

# Decomposing Capitalism

Socialists in power, Iceland 1956-1958

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## Ágrip

Á kaldastríðsárunum, þegar smám saman dró úr áköfum stuðningi margra vinstri manna við Sovétríkin, einkenndist afstaða íslenskra sósíalista af vissri tvöfeldni. Leiðtogar flokksins, einkum formaður hans, Einar Olgeirsson, reyndu að halda flokksnum vinveittum Sovétríkjunum, um leið og þeir reyndu að halda frið við og jafnvel vinna með vinstrimönnum sem höfðu misst alla trú á Sovétríkin. Tilraunir Einars birtast meðal annars í þeirri stefnu flokksins að senda unga flokksmenn til háskólanáms í Þýska alþýðulýðveldinu og Sovétríkjunum, í efnahagsstefnu flokksins og í hugmyndum Einars um að skapa norrænt bandalag vinstriflokka, sem átti að ná til bæði sovéthollra aflu og þeirra sem sýndu Sovétríkjunum enga hollustu. Tilraunirnar náðu hámarki sínu í lok sjötta áratugarins, þegar Sósíalistaflokkurinn varð eini sovétholli flokkurinn til að taka þátt í ríkisstjórnarsamstarfi í NATO landi.

**Lykilorð:** Sovétríkin, kommúnismi, Sameiningarflokkur alþýðu – Sósíalistaflokkurinn, kalda stríðið, íslensk stjórnsmál

## Abstract

During the Cold war years, when enthusiasm about the Soviet Union in leftist circles gradually faded, Icelandic socialists maintained a double position. The party leadership, especially the party chairman Einar Olgeirsson struggled to keep the party within the Soviet camp, while at the same time seeking to accommodate and even work with leftists who had abandoned all faith in the Soviet Union. His efforts can be seen in a policy to send young party members to the GDR and the USSR for University education, in economic policy and in ideas about creating a leftist partnership in the Nordic countries involving both pro- and anti-Soviet Socialist parties. These efforts were strongest in the late fifties when the Socialist Unity Party became the only pro-Soviet Socialist party to join the government in a NATO country.

**Keywords:** Soviet Union, Communism, Socialist Unity Party, Cold war, Icelandic politics

Many Socialists and Communists in Western-Europe began to turn their backs on the Soviet Union during the fifties and early sixties. This was a time when doubts about the Communist economies started to grow. Gradually, as time went on, it became apparent to most people (except perhaps the most ardent Socialists) that the Communist economies were destined to be less successful in the long run than the market based economies of the West. It was also a time during which the true face of pax Sovietica presented itself in events such as brutal reactions to the uprising in Berlin and the invasions of Hungary and later Czechoslovakia. During the sixties criticism of the Soviet Union and of Soviet methods came increasingly from leftist circles. Leftist discourse in Western-Europe, as a consequence, depended less and less on defending the Soviet Union. One of the essential roles of the radical left in Western countries in the twenties and thirties had been to defend and glorify the Russian revolution and Soviet achievements. By the end of the sixties, however, pro-Soviet rhetoric had faded into the distant background of leftist politics.

In the present paper I will discuss the reaction of the Socialist Unity Party of Iceland (SUP) to this state of affairs. I explore the strategical moves of the party's chairman, Einar Olgeirsson, who realized that the rhetorical force of old style Communism was dwindling, but thought it was possible to go both ways in response: Remain on friendly terms with the comrades in Moscow and move on to leftist discourse that allowed criticism of, and even indifference to, the Soviet Union.

The SUP was founded in order to unite Communists in the Communist Party of Iceland (CPI) and radical Socialists in the late thirties and was officially independent of both Communist and Social-democratic internationals. It was considered pro-Soviet by its opponents from the start however, and did not conceal its affiliations. As American military presence was made permanent in Iceland in the early fifties, the party put itself in the forefront of the campaign against the US base in Keflavík. The SUP was a strong force in Icelandic politics, from its first major election victory in 1942 until its dissolution in 1968, as the People's Union, a former electoral alliance, became the new Socialist party. The SUP received between 12-20% of the votes in general elections during this period, and entered government twice, first in a coalition led by the Conservative Independence party in 1944, and the second time in a coalition led by the centrist Progressive party in 1956. It is unique among pro-Soviet parties in NATO countries, in being accepted as a coalition partner.

The Socialists, led by Einar Olgeirsson, who held no formal position in the 1956 government, made no secret of their wish to improve and increase cooperation with the Soviet Union during their time in government. A grand scheme designed by Einar was to commit the Icelandic economy to eastern trade by loan and credit agreements. This surfaced, partly, in the Socialists' campaign issues, which upheld the mutual benefits to be expected from cultural, political and commercial relations between Iceland and the Soviet Union. It also appears in Socialist evaluation of the Marshall plan as ensuring US control over the Icelandic economy. But for the most part the agenda remained hidden.<sup>1</sup>

In this paper I will show how Einar Olgeirsson, supported by the old guard in the party, which mainly consisted of former CPI comrades, planned to use Soviet connections to reshape Icelandic export policies which would have put the Socialists in a key position in securing markets for Icelandic products. Einar's goals, however, were not only to create lasting ties with the eastern bloc. His reasoning provides a perspective on Socialist culture and politics showing the motivation for increased contact and even economic dependence on the Soviet Union in his concern that Socialist culture and thinking need a

