Europeanization and Icelandic political parties

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INTRODUCTION

The purpose of this paper is to investigate Icelandic intra-party politics through the lens of principal-agent relationships. In particular, I examine the divergence between power relationships in “domestic” politics and EU politics. The main finding is that this discrepancy is large. After explaining why this is so, in the final section of the paper I discuss what this implies for representative democracy as a direct chain from voters to parliament to the executive and the civil servants.

The empirical data in this paper builds on published work and on a set of 15 semi-structured interviews with MPs and party managers that I conducted in Iceland in March 2007. In a later version of the paper, detailed distinctions will be made between these interviews. For now, however, the interviews are presented as a whole and only the main themes of these interviews are reported. (The individual interviews are not referenced in this version of the paper.)

CURRENT PARTY POLITICS

As I write this, elections in Iceland are three days away. On Saturday May 12, 2007, about 185,000 Icelanders will go to the polls. In the last election, in 2003, they sent five political parties to parliament (Table 1).

Table 1. Results of elections to Althingi, 10 May 2003

<table>
<thead>
<tr>
<th>Party</th>
<th>Valid votes</th>
<th>%</th>
<th>Members elected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>185,392</td>
<td>100.0</td>
<td>63</td>
</tr>
<tr>
<td>Independence Party</td>
<td>61,701</td>
<td>33.68</td>
<td>22</td>
</tr>
<tr>
<td>Alliance</td>
<td>56,700</td>
<td>30.95</td>
<td>20</td>
</tr>
<tr>
<td>Progressive Party</td>
<td>32,484</td>
<td>17.73</td>
<td>12</td>
</tr>
<tr>
<td>Left-Green Movement</td>
<td>16,129</td>
<td>8.81</td>
<td>5</td>
</tr>
<tr>
<td>Liberal Party</td>
<td>13,523</td>
<td>7.38</td>
<td>4</td>
</tr>
<tr>
<td>Others</td>
<td>2,635</td>
<td>1.44</td>
<td>0</td>
</tr>
</tbody>
</table>

Two months before the 2007 election, it looked like the May election might produce a major re-shaping of the party system, with the Left-Green Movement (or Party) becoming the second largest. In early March, the Left-Greens polled at about 28 %, which was only about seven percentage points behind the largest party, the Independence Party, and six percentage points higher than support for the Social Democratic Alliance (Daily News, March 3 2007). At the time, the two governing parties, the Independence Party and the Progressive Party (PP), garnered the support of only 43 % of respondents. There was also talk about new parties entering the competition.

Now, less than a week before the election, the Left-Greens have lost a considerable amount of their previous support – about 10 percentage points (Daily News, May 4 2007). Many voters have returned to the Social Democrats and the Progressive Party, the traditional champion of the periphery and farmers. The government parties again command a majority among voters. With the traditionally largest party (and the one closest linked to the fishery industry), the Independence Party, holding steady at 40 % and the PP at 10 %, the coalition once again looks like a winning team. The fifth largest party, the Liberal Party, has increased its support, and polls 5.5 %. One of the new parties/alliances trying to make it into parliament (the Fighting Union) has withdrawn, and the other (Iceland’s Movement) – a liberal (or center-right) environmentalist party – has about three percent support. With high and steady growth for a decade and an unemployment rate of 2% in the first quarter of at 2.0 % (Statistics Iceland 2007), strong support for the governing coalition is perhaps not that surprising. The fact that inflation, as measured by the rising in the consumer price index is a bit high (5.3% between April 2006 – April 2007), does not negate the economic success of the current government, which has been in power since 1995 (Hardarson and Kristinsson 2004).

While the focus in this paper is on intra-party politics, both with regard to general democratic procedures and with regard to the EEA agreement, I next turn to an introduction of the issue of EU membership, briefly explain the EEA-treaty and provide some comparative background information on the Icelandic political system.
EU MEMBERSHIP: AN ISSUE LOOKING FOR AGENTS

Why is Iceland not a member of the EU? Thorallsson (2004) argues that the explanation is multifaceted. Much of it has to do with the dominance of the fishing sector of the economy and the (feared) consequences of membership on that industry. Icelandic fisheries and the political elite have been wary of the consequences because membership would subject both the fishing and agricultural sectors to joint decision making in the EU.

