Iceland And The International Financial Crisis Boom Bust And Recovery International Political Economy Series

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CUNNINGHAM KIRK

In the Combat Zone of Finance International Monetary Fund
“Lewis shows again why he is the leading journalist of his generation.”—Kyle Smith, Forbes The tsunami of cheap credit that rolled across the planet between 2002 and 2008 was more than a simple financial

phenomenon: it was temptation, offering entire societies the chance to reveal aspects of their characters they could not normally afford to indulge. Icelanders wanted to stop fishing and become investment bankers. The Greeks wanted to turn their country into a pinata stuffed with cash and allow as many citizens as possible to take a whack at it. The Germans wanted to be even more German; the Irish wanted to stop being Irish. Michael Lewis's investigation of bubbles beyond our shores is so brilliantly, sadly hilarious that it leads the American reader to a comfortable complacency: oh, those foolish foreigners. But when he turns a merciless eye on California and Washington, DC, we see that the narrative is a trap baited with humor, and we understand the reckoning that awaits the greatest and greediest of debtor nations.

<u>The Political Economy of International Finance in an Age of Inequality</u>
Springer Science & Business Media

The economic crisis that emerged in America in 2008 unleashed a veritable epidemic of ill health around the world. However it was Iceland, whose population of three hundred thousand had the world's highest GDP per capita and counted itself the happiest of countries, that caught the worst cold. It has nearly killed them. No story from the economic crisis of 2008 is more evocative than I celand's. The names may be unfamiliar-Johanesson, Bjoergolfsson, Oddsson-but their exuberance,

greed, and miscalculation have many counterparts on our shores. And however traumatic the collapse of individual companies may be in the United States, in Iceland's case an entire country melted down. All the wealth accumulated in the previous decade-during which a new breed of Icelanders had dared to believe they could compete economically on an international level, during which Reykjavik became the Capital of Cool-disappeared practically overnight. Iceland's story shows how closely the world economy is interconnected: The default on subprime mortgages in the U .S. led to the collapse of Lehman Brothers, which led directly to the run on Iceland's banks, which forced local authorities in Britain to switch off the heating in their classrooms. With panache and color, Roger Boyes tells the inside story of the bankrupting of I celand: how it happened, the human dramas-from politicians to financiers to fishermen-that continue to swirl around it, and the lessons we can not ignore. Published on the first anniversary of its collapse, Meltdown Iceland is a cautionary tale for our times, an authoritative and compelling account of the financial destruction of a tiny country whose saga should resonate for us all.
Iceland Routledge
This paper describes the Stand-By Arrangement for Iceland under the Emergency Financing Mechanism. The crisis is producing a sharp

contraction of economic activity. Indicators of consumption are plummeting, and the deterioration in the labor market is accelerating, with rising unemployment and falling real wages contributing to a considerable contraction in real incomes. Significant import compression is under way, allowing a sustained turnaround in the trade balance, as exports continue to benefit from a weaker króna. The króna interbank market is inactive, and equity markets remain under pressure with trade being thin.

The Big History of a Small Island International Monetary Fund

This Technical Assistance report on Iceland discusses that the issue of maintaining alignment with budgets and budgetary reports that are expected to focus on Government Finance Statistics Manual of 2001 (GFSM 2001) indicators. Consolidated "whole-of-government" financial statements of the central government will facilitate fiscal policy informed by a broader view of public finances. Recognition and systematic accounting of physical assets are expected to enhance transparency and facilitate management and budgetary decisions. Under the current framework such assets—including roads, bridges, tunnels, land, and buildings—are treated as expenses and written off in the year in which they are acquired. Some changes in valuation of financial assets and liabilities may also be required. The cash flow statement should provide information about key revenues and expenditures. The budget should recognize depreciation as an expense but need not appropriate for depreciation at this stage. The budgeted operating statement should include depreciation as an expense to determine the operating result.

