

HOW THE FINANCIAL CRISIS IN ICELAND IN 2008 AFFECTED THE ECONOMY: *AN ESSAY UNTIL THE 2020 CORONA CRISIS*

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Abstract

Iceland was one of the countries which were hit by the financial crisis in 2008 the most. The entire banking system in Iceland collapsed. In this paper, we discuss the causes of Icelandic downfall. We also focus on the question if the membership in the European Union and euro as a currency could have helped Iceland in this time. Using the case of Ireland, we assume that euro as a currency could have helped Iceland. It is hard to predict what the EU would do in Iceland case because there is no legislation concerning the situation. Comparing the financial crisis in 2008 in Iceland and Ireland, we can see similarities in EU procedures in this crisis with the Corona Crisis. It seems that in the time of global crisis, EU is not efficient and its decision-making we can see lack of solidarity which increases the Euroscepticism in member countries.

Keywords: Financial Crisis in 2008, Iceland, Ireland, European Union, Currency, Banking Collapse, Corona crisis, EU decision-making

**COMO A CRISE FINANCEIRA
NA FINLÂNDIA EM 2008
AFETOU A ECONOMIA:
UM ENSAIO ATÉ À CRISE DO CORONA EM 2020**

Resumo

A Islândia foi um dos países mais afetados pela crise financeira em 2008. Todo o sistema bancário da Islândia entrou em colapso. Neste artigo, discutimos as causas da queda da Islândia. Também nos concentramos na questão de se a adesão à União Europeia e o euro como moeda poderiam ter ajudado a Islândia neste momento. Usando o caso da Irlanda, presumimos que o euro como moeda poderia ter ajudado a Islândia. É difícil prever o que a UE faria no caso da Islândia, porque não existe legislação sobre a situação. Comparando a crise financeira em 2008 na Islândia e na Irlanda, podemos ver semelhanças nos procedimentos da UE nesta crise com a Crise do Corona. Parece que em tempo de crise global a UE não é eficiente e na sua tomada de decisões podemos constatar a falta de solidariedade que aumenta o eurocepticismo nos países membros.

Palavras-chave: Crise Financeira em 2008, Islândia, Irlanda, União Europeia, Moeda, Colapso Bancário, Crise Corona, Tomada de decisão na UE

Introduction

When you hear about financial recession in 2008, the first name which usually goes to your mind is Lehman Brothers. In a brief fact, it started in the United States around 2006. This year the housing prices started to decrease, and banks allowed loans for 100% of the home's value (Amadeo, 2008). People were chasing the American dream. It was easy for them because banks did not need prove of their solvency. Even though, it seemed like a good business opportunity, it created a lot of troubles. The whole banking system failed and thanks to great globalisation, it transformed to another countries.

Iceland has 364 260 inhabitants (Statistics of Iceland, 2020). It is a country with a lot to offer. It has significant natural resources for creating clean and cheap energy, such as geothermal and hydropower. Icelandic history is full of examples when Icelanders were fighting for their rights, believes and independence. It was never easy for any leader to subdue Iceland (Hjálmarsson, 2017). Iceland was also used for its strategic location during the cold war by Americans. This island has a kind of specific culture, habits and way of living. It is a relatively young nation which gain their independence not so long ago, so, they are still very proud of it.

In this paper, we focus on Iceland and the financial crisis in 2008. What happened, how the crisis in Iceland affected other nations, how Iceland get from the worst situation, and what is the role of the EU in crisis and how the membership can help. The examination of the connection between the crisis and the EU is important, mainly because Iceland is (and at that time was) a member of EEA (European Economic Area) and EFTA (European Free Trade Area). On the other hand, Iceland is not a member of European Union and do not have euro. Their currency is Icelandic króna (ISK). For better understanding of this topic, we compare the situation during the financial crisis in Iceland and in Ireland because Ireland is (and at that time was) in EU and has euro as a currency. This can also show us the effect of small currency in comparison of big currency held by many nations.

Iceland applied for EU membership shortly after the crisis but they took their application back. This fact creates a question, if the EU did something wrong based on which Icelanders changed their minds.

