the Pirate Party started out as slightly more market oriented in 2013 but have since shifted to be slightly more state oriented. The post-crisis Reform Party and the Centre Party have in common being more market oriented, but their candidates differ when asked about liberal versus conservative issues, where the candidates of the Centre Party express conservative values to a greater extent and are close to the issue preferences of the candidates of the People's Party on that scale. Taken together, the new post-crisis parties align on the two scales of market versus state and liberal versus conservative. Apart from the Centre Party and the People's Party candidates expressing strong conservative preferences, the issue preferences of the candidates of the new post-crisis parties are not particularly strong in their responses.

Conclusion

One major difference between the new pre- and post-crisis parties is that all but one of the six pre-crisis parties analysed here were splinter parties from one of the established parties. Only one new post-crisis party, the Centre Party, can be said to have a resemblance to a splinter party from the Progressive Party and the Reform Party has strong roots from within the Independence Party. As such, the Centre Party and the Reform Party can both be considered to have an insider status with their strong roots from within one of the established parties. Bright Future had roots from both within and outside of the established party system and the three other new post-crisis parties had an outsider status, meaning that they did not have roots in one of their established parties and their candidates had in general not been active public politicians before. Furthermore, four of the new post-crisis parties are represented in the parliament at the time of writing, while none of the former new pre-crisis parties survived for more than four elections. There is a clear difference in the number of new parties represented in parliament when contrasting the pre- and post-crisis eras. The number of new parties is higher in the post-crisis era and has continued to rise with each election, indicating that the Great Recession has left a mark of a more fragmented party system in Iceland.

Even if the profiles of the party voters and the parties based on data from their candidates are not strictly comparable, there are broad inferences that can be made. First, the voters of the pre- and post-crisis new parties all express more political distrust and dissatisfaction with how democracy works when compared with the voters of the established parties. There is a tendency that the voters of the two new post-crisis insider parties, the Reform Party and the Centre Party, express less distrust and less dissatisfaction compared with the other new post-crisis parties, with Bright Future trailing behind them; this fits a broad pattern of their candidates' support of the political system and scepticism about referendums. This indicates that, in the post-crisis era, the new parties can broadly be divided into two camps—those who have an outsider status and are more critical of how the political system works and those who have an insider status and are supportive of the political establishment in Iceland. In this way, the Reform Party and the Centre Party have a clear insider status, while the Civic Movement, the Pirate Party and the People's Party have an outsider status, at least to begin with. Bright Future could be placed somewhere in between, reflecting that it had roots from both within and outside the established political system.

When it comes to the issue preferences of party voters and the parties as reflected in the preferences of the candidates, we see a slightly different story. Concerning voters' and candidates' state-market orientation, there is a much clearer divide among the established parties than among both the voters and the candidates of the new parties. Both voters and candidates of the new post-crisis parties expressed a more moderate view when asked about state-market issues. In addition, it is notable that the patterns among the voters of the new parties in their views about integration versus isolation broadly fit the same patterns when candidates are asked about conservative versus liberal issues. The voters of Bright

Future, the Pirate Party and Reform express a more integrationist outlook, and the candidates of those same parties are more likely to be liberal. The voters of the Centre Party and the People's Party are more likely to emphasise isolation, and at the same time, their candidates express more conservative views.

It can be concluded that there has indeed occurred a party system change in the post-crisis era in Iceland, both in terms of party system fragmentation and in that the origins of the new post-crisis parties are different from the new pre-crisis parties, where the pre-crisis parties were mostly splinter parties. These changes mean that, after the last two elections in 2016 and 2017, the minimum number of parties needed to form a winning government coalition, a coalition that has the majority of parliamentary support, as had been the norm in Iceland, has been three instead of two. The bargaining period has been prolonged, and the three-party governments that were formed in 2016 and 2017 included parties that were not ideologically connected, especially after the 2017 election (Indriðason & Kristinsson, 2021). In 2016, two of the new parties, Bright Future and Reform, took part in government, but that government lasted only one year. Another three-party government took over in 2017. This government is led by the Left-Green Movement, which is in coalition with the centre-right Progressive Party and the right-wing Independence Party. It might be argued that those three established parties considered it important to join forces, even if they were ideologically distinct, instead of seeking a coalition with a higher number of parties and/or new post-crisis parties that they were ideologically closer to. Both the increase in the minimum number of parties needed for a majority government coalition and the seeming reluctance among the established parties to include the new post-crisis parties can be taken as consequences of the increased fragmentation of the Icelandic party system. Whether those changes will have consequences for the perceived responsiveness and legitimacy of the political system will depend on how both the established parties and the new post-crisis challenger parties deal with this new reality. In this regard, government participation could matter, as well as cooperation between ideologically close parties, whether this is an informal cooperation involving working together on single issues and policy packages or more formal cooperation in terms of electoral alliances.

While the new post-crisis parties can be taken as one symptom of a party system change, it is still uncertain how many of them will survive and whether there will be reshuffling among the new parties. However, it is safe to assume, or at least to strongly suspect, that some of them have good chances of surviving. Their fate can depend on several factors, such as how successful the parties are when it comes to organising their infrastructure and establishing themselves as an alternative to other parties, as well as whether they will successfully take part in governments in the future.

Notes

- 1 The Alliance of Social Democrats (1983) and the People's Movement (1995) were splinter parties from the Social Democratic Party. The Citizen Party (1987) and the

Liberal Party (1999, 2003 and 2007) were splinter parties from the Independence Party. The Association of Equality and Social Justice (1987) was a splinter party from the Progressive Party.

- 2 A principal component factor analysis confirms that those seven questions load on two factors, and the questions selected for each scale have factors loadings over 0.4 on the scale they are included in, both when running the factor analysis on a combined dataset from 2009 to 2017 and when running the factor analysis for each election year. The Cronbach's alpha for each scale is quite high in a combined dataset, reaching 0.78 for the support for the political system scale (ranging from 0.74 to 0.81 each year) and 0.65 for the support for more direct democracy scale (ranging from 0.56 to 0.67 each year).
- 3 A principal component factor analysis confirms that the seven questions load on two factors, and the questions selected for each scale have factors loadings over 0.4 on the scale they are included in, both when running the factor analysis on a combined dataset from 2009 to 2017 and when running the factor analysis for each election year. Cronbach's alpha values in a combined dataset are 0.57 for the state–market scale (ranging from 0.51 to 0.62 each year) and 0.68 for the conservative–liberal scale (ranging from 0.61 to 0.71 each year).

9 Party–voter alignments before and after the Great Recession

Abstract

Iceland experienced profound societal and economic change in the decades before the Great Recession, yet the structure of the party system remained fundamentally unchanged. The four major established parties dominated party politics, with new parties failing to gain a foothold. At the same time, a process of dealignment was taking place—party–voter alignments were becoming increasingly muddled. In this chapter, we take on the task of asking if and how the financial crisis altered these alignments. Did the process of dealignment continue or did the crisis act as a catalyst for realignment? We find clear evidence of realignment in our analysis. The voter bases of the new and old parties alike are more internally homogeneous than they were in pre-crisis politics in several important respects: socio-economic position has become more important, parties have become much more polarised with respect to their voters' political trust, and finally, we see that the importance of the state–market and isolation–integration issue dimensions has increased from the pre-crisis era.

Transformation of electoral competition

In the last decades of the 20th century, advanced industrial societies experienced fundamental social and economic change. Deindustrialisation, individualisation, globalisation and educational expansion are just a few of the processes that were at work within and across nations. Along with these societal changes, political competition radically changed in most countries. New issues came on the agenda, new parties established themselves and older mainstream parties gradually enjoyed less support among the electorate. In Iceland, however, profound societal changes seemed to have little effect on political competition and the party system. As highlighted in Chapter 7, the *fourparty* prevailed to a large extent and continued to dominate party politics. While new parties challenged the four established parties prior to the crisis in most elections, they rarely gained much electoral support, and if they did, their success proved to be short-lived. In 2007, the last election before the financial crisis, the position of the *fourparty* was as strong as ever—they collectively gained about 90% of the vote.

These were the circumstances under which the Great Recession unfolded. As we have seen in earlier chapters, the crisis had a profound effect on the public. The Pots and Pans Revolution rattled the political system, political trust plummeted, party identification dropped and new parties gained a foothold among the electorate. In addition to these fundamental factors, the salience of issues pertaining to Iceland's external relations—most importantly, accession to the European Union and the Icesave agreements—led Icelanders, on average, to become less supportive of integration and more likely to embrace sovereignty and isolation from external influence, as shown in Chapter 4.

To what extent do these changes signify the potential for a permanent transformation of electoral competition and party choice among voters? There are at least three scenarios that could take place. First, it could be the case that these changes are ephemeral, being a mere fluctuation from the long-term dominance of the *fourparty*. In prior decades, the party system has withstood challenges such as this—minor parties have come and gone, but none establishing themselves as a permanent fixture of the political landscape. Of the six new parties that have gained parliamentary seats after the crisis, two have collapsed and are no longer in operation. Their fate could be indicative of the fate of other new parties, with the *fourparty* soon returning to their dominant position.

Another scenario that could unfold is that the Great Recession did indeed loosen the grip of the *fourparty* in Iceland, but that the new party system that has emerged does not have a stable social basis among the electorate. In this scenario, the crisis was merely the final instalment of a process of dealignment. In this case, we might expect more instability in voting between elections, with voters switching parties not based on ideological commitments, but rather, election-specific issues and/or the competence of the incumbent government. If this is the case, we would expect the ideological basis of parties' voters to become less polarised and partisan sorting to be reduced.