1 Olgeirsson, E. (1957). Hvert skal stefna. Réttur, 40(1-4) p. 11-13. Brynjólfur Bjarnason, the former CPI chairman and a leading figure in the CPI wrote a party handbook in 1952 outlining the economic state of the world arguing that the Communist economies were growing at a much greater speed than Capitalist. Although the argument is not explicitly made, the obvious choice for Iceland, according to this analysis, was to seek trade relations with the Eastern bloc. Bjarnason, B. (1952). Sósíalístaflakurinn: Stefna og starfshættir. Reykjavík.

defence from the surrounding capitalist and petit-bourgeois environment. The Socialists, and Einar in particular, realized that Soviet style rhetoric had no force or appeal in a Western-European country and had to be softened or abandoned. Abandoning the Soviet Union or the Eastern bloc, however, was likely to disconnect Socialists from what, after all, was Socialism, real and living. The middle way Einar thought he saw, or sought to create, was to abandon the rhetoric without abandoning the cause. Einar was probably the only Socialist leader in Western-Europe to make an honest attempt to have his vision approved by Soviet party authorities. His attempts were not successful, but they do explain why the Icelandic Socialist movement failed to shake off the shadow of its Soviet past during the sixties, and remained tainted by its affiliation with the Communist Party of the Soviet Union.

## Icelandic Socialists and the CPSU

Even if the Socialist Unity Party evaded strict classification as a pro-Soviet Communist party, for all practical purposes it was. Confidential relations to the International Department of the Central Committee of the CPSU included regular embassy conversations where leading members of the party informed the CPSU of political developments in Iceland, requested assistance to increase trade between the two countries and, when they were in a position to do so, requested long-term credits and loans to finance projects planned by state and municipal agencies. The Socialists also asked for advice in policy planning and described themselves as being greatly indebted to the CPSU for such advice. The party's status as a friendly party ensured regular invitations to Moscow for talks and leisure, a stream of delegations went back and forth and trusted members of the party could count on frequent invitations to spas and sanatoria on the Black Sea.<sup>2</sup>

Through the relations to the Socialist party the Soviet Union gained some direct information of decision-making in one NATO country and even if this was the smallest member of the alliance, a country without its own military forces, the situation was exceptional. Arguably the Icelandic socialists, however, gained more from the liaison. Commercial relations and the ability to influence what deals the Soviet Union would offer Iceland, gave them an important role as a necessary mediator, independently of whether or not they were in the government. In the fifties the Soviet Union became Iceland's biggest single trading partner. Confidential relations to the International Department of the Central Committee meant that the Icelandic Socialists had direct influence on decision-making in these matters. Even if their wishes and advice were most often embedded within documents marked "informational material" internal correspondence shows that their wishes and preferences were often taken seriously by decision-makers and influenced their decisions.<sup>3</sup>

It would be a mistake conclude, however, that the SUP kept these relations alive solely for the purpose of thereby preserving its role as an intermediary. The party's old guard, still influential in the late fifties, had been moulded by Comintern experiences and was quite immune to the idea of ending ideological partnership with the CPSU. Declarations meant to disassociate the party from the Soviet Union were in their view first and foremost tactical moves made in order to preserve the party's image as a leftist alliance.<sup>4</sup> In reality the party sent young Socialists to study in the Eastern bloc in the belief that Communist educated intellectuals would in the long run strengthen the party as well as being able to understand the necessity of continued relations to Communist parties in Eastern Europe, East-Germany's SED and the CPSU in particular.<sup>5</sup>

2 See statements made by Einar Olgeirsson, party chairman, in conversation with Ambassador A. Aleksandrov e.g. 2.7. 1959 RGANI 5 50 159 p. 77-84.

3 AVP RF 200 16 9 120 p. 16 P. Lunkov to N.P. Firiubin, 9 November 1959.

4 See Einar Olgeirsson to Comintern RGASPI 495 15 105, 21 August 1938.

5 Ólafsson, J. (1999). *Kæru félagar. Íslenskir sósíalistar og Sovétríkin 1920-1960*. Reykjavík: Mál og menning, p. 210-211.

The Socialists valued the general cultural input that their Soviet ties offered as well as the financial aid available for the party and related institutions. The Socialists also capitalized culturally on visits of Soviet artists and musicians, through an Icelandic-Soviet culture and friendship association (MÍR). Soviet financing made them more powerful in publishing in Iceland than would otherwise have been the case. Some leading SUP members clearly believed that the SUP could profit from its “expertise” in dealing with key functionaries in the CPSU to the extent that its important but covert mediating role would be silently recognized even by their political opponents.<sup>6</sup>

Finally the SUP received large payments from the CPSU in the period from 1956 to 1968 and these payments were probably of considerable importance for starting and continuing Socialist projects, which included the publication of the party newspaper and the construction of a large building in the centre of Reykjavík for the Socialist publishing company, Mál og menning and a popular bookshop.<sup>7</sup>

## The theme of ideology and education

After the failure to establish Cominform as a new International under Soviet control the CPSU began to pursue relations with Communist and Socialist parties in Western-Europe on the basis of consultations rather than control.<sup>8</sup> Ideological patronizing was decreased considerably. This made life easier for the Icelandic Socialists since their unusually broad and somewhat nationalistically oriented party had been always been a somewhat problematic ally and a source of frustration for Soviet representatives in Iceland.<sup>9</sup> Now the line was to create an atmosphere of pragmatic confidentiality with many of the Socialist leaders especially with the party chairman Einar Olgeirsson. Although the relations between Socialists and Soviet representatives had been close at times after the war, the new attitude marked a significant change in approach, which the Socialists saw as a great opportunity to improve their standing. Instead of attempting to interfere with the Socialists or criticize them, suggestions would be offered as to how important issues could be resolved and requests for assistance were listened to patiently.<sup>10</sup>