The motivation to investigate this topic more is based on one semester spend in University of Akureyri in Iceland as an Erasmus+ exchange student where I learn a lot about Icelandic economy and about northern economies in general. Thanks to my other participation on Erasmus+ program as an exchange student at Lusófona University, I was able to expand my idea and thoughts about this topic. The question if Iceland should or should not enter the European Union will be more details developed in my master thesis which I am writing in University of Pardubice. This article includes ideas which will be part of my master thesis.

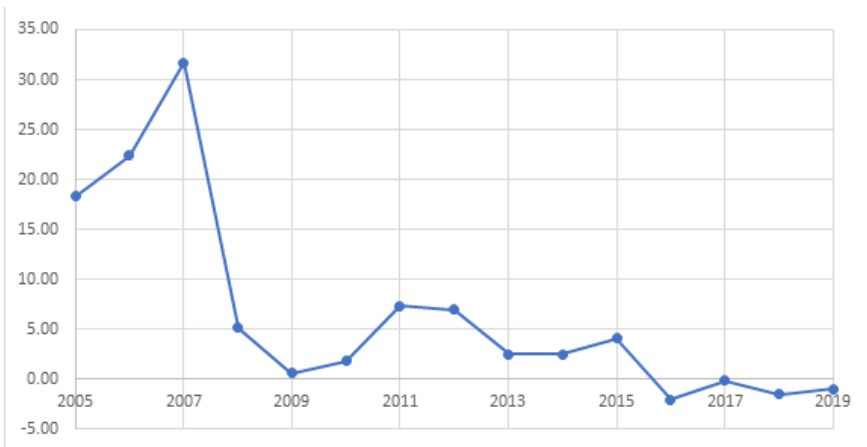
1. Situation in Iceland before October 2008

Davíð Oddsson became a prime minister in Iceland in 1991 (Majer & Kaniok, 2011). He is a member of Independent party in Iceland which is part of the government for 52 years (Thorhallsson & Rebhan, 2011). He is known for a lot of reforms (Majer & Kaniok, 2011). His other step was to privatize banking sector. The privatization happened in 2000 (Benediktsson & Karlsdóttir, 2AD) and the new settled banks were growing very fast, almost as the pharmaceuticals, real estate or food processing industries. The banks started lending companies in these industries huge amount of money and it escalated to the questioning of banks independence. During the privatization of the banking system in other countries there was usually at least some foreign ownership. However, Icelandic government decided that individual domestic entities, which has no experience with commercial banking, should have control interests in the banks (Sigurjonsson & Mixa, 2011).

Davíð Oddsson also diversified economy by using cheap geothermal energy to produce aluminum (Majer & Kaniok, 2011). The aluminium is produced by American company. It is also important to point out, that this production decreased the unemployment in Iceland. On the other hand, to built the factory for producing aluminium is not

a cheap thing and it created flow of foreign direct investments (FDI) to the country, as it is showned at chart 1. This flow had also effect on Icelandic currency. It is very well known and seen that Davíð Oddsson was mainly politician and not economist. Although, in 2006, he became a chairmen of the board of governors in the Central bank of Iceland (Majer & Kaniok, 2011). There were six from nine governors of the Central Bank of Iceland that were former politicians (Björnsson & Valtýsson, 2009).

