

The law on the Special Investigation Commission contains an article about a Working Group on Ethics:

“In relation to the work of the special investigation commission, there shall be an inquiry of whether the collapse of the banks and related financial setbacks can to some extent be explained by morality and work practices” (article 1). In the letter of ordinance from the president of the Icelandic parliament to the members of the Working group, it is stated that the inquiry is not to be limited to morality and work practices in the financial sector; other sectors of society may come under scrutiny as well.

The Working group decided to assess morality and work practices in the financial sector, the administrative and political sector, and in the social sector or the public sphere. The analysis of the Working group demonstrates that actions in the financial and administrative sector need to be explained by relating them to the wider social context, such as the prevailing political ideology and social values, and the poor performance of the media.

The Working group sees the primary problem reside in the fact that in the wake of a flawed process of privatization, where inexperienced owners gained large shares, the banks were allowed to grow far beyond the ability to supervise them properly. The policy to trust the bankers to largely regulate themselves proved fatal and the culture within financial institutions severely neglected professionalism and good working practices. The supervisory institutions did not put any real pressure on the banks to downsize and public administrators and politicians were as lamed in the face of a far too powerful banking system and failed to respect their primary obligations. The prevailing social discourse about the unique success of the Icelandic bankers also facilitated the events.

The main conclusion of the Working group are that although several individuals, in the financial, administrative, political and the public sphere, showed negligence and sometimes reprehensible action, the most important lessons to draw from these events are about weak social structures, political culture and public institutions. It is the common responsibility of the Icelandic nation to work towards strengthening them and constructing a well functioning democratic society.

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