The response this more liberal attitude evoked from the Icelandic Socialists was favorable and in many ways trusting. They discussed problems of their party openly in the embassy and shared information with the Soviet diplomats in a manner one would expect from a pro-Soviet Communist party. As the “Centre” became less critical, the relations gradually became relaxed. Questions of ideology and organization of the party were brought up frequently by the Socialists themselves.<sup>11</sup> The reports to Moscow changed in tone and diplomats entrusted with political affairs from time to time expressed sympathy with the plight of the Socialist party in Iceland.<sup>12</sup> Thus party and foreign ministry documents in Moscow reveal increased acceptance in the reception of Icelandic Socialists in Moscow in the early fifties. The Socialist leaders in

6 See RGANI 5 50 159 Ambassador Aleksandrov in conversation with Einar Olgeirsson 2 July, p. 79.

7 Ólafsson, J. (1999) p. 188-192. The total amount was around 120.000 USD.

8 The change has often been connected to Stalin's death and the disorientation thought to have reigned after that in the Soviet leadership (see Ellison, H. J. (1983). *Soviet Policy toward Western Europe*. Seattle: University of Washington Press). Recent research on the Cominform and aspects of Soviet foreign policy around Stalin's death shows that things had begun to change earlier as a result of changed policies, rather than the loss of control through chaos (See Pons, S. (1994). *The Twilight of the Cominform*. In G. Adibekov et.al. (Ed.), *The Cominform. Minutes of the Three Conferences 1947/1948/1949*. Milano: Fondazione Giacomo Feltrinelli, p. 503). The change was clearly felt by the Socialists in Iceland, who characteristically interpreted policy changes as an expression of understanding and a friendly attitude towards Iceland. Mikhail Suslov was thought to be the main ally of the Icelanders in the Central Committee, and some of the Socialist leaders therefore attributed the more accommodating attitude toward Iceland to his personal intervention (Olgeirsson, E. (1981). *Michael Suslov látinn*. *Réttur*, 64(4), 210-211; (1983). *Viðskipti Íslands við Sovétrikin í meira en hálfra öld*. *Réttur*, 66(4), 220-221.).

9 See RGASPI 17 128 1108 March 1947 "Sotsialisticheskaia Partia Islandii" A report by Vassilii Rybakov, p. 108.

10 Reports written by Soviet representatives stationed in the Soviet Mission in Reykjavik (established 1943) suggest that until 1952 these representatives had were not under instructions to treat the Icelandic Socialists as "friends". See RGANI 5 28 73 p. 181.

11 See e.g. Einar Olgeirsson's letter to the Central Committee 26 July 1954 RGASPI 5 28 226 p. 229-233.

12 See RGASPI 17 137 936 p. 74-82 An excerpt from the political report for the first quarter of 1952, I. Korchagin, also RGANI 5 28 73 p. 177-222 "On the political parties in Iceland and the Althing elections 28 June 1953".

Iceland saw their struggle partly as a crusade against capitalist and petit-bourgeois values; for national liberation and socialist values. Cultural and ideological support from the Soviet Union was a significant contribution to this struggle as long as the interpretation of the national context was left to the Socialists themselves.<sup>13</sup> The Socialists feared that without the ideological and educational support from Communist parties in Eastern-Europe the younger generation in the party might fail to understand and appreciate the nature of Socialism and become adjusted to Capitalist ways of thinking. But such a development would, they realized, only lead to a split in the party.

Einar Olgeirsson discussed these difficulties in with the Soviet mission chief Igor Ivanov in 1952. In his report of the conversation Ivanov emphasized the fact that the Socialist leadership did not seem to be entirely in control of the party's youth movement, which evoked a certain surprise:

[...] When we discussed the party's preparation of young officials Olgeirsson said that at the moment the party was not very successful. The party has quite a few young members but it is impossible to promote any of them to a leadership position because no one has the necessary and obligatory party-preparation. In light of the abnormal situation with young officials, the leaders of the party attempted to promote a young socialist to a leadership position. It was one of the leaders of the socialist youth organization, Ingi Helgason. Soon after that, however, the youth organization issued a declaration and demanded that Helgason return to work in the youth organization.

The party leadership was forced to concede to these demands.<sup>14</sup>

Einar's complaint, however, clearly had the dual purpose of preparing the ground for a request for assistance on the one hand, showing how seriously the party leadership took the young generation on the other. Einar also pointed out that the essentially capitalistic social reality in Iceland makes it exceedingly difficult for the Socialists to offer the proper Socialist education:

Olgeirsson [...] said that the leaders of the Socialist youth organization were not doing a bad job among Iceland's youth. The Capitalist reality, however, undermines their work. The young generation is gradually beginning to regard the situation and its own social environment as reflecting the normal state of affairs. Young people are being transformed into an inert mass and in Olgeirsson's view it is not possible to lead them out of this condition of inertia solely through ideological work.<sup>15</sup>

So, what is needed is in Einar's view increased opportunity to send promising young Socialists to the People's republics:

Olgeirsson believes that the best method to correct the abnormal situation is to send young people to the Soviet Union or the People's republics on a regular basis. [...] If they get the appropriate ideological training they might even occupy leading positions in the Socialist party later on.<sup>16</sup>

Einar was suggesting that the party mediate in sending young people to study in universities in Eastern-Europe and the Soviet Union, not only that they would be given opportunity to attend festivals and celebrations and go to party schools or schools run by the youth organizations. At the time some student

13 Bjarnason, B. (1973). Skylda okkar við landið og þjóðina. Með storminn í fangið II. (pp. 268-274). Reykjavík: Mál og menning.