Finally, it could be the case that the crisis brought about a realignment of partisan loyalties around specific socio-economic factors or issue positions. As we have seen in prior chapters, politics in Iceland in 2007 was characterised by ideological moderation, with elections seemingly based on alternative factors. What the crisis would have done is to thrust new issues onto the agenda, for example, how the burdens of the crisis should be shared, which has a direct bearing on redistributive preferences, or if and how Iceland should seek shelter in the European Union or remain outside of it. If this is the case, we should see further polarisation around issue positions and potentially new parties emerging around these new policy positions.

In this chapter, we explore the plausibility of the three scenarios described previously by analysing party–voter alignments over time, asking whether there have been changes in how voters sort themselves into parties based on socio-economic status, political trust and policy preferences. If we see strong partisan sorting, such that voters of each party become more homogeneous with respect to a specific issue or a demographic feature, we can infer that electoral competition has brought about such a realignment. However, if no such sorting is present, the impact of issue positions on party choice would be further reduced.

We find that polarisation has increased around several factors after the Great Recession: socio-economic position has become more important, parties have become much more polarised with respect to their voters' political trust, and finally, we see that the importance of the state–market and isolation–integration issue dimensions has increased from the pre-crisis era. Indeed, the data clearly support the idea that in the elections prior to the crash, politics had become ideologically muddled with parties not having relatively distinct platforms with respect to these two dimensions. However, the crisis revitalised competition around these dimensions, with trust also becoming an important factor. A striking feature of these developments is that the post-crisis parties mostly fall within the boundaries of the issue positions of the old *fourparty*, and in many cases, the newer parties do not attract voters with unique issue positions, but rather cluster around issue profiles similar to those of the established parties. These results suggest that the crisis increased polarisation around issues, but many of the new parties do not have distinct policy profiles compared with the old parties. In the concluding section, we argue that these patterns reveal a potential for a fundamental realignment of the electorate around these revitalised dimensions.

Party–voter alignments through the mid-20th century

When considering how voters sort themselves into parties, a natural starting point is the social cleavage model of Lipset and Rokkan (1967). In their account, party systems in the 1960s were consistent primarily with the political parties that had been established in the late 19th and early 20th centuries, and in a sense, they were ‘frozen’ in time. Those parties, in turn, were formed around durable social cleavages that emerged in the wake of the national and industrial revolutions of the 19th century.

In Iceland, as in the other Nordic countries, the cleavages manifested in three primary camps, which were as follows: the Social Democratic Party (workers), the Independence Party (business owners) and the Progressive Party (farmers; Bengtsson et al. 2014). As discussed in Chapter 2, these three parties, along with the left-socialist People's Alliance, formed the core of the so-called *fourparty* system in Icelandic politics—a period in which other parties had relatively little and short-lived success in winning seats in parliament.

As is commonly remarked in later research, this simplified model of party system development may have already been outdated when it was published in the late 1960s (Thomassen, 2005). Beginning in the latter half of the 20th century, a process of dealignment gradually eroded the importance of cleavages for political behaviour, and thus, undermined the ‘freezing’ hypothesis (Dalton 1984; Dalton and Wattenberg 2002). A variety of societal changes contributed to this development: Deindustrialisation and the rise of ‘middle-class society’ decreased the importance of social class on vote choice; secularisation reduced the religious basis of vote choice; increasing individualisation and the expansion of tertiary education increased the sophistication of voters, which decreased the effectiveness of group-based appeals; and the increasing diversity in media consumption

created more heterogeneous sources of information for voters, which worked against the homogeneous segmentation of the electorate (Kitschelt & Rehm, 2015; Ford & Jennings, 2020).

In the case of Iceland, this process may not have played as large a role as it did in neighbouring countries. While the major parties of the 20th century were indeed formed around particular social cleavages, the social basis of voting behaviour seems to have long been relatively weak in Icelandic politics, at least compared with the other Nordic countries (Hardarson, 1995). In particular, class voting was especially weak among voters, which may have contributed to the relatively poor performance of the Social Democrats throughout most of the 20th century (Hardarson, 2004). Thus, alternative factors may have played a larger role in the early to mid-20th century, although the process of dealignment outlined previously surely contributed to decreasing the importance of cleavages even further.

Continued dealignment or countervailing realignment?

Has the process of dealignment in the late 20th century eroded the social basis of party competition in the early 21st century? One perspective maintains that the process of dealignment has continued to the point that social cleavages only play a minor role in structuring modern political behaviour. In this view, electoral competition is now primarily based on two factors—competence and issue ownership. An alternative perspective claims that dealignment has decreased the importance of older social cleavages, but new social cleavages have emerged that have led to a process of countervailing realignment. These new cleavages are commonly claimed to be based on the post-materialist transformation of individual values and/or the uneven effects of political and economic globalisation on individuals' economic and cultural positions. In this section, we discuss these two perspectives in turn.

The continued dealignment perspective comes in two flavours—one optimistic and one pessimistic. From the optimistic perspective, political parties continue to be responsive to the electorate. However, there are no longer durable social coalitions that coalesce around particular policy preferences. Instead, parties compete based on competence and issue ownership (Bélanger & Meguid, 2008; Green & Jennings, 2017), and voters do not hold strong attachments to particular parties (Fieldhouse et al., 2020). Competence, in this account, refers to the ability of political parties to be successful in office, commonly based on strong economic performance—the so-called economic vote (Duch & Stevenson, 2008). Thus, ideological differences play a weaker role, with parties appealing broadly to different groups in society. Meanwhile, issue ownership takes a broader view of competence. Rather than focusing on the success of incumbent parties in bringing about economic growth, issue ownership theory claims that the salience of issues fluctuates over time and parties compete over which party is most competent on the issue at hand—that is to say, which party 'owns' the issue (Petrocik, 1996). For example, centre-left parties might be considered most competent on the issue

of unemployment, centre-right parties on inflation and green parties on environmental issues.

In the pessimistic version of politics after dealignment, political parties are not only detached from the social structure but also unresponsive to the electorate; they have become ‘cartel’ parties that adopt similar policy positions on most issues (Katz & Mair 1995, 2009). There are two aspects to this cartelisation of political power. First, using state resources—primarily the public financing of political parties—established parties raise high barriers to entry for new political parties, thus maintaining their collective grip on political power. Second, by limiting vertical accountability within political parties, political leaders are increasingly detached from their partisans. Thus, change to party politics is unlikely to emerge, either from inside the established parties or from new parties trying to enter the electoral arena.

Compared with the pessimistic version of the dealignment perspective, the realignment thesis gives a considerably more optimistic account of modern electoral competition. The main thrust of the realignment perspective is that, as older dimensions of conflict have subsided, new dimensions have emerged that have realigned the electorate. Thus, durable coalitions based on socio-economic interests and policy preferences continue to structure political choice, but the foundations of the coalitions have changed (Kitschelt & Rehm, 2015). There are primarily two developments that are claimed to underlie newer cleavages; the advent of post-materialism and the increasing political and economic integration of nation-states around the world.

The post-materialist dimension pits together materialists and postmaterialists (Inglehart, 1977, 1997). The fundamental source of conflict in this dimension is based on differing existential security during youth. Following WWII, Western societies experienced unprecedented levels of prosperity and peace, which, on average, reduced insecurity about basic survival needs and gave individuals greater opportunity to consider alternative goals and needs. Consequently, people became more open to new ideas and more tolerant of outgroups. During the 1970s and 1980s, when the first of these generations came of age, new political parties formed around post-materialist values—environmental protection, gender equality, minority rights and freedom of expression—gained ground and manifested this political cleavage electorally.

The other major social cleavage dimension that has developed centres on globalisation and European integration and its increasing effects in the 1990s and early 2000s. The fundamental source of conflict within this dimension revolves around the struggle between the winners and losers of globalisation (Kriesi et al., 2008, 2012), or alternatively, between those supporting transnational political integration and those preferring traditional sovereign demarcation (De Vries, 2018; L. Hooghe & Marks, 2018). Importantly, this division coincides to some extent with the older urban–rural cleavage, as globalisation commonly benefits urban areas more than rural areas economically (J. A. Rodden, 2019; Rickard, 2020).

In addition to location, education may also play a critical role in shaping this dimension. On one hand, those with more education benefit both economically

and culturally from increasing openness (Kriesi et al., 2012). University graduates have distinctive social identities and values and are mobilised as such (Stubager, 2009), they have less attachment to national identities (Hjerm & Schnabel, 2010) and they are more supportive of free trade and international migration (Hainmueller & Hiscox, 2006, 2007). On the other hand, we have what could be called ‘white school leavers’ (Ford & Jennings, 2020)—a group of voters with low education who are culturally and economically opposed to international integration (Norris & Inglehart, 2019). As social democratic parties, the traditional bulwark of the working class, have shifted to the centre, this group of voters has become alienated from mainstream politics and is increasingly supportive of radical right parties that outright reject further integration across borders (Mudde, 2013; Oesch & Rennwald, 2018).