Chart 1: FDI flow to Iceland

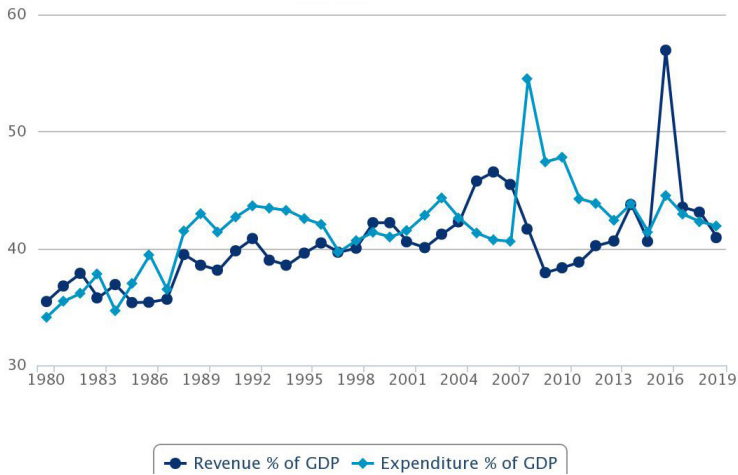


Source: OECD (2020), FDI flows (indicator). doi: 10.1787/99f6e393-en (Accessed on 13 May 2020)

Other thing we need to count in is the icelandic inflation targeting. The price stability is one of the main objectives of the Central Bank of Iceland. Inflation targeting was failing in Iceland even before the financial crisis and the bankruptcy of Lehman Brothers. The rates in the banks were kept high by the central bank, because the inflation was generally above its target (“The first casualty of the crisis: Iceland”, 2009). In a small economy, like Iceland, it caused that households and domestic enterprises borrowed money in foreign currency. However, the households and entreprices were not the only one who gained from this situation. As we can see in the chart 2, the government expeditures were very high too. Its was also very convenient for traders speculators. This, with the extention of aluminium

industry by Americans, caused a big inflow of foreign currency which made Icelanders believe that they are rich and wealth nation, bank rating was triple A AAAM and high per capita income. It made the central bank to increase interest rates even further (“The first casualty of the crisis: Iceland”, 2009). This is called „Icelandic Ilusion“. It is clear that the exchange rate was out of touch before the Lehman Brothers felt, as we can see in the chart 3. This situation without the central bank intervention can have, and had, consequences. According to the Chart 3, these consequences still could be seen on the exchange rate.

Chart 2: General government total revenues and expenditure (% of GDP)

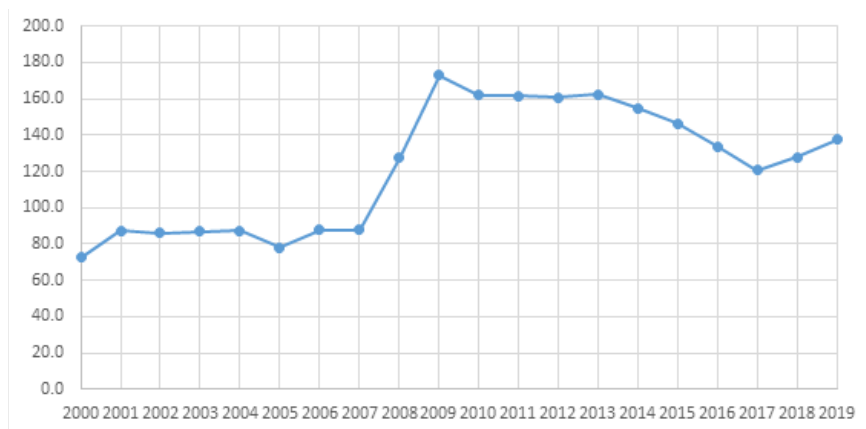


Source: <https://www.statice.is/statistics/economy/public-finance/general-government/>

In the end, the last point of the collapse and the huge problems which Iceland created, was the expansion of Icelandic banks abroad (Majer & Kaniok, 2011). Thanks to the membership in European Economic Area (EEA), Icelandic banks have the right to operate in the EU countries. There were three main banks in Iceland: Kaupthing, Landsbanki and Glitnir. All banks were using foreign currency for their accounts. Landsbanki had a saving account called Icesave. With this account, the bank expanded mainly to Netherlands and United Kingdom. „The relative size of the Icelandic banking system means that the government was in no position to guarantee the banks, unlike in

other European countries.“ (“The first casualty of the crisis: Iceland”, 2009, p.11).

