Runaway Icelanders: Globalization, Collapse and Crime

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Abstract

Criminologists typically study crime-ridden social contexts, but it can be argued that we learn the most by examining contexts where little crime occurs. Low-crime contexts allow us to analyze the relationship between punishment and social structure, rather than the link between punishment and crime. Iceland — one of the world's smallest, most homogeneous and egalitarian countries — offers a particularly interesting case of a low-crime context. However, Iceland has changed significantly since the 1990s. Especially notable is that, after a period of booming economic growth characterized by neoliberal globalization, Iceland spiraled into the "greatest financial crisis ever" in 2008. This article describes the unique social context of Iceland, how it has been affected by rapid globalization, and how these social changes have impacted crime. Surprisingly, the findings show that in spite of dramatic social changes, the local crime rate did not change markedly, apart from economic crimes, which have soared.

Key words: globalization, neo-liberalism, economic collapse, crime, Iceland.

Introduction

In 2000, the book, *Wayward Icelanders: Punishment, Boundary Maintenance, and the Creation of Crime,* by Helgi Gunnlaugsson and John F. Galliher, was recognized as making a significant contribution to criminology (Maggard, 2001). The primary reasoning behind the book was that studying the relationship between punishment and social structure in a nation with little crime might offer a new understanding of crime.

However, Iceland has changed a lot since the publication of *Wayward Icelanders*. Specifically, Iceland has globalized more rapidly during this time than just about any other Western country. Moreover, no country was hit harder by the recent global economic downturn (Johnsen, 2014). This had profound effects on Icelandic society, which raises a compelling question: What was the impact of said changes on crimes known to the police, in particular economic crimes?

What makes Iceland such an interesting case for anyone interested in social change is that it offers a microcosm of how a society is impacted by rapid globalization and subsequent economic collapse (Boyes, 2009). Moreover, what makes Icelandic society an especially interesting case for criminologists is that despite fundamental social changes, Iceland still has one of the lowest crime rates of any country. Nonetheless, many are concerned that this too might be changing.

Nations with little crime

Criminologists focus most of their energy on studying crime-ridden communities and nations with high crime rates in order to understand the relationship between social structure and punishment (Gunnlaugsson and Galliher, 2000). Marshall Clinard's (1978) book, *Cities With Little Crime: The Case of Switzerland*, was a welcome exception. However, Clinard's choice of Switzerland as a nation with little crime has not gone unchallenged. As a case in point, Danish criminologist Flemming Balvig (1988) argued that Clinard's depiction of Switzerland as a relatively crime-free society was distorted by his perspective as an American: "One might be justified in asking whether any American criminologist would not in fact reach the same conclusions no matter what country was being studied" (Balvig, 1988:18). Furthermore, Balvig (1988) posited that Switzerland is not all that different from many other European countries in terms of crime rates. In fact, comparative data show Switzerland to have similar crime rates to its neighboring countries and having more crime than many others (Gunnlaugsson and Galliher, 2000). Nonetheless, both Clinard (1978) and Balvig (1988) ignored Iceland, which at the time had significantly lower crime rates than either Switzerland or Denmark.

One explanation for its low rate of crime is that Iceland is a small and relatively homogenous society, factors that are claimed to help facilitate primary group relations, social integration, and informal social control. These social characteristics are often found lacking in other industrialized nations, which are characterized by increasingly secondary social relations, social isolation – and more crime (Adler, 1983; Christie, 2000; Messner and Rosenfeld, 1997). Iceland also has had a more or less continuous representative democracy since 930 AD. Accordingly, it has neither had a king nor formal nobility (Hreinsson, 2005), never had a colony or military conscription or an army, and has never declared war on another nation (Karlsson, 2000).

Another reason for the low crime rate is that Iceland has long been among the most egalitarian countries in the world (Broddason and Webb, 1975; Ólafsson, 1999) and most studies show that greater economic inequality leads to higher crime rates (Blau and Blau, 1982; Stolzenberg et al., 2006). Despite rising inequality in recent decades (Ólafsson and Kristjánsson, 2013), Iceland is still relatively egalitarian in many respects and quite unique in the sense that the capitol of Reykjavík, the country's only city, does not have any slums (Kristjánsson, 2007).

Iceland is also a very communitarian society (Baumer et al., 2002), despite a well-documented emphasis on individual freedom (Pálsson and Durrenberger, 1996). In this sense, Iceland exemplifies Braithwaite's (1999) "good society", a society that is both committed to collective duties and individual rights (Ólafsson, 1996). Consistent with Braithwaite's (1999) theory of reintegrative shaming, Iceland's communitarianism, with effective informal social control, helps keep crime rates down (Gunnlaugsson and Galliher, 2000). Despite rapid social changes in recent decades, Iceland with its small and relatively homogenous cultural, social, and economic makeup has been able to maintain many of the preventive social characteristics when it comes to urban crime.