14 30 May 1952 AVP RF 096 9 4 109 p. 125-127.

15 Ibid.

16 Ibid.

opportunities had already been created in the Soviet Union and the GDR and over the next two decades scores of Icelanders would be offered study positions through party connections.<sup>17</sup> The Socialist leaders thus saw university education as an equivalent, or even a better option, to strengthen the party's ideological base, than traditional party education, which was the usual study track for future leaders of CP's.<sup>18</sup> In this, as in many other issues, the Icelandic Socialists had an unusual and in many ways an original attitude to their Communist brethren. Einar Olgeirsson was eager to reap all cultural, social and educational profits from the special fellowship with "real and living" Socialism.

The dream about a Socialist-educated intelligentsia that would assume leading positions in the party reveals a nostalgia, quite conspicuous among the older generation in the Socialist Party, about party schooling in Moscow in the Comintern era. These schools had played an important role in the early stages of the Communist movement in Iceland. A relatively large number of students from Iceland studied there in the thirties. That Einar should prefer university education to party-schooling also shows a certain ambivalence about schooling in the thirties. He seems to have honestly believed in the authenticity of the experience of living in the People's republics: Einar seems to have thought that such experience would necessarily work in the party's favor. He did not realize, until much later, that staying at universities in Moscow, Leipzig or Dresden was more likely to make students highly skeptical about the Soviet Union and even about Communist rule than to bring them closer to the cause as Einar understood it. Einar described his ideas to the Soviet ambassador Pavel Ermoshin in 1957:

Olgeirsson said that unfortunately the party does not train its officials in an organized and international way such as this was done formerly, particularly in the Leninschool in Moscow. In Olgeirsson's opinion it would be useful to found a school of that kind in one of the People's Republics, where the best known activists in the workers movement could give lectures along with the greatest specialists in the field of Marx-Leninism. If such a school were established it would be necessary to learn from the mistakes of the past. In the old schools, according to Olgeirsson, the teaching tended to be dogmatic. The audience did not acquaint itself with Marx-Leninism creatively but understood it narrowly, in a sectarian way. As a result of this some Icelandic comrades started to discuss an armed uprising in Iceland when they came back after having studied at the Leninschool. They failed entirely to take the historical development of Iceland into account. They did not think about many very important things, for instance the fact that the nation had been unarmed for almost one thousand years, that there is no military in Iceland, that its police and prison system cannot be compared to European institutions with that name, that the bourgeoisie is quite weak in Iceland and so on. That is to say the way to Socialism in Iceland, consequently, will be different from what it is in other countries. But the comrades had learnt their Marxism dogmatically and failed to understand this. They accused the leaders of the Socialist party [sic] of opportunism and other sins. The differences eventually had to be resolved in the Comintern.<sup>19</sup>

Einar is emphasizing the role of Communist education in creating a source of resistance to Capitalist conditions, but he is also hinting at the need for educational and cultural enterprises to be developed in

<sup>17</sup> The first Icelandic students were admitted at Moscow State University in 1954 and were among the first westerners to enroll at a Soviet university after the war. See CC CPSU Decisions, Iceland, 1954.

<sup>18</sup> See Krekola, J. (1998). Praise for Learning. Finnish Communists in the Moscow Party School from 1950s to 1970s. In T. Saarela & K. Rentola (Eds.), *Communism, National and International*. (pp. 315-329). Tampere: Studia Historica.

<sup>19</sup> 23 July 1957 AVP RF 096 14 3 117 p. 68-69. Einar is referring to a conflict in the Communist Party of Iceland in 1933 and 1934 when a group of militants, some of whom had spent time in Moscow attempted to radicalize the party's policies in accordance with the general line in the Communist movement from 1928 to 1933/34. Their effort however eventually was thwarted by the Comintern leadership, partly because the conflict broke out late, and the tide was already changing among Communists, increasingly appealing to moderate leftists after Hitler came to power in Germany.



order that Socialists and Communists strengthen their ideological and agitational position. In this sense Einar never doubted that friendly relations to the Communist parties in Eastern Europe were essential for the well being and future influence of the SUP. The loss of contact with the Eastern bloc would expose Socialist youth to Capitalist and petit-bourgeois thinking, which would in due time threaten Socialist visions.

## The theme of national economy

The incompatibility of the two economic systems, the liberal market economy of the west and the planned socialist economies of the east, was far from clear in the minds of allied leaders during and immediately after WWII.<sup>20</sup> For the tiny Icelandic economy, the difference remained unclear for more than a decade after the war, during which the various restrictions on economic activity kept the country's economy isolated.

