

**An analysis of
the report of Althing's Special Investigation Commission
from a gender perspective**

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1. Introduction

The objective of the project is to analyse the report issued by Althing's Special Investigation Commission from a gender perspective. The report is examined using gender concepts and methodology. Concepts relating to masculine concepts and male studies are used in particular. Studies of masculinity have been undertaken for years and the Nordic countries, especially, have placed a strong emphasis on such studies. Events are examined that contributed to the collapse of the banks, the run-up to their collapse and themes which have genderological implications. The purpose is to make the readers of the report and Icelandic society better equipped to understand the role gender played in the events leading up to the collapse of the banks and the whole course of events.

A study of the SIC report from this perspective reveals that social and culturally ingrained ideas and discourse relating to gender played a large part in these events. The report also shows that the meaning of gender and its effects are diverse. It could be said that some of them are plain for all to see, for instance, the fact that all the main players in the collapse of banks were men. Women were in a minority in politics, business, companies' boards of directors, in the media, among the owners of the banks, borrowers and those who received grants from them and so on and so forth. Generally speaking, however, the effects are more complex and demand more specific analysis. In the analysis a distinction is made between sex and gender as the latter refers to the socialisation of gender differences and the culturally ingrained ideas relating to masculinity and femininity.

The project was carried out by reading, analysing and interpreting the report of the Special Investigative Commission (SIC report) from a gender perspective. The substance of the analysis is the whole report although various volumes have different relevance and individual parts of the report are discussed to a variable extent. The approach is best described as another dimension being added, the gender dimension, to the interpretation and analysis of the Special Investigative Commission. In the first chapters of the report, the gender perspective is used to analyse the social framework in the events leading to the collapse such as economic management, employment policy and tax policy, but also important and dramatic decision-making processes such as the privatisation of the banks. The analysis is by no means exhaustive but an example of how gender studies can play a part in bringing closure to

the collapse. The chapters towards the end of the report discuss events and views thematically in relation to the concepts of gender studies, which create the framework for discussion. It is demonstrated how concepts such as individual, freedom and nationality relate to the concepts: sex, gender, masculinity and femininity. The ideology and social views of previous years are examined from this perspective. Furthermore, the hierarchy of masculinity is discussed and how attitudes, decision-making and ideas relating to competence are based on masculine perspectives. An example of this is the banks' remuneration and incentive programmes.

When the SIC report is cited the volume and the page are cited within brackets. Other references are made in footnotes. The discussion cites the names and posts of persons as applicable. When more than one individual has held public office during the period, which is being discussed, a clear reference is made thereto. Employees of the banks are cited in accordance with their job title unless they are quoted directly. Names of most of the people cited can be found in the SIC report. In the exposition of the text, emphasis is placed on examining gender patterns and gender specific ideas rather than individuals.

The last chapter of the report contains assumptions, which are made and ideas that are put forth for measures to be taken relating to gender equality. In general, systematic work towards promoting equality is, among other things, based on the understanding that there is gender inequality; women have lower incomes than men and fewer opportunities in the workplace, and that women are more often responsible for unpaid care. Available research, studies and statistics confirm this.¹ The need to work towards equality is supported by arguments based on justice as well as utilitarian arguments. The arguments based on justice stipulate that it is neither just nor fair that women and men do not have equal opportunity to benefit from their own enterprise and develop their talents. The utilitarian arguments stipulate that gender inequality robs society of women's resources which it cannot afford to miss out on. Competence and hard work are equally divided between men and women, and male bias results in a direct loss for society². Research has thus shown that companies with homogenous

¹ *Gender Equality Forum. Skýrsla félags- og tryggingamálaráðherra um stöðu og þróun jafnréttismála. Jafnrétti kynjanna í tölum.* The Ministry of Social Affairs and Social Security January 2009
Downloaded 27 August from

http://www.felagsmalaraduneyti.is/media/Jafnrettisthing09/Jafnrth2009_net.pdf

² M. Teigen. (2002) The Universe of Gender Quotas. *NIKK magasin* 3, 4-8.

boards are less profitable than companies with boards of directors of both genders as that allows more diverse views to be heard.

The proposals in the last chapter of the report are based on the fundamental idea that equality and prosperity go hand in hand. Working towards equality is, therefore, well worthwhile and international agreements to which Iceland is a party should be used to promote such efforts. The Convention of the Elimination of All Forms of Discrimination Against Women (CEDAW) bears mentioning in particular in this context³. The proposals take into account Act No. 10/2008 on Equal Status and Equal Rights of Women and Men and Act No. 18/2010 amending the Act on Public Limited Companies and Act on Private Limited Companies (ownership, gender ratio and executive chairmen of boards of directors), which stipulate that on the boards of directors of public limited companies and private limited companies, where there are more than 50 employees, the ratio of each gender should not be lower than 40%. The Act on Equal Status and Equal Rights stipulate the obligations companies and the authorities have in matters relating to equality. The mainstreaming of gender and equality perspectives has been stipulated in the Government Action Plan to achieve gender equality since 1998⁴. The mainstreaming of gender and equality perspectives were, however, implemented with the Act on Equality in 2008. The definition of mainstreaming is, according to Article 1 of the Act:

To organise, improve, develop and assess policy formation processes so that the perspective of gender equality is tied into policy formation in all areas and in the decisions of those who, all things being equal, take part in policy formation in society.

The Act on Equality places various obligations on employers. Article 18 of the Act stipulates that employers and unions shall work systematically towards equalising the status of the genders in the workplace. Employers shall work, in particular, towards equalising the status of the genders within their own company or institution, and avoid categorising jobs into particular women's and men's jobs. Special emphasis shall be placed on balancing the number of women and men in managerial positions and influential positions. Furthermore, in Article 18 of the same Act, it states that

³ http://www.humanrights.is/media/frettir//Kvennasattmali_Sameinudu_tjodanna_-_pdf.pdf

⁴ *Parliamentary resolution for a four year gender equality action plan (1998-2001)* Downloaded 27 August from <http://www.althingi.is/altext/122/s/1452.html>

companies and institutions with more than 25 employees shall adopt an equal rights programme or mainstream gender perspectives into their human resource policy.

Proposals for actions in the final chapter take into account gender budgeting where applicable. Gender budgeting is based on the premise that decisions in public finances can have gender specific effects even if they are gender neutral in form. It entails:

Mainstreaming gender and equality perspectives in the budget process. It entails assessing the budget where gender perspectives are applied to all levels of the budgeting process, and that income and expenses are re-organised for the purpose of promoting the equality of the genders.⁵

The government currently in office gave a promise to implement gender budgeting in its cooperation statement in May 2009:

When decisions are made regarding the expenditure framework for the next four years, the prioritisation and emphasis will be placed on reaching a consensus on urgent social welfare projects, protecting jobs, gender equality and impact on regional areas . Gender budgeting will be a guiding light in preparing the budget and economic management.⁶

Apart from the arguments based on justice and utilitarian arguments specified earlier, knowledge based arguments can be put forth in support of working towards equal rights and analysis from a gender perspective as is done here. Understanding of Icelandic society and its infrastructure will be deeper, fuller and more reliable when the available knowledge has been analysed with a gender dimension. It is our hope that this report will further gender awareness in Icelandic social discussions and strengthen efforts to promote equality, and thereby decrease the likelihood of events such as those, which took place in the autumn of 2008, repeating themselves.

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Thorgerdur Einarsdóttir:

Gyda Margrét Pétursdóttir:

⁵ S. Quinn. (2009) *Kynjuð fjárlagagerð*: Handbók um framkvæmd. Reykjavík The Ministry of Finance.

⁶ Government coalition Co-operation Statement by the Social Democratic Alliance and Left-Green Movement, 2009. Downloaded 27 August from <http://www.stjornarrad.is/Stefnuyfirlysing/>

4. The privatisation of the Icelandic banks

One of the main reasons for the collapse of the banks in 2008, in the opinion of the Special Investigative Commission, is their rapid growth that can be traced back to their privatisation, which was finalised in 2003. When banks are privatised they generally become more risk seeking, and increased lending and indebtedness is to be expected in the country where privatisation is taking place. All of this materialised in Iceland. The SIC report explains how the privatisation of the banks had begun well, but that the process increasingly started to resemble the privatisation of the banks in Mexico 1990-1992. In Mexico, the acquisition of the banks was badly financed, ownership became concentrated and many of the new owners were inexperienced when it came to banking:

They were, however, eager to advance other businesses under their control and even advanced loans to themselves with the funds they had acquired their bank with. (1:112-113).

The Althing referred decisions regarding the arrangement of the sale of the banks to the government, four ministers brought the matter to its conclusion, while legally the final decision and administrative responsibility rested with the minister responsible for banking affairs. Valgerdur Sverrisdóttir, who was then the Minister of Commerce described the process to the Special Investigative Commission in the following way:

Well, in retrospect it was naturally very open, it was a bit like a child of its time, the executive branch was naturally very dominating in the parliament at the time. (1:235)

Yes, no doubt that is true. It was certainly only in the hands of the government but [...] a certain process was, however, under way and then there were some criteria. Some thought that this had all been decided by these ministers, not even four ministers but some two ministers and then it had just been done. But of course it wasn't that bad. And I mention once again this HSBC company which I thought was very important but then again I don't know anything about that. (1:235)

It's interesting that the Minister suggest here that there was something amiss in the process and tries, on the other hand, to distance herself from it "but then again I don't know anything about that". After searching without any success for a foreign core investor until 2001, the sale was to be postponed. That changed when the Björgóflur father and son team showed interest in buying Landsbanki in June 2002. That

happened after informal discussions between Björgólfur Thor Björgólfsson and Magnús Thorsteinsson on the one hand, and an HSBC representative, an advisor to the Icelandic government in the sales process, on the other, in London. Subsequently, the sales process was altered, both the criteria regarding the buyer's qualifications and the overall objective. The Björgólfur father and son team followed up on their interest with a formal letter to the Executive Committee on Privatisation in June 2002 after having been in contact with the Prime Minister and after being in "constant contact" (1:242) with Ólafur Davíðsson, the Chairman of the Committee at the time. The SIC report describes how informal communication and men's network of contacts, which will be discussed later, influenced the run up to the sale.

A core investor was, according to the definition of the Minister of Commerce who was responsible for the process, "one who has knowledge of and experience in the field of financial services" (1:241); these requirements were explained by the Minister in an article in Morgunbladid on 5 July 2001. Requirements and criteria put forth by the government in the beginning of the process proved to be changeable according to the Special Investigative Commission. Requirements were reduced and the prioritisation of requirements altered as the process progressed, and professional knowledge and experience of financial services as specific requirements were abandoned. The scope was expanded in particular after a letter from the Björgólfur father and son team was received regarding their interest in Landsbanki in June 2002. The sale of Búnadarbanki rested in particular on the participation of a "respected international financial institution". (1:253). It was unclear up to the last minute, which institution that was, even if that had been a determining factor when that group was chosen and others rejected. The respected international financial institution proved to be a small bank with "limited activities in the field of private banking in a geographically limited area in Central Europe" (1:260, footnote No. 116).

Three gender dimensions can be found in the process surrounding the privatisation of the banks. Firstly, the network and co-insurance between men during the sales process. Secondly, changeable criteria on qualifications, which were tailored to suit the candidates of choice, most often men. In the chapter "Competence, decision-making and mentality" here below, the concept of competence is discussed and the meaning it has acquired in the business world. Thirdly, what is at play is the interaction between culturally ingrained ideas of masculinity and femininity among those who took the political decisions in relation to the privatisation. That will be

discussed in greater detail in the chapter “Genderisation”: Interplay of gender and topic”. [11]

The involvement of the Björgólfur father and son team in the sales process started very informally and was described by Björgólfur Gudmundsson in the following way to the Special Investigative Commission:

Our involvement in this began actually in England at the time when we had just dealt with Russia or that part which we were involved in there, we then met a man from HSBC, that is to say in a cocktail party and he mentioned that they always had a mandate from the government that they may, should sell the bank. The conversation became light-hearted, Magnús and Björgólfur were there, I wasn't and it kind of sparked something in them. Then a little later, there was a party or cocktail party at the Heritable bank, which was Landsbanki at the time and Halldór Jón and Kjartan Gunnarson were there, who was the Chairman in England then and they, start a conversation and then, they start to tell them that a part of the bank is going to be sold[...]. And I remember that this HSBC guy, who had the mandate I think in 2001, he said that they had approached 20, 17 or 20 parties, introduced the case to them, whether they would be interested in participating in this bank offering [...]. So, then we get home and start to mull over this and speak to this committee which Ólafur Davíðsson chairs, make some calls and somebody said, somehow it evolved into us getting into contact with him and [...] we write them a letter[...]. (1:242)

This communication is an example of how communication between men takes place informally and how they rely on old acquaintances or friendships so that the power of particular men is secured. This is discussed in greater detail in the chapter “Men's network of contacts” here below. The statement suggests that ideas and decisions in the business arena are not always thought through cf. the remark “it sparked something in them”. This also highlights how Björgólfur creates a negotiating platform by putting his previous business ventures in context with the winner, they had “just dealt with Russia” as if it had been easy for them to conquer the old superpower.