Chart 3 - Development of the value ISK/EUR



Source: Central Bank of Iceland - <https://www.cb.is/?PageId=6909b7bd-5189-45dd-bf5b-c76ea33496ef>

Icesave was a saving account with a very good interest rate. It is also important to mention that the Iceland, Netherlands and UK made an agreement and the bank get the allowance to operate in their market further (“The first casualty of the crisis: Iceland”, 2009). According to the situation described above, it is not so surprising that after the collapse of American banking system, the Icelandic followed in October 2008. In 2006 the criticism of the central bank ignorance of the growing banking industry started, but the leaders of the central bank responded calmly, that nothing bad is happening (Sigurjonsson & Mixa, 2011). According to one source, Davíð Oddsson warned authorities about too much expansion of banks (Sigurjonsson & Mixa, 2011). When the currency started to depreciate Icelandic banks started to buy assets in foreign currency and, in the end of the Icelandic prosperity, banks were holding assets in the value of more that several times of GDP of the country. The „Icelandic illusion“ was a bubble and it was just a question of time when it burst.

2. Situation in Iceland after October 2008

2.1 Icesave and the beginning of the international problems

The fall of Lehmann Brothers has indirect influence on the collapse in Iceland. Their bankruptcy stopped international markets and the flow of international money which means that assets were non-tradable (Sigurjonsson & Mixa, 2011). This was naturally a huge problem for banks in Iceland which were mainly dependent on assets in foreign currencies. Without the flow of investments to the country, further depreciation in Icelandic currency caused several problems. Even though, Icelandic banks hold 20 % and sometimes even 70 % as reserves, it was in Icelandic currency (Majer & Kaniok, 2011). This means, that in the crisis, this money lost its origin value. The first bank which collapsed was Glitnir. They seek help from the government, but they refused. Landsbanki followed and fell down into receivership. The value of savings lost was far more behind of what Iceland could have paid. Iceland sought for support from ECB, but ECB failed to support which led to legal disputes. The UK and Netherlands were seeking from Icelandic government the money for their citizens. However, Iceland announced that the lost money will be fully returned just to Icelanders because their taxpayers should not pay for the problems of the banks (Majer & Kaniok, 2011). Davíð Oddsson has the same opinion and he wanted to save the nation from defaulting. The debts of the crisis were estimated to 100 % of its GDP in total (Majer & Kaniok, 2011). When the UK and Netherlands found out that Iceland do not want to transfer their liabilities, they applied the anti-terrorist law against Iceland. This blocked the last bank, Kaupthing which could have not operated in UK market anymore and it fell to the receivership too (Sigurjonsson & Mixa, 2011).

It is obvious that the UK and Dutch government were not satisfied, and they start fighting over rights. They accused Iceland from discrimination of Icelandic citizens over European one. All these countries were part of the European Economic Area, they tried to apply the European Law for this case. The problem in this dispute occurs to be that the European Law did not predict the collapse of the whole

banking system, so the rights were not clear (“The first casualty of the crisis: Iceland”, 2009).

Iceland, UK and Netherlands are also part of EFTA (European Free Trade Area) and its opinion was that Iceland should ensure the payment of the minimum compensation to depositors in the UK and Netherlands (Pinedo & Elvira, 2011). Iceland fight against it and won.

During the year 2009, two agreement were proposed between Iceland, UK and Netherlands. The Icesave agreement 1 was approved in August 2009 but rejected by the UK and Holland. The Icesave agreement 2 was signed in December 2009 but never entered into force (Pinedo & Elvira, 2011). After the Dutch and UK lost money in Iceland, they called Icelanders terrorists, and they demanded ECB blocked Iceland from getting support, entering the legal battle with Iceland. The agreement between these nations was very important for Iceland because the anti-terrorist law which was adopted against Iceland by these countries also blocked the help from International Monetary Fund (IMF) for Iceland. That is why Icelandic government declare its intent to pay the Icesave debt with “normal” interest. Following that, on 16 April 2010 the IMF came to help. This declaration made Icelandic obligation as a percentage of Icelandic GDP achieve 50 % (Pinedo & Elvira, 2011).