In 1945 when the Socialists participated in a coalition led by the conservative Independence party, they managed to reach an extensive trade agreement with the Soviet Union on conditions that leave no doubt about its political nature. In 1948 when the Socialists had left government, Soviet authorities saw no reason to extend the agreement and put the Icelanders in a difficult position. In the following years Einar Olgeirsson made repeated if inconsistent attempts to influence the Soviet approach to trade to Iceland. In 1948, clearly overestimating his own influence, Einar even suggested that trade could be discontinued temporarily to teach the government a lesson. Later his position seems to have been that the Soviet Union should put emphasis on a trade agreement with Iceland since such agreement would in any case improve public perception of the Soviet Union. The Socialist party would in his view always gain from a more favorable attitude toward the Soviet Union.<sup>21</sup>

An Icelandic-Soviet trade agreement was finally concluded in 1953 and as the earlier agreement had been, it was very profitable for Iceland. Although the Icelandic Socialists did have some influence on the negotiations, the end result had more to do with changed Soviet policies in relation to trade relations with Western countries than with Iceland in particular. In the preceding years the Socialists had time and again sought to create private business relationships in the Soviet Union and to conclude special agreements between particular Soviet trading companies and communities or companies in Iceland, that were either run by Socialists or under Socialist influence. The reasoning presented by the Socialist leaders was always crudely political: Publicized trade between Icelandic and Soviet partners would first of all improve the public mood toward the Soviet Union, it would, secondly, serve to strengthen the Socialist party and finally it would create the impression that the Socialist leaders were not only strong politicians but also capable business managers who could, and should, be entrusted with running the country.

In 1952 Einar Olgeirsson explained to the Soviet ambassador that it was of vital importance for the Socialists that the Soviet Union should buy fish products directly from the township of Neskaupstaður where Socialists had a majority in the town council. „The work of the Socialist party“ he argued will be successful only when the Socialists will see results of their work. The municipality ... owns two trawlers and it would be very important for the Socialists that the fish from these two trawlers could be sold in Eastern Germany or in the USSR and the money used to buy Soviet products. It is quite possible to conclude such an agreement since the trawlers are quite independent of the Icelandic government. An agreement of this sort would greatly increase the authority of the Socialist Party in the country and strengthen its position. In addition to that such an agreement would create direct relations to the east, which is very important for the Socialists of Iceland.<sup>22</sup>

20 Gaddis, J. L. (1997). *We Now Know*. Oxford: Clarendon, p. 191-192.

21 AVP RF 200 5 6 104a; 033 5 4 104a p. 6.

22 30 May 1952 AVP RF 096 9 4 109 p. 125-127.

This short passage contains an argument that the Socialists, and their leader Einar Olgeirsson in particular, would repeat many times for almost two decades. It has two sides: One is obvious and has to do directly with Socialist rhetoric: Their image as skillful dealers and negotiators. The other is more complicated and has to do with the nature of national economy: The more extensive the trade with the Soviet Union, the more dependent Icelanders would be on such trade and consequently less able to deal with others. This the Socialists new quite well. They wanted to use their influence not only to increase Icelandic revenue from foreign trade but to create permanent trade relations with the east, which would gradually grow to encompass most of Iceland's foreign trade.

Thus whether in or out of government, the Socialist leaders always tried to use their connections to influence trade. It is important to keep in mind that this was not done in a vacuum. As documents from both Central Committee archives and from the Ministry of Foreign Affairs show the Socialists really did have some influence. The Soviet party leadership most often showed willingness to take advice from the SUP, Einar Olgeirsson in particular, about negotiations on trade with the Icelandic authorities.

The situation in 1952-53 was not simple. Iceland had engaged Britain in a so-called Cod-war, a dispute over Iceland's right to extend its fishing zone. Icelandic authorities had decided unilaterally to do so in 1952. As a result of this dispute British authorities had issued a ban on the unloading of fish from Icelandic vessels and the purchase of fish from Iceland, which in practice imposed an economic embargo on the country.<sup>23</sup> The trade agreement with the Soviet Union thus was a way out of an extreme situation. The Soviet Union presented itself as a liberator of Iceland by opening up its markets and thus the agreement, even if that may not have been the original intention, was conceived as an equivalent to a friendship treaty by the Socialists in Iceland and heavily propagandized as such. The day after the agreement had been signed the Socialist newspaper *Þjóðviljinn* interpreted the agreement as the "recognition in deed" that the Marshall agreement did not hold: "It shall not be permitted that the authorities can exploit the madness of war, with which one now tries to infect our nation, to spoil once again the great opportunity to secure Icelandic prosperity promised by steadily increased trade with the depression-free world of Socialism."<sup>24</sup>

When Einar Olgeirsson was invited to spend his vacation at the Abkhazian Black sea resort, Gagra in the summer of 1954, with consultations in the Central Committee before and after, he planned to use the new situation extensively. Einar produced a stream of letters to the International Department, requesting long-term credits both for the Icelandic government and for various companies and communities in Iceland. Most of these requests were politely turned down, some of them for the only reason that Einar Olgeirsson did not represent the Icelandic government and that many of the things he requested could justifiably be interpreted as interference in Icelandic affairs, according to the Central Committee.<sup>25</sup> Einar's attempt to acquire the licence for the import of cars and machinery from the Soviet Union for a company closely related to the party was also turned down, since, as it seems, the Socialists were not thought to have the means, or the skills, to run such business effectively. But even if Einar did not achieve what he may have hoped for in the summer of 1954, he certainly set the tone for what was to come in 1956 when the Socialists as a governing party, set out to seek financing from the Soviet Union for a large scale reconstruction in Icelandic industry and fishery. The time for transition had come, Iceland was to become prosperous by attaching its economy to the depressionless eastern economies.

23 Jóhannesson, G. T. (2004). How the Cod War came: The Origins of the Anglo-Icelandic Fisheries Dispute, 1958-1961. *Historical Research*, 77(198) p. 546.