4.1. Leaderocracy and political bargaining

In the beginning, the aim was merely to sell Landsbanki. After the letter from the Björgólfur father and son team, the government's focus changed, all of a sudden the government is interested in selling both Landsbanki and Búnadarbanki. A decision is made to advertise both banks for sale, however this decision was disputed. The

Minister of Commerce described this in the following way for the Special Investigative Commission:

We had a difference of opinion, me and Davíð, at the same time as when it was being decided whether both banks should be advertised for sale or just one of them. He just wanted to advertise one bank, Landsbanki. [...] Well, he just wanted to do it that way and I wanted to do it the other way and I won, I wasn't all that unhappy about that. (1:239)

The political culture in Iceland has been considered to be characterised by "leaderocracy" (8:179) and there seems to have been a growing tendency to place the government's policy formation in the hands of the two party chairman in government. When the actual decision has to be taken, the minister responsible for the decision constitutionally must take it. Apart from the fact that this arrangement weakens the parliament and democracy, it bears mentioning that men are in the majority of party chairman and leaderocracy has thus a strong gender dimension⁷. In light of this, it is interesting that the role of the Minister of Commerce in the process suggests that the Minister's actual power was not consistent with her responsibility. She says that the decision to enter into an agreement with the Samson-group regarding Landsbanki "stemmed from the Prime Minister, that was "evident" (1:267). During testimony with the Special Investigative Commission, the Minister of Commerce hinted that she had another, smaller role in the process than the Prime Minister and Minister of Foreign Affairs, even though she is the minister legally responsible:

The atmosphere was such that one had a strong feeling that he [Davíð Oddsson] wanted Samson to buy Landsbanki, but I have nothing else to support that feeling. (1:268)

[Halldór Ásgrímsson] really wanted them to be in one group, Kaldbakur and the S-Group. He had conversations with some parties regarding that. There was a telephone conference with them which was... well yes, he must have been under some pressure and maybe more pressure than I was; both wanted the bank, *and maybe it was because I am a woman, I don't know, the perception might have been that I was maybe not in control of the whole thing.* (1:268, italics are ours)

Steingrímur Ari Arason, the representative of the Ministry of Finance, resigned from the Executive Committee on Privatisation after the decision was taken to negotiate

⁷ Thorgerdur Einarsdóttir and Guðbjörg Lilja Hjartardóttir (2009). Kynjaskekkja í stjórnámálum: Breytingar og áhrifaþættir. *Stjórnámál og stjórnsýsla, vefúmarit*, 5 (1). Academic articles.

with the Samson-group. He said that the ministers had given the Executive Committee on Privatisation instructions in July/September 2002. Despite the sale being the responsibility of the Minister of Commerce, Steingrímur Ari confirmed the Minister's descriptions when he said that the Minister of Commerce and Minister of Finance had stood aside and that both had been “well, incredibly passive” (1:267) He said the following to the Special Investigative Commission regarding the matter:

I am 99.9% sure that [Davíd Oddsson and Halldór Ásgrímsson] took this decision, to sell both banks at the same time, to start negotiating with the S-group on the purchase of Búnadarbanki and the Samson-group on the purchase of Landsbanki. (1:267)

4.2. Changeable qualification requirements

Both the Executive Committee on Privatisation and the Ministry of Commerce had doubts regarding the competence of those bidders who later became the owners of Landsbanki:

The bidders have no experience in banking, and at a glance it is hard to see how they can increase the competitiveness of the bank in a similar way as a foreign bank could. (1:244)

Doubts were also expressed abroad, for example in Euromoney in 2002 where the background and history of Björgólfur Gudmundsson was discussed and the magazine asked: „Is this man fit to own a bank?“ (8:26). Nevertheless, it was decided to start negotiating exclusively with the investment company owned by the Björgólfur father and son team, Samson ehf. The Financial Supervisory Authority did not object to the competence of the Samson-group. It is interesting to see that during this process the Minister of Commerce pulls back on her views on requirements to be made towards potential core investors when choosing the Samson-group. In her testimony to the Special Investigative Commission she plays down the significance of her views and the Ministry's:

More specifically, Valgerdur speaks of this requirement as being “well just from us and it was not something that the ministerial committee as such had approved as the right thing” and that RnE had “never agreed” on those views, which she had put forth in the previously mentioned article or memo, that it had only been "our text here in the Ministry of Commerce". (1:265)

Points related to this are discussed in the chapter “Emphasised femininity“. When choosing buyers for Búnadarbanki after the exclusive negotiations with Samson ehf. had begun, premises and assessment criteria were changed yet again and as a result parties to the process did not stand on an equal footing. An employee of the Executive Committee on Privatisation went to London to meet the employee of HSBC. The trip was against the wishes of the Financial Supervisory Authority and the Minister of Commerce said that she had been “very surprised and angry” (1:263) but didn’t take it up within the government. An employee of the Executive Committee negotiated directly with the representative of HSBC on the valuation model cf. an e-mail from HSBC to him after the meeting:

By defining the criteria and weighting carefully, it is possible to arrive at the “right” result in selecting the preferred party, whilst having a semi-scientific justification for the decision that will withstand external critical scrutiny. (1:263)

From the above it is evident that the implementation of the sales process by the Executive Committee on Privatisation was for the most part in accordance with the wishes of the S-group regarding the postponement of the purchase agreement and the announcement of who the foreign investor was, which was revealed and discussed at the Committee meeting on 13 December 2002. The purchase agreement was not signed until after mid-January 2003 and it seems as if the Committee was not informed about who the foreign investor was until just before the agreement was signed. It seems that the Minister of Commerce, who held the formal decision-making powers and was politically responsible for the decision had been sidelined, apart from the fact that she had promoted the view that both banks should be sold, not just Landsbanki to the Samson-group. These methods and lack of transparency caused suspicion as from then on remarks were constantly being made to the effect that political bargaining had characterised the process as is discussed especially in Volume 8 of the SIC report.

A few factors in this process could suggest that the role of the Minister of Commerce reflect the concept *emphasised femininity*, which ties in with the concept of hegemonic masculinity and is discussed in greater detail in the chapter “The hierarchy of masculinity“. The concept *emphasised femininity* encompasses submission and a service orientated conformance to men or masculine views. It is

noteworthy that the Minister of Commerce promoted the sale of both banks and had a difference in opinion to the Prime Minister (“I won, I wasn’t all that unhappy about that”) (1:239)). On the other hand, she was not involved in distributing the goods which her actions lead to. That can be seen from her own description of this process. She says that the party chairman had applied himself among interested investors but she had not been involved and had not been pressured in that regard “*maybe it was because I am a woman, I don't know, the perception might have been that I was maybe not in control of the whole thing....*” (1:268). Thirdly, the Minister of Commerce pulled back with the criteria that she and her Ministry had defined as competence requirements. She plays down the criteria she herself had previously set forth as revealed in the quote above, in which she downplays the memo from the Ministry of Commerce, explaining that it had only been “our text here in the Ministry of Commerce” (1:265). This is consistent with ideas on emphasised femininity.

Here above the privatisation of the banks has been discussed from a gender perspective and the focus placed on how men's informal network of contacts affected that process. According to the SIC report, the largest owners of all the big banks had abnormal access to credit in the bank which they owned, seemingly on the basis of their ownership. This report will not discuss the collapse of Glitnir in particular and the implementation of the Emergency Act the momentous weekend in which those events occurred. That analysis requires, in the opinion of the authors, a special discussion which falls outside the scope of this report.

5. Self-understanding and ideology

5.1. The discourse of men in power

Men in power in Iceland promoted ideas of the special nature of Icelanders, which directly and indirectly, referred to Icelandic men e.g. in the Prime Minister's report on perception discussed earlier. Plans to make Iceland an international financial centre had been articulated at least a decade before the collapse by e.g. Davíð Oddson, the Prime Minister at the time, in the Financial Times in 1998. Those ideas gained momentum in the beginning of the 21st century. At the annual meeting of the Central Bank of Iceland on 30 March 2005, Halldór Ásgrímsson who was then the Prime Minister, explained to foreigners "how come this little nation became a nation to be reckoned with on foreign markets as the case has turned out" (1:212):

What is important is of course the audacity, the power and the initiative ingrained in Icelandic entrepreneurs. But also the conditions that have been created in the past years, which have allowed the Icelandic economy to flourish and prosper and in fact resulted in the Icelandic market being in many cases too small for these types of activities. (1:212)

The quote above cites audacity, power and initiative ingrained in “Icelandic entrepreneurs”. By doing so, nationality, masculinity and the nature of the individual are joined together. Then it goes on to say that Iceland has become too small for these activities, the desire for enterprise. The men in power continued to whistle the same tune in the years thereafter and whistled even louder. Björgvin G. Sigurdsson, Minister of Commerce commented on the annual meeting of the Financial Supervisory Authority on 27 November 2007 that Iceland had in fact become an international financial centre because of, among other things, “the entrepreneurial spirit prevalent among senior management and employees of Icelandic financial institutions.” (6:98). In an article in *Vidskiptabladid* he commented:

The strength, daring and the sound knowledge of Icelandic business Vikings has generated more success at a faster pace in investment abroad than could ever have been foreseen and the Viking has received global attention. (8:192)

These ideas were clearly reflected in the speech and writing of the President of Iceland, which gave them even more weight and legitimacy. The ethics group of the Special Investigative Commission is of the opinion that Ólafur Ragnar Grímsson, the President of Iceland, used the office for the benefit of Icelandic businesses and opened doors for Icelandic companies abroad at his own initiative. Volume 8 of the SIC report discusses how the President evolved his ideas on the unique position of Icelandic companies which, in his opinion, were based on particular Icelandic traits (Volume 8, Chapter II.4). Therein it states that the President's discourse had been "masculine, seafarers and farmers had been cited, entrepreneurial desire and spirit, enterprise and hard work had been glorified. All of these traits have been associated with manliness in particular" (8:172). Also, it states that the President was of the opinion that there was “a lot of communication between men” (8:172) and that “they were based on trust between men in pristine spirit”. (8:172). Here an attempt will be made to examine how these ideas have gender connotations in the spirit of the

discussion above. In the following collage⁸, words and concepts are chosen from the President's speech for the Icelandic Association of Historians in January 2006 to give an insight into the spirit of this discourse:

expansionist spirit - to seek fame and fortune a long way – national awareness – civilisation - at the forefront – innovation – initiative – competence and ingenuity – agility and the mightiness of the small – Icelandic entrepreneurs defeat others – hard working – success – risk – dare when others dare not – no red tape – Icelandic style of entrepreneurship – create a chain of allies in decision making – the leader at the front like the captain of a ship – the companies reflect the entrepreneurs – his/her person becomes the driving force – responsibility and leadership - the settlement - the time of the Vikings – due respect - head for the sea, settle in new countries - respect and honour – entrepreneurs – heirs of a tradition with their roots in the settlement of Iceland – connected to the past – poetic - creativity.⁹

The President is inspired by the Icelandic sagas and the era of the Vikings; his ideas are laden with masculine phrases and symbolism. This nationalistic and masculine discourse is not new, but rather it reflects a theme which has been prevalent for a century that Icelanders “are the most robust in the world”.¹⁰ References to traditional fields of work for men such as work at sea, being a captain of a ship are tied to initiative, competence, ingenuity, agility and risk. They are associated with national awareness and the civilisation of Icelanders. The rhetoric of the winner is intertwined with ethnocentricity, Icelanders “dare when others dare not”. This is consistent with the words spoken by the President elsewhere about the “21st century economic system (8:171) which provided companies from small states with the opportunity to become gigantic and small states the opportunity to contribute something to the world.”

The SIC report discusses how the academic community took part in legitimising these ideas and placed them within an academic framework.¹¹ In that discussion masculinity and nationality are intertwined, just as the President's discussion is. The Icelandic corporate culture was considered to “fit perfectly” into a changing world

⁸ Thorgerdur Einarsdóttir (2010). Kynjamyndir og kyngervi nýfrjálshyggjunar. In *Eilífdarvélín*, Kolbeinn Stefánsson (Ed.): *Uppgjör við nýfrjálshyggju*. Reykjavík University of Iceland Press.

⁹ Ólafur Ragnar Grímsson (2006) *Útrásin: Uppruni - einkenni - framtíðarsýn*. A speech given by the President of Iceland, Ólafur Ragnar Grímsson in a series of lectures held by the Icelandic Association of Historians. Downloaded on 24 August 2010 from: <http://forseti.is/media/files/06.01.10.Sagnfrfel.pdf>

¹⁰ Kristín Loftsdóttir (2009). Kjarnmesta fólkið í heimi. *Ritið*, 2-3.

Sigríður Matthíasdóttir (2004). *Hinn sanni Íslendingur*. Reykjavík University of Iceland Press

¹¹ Here it must be mentioned that academics were also criticised as can be seen in Volume 8 of the SIC report.

“where speed, courage and integration are the determining factors” (8:192). The Icelandic corporate culture was compared to a Viking ship:

What gives Icelandic business men a competitive edge is the "Viking ship" decision-making is swift, channels of communication are short, manners of communicating are open, everybody is prepared to work hard for a short time like during the fishing period, the network is strong and the “it will all work out” gene flourishes. (8:192)

A particular Icelandic business organizational culture is largely responsible for the success of the expansive companies, which can be described with close relations between people, short communication channels, informal managers who have good access to politicians and financiers. The entrepreneurial culture within the companies is also thought to have played a large part in the globalisation of Icelandic companies. (1:193)

5.2. The self-understanding of bankers

The descriptions above are reminiscent of those which the Icelandic bankers used about themselves and the activities of the banks. Landsbanki's minutes from 21 July 2007 lists in 14 items plans or interest in investments and acquisitions abroad. In their expansion abroad, Icelandic banks and financiers intended to “...make the world their oyster.” (8:97). The plans fit well with the ideas of academics on masculine expansion which are referred to earlier and described in greater detail in the chapter “The hierarchy of masculinity”. Nationality was central to the image of the bankers. When the Icesave deposit accounts were marketed in 2006, it was considered to be positive to refer to Iceland in the logo of the accounts. It was thought that “a simple and clear message with a strong connection to Iceland would ensure success”. The figures speak for themselves and deposits through Icesave have increased phenomenally.” (6:9). Here it is suggested that foreigners seek a rate of return for their savings in particular accounts because they belong to an Icelandic bank but not because of the interest rate. The SIC report cites a gathering in London 2006 where one of Björgólfur Thors' collaborators made a toast with Icelandic women with the words: “A toast for the genes, money and the future!” (8:86).

At the same time, the expansion abroad was underpinned with ideological foundations, sometimes with global ideas integrated with nationalistic points of reference. The SIC report reveals that bankers at Kaupthing said they followed the ideology of the *Blue Ocean Strategy*. They considered themselves leaders in a course

which other Icelandic banks followed “other financial companies in Iceland followed in our footsteps” (8/95). This method is thought to entail the avoidance of direct competition by standing out from the crowd, by gaining a competitive edge by staying in the blue ocean where no others venture.¹² Smart managers avoid the red sea which is an old frame of reference, red from the blood after the sharks where everybody is fighting for the same thing. The imagery is strong and maybe not farfetched. Large exposures, cross-ownerships, concentration of ownership, all of which had been criticised harshly for a long time by foreign analysts, were to some extent particular for Iceland as pointed out in the SIC report, there were very few so far out on the blue ocean.

