

The 2008 Global Financial Crisis in Retrospect

Reykjavík 30-31 August 2018

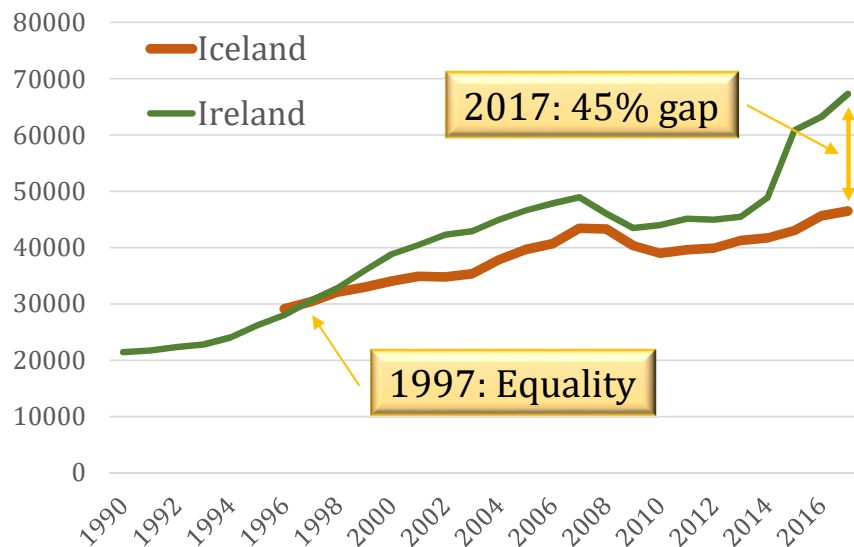
Thorvaldur Gylfason

Unfinished Business

- Flows of incomes per person and per hour worked need to be gauged and viewed in terms of their level and dispersion as well as in terms of concurrent movements in wealth
 - Triggered by recent wage hikes secured by self-dealing elites, Iceland now faces threat of further wage hikes that will re-ignite inflation
- Ireland has recovered more strongly than Iceland
 - View that Iceland was saved by being outside EU and EMU seems misguided
 - Needed: Better banking, including foreign competition
- Iceland shows signs of fraying social capital on several fronts, including corruption, inequality, and corrosion of democracy
 - Evidenced, e.g., by Parliament's failure to ratify new post-crash constitution approved by 67% of voters in 2012 referendum
 - Needed: Clean-up of political class to inhibit business as usual

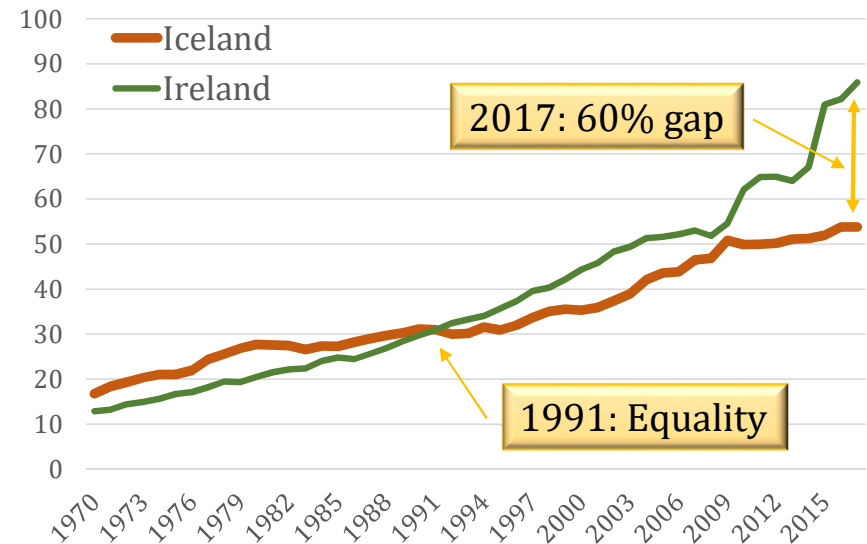
Iceland and Ireland 1970-2017

GDP per capita 1990-2017
(constant 2011 international \$, PPP)



Source: World Bank.

