



**A Speech
by
the President of Iceland
Ólafur Ragnar Grímsson
at
the PopTech conference
Camden, Maine
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Ladies and Gentlemen

First let me thank Andrew Zollí for changing the programme and allowing me to speak today since tomorrow morning I have to join the other Nordic Heads of State at a Ground Zero memorial service where we will pay the respects of our nations to those who died and suffered, their families and friends.

Countries come to historic cross-roads in many ways; such was the nature of 9/11 and, three years ago in a very different form, the fate of my country; no life was lost but the suffering sudden and widespread.

If you were given the task of testing the resilience of a nation, its capability to restore its fortunes, you would be hard pressed to find a more formidable combination than the collapse of all the major banks and the resulting economic crisis, and on top of that one of the biggest volcanic eruptions in recent centuries, covering farmlands and communities with thick layers of ash and closing airports all over Europe and then, just for emphasis, another eruption a few months later to remind everybody that Mother Earth is still at work.

Yes, this has indeed been the experience of my nation since October 2008 and yet we are now on our way to recovery earlier and more effectively than anyone could have expected. Economic growth is gaining strength, unemployment is lower than in many European countries and numerous sectors of the economy are faring better than before. Most of the farmlands were again green last summer and 2010 and 2011 have

turned out to be the best years ever for our tourism; Icelandair is increasing its seat capacity by 15-20%, both this year and next.

How did Iceland do it? What are the lessons we can offer? Let me try to condense them in the next fifteen minutes or so.

When my country became one of the first to be hit by the financial tsunami, the collapse of our banks came to threaten the stability of our democratic system and the cohesion of our society. There were protests and riots; the police had to defend the Parliament and the Prime Minister's Office. Suddenly, the inherent balance of our well-established republic was in danger.

Iceland had been one of the most peaceful and harmonious societies in the world. Yet the failure of the banking system threatened the survival of our political and social order. It brought us close to collapse.

However, we were fortunate enough to realize that economic measures and reforms would not by themselves succeed in bringing the nation out of the crisis. The political, social and judicial dimensions of our challenge were also important.

The government resigned in the early weeks of 2009; a minority cabinet was formed and parliamentary elections were called to enable the nation to choose a new assembly. The leadership of the Central Bank and the Financial Supervisory Authority was replaced; a special prosecutor was appointed to seek out those who had broken the law and within a year that Office had become the largest judicial entity in our country.

A special commission, headed by a Supreme Court judge, was established to examine the conduct of the banks, the operations of big corporations, the actions of ministers, the financial authorities, the media, the universities and indeed also the Presidency. Following up on this report, the new parliament voted into action a series of legislative and political reforms.

All of this has enabled the nation to face its predicament, to gather strength and emerge from the crisis. But there were also other reasons: Whereas our currency, the krona, was before a part of the problem, its subsequent devaluation helped in the solution by stimulating exports; fiscal austerity and budgetary reforms were also important but above all the private banks were allowed to fail; we did not pump public money into these private financial institutions.

No other European country has dealt with its financial crisis by combining, as we have done, reforms of its economic, legislative, executive and judicial institutions. Our experience thus illustrates the

crucial linkage between the economy and the state, between democracy and the free market.

Which should be paramount in the resurrection of our societies: Economics or politics? This is the question which the recent financial crisis has brought to the forefront. It can no longer be evaded. There is simply too much at stake, as we saw in a nutshell in Iceland and can witness almost every day somewhere in Europe and also in the United States.

Twice events brought this question squarely to my table: first in 2010 and then again earlier this year, when I had to decide whether to submit the so-called 'Icesave laws' to a referendum, to choose between the democratic right of the Icelandic people and the demand, exerted by Britain and the Netherlands, supported by the European Union countries, that the interests of the financial market should be paramount in our decisions.

When all the complicated analysis had been swept away, my options were, however, crystal clear: The will of the people versus the force of the market.

To me it was self-evident that democracy had to prevail, even if all the governments of Europe, and powerful interests in my own country, favoured the financial stakeholders. When our nations come to such crossroads, politics in its classical sense must carry the day.

I believe similar choices will be with us for a long time to come, and recent events in Europe and the United States seem to confirm such a prediction. Not just because we are witnessing a fundamental shift of the tectonic plates of politics and economics, in the role of the state and the market, but also because information technology and social media are now empowering individuals to challenge established institutions in a way never seen before, once again bringing the classical notion, the will of the people, into the focus of our concerns.

In this respect, Iceland also provides a profound illustration, as did the crowds in Cairo and Athens and, earlier this month, in about a thousand cities, in America, Asia and Europe.

When, in the autumn of 2008, the protests gained momentum and every Saturday the centre of Reykjavík became the venue of a street assembly, the Internet served as the rallying instrument. When, in December that year and in January 2009, rioters challenged the police, mobile texting was their tool of action. When, last winter, what became known as the 'barrel protests' regularly reminded the authorities of their

duties to the disadvantaged, the poor and the unemployed, Facebook provided the necessary contacts.