Preludes to the Icelandic Financial Crisis Penguin

On November 19, 2008, Iceland and the International Monetary Fund (IMF) finalized an agreement on a $6 billion economic stabilization program supported by a $2.1 billion loan from the IMF. Following the IMF decision, Denmark, Finland, Norway, and Sweden agreed to provide an additional $2.5 billion. Iceland's banking system had collapsed as a culmination of a series of decisions the banks made that left them highly exposed to disruptions in financial markets. The collapse of the banks also raises questions for U.S. leaders and others about supervising banks that operate across national borders, especially as it becomes increasingly difficult to distinguish the limits of domestic financial markets. Such supervision is important for banks that are headquartered in small economies, but operate across national borders. If such banks become so overexposed in foreign markets that a financial disruption threatens the solvency of the banks, the collapse of the banks can overwhelm domestic credit markets and outstrip the ability of the central bank to serve as the lender of last resort. This report will be updated as warranted by events.

Economic Crisis and Mass Protest Iceland and the International Financial CrisisBoom, Bust and Recovery

The global financial crisis revealed weaknesses in the stress testing exercises performed on financial institutions and systems around the world. These failures were most evident in the area of liquidity risk, where now-obvious vulnerabilities were left largely undetected, with stress tests having largely focused on solvency risk. This paper uses publicly available data from a now-defunct bank in Iceland, where liquidity shocks were immense, to demonstrate how a combination of stress tests of the various risks would have provided a clearer picture of existing vulnerablities. We show that, ultimately, stress test models do not necessarily need to be complex or overly sophisticated. Basic stress tests, using appropriate assumptions and shocks, could reveal key areas of risk to inform contingency planning. The liquidity stress test templates used in this paper are included.

The End of Iceland's Innocence Bloomsbury Publishing USA

The 2001 financial system stability assessment identified risks of financial sector instability, as rapid increases in foreign and domestic currency indebtedness, accumulating external imbalances, and inflation accompanied Iceland's expansion of the late 1990s. The insurance sector, composed of 15 domestic insurance companies including four life insurance companies and three larger companies that dominate the nonlife market, is the smallest sector in the financial system. The authorities monitor banks' long-term foreign exchange refunding needs and the outcomes of refunding operations. *Lessons from Iceland* University Press of Colorado The 2008 financial crisis was among the worst in history, yet nevertheless offers invaluable lessons. Recorded as the third largest bankruptcy in history, it caused Iceland to experience an instant collapse. Iceland defied the rules of finance; no bailout was attempted, capital movements were restricted, bankers jailed, and creditors fought. Amazingly, although Iceland was hit hardest, it recovered fastest. In The Combat Zone of Finance is an insider's account told through anecdotes, dialogues and personal stories. The author, Svein Harald Oygard, was offered the job of Central Bank Governor of Iceland just as the crisis struck. He saw how institutions and leaders behaved from inside the system in its deepest crisis. Some made billions; others got burned. Their behaviour, strengths and weaknesses were revealed as in no other country. Oygard analyses these events in the context of financial risks facing the world in 2020; knowledge of which is becoming increasingly

relevant. --
Iceland: The Financial and Economic Crisis
International Monetary Fund
Born in Massachusetts, Jared Bibler relocated to Iceland in 2004 only to find himself in the middle of an unprecedented financial crisis a handful of years later. Personally wiped out and seeking to uncover the truth about a collapse that brought the pastoral country to its knees, he became the lead investigator into some of the largest financial crimes in the world. This work helped Iceland to famously become the only country to jail its bank CEOs in the wake of the 2008 crisis. But the real story behind that headline is far more complex — and sinister. A decade after the investigations, the story can be told at last and in full. The crisis, barely understood inside or outside of Iceland even today, is a cautionary tale for the world: an inside look at the high crimes that inevitably follow Wild West capitalism. With the next global financial meltdown just around the corner, this untold tale is as timely as ever.
Iceland Lid Publishing
The ex-post evaluation of Iceland’s Exceptional Access under the 2008 Stand-By Arrangement is presented. In the wake of the global financial crisis in late 2008, Iceland has experienced a deep financial and economic crisis of its own. Domestically, the rapid increase in lending fuelled bubbles in all asset classes, particularly the stock market and real estate. Inflated asset

prices and nontransparent cross-financing and related party lending between banks and holding companies helped mask poor asset quality and facilitated the financing of credit expansion by borrowing abroad, increasing vulnerability.