24 *Þjóðviljinn* 5 August 1953 p. 6. See *Landgrunnslögin*, also discussion in Olgeirsson, E. (1980). *Ísland í skugga heimsvaldastefnunnar*. Reykjavík: Mál og menning, p. 183-190.

25 26 August 1954, "Spravka" RGANI 5 28 226 p. 234.



In 1956 the Socialist Party had formed an election bloc, the People's Alliance, with other groups on the left wing. The alliance gained a handsome share of the vote, 19,2% and entered a government headed by the Progressives, a center oriented party with a rural electoral base, with the Socialdemocratic Party as a third coalition partner. The government was generally described as a left coalition and came to power on a platform of major economic reconstruction. It also had a withdrawal of US forces from Icelandic territory on its agenda, in accordance with a resolution passed in the Icelandic parliament in March that same year.<sup>26</sup> The plans for reconstruction announced by the government included ambitious projects in port construction around the country, the construction of electrical power stations and a major overhaul of the country's trawler fleet.<sup>27</sup> Apart from the intention to negotiate a withdrawal of US soldiers and military officers from the American military base in Keflavík, stationed there in accordance with the Icelandic-American defense agreement, these plans naturally raised questions about financing and caused concerns that their realization might lead to an increased dependence on Eastern-European markets.<sup>28</sup> These concerns were not baseless. One of Einar Olgeirsson's top priorities after the formation of the coalition was to approach the CPSU Central Committee with proposals on Soviet and Soviet mediated loans to finance the government's plans. Einar had prepared his proposals meticulously. In addition to the requests made to the Central Committee earlier, in 1954, he had approached the Central Committee again in 1955 to ask about the possibility of a big long term loan to Iceland in case of a left wing government.<sup>29</sup> The answer he received then was simple: No discussion without the express will of the government that such a discussion should take place – or in other words: First form your government, then come and talk to us.<sup>30</sup>

With coalition negotiations still going on Einar Olgeirsson visited the Soviet ambassador in July to inform him about the situation. He told the ambassador that clearly the Socialists would have to be ready for compromise in such a government. He said that they would be perfectly happy if the results of their participation in government would be first the withdrawal of the US military forces from Iceland, second, increased economic independence of Iceland, which in Einar's usage meant increased trade with the Soviet Union and Eastern-Europe. More precisely, Einar wanted a loan from the Soviet Union that would finance a at least half of the future government's reconstruction efforts.<sup>31</sup>

A week later the coalition treaty was concluded and the government formed and soon after that Einar presented his proposals to the Soviet ambassador and requested audience in Moscow. He was received first by leading officials in the International department who discussed his proposals and drafted answers to them for the Central Committee. A few days later Einar was received by Mikhail Suslov, the Politburo member who then headed the International Department, and who in Einar's view had already shown a special understanding of Icelandic affairs.<sup>32</sup>

Einar wanted the Soviet government to grant a loan of 400 million Icelandic krónur or the equivalent of 25 million US dollars at the time. This a half of what according to Einar the government needed for its reconstruction plans. The rest, he explained, the government would seek to get from "Capitalistic" countries. If on the other hand it would prove impossible to get such loans, the government would ask

26 Whitehead, P. (1998). *The Ally Who Came in from The Cold*. Reykjavík: Háskólaútgáfan, p. 71-72; Ingimundarson, V. (1996). *Í eldlinu kalda stríðsins*. Reykjavík: Vaka-Helgafell, p. 293; Olgeirsson (1980) p. 336-342.

27 Þjóðviljinn, the Socialist daily exclaimed on its front page: 15 new trawlers will be bought ("Keyptir verða 15 nýir togarar" Wednesday 24 July 1956 p.1) whereas the conservative Morgunblaðið complained that the new government had no clear vision of its tasks ("Loðmulluleg yfirlýsing hinnar nýju stjórnar" Wednesday 24 July 1956 p. 2). See also AVP RF 035 13 3 115 p. 57, 22 August 1956 Conversation report, Soviet Ambassador Pavel Ermoshin with Einar Olgeirsson.

28 See Ingimundarson (1996) p. 323.

29 19 July 1955 A letter from Einar Olgeirsson, RGANI 5 28 332 p. 126.

30 31 August 1955 P. Vinogradov to the Central Committee, RGANI 5 28 332 p. 127.

31 13 July 1956 Conversation report, Soviet Ambassador P. Ermoshin with Einar Olgeirsson RGANI 5 28 437 p. 100.

32 RGANI 5-28-437, p. 98-116.

the Soviet Union to grant the whole sum.<sup>33</sup> Einar did get what he wanted this time: The Soviet Union was prepared to grant Iceland a longterm loan of 25 million US dollars with 2,5% interest. Over the next few weeks Einar put considerable pressure on the government to accept this offer. The Soviet ambassador supported him by visiting the prime minister twice in order to convince him of the sincerity of the proposal, although it was not presented in a formal written manner.<sup>34</sup>

The Soviet offer put the prime minister Hermann Jónasson in an awkward situation. Even though his government was a left coalition there was in fact no consensus within it about the US base. One thing, however was clear: By accepting the Soviet offer, the Icelanders would alienate themselves from the NATO alliance and make it an easy play for the Socialists to achieve their goal of “increasing Iceland’s economic independence” i.e. channeling Iceland’s trade into Eastern markets. It is also clear that Einar as well as Mikhail Suslov and other leading Central Committee members who participated in designing the offer, realized that it was necessary not to attach any strings to it. Judging from the draft answers to Einar’s proposals the Central Committee fully supported the Socialist policy of keeping the government together by all means necessary and did not recommend that the Socialists set any conditions for continuing in the government. The Socialists, according to the recommendation draft, should use their position to explain their point of view and win public opinion over to their side. They should be careful not in any way to soften their position, but at the same time they should neither let their opposition to a military base in Iceland nor as their opposition to NATO compromise their participation in the government.<sup>35</sup>