Another part of the explanation as to why Iceland has never even applied for EU membership is the power of Icelandic identity rooted in the nation and sovereignty. Despite being under foreign rule for almost a millennium, first by Norway and later by Denmark, Icelanders retained their sense of independence and separateness (Thorallsson 2004). The country only gained independence during the Second World War. The European Union, like its predecessors, has never been seen as a guarantee or natural extension of the country’s independence, as it has been for the most recent wave of new member states. Instead, Icelandic political elites have a deep sense of national sovereignty and great faith in their ability to negotiate trade agreements with countries such as Canada and China independently of the EU (Interviews March 2007). Thorallsson (2004) also highlights the constraint imposed by the very fact that Iceland’s national administration is very small, and this has prevented its civil servants from pushing to become part of the EU decision making apparatus, something that might have influenced other countries. While this claim is difficult to confirm without comparative studies, it reminds us that non-membership might have to do with factors beyond party politics, for example, the “interests” of civil servants, or for that matter business and labor organizations, who might also be key players as regards the question of EU-membership or non-membership (Thorallsson 2004).

What is Iceland’s relationship to the EU? The current arrangement is that Iceland, together with Norway and Lichtenstein, have a European Economic Area (EEA) agreement with the EU. The EEA treaty provides access to the EU market, but does not subject the fishing sector and farmers to EU decision-making (Bergman and Damgaard 2000). By additional agreements with the EU, such as the Schengen passport zone, which did not cause much controversy, Iceland is able to maintain a close relationship to the EU and its member states. However, the EEA agreement does not give Iceland a place at the formal negotiation table in EU-matters. Instead, Icelandic decision-makers are faced with a choice of accepting or not accepting EU decisions concerning the
internal market. In reality, since the latter threatens the entire EEA-based relationship, the
Icelanders (as other EEA countries) do not have much choice but to accept EU decisions. Like
member states, Iceland does have a Permanent Representation in Brussels, and in the long and
convoluted preparation and decision-making process the country might influence decision
making by giving “advice” and working with other member states. Also, most EEA decisions are
not particularly controversial. In fact, both Icelandic party politicians and parliamentary staff
seem to agree that on the many technical matters of low political salience, legislation prepared by
the EU bureaucracy tends to be of a high professional standard (Interviews March 2007).

Nonetheless, as elsewhere in Europe, membership or not in the Union can sometimes be a
controversial issue and political elites are not completely united in their aversion to membership.
At about the time when Finland, Sweden and Norway held referendums on membership, in 1994,
the Social Democratic Party became the first established party to come out in favor of
membership. However, the decision caused a rift within the party and its position later canged to
a more cautious “wait and see”. The Peoples Alliance, to the left of the Social Democrats, was
against EU membership, and in the late 1990s, parts of the Alliance joined forces with
environmentalists and became the current anti-EU Left-Green party. On the right, the
conservative Independence Party has also taken a tough stand against membership and has
advocated domestic market oriented reforms as a better alternative. The Progressive Party has
been more open to the idea of membership, and before the 2003 election they too adopted a “wait
and see” strategy. However, the chairman (now former chairman) and later Prime Minister (2004-
2006), Ásgrímsson was personally a strong advocate of EU-membership.

Early in the 2003-2007 inter-election period, Prime Minister Oddsson (IP) appointed a “study
group” with representatives from all parliamentary parties to investigate how well the EEA
agreement works and to discuss the issue of EU-membership. The group was chaired by Minister
of Justice and IP member Björn Bjarnason. Two months before the 2007 election, the study group
presented it results. Again, the Social Democrats were the most favorable. The Progressive Party
stated that membership was not currently an issue, but that it should not be rule out as a natural
extension of the current relationship. The Liberal Party took a similar position. Perhaps somewhat
surprisingly, the Left-Greens and the Independence Party presented a joint anti-EU membership
statement. They renounced membership on the grounds that it would be impossible to maintain
the 200-mile fishing zone and would prevent Iceland from entering separate trade treaties with important markets outside of the EU (Daily News March 8 and 9, 2007).