Lessons on the World Financial Crisis from a Small Bankrupt Island

International Monetary Fund

Iceland truly lived the boom and bust. Once a tiny country on the edge of Europe, in less than two decades it became a global financial powerhouse. This is the story of how one man, one bank and one country experienced and affected the course of world economic history. Armann Thorvaldsson, a former CEO at Kaupthing in the UK, tells the story of how his company was transformed into a £6 billion international bank, by far the largest in his country’s history. Helping to build the biggest names in Icelandic business, Thorvaldsson represented the money behind such household names as easyJet, Matalan, Iceland and Karen Millen. As the boom got bigger, the Icelandic bankers worked and played hard with their international clients, including Gordon Ramsay, the Candy brothers, Mike Ashley and Robert Tchenguiz. Moving from Reykjavik to London, Monte Carlo and St Tropez, they seemed unstoppable. Yet, when the bust came, even the most frantic attempts to save the bank were fruitless, leading to the

total collapse of the Icelandic economy. Thorvaldsson’s reflections on exactly what happened and why, make compelling reading.
Selected Issues and Statistical Appendix International Monetary Fund
Eirikur Bergmann explains the exceptional case of Iceland's fantastical boom, bust and rapid recovery after the Crash of 2008 and explores the lessons for the wider EU crisis and for over-reaching economies that over-rely on financial markets.
Iceland and the International Financial Crisis Springer
Iceland has implemented a broad-based program of financial liberalization and market reforms. Iceland's conduct of monetary and financial policies is highly transparent, which contributes in an important way to the stability and efficiency of the financial system. Both macroprudential and microprudential indicators suggest that the system may be vulnerable to a macroeconomic shock. The Icelandic financial system is vulnerable to market risk and credit risk. The government intends to use the results of the assessment to strengthen their operations and enhance improvements to the regulatory framework.
2018 Article IV Consultation-Press Release; Staff Report; Staff Statement; and Statement by the Executive Director for Iceland International Monetary Fund
This Selected Issues paper examines implications of

capital account liberalization in Iceland. Capital controls were critical in 2008 to avoid a more severe collapse of the Icelandic economy. Six years later, capital inflows have been liberalized, but most outflows remain restricted. Iceland has used the breathing room to reduce flow and stock vulnerabilities, strengthen institutions, and prepare for the lifting of capital controls. Simulations using the central bank's Quarterly Macroeconomic Model (QMM) suggest that, compared with the 2008 crisis episode, the economy can better withstand the impact of an abrupt removal of capital controls. However, the outcome would be dependent on a number of factors, including resident depositor behavior.

The International Financial Crisis International Monetary Fund

The abolition of the fluctuation bands by the Icelandic government is seen as the final step of a consistent and gradual move toward increased exchange rate flexibility. Supplemented by the adoption of an inflation targeting regime, the new monetary policy framework should suit Iceland better. Iceland's new monetary policy framework has been introduced against a backdrop of a sound legal environment. The institutional and operational framework of the inflation targeting regime is well defined. The statistical data on the economic indices of Iceland are presented.

National Intellectual

Capital and the Financial Crisis in Denmark, Finland, Iceland, Norway, and Sweden International Monetary Fund