2.2 Measurements for Solving the Crisis in Iceland

Although Icelandic government decline any responsibility for the crisis in the beginning, it was replaced quickly. Icelanders started to protest in early October 2008. Iceland was the first country which started protests in the context of the financial crisis in 2008 but not the last. In following years and months mass protests were made in Lithuania and some Eastern European countries, such as Slovenia, the Czech Republic and Romania (Bernburg, 2016). Icelandic protests were watched by foreign medias. On the April 2009, new election was made. The independent party did not gain a lot of support, and the parties which were holding the minority before were in the lead. The newly elected politicians wanted to stabilize the economy and to apply to the EU, which they achieved (Thorhallsson & Rebhan, 2011).

The IMF help could have come later, but it was important. The IMF support program to Iceland was 2,1 billion and it is still the largest program relative to the size of the economy (International Monetary Fund, 2008).

During the crisis, Icelanders were considering emigration. The fear of outflows of the money, is why capital controls were set up. To be able to do this, Iceland need to ask EEA for permission because the EEA should provide free movement of capital. However, it helped stabilize the currency and prevent increase in domestic interest rates. The Icelandic Ministry of Finance and Economic Affairs has been making statements periodically about the progress of removing some restriction of capital controls and the restriction which are still in place (Ministry of Finance and Economic Affairs, 2019)

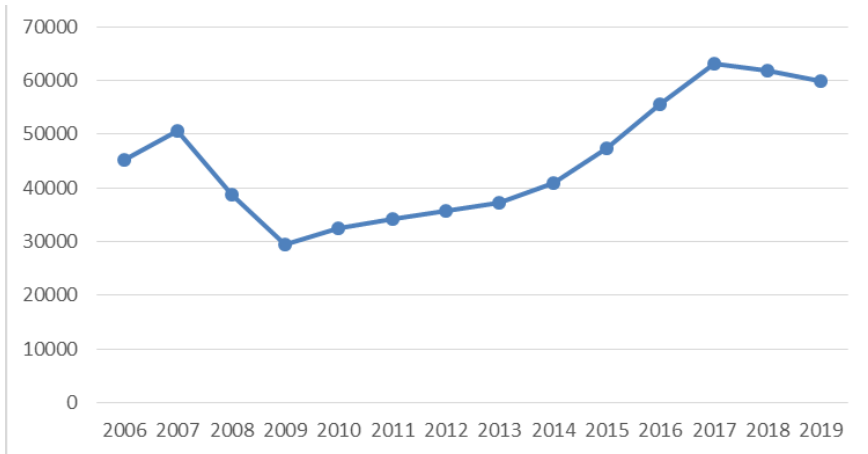
The support from the IMF had goals to prevent further sharp ISK depreciation, which should be done by the capital controls, *“to develop a comprehensive and collaborative strategy for bank restructuring and to ensure medium-term fiscal sustainability”* (International Monetary Fund, 2008).

The history of Iceland shows us that there is no good to have a politician with no economic or banking experience as a leader of the central bank. In this case, the price for it for Iceland was the need to rebuild the banking system. Although, we need to point out that the new election came quickly to change the leaders.

Other thing was to do fiscal consolidation. Public spending needed to be cut on minimum, because the debt, as it was said, was too big to handle. IMF also started *“safeguarding Iceland’s social welfare system which played a key role in protecting vulnerable groups and even reducing inequality during the program”* (International Monetary Fund).

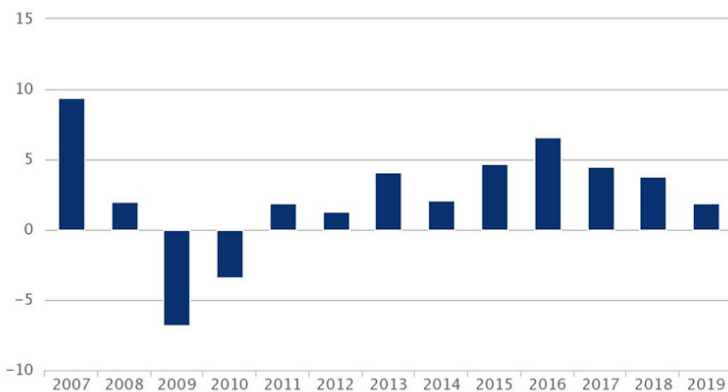
Although the capital controls are still active, mainly to keep the exchange rate relatively stable. Charts 4 and 5 show that the economy is growing again. In Iceland the most important industries are aluminium, fisheries and tourism.