Party–voter alignments in the wake of the Great Recession

Recent work in political science suggests that we should expect at least two political effects of an economic downturn during normal times (Helgason & Merola, 2017). First, in accordance with the literature on economic voting, political parties that form part of the incumbent government should lose electoral support based on a retrospective evaluation of their performance (Duch & Stevenson, 2008). Second, based on the literature on issue ownership, political parties that can claim ownership over the main issues that increase in salience during a recession should gain political support among concerned voters. As unemployment and economic insecurity are commonly considered the most important of these issues (Kiewiet & Udell, 1998), we would expect left-wing parties to be especially successful at the onset of a recession, given their historical roots and policy emphasis while in office (Hibbs, 1977; Wright, 2012). While we do not have clear theoretical expectations of what happens when these two factors work in opposite directions—for example, when a left-wing party forms part of the incumbent government—the empirical evidence suggests that concerns over unemployment trump retrospective evaluations (Swank, 1993), and that left-wing parties are hurt more as incumbents when unemployment has increased or remained high while they are in power, whereas right-wing incumbent parties are hurt by high or increasing inflation (Van der Brug et al., 2007).

As outlined in Chapter 1, the Great Recession was not a regular recession. Its profound effect on the Icelandic economy, financial system and economic insecurity shook the taken-for-granted reality of the public, causing political protests on a scale never seen before in Iceland. In the ensuing years, political turmoil escalated, anger at those perceived to be responsible for the crisis strengthened, economic insecurity persisted and political trust plummeted. Such extreme conditions are likely to destabilise any party system and create the possibility of systematic change in its composition. From a historical institutionalist perspective, the crisis may be classified as a ‘critical juncture’—a period in which pre-existing institutional constraints are relaxed and structural change is possible (Capoccia & Kelemen, 2007).

Hernández and Kriesi (2016) claim that the process outlined previously unfolded in countries that experienced the most economic strain. While the destabilising effects of the crisis dominated early on, clear evidence of substantial changes emerged as the crisis progressed, commonly by increasing support for new parties that challenged the mainstream system. Furthermore, these authors argue that party system change was far from random; indeed, the crisis worked to strengthen the ongoing process of party–voter realignment around the transnational cleavage. Surely, the global dimension of the crisis, both in terms of its causes and the conflict that emerged between creditor and debtor countries within Europe, facilitated the increasing salience of the international dimension and its manifestation in party politics.

The structure of the Icelandic party system before the financial collapse was in many ways an ideal case for such a process to take place. The *fourparty* continued to dominate politics, as they had for the bulk of the 20th century, with minor parties failing to gain a permanent foothold in the party system. Perhaps the biggest change in the party system came before the 1999 election when a number of left-wing parties—the established People’s Alliance and Social Democratic Party, and the more recent Women’s Alliance and People’s Movement—reshuffled and merged into two parties, the Left-Green Movement and the Social Democratic Alliance. While the merger restructured the left-wing of Icelandic party politics, one could say that in a longer-term perspective the two newly established parties simply replaced the older established parties in the *fourparty* system, as outlined in Chapter 2.

While the policy profiles of the parties before the crisis were distinct, their differences were not such that any of them were unable to work with another party in government. On many issues, differences in policy were substantial both within and across parties. For example, in the matter of accession to the European Union—probably the largest foreign policy issue of Icelandic politics in contemporary times—both the Independence Party and Progressive Party had vocal factions in support, although the parties’ official stance was almost always to be against joining the European Union. Similarly, the policy profile of the centre-left Social Democratic Alliance was increasingly characterised by a moderate centrist position on major issues.

The Great Recession had the potential to disrupt the static party system. It did so by shaking the system’s foundations, as seen not only in falling levels of political trust and support for an extensive revision of the Constitution but also in that the transnational cleavage was put front and centre on the political agenda. Accession to the European Union was a major issue in the 2009 election, and much of the subsequent electoral term was spent debating the Icesave issue, pitting those in favour of an agreement against those rejecting the idea that the Icelandic state was responsible for the actions of Icelandic banks prior to the crisis.

How would we expect these disruptions to manifest in party–voter alignments? First, we would expect much clearer sorting into parties based on socio-economic position, political trust and policy preferences. Thus, the supporters of each party should become more homogeneous vis-à-vis other parties, and

differences between parties should be much larger. Furthermore, we would expect new parties to form and gain ground based on these two issues, both because trust towards the four mainstream parties plummeted and disoriented voters sought an alternative and because policy change within parties is rarely a process that unfolds smoothly and rapidly (Hernández & Kriesi, 2016). A more likely scenario is one where new parties, starting with a clean slate, establish themselves as clear alternatives on these issues. Thus, overall, we should expect an increase in the number of political parties gaining support from large segments of the population, as well as more systematic sorting into parties than before.

The above is only one potential pathway. While critical junctures open ‘windows of opportunity’, there is nothing to say that such windows will be utilised. It could well be the case that the financial crisis merely destabilised the political system. Protests in the immediate aftermath of the crisis have led to support for new challenger parties, but as time goes on, these new parties will gradually lose support and disappear from party competition. Two new parties—the Civic Movement and Bright Future—have already suffered this fate, and the four remaining new parties could well disappear or become so small as to be of limited importance in parliament. If this is the case, it might well be expected that we see strong sorting on political trust, that is, that trust becomes a much greater predictor for party choice but sorting on other dimensions remains stable. In particular, we would not expect clear sorting based on policy preferences, and in any case, newer parties should not be characterised by clear policy profiles.

Finally, the window of opportunity may well have been utilised, but the path the party system has taken is not based on realignment around clear policy profiles. In this scenario, the process of dealignment has simply continued, and the social basis of parties has further weakened. If this is the case, the whole party system should become much more volatile. Vote switching should increase from election to election, vote choice should increasingly become based on evaluations of competence and ephemeral issue positions, and thus, voters should become less attached to particular political parties. Moreover, this increasing volatility should lead to less polarisation between parties and less sorting based on the factors outlined previously.

Empirical analysis

In this section, we test the plausibility of the three perspectives we have outlined using data from ICENES going back to 1983. We use a standard question on vote choice as the basis for our dependent variable(s), although we only include respondents who voted for a party that gained seats in parliament. Our analysis proceeds in two parts, using a twofold approach: first, we explore subgroup sorting, that is, to what extent sorting has occurred along demographic and socio-economic lines. Second, we use the issue dimensions detailed in Chapter 4 to take a more detailed look at ideological sorting over time. In the analysis, we explore both the aggregate level of sorting by each factor and their partisan effects.

Subgroup sorting

Have voters increasingly sorted along demographic and socio-economic positions? As the discussion in the theoretical section suggests, there is reason to believe that sorting might have increased after the Great Recession, not least due to the increasingly fragmented party landscape, which creates richer potential to vote for more niche parties that cater to specific electoral groups.

Several politically relevant factors might be the basis for sorting. In this analysis, we focus on four dimensions that either have a longstanding basis for sorting in Icelandic politics or are increasingly important in comparable democracies. First, we classify respondents by location, splitting them into two groups—one for capital area districts and another for the countryside. Second, we use respondents' age in years. Third, we use respondents' education level (primary, secondary or tertiary), and finally, we use an indicator for manual workers.¹

To gauge the relevance of each factor, we proceed in the following manner: For each election year (and separately for each variable), we summarise the 'average' position for each party on the relevant variable. To give an example, consider the case of capital area residence in the 2017 election. In this case, we begin by calculating the share of each party's voters who live in the capital area. In 2017, the proportion ranged from about 29% (Progressive Party) to 90% (Reform Party). We then calculate the standard deviation of these proportions, weighed by the vote share of each party. To evaluate the uncertainty of our estimates, we bootstrap a 90% confidence interval.

If there is little variation in the share of capital area voters by party, then the resulting standard deviation will be small, suggesting a low level of sorting. However, if there are large differences between parties, then the standard deviation will be larger, showing a high level of sorting. We weigh the proportion of each party by their electoral vote share to reflect that deviations by large parties from the mean proportion are obviously more important than the deviation of minor parties. It should be kept in mind that the absolute level of sorting depends in some part on the measurement level of the variable in question. As such, this measure is primarily helpful to compare sorting by variables on the same measurement scale and/or analyse how sorting by a particular variable has changed over time.

Figure 9.1 shows partisan sorting by four subgroups. The upper right panel shows the results for sorting by age in years. The overall trend in sorting has a U-shape, with more sorting in the 1980s and 2010s than in the decades between. Thus, the post-crisis level is not new, although it is decidedly different from the last couple of elections before the crisis. Sorting by location, shown in the upper left panel, follows a somewhat different trajectory, being relatively stable over time. While it is difficult to evaluate whether this should be considered a high degree of sorting, we can contrast the absolute level with the measure for manual workers, shown in the bottom right panel, which is also an indicator variable. Comparing the two, we can confidently say that sorting occurs to a much larger degree by location than by occupation (but see Helgason 2018).

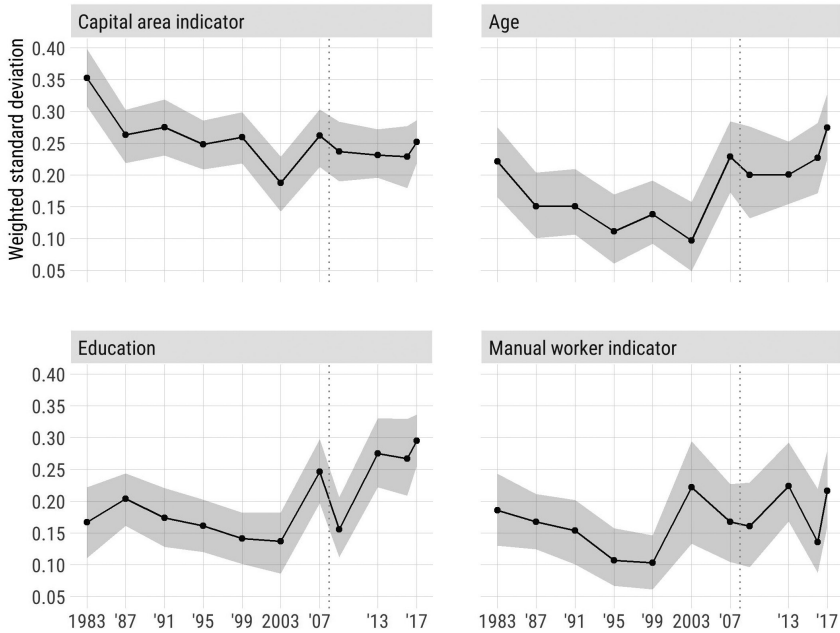


Figure 9.1 Partisan sorting by subgroup, 1983–2017. Note: Entries are the standard deviation of party voters' average position by election, weighted by vote share. Estimates are shown with a 90% confidence interval. Data weighted by gender, age, location and voting behaviour.