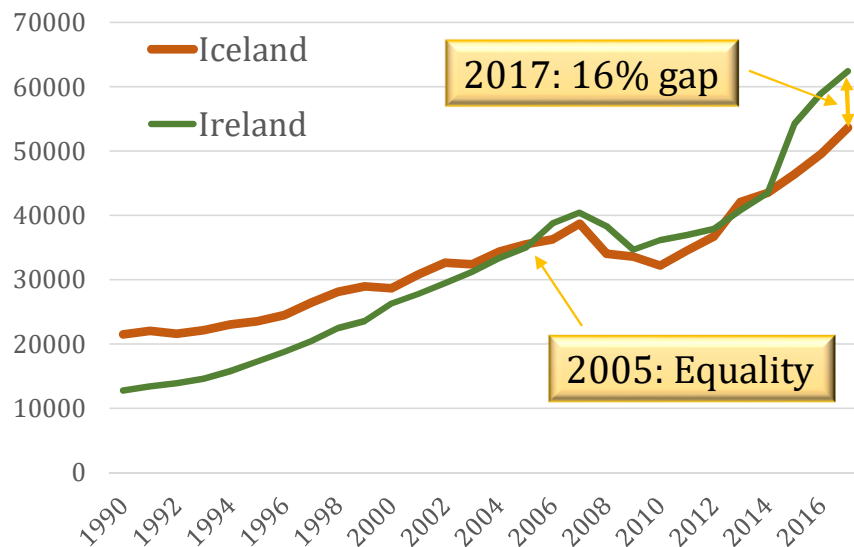
GDP per hour worked 1970-2017
(constant 2010 US \$, PPP)



Source: OECD.

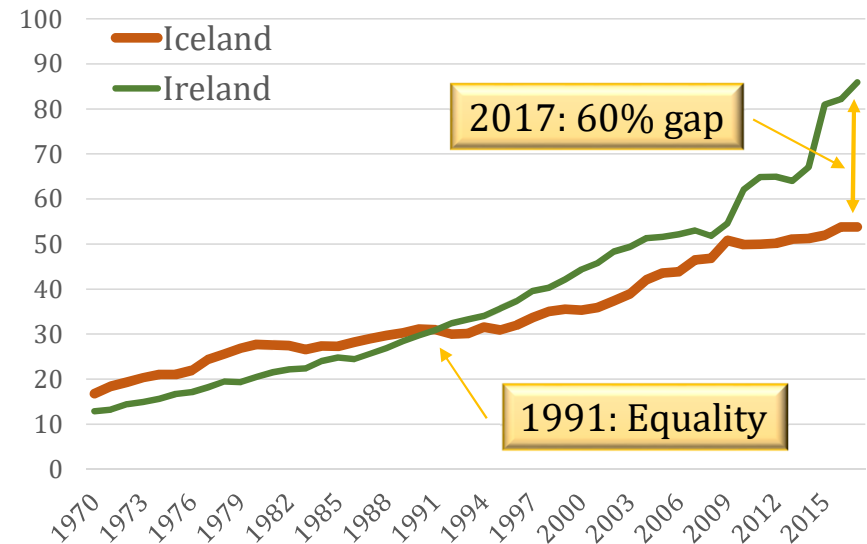
Iceland and Ireland 1970-2017

GNI per capita 1990-2017 (current international \$, PPP)



Source: World Bank.

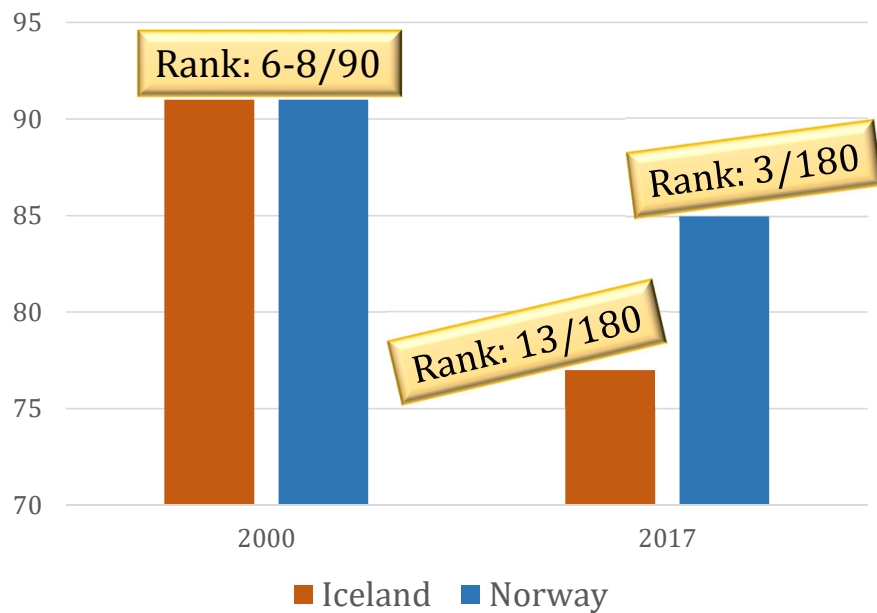
GDP per hour worked 1970-2017 (constant 2010 US \$, PPP)