The perception of Iceland as a low crime country was, however, for long based primarily on informal observation because of a lack of official records of crime. Until recently, police statistics have not been easily accessible due to irregular or non-existent record keeping by local officials. Consequently, it was difficult to obtain a detailed historical picture of crime in Iceland. But in recent years, record keeping of crime in Iceland has improved, coinciding with a growing concern about crime (Gunnlaugsson and Galliher, 2000).

Contemporary police statistics show that the total number of crimes known to the police is indeed markedly lower in Iceland than in many other countries. For example, the total number of recorded offences in Iceland was about 6,000 per 100,000 inhabitants during 2000-2003, while the number was 9,000 in Denmark, 10,000 in Finland, and just below

14,000 in Sweden (Aebi et al., 2006). In the period 2006-2008, the number in Iceland was still similar to the 2000-2003 rate, or about 6,000 offences per 100,000 inhabitants (National Commissioner of the Icelandic Police, 2009). Earlier Interpol records of crimes known to the police also show that Reykjavík remained below than other Nordic capitals for all serious forms of crime (Prime Minister's Office, 1996).

Problems continue to exist in international comparisons of official crime data, such as those found in police data (Beirne and Messerschmidt, 2000). Reporting practices vary between different countries, as well as law enforcement practices. To deal with problems of different handling of crime data, homicide statistics are useful because recording practices do not radically differ between countries. And, here Iceland is also exceptional as it has some of the lowest homicide rates in the world. For example, the homicide rate in Iceland from 2000-2008 was around 0.7 homicides per 100,000 inhabitants (National Commissioner of the Icelandic Police, 2009), much lower in the other Nordic countries. Moreover, the rate never went above 1.8 per 1,000,000 in any year from 1999-2009, whereas the United States had a rate between 5.0 and 5.8 over the same time period (UN Office on Drugs and Crime, 2011). Hence, from a comparative perspective, Iceland is indeed a low crime country.

Out of the cold

It can be argued that, in effect, modern Iceland is only about 70 years old, dating back to World War II. At the start of the 20th century, Iceland social structure was distinctly feudal. Most people worked as subsistence farmers or agricultural wage laborers under semi-serf conditions. Things had, though, started to take a turn for the better toward the end of the 19th century as fish catch around the country increased.

In 1902, the first Icelandic fishing boat was mechanized. This signaled the beginning of the first and central phase of the belated industrialization of Iceland. This created alternative employment for tenants and laborers, who moved from the countryside to work in fisheries in villages and towns along the coast. The year 1902 was also a watershed year for Iceland in the sense that the country was connected to the mainland of Europe by underwater cable (Karlsson, 2000; Boyes, 2009). Nonetheless, Iceland was still very poor, static and relatively isolated at the start of the World War II.

World War II changed everything and ushered in the second wave of industrialization (Hálfdánarson and Kristjánsson, 1993). In 1940, the British army occupied Iceland in order to prevent any risk of a German invasion of a strategically important area. The British, however, could not afford to keep their armed forces in Iceland so the United States quickly took over. The U.S. army came with a force 60,000 strong, invested heavily in Iceland, built vital infrastructure, and supplied jobs. Unemployment was eradicated and with rising cod prices, Iceland's main export, Icelanders had a booming economy during the war (Karlsson, 2000).

While Iceland industrialized later than most of its European neighbors it did so at a very rapid pace (Hálfdánarson and Kristjánsson, 1993). Since World War II, living standards have risen steadily and Iceland can truly be described as one of the economic miracles of the post-war period in Europe. The biggest leap forward came in the 1960s and 1970s and since 1980 Iceland has been among the most affluent and developed countries in the world (Ólafsson, 2008).

Rapid globalization

Most Western countries have been undergoing a period of rapid globalization since the 1980s (Wallerstein, 2005; McMichael, 2008). In Iceland, however, rapid globalization did not take off until the early 1990s. However, as with the belated industrialization, when the floodgates finally opened, Icelandic society globalized very rapidly (Ólafsson and Stefánsson, 2005). This manifests itself, for example, in a rapid increase in the number of immigrants since the mid-1990s. As with other European countries it was labor shortage that drove Icelanders to recruit foreign labor, which subsequently led to a relative increase in the number foreigners unparalleled in most other countries. In 2008, the immigrants comprised 8.1 percent of the Icelandic population, up from 1.8 percent in 1996. Poles are by far the largest immigrant group in Iceland and form the bulk of the immigrant workforce (Statistics Iceland, 2009).

Data on foreign direct investment (FDI) by Icelandic firms supports the case that rapid globalization did not take off in Iceland until the 1990s. According to the *Central Bank of Iceland* (2006), the flow of FDI increased 85-fold between 1998 and 2005. By that time, Iceland invested almost 60 percent of its gross domestic product (GDP) in FDI, a higher proportion than any other nation in the *Organization for Economic Cooperation and*

Development (OECD, 2006). By 2005, approximately 75 percent of the revenue of companies listed on the *Iceland Stock Exchange* was generated abroad. The main reasons for these rapid changes boil down to increased global integration via market liberalization and membership in the *European Economic Area* (EEA) in 1994, which "led Icelandic companies toward a broadminded global perspective" (Óladóttir, 2009:62). EEA is a free trade agreement between European Union countries, Iceland, Lichtenstein, and Norway.