Finally, looking at the bottom left panel, we can see how sorting by education has developed over time. In particular, the figure suggests that educational sorting was gradually becoming less important from the 1983 election to 2007 when it sharply increased. While sorting decreased slightly in 2009, it sharply increased in the subsequent three elections. Overall, this seems to be the largest shift in sorting among the subgroups considered, and it may be indicative of a shift towards a larger role for socio-economic position in determining voting behaviour.

Party–voter alignments by education and employment

While we have established that the importance of education has increased in the post-crisis period, it is not clear which parties have become more or less distinctive in terms of the educational profile of their voters. To examine this, we now turn to an analysis of party-specific vote choice by the education–employment categorisation introduced in Chapter 4.

We analyse the relationship between the two variables using a series of logistic regressions, one for each party. We also break the analysis into four periods to gauge how the relationship has changed over time. As a consequence, the number

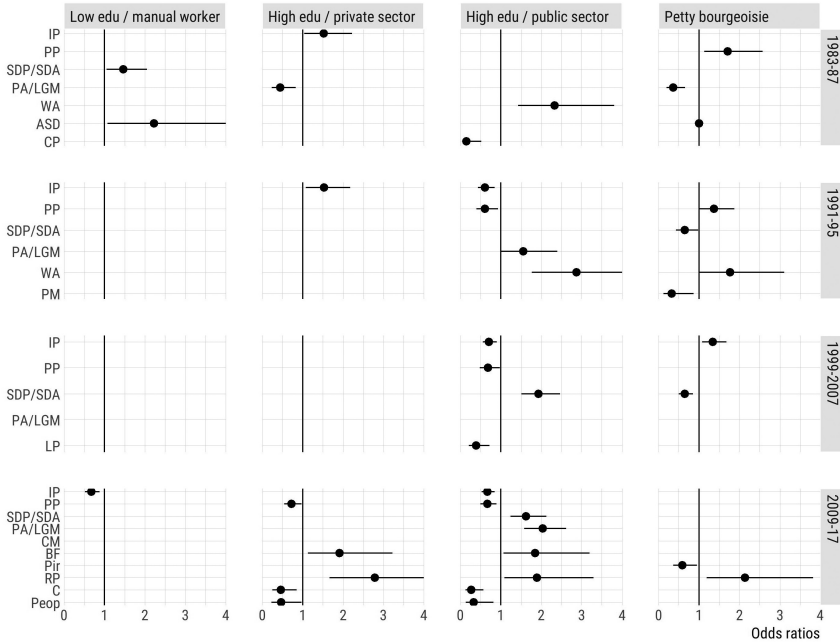


Figure 9.2 Education, employment and party choice, 1983–2017. Note: Entries are odds ratios, with low education, non-manual workers as the reference category. Estimates are shown with a 95% confidence interval from separate logistic regression models for vote choice with controls for age, gender, residence and year. Non-significant estimates not included. See the list of abbreviations for party names. Data weighted by gender, age, location and voting behaviour.

of models is quite large. In addition to predicting vote choice with education–employment, we include variables for gender, age, residence and year fixed effects. Figure 9.2 reports the odds ratios for the main categories of interest on the education–employment variable. Respondents with low education and are not manual workers serve as the reference category.

We begin by asking to what extent party choice differs between respondents with low education who are either non-manual or manual workers. Looking at the left-most column in Figure 9.2 reveals that there are minimal differences between the two groups. While manual workers were more likely to support the Social Democratic Party and the Alliance of Social Democrats in the 1980s, there were no significant differences between the two groups in the 1990s and up to the economic crisis. After the crisis, manual workers were slightly less likely to vote for the Independence Party.

Turning to a comparison between respondents with low education and the two groups of high education respondents, we see larger differences, especially in more recent years. Visually, this general trend can be seen by the increasing number of

significant coefficients over time in the two middle columns. Early on, highly educated respondents working in the private sector were relatively more likely to vote for the centre-right Independence Party. These differences have waned over the years, much like for manual workers, but they have been reinvigorated in the post-crisis period. This time, however, it is not the Independence Party, but the more centrist and international Reform Party and Bright Future that have gained much stronger support among the group. Working in the opposite direction, we see that the more isolationist Progressive Party, Centre Party and People's Party enjoy relatively stronger support among voters with low education. To some extent, this reflects the growing educational divide over the isolation–integration dimension highlighted in Chapter 4.

Comparing low educated voters with high educated voters within the group of public sector workers, we see substantially more differences, which seem to have played a role in all periods under study. In broad brush strokes, we see that the latter group has been relatively more supportive of the left parties and the more urban-oriented centrist parties while being more opposed to the right-wing parties and the more rural-oriented centrist parties. Finally, although the differences between the low education group and the petty bourgeoisie have persisted throughout the timeframe of the study, they do not seem to follow a clear, systematic pattern.

Summarising this discussion suggests at least three important developments that are worth highlighting. First, the overall pattern shows that the education–employment nexus is increasingly important in predicting party choice in the Icelandic electorate. In particular, this seems to be strongly driven by the education dimension. Second, the traditional left parties—especially the Social Democratic Party/Alliance—have gone from being relatively strong among manual workers to enjoying greater strength among public sector workers with high education. This decisive shift mirrors developments we see for traditional left parties in other advanced democracies. Finally, the social basis of the Independence Party has become more balanced over time, no longer being characterised by a relatively strong standing among highly educated voters working in the private sector.

Sorting by political trust and policy preferences

In this section, we analyse the electoral implications of policy preferences and political trust. In particular, we ask whether the crisis brought about increasing polarisation along these factors, and thus, a reconfiguration of the drivers of party choice. As in the previous section, we seek to answer how partisan sorting over the economic and international policy dimensions has developed over the past 30 years and whether it has increased after the crisis. Given the strong effects the crisis had on political trust, we also include an analysis of sorting by trust. Subsequently, we explore the political issue space of electoral competition and how it has developed. Doing so allows us to gauge how the constituents of particular parties differ along these dimensions, as well as to evaluate how the overall shape of the political space has evolved over time.

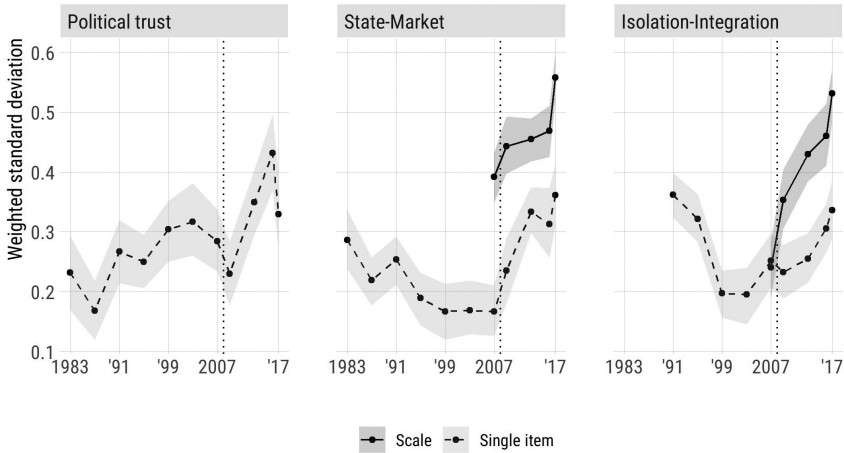


Figure 9.3 Partisan sorting by political trust and policy preferences, 1983–2017. Note: Entries are the standard deviations of party voters’ average position by election, weighted by vote share. Estimates are shown with a 90% confidence interval. Due to data limitations, the two scales are only available from 2007 onwards. The single-item questions used as proxies are on lower taxation and tariffs on agricultural imports for the state–market and isolation–integration dimensions, respectively. Data weighted by gender, age, location and voting behaviour.

We base our primary analysis on the two issue dimensions discussed in Chapter 4, the state–market and isolation–integration dimensions. As the factors required to form the issue dimensions are only available from 2007 onwards, we use items on attitudes towards lower taxation and tariffs on agricultural imports as proxies for preferences over the economic state–market and international isolation–integration dimensions, respectively, to explore longer-term developments.² To measure political trust, we use a standard single-item question, which is also used in Chapter 5.³

Figure 9.3 reveals how sorting along all three factors has increased dramatically from 2007 onwards. This is especially so for the isolation–integration dimension, where we see a big increase between 2007 and 2009—no doubt mostly driven by the salience of the question of EU membership—and then ever-increasing sorting from election to election until 2017. The single-item question on agricultural tariffs shows a similar trend, although it also reveals that sorting along this dimension is not entirely new. Indeed, in 1991 and 1995, when the issue of the EEA agreement was prominent, there were similar levels of sorting as in 2016 and 2017.