The same applied to the *Icelandic model* with regards to funding. Landsbanki's Icesave accounts abroad were in its London branch but not in a subsidiary. According to Halldór J. Kristjánssyni, CEO of Landsbanki, this was considered to be more feasible so that it would be possible to "utilise and control the Group's funds as a whole" (6:11). To paraphrase that meant that the money could be transferred home to Iceland. The bank's significant risk-seeking behaviour and complicated financing was said to be different from credit institutions abroad, which were more standardised and specialised than in Iceland. Sigurjón Th. Árnason the CEO of Landsbanki, described Iceland's unique position in the following way:

In Iceland there are cross pledges all over the place and if you take out this loan, what happens then? Then the collateral will go with it, there is some other loan there, which is cross pledged and this is just much more like spaghetti because we are servicing, not only a tiny part of the economy, we are servicing the whole economy. Landsbanki alone has 40% plus of the Icelandic economy. And of course everything is cross pledged from here to there and all over the place. The loans are, therefore, not as transparent as they [i.e. foreign bankers] must think they are, that you can only get, yes, if you have so many loans secured with a mortgage then we will just take it. Mortgaging properties with us is, in many instances, just a part of facilitating the business of a company and there are cross pledges against it, this and this and this. It is like one giant spaghetti which services an entire economy - it is of a totally different nature. (5:28)

¹² Kim, W.C. & Mauborgne. R. (2005) *Blue ocean strategy: how to create market space and make the competition irrelevant*. Boston: Harvard Business School Publishing Corporation. The ideology is widespread abroad, however it doesn't seem to have been very prominent in Iceland. See however Tómas Viktor Young (2010). *Stuðningur Útflutningsskrifstofu íslenskrar tónlistar (ÚTÓN) við íslenska tónlistarmenn*. Unpublished Master's thesis, School of Business Administration at the University of Iceland. See: http://skemman.is/bitstream/1946/4315/1/LOKARITGERD_fixed.pdf

5.3. Passive regulatory framework

The ideology of Blue Ocean Strategy emphasises that hindrances are not a given but mainly subject i.e. in the minds of the management.¹³ This supports views that the environment should be as free as possible so that the imagination isn't restrained and that the "most imaginative" are the most free in the understanding of Mill earlier. This became a part of Icelanders culturally ingrained image of themselves in the expansion abroad. The Chamber of Commerce promoted the idea that Iceland should become "the most free nation in the world in 2015" (8/1987) and warned against the "crippling hand" of the state.¹⁴ The success of the *Icelandic model* in the beginning convinced the business Vikings abroad of its worth and uniqueness: The young and inexperienced managers didn't know anything other than success and markets: "This has given them the feeling that they create success" (8:90) as it says in a report about the views of foreigners towards those cited here above. Volume 8 of the SIC report even speaks of hybris:

As seen from the outside my understanding is that what had developed here in Iceland was a kind of national hybris. When we met Icelandic bankers they seemed to hold the view that they had invented something new, that they had superior competence and a better understanding of risks and profit possibilities as compared to more traditional and conservative bankers, and that, in their view, the sky was the only limit. (8:90-91)

The words from the quote that the sky was the only limit in the view of Icelandic business men reminds us of the words of the President of the advantages of being free from "red tape".¹⁵ Both contain a reference to the regulatory framework in Iceland which the authorities had stressed should not be onerous and definitely not stricter than elsewhere. This rhymes well with Mill's contempt for social constraints, which he thought stifled the individual spirit, originality and genius. In line with this, Icelanders placed an overriding emphasis on obtaining exemptions from the rules that applied elsewhere. Páll Gunnar Pálsson, the former Director General of the Icelandic Financial Supervisory Authority put it this way: "Men were so focused on doing

¹³ See for example a discussion on the website of Christopher S. Penn, downloaded 27 August 2010 from: <http://www.christopherspenn.com/2009/08/arguing-against-your-limitations/>
<http://www.cdl.rutgers.edu/e-leadership/pdf/KimandMauborgne.pdf>

¹⁴ *Ísland 2015*, (2006), The Chamber of Commerce. Report submitted to the Business Forum, page 19-22.

¹⁵ Ólafur Ragnar Grímsson (2006) *Útrásin: Uppruni - einkenni - framtíðarsýn*. A speech given by the President of Iceland, Ólafur Ragnar Grímsson in a series of lectures held by the Icelandic Association of Historians on 10 January 2006. Downloaded 24 August 2010 from: <http://forseti.is/media/files/06.01.10.Sagnfrfel.pdf>

nothing else than others were doing, exactly when they were supposed to be doing it”. (8:98-99). What the former Director General of the Financial Supervisory Authority is referring to is that there was a greater need for special rules because of the smallness of the country and special circumstances.

Landsbanki thus put all its efforts into obtaining an exemption from the Financial Supervisory Authority in the UK in relation to the Icesave deposits instead of taking action, they even played hardball and thought that the FSA “lacked authority” (6:29) to act. The Minister of Finance supported Landsbanki’s efforts. The strong emphasis on trying to find ways to avoid the rules by challenging them (8:51) is a sign of lack of understanding of the position they are in. The focus is set on the equal position of everyone when that suits them, but their unique position when that suits them better; the free rider syndrome is not far behind. The free rider travels at the expense of others, doesn’t contribute but enjoys the fruits. It is worth mentioning that this is reminiscent of a discussion in the studies of a characteristic called “boys will be boys”. It entails, among other things:

Boys need activity, it is even in their nature to be a bit aggressive and above all not to be feminine or to act gayish. [...] ...also that boys may be a little irresponsible.¹⁶

The idea of the sky being the only limit is also imagery which rhymes with the imagery of the blue ocean. These circumstances fuelled self-confidence and risk-seeking behaviour. It’s not a coincidence that exactly this explanation is repeatedly used to justify the small share women have in the economy, particularly among senior managers and leaders; in other words, women are not restricted by social hindrances, they hinder themselves with their own attitudes.¹⁷ These views individualise social problems, reduce systematic hindrances to the views and inner limitations of women themselves. In the chapter on ethics in the SIC report, Icelanders' inferiority complex is discussed and the role it plays in all likelihood in the dream of expanding abroad; the words of Hannes Smárason from 2007 are cited: “Maybe one is to some small extent showing the world that we in Iceland can do something”. (8:95). This is consistent with ideas on expansive masculinity; Icelandic men wanted to try

¹⁶ Ingólfur Ásgeir Jóhannesson (2004). *Karlmennska og jafnréttisuppeldi*, page 44.

¹⁷ See e.g. the discussion of Steinunn Gyðu-og Guðjónsdóttir (2008). *Kynjaveröld kreppunar*. Vefritið: Málagn ungs frjálslýnds félagshyggjufólks, 10 December. Downloaded on 28 August 2010 from: <http://www.vefritid.is/index.php/greinasafn/kynjaverold-kreppunnar>

themselves in a global context, compete with men from other countries - and thought they had the upper hand.

Furthermore, the idea of the sky or the blue ocean does not seem to be far away when explanations on remuneration in the financial system were given. As discussed in the chapter earlier about the financial system as a sector, salaries of directors and managers were many times higher than the salaries of other employees and the wage gap between genders was great. The significant responsibility entailed in managing the banks was often cited and that the directors were in great demand, even abroad. The banks were in competition with other foreign institutions, and it was suggested that they were in fact doing Icelandic society a favour with their remuneration policy as revealed in the comments of Sigurdur Einarsson in the chapter on "The hierarchy of masculinity".

This is interesting as the directors of the Icelandic banks didn't seem to be respected abroad. "Young companies with young management. "Something infantile and nouveau-riche about this expansion" (8:89) were among the comments in the report on foreigners' views in 2006 towards Icelandic companies in the Nordic countries. Icelanders were considered to be the "highest bidders in the euro system" (2:53) and their management were thought to lack experience and knowledge cf. the following comment in a Merrill Lynch report dated 31 March 2008:

When clients ask us why the Icelandic banks are considered to have a higher risk profile than their other European peers, one does not have to search hard for answers: rapid expansion, inexperienced yet aggressive management, high dependence on external funding, high gearing to equity markets, connected party opacity. In other words: too fast, too young, too much, too short, too connected, too volatile. (6:11)

The alleged demand for the genius of Icelandic bankers doesn't fit well with the description that one of the directors of the Central Bank of Iceland gave after a meeting with directors of foreign central banks in the spring of 2008 "that no banks wanted to do business with Icelandic banks anymore in the world. They were like lepers no one wanted to come close to." (6:185).

5.4. We and the others

When things started to take a turn for the worse in 2008, discussions on the merit of Icelandic companies and managers started to take on a different form but continued to

be nationalistic. The government came to the banks assistance in a marketing and perception campaign when clouds started to gather in 2008. In February 2008, the Prime Minister said that the country's interests would be fought for:

That has in fact been done before and parties have stood together before to promote the country's and the nation's position abroad with respect to economic issues. [...] But of course we can't do anything about oil prices being higher now than they have ever been since 1861, or that various other shocks have hit our national economy like others. We must, for sure, adjust our course to such facts, which originate abroad. But, at its core, the national economy is sound and we need to promote that. (6:130)

Here it's not accepted that there is something really wrong with the Icelandic economy but rather that the threats are foreign. The "external shocks" are emphasised even further with dramatic rhetoric by putting the price of oil in context with its 150 year history. This reference to a palpable external problem such as oil prices, changed as the year of 2008 progressed and the idea of "a perception problem" (6:168), "reputational and discussion risk" (5:170) increased. In a letter from the Central Bank of Iceland dated 23 April 2008 to the Central Bank of England it stated: „The Icelandic banks are well capitalised but they are dealing with a problem of perception.“ (1:174).

Criticisms from abroad were answered with accusations of ignorance or some other strange views. This was the dominant view, the Special Investigative Commission is of the opinion, for example, that the Financial Supervisory Authority in Iceland had supported the views of Landsbanki towards the FSA in the UK. Thus the Director General of the Financial Supervisory Authority in Iceland commented in November 2007: "Whether writings of this kind are a result of ignorance or specific intent, it is clear that discussion risk has become a significant risk for the Icelandic financial sector and economy." (5:157). At another occasion in April 2008 he criticised the "so-called CDS spread" (6:159) on the Icelandic banks, which he thought had exceeded all intelligible limits and added:

In my mind, the reasons for the high spread are psychological, technical and behavioural. The problem is the general risk aversion in international markets, technical flaws in an unregulated and shallow market, and the consequences of hostile discussions about the banks and the Icelandic economy. (6:159)

Foreigners were attributed strange views and against them Icelandic men stand united. This is an example of the ethnocentricity of masculine coinsurance discussed later; it was particularly evident when an external threat was thought to be ahead. Underpinning these ideas even further is that here the global market is said to be "risk averse". Risk-seeking and risk behaviour is linked to masculinity, as mentioned earlier, and its opposite is risk aversion. These words are generally used in relation to women to describe lack of courage while the spokeswomen of Audur Capital have tried to shift the discourse and speak of "risk awareness".¹⁸ In the quote above the global market is feminised in this sense, distinguished from Icelandic mentality and at the same time associated with ignorance and "hostile discussions" (6:159). The Prime Minister Geir H. Haarde criticised Moody's rating in February 2008 with a reference to the Financial Supervisory Authority's stress test suggesting that the foundations of the banks were strong. He says that "other forces than those seeking the truth are controlling negative analysts and media. Everyone must stand unified in response" (9:159). Here nationalism and masculinity is appealed to; everyone must pitch in and stand unified against a common enemy.

At a meeting with the Board of the Central Bank of Iceland and three ministers on 7 May 2008 the Director of the Central Bank of Iceland is quoted as having said that "it annoys the Central Bank of England that the Icelandic banks have increased deposits and that they are offering better terms than British ones" (6:173) as if unfounded neurosis or annoyance is the problem. The CEOs of Landsbanki are of the opinion that the FSA in the UK is "intransigent" and the Director of the Central Bank asks whether it is an option to "stand firm against the FSA" (6:23). The Director's elevated power was not in line with his real power, as later became apparent, but maybe it was consistent with the ideology of the blue ocean strategy that hindrances are in our mind. Criticisms or foreigners' negativity also seem to be perceived as unfounded, and first and foremost in their own minds. Of the same nature is the Prime Minister's account of the FSA's letter regarding Landsbanki's affairs dated 15 August 2008. He describes it as a "horrible letter" (6:27). The response reflects ethnocentricity; foreigners are full of rubbish and misconceptions.

¹⁸ Halla Gunnarsdóttir (2008, 10 October). Áhættumeðvitund varð til þess að Auður stendur sig vel. *Morgunblaðið*.

He [the Prime Minister] says: “Work is already underway to answer all the rubbish in this letter relating to the Icelandic economy because the letter is full of misstatements to that effect [...].” (6:27)

Nationalistic undertones are not least prevalent in the discussion about the Icesave accounts and foreign communication in relation to the Depositors’ and Investors’ Guarantee Fund. What was before considered as hostile views, even envy, changes into fear of a siege and attack approaching the autumn of 2008. Courage matters little and hindrances are no longer subjective, now conspiracy and attacks seem to be the problem. The following comments made by the Director of the Central Bank of Iceland demonstrate this:

Men [had] started to wonder if the global community, [...] had decided that we should go bankrupt. A man came to us, who was [an economist with] BIS [...] a very important man who had been able to foresee things before others. He dined with us one evening in July [2008] [...]. Then he said: It has been decided that one large bank will go bankrupt; that will be Lehman brothers, and one country; that will be you. [...] I must admit that when Lehman brothers went bankrupt these comments sprung into mind. (6:272).

The same views were reflected in comments made by Sigurjón Th. Árnason when he described the troubles facing Bear Stearns in the spring of 2008:

What happens? All of the shareholders are wiped out but all of the bond owners are rescued. What happened at that point was that everyone watched and thought, yes, it’s Bear Stearns, that’s the least of the problem, it was just rescued and then everyone will be rescued. A turnaround takes place on the market across the world, all credit spreads decrease in the world – except in the case of three banks. Three Icelandic banks. But where will no rescue be found? [...] Who shall we then short sell? Icelandic banks. And then a landslide hit us. And enormous negativity. (6:141)

And I thought, oh my god, we are under attack, now we are in trouble. I was scared then, oh my god, all the world senses now that we can be killed because we won’t be rescued, everyone else will be rescued because the one who is supposed to rescue us can’t, he doesn’t have any agreements with anyone to help him and hasn’t done anything about it. That was our experience of this. (8:101)

It is clear that the Director of the Central Bank of Iceland and the CEO of Landsbanki’s experience of the situation is one of a giant conspiracy and that Iceland is under attack for no reason. Iceland was exposed like a helpless victim. Self-

confidence and Viking rhetoric are of no help. The bankers who didn't want the government to interfere in the years before, now wanted to be "rescued" but the one who was suppose to rescue them couldn't because he [the Central Bank] „doesn't have any agreements with anyone to help him“ (6:141). The great responsibility cited to justify, among other things, salaries and incentive programmes cease to apply when the going gets tough.