Another sign of increased globalization is the growth in number of trips taken abroad annually, which has almost tripled since 1996. During the period from May 2007 to April 2008, the total number of trips that were taken by residents of Iceland aged 16 to 74 amounted to approximately 400 thousand (Statistics Iceland, 2010). Going back there were only 4,300 outbound trips by Icelanders in 1950. By 1970, there had been a vast increase and around 27,000 Icelanders went abroad. In 1988, over 150,000 Icelanders went abroad (*Iceland Tourist Board*, 2010). There has also been an explosion in the number of foreign tourists to Iceland in recent decades. In 1949, only 5,312 foreign tourists visited Iceland. In 1970, this number had increased to 53,000. In 2008, number of foreign tourists to Iceland had ballooned to 502,000 (*Icelandic Tourist Board*, 2010) and has since almost doubled.

Lastly, the information and communication technology revolution has contributed profoundly to the rapid transformation of the social and cultural landscape of Iceland. Perhaps no other change has done more to further the process of globalization than the Internet, as it has expedited globalization and is, in itself, a profound form of globalization (Ritzer, 2010). Iceland is one of the most globalized countries in the world in terms of information and communication technology (Ólafsson and Stefánsson, 2005). Few, if any, countries have more personal computers, Internet connections, and cell phones per capita. In addition no country in the world has more people on Facebook per capita than Iceland. What makes this especially important in the context of globalization is that culture exists largely in the form of ideas, words, and images it tends to flow fairly easily throughout the world. This flow has become "increasingly easy because culture exists increasingly in digitized forms" (Ritzer, 2010:244).

Neo-liberalism

In the decades following World War II, the Icelandic economy was still inward looking, heavily regulated, very centralized, and controlled by politicians. This started to change during the 1980s, when the Icelandic government started to loosen its reins on the economy (Wade, 2009). This shift can largely be attributed to globalization, especially the global spread of neo-liberalism, involving a growing belief in free markets, privatization, limited government and tax cuts favoring firms and investors (Ólafsson and Stefánsson, 2005; Scholte, 2005).

Iceland's statist and corporatist political economy was challenged when a new generation of neoliberals came of age in the 1970s (Gunnarsson, 1979). Many of this generation rose to prominent positions in the political, legal, judiciary, business, and academic sectors. Most famous of the bunch was Independence Party's Davíð Oddsson, elected the mayor of Reykjavík in 1982 and later Prime Minister from 1991-2004.

Under Oddsson's reign, the Icelandic government, led by the right-of-center Independence Party, initiated a sweeping neoliberal experiment (Ólafsson, 2008), using Margaret Thatcher's Britain and Ronald Reagan's America as models (Gissurarson, 2004). Many state-owned companies were privatized, the economy deregulated, taxes on business and financial earnings were cut drastically, and net wealth tax was abolished (Wade, 2009; Sigurjónsson, 2010). The tax system underwent a complete overhaul and tax rates on business and financial earnings became among the lowest in Europe (Portes and Baldursson, 2007). The goal was to free up Iceland's economy and make Iceland more competitive in the global market place. By 2004, Iceland was ranked ninth in the world in the Economic Freedom of the World index, up from 53rd in 1975 (Wade and Sigurgeirsdóttir, 2012). At one point the Cato Institute rated Iceland as the least regulated country in the world and in 2005 Iceland was ranked as having the fifth most economic freedom in the world (Garelli, 2006).

Many world famous neoliberal fundamentalists were brought to Iceland during its neoliberal experiment and they praised the country as a justification of free market principles (Wade, 2009). In 2007, Arthur Laffer, for example, assured Icelandic business leaders and neo-liberals alike that Iceland's fast growing economy, large trade deficit, and growing foreign debt was a sign of success. "Iceland should be a model to the world," Laffer declared ("Ofhitnun ekki hættuleg," 2007).

The global marketplace

Iceland slowly integrated into the global market following World War II although its economy only really opened up in the 1990s (Óladóttir, 2009; Sigurjónsson, 2010). Iceland's single most significant step towards global market integration, aside from embracing neoliberalism, came when it joined the EEA in 1994 (Jónsson, 2009).

The EEA was established following an agreement between the member states of the European Free Trade Association (EFTA) and the European Community, later the European Union (EU). More specifically, EEA-membership allows Iceland to participate in Europe's single market without having to join the EU. EEA is based on the same "four freedoms" as the EU: (1) the free movement of goods, (2) persons, (3) services, and (4) capital among the EEA countries. Thus, the EFTA countries that are part of the EEA enjoy free trade with EU-countries.

EEA-membership further contributed to neo-liberalizing Iceland's economy, although the agriculture and fishing sectors are still protected from foreign investment (*Social Science Research Institute* and the *Institute of Economic Studies*, 2009). Iceland's EEA-membership, also allowed Icelanders to diversify its economy from fishing and aluminum smelting to economic and financial services, which set the stage for the subsequent economic boom (Sigurjónsson, 2010).