Turning to the state–market dimension, we see a slightly different pattern. While sorting along this factor has generally increased from election to election after the crisis, the most significant increase can be seen between the 2016 and 2017 elections. A similar pattern can be seen for the single-item question on

taxation, with the longer-term perspective suggesting that sorting on tax attitudes was greater in 2017 than in any election from 1983 onwards. While historically, the state–market dimension has not been as important for electoral competition in Iceland as in neighbouring countries, this pattern is indicative of how polarised party competition has become on this dimension in recent years.

Finally, we see that sorting is not only evident on policy dimensions but also when it comes to political trust. However, the longer-term trend is considerably different. While for both the state–market and isolation–integration dimensions, the trend is U-shaped—with the lowest level of sorting in the pre-crisis elections; for political trust, the trend almost constantly increases over time. Again, we see the sharpest increase in the post-crisis years.

Constellation of parties by issues

Overall, the three factors outlined previously paint a picture of the revitalisation of political competition around issues and trust. But what parties are most responsible for this increase in partisan sorting, and to what extent can it be said that the two issue areas are, indeed, separate dimensions of electoral conflict? In this section, we analyse the issue profiles of political parties, first, using the two policy dimensions to gauge changes from 2007 to 2009 and then 2017, and second, using the questions on taxation and agricultural tariffs to analyse the long-term development of the issue space of Icelandic politics.

As in the section on vote choice by the education–employment variable, we analyse the relationship between issues and trust and party choice using a series of logistic regressions, one for each party (in each year or each period). The model specification is based on the previously developed models. We include variables for gender, age, residence, education–employment and year fixed effects in the model, and then we add the two policy dimensions/items to the model. We do the same for the trust item but do so separately.⁴

Figures 9.3 and 9.4 show the mapping of party voters on the two dimensions, as well as an indication of the average trust level of voters of each party. We follow Häusermann and Kriesi (2015) and show the odds ratios for the two variables, transforming values below one to negative values to create symmetry around the y-axis. For both policy variables and the trust item, the values represent the change in probability of voting for a particular party when the relevant variable increases by one standard deviation. To give an example, consider the policy position of the voters of the Social Democratic Alliance in 2017, as shown in Figure 9.3. On the isolation–integration dimension, we see that a one standard deviation increase in the variable makes voters 160% more likely to vote for the Social Democratic Alliance, which is equivalent to an odds ratio of 2.6. Meanwhile, on the state–market dimension, we see that a one standard deviation increase in the variable makes voters 190% ‘less likely’ to vote for the party, which is equivalent to a value of -2.9 on the transformed variable or 0.35 in odds ratio. The odds ratio for a one standard deviation increase in trust is 1.7, signifying that such an increase is associated with a 70% higher probability of voting

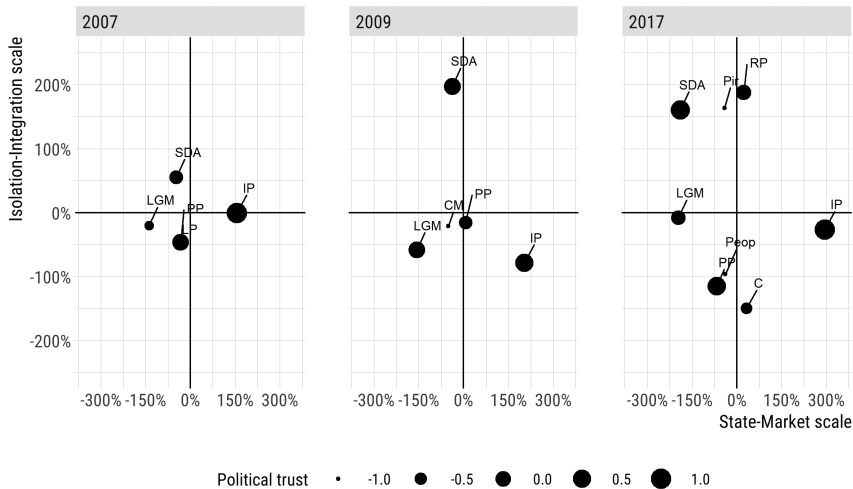


Figure 9.4 Policy preference configurations, political trust and party choice in 2007, 2009 and 2017. Note: Entries are odds ratios (ORs) shown for one standard deviation change in each variable. Following Häusermann and Kriesi (2015), ORs under one have been transformed by the formula $-1/OR$ to make them comparable to odds ratios over one. Estimates from separate logistic regression models with controls for age, gender, residence and year. See the list of abbreviations for party names. Data weighted by gender, age, location and voting behaviour.

for the Social Democratic Alliance. To be fair, it should be acknowledged that it is quite difficult to gauge specific values for the trust variable, and the interpretation of the negative values for the two policy dimensions is not straightforward. As such, we do not focus on specific values for any party, but rather, consider relative judgements for specific parties (most isolationist, more state oriented, etc.) and the overall dispersion of parties for the whole party system.

What can be said about changes to the electoral space from 2007 to 2009 and then 2017? Relatively speaking, we see how strikingly low sorting on all variables was in 2007. While there were some clear differences between the parties, they were mostly grouped together close to the point of origin. Winding forward to 2009, we see the first significant electoral shift in the post-crisis era, with the Social Democratic Alliance developing a much stronger presence among voters with preferences for more integration, while we observe a (somewhat weaker) reaction in the opposite direction for the Independence Party. With accession to the European Union high on the agenda in the 2009 election and the Social Democratic Alliance having clear ownership of the issue of European integration, it is unsurprising that voters increasingly sorted on this dimension. Furthermore, we see that the voters of the Civic Movement, which grew out of the Pots and Pans Revolution, are by far the least trusting of the political system. Thus, political trust became a much clearer predictor of vote choice as early as the 2009 election.

Turning our focus to 2017, we see how the party space exploded away from the point of origin. Indeed, none of the parties in 2017 are as close to the origin as any of the parties in 2007(!). There are several interesting features of the electoral landscape that the figure highlights. The gap between the voters of the parties that are the most state oriented or the most market oriented, the Left-Green Movement and the Independence Party in both cases, has grown substantially. The Left-Greens were joined by the voters of the Social Democratic Alliance as the most state-oriented party in 2017, while the Independence Party remained the only party with a distinctive market-oriented voter base.

The same trend can be seen on the isolation–integration axis, although this time there are new parties on opposite ends of the spectrum. On the isolation end of the spectrum, the Centre Party forms a new pole, although the Progressive Party and the People’s Party occupy a similar location. On the integration end of the spectrum, we see the Reform Party, although the Pirate Party and Social Democratic Alliance are not far removed. This is quite indicative of the major issues of electoral competition in recent years. Among other things, the Reform Party was formed to offer a European-oriented liberal alternative to the Independence Party, while the chairperson of the Centre Party, Sigmundur Davíð Gunnlaugsson, had previously campaigned extensively against the Icesave agreements and the application to the European Union.

Comparing new post-crisis parties to older counterparts, we see that the new parties cluster tightly around some older parties. Thus, the profiles of the voters of the Pirate Party and Reform Party are quite similar to the profiles of the Social Democratic Alliance. Similarly, the profiles of the People’s Party and Centre Party voters are similar to those of the Progressive Party. As mentioned previously, the Left-Green Movement and the Independence Party occupy similar positions as before, albeit more extreme than previously on the state–market dimension. Thus, looking only at these two dimensions, the newer parties do not seem to offer anything that was not there before.

We do see a clear difference between new and old parties when it comes to political trust. Voters of the People’s Party and Pirate Party are generally the most distrusting of the system, while the older, the Social Democratic Alliance, the Independence Party and the Progressive Party garner the support of more trusting voters. Thus, although political trust had somewhat returned to prior levels in 2017, there still existed considerable sorting over trust, suggesting its increasing political relevance.

How do these developments from 2007 to 2017 compare with previous periods? While we do not have data for the two issue scales going further back, we can use the two proxy questions on taxation and agricultural tariffs to make some sense of the developments. Figure 9.5 shows the results of models comparable with the models reported in Figure 9.3, with the only difference being the main independent variables of interest (single items versus issue scales) and the aggregation of periods (multiple elections versus single election). To ground ourselves and put the figure in context, we see that the results for the period prior to the Great Recession, from 1999 to 2007, are quite similar to the 2007 analysis of the

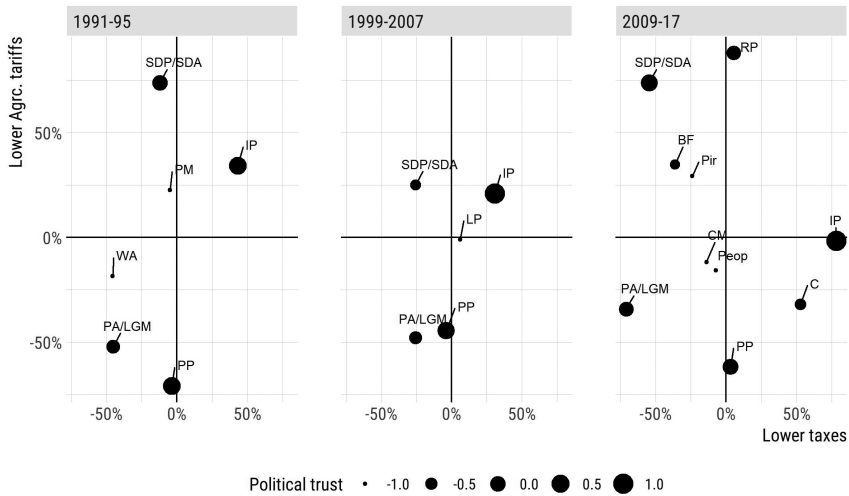


Figure 9.5 Issue position configurations, political trust and party choice, 1991–2017. Note: Entries are odds ratios (ORs) shown for one standard deviation change in each variable. Following Häusermann and Kriesi (2015), ORs under one have been transformed by the formula $-1/OR$ to make them comparable to ORs over one. Estimates from separate logistic regression models with controls for age, gender, residence and year. See the list of abbreviations for party names. Data weighted by gender, age, location and voting behaviour.

issue scales. The parties are relatively clustered together near the centre, but nonetheless, there are clear differences between most of them. Turning to the 2009 to 2017 period, we see a similar pattern as the one we saw for the 2017 analysis previously. The party system has polarised considerably, with major parties with clear policy profiles along the outer edges of political competition and smaller parties with more diffuse issue positions and based around political reform closer to the origin.