This chapter has focused on the ideology which lead to the collapse of the banks. Ethnocentric masculine ideas on the alleged superiority of Icelandic males founded the ideological justification for the development that took place in Iceland.

6. Competence, decision making and mentality

The reasons for the collapse of the financial system have been examined elsewhere also. In a recent American discussion Barbara Ehrenreich¹⁹ discusses the ideological framework and attitudes towards decision making. She says that the belief prevailed, founded in positive psychology, that by thinking positively individuals could affect their circumstances. This idea had gained momentum and developed in different ways in different aspects of society. In the financial markets it was, for example, considered important “not to speak the market into a downward spiral” but rather the role of those working in finances was to think positively in order to maintain the growth.

6.1. Intuition at the expense of experience

Related to this was the demand that decisions should be based on intuition rather than contemplation. Inexperienced young men were hired and their financial intuition hyped up, genius and positive mentality. Critical thinking and contemplation was frowned upon in this atmosphere.²⁰ The SIC report contains examples of men with little experience of financial activities and their alleged genius. A member of the Board of the Financial Supervisory Authority since 1999 and its Chairman 2007, Lárus Finnbogason, commented during his testimony to the Special Investigative Commission:

¹⁹ Ehrenreich, B. (2009). *Bright-sided: How the relentless promotion of positive thinking has undermined America*. New York: Metropolitan Books.

²⁰ Ehrenreich, B. (2009). *Bright-sided: How the relentless promotion of positive thinking has undermined America*.

It was just hard for the Authority and these regulators to apply themselves with any real weight. Then men were interrupting something and spoiling something that was being built here, which was so great. No, no, and then one sees naturally, because I was on the resolution committee, that one has been so naïve, all these men who were on the front pages of the business papers and everywhere, these were suppose to be geniuses in business and then when one, as one sees it from the other side, sees that it was just loans on top of loans, that there was no substance, *no genius in it, it was just men who had access to endless funds and who sought infinite risk and investment.* (5:166, italics are ours)

The SIC report cites the words of Ragnar Önundarson, a graduate in business studies and the former CEO of Idnadarbakinn, who discusses the lack of experience of Icelandic bankers and says:

Nowhere else in the Western hemisphere is it even considered an option to hire someone as the day-to-day manager of a bank who doesn't have a long experience in banking. The minimum requirement is to have persevered through a real economic recession with all the loan losses and difficulties they entail. That used to be the case here in Iceland. *Now experience and knowledge is thought to hamper men, it decreases creativity and risk appetite.* (8:42, italics are ours)

Ragnar's words can be linked to the words of Ehrenreich above on how lack of experience was viewed favourably and considered to be a virtue while experience was thought to be burdensome and to hinder decisions based on intuition instead of contemplation. In this environment it is good to be a young and inexperienced male. The experience which accompanies age is frowned upon.

The demand for a positive mindset accompanies the demand for inexperience. Previously ethnocentricity has been discussed and how criticism from foreigners was dismissed as an attack from hostile forces. The demand for a positive mindset serves two purposes, on the one hand, to silence critics and on the other, to maintain the growth: "Other forces than those seeking the truth are controlling *negative* analysts and media. Everyone must stand unified in response" (9:159 italics are ours) as the Prime Minister said. Elsewhere the discussions of foreign parties is dismissed as being "pessimistic": "The Permanent Secretary of the Ministry of Commerce, Áslaug Árnadóttir says that Gracie [a British specialist in financial stability] was thought to be „pessimistic“. (8:136).

The SIC report contains a repetitive theme related to this: Parties were not facing up to the situation as it was, an example of this can be found in a draft to

minutes where it states that: “Jónína S. Lárusdóttir and Baldur Gudlaugsson are of the opinion that those from Landsbanki who had been spoken to, do not fully appreciate the situation.” (6:228). Public officials were no exception:

When Stefan Ingves was asked about that meeting in the letter from the Special Investigative Commission he described his opinion that “the Icelandic representatives at that meeting were stressed, not particularly well prepared and they were not completely aware of the risk present”. (1:170)

The quote also reveals that parties were not well prepared. That theme will be discussed later when views towards professional knowledge will be discussed. The SIC report cites more examples of bankers, public officials and the government not appreciating the situation and had therefore not responded. The authors of the SIC report speak of "political polio" (8:149-151). If the process is viewed in the spirit of the analysis above, it can also be maintained that the boundaries between reality and that which was thought to be desirable had become blurred. The demand for positivity and success came before everything else. Related to this are the concepts; hierarchy of masculinity, coinsurance and competitive masculinity as discussed later.

6.2. Swift decision making and risk seeking behaviour

When decision-making processes are viewed the focus has increasingly been placed on swiftness and the reasons for swiftness. Research shows how the mental illness *mania* (which is a part of manic depression or bipolar disease) has acquired a wider frame of reference than before. Mania is not only discussed in a medical context, mania can also be seen in different aspects of our culture. This development has, among other things, taken place in various cultural and current materials such as books and magazines where the symptoms of the illness are beautified and elevated. What was before considered to be a sign of feminine lack of control, is now thought to be a masculine asset. Men are viewed as strong, powerful, influential and diligent because they are creative and unruly. Energy, power and the risk seeking behaviour of the entrepreneur demonstrates his passion and fierceness, which is conducive towards economic growth. Therefore, mania, particularly in discussions on finances, are viewed as a positive trait that drives the market forward. Under these circumstances it is likely that mania is considered the norm: “„If there is an increasing demand for

restless change and continuous development of the person at all times, in many realms, then the mania in manic depression might readily come to be regarded as normal – even ideal - ...²¹ Examples of this can be found in the SIC report. A tax attorney at Landsbanki said:

But men were naturally always boasting a bit that they were quick to think or quick to make decisions; maybe not so quick to think but quick to make decisions. (8:193)

The SIC report on foreigners views in 2006 of Icelandic companies in the Nordic countries reflect the view that Icelanders grab opportunities when they arise but do not work according to a long term plan. One of the interviewees said:

We took the Icelandic route, just started, let the dice fall as it may without having any strategy. The preparation was typical for Icelanders. “it will work out!” We headed into one direction and if that didn’t work out we tried something else. (8:89)

The analysis facilitates the understanding of expansive masculinity. If a certain group of powerful men shows risk seeking behaviour, which in the eyes of others would border on being irrational then that will nevertheless become the norm, which others are compelled to follow. This trait is accompanied by a strong belief in one’s own capabilities, which is communicated to society. The Director General of the Financial Supervisory Authority Jónas Fr. Jónsson, said when giving his testimony to the Special Investigative Commission:

On the other hand, the banks had been perceived as infallible institutions or masters of the universe, the regulatory business had not been a popular commodity in the open and free market and those views may possibly have affected the government's support of the institution. (5:133)

The *Blue Ocean Strategy* has been discussed and how that ideology encourages self-confidence and risk-seeking behaviour. The ideology of the blue ocean is related to ideas on mania which have been discussed here and the hybris reflected in the quote. The description applies to those who view themselves as gods i.e. “masters of the

²¹ Martin, E. (2000). Mind-body problems. *American Ethnologist*, 27(3), 569-590. Á ensku er beina tilvitnunin svona: „If there is an increasing demand for restless change and continuous development of the person at all times, in many realms, then the mania in manic depression might readily come to be regarded as normal – even ideal - ...“ (bls. 579).

universe”. Related to this is the Prime Minister’s Geir H. Haarde’s comment giving testimony to the Special Investigative Commission:

This is naturally one of those things, which one has been trying to talk about with them this whole year in all of these meetings: *“Try to transfer this into subsidiaries, try not to be so aggressive in getting deposits,”* but nobody listens and one wonders why nobody listens: Yes, it's because the money is being used domestically, as if it is the branch at Laugavegur 77, and the loans advanced are maybe not particularly good loans, they can't be called upon and used to pay up. This was, of course, very serious but I, well, had spoken with the CEO of the bank shortly after the letter arrived, Halldór, and he, well, told me that the bank was responding very quickly to this, they would send men, as quickly as they could and they were taking this all very seriously and were of the opinion that there was a good chance of being able to reach some kind of an agreement with the FSA to do this, *that is how this was always spoken about, as if it was some kind of misunderstanding and that they would erase it, sort it out.* (6:220-221, italics are ours)

The quote reveals how the Prime Minister tries to tone down the aggressiveness of Icelandic bankers who seemingly do not take his words seriously in view of how things materialised. The Prime Minister’s use of words is also not very decisive: “Try to transfer this into subsidiaries, try not to be so aggressive”. The Prime Minister seems to have some inkling of respect for the manic gestures and hereafter it will be discussed how the power of politicians decreased while the power of bankers grew. The quote reveals that the bankers considered the FSA’s request to be a "misunderstanding" and that they intended to "erase" the misunderstanding which presumably means to correct the misunderstanding. The use of words reflects a strong belief in one’s own capabilities, the verb “erase” is used in computer terminology where computers are erased, everything is erased from their hard drive, their memory, so that they can be restarted and begin with a clean slate. Icelandic bankers thought that they could start afresh with the FSA. Erase from the memory of those who they are dealing with in order to start with a clean slate. To erase a misunderstanding implies that the party in question considers himself to have control of the situation. They erase a misunderstanding i.e. design a course of events and create credibility. Reality and truth – what is that in this context? Related to this are bankers’ views towards laws and regulations. The internal auditor of Landsbanki said in testimony to the Special Investigative Commission:

In general, I think that men viewed rules as something which could be challenged, something to work around, respect for the spirit of the law and such like was maybe non-existent, men were more willing to develop rules, develop a interpretation of the rules so that men could getlike in football, men would get away with a tackle without being judged.[...] He says that the message had been clear from the senior management: The Chairman said that he intended to play an offensive game and I think that was the general attitude, and the referee was presumably the Financial Supervisory Authority and some boring accountants, whether they were internal or external. And this was the framework within which one had to manoeuvre. That attitude is not ... is not common in banking services, not in companies that work in the public interest. (8:51)

The quote reveals disrespect for the law and rules, and the idea of competitiveness which will be discussed in the chapter "Competitive masculinity". Males "develop rules" and "develop an interpretation of the rules". In their opinion there is no one capable of setting them limits: They are in charge; they have the power and the fierceness. Related to this is disrespect for research and science, which will be discussed next.

7. The hierarchy of masculinity

A man wearing a black suit, working in a bank or an investment firm, driving a black Range Rover with a beautiful wife on his arm was the epitome of manliness during the economic boom in Iceland. The theories of Connell and Messerschmidt describe the hierarchy of masculinity as cultural hegemony. That means that the hierarchy is not only based on strength and coercion, but rather that it is to some extent maintained by producing examples of masculinity such as the one described here above. These examples become dominating symbols of masculinity although most men find it impossible to adhere to them perfectly.²² In present time, international business masculinity or expansionist masculinity is considered dominant. This means that those who conduct or conducted business internationally are or were at the top of the hierarchy of masculinity.²³ It must be borne in mind that these ideas have become somewhat damaged.²⁴ The hierarchy of masculinity and hegemonic masculinity are based on the existence of other men below them in the hierarchy who don't belong to the hegemonic masculinity, and also on women. The dominance is based on the authority to subordinate other groups in the hierarchy. Power comes with this status and is implicit but based on access to goods, e.g. capital. The SIC report reviews in detail the remuneration of senior management in the banks and how their remuneration increased in the period under review, to name an example: „The average monthly salary of Bjarni Ármannsson five folded in three years and increased from ISK 9 million per month in 2004 to ISK 50 million per month in 2007.“ (3:44). The access to capital is then controlled by implicit power. The SIC report states that:

The reasons given for high salaries in the banking sector were mainly based on comparisons with other countries as salaries in the financial sector increased considerably during this period. „In some work stations we are competing for employees where we are paying very low salaries although they would be considered incredibly high here in an Icelandic context. The salary I have had at this bank since 2003 has, in every comparison with those to whom I compare myself, been incredibly low. That's the way it is,“ says Sigurdur Einarsson, Chairman of the Board of

²² Connell, R. W. og Messerschmidt, J. W (2005). Hegemonic masculinity: Rethinking the concept. *Gender & Society*, 19 (6), 829-859.

²³ Connell, R. W. og Wood, J. (2005). Globalization and business masculinities. *Men and Masculinities*, 7, 347-364.

²⁴ A discussion on a new type of hegemonic masculinity can be found in the magazine *Spássián*, summer 2010, page 28-29.

Kaupthing. [...] Furthermore, the significant amount of responsibility inherent in managing these big companies was also referred to. (8:43)

Sigurdur Einarsson speaks as a man of authority. It can be understood from his words that he is in great demand out there in the big world of finance but that he has chosen to work in an Icelandic bank, and the question is whether he considered himself to be doing Icelandic society a favour. As revealed in the previous chapter, Icelandic bankers were not in great demand abroad as they lacked, among other things, experience. Their words, however, are taken at face value in Icelandic society because of the power they possess. This is the way the hierarchy of masculinity functions. Because of their power, they control their relations with other groups, such as with public officials and politicians. During testimony with the Special Investigative Commission, one of Kaupthing's senior director's Sigurdur Einarsson, made reference to a conversation with the Minister of Finance on whether the bank would settle its accounts in Euros.

This is the way he asked us: „Just think about it, I would rather not have to rule on this“, etc. Yes, of course we had the best of intentions, as always, to please the authorities and we went home and thought it over. Three weeks later we were summoned to a meeting where he begged us in no few words to retract this. And we granted that request. (6:91).