The committee report also noted with satisfaction with how well the EEA-agreement worked. There was general agreement that the political parties could and should devote more interest to EEA-Affairs and that there should perhaps be a new and separate EEA/EU Affairs Committee in the parliament with its own staff. The committee also called for better coordination among the ministries involved in EEA/EU Affairs. In general, the Study Group advocated more political oversight and legislative scrutiny, drawing on lessons from their Nordic neighbors (including non-EU member Norway) about how to better prepare and handle EU/EEA affairs domestically. At the same time, the group concluded that there was no great urgency because most administrative and practical matters seemed to work fairly well.

In sum, while EU membership is an issue that looms large in Icelandic politics and one that might become a hotly contested issue in some future election, most political elites are currently content to keep it of the immediate agenda, both the question of membership and oversight mechanisms for the EEA agreement. What does this mean for the discrepancy between domestic intra-party and EU/EEA politics? To answer this, we need to learn a bit more about domestic politics and Icelandic representative democracy.

REPRESENTATIVE DEMOCRACY ICELANDIC STYLE
At a first glance, the Icelandic party system is a traditional Scandinavian one. For example, it includes five parties aligned from Left to Right (Berglund and Lindström 1978). Upon closer inspection however, one finds that while the two larger center-right parties, the Progressive and the Independence Parties, have been stable and well-organized for a long time, the Liberal Party is a recent addition to the party system. It is basically an urban wing of the Independence Party that broke off to form its own party in 1998. Fluctuations and instability have been a bigger problem on the center-left. Both the Left-Greens and the Social Democratic Alliance are the result of a transformation that occurred at the end of the 1990s, in conjunction with the 1999 elections. Before that, the Socialist Peoples Alliance was often larger than the Social Democratic Party. For the 1999 election, these two parties joined forces with Women’s List, the first political party run by and for women (1983-1998). The bulk of the party elite of the Peoples Alliance and
the Women’s List joined the Social Democratic Alliance, although a minority (as mentioned above) joined forces with environmentalists to form the Left-Green Party.

However, the Left-Right division (or cleavage) is not the only one in Icelandic politics, as is made clear by the fact that the two current government parties were once the two main opponents on a second dimension, the centre – periphery dimension. While this cleavage is largely gone from coalition formation politics, the tension that underpinned it is not completely dead. Disagreement over foreign policy, particularly NATO-membership and the presence of the US airbase on the island prior to the 9/11 terrorist attacks (the base has now been withdrawn), was the basis of another rather serious conflict within both the centre-left and the centre-right blocs of parties.

There are some other noteworthy features of Icelandic politics that distinguishes it from those of its Scandinavian neighbors. One of these is US style primaries, which were first introduced in the 1970s (and will be discussed in more detail below). Iceland is also different because of the clientelism that is an often identified as an important feature of political life. Perhaps because of it smallness, and/or the close ties between the traditional parties and different sectors of the economy, observers argue that who you know is important if you want a job or a bank loan (Indridason 2005; Kristjansson 1998, 2002, 2003, 2004). At the same time, Iceland consistently ranks as one of the most corruption-free countries of the world, well on par with and sometimes outperforming the Scandinavian states (Transparency International 2006). This seems somewhat paradoxical, but the apparent contradiction has to do with different ways of measuring rather than contradictory results. The main sources of Transparency International are international businessmen who interact with domestic business and government officials. Agents of international business do not meet an Icelandic culture that facilitates bribes and other such transactions. At the same time, Icelandic friends help other Icelandic friends by facilitating state and local public matters in a way that is not common in the other Scandinavian countries (Interviews March 2007), or at least not often reported.

The difference between Iceland and the other Scandinavian countries in terms of clientelism is probably real, and not simply a problem of non-reporting in the other countries. The other countries had something that the young Icelandic state did not, namely a tradition of a quite
autonomous state bureaucracy with a merit-based civil service in place before the rise of party democracy. In Iceland, the state bureaucracy has been built up in a much more direct and close relationship with party and government politics (Interview Iceland March 2007).