Finally, exploring the period of 1991–1995, we see an interesting juxtaposition of the latter two periods. Similar to the 1999–2007 period, there are a small number of parties with clear issue profiles but sorting between parties is much greater. Thus, one could say that the period of 1999–2007 was characterised by unusually low sorting compared with the other two periods. Then, as in the most recent period, we see similar dispersion on both issue domains, but with much fewer parties filling the picture.

The Great Recession as a catalyst for realignment?

What were the effects of the Great Recession on party–voter alignments? In the theoretical section, we outlined several competing perspectives on what could have materialised. First, it could well be the case that the Great Recession had

minimal effects on electoral competition, perhaps being limited to short-term gains for opposition parties and left-wing parties due to the unpopularity of the incumbent government in 2009–2013 or continued economic insecurity, respectively, but with no systematic change in party–voter alignments. While new parties may have formed and gained seats in parliament, their success is bound to be short-lived, sharing a fate with all minor parties that have been established in recent history. Second, the established party system may have collapsed with new parties gaining a strong foothold among the electorate, but the source of the collapse has primarily been based on distrust towards the established parties rather than clear ideological differences. This would be indicative of continued dealignment, with the associated volatility of vote choice and blurred policy differences between parties. Finally, the Great Recession may have fundamentally realigned the party system around substantive cleavages of contention. While such a process should have primarily been driven by the establishment of new parties with clear ideological profiles, the older parties should also develop a more homogeneous voter base.

The empirical analysis suggests that it is this last perspective that can best describe changes to party–voter alignments in the decade after the Great Recession. While partisan sorting by political trust has increased steadily over time, it is sorting by policy preferences that has seen the greatest change from 2007 onward. This can best be seen when contrasting party–voter alignments in 2007, 2009 and 2017. In 2007, alignments were muddled, with relatively little sorting based on the state–market and integration–isolation dimensions. However, starting in 2009, we see the beginning of a large shift in partisan sorting. Initially, this shift was constrained to the international dimension, with the Social Democratic Alliance disproportionately gaining the support of voters in favour of further international integration. In 2017, this trend was offset by the emergence of the Centre Party and the shift of Progressive Party voters towards more isolationism, while the Reform Party (and the Pirate Party to a lesser extent) became a clearer alternative for those leaning towards greater international openness. The economic state–market axis has similarly seen much greater polarisation in the post-crisis period. The voter base of the Independence Party has shifted sharply to the right, while the voter bases of the Social Democratic Alliance and Left-Green Movement have shifted in the opposite direction.

From a policy perspective, the post-crisis parties do not seem to attract voters with unique issue profiles. Although the location of the voters of the parties on both policy dimensions is generally more extreme than that of any of the voters of the established parties in 2007, the party–voter alignments of the latter have become much more homogeneous in recent years. Thus, it is not necessarily the policy mix that distinguishes the voters of new parties from old parties. However, differences in political trust show a sharp dividing line between the voters of the older parties and many of the newer parties. In particular, voters of the Civic Movement, Bright Future, Pirate Party and People’s Party are especially prone to lack political trust, with voters of the Reform Party and Centre Party being more similar to those of the four established parties.

With this pattern in mind, the differences in the voter bases of the new parties with respect to policy and trust may be indicative of their future potential. Only the Reform Party and Centre Party seem to enjoy support along clear ideological lines—the former among those supportive of increasing international integration and the latter among those opposed to further integration. It may be no coincidence that this is precisely a manifestation of the increasingly salient transnational cleavage. The other four new parties—two of which have already ceased to exist—do not have voter bases that share ideologically homogeneous views on either of the major dimensions. Their main commonality could rather be said to be antipathy towards the political system. Whether that is a sufficient basis for long-term survival is an open question.

For the older established parties—as well as for the Reform Party and Centre Party—we see a much stronger indication of sorting along ideological dimensions. This is a huge difference from the situation in 2007 when the party system could best be characterised as dealigned or even detached. Based on this, we would hardly consider developments in the post-crisis period as a temporary destabilisation of the party system. Neither would it be fair to say that dealignment has continued unabated. Although political trust has increased in importance as a predictor of vote choice, so have coherent policy preferences. As a consequence, it seems that the Great Recession has contributed to the realignment of party–voter ties around sharp dimensions of political conflict. Only time will tell if these changes persist far into the future, but developments in the past 12 years suggest that the ‘window of opportunity’ that the Great Recession opened proved to be a catalyst for realignment.

Notes

- 1 While we would ideally analyse subgroup sorting by the education–employment indicator previously used, it is not straightforward to do so as the analytical method we use is not suitable for nominal variables with multiple categories. Consequently, we focus on two of the major components of the indicator—education and manual worker status.
- 2 See Chapter 4 for a fuller discussion on how the factors are formed, as well as information on the two single-item issue questions.
- 3 ‘Do you think that politicians are generally trustworthy, many of them are trustworthy, some are trustworthy, few or perhaps none?’
- 4 In 2017, respondents were either asked about policy issues or attitudes towards democracy, and consequently, we cannot include both variables in the same model for that year. For comparability, we run the models separately for all years (one model that includes both the economic and international issues and another that includes the trust item).

10 The transformative impact of the Great Recession on the political system

Abstract

The conclusion summarises the key arguments of the book and relates them to broader issues of electoral politics and party system change. The Icelandic case and the ICENES data provide a unique opportunity to analyse the interplay between long-term changes in the social and political context and how they impact electoral behaviour, as well as how such a catastrophic event as the financial collapse in 2008 can have a long-lasting influence on party systems and mass political attitudes and behaviour. We discuss how long-term changes and the change in 2008 have affected and changed voting patterns, electoral participation and the party system in Iceland, as well as whether those changes have persisted throughout the post-crisis period.

Transformations, fluctuations or stability?

The main motivation of this book is to analyse to what extent politics in Iceland concerning voters' attitudes and behaviour, political allegiances and the party system have been permanently transformed in the aftermath of the collapse of the Icelandic financial system, or conversely, to what extent its effects have primarily been transitory. This has been made possible by the rich data of the ICENES, which has allowed us to analyse voters' evaluations and behaviour both prior to the crisis and after the crisis, in general and by contrasting voters of different parties and social groups. We have probed into data about candidates and parties, giving us valuable insights into the dynamic links between the political parties and voters. Describing the timeline and political events, we have attempted to provide an understanding of how those dynamic links between voters and parties are affected by the political context they are faced with and how those dynamic links can influence the structure of the political system. The ultimate questions for democracy are how well it functions and serves its purpose, whether it is fair and just and whether changes lead to improvements for democracy over time. But what are the implications of the Great Recession, if any, for the future of Icelandic democracy?

The Great Recession that followed the collapse is the biggest economic crisis Iceland has faced since its independence in 1944. In 2008, the Icelandic economy

teetered on the brink of collapse, and since then, Icelandic politics has been in turmoil. What followed were protests of a scale and length unprecedented in the history of Iceland, with protest being framed as a need for democratic reform by changing the Constitution due to an allegedly flawed political system. In the four post-crisis elections (2009, 2013, 2016 and 2017), electoral volatility and fragmentation in the party system have increased, and the number of parties running for election has surged. Since the crisis, six new parties have been elected to the parliament, with four of them elected in 2017 in addition to the four established parties, resulting in eight parliamentary parties. Three out of four post-crisis elections have been early elections after a government breakdown. The first was in 2009 due to the economic crisis, and the two other early elections in 2016 and 2017 were both due to political scandals concerning ministers in the government.

Since the crisis, the four established parties have taken turns forming and leading a government, although successive government coalitions have lost their parliamentary majority after only one term. The Constitution remains unchanged after a failed attempt at re-writing it in 2010–2013. After the most recent election in 2017, three of the four established parties formed a broad-based coalition government from left to right. Early public opinion polls suggested that the new government was supported by an overwhelming majority of the population, or around 70%, at the time of formation. Soon, that support dropped to around 50%, although because of favourable perceptions of how the government has handled the coronavirus disease (COVID) crisis in 2020, the support was up to around 60% at the end of 2020 (Gallup, n.d.). For some, this could suggest that today, a little over 12 years on from the crisis, Icelandic politics would seem to have come full circle, and little has changed. For others, the success of new parties in recent years and the increasing fragmentation of the party system is evidence that the crisis acted as a catalyst, making the ground fertile for change.