The quote shows how the Minister of Finance handles the bankers with kid gloves. The Minister of Finance "would rather not have to rule on this“, i.e. despite clear rules, the bank's top management is treated as if it's the one in control. Another similar example regards the interaction of Björgólfur Thor Björgólfsson, on behalf of the Samson-group, and the chairman of the Executive Privatisation Committee: “The offer above is effective until 17:00 hours on Thursday, 17 October, 2002. Otherwise it is Samson's understanding that discussions with the Company have been terminated.” (1:270). Before that Björgólfur Thor had sent the Executive Committee on Privatisation the following:

Answers to the questions above are requested as soon as possible in order to decide on the next steps. While they remain unanswered the undersigned finds it impossible to estimate whether he and his partners are interested in investing as a core investor in Landsbanki hf. or Búnadarbanki Íslands hf. (1:268)

The Special Investigative Commission draws the following conclusions from Björgólfur Thor's dealings with the Executive Committee on Privatisation:

The Investigation Commission is of the opinion that it must be borne in mind that policy formation in the last stages of the sales process, including statements given publicly by the government on when they intended to conclude the sale [before the end of the electoral term], was designed to affect the position of those representing the state towards contractual counterparties. It suffices to consider general viewpoints in negotiations and techniques relating thereto. (1:302-303)

The examples show how expansionist masculinity got the upper hand of political masculinity in the hierarchy of masculinity. Direct coercion, however, is not necessary as previously stated and the following example shows. The words of a former chairman and member of the board of the Financial Supervisory Authority, Lárus Finnbogason are cited:

I think there are, like, some lessons to be learnt from this, that one should maybe just have been in more direct contact with these top managers. *They were maybe like, I won't say they were like holy cows, they were like somewhat, a little distant and we, as board members, were maybe not calling for some direct contact with them. We were like, we were maybe, like, looking more at the operations internally.* (5:169, our italics)

Closely related to the hierarchy of masculinity is the concept of men's network of contacts. This will be discussed below.

7.1. Men's network of contacts

The SIC-report discusses relations between men and in that context „relationships built on friendship or blood ties" which means that: „Families stand tightly together and childhood friendships won't let you down.“ (8:103). This is explained as follows:

The father in law of the Director General of the Financial Supervisory Authority was the CEO of Visa and his wife sits on the Board of Directors of Samskip, which is connected to the largest owners of Kaupthing. The CEOs of the banks and the Director General of the FSA are old school friends. Bankers travel with owners of companies and the owners of the banks. Communication between superiors and subordinates are much less formal in Iceland than in other countries. „Yes, as we always said, if I had to call Sigurjón, I just called his mobile but if one had to contact a CEO of the bank's subsidiary in London, the CEO's secretary had to be called to request an appointment. The culture was just totally different.” (8:103).

Elsewhere where corruption is discussed it says:

GRECO's measure of corruption is limited to, for example, bribery but corruption in the Icelandic public administration can't be measured on that scale. The smallness of Icelandic society is much more conducive towards clientelism based on friendships and blood relations and nourishes favouritism just as bribery does, although in a different way. (8:132)

To give the assumptions of the Special Investigative Commission a gender perspective, we introduce the English term *old boys network* instead of the term favouritism towards friends and relatives, which can be translated as men's network of contacts. This is done in view of the fact that women hardly participated as agents in this society where friends and family were favoured. Men's network of contacts entails communication between men being informal and that old acquaintances or friendships are relied upon to secure the power of men, because men favour each other when it comes to the distribution of goods, e.g. in job appointments.²⁵ Thus the most capable individual is not necessarily employed, but rather the one who belongs to the group. The discussion on the privatisation of the banks above is an example of this and more examples are to be found in the SIC report. One of the bank's top directors, Sigurjón Th. Árnason, described his relations with the public administration as follows:

Generally speaking, Davíð didn't call me. This is the way the system worked: *Davíð spoke to Halldór, Sturla spoke to Jón Thorsteinn or to me. Me and Stulli are friends, we sat side by side in secondary school*, that's the way it is in Iceland, therefore we know each other pretty well, even if we are not friends today but we know each other, historically speaking, and we can therefore talk to each other, independently of work. Therefore, we sometimes talk to each other, but generally speaking Jón Thorsteinn communicated with him. (6:279, our italics).

The quote describes informal means of communication based on men's relationships. It is revealed in the SIC report that Halldór J. Kristjánsson, one of two CEO's at Landsbanki, had been a part of the public administration at a some point in time. Whether the basis for the informal methods of communication were built there is not revealed, but some kind of relationship seemingly existed before, if communication is conducted in this manner. The relationship between Sigurjón and Sturla is clear, they „sat side by side in secondary school.“ Such relations are not restricted to the banking industry or the bureaucracy. Recent research on work culture, gender relations and family responsibility reveals how recruitment in companies is governed by the same

²⁵ In relation to this, the English concept homosociality has also been used which describes how men give other men preferential treatment and support, and thus help maintain the power of men at the expense of the power of women, women never get to the table.

principle of men's networking, where relationships seem to be most important²⁶ and the question arises whether competence is assessed on the basis of relationships rather than other more fitting criteria such as the appropriate education and experience. Elsewhere in the SIC report, it is revealed that one of the top directors in the banks, Sigurjón Th. Árnason had an informal relationship with the Prime Minister Geir H. Haarde; he said in testimony with the Special Investigative Commission that they were neighbours:

Geir H. Haarde reveals, for example, that the CEO of Landsbanki had been his neighbour and that they had met to discuss matters.

A formal, even a harshly worded letter from one party to the other would have seemed strange when such relations have been established. (8:147).

The Prime Minister is quoted as having said in the previously mentioned testimony:

Sigurjón Th. Árnason CEO of Landsbanki is my neighbour, we can see each other from one corner to the next in a cul de sac in the western part of the city. And I got him to walk over to my place three times in the month of March, both to discuss the Icesave accounts, which by that time I was already having great concerns about, and discussed my concerns with him, and I have also discussed that with both of them together but also generally about this position and the position in relation to the Central Bank of Europe, which by then is becoming a problem. Sigurjón who is a great mathematician, drew up some boxes for me, I didn't understand half of it, how, with some arrows and darts, money could be obtained from the Central Bank of Europe. It all involved making some instruments, some kind of papers which the bank would accept as collateral for Euros. (8:147)

As the quote shows, professionalism is disregarded as a result of the relationship. The informal relationship makes it impossible for the Prime Minister to do his job properly i.e. to set the bankers limits in relation to Iceland society. One can wonder whether it was the conscious or unconscious purpose of the relations to muzzle the party with less power in the relationship to the party with more power. The banker sits on top of the hierarchy of masculinity while the politician compares himself to the banker but sits below him in the hierarchy. Related to this is the masculinity of coinsurance discussed later in the chapter.

Examples can also be found in the report on how the relationships are used to obtain information, however, with limited success in the case in question. The

²⁶ Gyða Margrét Pétursdóttir (2009). *Within the aura of gender equality: Icelandic work cultures, gender relations and family responsibility. A holistic approach*. PhD thesis, School of Political Science at the University of Iceland.

Minister of Commerce, Björgvin G. Sigurdsson, said in testimony to the Special Investigative Commission: “I asked [Jón Thór Sturluson, the Assistant to the Minister of Commerce] to call Tryggvi Thór, as they are good acquaintances. (7:16). The Minister of Commerce also said:

Jón [Thór Sturluson] called Tryggvi [Thór Herbertsson], while I was listening and was very persistent with him on the Saturday, and he was quite firm in saying "no, no, nothing is happening, just reviewing the banks, the Prime Minister was just coming back home“, just like that. And Jón believed him and we just did, one doesn't assume that one is constantly being lied to. (7:16)

Previously it had been revealed that Tryggvi and Jón Thór “had been good acquaintances”. Here the informal relationship was relied upon and the coinsurance entailed in it. This time round, men's network didn't function as it should have for the Minister of Commerce, which was connected to his position within the government. In the chapter “Genderisation: Interplay of gender and position” [12] Björgvin G. Sigurdsson position within the government as Minister of Commerce is discussed. But what if the informal relationships, which have been discussed here, didn't exist e.g. because of gender or because traits are attributed to the individual or personal characteristics which cause him to be sidelined? It can be concluded that access to information would be very limited. In relation to this, it is worth pointing out that access to information equals power. Research on work culture shows that the most powerful individuals within companies are those who can establish relationships with many employees, access to information ensures information, which may secure the person in question promotion within the company.²⁷ In the handbook of the Centre for Gender Equality on mainstreaming gender perspectives and perspectives on equality, it also states that access to information shall be reviewed when the methodology of mainstreaming is applied.²⁸ The SIC report revealed that men didn't consider the relationships to have any effect on the work as is discussed here:

²⁷ Guðbjörg Linda Rafnsdóttir (1995). *Kvinnofack eller integrering sem strategi mot underordning: Diskussion kring kvinnliga fackföreningar på Island*. Lund: Lund University Press.

Gyða Margrét Pétursdóttir (2009). *Within the aura of gender equality: Icelandic work cultures, gender relations and family responsibility. A holistic approach*. PhD thesis, School of Political Science at the University of Iceland.

Gyða Margrét Pétursdóttir (2006). Skreppur og Pollyanna: Um ólíka möguleika og sýn kynjanna innan vinnustaða Reykjavíkurborgar á samræmingu fjölskyldulífs og atvinnu. In *Rannsóknir í félagsvísindum VII, Úlfar Hauksson (Ed)*. page, 435-444. Reykjavík: The Social Science Research Institute at the University of Iceland.

²⁸ *Jöfnum leikinn: Handbók um kynjasambættingu* (2009). Akureyri: The Centre For Gender Equality.

Jónas Fr. Jónsson was asked by the Special Investigative Commission whether any of his relationships with some of the CEO's of the big banks were built on acquaintances or friendship. Jónas answered that he, Bjarni Ármannsson and Sigurjón Th. Árnason had gone to the same university and had been involved "in the same student politics". [...] Jónas maintains that these relationships, which were built on old acquaintances *had not weakened his position*, as it had helped him that he had lived abroad for eight and a half years before he took over as the Director General of the Financial Supervisory Authority. (8:123, our italics)

It is said that no one is a judge in his own case. The former Director General of the Financial Supervisory Authority is hardly able to judge the effects of these relations, among other things, because of how close he is to the subject matter, i.e. himself and in this context it has more bearing to probe his actions. The SIC report (Volume 7) finds fault with his work, which needn't be recounted further but his own words about his work in office can be pointed out:

“Then men would work towards, well yes, making certain changes and to step it down and transfer it into a subsidiary. “He didn't consider firmer measures to be appropriate: “You as a public authority can't sit and send proposals regarding interventions into a business, the managers run the company and I mean, you don't meddle unless you consider them to be breaking the law; you can suggest something to them but I mean, you can't say: I think you should sell assets. You have no legal basis to do that.” (8:125)

The SIC report discusses how legalism prevailed i.e. how the letter of the law was followed blindly instead of looking at the spirit of law. On whether being the Director General of the Financial Supervisory Authority in a men's network formulated his view of the law nothing will be said, but his words are pointed out earlier where he referred to the banks as being like "masters of the universe" (5/133). Next, competitive masculinity will be discussed.

7.2. Competitive masculinity

The concept of competitive masculinity²⁹ describes how the battle for power takes place in a larger and smaller context. Closely linked to competitive masculinity is the

²⁹ Gyða Margrét Pétursdóttir (2009). *Within the aura of gender equality: Icelandic work cultures, gender relations and family responsibility. A holistic approach*. PhD thesis, School of Political Science at the University of Iceland.

concept of risk seeking. Both concepts fall within the scope of the hierarchy of masculinity discussed earlier. The SIC report reveals how Icelandic bankers were in competition in Iceland and how they competed internally abroad, i.e. how they were in competition with one another rather than in competition with banks abroad. The SIC report reveals how the Icelandic bankers were the “highest bidders” (2:53) and that foreign bankers retreated and didn’t think they were able to compete with the Icelandic bankers. The SIC report states: “When looking at the banks, they seemed to be in fierce competition, not least abroad. Icelandic financial companies were expanding abroad, but a bit too much in the same area and were in the way of each other.” (8:96). And that: “Instead of venturing into new territory on foreign markets, the Icelandic banks and companies were in fierce competition with one another abroad in addition to being in competition domestically.” (8:96). Let's look at the competition abroad first. The SIC report reveals that:

Mark Sismey-Durrant the CEO of Heritable bank says that the competition between Kaupthing and Landsbanki had been evident, the banks had made offers against each other and that Kaupthing had more often had the upper hand: “I sometimes joked that Kaupthing must have been eavesdropping on us.” Mark said that he had advised his people not to participate in this footrace but the owners were of the opinion that the bank was not progressing quickly enough. “During the summer 2008, I met Steinthór Baldursson who showed me a map with Landsbanki’s flag pinned all over the place. I said to him: You have shown me a map with world domination but what is the point? What do you mean? he asked in return. And I asked: How are the funds going to be used? That’s a good question he answered – and said that he didn’t know whether it was clear to them what the purpose was with the whole thing. (8:98)

The quote shows how men competed just for the sake of competing i.e. without clear objectives unless the objective was world domination or death as discussed in the SIC report (Volume 8). Icelandic men who weren’t employees of the banks describe the completion in the following way:

The Director of the Financial Services Association [...] says that the competition between the banks had been fierce, not least between senior management, indeed zealous men managed the companies: Sigurjón, “a very competitive man, and zealous and particularly clever and smart and

Gyða Margrét Pétursdóttir (2007). „Going global“:
Útrás íslenskra hugbúnaðarfyrtækja og samræming fjölskyldulífs og atvinnu. Gunnar Thór Jóhannesson (Ed.), *Rannsóknir í félagsvísindum VIII* (page 381-390). Reykjavík The Social Science Research Institute at the University of Iceland.

all that, he didn't intend to just sit back in the competition. Hreidar Már, very smart too and quick, if one uses terminology from sports, unafraid to go for it, to play both offense and defence if needed i.e. to retract. That there had clearly been two obvious competitors and then, one also knew Bjarni Ármanns and he, of course, was also very competitive. (8:89)

Jón Ásgeir Jóhannesson, former Chairman of Baugur and FL Group, describes relationships built on competition between the bankers in the following way:

There was always a problem when the three of them got together [Hreidar, Sigurjón and Lárus]. It was just, there was a history, how many times it was, definitely three or four times that either Sigurjón or Hreidar exploded and they left banging doors. There was a bit of a problem which dated way back. Lalli was like, he was maybe viewed as a little pawn between them, they were two kings and Hreidar always felt as if Sigurjón was speaking badly of Kaupthing and vice versa. But there were nevertheless about two, three serious meetings where men were able to connect together. (8:107)

If we then look at the bankers themselves, their experience seems to be that competition was the only way to go. One of Landsbanki's CEOs, Sigurjón Th. Árnason describes the competition in the following way:

With hindsight everyone says that the banks grew too much, which is true and then men say: "These bankers are just crazy, expanding so much". "Ok" men can say that but it is a little difficult, I mean, should I have come into a board meeting and said [...]: Now, we have just stopped expanding, there is no room for these three large banks. The other banks are going to continue expanding but we are going to stop. We shall just let them grow but we will just stop. It's not simple to say that [or] to take such decisions. (6:262)

Elsewhere in the SIC report it states:

Many of the bankers' representatives described in testimony that the Icelandic banks had become increasingly risk seeking and almost all of the banks had applied the same risk seeking business model... Furthermore, many of the interviewees of the Special Investigative Commission said that contrary to what many thought, competition had been very fierce between the banks in Iceland, which had lead them into trouble. In relation to this point Sigurjón Th. Árnason, the CEO of Landsbanki commented: "One of the big problems in the Icelandic banking system [...] was partly due to there being too much competition [...] on the one hand you have prices which to you seem to be logical and correct [...] and then you find out that no one is doing business with you and then that's just the way it is so you have to change something. [...] When Kaupthing started with the mortgages, I was just really annoyed by it, I thought it was complete nonsense [...] . How are you supposed to compete with 4.15% or 4.45% as

they started with? How am I going to finance that, where will I find long-term funding to finance fixed interest rates at 4.45 or 4.55? [...] It's just nonsense and everything that was said in the media to explain it, that men were so big abroad and all that, all of it was nonsense. It didn't stand up to close banking scrutiny, everything that men at KB were saying. But what were you supposed to do? The system is designed in such a manner that if you start doing business you are locked in for the next 40 years. What are you supposed to do? You just take part in the nonsense too." (6:279).