What EEA-membership also did was to set the stage for foreign direct investment by Icelandic companies by opening up foreign credit and investment markets for Icelanders. Second, foreign capital literally flooded the country because interest rates were high in order to fight inflation caused by unusually high demand. This strengthened the Icelandic currency, the Icelandic Króna, and improved purchasing power abroad and at home, since so much of what they consume is imported. Hence, with (borrowed) money to spare, Icelanders went on a spending spree (Social Science Research Institute and the Institute of Economic Studies, 2009).

The fishing industry

Fishing has long been Iceland's main industry in the country's export-oriented economy, since the fishing grounds around the country are one of the most productive in the world. Despite being one of the smallest nations in the world, Iceland is one of the biggest when it comes to fishing, both in volume and value (Christensen, Hegland, and Oddsson, 2009). The only "wars" that Icelanders have fought have been over fish, the four so-called "cod wars" with Britain over Iceland's extension fishing limits out to its present level of 200 nautical miles (Jónsson, 1982). The last dispute was in 1975-1976, with the British government eventually conceding and agreeing that British vessels would not fish within the previously disputed area (Jóhannesson, 2004).

In the years following the last "cod war," the Icelandic fishing fleet grew rapidly, but catches, relative to effort, continued to decline. Fearing a collapse of the cod stock, an individual transferable quota (ITQ) system was introduced in 1984 (Pálsson and Helgason, 1995). The ITQ-system divided fishing rights among those who happened to own a boat when the system was introduced based on their fishing record over the three previous years. This turned out to be a fundamental step on Iceland's way to embracing neoliberalism and increasing inequality (Ólafsson and Kristjánsson, 2013), since this effectively privatized Iceland's main natural resource, defined by law to be the common property of the Icelandic people. The ITQ-system makes quota owners the de facto owners of Iceland's most prized natural resource (Helgason and Pálsson, 1998).

Ever since the ITQ-system was introduced fishing rights have become increasingly concentrated in the hands of the few (Pálsson and Helgason, 1995; Helgason and Pálsson, 1998). This has especially been the case since 1990, when fisheries laws passed by the Icelandic Parliament reinforced and extended the ITQ-system into the distant future. Since 1992, the number of quota owners has decreased 85 percent. About 70 parties now own about 70 percent of the quota (Viðskiptablaðið, 2010). All the while, public discontent with the concentration of ITQs and the social ramifications of this process, most notably the undermining of smaller fishing communities and rising inequality, has continued to grow (Skaptadóttir, 2000).

Crony capitalism and Icelandic banks

The biggest and most consequential privatization of the Icelandic government, aside from the earlier privatization of fishing rights, was the one of the publicly owned and locally oriented banks. The privatization of the banks began in 1998 and was finalized in 2003. At the time the government claimed that it was particularly interested in acquiring foreign capital, hence the banks were to be sold to foreign investors with banking experience. This turned out quite differently as a handful of Icelandic investors with no experience in banking ended up buying the banks (Sigurjónsson, 2010). However, what the investors lacked in banking experience they made up with political connections (Wade and Sigurgeirsdóttir, 2010).

Landsbankinn was sold to a group of investors whose offer was only the third highest. However, the leader of the group had strong ties to the leadership of the ruling Independence Party, a fact that seems to have played a pivotal role. He was a formerly convicted white-collar criminal that had since rebuilt his reputation. In contrast, *Búnaðarbankinn* was sold to Icelandic investors close to the other ruling party, the Progressive Party (Wade, 2009). The banks returned the favor by becoming the largest donors of the ruling governmental parties (*Iceland National Audit Office*, 2009; Vaiman, Sigurjónsson, and Davíðsson, 2010).

After criticizing how the sale of the banks was being handled, a member of the governmental privatization committee resigned stating that "prospective buyers were turned away in spite of their better offers," and that he had never witnessed such "extraordinary practices" (Domurath, 2009:6). These allegations were never investigated. The only public investigation that came out of this was one by the Icelandic Accounting Office that investigated the Minister of Foreign Affairs who was faced with the allegation of a conflict of interests, since he was not only a member of the privatization committee but also the owner of a company with ties to the assembly of investors who bought *Búnaðarbanki*. The *Icelandic Accounting Office* concluded that there was no conflict of interest (Special Investigative Commission, 2010).

This is an example of the traditionally close connection between politics and business in Iceland (Jónsson, 2009), which is "responsible for the bulk of self-serving, unethical, and corrupt decisions made by the Icelandic business and political elite" (Vaiman et al., 2010:2). Vaiman et al. (2010), for example, demonstrate that there has been a high level of corruption in Iceland, a fact not lost on the Icelandic public (Capacent-Gallup, 2009). Corrupt practices would later have dramatic consequences for Icelanders and others that had a stake in the Icelandic economy.