Chart 4 GDP per capita in Iceland



Source: Statistics of Iceland, 2020 https://px.hagstofa.is/pxen/pxweb/en/Efnahagur/Efnahagur_thjodhagsreikningar_landsframl_1_landsframleidsla/THJ01401.px/table/tableViewLayout1/?rxid=8d212019-ad73-4d3c-a69f-57917899d821

Chart 5: GDP growth %



Source, Statistics of Iceland, 2020, <https://www.statice.is/statistics/economy/national-accounts/gross-domestic-product/>; Accessed on June 2020

3. Financial crisis in Ireland as a representative of EU country

Ireland access to markets was also harder after the bankrupt of Lehman Brothers. The blanket guarantee of the banks' liabilities was announced on 29 September 2008. The problems of Ireland started to grow during 2009 and 2010 (Thorhallsson & Peadar, 2012). However, the reason for Ireland problems was not just the banking sector. The Ireland case is more like the American one. Ireland has a huge growth in construction sector. People were taking mortgages and buying houses whose prices were increasing. Everything looked perfect (Taylor, 2011; Krajewska, 2014).

Thanks to its membership in the EU, Ireland accept their rescue package and it also agreed on help with the IMF in November 2010. However, the austerity plan was highly criticized by Irish people because of the huge cut in governmental spending and significant increase of the taxes 2010 (Thorhallsson & Peadar, 2012; Taylor, 2011). Despite the fact, that Irish euroscepticism started to grow, it did not escalate to the wish to leave the Union or the Eurozone. Recover was slower in Ireland, than Iceland due to not be able to correct currency. According to Taylor, Irish people still saw advantages in their membership, they just wished some conditions of the common monetary union would change (Taylor, 2011).

According to Thorhallsson and Peadar, the euro made Ireland more vulnerable in a certain aspect, but it also helped Ireland to survive the crisis better (Thorhallsson & Peadar, 2012). It was also luck of regulation in banking sector which put Ireland to the bad situation. Even though, the causes of the crisis in Ireland is more similar to the American one, there are a similarity between this one and the one in Iceland and in other countries. People were pleased with lower interest rates and they borrowed more. Together with lack of regulation, the banks did not handle this situation.

Ireland did not have some serious troubles with other states directly about their actions, but they were criticized by ECB for their doing. Ireland had income from property loans for the first six months of 2010. ECB thought that Ireland would change this for liquidity. On

the other hand, Ireland banking sector grew dependence on ECB (Thorhallsson & Peadar, 2012). According to Taylor, Ireland tried to handle the situation on their own from the beginning by giving the money to the banks and strong austerity measurements. When Ireland asked IMF and ECB for help, it was not the banks which were in terrible debt, but the government (Taylor, 2011).

There were several discussions about the rescue package which ECB offered to Ireland. Ireland claimed that the interested rates are too high and that the solution of filling the banks with capital and waiting if it would generate confidence in them is unimplementable (Thorhallsson & Peadar, 2012). Except of Thorhallsson and Peadar, even Taylor mentioning high interests rated in rescue package (Taylor, 2011). According to Thorhallsson and Peadar, Irish politicians even went so far that they accused the EU for trying to change Irish taxpayers into “vassals for European banks”. The European Commission responded to this by pointing out that the main cause of Ireland financial situation is their irresponsible behaviour and also lack of supervision in the Irish market (Thorhallsson and Peadar, 2012). Taylor shows that Irish people were not sure, if the rescue package should help them or should help someone else because of the austerity measurements which came with the package were very hard for Ireland who already followed their hard austerity plan (Taylor, 2011).