Competition between the males call for increased risk seeking behaviour and the CEO, Sigurjón, experiences himself almost as a victim of the situation. "What are you supposed to do? So you just take part in the nonsense too." If individuals start experiencing themselves as victims of a situation, it is not likely that their decisions will be based on single-mindedness and contemplation. He seems to sense that the only option is to compete even if such competition entails being "locked in for the next 40 years." His words do not reflect those of a genius or one who has great business sense but rather lack of courage in a situation where he is paid an excessive salary, among other things, so that he can take tough decisions with the long-term interest of shareholders and owners in mind. He follows the other men even if he knows better. In relation to this, another CEO of a bank, Lárus Welding, calls for limits to be placed on him by the authorities, the quote discusses the run-up to the collapse of Glitni:

Lárus Welding, the CEO of Glitnir, revealed in his testimony to the Special Investigative Commission that he had been given messages about the measures the International Monetary Fund considered appropriate to take. Lárus said, among other things: „[...] naturally we had received the messages but they were general and we were working towards them. I don't know how other banks interpreted it but I didn't receive a regulation saying: *“You have to be within these limits, you have to have sold assets within this timeframe or your license to operate will be revoked or you will pay a penalty”*. (6:162, our italics).

Lárus is cited again:

In testimony to the Special Investigative Commission Lárus Welding, CEO of Glitnir bank hf. was asked whether Glitnir had been pressured by the authorities to sell assets or downsize their operations. Lárus answered: "No, I don't remember any concrete proposals, there were just general meetings where men were speaking about the situation. If anything could be said, then I think the lesson to be learnt is that there must be much more coordination and unification and collaboration between the government, the Financial Supervisory Authority and the Central Bank [...] And the

government doesn't suggest anything directly apart from hoping that everything will turn out well." (6:261)

Lárus also added: *"I would have thought that the Authority and the Central Bank should have summoned men more frequently to meetings and set them clear rules which the management of the bank could take from the meeting and say: "These rules have been enacted and they must be followed." And that we had been subject to conditions and that the Icelandic government had said: "You have to sell assets for such and such." Then we have no option, a clear rule is in place [...]. The objective of the management of the banks is to run the banks, we work for the board, they are our superiors [...]but if something drastic has to be done more rapidly which has a very negative effect on equity, then that has to derive from [...] some kind of order or rule because otherwise we face a trust issue vis a vis the board who is working for the shareholders. Then the board says: "Is this the best option for the shareholders?"*. (6:261-262, italics are ours)

Both quotes highlight how Lárus Welding calls for clear limits to be set by the government, the Financial Supervisory Authority and Central Bank for him to follow. When the words of Sigurjón Th. Árnason are probed above, he also seems to feel that he, as the CEO of the bank, does not have the capacity to set the bank limits. At the same time, the government doesn't consider it their responsibility to set the limits Lárus calls for; the Prime Minister Geir H. Haarde said in testimony:

Yes, yes, of course that was what they [the banks] were supposed to do, but who was supposed to downsize the banks? And who were suppose to sell assets out of the banks? They, themselves. There was no one else to do that and we didn't have the resources or the authority to order them and just, you know, relating to this, the Central Bank had given warnings or had concerns, and that is evident in private conversations, a lot of it isn't made public, but what is made public is that they continue to lend these banks, if they were convinced that they were going bankrupt, why did they do that? The latest figures now regarding these mortgages, repo transactions, which will fall on the state is somewhere between ISK 240-3000 billion and one asks oneself: Why is that? (6:162)

To put it simply, it can be said that the bankers maintained that: No one stopped us. While the government and regulators say: No one made us stop them. The responsibility is thrown back and forth in the competition which has gone out of control. The battle for control is fought for the sake of the battle itself. The lessons to be learnt from this process, is that parties have to be set clear limits, not least those on the market. It can be argued, citing the words of Lárus Welding that clear rules are a

tool for managers to stand firm against owners and shareholders, rather than being the fetters described in the chapter on the individual, freedom and nationality.

The chapter has discussed the competition, which prevailed amongst Icelandic bankers. Inherent in competitive masculinity is risk seeking behaviour. Men seek risk because they constantly have to keep up with their rival in the hierarchy of masculinity. At the same time there is a certain level of coinsurance, reflected in part in the informal relations of men's contact network, which has been discussed but also in the coinsurance existing between men to secure each other power and loyalty to one another within in hegemonic masculinity.

7.3. Masculine coinsurance

The Special Investigative Commission concluded in relation to the banks' funding that:

The Special Investigative Commission is of the opinion that the banks' financing of each other's stock had been so extensive that it had created systematic risk, weakening the capacity of the Icelandic financial system to withstand the liquidity crisis which hit the economy mid-year 2007. (3:23)

The reference to the conclusion of the Special Investigative Commission describes the coinsurance, which prevailed amongst the men who financed the banks by buying shares in each other. More examples related to this can be found in the SIC report:

It can be argued that the three big banks had been systematically connected, that is to say, if one of them collapsed there was significant probability of others getting into trouble. According to Ragnar Haflidason, the Assistant Director of the Financial Supervisory Authority there was "a weakness in this, and it should have been tackled [...] or one of the main weaknesses was, in my opinion, these exposures between the financial companies in equity through [...] not only through some shareholdings which were supposed to be subtracted in CAD calculations but also through lending, which was much more extensive, I think, than one realised. To support this, it bears mentioning that in 2008 there were instances where the banks collaborated between themselves on financing and buying shares from one another. In September 2008, Landsbanki and Glitnir entered into an agreement to exchange shares, Landsbanki bought shares in Glitnir and Glitnir in Landsbanki. This is described in greater detail in chapter 12.0, but in short this involved transactions where Glitnir bought shares in Landsbanki worth ISK 3.7 billion in a few transactions in mid and late September, and Landsbanki purchased in return ISK 3.7 billion worth of shares in Glitnir. Furthermore, there was an agreement

between Glitnir and Kaupthing to finance shares in the other according to a loan application in relation to a loan from Kaupthing to FL Group in May 2008. The value of the loan was to be used to buy shares in Glitnir, the application stated: „The € 90m facility stems from a deal Kaupthing and Glitnir made where Glitnir committed to lend against Kaupthing shares and Kaupthing committed to lend against Glitnir shares.“ (3:21)

The quote shows how the banks coinsured each other's equity. Coinsurance also takes place between individuals and relates to men's contact network previously discussed:

Around 40% of the loans advanced by Landsbanki to its employees reverted to Gudmundur Pétur Davíðsson. He is the nephew of Björgólfur Gudmundsson. Loans to Gudmundur and his holding company, Brimholt, were worth just under ISK 800 million at the end of September 2008. (3:69)

Coinsurance entails, among other things that men get fixed in the egocentricity of hegemonic masculinity, which secures them implicit power and they start to view the funds they have been entrusted with, by shareholders and depositors, as their own. Examples of this can be found in the SIC report:

Then it ends so that last week, something like that, then it ends with us lending Björgólfur Thor *from our money* so that he can fulfil certain things in Actavis, in exchange for him providing us with collateral in the last part in, *let his dad have collateral*, that is, to let us have so that Landsbanki has 100% pledge in Samson holding company. [...] the next project in relation to that is of course to find new owners to acquire all the junk. (2:177, our italics)

Sigurjón Th. Árnason describes in the quote how he lends Björgólfur Thor Björgólfsson from “our money”. Björgólfur Thor then lets his father have a pledge so that his father, Björgólfur Gudmundsson, can let them have cf. "to let us have". The power and financial dominance of a small group of men is thus secured with masculine coinsurance. To perceive the institution or the company which the party in question works for cf. as "ours" relates to the subject in the next section. There it is discussed how the work culture is built on the interplay between coinsurance and competitive masculinity which thrives, among other things, on making employees, mainly men, who because of their gender are higher up in the organisation chart of the banks, owners: The banks are theirs.

7.4. Work culture: Both coinsurance and competition

In Iceland the image of the man as the provider has been dominant despite the significant participation of women in the work place. Men work on average longer hours than women even if Icelandic women work almost as long hours as Norwegian men. The value of an Icelandic man as a person is measured in the hours that he spends in the work place and his salary. This is reflected, *inter alia*, in the gender wage gap, but in Iceland the gap is wider than in the other Nordic countries. Many men seem to build their self worth largely on being in a paid job and working long hours. Closely related to this is the desire to have a good income and thus be considered as a real participant in the economy.³⁰

What characterised hegemonic masculinity before the collapse of the banks was the work environment, which was built equally on competition and the spirit of cooperation. Long working hours, demand for higher salaries and competition with colleagues developed ideas of masculinity that were built both on coinsurance and competition, which then developed the masculinity of the business Viking dominant prior to the collapse of the banks. This was crystallised in the expansion of Icelandic companies abroad and is mixed with an ideology primarily characteristic of individualism. In addition to this, these ideas are built on and maintain gender inequality.

One side of coinsurance relates to work culture and relations, and communication between superiors and subordinates. To ensure the loyalty of employees to the company they are given a share in it. Examples of this can be found in the SIC report:

Tying the interests of employees to that of the company had long been practised at Kaupthing. In 2004, Kaupthing paid, for example, all of its employees a bonus amounting to ISK 100 thousand. Fifty thousand were paid in cash while fifty thousand were paid as a contribution to the private pension fund of Kaupthing-Búnadarbanki, a pension fund which invested in the bank's shares. "We really want as many employees as possible to also be shareholders in the bank" Sigurdur Einarsson said in a speech on that occasion. [...] In general, considerable emphasis was placed on "family culture" in Kaupthing [...] but also success driven corporate culture: „[W]ork hard – play hard.“ (8:87)

³⁰ Gyða Margrét Pétursdóttir (2009). *Within the aura of gender equality: Icelandic work cultures, gender relations and family responsibility. A holistic approach*. PhD thesis, School of Political Science at the University of Iceland.

The work culture discussed here before is not limited to the banks. A recent study on work culture, gender relations and family responsibility, which has been cited before demonstrates that a similar work culture prevails in other areas of the economy. “The family culture” cited is also mentioned in the study; on the surface the idea is promoted that all of the company's employees have equal rights and cooperation is fostered, which in return is meant to secure the best result for the company. Under the surface, however, there is considerable competition between individuals, and the one who succeeds is the one who can demonstrate that he has generated the most income for the company and/or works the longest hours. This relates back to the family culture, i.e. to stay as much at work with your work colleagues and show the company loyalty, the research showed that those who chose to spend time with their family instead of at work were frowned upon.³¹ An example of loyalty that leads to difficult questions being avoided can be found in the SIC report. One of the banks’ employees said in testimony to the Special Investigative Commission:

When a CEO of a banks tells you: You won’t do that. You know, you even intend to continue to work for the bank and to be allocated options sometime later, then – and we never got any explanations why it was said, why it wasn’t allowed. (8:112)

The quote describes the difficult side effects of masculine cosurance. The employee wants to redeem his shares in the bank but the CEO, Sigurjón Th. Árnason forbids it. Another employee in the same position at the same bank doesn’t consider himself to have been forbidden to redeem the shares, but rather that he had followed the CEO’s request without any further instructions. He said: “We trusted the man” (8:113). Whether the “ban” was expressed in a clear way or not, it is clear that the loyalty was such that difficult questions weren’t asked and as a consequence the shares weren’t redeemed. These are the difficult side effects of masculine cosurance, which ensures the position of those who have more power at the expense of those who have less power such as in this case. This will be discussed in greater detail in the chapter “Remuneration and incentive programmes”.

³¹ Gyða Margrét Pétursdóttir (2009). *Within the aura of gender equality: Icelandic work cultures, gender relations and family responsibility. A holistic approach*. PhD thesis, School of Political Science at the University of Iceland.

7.5. Emphasised femininity

Let's view the position of women within the hierarchy of men and how the power of men and position within the hierarchy is maintained with the support of women. The sister concept of hegemonic masculinity is the concept of emphasised femininity. As referred to previously hegemonic masculinity is based on the fact that lower in the hierarchy are men and women who have less power. There is, however, no single type of femininity, which is dominating like masculinity where one type always sits on the top of the hierarchy. That is why emphasised femininity is referred to. Women support the power of men because their social and financial power is significantly less than men's. The role of women as supportive parties is expressed and maintained through our culture, ideologically, in the media and through various marketing efforts.³² This means that women do not have the leading roles on stage but supportive roles; they help the main actors to shine. They are, among other things, in the role of the trophy wife. The SIC report contains examples of this. One of the bank's CEOs, Lárus Welding said in testimony to the Special Investigative Commission:

It's the recruitment agencies that publish these reports Michael Page, I think has a report, who anyone who has had subordinates in the UK is familiar with, because they always come with the damn report and say: Wait a minute; the market is paying triple the salary. And one says: Yes, but your base salary is higher than the market's. Yes, but everyone is getting double the salary, three times the salary in bonuses. This discussion never ends and everyone is arguing about the business they generated, one doesn't get much joy from human beings in such discussions. I often said to them in London: *Just stop buying yourselves Porsches and drinking so much booze and you will feel much better; stop changing wives, it will save you a lot of money.* (08:43:00, italics are ours)

As a response to his subordinates rising wage demands, Lárus recommends, among other things, that they stop "stop changing wives, it will save you a lot of money." In this example women are in the role of trophies, in the same category as expensive cars, i.e. objectified but not independent thinking human beings but rather centrepieces for dominant males. Shortly after the collapse of the banks an image was being sent via email of a Range Rover, on top of the car was a voluptuous woman with long hair in a red shiny dress. Instead of it saying Range Rover on the car it said "Game Over". The status of Icelandic bankers on top of the hierarchy of masculinity

³² Connell, R. W. (1987) *Gender and power: Society, the person and sexual politics*. Stanford, California: Stanford University Press.

had suffered; the game was over, the car and the lady maybe gone – at least for a while.