Rising inequality

Iceland is widely considered to be one of the most egalitarian nations in the world. Icelanders stress equality in all its forms: equality of opportunity, equality of conditions, equality of status, gender equality, and so on (Ólafsson, 1999). The Icelandic constitution, for example, explicitly prohibits the use of noble privileges, titles, and ranks. Everyone is addressed by his or her first name, including the President of Iceland, and the Icelandic phone book is organized by first names.

Strong egalitarianism, arguably, contributes to the fact that Icelanders consistently rank at or near the top of global happiness charts (Veenhoven, 2013). Egalitarianism also plays a role in that Iceland has long been considered one of the most peaceful countries in the world (*Global Peace Index,* 2013).

In 1980, Icelanders became the first nation in the world to elect a woman as their head of state. Icelanders were also first to have a political party formed and led exclusively by women, that is, the Women's List. Although no longer in existence, Women's List left a lasting impression on Icelandic society. Iceland has, for example, topped the *World Economic Forum Gender Gap Index* for the last five years (2014). Icelanders are also very supportive of LGBT rights and elected the world's first openly gay head of government in 2009.

Thanks in large part to its social-democratic welfare state; Iceland has traditionally had relatively low levels of economic inequality and low poverty rates. While Iceland is not a classless society by any means, status distinctions have been relatively weak and Icelanders show a noticeable lack of deference in their interactions with others (Tomasson, 1980; Ólafsson, 1996, 2003). Like people in other social-democratic welfare societies (Evans et al., 2013; Larsen, 2013), most Icelanders hold egalitarian images of the class structure. A higher percentage of Icelanders consider themselves middle class or "classless" than in most elsewhere and there has long been a strong and widespread belief in Iceland that Icelandic society is effectively classless (Bjarnason, 1974; Björnsson, Edelstein, and Kreppner, 1977; Oddsson, 2010, 2012).

However, economic inequality increased considerably and rapidly parallel to neoliberal globalization, which took off in the mid-1990s. In Weberian (1978) terms, the market became more predominant in structuring inequality and Iceland became more of a "class society"

(Weber, 1978). One indication of this is that the Gini coefficient for married and co-habiting couples rose from 0.21 in 1993 to 0.43 in 2007. Note that this Gini coefficient is for disposable income, which includes capital gains (Kristjánsson and Ólafsson, 2009). However, the Gini coefficient only tells a part of the story. What it does not reveal is that rising income inequality was particularly characterized by the increased concentration of the national income towards the top, where the share of the top 1 percent of families grew from 4 percent in 1993 to 20 percent in 2007 (Kristjánsson and Ólafsson, 2009). In fact, the share of the top 10 percent increased at an even faster rate over the 2000s than in the USA, albeit from a much lower base (Wade and Sigurgeirsdóttir, 2012).

A glaring manifestation of growing economic inequality was a substantial proliferation in the ranks of the newly rich and the emergence of a group of super-rich transnational capitalists (Sklair, 2000), who rode the wave of the economic boom that began in the mid-1990s (Magnússon, 2008). This is consistent with the experience of other Western countries over the last few decades, that is, a growing separation of the very rich from everyone else (Smeeding, 2005; Atkinson and Piketty, 2007; Kenworthy, 2010). However, while economic inequality has increased in other Western countries in recent years, what was exceptional about Iceland is that its levels of economic inequality increased more and more rapidly during this period than in any other OECD-country (Kristjánsson and Ólafsson, 2009).

As with other social-democratic welfare states, one of the main characteristics of post-war Iceland has been the virtual absence of extremely rich and extremely poor groups (Larsen, 2013). Neoliberal globalization, however, changed this and, moreover, put distinct "faces" on Iceland's rising economic inequality in the form of super-rich, transnational capitalists and low-wage, immigrant labor. The transnational capitalists "stopped adhering to Icelandic norms, took up the lifestyles of foreign billionaires and turned their nose up at the myth of the Icelandic classless society" (Gísladóttir, 2009). Before this, the consumption standards of the dominant class were much more traditional, modest and low-key (Magnússon, 2008; Jónsson, 2009). The transnational capitalists changed the "game" and gave rise to more "conspicuous consumption" (Veblen, 2004) than ever before in Icelandic society (Þorvaldsson, 2009).

At the other end of the spectrum, recruitment of foreign labor during Iceland's economic boom led to a great inflow of low-wage, immigrant workers. With the immigrant population increasing to 8.1 percent in 2008, Iceland grew more economically and culturally differentiated as a result of immigrant workers concentrating at the bottom of the class structure (Statistics Iceland, 2009).

The collapse: October 2008

From 1991 to 2009, the *Independence Party* controlled the Icelandic government and involved Iceland in the aforementioned neoliberal experiment (Gissurarson, 2004), which ended with the 2008 economic collapse. Most of this time, the *Progressive Party* joined the *Independence Party* in a coalition government, which neoliberalized Iceland, that is, privatized state assets, deregulated businesses and labor, overhauled the tax system in favor of business and the wealthy, and so on.