In this final chapter, we summarise our findings and discuss their implications. We describe in broad strokes how the political context in terms of political support, political behaviour, political issues, the party system and party–voter allegiances have changed since the crisis, and what changes can be traced back to the crisis. Based on this discussion, we debate what the consequences of those changes are for the political system in Iceland. We also take a step back and discuss our findings in terms of the dynamics between the demand and supply side of representation, or in other words, the interactions between voters and the political elites and the impact of the political context on those relations.

Change and stability in Icelandic politics

Hellwig et al. (2020) point out that the political stability experienced in modern democracies during ‘normal’ times, as the years before the Great Recession are sometimes described, might have been the exception rather than a norm. In Europe, as in Iceland, the former half of the 20th century was marked by wars, economic hardship, and in some cases, a transition from aristocratic rule to democracy. Their argument is that this period, like the period following the

Great Recession, might more accurately reflect normalcy in democratic politics. Change, instability and recession might be as much part of ‘normal’ times as not, and consequently, among the primary challenges that both the public and political elites are faced with in modern democracies.

In Iceland, which became an independent republic in 1944, the period until the 1980s was marked by high inflation, unrest in the labour market and government instability. That changed in the late 1980s, and the decades that followed were marked by more stability, economic prosperity and a generally peaceful labour market. In this book, our focus has been on analysing change and stability before and after the Great Recession, using data from the ICENES database going back to 1983, at the start of more stability in Iceland. Focusing on the impact of the financial collapse of 2008, covering 25 years prior to the crisis (since 1983) and almost ten years after the crisis (up until 2017), makes it possible to draw several conclusions about what has changed—or not changed—in the post-crisis period.

Not surprisingly, political support in terms of trust in parliament and politicians, as well as satisfaction with how democracy works, took a big hit after the crisis hit in 2008. In general, those changes seem to be transitional in the sense that trust in politicians and satisfaction with democracy recovered quickly to roughly pre-crisis levels, with some twists along the way. After the crisis, trust and satisfaction had a stronger impact on whether individuals voted for a government party, indicating increased tension between the winners and losers of elections. We also find that, when it comes to trust for politicians, partisan sorting has increased after the crisis, indicating higher tension between different groups of party voters, whether between opposition and government parties or between the new challenger parties and the established parties.

Turnout in national elections was not systematically hurt by the crisis but continued a slow decline that had started in the 1990s. The decrease in turnout has been primarily driven by a large generational change. People born in 1984 and later are much less likely to vote compared with older generations, which has remained stable in this regard. Conversely, the slow and steady decline in party identification observed in our data since 1983 noticeably accelerated after the crisis. It reached an all-time low of 30% in 2016, down from 42% in 2003. This is clearly reflected in the breakdown of the old four-party system and the six new post-crisis parties that have entered the scene. Interestingly, we see no change over time in self-reported political interest, nor does there seem to be any generational difference in interest. Overall, we see no evidence of sorting before and after the crisis on such variables as gender, education, age and occupation when it comes to turnout, party identification or political interest.

When it comes to the party system and the conflicts manifested within it, we see both change and stability. Traditional issues continue to play an important role in politics. The urban–rural cleavage, which overlaps in Iceland with a centre–periphery cleavage, has been one of the major cleavages throughout the years in Iceland (Hardarson, 1995; Önnudóttir & Hardarson 2018), among other things, reflected in that some parties draw more support from the rural areas outside of the capital area. Given that the financial collapse impacted all people living in

Iceland, including those living in the rural areas, there was no reason to expect the centre–periphery cleavage to have been transformed due to the financial collapse and was thus not focused on in this book. The other major cleavage in Iceland, the traditional economic left–right dimension of politics, reflecting how parties and voters position themselves on the government’s role in the economy, continues to structure how parties and voters align. Indeed, after the crisis, elections have seen much clearer partisan sorting based on state–market preferences than before.

In addition to these cleavages, a new dimension of political conflict, which pits those who advocate for greater national sovereignty against those who prefer ever-greater political and economic integration with the outside world, has been revitalised. While this international dimension has always been present in Icelandic politics—perhaps unavoidably for such a small island state—the crisis both increased the salience of this dimension and preceded a substantial realignment in party–voter ties around this dimension. Indeed, already in 2009, we can note a shift towards more isolationism among voters, as well as a substantial increase in partisan sorting around this dimension.

The increase in partisan sorting along both the state–market and isolation–integration dimensions can be better understood in relation to a change in the party system. The four established parties that ruled Icelandic politics in the decades before the crisis lost their once-dominant position within the system. The number of effective parties has increased steadily since the crisis. In 2007, one year prior to the crisis, the number of effective parliamentary parties was 4.1; in 2009, it was 4.6, and it increased in every election until 2017 when it was up to 6.8. The four established parties have lost their electoral dominant status, which was almost always around 90% of the combined vote until the 2013 election but dropped to 65% in the latest election in 2017; even further, the voter alliances in terms of party identification and party sympathy with those parties have weakened. Under those circumstances, new challenger parties have managed to get elected to parliament in the post-crisis era.

Comparing the six post-crisis challenger parties to new parties prior to the crisis, there is at least one major difference between them. The six new pre-crisis parties that managed to be elected for one to four terms that we have data on, in all cases except one, were splinter parties from one of the established parties. Those pre-crisis splinter parties were formed around a former dissatisfied member of one of the established parties, their policy packages roughly mirrored the policy packages of their original party or emphasised a single issue and those splinter parties managed to mobilise voters based on the personal support of the leader of the party. However, out of the six new post-crisis parties, four of them have no ties or few ties with one of the established parties. Two of the new post-crisis parties, the Reform Party and the Centre Party, have strong roots in one of the established parties, in the Independence Party and the Progressive Party, respectively, and the Centre Party can be said to have a resemblance to a splinter party. Both parties are founded by former members of two of the established parties, and in the case of the Centre Party, its formation was led by the former prime minister and former leader of the Progressive Party. Even if too early to

conclude, there are strong indicators that those two parties are still different from the pre-crisis splinter parties in the sense that their support does not necessarily hinge on one leader. In the case of Reform, it has already survived a change in its leadership once, and the party's policies are quite different from those of the Independence Party. As for the Centre Party, it is still too early to tell whether the party will survive a shift in its leadership. Nevertheless, it can be argued that the Centre Party is on the path of developing into a party that emphasises isolation instead of international integration, as well as supporting anti-immigration and conservatism when it comes to women's rights, reproductive rights and gender neutrality, perhaps filling a certain gap for those voters that are easily mobilised on those issues.

Analysing the issue profiles and the status of support for the political system of the candidates and the voters of the post-crisis parties, including the established parties, an interesting pattern emerges. The voters of the aforementioned post-crisis parties that have roots in two of the established parties, the Reform Party and the Centre Party, express more trust for politicians compared with those of the other new parties. In this sense, these two parties are closer to the established parties, and this level of trust likely reflects that they have origins in two of the established parties and do not, at least to the same extent as the other new parties, mobilise on voters' dissatisfaction with the political system.

When focusing on the support that candidates of the different parties express for the political system, we also see an interesting divide. The candidates of the two established right and centre-right parties, the Independence Party and the Progressive Party, clearly stand out as being most supportive of the current political system, and at the same time, least supportive of referendums. The candidates of the Pirate Party, a new post-crisis party, clearly position themselves at the opposite end as being highly sceptical of the current political system and highly supportive of referendums. Placing the other parties, new and old, into this context, the major difference is not a contrast between new and old parties but seems more to line up from parties placed on the left side of the political spectrum as more sceptical of the political system to the right side as more supportive.

Contrasting the issue position of party voters and the parties' candidates, we see that when it comes to state–market issues, the voters of the parties and the candidates are similar in the sense that the trends among party voters reflect similar trends among the candidates of the parties, as we saw in Chapter 8. Of the four established parties, both the voters and candidates of the Left-Green Movement and Social Democratic Alliance are more state oriented, with the Progressive Party closer to the centre and the Independence Party more market oriented. Among the new post-crisis parties that are represented in parliament today, the voters and candidates of the Reform Party and the Centre Party are more market oriented, while the voters and candidates of the Pirate Party are more likely to favour state involvement, as do candidates of the People's Party. Thus, the dividing line between parties when it comes to the state–market dimension is not between new and old parties, but rather, it is clearly grounded in a divide from left- to right-wing politics.

While not strictly comparable, we also compare voters' position on isolation–integration issues with the profile of the party candidates on a liberal–conservative dimension. From this, we learn that among the new parties presented in parliament today, the candidates of the Pirate Party and Reform are more liberal than conservative, and at the same time, the voters of those parties emphasise integration over isolation. The candidates of the other two new parties in parliament, the Centre Party and the People's Party, are more conservative, and their voters are more likely to emphasise isolation over integration. Again, the dividing line is not between new and old parties, as the established parties also clearly differ among them. The voters of the Social Democratic Alliance are more supportive of integration, while the other three established parties, including the Left-Green Movement, lean more towards isolation. At the same time, the candidates of the two established left parties, the Social Democratic Alliance and the Left-Green Movement, are more liberal, while the candidates of the Independence Party and the Progressive Party are more likely to be conservative.

