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Neoliberalism Ingrained

The Rise and Consolidation of Neoliberalism in Estonia

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Introduction

In an article in *Antipode* Ferguson (2009 166) wondered why he “should bother to read one after another extended scholarly analysis only to reach, again and again, such an unsurprising conclusion” that “neoliberalism is bad for poor and working people, therefore we must oppose it.” Conversely, the fall of the Berlin Wall and the end of Soviet domination over east and central Europe was almost universally welcomed. The civil society actors who marched through Leipzig by torchlight, organised the *Solidarnosć* trade union and who massed in Wenceslas Square were demanding freedom and democracy (Cohen and Arato 1992; Dahrendorf 1997). The reality was that they replaced the domination of the party with that of the market, at huge social cost in terms of reduced life chances and growing inequalities (North 2006). While civil society actors were prominent in the transitions of 1989 and 1992, of course levels of mobilisation were uneven. East Germany and Czechoslovakia saw fairly large scale mobilisations from below, many seeking a reformed socialism. Hungary’s transition was more of a negotiated affair (Arato 1999; Bartlett 1997). Soviet domination lasted another three years in the Baltics, until the collapse of the Soviet Union in 1991. The conditions of Estonia’s ‘singing revolution’ (Lieven 1993; Lagerspetz 2001) too were locally specific. In Estonia, I argue that transition was not founded on a utopia of a revitalised civil society, or a reformed socialism. Rather, elites conflated Socialism with Soviet Domination and wanted to move as quickly as they could to what they saw as freedom. Crucially, in this paper, I argue that elites were not imposing neoliberalism on a recalcitrant or mobilised population demanding a participatory, civil society-based transition to a reformed socialism. Elite discourses of a self-directing individual resonated with how many Estonians self-identified themselves as individualists, wanting to be left alone by what they saw as an over dominant state. Consequently, no left-wing party or movement emerged after 1991 or in the years since to challenge the neoliberal trajectory that Estonia embarked upon, and opinions polls report high levels of satisfaction with the transition (Ehin 2007), uneven though it has been (especially for Estonia’s Russian-speaking minority) (Lauristin and Vihalemm 1997, 2009; Smith 2008; Vihalemm and Kalmus 2009).

The aim of this article is not to add to the long list of papers that stress the regressive nature of neoliberalism, a conception I share. My goal, instead, is to draw attention to a neglected aspect of neoliberalism, specifically its emphasis on a society based on the freedom of the active, self-directing individual. I argue that the basic call for ‘freedom’ and for ‘liberation’ from oppressive state structures encapsulated in neoliberal ideologies held great appeal to populations living under authoritarian rule. In making our case, I am not arguing from a utopian

perspective founded on Nozikian individualistic libertarianism. Rather, I argue that any twenty-first century progressive project needs to understand and learn from populations who did live for decades under Soviet hegemony, not to promote neoliberal ideas as an alternative, but precisely the opposite. We need to understand the appeal of the discourses of freedom associated with the revolt against Soviet domination from 1989 to 1991 in order not only to oppose the pathological aspects of neoliberalism more effectively, but also to develop a progressive project that speaks to the urge for freedom that neoliberalism usurps.

This article is the outcome of a research project aimed at uncovering the motives behind policy formulation in the early days of Estonia's post-socialist economic transformation. Although there is ample literature discussing Estonia's economic transformation (Lieven, 1993; Taagepera, 1993; Kahk and Tarvel, 1997; Raun, 2001; Smith, 2001; Norkus, 2007; *inter alia*), a critical qualitative evaluation of the motives behind the country's neoliberal transformation has not taken place. This research analysed why Estonian policy makers decided to embark upon the neoliberal trajectories and how they arrived at those decisions. Firm belief in the virtues of the market, monetarism and supply-side economics, the minimalist, and non-interventionist state are all a testament to the neoliberal nature of the Estonian economic policies. Numerous authors (Lauristin and Vihalemm 1997; Feldmann 2017; *inter alia*) characterise Estonian economic policies as 'shock therapy'. The IMF has repeatedly praised the nation's "disciplined ... Thatcherite economic policies" (Raun 2001, p. 24). For credit rating analysts Moody's (2008) "the country's success in economic stabilisation and structural transformation is unparalleled among transition nations". As recently as 2020, Moody's gave the country's economy an "AAA score for fiscal strength... the government's very low debt burden with a strong commitment to maintain fiscal prudence". The country's economy has consistently had the highest ranking among the Central and Eastern European countries (CEEC) on the Index of Economic Freedom (The Heritage Foundation).