As late as the mid 1980s, Iceland's economy revolved around little else than a semi-robust cod-fishing industry. By the end of the century, however, it had transformed itself into a major player in world finance, building an international banking empire worth twelve times its GDP. The tiny island nation of 300,000 was one of the global economy's great success stories. And then everything came crashing down. Why Iceland? is the inside account of one of the economic meltdown's most fascinating and far-reaching tragedies. As Chief Economist of Kaupthing Bank, the country's largest bank before the collapse, Ásgeir Jónsson is perfectly suited to examine Iceland's collapse in painstaking detail. He witnessed behind-the-scenes events firsthand, such as an intriguing meeting in January 2008 when a group of international hedge fund managers gathered in a bar in Reykjavik to discuss Iceland's economy—an informal affair that eventually became the center of a criminal investigation by the country's Financial Supervisory Authority. This inside account examines the pressing issues behind history's biggest banking collapse: How did Iceland transform itself from one of Europe's poorest to one of its wealthiest countries? What happened to cause the destruction of the nation’s banking industry during a single week of October 2008? Was it the result of a speculation “attack” by hedge funds on the nation’s currency? Iceland remains the biggest casualty of the economic downturn, and the ramifications of its catastrophic failure reach deeply into the economies of Europe, the United States, and other global markets. Ásgeir Jónsson offers a unique perspective and an expert’s insight into the rise and fall of this once-proud banking giant. Why Iceland? provides the who, what, where, and when of Iceland’s demise, serving as a fascinating read and providing the understanding necessary for forecasting when and where the aftershocks will shake up markets in other parts of the world. "Fearsome Vikings discovered Iceland. Hedge funds knocked it down. It was a humiliating tumble for the former financial powerhouse, which was proud of its status in Europe. A late bloomer, Iceland had been the last country in Europe to be settled, the Nordic nation rapidly caught up with its wealthier relations. It was all fine until October 2008, when country's banking system collapsed in a week. Written by an Icelandic economist, Why Iceland? chronicles the meltdown, in the context of the nation's history."--New York Post (A "Required Reading" Selection)

Stand-By Arrangement: Interim Review Under the Emergency Financing Mechanism

University of Ottawa Press

This paper presents an update on Iceland’s Financial System Stability Assessment. Liquidity ratios, while high, now depend more than before on access to central banks’ liquidity facilities because of the turmoil in global markets, and any reduction in such access would require changes in the banks' liquidity management strategy. Capital levels, although above minimum levels, are below the average of the five years and may not provide adequate buffers, in light of the deterioration in the global environment and market uncertainties about the strength of banks.

Perspectives on Liquidity Stress Testing Using an Iceland Example

International Monetary Fund

The aim of this empirical study is to describe and provide analysis on the experience of managing capital flows in Iceland and the Baltic countries. During the build-up of the crisis, there were shortcomings in macroeconomic policies and in the policy mix, as well as in financial supervision in the countries covered. While the use of traditional macroeconomic and structural policies was far from exhausted, recognizing that there are no substitutes for sound macroeconomic policies, with an IMF framework on capital flows in place prior to the crisis, it might have been easier for the IMF and national policymakers to identify accelerating problems at an early stage and address them with targeted measures.

Soft Currencies, Hard

Landings International Monetary Fund
The essays in this book describe and analyze the current contours of the international financial system, covering both developed and developing countries, and focusing on the ways in which the current international financial system structures, and is affected by, profound inequalities in the international system. This keen analysis of key topics in international finance takes a heterodox perspective, with focus on the role of inequalities in power in shaping the structure and outcomes in the international sphere.
Routledge
In the first decade of the twenty-first century, the biggest event of worldwide proportion was the 2008 global financial crisis, which was caused primarily by ineffective governance, failed surveillance systems, and implementation flaws. While fiscal and monetary policies succeeded in pulling many countries out of a financial freefall, most economies have performed beneath pre-recession levels as governments continued to struggle with their finances. Examining the financial crisis from the viewpoint of intangible assets provides a different perspective from traditional economic approaches. National Intellectual Capital (NIC), comprised mainly of human capital, market capital, process capital, renewal capital, and financial capital, is a valuable intangible asset and a key source of national competitive

advantage in today's knowledge economy. The authors—pioneers in the field—present extensive data and a rigorous conceptual framework to analyze the connections between the global financial crisis and NIC development. Covering the period from 2005 to 2010 across 48 countries, the authors establish a positive correlation between NIC and GDP per capita and consider the impact of NIC investment for short-term recovery and long-term risk control and strategy formulation. Each volume in a series of SpringerBriefs on NIC and the financial crisis provides in-depth coverage of the impact of the crisis, the aftermath, future prospects, and policy implications for a regional cluster. This volume focuses on Denmark, Finland, Iceland, Norway, and Sweden.