7.6. Genderisation: Interplay of gender and position

As has been revealed previously, Valgerdur Sverrisdóttir the former Minister of Commerce, the Minister of Banking Affairs until June 2006, was to some extent on the sideline (1:267) when the banks were privatised. She herself explained in one instance that maybe it was because she was a woman and it was, therefore, assumed that she was "maybe not in control of the whole thing." (1:268). Jón Sigurdsson took over the position of Minister of Commerce from her and was Minister until the election in the spring of 2007, but he is not prominent in the SIC report. Björgvin G. Sigurdsson took over as Minister of Commerce after the election 2007. It is noteworthy that the Minister of Commerce continues to be sidelined after a new government assumes power in 2007 and a man takes over the position from a woman. Moreover, the Minister of Commerce and his Ministry played formally a key role just as it did in the privatisation of the banks, but now as regulators to the financial system. The supervision was divided into three ministries (the Prime Minister's Office, the Ministry of Commerce and the Ministry of Finance) in addition to the Central Bank, which was under the auspices of the Prime Minister's Office and the Financial Supervisory Authority, which was under the auspices of the Ministry of Commerce (SIC report Volume 5, Chapter 16.1).

As mentioned in the chapter on gender concepts and perspectives, one of the most influential way to symbolise power relations is to genderize them.³³ Culturally ingrained ideas on what is masculine emphasise authority, and in the same way ideas which suggest something is not masculine reduce authority. In this chapter the role of the Minister of Commerce, Björgvin G. Sigurdsson is examined, his sidelining is evident in the process, which lead to the collapse according to the Special Investigative Commission. A repetitive theme in that discourse is a reference to traits that allegedly are considered to be unmanly. Here the question is raised whether the discourse on unmanly traits play a part in sidelining the Minister and reducing his influence, and as a result the importance of the field. The person, actions and conduct

³³ Scott, J. W. (1996) Gender: A Useful Category of Historical Analysis. J. W. Scott (Ed.), *Feminism & History* (page 152-180). Oxford, New York: Oxford University Press.

of the Minister in question is not for discussion here but the discourse and the traits that were attributed to him.

When giving testimony to the Special Investigative Commission, Jón Thór Sturluson, the Assistant to the Minister of Commerce Björgvin G. Sigurdsson, said that the Minister had not been in the group of “superministers” (6:214), which contained the Prime Minister, Minister of Foreign Affairs, the Minister of Finance and Minister of Social Affairs.³⁴ This is reflected in the fact that he wasn’t summoned to meetings, didn’t know about the meetings, didn’t receive reports or didn’t know they existed. A few examples of this can be found in the SIC report. He was, for example, not summoned to a meeting on 7 February 2008, in which the Director of the Central Bank met with the Prime Minister, the Minister of Finance and the Minister of Foreign Affairs after a meeting Davíd Oddsson had in London with, among others, the credit rating agency Moody’s and others. He did not attend a meeting of the board of the Central Bank with the same ministers on 7 May 2008.³⁵ He did not attend a meeting of the Prime Minister’s undersecretaries on 16 September 2008 where the status of affairs was reviewed with the Prime Minister and the Minister of Foreign Affairs.

The Central Bank distrusted the Minister of Commerce. According to Ingimundur Fridrikson, one of the Directors of the Central bank, the Minister “is said to be inexperienced, indiscreet and careless in his statements” (8:137). It is noteworthy that here the lack of experience is thought to weaken the position of the Minister of Commerce, while lack of experience is not thought to be a vice when the young managers in the banking system are concerned. When giving testimony, Davíd Oddsson the Chairman of the Board of the Central Bank was asked whether there had not been good reason for the Central Bank to have more meetings with the Minister of Commerce. The Chairman of the Board of the Central Bank said:

We “sorted” under the Prime Minister and he could summon men and of course we noticed, and it was no secret that the Minister of Commerce was not in meetings with the Minister of Finance and the Minister of Foreign Affairs. Jóhanna Sigurdardóttir attended one or two meetings. [...] and in fact the way it was, was that – it must be said as it is – men couldn’t say something which had to be kept under wraps to the Minister of Commerce,

³⁴ In the testimony given by the Director of the Central Bank of Iceland it states that Jóhanna had been in “one or two meetings” when the Central Bank of Iceland met with the ministers (6:93).

³⁵ It is not clear in the SIC report whether the meeting was on 7 or 8 August, see Volume 6, page 214-215.

men just couldn't. [...] I think that is why the Prime Minister and the Minister of Foreign Affairs didn't summon him to a meeting with the board of the bank. And what caught my attention was when the Minister of Foreign Affairs, the chairman of the other party in government described how he had attended six, seven meetings with the Central Bank of Iceland - he had not told the Minister of Commerce about anything that took place in those meetings which I thought he would. But I think it was the same reason, it was known that the Minister of Commerce was inclined to call a reporter, even reporters he didn't know and tell them news "off the record" so to speak. That's just not acceptable in public administration. (6:93)

At the national convention of the Independence Party in May 2009, Davíð Oddson said that the chairman of the Social Alliance, Ingibjörg Sólrún Gísladóttir had been afraid that Björgvin G. Sigurdsson the Minister of Commerce and Össur Skarphéðinsson the Minister of Industry would leak the information given by the Central Bank of Iceland to the representatives of the government prior to the collapse. He said that Össur leaked like a sieve and had never known how to handle confidential information. That is why he had never been involved in meetings where serious concerns were raised regarding the position of the banks. While Össur held "the Icelandic record in leaks", Björgvin G. held the "boys record". With these words yet another dimension is added to the sidelining of the Minister of Commerce i.e. by referring to his age. The Director of the Central Bank implies with these words that the Minister of Commerce is not thought to compete with the adults but with the boys.

Matters from the Minister of Commerce were sidelined. At a government meeting on 12 August 2008, the Minister of Commerce submitted a proposal regarding the appointment of a committee to increase the stability of the financial system and he also proposed that he would appoint the chairman of the committee. No one in the government supported the idea: "The matter was discussed but decision postponed" (6:218) it stated in minutes from the meeting. The Prime Minister's resistance to the proposal was because the proposal might give the impression of "neurosis" (6:219) or that the government was not in control, they wanted:

Very much to refrain from doing anything which might be perceived as panic or fear on our behalf of things getting out of control where the banks are concerned. (6:219)

The Minister of Industry thought that men had viewed the proposal as being "a bit presumptuous". He advised the Minister of Commerce to guard himself beforehand,

he said himself that he had "spoken to some key figures and the like" (6:219), chairman of the party and possibly the Minister of Finance. Here lack of knowledge and bad judgement is strongly implied. The ideas of the Minister are thought to give the impression of neurosis and weakness, both unmanly traits.

The Permanent Secretary of the Minister of Commerce introduced the proposal of the Minister of Commerce on the committee in the government's liaison group and said that "men had in fact been shocked by the proposal and thought that it was untimely and that there were other more important projects to tend to at that time." (6:219). The Undersecretary of the Ministry, Áslaug Árnadóttir, who worked temporarily as Permanent secretary and took a seat on the government's liaison committee said to the Special Investigative Commission that:

There were meetings upon meetings which were devoted to discussing the character of the Minister of Commerce who was thought to be indiscreet and there was little confidence in him [...] a double page spread would be placed on the table containing an interview with the Minister [and then it would be asked] whether the man couldn't shut up (6:146)

As described in the chapter on gender concepts and perspectives, self-discipline and discreteness are related to greatness and masculine authority, in contrast to rumour mongering associated with women. There are verbs and references to literature which reflect women stereotypes and their indiscreetness. The saying "Often comes ill from women's gossip" is, for example, derived from the Icelandic saga Gísli the Outlaw. Discussions on indiscreetness as being unmanly has been clearly manifest in wars and the slogan "indiscreetness sinks ships" is a clear example of that. There stereotypical women can be found which are described as "blabbermouths who reveal military secrets".³⁶

The Permanent Secretary of the Minister of Commerce said in testimony to the Special Investigative Commission that she had made it clear to the Consultation Committee that she considered it her duty to inform the Minister of what went on in the meetings and to provide him with access to information if he so requested. For that reason the members of the committee were "made to return the documents which had been submitted" (1:146). Furthermore, the report of the Special Investigative Commission reveals that the Permanent Secretary considered that the representatives of the Financial Supervisory Authority and the Central Bank of Iceland "had been

³⁶ Þorlákur Einarsson (2003, 22 March) „Kvenímyndir í stríði“. *Morgunblaðið*, Lesbók.

reluctant to submit written information at the meetings because they were sceptical of confidentiality being honoured” (8:143).

The banking industry did not communicate a lot with the Minister of Commerce either. Sigurjón Th. Arnason commented:

The Minister of Banking, no, we never spoke to him, the Central Bank boy-cotted him and never spoke to him, of course he never knew anything, and nobody ever spoke to him (8:106).

Sigurdur Einarsson was of the opinion that the Minister of Commerce had a tendency to comment on matters without having sufficient information but: “I think he meant well and stuff.” (8:106). Hreidar Már referred to the Minister of Banking Affairs as being a minister for consumers rather than the banking industry, which had never had a minister to fight for its interests (8:106). The reference to consumer affairs is strong, they are in all probability thought to be of less importance than the interests of the financial sector.

An example of how little the bankers communicated with the Minister of Commerce is Landsbanki’s meeting on 11 July 2008 with the economists Anne Sibert and Willem Buiter discussed earlier. The bank invited among others, employees from the Central Bank of Iceland, ministries, private sectors and finally academics or in the words of Sigurjón Th. Arnason:

That is why we convened this meeting where all the decision making parties of any relevance were invited, academics, the Central Bank and all those guys were invited to get it straight, and he also met some ministers and such like... (6:199).

The Assistant to the Minister of Commerce attended the meeting but not the Minister himself. The Assistant did not present the report to him because:

He was on holiday during that time, and we had reviewed this, I, he doesn’t remember me having presented the report to him, I can’t remember when that would have taken place... (6:201).

The Assistant's remarks regarding the Minister being on holiday could suggest that he is justifying the fact that he didn’t inform the Minister. In view of the informal communications that take place between men, which have been described above, this is a tenuous explanation. The Permanent secretaries of the Ministry of Commerce,

who were two at the time as stated previously, claimed that there was a lack of trust towards the Ministry of Commerce and the Minister of Commerce:

I have often felt in this crisis that I had to fight for the involvement of the Ministry of Commerce to things” commented Jónína Lárusdóttir, the Permanent Secretary of the Ministry of Commerce. Áslaug Árnadóttir, the Undersecretary of the Ministry of Commerce says that she had often thought it was uncomfortable when he wasn’t involved: “It was a very odd situation, I must say, not correct administration. (8:137-138).

In the Minister’s, Björgvin G. Sigurdsson's report to the Special Investigative Commission he says that he considered that there had been a lack of “credibility and honesty in relations which was maybe the prerequisite for men being able to fulfil their duties”. (8:142-143). He says that the Consultation Committee had been a very secretive group, and that it had not been permissible to say that the group existed and that the group had never submitted any written reports. The Minister of Commerce was not aware of the Permanent Secretary ever having put to him proposals from the Consultation Committee on the basis of which he had to make a decision(6:239). He also described the animosity on behalf of the Central Bank:

There was great acrimony there and men shunned each other systematically and I maintain that [Davíð Oddsson] kept me, very deliberately, away from information, events and such like. (6:92).

When the position of the Minister of Commerce is examined and the discourse surrounding it, it is noteworthy how his role is assumed to be of much less importance than that of others. Here the gender, role and position of the person in question are integrated into the authority of the person holding public office. As mentioned in the chapter on gender concepts and perspectives, one of the most influential way to symbolise power relations is to genderise them.³⁷ An interesting question in relation to this, is whether the discussion on the Minister of Commerce and associating him with traits, which are allegedly unmanly, is related to the subject area and conscious and unconscious attempts to sideline him. There is no clear-cut answer to that question but it is worth considering in a larger context that the Financial Supervisory Authority is subject to the Minister of Commerce and sidelining the Minister of Commerce also meant weakening the Authority, as previously mentioned the “regulatory industry”

³⁷ Scott, J. W. (1996) Gender: A Useful Category of Historical Analysis. J. W. Scott (Ed.), *Feminism & History* (page 152-180). Oxford, New York: Oxford University Press.

was not popular (5:133). The discussion above must be viewed with that in mind. Here it may be added that Valgerdur Sverrisdóttir, the previous Minister of Commerce compared the role of the Financial Supervisory Authority to a “guardian angel watching over our welfare” (8:122). The idea came from a Christmas card that she received from the Financial Supervisory Authority. It is also symbolic in this context that the equivalent to the *s* in the logo of the Financial Supervisory Authority in Icelandic is in small letters whereas other letters are capital letters.



What has been cited here is thus conducive towards undermining the authority of the Minister of Commerce and the institution which was meant to supervise the financial system.

The chapter discussed prevalent ideas on masculinity, which are both built on competition and coinsurance. The role and gender of women is entailed in emphasised femininity, which supports and confirms the dominance of men. That role is not, however, restricted to women. An influential way to symbolise power relations is to genderise them and there are examples where men are sidelined in the discourse by attaching unmanly traits to them in their formal role.