However, if Icelandic politics is more clientelistic than politics in the Scandinavian countries, it also has a stronger tradition of direct democracy. Influenced by its history and images of having been the first free and democratic society, by its closeness to North America’s tradition of direct democracy, and by the existence of local politics that was clearly different from state (i.e., Danish) politics, the political elite has to try to live up to both an honorary picture of democracy and a real call from citizens for influence.

THE CHAIN OF REPRESENTATIVE DEMOCRACY
The Icelandic chain of representative democracy mirrors that of Scandinavia, with three main exceptions. Looking first at similarities, elections are proportional. Denmark allows preference votes on individual candidates, as does Sweden since 1998. In contrast, Icelandic voters, like their Norwegian counterparts, can only choose between party lists. The Althingi is a unicameral parliament as are the parliaments elsewhere in Scandinavia. There used to be internal subdivisions within the Icelandic parliament, as is the case in Norway, but this has been abolished. Another similarity is that parliament does not directly appoint the PM and the government. Instead, the Head of State (as in Denmark and Norway) appoints as PM the party leader who emerges out of the government formation process as the leading candidate. In Sweden the Speaker of Parliament performs this task, but there is also a vote in parliament on whether the candidate is acceptable or not. There is no such vote in Iceland. Once appointed by the Head of State, the PM stays in power until he resigns or is removed by the parliament through a vote of no confidence (again the same as in Scandinavia).

Three differences stand out. One is that Icelandic governments, with very few and minor exceptions, control a majority of the seats in parliament (Indridason 2005). As has also been the case in Finland during the last decades, the Scandinavian phenomenon of frequent minority governments is something that is avoided in Iceland. The natural and expected outcome of the government formation process is the formation of a majority coalition. However, this is not a constitutional requirement, and there have been a few short-lived exceptions to this norm.
The second difference concerns the Head of State. The Icelandic President, like his Finnish counterpart, is directly elected. Presidents have traditionally stayed on the sidelines of political life and have let Icelandic government rest on a parliamentary basis. However, the constitution actually assigns him/her a significant role. In fact, in strict constitutional terms, the Icelandic president is more powerful than the French (Duverger 1992). She (currently he) can appoint and dismiss the government and dissolve the parliament. She can also veto laws, which then must be put to a referendum. If the law fails in the referendum, then the bill passed by parliament is annulled. While most of these powers are not used, the current president and fellow political scientist, Ólafur Ragnar Grimsson, used the veto in 2004. He did so to stop a law about the mass media that had been passed by the government and the parliament. The government opted to withdraw the law, so a referendum was not held. However, in the election later that year, an opponent ran against Grimsson and turnout was down. Although he was easily reelected, both of these events were seen as an effort by some to criticize the president. Traditionally, an incumbent President is not challenged in elections, yet turnout remains high.

The third difference between Iceland and Scandinavia is linked to intra-party politics. Political parties in other Scandinavian countries sometimes, and increasingly over time, allow regular party members to have a say about the list of the candidates that will represent the parties at the next election, as opposed to simply having lists nominated at constituency meetings of elected party representatives. However, the Icelandic parties have taken party member influence to a whole new level, and occasionally combine the European PR system with US-style intra-party primaries.

PRINCIPALS, AGENTS AND INTRA-PARTY POLITICS IN THE CHAIN
In this section we examine the representative chain from voters to civil servants through the lens of intra-party relations. We begin with the Voter-Member of Parliament (MP) link.

_Voters - MPs_
Since the 1970s, as elsewhere in the Western World, Icelandic parties have come under criticism for being old-fashioned, centralized organizations that are distant from voters and not very interested in discussing and making decisions about real (substantial) political issues. Instead (as
in the Cartel party thesis of Katz and Mair 1995) they are vehicles for the recruitment and enjoyment of politicians who run for assemblies and public office. In fact, Icelandic parties have had little state sponsorship in terms of direct and indirect subsidies (another aspect of the Cartel thesis). Despite this, party elites sought to respond to these complaints by reforming the party system. In Sweden, for example, similar criticism led in the 1990s to changes in the electoral law to allow for preference voting on candidates who had been put on a list competing in elections. The Icelandic parties took a different route, allowing party members, and sometimes even anybody who was interested, to select the candidates that get put on the party list.