This is not the place to discuss the complicated events that led to the government’s ultimately rejecting the Soviet loan offer.<sup>36</sup> The remarkable part of the loan episode is the unusual policy pursued by the Socialists as well as their leader’s persistence in seeking to increase Soviet-Icelandic relations, trade relations in particular. Einar Olgeirsson’s visit to Moscow shows how far he was prepared to go. At his meetings in the Central Committee he clearly laid out the position of his party asking for advice in policy matters. While it is unlikely that Einar was prepared to go back to Iceland with a line from Moscow and then start to implement the line, as might have been the case twenty years earlier, it is clear that he wanted to make the impression in the Central Committee that advice from the leading party of world Communism would be warmly welcomed by the Communists in his party. At least it will have been unique that the Soviet leadership could receive in this manner a person who, formally or informally, represented the government of a NATO member country and was asking for recommendations as to how to conduct policy within that government. Thus Einar had suddenly become a very important figure: Contacts with him could upset NATO unity which naturally was very much in the interest of the Soviet government.

The significance of this move must be evaluated from two different perspectives. On the one hand Einar Olgeirsson achieved his goal of winning the trust of the CPSU which is probably the main reason for considerable financial aid to the Socialist party and the publishing house Mál & menning, which was strongly associated with the party, over the next few years. It also meant that the lack of success in having US military forces withdrawn from Iceland did not affect the CPSU’s attitude toward the Icelandic Socialists. On the other hand it must also be seen as a total misperception of political reality for a leader of an independent Socialist party with mass following in its country to commit his party so strongly to this kind of relations with the CPSU. But this misperception can be explained by Einar’s vision of Socialist culture and reality, discussed above. The economic gains combined with what in his view constituted the necessary real life experience of any Socialist, ruled out his giving up friendly relations to the Eastern bloc.

33 22 August 1956 Soviet Ambassador P. Ermoshin with Einar Olgeirsson, AVP RF 035 13 3 115 p. 57.

34 Ingimundarson (1996) p. 346-347. The Gross national Income at the time was just above 50 million krónur in 1956.

35 September 1956 "Draft text of answers to questions asked by the chairman of the Socialist Unity Party of Iceland, Comrade Olgeirsson" RGANI 5 2 437 p. 106.

36 Ingimundarson (1996) contains a thorough study of the government's tactics in securing a loan from the U.S. and Western Germany rather than taking the Soviet loan.

In the final section of this paper, I will elucidate one episode which further explains the SUP's policy of having it both ways – staying in the Socialist camp while distancing themselves from its rhetoric.

### **The theme of the renegade and the pragmatist: The SUP and Aksel Larsen**

The most bizarre episode in SUP-CPSU relations occurred a few years after the Socialists left government. In 1962 Einar Olgeirsson and some of his closest associates, had become worried that a split amongst Communists in Denmark would have repercussions within the Socialist movement in Iceland, perhaps even leading to a mass exodus from the party.<sup>37</sup> Their main concern was to prevent an alliance of moderate Socialists, the National Defense Party (Þjóðvarnarflokkurinn), which was founded in the early fifties mainly to oppose the US base in Keflavík and Iceland's membership in NATO, from establishing formal relations to the the new Danish Socialist party, which had turned its back on the Soviet Union. The Socialist People's Party (Socialistisk Folkeparti) was led by a charismatic former Communist, Aksel Larsen, whose Comintern affiliations went back to the early twenties. Larsen's renegade status made collaboration with him or his party completely off limits for all friends of Moscow.<sup>38</sup>

Because of his worries that the Socialist movement was dissolving and even strong parties such as the SUP might all of a sudden find themselves isolated and without support, Einar was looking for a common cause to unite the different movements and parties on the left wing, such as had been done in the late thirties, in the era of the people's fronts. The cause that finally captured his imagination as the common cause of the Nordic and even European left, was the opposition to a common European market. In the spring of 1962 Einar started a campaign to convince the leaders of Nordic CP's as well as his associates in the CPSU central committee that the resistance to the European Union and to the common market was such a serious threat to the working class and to national sovereignty that the parties on the left should take it seriously enough to overcome their rivalries and differences.

In a meeting with leaders of the Nordic CP's held in Helsinki during a meeting of the Nordic parliament assembly, Einar argued his case. He explained the roots of his party as a united front of Socialists and Communists and hinted at the danger for the CP's to lose their electoral base. While the Danish, Swedish and Norwegian CP's had all but lost their followers, the Icelanders and the Finns faced a different reality since their parties still played an important role within their respective political spectra.