When the main subject matter of this chapter is summarised, it is clear that culturally hegemonic masculinity is not a fixed variable but a dynamic one. Therefore, the type of masculinity, which allows for equality between men and women, is possible. Hegemonic masculinity has up till now been entailed in resolving conflicts between the genders by supporting the foundations of the patriarchy or to renew it under new circumstances.³⁸ That will change once relations between men and women have been redeveloped as well as their relations within the family, the economy and in other institutions of society. In relation to that it is important that women and men's labour in the home is reviewed. Thorough research on the participation of women and men in household chores has not taken place here in Iceland. Various researches recently undertaken built on the experience of the participants of their work contribution in relation to household chores and childcare suggests that women are

³⁸ Connell, R. W. og Messerschmidt, J. W. (2005). Hegemonic masculinity: Rethinking the concept. *Gender & Society*, 19, 6, 829-859.

contributing significantly more in this area. Women shoulder a large part of the responsibility when it comes to child care and maintaining a home, and attend such work to a greater extent than men do.³⁹ In the final chapter of the report this subject will be discussed in greater detail in relation to the state's statutory obligation to mainstream gender perspectives in all policy formulation and decision making.

8. Remuneration and incentive programmes

The following deductions are made in the SIC report :

The Special Investigative Commission is of the opinion that the lending of the three large Icelandic banks, Glitnir bank hf., Kaupthing bank hf., and Landsbanki Íslands hf, had in the last years preceding their collapse outgrown the economy significantly and the institutions that were meant to supervise the banks and defend the interests of depositors. Furthermore, the Special Investigative Commission is of the opinion that the economy and the lending of the banks had outgrown the infrastructure of the banks themselves. Thus the overall management of and the supervision of lending had not been in line with the growth in lending. Furthermore, the rapid advance into new markets was very risky. In light of existing research and academic literature it was to be expected that the quality of the banks' credit portfolio was likely to be significantly less than if their growth had been moderate, and it was therefore clear that when things slowed down, the banks would be tested significantly ... As stated in chapter 8.5, the Commission is of the opinion that this was the case. *For these reasons, significant growth is not compatible with the long-term interests of a credible bank. The Commission is of the opinion that there were incentives in place to drive the growth forward. These incentives were entailed in, among other things, the banks' incentive programmes [...]. Moreover, the significant borrowing of the largest owners who also sat on the banks' board of directors was conducive to increasing the banks risk seeking behaviour.* (2:93, our italics).

³⁹ Einar Mar Þórðarson, Heiður Hrund Jónsdóttir, Fanney Þórsdóttir, Ásdís A. Arnalds and Friðrik H. Jónsson (2008). *Kynbundinn launamunur á íslenskum vinnumarkaði*. Reykjavík The Social Science Research Institute at the University of Iceland. Gyða Margrét Pétursdóttir (2008). Within the socially desirable aura of gender equality: Division of domestic labour and child care. Gunnar Thór Jóhannesson and Helga Björnsdóttir (Ed.), *Rannsóknir í félagsvísindum IX* (page 213-222). Reykjavík The Social Science Research Institute at the University of Iceland. Stefán Ólafsson (1990) *Lífskjör og lífshættir á Íslandi*. Reykjavík The Social Science Research Institute and Statistics Iceland. Þóra Ásgeirsdóttir, Sigrún Drífa Jónsdóttir and Matthías Þorvaldsson (2003). *Equality* A survey. Reykjavík IMG Gallup. Þóra Kristín Þórsdóttir (2007). *Diverging perceptions? The division of household labour*. Unpublished Master's thesis, London School of Economics, London.

It can therefore be said that the banking system over extended itself. Risk seeking behaviour, short-term gains and the futility of competitive masculinity were in the driving seat. These factors will be discussed in this section with an emphasis on the banks' remuneration and incentive programmes, and with regard to the gender concepts which have been introduced previously. The banker's salary agreements will not be discussed in detail, they are discussed in Chapter 10 of Volume 3 of the SIC report. To start with it is useful to realise the amounts at stake, here are a few examples:

The average monthly salary of Bjarni Ármannsson five folded in three years and increased from ISK 9 million per month in 2004 to ISK 50 million per month in 2007.(3:44)

The total monthly salary of Sigurjón Th. Árnason grew nine times over from 2004 until 2008 and was just under ISK 35 million on average a month in 2008. (3:58)

The base salary of Halldór J. Kristjánsson doubled between 2004 and 2008 and went from just over ISK 1.5 million on average a month to ISK 3 million a month. (3:59)

The total salary of Hreidar Már Sigurdsson on average per month roughly quadrupled in the years 2004-2006 and was just over ISK 80 million per month in 2006. His total salary on average per month decreased after that to just under ISK 50 million per month in 2008 (3:95)

Before, it has been discussed how access to money secures a dominant position in the hierarchy of masculinity. We will, therefore, not discuss these examples any further but instead concentrate on the consequences of the banks' remuneration and incentive programmes. The SIC report reveals that the three banks, Glitnir, Landsbanki and Kaupthing had in place remuneration and incentive programmes, which promoted the growth of short term gains. To name a few examples, the first is from Glitnir, this led to "management taking too much risk in their operations" (3:47). One example is taken from a division within Landsbanki (the securities division): In these three months from September until November 2007 the division's income was roughly ISK 178 million. Bonuses for the same period amounted to ISK 194 million. (3:54). Employees of Kaupthing were advanced high loans to purchase shares in the bank. All of these examples demonstrate the consequences of a remuneration and incentive programme based on the ideology of those who have allocated themselves power.

Because the power is implicit, the compensation is so also and is not based on performance as the example from Landsbanki clearly demonstrates.

The compensation and incentive programmes, which the Special Investigative Commission discusses describes well the connection between the hierarchy of masculinity and the ideas of coinsurance and competition entailed therein. The discussion also reflects a work culture based on both competition and coinsurance. It reveals that:

Bonuses to employees were largely based on the assessment of senior management, the CEO Sigurjón Th. Árnason who was responsible for human resources and the managing director of the relevant division. The way these decisions were made in Landsbanki, it cannot be ruled out that the definite way in which some employees pursued bonuses and the different leverage employees had to make such demands had in fact something to do with the management's decision to pay bonuses. (3:70)

In the quote it is revealed how employees could pursue for themselves such bonuses and how access to a senior manager could assist in doing so. Again men's contact network comes to play. But the relationship is not unilateral, the employee seeks the incentive and the manager benefits from giving the employee an incentive, it ensures that the employee is loyal to the work place.

The SIC report states that:

According to a press release from Kaupthing Búnadarbanki, the policy was approved at the bank's AGM on 27 March 2004 *the feasibility of the bank's key employees also being shareholders in the bank in a decisive way.* (3:77, our italics)

The bank's policy was thus linking together the interests of the employees and management but not all employees, only "key employees". The word key employee has been prominent in the discussion in recent years and describes the hierarchy within the banks. It is clear from reading the SIC report that men were the overwhelming majority of key employees when loans were advanced to employees in relation to the purchase of shares on the one hand and when it is reviewed who was permitted to transfer such loans and shares into holding companies. That will be discussed later. It was desirable to be categorised as a key employee, and thereby be able to compare oneself to hegemonic masculinity. The SIC report cites an employee of one of the banks:

There didn't seem to be as much unity in the other banks as in Kaupthing. Even though everyone is trying to get into the innermost circle. "It wasn't something conscious but it was just so much fun, it centred on getting to go to the football match with West Ham or... you know what I mean. Then you were a part of the group of elite employees and that also involved being a part of the bullet loan group and the options group. (8:88)

Not all of the key employees were anxious for loans and that didn't go down well as the following example shows:

The representatives of the bank seem to have pressured employees into taking large loans to purchase shares and the corporate culture within the bank also had such a tendency. Gudmundur Thórdur Gudmundsson, a Managing Director with Kaupthing described it in the following way: "[...] if you sat down with your boss: You know, I simply cannot afford to take such a big loan. Him: I think you should take it. Me: No, you know, I don't think it's right, I don't have the salary to service the loan. Him: You don't have to worry about that, your risk is really very limited or none at all. "You will take this". (3:79)

Kaupthing's employees who gave testimony to the Special Investigative Commission on 4 September 2009 had assessed the situation as such that the bank had, in fact, kept many of the employees, who had taken such loans "hostage". The representatives of the bank had repeatedly given the same answer when employees sought permission to sell the shares to meet margin calls. The reply was that the matter was being looked into. [...] In the aforementioned testimony Gudmundur Thórdur Gudmundsson said:

„[...] You could never show any sign of weakness by actually selling shares. And it was in fact, in my opinion, you had a large group of employees who were in actual fact, to put it bluntly, held hostage for a year or more at the bank with this position. Unless you just resigned or quit and then people wouldn't really know what their position would be if they did that. [...] The interests at stake were such that, truly, if we show any weakness, if key management, a large part of key management start to sell their shares in the bank, the whole thing will collapse [...].“ (3:80)

The words above describe well the interaction between coinsurance and competition, and how these factors influence the corporate work culture. The employee is pressured into taking the loan and to demonstrate his loyalty and to take part in the coinsurance. It can be argued that those who were in the innermost circle of key employees or management were better insured than other employees. The SIC report published an email from two employees of Kaupthing to the most senior management:

The email describes an idea that the managers could evade personal responsibility for the loans so that Kaupthing would bear all the risk. The explanations of the Special Investigative Commission on abbreviated concepts in the letter are in brackets:

“Hello Siggi and Hreidar

As Ármann and I have discussed this with you, we have conferred with each other (association of loyal CEOs) and come to the following idea in relation to our shares in the bank:

1. Each of us establishes a SPV [a holding company or a Special Purpose Vehicle] in which we will place all of our shares and the loan.
2. We obtain an additional loan for up to 90% LTV [Loan to Value, or ISK 90 borrowed for every ISK 100 in the company already] which means that we cash out some money straight away.
3. We are authorised to borrow more if the share price of KB increases to what amounts to 90% of LTV up to the share price of 1000. So if the share price rises above 1000 we can't borrow any more.
4. The bank would not make a margin call on us and would theoretically suffer the loss in such a case.

We would be interested in using a part of the funding to place into Kaupthing Capital Partners (the bank's principal investment fund)

Regards, Magnús and Ármann

As we have said previously, we have discussed this idea with Ingólfur also." (3:81)

The employees define themselves as an “association of loyal CEOs” a definition which the senior managers were undoubtedly in agreement of. The email demonstrates clearly the coinsurance of masculinity. The employees are initiated into and a part of the innermost circle in the company, over and above others. Their finances are secured above that of other employees who compete internally for the respect of the most senior managers.

The SIC report states that:

The Special Investigative Commission cannot see from its examination that bonuses were tied to the operational performance of the bank systematically but rather that they seem to have been subject to the subjective assessment of the management. (3:86)

To advance to particular employees, most often men, loans to purchase shares is done, *inter alia*, with the following objectives in mind:

The management of Kaupthing wanted to evade salary costs, the company's cost due to public levies, to reduce employers' taxation by transferring benefits and making them subject to capital gains tax instead

of income tax [...] ...the loans were intended to tie together the interest of the shareholders and the management. It must be considered a weak coordination of interests if the employees enjoy all the gains when the company is successful while the shareholders are stuck with all the risk and enormous losses when things turn bad. (3:96)

Coinurance is without any commitment and is based on men's contact network. The Special Investigative Commission concluded that: "The risk of this transaction lay solely with the bank itself." (3:88). But not with the relevant employee.

Arguments to justify high salaries evolved around genius and personal risk but according to this there was no personal risk. The risk entailed that in the event they were made to resign they could not work in the field for a certain amount of time. It seems as if their resignation due to incompetence had not been allowed for, only if parties acquired the bank who wanted to replace them with their own men.

There is one single hegemonic masculinity at any point in time in the hierarchy of masculinity. Before the banks collapsed that masculinity was characterised by high salaries, the alleged geniuses in banking and a lot of access to funding. This was the culturally hegemonic masculinity and thus something which other men were supposed to strive for i.e. what other less powerful men were supposed to compare themselves to, and to justify to themselves and others if they did not have high salaries and access to a lot of money. The banks' remuneration and incentive programmes were based on the implicit power of those men at the top of the hierarchy of masculinity.

The idea of risk seeking behaviour is closely connected to masculinity as previously stated. A part of being dominant in the hierarchy is being able to demonstrate one's own risk seeking behaviour, in this case commercial risk. As described in the SIC report, this risk wasn't taken by the men themselves but the banks and their shareholders. The idea of men and risk seeking must be viewed in light of the conclusions of the Special Investigative Commission, and one can wonder whether the risk wasn't taken at the expense of others, risk based on very limited personal risk. Anyone who takes such risk is endangering others and enjoys the satisfaction for a short period of time. Just as someone who is driving too fast endangers himself and others. This is one of the negative aspects of the culturally developed masculine role.

Our culture is full of gender based ideas on desirable roles for men and women. It is natural to promote healthy aspects rather than unhealthy. Risk seeking at the expense of others is without a doubt one of the most unhealthy aspects of the masculine role. The school system is a place where the negative cultural impact can be reduced. Ideas on masculine and feminine roles can be discussed openly and critically instead of taking them for granted, and at the same time different roles can be promoted where diversity is the guiding light. The academic literature discusses the cost of masculinity. Men live shorter than women because of unhealthy lifestyles and they have a greater tendency to endanger their lives.⁴⁰ Both factors are related to risk seeking which is not natural behaviour but cultural.

This chapter focused on the banks' remuneration and incentive programmes. Men had much better access to bonuses of various kinds and it is therefore clear that rewards weren't always based on performance but the subjective assessment of the management.

9. Summary and proposals

The Act on Equality stipulates society's obligations with regard to equality. The mainstreaming of gender and equality perspectives has been stipulated in the Government Action Plan to achieve gender equality since 1998. The mainstreaming of gender and equality perspectives was, however, implemented with the Act on Equality from 2008. The definition of mainstreaming according to Article 1 of the Act is:

To organise, improve, develop and assess policy formation processes so that the perspective of gender equality is tied into policy formation in all areas and in the decisions of those who, all things being equal, take part in policy formation in society.

Even if mainstreaming is statutory, its implementation is only in its preliminary stages. Below, the proposals of the authors based on the contents of the reports are outlined. The proposals are numbered but that does not indicate their priority.

⁴⁰ Ingólfur Ásgeir Jóhannesson (2004) *Karlmennska og jafnréttisuppeldi*, page. 36 and 73.

The proposals stipulate actions in matters concerning equality, particularly the mainstreaming of gender and equality perspectives and gender based budgeting. If the events leading to the collapse are not to be repeated such perspectives must be a part of the closure. Only then can the rebuilding of society become successful and for the benefit of all.