Demonstrations and protests which in previous decades would have required weeks and months of preparation involving networks of organisations are now an instant phenomenon; the new IT instruments have replaced more traditional means of political mobilisation.

It is people power in its purest form; enhanced by the new social media, challenging the actions of Governments and Parliaments.

What we experienced in Iceland, what characterised the Arab Spring and what can, these very days, be witnessed in Europe and the US is in all likelihood just the beginning of a global political earthquake, a new era in which individuals are able to challenge not only institutions but even the state – their advantage stemming in part from how the old structures still follow slow and deliberate processes, whereas the new social media allow a multitude to assemble quickly or demonstrate opposition even before the President has finished his speech.

The experiences in Iceland, and recent events in other parts of the world, have convinced me that the fast pace of change already created by the new social and IT media has gained such momentum that actions within the more traditional institutions of power could, in many instances, soon become almost a sideshow.

I know this is a strong statement, and a strange conclusion coming from someone who has spent a large part of his active life within those same institutions: the Parliament, the Cabinet, the Ministries and now the Presidency.

But if I am right – and let us remember, as you know better than I, that these revolutionary IT technologies are still in their early stages – there will be a fundamental shift towards the cutting edge of modern societies, where the public will emerge and is magnified without any institutional framework, where the individual can challenge the state as never before, where technology can transform our democratic systems more profoundly than any institutional decision-making; the will of the people once again becoming the core of our concerns.

Iceland can thus serve as a reminder of the changes we are now witnessing; a testing ground for the challenges facing our societies; a laboratory which enables us to see more clearly, due to the small scale of our society, the transformations which are now spreading over the entire Western World.

But Iceland also offers other lessons. Let me mention just a few:

One is not to be led astray by the “hype economy”; not to neglect the export-driven, productive sectors; not be fooled by the siren song of the financial institutions with their big bonuses, flamboyant lifestyles and efficient PR machines. In the long run, it is what we produce, not what we can hype, that will be the basis of our prosperity.

The second lesson is that a big banking sector, even if it is a successful one, is in fact bad news for the creative sectors of our economies. The banks in the US and Europe have become high-tech companies, hiring not only engineers, software programmers, mathematicians and other IT specialists, but also designers, artists, writers, musicians, thinkers and many others, attracting all with impressive salaries and bonuses.

When the Icelandic banks collapsed, a wealth of talent suddenly became available to a multitude of creative companies, to new start-ups, IT companies and others which, in the last two years, have consequently enjoyed a successful growth period. We have thus experienced the paradox that the failure of banks can lead to a great boost for the creative and exporting side of the economy.

The third lesson is the importance of clean energy for economic recovery. During previous decades Iceland had become a widely-recognized leader in this field, with 100% of our electricity and all of our space heating derived from geothermal and hydro resources. The geothermal sector has also provided the framework for extensive greenhouse agriculture and fish farming, world-famous tourist locations like the Blue Lagoon, the creation of spas and the production of cosmetics.

Three aluminium companies, Rio Tinto Alcan, Alcoa and Century Aluminium, two of them global leaders in their field, now operate smelters in Iceland and have wanted to expand by building more.

Data-storage centres are being set up; the running costs for server farms in Iceland about 40% lower than in most other countries; the availability of space and green energy is also a considerable advantage.

Clean energy has helped to make the country an attractive location for foreign investments, despite the financial crisis. But it has also helped the nation to survive the recent banking shock, especially because the cost of heating and electricity for ordinary people, families, homes and business companies is considerably lower than in most other European countries.

The fourth lesson is that the Earth is still young; the creation is still going on; the Almighty did not stop after six days but continued to work, at least in Iceland.

The Eyjafjallajökull eruption in 2010 and the one in Grímsvötn earlier this year reminded all of us that we are not the masters of the universe, that Mother Earth is still full of surprises.

Although the spectacle of the eruptions was dramatic, with the volcano sending 500 tons of material up in the air every second, everyone was made safe due to the advanced early-warning and rescue system we have developed in Iceland, reaching into every household, every farm. Because of how we have employed the tools of modern information technology, no one was hurt; no one was killed.

Taken together, our experiences in the last three years have thus become an example of how a nation, strong in solidarity and resilience, helped by modern social media, can successfully overcome natural disasters and profound economic and social crises.

The new era of information technology can empower our societies, our communities, in a formidable way, becoming the foundation of success, combining democracy, solidarity and economic prosperity.

That is the positive message I want to bring you here today.

It has indeed been a testing time for my nation, but the outcome is of interest to all. Therefore I welcomed the opportunity to join you in Camden and would be delighted to see you all in Iceland where you can verify my account first hand and take a closer look at the venue of recent financial turmoil and vibrant democratic processes, the creative forces of nature, the spectacle of contrasts and beauty.