Joining the EEA in 1994 further required lifting restrictions on the flow of capital, goods, services, and labor across borders. After the 2007 parliamentary elections, the *Social Democratic Alliance* entered into a coalition government with the *Independence Party*. Turning its back on election promise to bring greater macro-economic control, the *Social Democratic Alliance* largely supported the *Independence Party*'s economic policies, albeit by maintaining its "trademark" emphasis on the welfare system.

Aided by abundant foreign credit and strong political and public backing at home, Iceland's newly privatized banks burst onto the international financial arena in the late 1990s and early 2000s. By integrating investment banking and commercial banking and through mergers and acquisitions at home and abroad, the Icelandic banks grew ever bigger. By 2007, Iceland had three of the world's biggest 300 banks, with assets eight times the GDP—second highest in the world after Switzerland. This was a far cry from the small, locally oriented, public utility banks of the early 1990s.

Riding a wave of extreme optimism, the Icelandic stock market multiplied itself nine times over between 2001 and 2007. At the same time, the owners of the banks and other managers in the finance industry compensated themselves handsomely and engaged in conspicuous consumption. The growth of the banks and the stock market was widely seen as a vindication of free market policies. Furthermore, all warnings by economists and others about the fragility of the whole setup were brushed aside as nonsense. Nonetheless, the banks had by the mid-2000s started having problems raising funds in the short-term money markets, the essence of their unstable business model. Moreover, the sheer size of the banking sector meant that the *Icelandic Central Bank* could no longer act as a lender of last resort. The banks were literally living on borrowed time.

In late September of 2008, everything came crumbling down. After the *Lehman Brothers* meltdown, credit markets around the world dried up and the Icelandic banks could not refinance themselves. Iceland's three biggest banks collapsed over the span of six days and were subsequently nationalized. This constitutes the largest banking collapse in history relative to economic size (Jóhannesson, 2009) and made Iceland the biggest casualty of the current global economic downturn (Jónsson, 2009). In fact, Iceland's crisis has called the "greatest financial crisis ever" (Krugman, 2010; Johnsen 2014).

What is interesting to note is that Iceland's economic collapse was foreshadowed by a significant increase in economic inequality following excessive market liberalization, as was the case with the Wall Street Crash of 1929, which triggered the Great Depression (Ólafsson, 2010).

We argue that a very promising perspective to view the economic collapse, and its antecedents, is the one of institutional anomie (Messner and Rosenfeld, 1994, 1997). In short, market rule became increasingly dominant in Iceland parallel to increasing neoliberalization (Harvey, 2007) and other social institutions were weakened in the process. Effectively the market took over other social institutions (Magnússon, 2008). This was evidenced by the growing dominance of greed throughout society. This development is captured by the following quote from an opinion piece published in one of the main newspapers in Iceland when the bubble economy was just about fully inflated: "Greed is the train that pulls our life into a brighter future…The so-called greedization of Icelandic society is hopefully here to stay, and hopefully it will grow day by day into the unforeseeable future, for all our sakes" (Ágústsson, 2005). Nowhere was this more evident by the fact that the assets of the newly privatized banks outgrew the national economy, as measured by GDP, nine times. Well before that point was reached was the banking sector doomed to fail, global credit crisis or not (*Special Investigative Commission*, 2010).

Following the banking collapse, the Icelandic Króna fell more than 50 percent against the dollar and Iceland became the first developed country in 30 years to require assistance from the IMF. In January 2009, annual inflation reached 18.7 percent, the highest in Europe (Eurostat, 2009). Household debt increased significantly, and even before the collapse it was higher than in any other European country or the USA (IMF, 2009). Unemployment rose from 1.5 percent in September 2008 to its highest point of 9.1 percent in April 2009 (*Directorate of Labor*, 2009). The crisis resulted in the greatest migration from Iceland since 1887, with a net emigration of almost 5,000 people in 2009 (Steineke, 2010). Early in this turmoil a protest movement emerged that helped bring down the *Independence Party*-led coalition government.

Iceland's economy later stabilized under Iceland's first "pure" left-wing government ever (*Social Democratic Alliance* and the *Left Green Movement*). Just as its economic collapse caught the world by surprise, Iceland's rise from "near death experience" garnered attention around the world and was heralded as a great success (Krugman, 2010).

Impact of the economic crisis on local crime

Perhaps to no one's surprise, the question of crime has been prominent in Icelandic public discourse following the collapse. It is also interesting to note, that whenever an atypical crime incident occurs in Iceland, or even a typical one, local social scientists routinely get asked the same question from the media and others: is this incident, or a reported increase for different crime types, a result of the crisis? A violent incident downtown, domestic outbursts, series of burglaries and thefts, and drug crimes, like homegrown marihuana. Can all this be traced to the crisis? (As if these incidents or increases had never happened before.)

The crisis seems to give a deeper meaning to these social phenomena and to crime in general, making them somehow more understandable to the public. At the same time, the crisis can also turn into a convenient scapegoat – blaming everything on the crisis can make us neglect other and often more plausible explanations.