To further expand on those changes in the party system, it is safe to argue that fragmentation in the party system has increased with a number of new parliamentary parties. Those new parties are fundamentally different from new parties prior to the crisis, among other things, in the sense that the new post-crisis parties are founded around issues and not political leaders to the same extent as new parties prior to the crisis. To some extent, the success of new post-crisis parties can be explained by voters' disillusion and disappointment with the established parties. However, there seems to be more to this story. Partisan sorting on issues has increased after the crisis, indicating that both the challenger post-crisis parties and the established parties have managed to mobilise voters on grounds of issues that do define the political competition. It could even be argued that given the weakening ties in party–voter alliances among the four established parties, partisan sorting on issues becomes even more important as a beacon for voters to decide what parties to support or what party to vote for.

The Great Recession: Transformative or not?

As noted in Chapter 1, this book contributes to an understanding of whether and how a sudden external shock can have a transformative impact on a political system. We argued that the financial collapse and how hard it hit Iceland, together with a period of protests and instability, created a critical juncture, opening an opportunity for a transformative change in Icelandic politics. We underline here that, under a critical juncture, there is an opportunity for a change to the political system, but that does not necessarily mean that transformative change will occur. However, at a critical juncture, the reactions of the main political institutions and political actors can be of crucial importance for what paths the political system will settle on. In this book, we did not focus in detail on every action and important decision taken in the crucial months after the economic crash. Instead, we have taken a broad view on what has changed and what has not changed when it comes to the public in Iceland and the political

parties, and whether those changes can be traced back to the economic crisis in 2008–2009.

The main story is that the core of the political representative system has remained intact, but the system's structure has been transformed. Even if the legitimacy of the incumbent government at the time of the crisis was questioned, the legitimacy of the representative democratic system in Iceland has not been threatened. Supporting this is that both political trust and satisfaction with democracy dropped at the time of the crisis but have largely recovered to pre-crisis levels today. Even if the core has remained intact, transformative changes have still occurred to the structure of the political system, and part of this can be argued to have been offset and/or accelerated by the Great Recession. Given that Icelandic society had undergone extensive social changes in the three decades prior to the crisis, and at the same time, the party system was frozen with four parties that were not particularly different in the decades leading up to the crisis (even if they lined up from left to right), the economic crisis might have been the spark that created the opportunity for new parties to emerge. That is, voters might have been ready for some time to be mobilised by new parties offering different styles of politics and/or different policy packages.

The Great Recession may have enforced new issues on the agenda and intensified existing divisions between parties (both new and old) in terms of how to handle the economy and how integrated Iceland should be in international cooperation. Both new and old parties could capitalise on this, and voters are now more likely to sort themselves into different parties depending on their policy preferences. Thus, the Great Recession may have acted as a catalyst in creating an opportunity for voters to realign with different parties, whether those were existing parties or new challenger parties, instead of a continuation of dealigned politics in place prior to the crisis.

This means that the political challenges that both the public and the politicians are faced with today have changed. Voters have more parties to choose from, and at the same time, they have little information about whether their party has a chance of entering government. Increasing fragmentation in the party system means that more parties than before (when only two were usually required) are needed to form a majority government coalition. An established party that leads the negotiation for a government formation can find itself in a position of choosing between working with either some new challenger parties that they are ideologically close to or with some established parties that they are less close to on ideology. This is a trade-off that could hurt them because an increase in partisan sorting on both issues and political trust could also create expectations among voters that ideologically close parties should join forces, whether those are electoral alliances or government coalitions, with parties that are ideologically close to instead of more distant parties. More partisan sorting could mean that voters are less forgiving when their party, which they agree with on policy, works closely together with a party that they disagree with and trust less.

The remodelling of the structure of the Icelandic party system with more intense partisan sorting and an increase in party fragmentation after the Great

Recession might bring the party system closer to other Scandinavian party systems, where it is more common for parties that are ideologically close to align themselves into party blocs or party sets (Bengtsson et al., 2014). In that way, left parties in Denmark, Norway and Sweden are considered a ‘red’ block and the right-wing parties a ‘blue’ block. Commonly, before elections, the parties in each block have agreed on who should be the prime minister if their bloc leads the government. Whether the Icelandic party system will turn out this way will depend on how the parties respond to the challenges of increased partisan sorting and party fragmentation.

In Chapter 1, we argued that Iceland could be considered a ‘most-likely’ case for an economic crisis to have a transformative effect on electoral politics. At the individual level, the financial collapse shook the taken-for-granted reality of the public. Bankers, businesspeople and politicians were blamed, and the market-oriented economic policies pursued in the years preceding the collapse were questioned. At the systemic level, the financial collapse offered an unprecedented opportunity for new parties to emerge and challenge a party system dominated by established parties with roots in the early 20th century—the *four-party*. Collectively, these effects had the potential to alter the electoral connection between voters and parties, potentially bringing about a realignment around social cleavages and/or substantive issue dimensions.

As we have shown, important aspects of Icelandic electoral politics do show signs of being transformed. The number of parties in parliament has doubled, the *fourparty* has lost its dominant status, party allegiances have weakened, partisan sorting around fundamental policy dimension has been revitalised and both political trust and education play a larger role in the electoral arena. Yet, in other areas, we find either limited or transient effects. Overall levels of political trust and democratic satisfaction initially plummeted but have since recovered. Party sympathy has continued to gradually decline, with no sharp break after the crisis. Voter turnout remains high in international comparison. And as shown by the four governments that have taken office after the crisis, the post-crisis challenger parties have mostly failed to translate electoral success into government participation.

The structural changes to the electoral politics and the party system mean that parties today are faced with challenges that they are not used to. Parties must negotiate with more parties than they used to, so they can guarantee majority support for their policies and bills in parliament. This could go at least two ways that are not mutually exclusive. The first is that parties will strive to continue unchanged politics within a changed political structure and expectations from voters and use pork-barrel politics to even a greater extent than they do today to push their bills through the parliament. This path could lead to increased dissatisfaction and tensions between different groups of voters and different parties. It could result in a continuation of the path of ‘the end of ideology’ or even ‘the end of history’ since before the crisis. Second, parties will have to compromise more on their policy packages to reach an agreement with other parties. Where that path will take them in terms of not disappointing their voters because their expectations about issues

and ideology are not met could depend on several things, for instance, how transparent the decision-making process is and how fair voters perceive that process to be. This path could lead to a 'return to ideology' instead of its end.

Taken together, 'electoral shocks' caused by profound economic crises do not necessarily have transformative effects on all aspects of electoral politics. In the case of Iceland, however, it seems clear that the crisis ultimately put voters *themselves* in crisis. In this book, we have traced how voters have navigated this crisis: through changing attitudes, fluctuating political trust, continued participation and, ultimately, revitalised forms of party–voter alignments. Only time will tell if Icelandic voters have weathered the crisis or if they are merely in the eye of the storm.

Appendix

About the Icelandic National Election Study: ICENES

Ólafur Th. Hardarson, Professor of Political Science at the University of Iceland, performed pioneering work when he started ICENES in 1983, and since then, ICENES has been conducted after every national election. In 2016, Eva H. Önnudóttir, Professor of Political Science at the University of Iceland, took over as the Principal Investigator of ICENES, while Ólafur stayed on the steering committee of ICENES, which also includes Hulda Thórisdóttir, Associate Professor, Agnar Freyr Helgason, Associate Professor, and Jón Gunnar Ólafsson, post-doctoral researcher, all at the Faculty of Political Science at the University of Iceland.

ICENES is an extensive study on the political behaviour and attitudes of Icelandic voters. The core of ICENES has been post-electoral surveys among voters, but since 2009, a candidate survey has been added and an election campaign survey since 2016. The extensive dataset that is now available in open access has made this book possible (see on www.icenes.hi.is). The book draws from both the post-electoral voter surveys and the candidate surveys. The post-electoral surveys are based on simple random samples of voters living in Iceland and the samples have always been drawn from the National Register. The survey mode has mainly been by phone. The candidate data is based on a post-electoral survey sent to all candidates, by email, of those parties that did get elected to the parliament or had been elected in the prior election. ICENES has throughout the years been funded by grants from the Icelandic Research Fund and the Infrastructure Fund of the Icelandic Research Council, the Icelandic Parliament and the Research Fund of the University of Iceland. In Table A1 there is an overview of the sample size, response rate and survey mode for both the post-electoral voter surveys and the post-electoral candidate surveys.

Table A1 An overview of the post-election voter surveys and candidate surveys of ICENES

	<i>Sample size</i>	<i>Response rate %</i>	<i>Survey mode</i>	<i>Sample</i>
Post-election voter surveys				
1983	1,268	79.1	Phone survey and face-to-face interviews	Simple random sample
1987	2,306	75.7	Phone survey	Simple random sample, including a panel since the prior election
1991	2,000*	75.0*	Phone survey	Simple random sample
1995	2,326	74.0	Phone survey	Simple random sample
1999	2,251	72.5	Phone survey	Simple random sample
2003	2,249	64.3	Phone survey	Simple random sample
2007	2,493	64.0	Phone survey	Simple random sample
2009	2,586	53.6	Phone survey	Simple random sample
2013	2,495	59.3	Phone survey	Simple random sample
2016	2,557	50.7	Phone survey	Simple random sample
2017	3,923	52.8	Phone survey	Simple random sample, including a panel since the prior election
Post-election candidate survey				
2009	756	67.7	Email survey	All candidates of parties that were elected to parliament or had been elected in the previous election
2013	756	68.3	Email survey	All candidates of parties that were elected to parliament
2016	882	65.1	Email survey	All candidates of parties that were elected to parliament
2017	1,008	48.00	Email survey	All candidates of parties that were elected to parliament

*The sample size and response rate for 1991 is estimated based on the sample numbers and response rate in the election prior and post to the 1991 election and the memory of those responsible for the survey in 1991.

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