Not all Icelandic parties are the same in this respect. Some hold traditional constituency conferences to decide the names and the order of the candidates on the party list. The statutes of other parties leave it up to the party organization in the constituency to decide how to select candidates for the next election. For the 2007 election, constituency-level organizations of the Independence, Progressive Parties and the Social Democratic Alliance held primaries. Some Social Democratic Party constituencies allowed any voter to participate (Interviews March 27). In fact, although not directly related to candidate selection, in a further manifestation of its commitment to membership democracy, the Social Democratic Alliance also uses a membership vote to elect its party leader.

What are the consequences of parties go “democratic” by holding primaries? On Iceland, the party elites have a nuanced view. They admit that it has drawbacks, four of which are frequently mentioned. One of these is that when MPs from the same party openly compete for position in an election, this creates some “bad blood” between party representatives. “Wrongs” committed in the heat of a primary are not always easily forgotten, even if both candidates are elected from a multi-member constituency. Elected MPs and party managers generally claim that this causes little tension in the long run and that the need to find party positions and act cohesively in a parliamentary system tends to act as an effective counter-weight, but they also recognize that some intra-party conflicts do linger (Interviews, March 27).

Another peculiarity of open primaries that permit party members and sometimes even non-members to participate in selecting candidates is that turnouts are occasionally higher in primaries than in regular elections. Whether it is because the “horse race” is an exciting element
of party politics or because some citizens vote in more than one party’s primaries, higher turnout in primaries than in regular elections could by some be seen as a curious element of democracy (Interviews March 2007).

A third consequence of the primary system is that candidates who are already well-known for reasons other than successful political careers have an advantage, and not necessarily because they are serious persons with detailed knowledge of policy. A fourth is that that the ability to raise money becomes important. The combination of celebrity and the need to raise money has sometimes led individual candidates to spend large amounts of money and time to get on a party list, even when this has not always been to the advantage of the party at large (Interviews March 27, 2007).

On the other hand, MPs and party managers also see advantages with the primaries. A primary puts the next election on the public agenda and generates interest. It has also been a way to attract capable candidates that otherwise would probably not have taken the time to work within normal party channels to become known and preferred by their peers in the party. In addition, once established, it is quite difficult to abolish primaries because members come to expect that they will have a significant impact in return for their support (Interviews March 27).

MPs – Cabinet
Once elected, the MPs from a party form a parliamentary group. In the absence of a separate and fairly strong party organization that exists outside of the parliamentary group, the group is effectively the day-to-day decision-making body within the party. There are national party conferences and constituency meetings at which policy is debated and at which, for example, manifestos are adopted. Aside from this, however, the parliamentary group is very much the same thing as the national party (Interviews March 27). When in opposition, and between elections, the party group is the most important decision-making body within the political parties. Since all major decisions are prepared in committee and debated in the chamber, the parliamentarians are very active when parliament is in session. The MPs who represent a party in one of the standing committees are fairly autonomous in preparing the party’s position, but major policy stands are coordinated with the party group.
The dynamics of parliamentary intra-party politics shifts when a party joins the government. The parliamentary party group is still an important body and Althingi committee members scrutinize proposals, hold hearings and sometimes change a government bill. However, to a large degree, agenda setting and the real influence move to the government and the ministers. The ministers maintain contact with the party groups and consult with the committee members, but the selection of group leaders and committee chairs is heavily influenced by government ministers, who like to have committee chairs with which they can work well (Interviews March 27). Policy initiatives often come from the minister and the ministries, and even if there is an extensive consultation process, pressure to keep the government coalition together and working heavily favors cohesive parliamentary behavior.