The *Scandinavian Research Council for Criminology* recently published a report where Nordic scholars addressed the question of what impact social and economic crises have on society, crime in particular (Johansen and Gunnlaugsson, 2012). In the report, triggered by the Icelandic crisis, Iceland understandably had a prominent place, including articles on crime trends before and after the collapse, local crime control developments, and political corruption.

So, what do police records of crime reveal about recent crime developments in Iceland? If the period prior to the banking collapse is examined, or during 2005-2009, no dramatic changes in the number of reported offenses against the penal code can be detected. One main exception is property crimes. Thefts and burglaries show an increase, particularly involving automobiles, private companies and, to a lesser extent, private homes. Violent offenses appear to be more stable during 2005-2009, and if anything showing a downward trend in 2009, particularly major assaults. Sexual offenses show an increase up to 2007, but appear to have leveled off in 2008 and 2009.

What happened after the downfall of the banks in 2008? Did Iceland experience an increase in crimes known to the police? If we examine the period from 2009-2013, the total number of penal code cases, according to police statistics, had never been lower than in 2013 since systematic recording started in 1999 (*National Commissioner of the Police*, 2014). The most notable drop was in property crimes, in particular burglaries, which showed a 47% drop from the period 2010-2012. Violent offenses appear to have been more stable, if anything, decreasing from 2009-2013. In short, police records indicate that the economic crisis had, surprisingly, very limited impact on long-term crime trends in Iceland (see also Þórisdóttir and Árnason, 2012).

The total number of crimes known to the police increased somewhat during the year of the collapse (2008), with burglaries and thefts in particular showing a notable increase. Yet, after 2008, the overall number of crimes has decreased again, with some crime types even going below their pre-crisis rates.

One exception to this downward trend is the local production of drugs. After the crisis, reported cases of homegrown marijuana have tripled. This probably reflects the fact that foreign currency restrictions have made drug smuggling to Iceland more difficult. Sex crimes have also increased, which probably suggests that victims are more willing to report these crimes than before. Moreover, economic crimes also deviate from the overall downward crime trend.

A number of cases have been under criminal investigation involving the owners of the banks and their CEO's. A few already have started serving prison sentences up to 5 and 1/2 years, with a number also facing criminal indictments. How many is difficult to say at this moment, but a few dozen is quite possible.

For this purpose, the Icelandic parliament, in 2009, set up a Special Prosecutor's Office to investigate criminal acts of the banks leading up to the crisis. In 2013, the special prosecutor had a staff of about 90 employees and a caseload of close to two hundred cases. More than forty banking executives had already been criminally indicted and a few convicted but some still await final legal outcome in the Supreme Court.

To put the size of the Special Prosecutor's Office in perspective (per capita population estimates), this figure is equivalent to if the U.S. government set up a special prosecutor office investigating Wall Street criminal acts with a staff of about 90 thousand employees and a case load of about two hundred thousand cases. With the result that about forty thousand individuals had already been indicted for criminal wrongdoings! This shows us how seriously the Icelandic authorities have taken their role in uncovering potential criminal offenses leading up to the crisis and how aggressively the Special Prosecutor has approached his task. Most of the cases have involved mandate fraud, market manipulation, insider trading, and fraudulent loans. As a result, economic crimes have soared in number following the crisis.

Since the total number of crimes known to the police in Iceland did not increase during the economic and social upheaval of recent years, apart from economic crimes, what does crime reveal about Icelandic society? What kinds of offenses characterize Iceland and what distinguishes them from offenses in other countries?

Concern with substance use

As Durkheim (1893/1964) argued at the turn of the 20th century, not only is crime inevitable in any society, but also useful and even necessary in maintaining social order. Moreover, an act is not criminal because of its intrinsic nature; rather, it is criminal because it offends collective sentiments. However, the precise nature of criminal behavior varies according to the type of society and the type of collective sentiments (Lauderdale, 1976). A crime-free society does, therefore, not exist according to Durkheim. Every society has its own quota of crime, with the content varying between different types of countries. These assertions about the nature of crime in society are, however, difficult to prove or disprove. Yet, Durkheim's observations compel us to ask what types of misbehavior have been found to be frequent, or using Durkheim's terminology, what behavior has primarily offended Icelanders' collective conscience?

In this regard, Gunnlaugsson (2004) argued that many forms of minor offenses have been quite frequent in Iceland, with serious offenses being relatively infrequent. Specifically, substance abuse has been seen as one of the primary causes of misbehavior, and it is widely agreed that substance abuse must be punished (Gunnlaugsson, 2008). Reflective of Icelanders' collective identity and long-term concern with substance abuse, this small nation maintained a highly unusual beer prohibition for most of the 20th century (Gunnlaugsson and Galliher, 2010). This law was justified as a means of protecting the nation's youth. Moreover, alcohol related arrests have been in the thousands every year. For example, in Reykjavík, a city of about 120,000, about 3,000 arrests were routinely made each year in the 1990s for public drunkenness, and about 2,000 were jailed. Also, thousands have been arrested each year for driving while intoxicated, and the rate is higher than in the other Nordic countries (Gunnlaugsson and Galliher, 2000) and higher than in the United States (Cole and Smith, 2001).