3.1 The EU procedures during crisis – COVID 19

The fact that in case of Iceland the EU did not have any law to solve the situation could be normal, because no one ever think that the banking system of some country would collapse totally. However, the fact, that the financial crisis in 2008-2013 in Europe increased the Euroscepticism in some European countries, not just in Iceland and Ireland, is something we should also focus on.

According to Vobruba, “*The outer regions can only protect the affluent centre if they themselves do not face serious political and economic problems*” (Vobruba, 2003, p. 36). This statement increases the question,

if the EU should be the institution to rely on during global crisis. In this year, 2020, we have a Corona crisis for the comparison.

The Corona crisis is not basically financial crisis but health crisis which caused lockdown of the world. This lockdown has consequences for all the economies. It is important to point out, as Ritzen et al did, that this crisis is not caused by any “...*insufficient responsibility on any-one’s party. No-one is to blame* (Ritzen et al., 2020, p. 14).” However, the member states still accused each other for not handling the situation. This seems like traditional procedures during global crisis in the EU.

It is important to point out, that the southern countries are not as developed as the northern countries. Even before the Corona virus came, the southern countries very not in very good situation. They had debt and high unemployment in the comparison with the south (Gräbner et al., 2020). On the other hand, this should not affect the way how the proposals and the countries are treated in situation like that.

Even though Mattias and Demary states, “*A difficult political balancing act is required here. In this crisis, effective solidarity in Europe and also Germany leadership role are needed. It is important to prevent people in the particularly affected countries from the feeling left alone by their fellow Europeans as this would endanger cohesion*” (Matthes & Demary, 2020e, p.4). They also raise the wish for accepting community “Corona” bonds for dealing with the crisis rather than ESM credit line. However, the ESM credit line is what was accepted for dealing with the crisis debt. European Central Bank offered loans to affected countries with low interest rate. The economist agreed that this is a big trap for southern countries which were in debt even before the virus and the lockdown came (Boot et al., 2020; Gräbner et al., 2020; Matthes & Demary, 2020e; Ritzen et al., 2020).

The southern countries were fighting for their rescue. Gräbner et al., 2020, states: “*Countries such as Italy and Spain have immediately pushed a stronger common European fiscal response, only to find their more ambitious proposals about the European Burden-sharing of the*

crisis costs turned down by Northern Eurozone countries.” This shows us that the situation from increasing Euroscepticism from 2008-2013 is repeating. No matter how many people warned that the representatives who supposed to create the aid need to think about the solidarity, they failed again.

Conclusions

No one could have imagined that a small country like Iceland could get itself to such huge troubles. Financial crisis impact on the Icelandic economy was enormous and Icelanders are very well aware of it. When I was speaking with some of them, they told me that when they went on the holiday to UK about ten years ago, they could have not said they are from Iceland.

We can conclude that right regulations are needed in economy. The Smith’s “Free hand” was definitely not working for Iceland during this period of time. The cause of missing regulation could be seen even in the case of Ireland. It is highly important to regulate and supervise banking sector, because it operates mainly with foreign capital which makes it highly dangerous.

It is essential for the central bank to have people in leadership who understand what their purpose is and who can do decisions when it is needed. In the case of Iceland, if the central bank did some intervention when the interest rates started to be so low, the exchange rate started to be too high, and the banks provided too much loans without asking for assurance, the situation could be different. Also, the banks could have established subsidiaries in foreign countries rather than branches. This could also have helped not to transfer the loss from foreign countries to Icelandic taxpayers. There were many indicators which could have made the leaders of the Icelandic central bank aware of danger. Despite the criticism from the people, according to the Sigurjonsson and Mixa, the causes of Icelandic crisis were similar to the previous financial crisis in Norway, so the government could have taken some warning signs also from this (Sigurjonsson & Mixa, 2011).