The EEA related process works in similar way. There is an EEA/EFTA delegation of parliamentarians (i.e., not a standing committee) that is organized to maintain contact with parliamentarians from other countries and civil servants who work in EEA/EFTA related international offices. The delegation does not have its own permanent staff, but when it travels an experienced member of the parliamentary staff travels with the it and prepares the reports that the delegation sends to the parliament and the government. The leading parliamentarian of the delegation is of the view that the delegation succeeds in opening doors and working with Icelandic officials abroad to influence the EU. At the same time, the delegation has a low-key profile and carries little official weight in parliamentary or inter-party proceedings (Interviews March 2007).

**PM – Cabinet Ministers**

Within the cabinet, ministers are quite autonomous. They are certainly not “dictators” in their own policy area, and they are careful to coordinate any major new initiative with the Prime Minister and the minister/minister(s) who are most closely linked to the policy proposal at hand (Interviews March 27). At the same time, there are no major coordination mechanisms in the PM’s office. The Minister of Finance coordinates policy through the purse, but otherwise the ministries are separate entities bound together more by the coalition agreement and how inter-party politics works among the political parties than they are subject to any bureaucratic coordination mechanisms. Things are a bit different with regard to EEA and EU matters, because
the Ministry for Foreign Affairs tries to actively coordinate EU/EEA affairs more that other ministries seek to coordinate other issues.

*Cabinet Ministers – Civil servants*

The Permanent Representation in Brussels is also under the Ministry for Foreign Affairs. This is a branch of Icelandic EU/EE affairs. Staffed in part by civil servants from the Ministry for Foreign Affairs and in part by one or two representatives from other relevant ministries, this is where policy coordination and screening and reporting occur. It is also here that ministers send interns who they can subsequently hire in their ministries to deal with the often technical and complicated legislation that has arisen in the EU-bureaucracy.

**CONCLUSION**

Examining Icelandic EU/EEA politics through the lens of principal-agent relationships and through an examination of intra-party politics largely leads to the conclusion that there is not much to be found. In Iceland, some principals and agents in the chain of representative democracy think membership is a bad idea and therefore avoid the issue. Others do not bring it up because doing so cannot be expected to win votes and/or attract much attention from voters.

EEA-legislation is dutifully processed and adopted. This legislation is not particularly controversial, and when it does stir up attention, all but the smallest details have already been decided elsewhere anyway. Day-to-day EU/EEA matters are the concern of a few parliamentarians and a few people on the Althingi staff. Ministers and some of their civil servants give EU/EEA matters much more attention, but other than the Ministry for Foreign Affairs, ministries have only a few real EU-experts. Most of the practical day-to-day work of Icelandic EEA/EU affairs actually takes place in Brussels, in the Permanent Representation and in EU/EEA working groups. There is also ongoing communication between Iceland’s EU-experts in Brussels and EEA/EFTA offices on the one hand, and on the other government ministries on the other. This is reported back to the parliamentarians when they consider EEA-legislation, for example when they hold hearings and scrutinize texts. However, EU/EEA matters stop there. They are not high on the agenda in discussions within or among parties, nor are they particularly salient when the politicians meet their principals, i.e. the voters. There are many other, more pressing concerns on the agenda.
As a result, while Icelandic “domestic” politics and issues of international affairs are high on the agenda both within and among parties, Icelandic democratic politics largely stops at the gates of the EEA-membership, both in terms of scrutiny and discussion of consequences.

At the same time, EEA legislation is well-prepared and of high technical quality. The EEA-agreement provides necessary access to vital markets. No country challenges the country’s extended fishing zone, which could be an indirect consequence of the close relationship with the EU. The EEA agreement leaves room for separate and beneficial trade treaties with important markets such as Canada and China. All in all, except from the standpoint of legitimate democratic procedures, the Icelandic EEA agreement is a “hit”. Moreover, the EEA agreement hands over sovereignty, but is of limited scope. Thus, there is plenty of room left for democratic politics and hotly contested election campaigns.

In contrast to EU/EEA affairs, during and between elections, both party politics and intra-party politics are very much alive. The formal party organizations are small and scarcely staffed, but primaries and the relative closeness between representatives and those they represent keeps representative democracy vital.
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