The surprisingly high levels of alcohol related offenses lead one to expect that alcohol consumption in Iceland must be substantial. Yet, if we compare alcohol consumption with that of other European nations, we find that while per capita consumption in Iceland has increased in recent years, it is still lower than in most other nations (OECD, 2011).

Considerable attention has also been given to youth and substance use. Studies show that cannabis use among youth is markedly lower in Iceland than in other European countries (Hibell et. al., 2012). Yet, among Nordic countries, the rate in Iceland was somewhat higher than those of youth in Norway, Sweden, and Finland, but lower than in Denmark. Lifetime prevalence of cannabis use in the general population is also higher in Iceland than in the other Nordic nations, except for Denmark (Gunnlaugsson and Þórisdóttir, 1999). However, if we look at drug use over the previous six months, Iceland was very similar to other Nordic nations, with a rate markedly lower than lifetime prevalence rates. Even though these findings may seem trivial to outsiders, Icelanders do not see them as minor. Findings like these fuel concerns over drugs in Iceland and the impact of drugs on other misbehavior on the Iceland social fabric.

Conclusion

Iceland is a small and homogenous society in the North Atlantic and has for a long time been depicted as a low crime country possessing many of the corresponding social features. This image was long based on limited empirical data but has in recent years been verified by improved local criminal records. Yet, Iceland has a long tradition of concern with substance abuse with an increasing public alarm in recent years.

Icelandic society has experienced significant internal and external social changes in recent decades. Iceland has opened up to the outside world, due in large part to neoliberal globalization (Scholte 2005), which took off in the mid-1990s. This neoliberal experiment came to a grinding halt when the Icelandic banking system collapsed in late September 2008. However, despite these major social changes, the Icelandic crime rate did not change markedly, apart from economic crimes. Why, especially, did Iceland not experience an increase in overall crime after the collapse, which many feared?

We know from history, and classic sociological literature in particular, that sudden social changes, both in the form of a sudden economic crisis or an economic boom, impact society (Gunnlaugsson, 2012). Changes such as these infiltrate social institutions and our individual and collective lives. The most important elements, however, are not just economic, but social and moral, as swift changes can undermine the moral foundations of society. What we commonly believe to be good or bad, right and wrong, what you expect of others and what others expect of you, might be threatened. Hence, during times of social turbulence we can expect diminished acceptance of norms and values of society – or what Durkheim (1893/1964) termed an *anomic* condition, at both the individual and societal level.

Nevertheless, it is important for us to keep in mind that a structural change in the form of a sudden economic crisis or a boom does not necessarily have an immediate effect on society. A society does not change its morality over one night, nor do individuals change their behavior instantly due to a change in their economic situation. For example, an economic fall does not necessarily mean rising crime rates (Bushway, 2010), just as the *Great Depression* in the United States back in 1929, did not have an immediate effect on the U.S. crime rate. Still, we know that different social groups are more vulnerable than others to social changes.

Social and institutional forces do not equally protect different social groups in times of transition. Some change in behavior might eventually take place, and the risk of social exclusion is always there.

Given the grim outlook in the wake of the banking collapse back in October of 2008, Iceland appears to have bounced back remarkably well ("Icelandic Lessons in Coming Back From the Brink," 2012). In particular, Iceland has experienced notable economic growth since 2010. Unemployment is still relatively high by Icelandic standards, or around 4 percent, but nowhere close to the figures in many European countries. Inflation has gone down but is still higher than found in most neighboring countries. And, the recovery has been driven by exports (particularly aluminum and fish), tourism, low carbon energy, and increasingly by investments.

More specifically, measures were taken in 2009 to reduce government spending and to increase tax revenues, resulting in a much lower fiscal deficit in both 2011 and 2012. Those with higher incomes were taxed more while those on lower incomes were protected from tax hikes, possibly helping to keep the crime rate down. The changed tax policy has also helped reverse the trend of growing economic inequality, which rapidly grew to alarming heights in the years leading up to the collapse. The financial system is not yet fully functional with currency restrictions still in effect. The new center-right government taking office in 2013 took measures to ease the burden of mortgage private house loans, which are all price-indexed and promised to stimulate economic growth with tax reductions. Only time will tell what this will bring for Iceland in the long run.

At the same time, a few bankers already serve long prison sentences for their misgivings leading up to the economic collapse. Dozens more face prison sentences for crimes committed in large part to save doomed financial institutions and their personal assets in the months prior to the crash. Here we face the dilemma of structural constraints and individual accountability. Political and economic systems provide the framework for individual social action, which can easily be weakened in an unstable economy such as the one that existed in Iceland prior to the economic collapse. Tension is bound to build up between pressing structural constraints and individual criminal responsibility when someone is, for example, trying to save his or her own company or personal assets, and in the process commits a crime. Yet, such behavior can hardly justify unethical or illegal deeds, which can cause major social harm. The extreme case of Iceland's neoliberal globalization and eventual economic meltdown reinforces this valuable lesson.

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