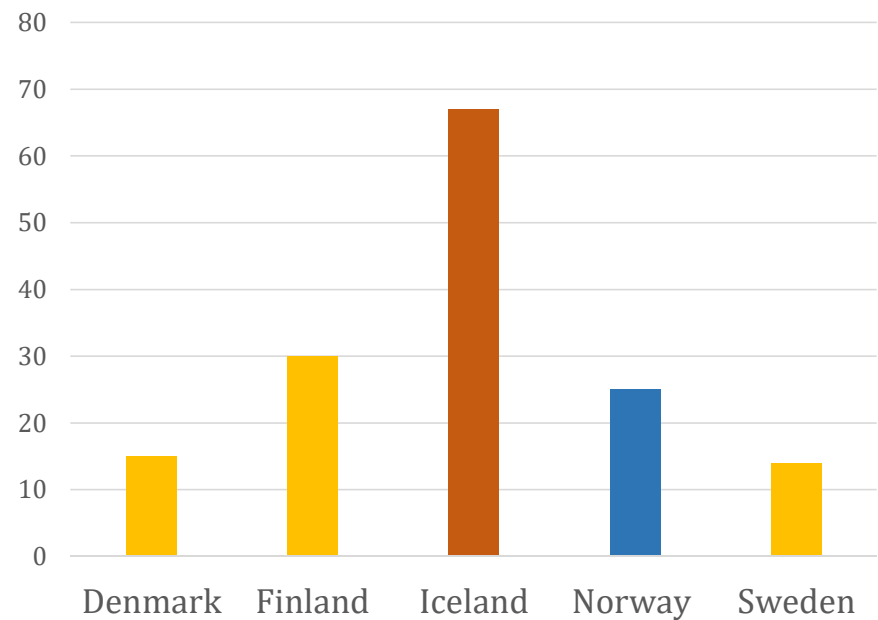
Source: OECD.

Iceland and Norway: Corruption

Corruption Perceptions Index from Transparency International 2000 and 2017

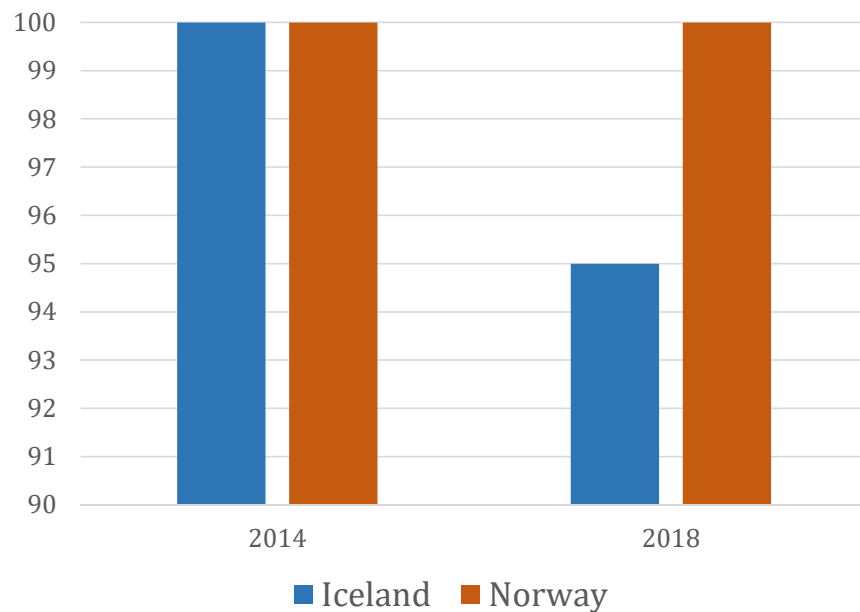


Gallup 2012 (% of respondents who consider corruption pervasive)



Iceland and Norway: Democracy

Democracy scores from Freedom House
2014 and 2018



Why Freedom House no longer views Iceland as a full-fledged democracy

- ✓ Are the people's political choices free from domination by ... economic oligarchies ... not democratically accountable? No.
- ✓ Are safeguards against official corruption strong and effective? No.
- ✓ Does the government operate with openness and transparency? No.
- ✓ Are there free and independent media? Yes, but ...
- ✓ Do laws, policies, and practices guarantee equal treatment of various segments of the population? No.