Einar suggested that the CP's would organize a broad conference of „progressive“ forces to discuss the common market, with representatives from the Nordic countries.<sup>39</sup> As far as this can be judged from the stenogram of the meeting, the other Nordic party leaders who were present did not immediately oppose the idea, but rather found it to be “premature”. Their conversation shows a certain ambivalence about organizing a campaign at all, and doubts that the Communist parties would be able to attract much support at all even to a popular cause.<sup>40</sup>

Einar seems to have been content with putting the issues on the agenda, and his pragmatist instincts may have been misled by the fact that his proposals met no hostility or outright rejection. But the Soviet ambassador's dry description of Einar's report from this meeting leave no doubt about the Soviet reaction to such ideas. About Einar's report, he writes:

It was possible to draw infer from his words that he had once again attempted to convince them about the necessity of collaboration of the Danish Communist Party and Larsen's party. Olgeirsson claims that

37 AVP RF 096-19-3-124, p. 107. Eggert Þorbjarnarson in conversation with ambassador A. Aleksandrov, 18 May 1962.

38 See Jakobsen, K. (1993). Aksel Larsen – en politisk biografi. Copenhagen: Vindrose, p. 623-638.

39 DCP archive, Arbejderbevægelsens Bibliotek og Arkiv, box 294, 16. March 1962, p. 16.

40 Ibid., p. 35 (Statements by Hilding Hagberg, the Norwegian CP leader).

the older functionaries in the party are vehemently against such cooperation because of deteriorating personal relations between them and Larsen after the split. At the same time, he thinks that the younger leaders of the party such as the party chairman Knud Jespersen “have begun to understand the necessity of cooperation of leftist forces”.<sup>41</sup>

The meeting evoked dramatic reactions in Moscow. Not only did the Central Committee react unfavorably to Einar’s ideas. After a discussion between him and members of the International Department in Moscow, instructions were sent to the Soviet ambassadors in all the Nordic countries not to engage in any kind of discussion with Einar about the issues he had raised:

In response to this, it was explained to comrade Olgeirsson that we do not find any contacts with top leaders of Danish revisionists desirable since their position is hostile to Marx-Leninism and to the Communist movement and they fight against our fraternal Danish Communist Party. It was also emphasized that we are favorably disposed towards the tactics that the Danish Communist Party has employed in regard to Larsen’s party, namely to systematically expose the top leaders of Danish revisionists and seek at the same time to inform and work with rank and file members of the Socialist People’s Party within social organizations (the peace movement, trade unions etc.).<sup>42</sup>

While the Soviet reaction to Einar Olgeirsson’s proposals is not surprising, what is surprising is his naivety in pursuing the issue. There is no indication that Aksel Larsen was in any way interested in rapprochement with Moscow or the Nordic CP’s, let alone the SUP. Einar’s forceful ignorance of such practical matters, however, may explain to a certain extent his candid attempts to develop and put forward his ideas on Communist education and send young socialists to study in Communist countries as well as his relentless requests for loans and lucrative business deals. The instructions to the Soviet ambassadors ended on a cautionary note:

In future you are to study the situation within the SUP carefully and provide the Centre with information on a regular basis.<sup>43</sup>

Basically this meant that Einar Olgeirsson was no longer considered a trustworthy comrade, and effectively ended his favour within the Central Committee. Yet Einar stands out as quite an unusual Socialist leader. For a long time he and his closest allies in the party tried to follow a dual path of not breaking with the Soviet Union on the one hand, avoiding isolation on the other, and had considerable success in this effort.

## Conclusions

The story of Socialists in power in Iceland shows the great contradiction faced by many Communist parties in Europe during the Cold war years: The Soviet Union was at the same time the greatest threat to the existence of these parties and yet the existence of the Soviet Union, and the Communist World as a whole, remained a vital piece in their world. The new left provided a new rhetoric, through which European Socialists to some extent succeeded in drawing a clear distinction between Western radicalism and the Eastern bloc. The SUP failed to do this for its part, even though its leaders recognized that there

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41 AVP RF096-19-3-124, Einar Olgeirsson in conversation with ambassador A. Aleksandrov, 9 April 1962, p. 76.

42 RGANI Decisions of the CPSU CC, Secretariat meeting 10 April 1962, Protocol No. 20, #33. Attachment.

43 Ibid.

were good reasons for distancing themselves from the Soviet Union. But other interests were ranked higher by Einar Olgeirsson and those close to him: Since the Socialists had a strong position in Iceland, they were able to exploit their ties to the Soviet Union in ways that smaller and less influential Socialist parties in other European countries could not. My exposition of Einar Olgeirsson's attempts to convince his Soviet comrades of the party's need for understanding and support, shows how seriously he took "real and living" Socialism. His success is also quite impressive. Many Icelanders lived and studied in The Soviet Union and Eastern-Europe because of party mediation and it was only for his efforts that the Soviet government offered a big loan to Iceland in the fifties. That Einar failed to convince his own partners in Iceland of the wisdom of accepting the loan is a different story. In attempting to normalize the ties between the CPSU and loyal CP's in Scandinavia on the one hand, and "renegade" Socialists such as Aksel Larsen, on the other, Einar clearly went to far. His attempt was unsuccessful and he lost credibility as a Communist leader from a Soviet point of view.

Regular cash payments between 1955 and 1968 also made these the Soviet connections too valuable to be given up for Icelandic Socialists however, and it would be a mistake to downplay the importance of direct financial aid. But financial aid still remains only a part of the story. I hope to have shown in this paper that economic, cultural and ideological concerns kept Socialists close to the Eastern bloc and have to be understood in the context of Socialist identity. The idea was not necessarily the belief that to channel exports to the Socialist countries would provide the best input for the economy as such, but rather that such ties would work against Capitalist development, which leading members of the party judged to be fatal for the party in the long run. Thus their Socialist outlook was pragmatic: They saw economic and political conditions as working gradually against them in the sense of marginalizing Socialist ideas in an environment of consumerism and free market.