After October 2008 Icelanders were convinced that accepting euro can help them to prevent this happen again, even without accepting the full European Union membership Iceland applied to enter the European Union when the government was changed. However, after the recovery from recession started, they did not continue the negotiations and they asked to take their application back. It can be seen that the shock of the collapse just created short-term effect. The anti-european feelings grew bigger after the Icesave dispute between Iceland, UK and Dutch. Icelanders felt abandoned and left behind by the EU. Icelanders now applies the rule “wait and see” toward the European Union and the euro. They have never been very rushed nation in their decision-making and even from their history we can conclude that their independence feeling is bigger than in almost any other nation.

To the question *Why* they wanted to accept euro can be explained by using the Ireland case. According to some authors, Ireland participation in Eurozone helped them in the terms of not to deepen the crisis. We can assume that if Ireland has its own currency, there is a possibility that it would have followed similar fate as Iceland. This is assumed from their lack of regulations and from their lack of activity when there started to be symptoms of problems.

It is probable that Iceland would not end up so bad, if it would have had euro as a currency. Although, we cannot say that Iceland would be alright. The financial crisis would definitely hit Iceland as well. However, there is a question, if Iceland have had euro by that time, would their banks have expanded to different countries so easily? The Icelandic bank could have not built their strategy on foreign currencies and it would have not been so profitable for them to buy so many assets abroad. On the other hand, again, euro is just an instrument and it could have not saved Iceland from its bad decision-making. It is also important to say, that Icelandic currency finally could help Iceland to recover because its depreciation made export cheaper. According to theories, the EU membership could help Iceland in corruption. There is a question, if the institutions of EU would do something with appointing the former politician into such important position as one of the leaders of the Central bank, or not.

Iceland was not happy with the procedures of the EU during the crisis. They felt left behind when the Icesave dispute was discussed. We can even say, that European Union put its hand out of this problem and leave it on themselves. It is also important to point out, that according to the literature, if Iceland would have been part of the Union during the Icesave dispute problem, other states could have not used the anti-terrorist legislation against it. This could have helped to bring the help from the IMF earlier. Iceland really bad situation was mainly because its banking growth to different countries, but the UK and Netherlands allowed the Landsbanki to sell Icesave in their countries. Of course, the main responsibility is on Iceland, but all countries should be aware, if their citizens are not buying something dangerous.

We assume that the Icelandic-short term interest in the membership in EU was cause by seeking the advantages of strong ally and mainly by opportunity to accept common currency. However, when the crisis hit other nations in Europe which were members of this Union, Icelanders could see, that the EU is not very strong ally in dealing with crisis. If their decision was based just on gaining support in time of crisis, we can understand why they took the application back, because it is one of the things that EU needs to work on more.

Not just Iceland, but also Ireland and other countries were not satisfied with the EU procedures during the financial crisis in 2008 as well as the countries are not satisfied with the EU procedures during the Corona crisis now, in 2020. Even though, these two crises are totally different, the lack of the solidarity in the EU decision-making is highly visible in both. Before the large enlargement in 2004, when a lot of countries from the previous Western block enter the EU, there were question what these not so developed countries can bring the Union. The answers were based on solidarity. That for all countries it is better to be surrounded by strong neighbours with good relationships (Vobruba, 2003). The countries in Western part of Europe were poorer than the Easter part, but also thanks to the integration, these countries grew and became stabile. It seems now, that the European Union forget about this and it is trying to divide Europe on Northern developed countries and poorer South by their “crisis

decision-making”. Suddenly, no northern country has a problem that its neighbour in the South are poor in comparison with them.

To prevent the diversification of Europe, I think, it is important for the EU to organize itself better. The essential thing is to think about these scenarios before they happen and make plans in the period of peace, so the conflicts of national feelings could be put away. As the result of this, if countries negotiate these critical scenarios in the time of peace, they never know if they would be the one who would need the help or not. It would also help to apply the policies and preoccupations quicker and more efficiently, if they would just “put them out of the shelf”.

It is important to state, that this article is not against membership in the EU as a whole. As it was said, there are advantages in the common currency, and the full membership has also a lot of benefits to offer. The conclusion of this article about the EU is just warning against possible problems, if the procedures are not going to change. The Euroscepticism can be too big to be handled and it could be the end of the Union.

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