The nature of the research question has defined this research as an elite study because it investigates the decisions of Estonia's political and economic leaders in the country's post-socialist transition. My argument is based on the critical analysis of twenty-three interviews conducted with key political and economic decision makers and advisors of Estonia's post-socialist transition, such as prime ministers and leading government officials. I argue that the "utopian endeavour of economic liberalism" (Polanyi 1944, p. 29) with its Hayekian ideal of the accountable individual free to choose his/her course of action held immense appeal to these elites,

and, crucially, they argued that this would be the case for Estonian citizens more widely. This was no imposition of a foreign value system on a recalcitrant population. Rather, I focus on the fundamentally ‘Estonian’ nature of the agency that drove the country’s pursuit of neoliberal policies, namely its encouragement to proactively discard the legacy of central planning and a paternalistic state, in favour of a market-oriented economy founded on individual initiative, self-reliance and accountability which, they argued, resonated more strongly with the nature of what they conceptualised as the Estonian imagined community (Anderson 1991; Lieven 1993; Kalmus and Vihalemm 2006; interviews). This, I argue, was not imposed by IMF technocrats or a calculated, conscious ascent to a liberal market economy but was driven by utopian ideals of what markets could provide. Having experienced half a century of Soviet domination, the emphasis on liberty, individual responsibility and a minimalistic state inherent in neoliberal theory made perfect sense to Estonians, as to them ‘socialism’ meant both security *and* totalitarianism. Thus, “we should not expect *a priori* resistance to and protest against neoliberalism” (Smith and Rochovská 2007, p. 1166).

Drawing on the existing literature on neoliberalisation, this analysis of the post-socialist transformation of the Estonian economy along neoliberal lines stresses not only the contingency and local determination of processes of Estonian neoliberalisation, but also, in this specific contest, perhaps goes beyond conceptualisations identified by Larner that not everything before neoliberalisation was unproblematic, and that not all neoliberal changes are retrograde. I acknowledge the roles of ‘empowerment’ and ‘choice’ in neoliberalisation and argue that Estonians were not victims but, like others, active agents in the diffusion of neoliberalism (Larner 2000). In 1991 they peacefully seceded from the then Soviet Union, regained national independence, and quickly established a market economy which they believed would meet local needs and preferences in ways that Soviet domination did not.

This paper gives a voice to Estonian decision makers. I attempt to answer questions, such as what was on the mind of policy formulators when they made the decisions they did? Did they have a blueprint from somewhere else in mind? If so, where from, and how influential was it? Or was this a more contingent process, through which elites focused on what they regarded as policies more suitable for their imagined community? Alternatively, were elites responding to structural forces in the form of global pressures towards neoliberalisation that local elites dimly perceived at best?

The article is organised as follows. First the methodological framework of the study is presented. Then I discuss the political, economic and cultural impact of half a century of Soviet rule in Estonia. I explore the experience of socialism which Estonians, seemingly wholeheartedly, were happy to replace with neoliberalism.

Researching discourses of Estonian post-socialist transition

This paper is based on a qualitative, inductive and interpretive study, aimed at a deeper level of understanding in view of the participants' interpretation of events in which they were central. This article is the outcome of an elite study, which investigated the motives behind the policy choices of Estonian policy formulators in the early years of the country's post-socialist transformation. Through investigating the subjective realities of the respondents and presenting as well as interpreting the perspectives of their experiences, the aim was deeper understanding of the causes and reasons of the policy choices of Estonia's leaders. The objective was to hear about the interviewees' beliefs, attitudes and motives. The respondents were individuals who were either key decision makers, and/or had a major influence on policy choices in the early years of Estonia's economic transition in the late 1980s and early 1990s. The research method consisted of semi-structured, in-depth, face-to-face interviews, which made it possible to pose the interviewees specific questions but also left room for the respondents to express their arguments and motives. I have conducted twenty-three interviews since 2008. Despite the well-documented difficulties arising from gaining access to and establishing rapport with elite interviewees (Harvey 2011; Cormode 1999; Thuesen 2011; *inter alia*), the success rate was seventy percent out of a total population of thirty key decision makers, excluding those who have passed away since the events took place. Over thirty hours of recording has been transcribed and subsequently analysed with the aid of NVivo software, which facilitated the organisation of the interview content along the various themes that emerged. In order to ensure trustworthiness of the findings, member checking, self-critical reflection and triangulation was used. The information gained from the interviews was compared with documentary evidence, including the official databases and documents of national and international organisations.

Data collection and analysis were carried out following ethical research guidelines. This has been an overt and independent research project. The interviewees referred to in this article have given their informed consent to be recorded and identified. A list of these interviewees is attached in the Appendix.

The political, economic and cultural impact of Sovietisation on Estonia

Before 1991, Estonia was an occupied nation, under the ‘imperial’ rule of the Soviet Union (Beissinger 2002, p. 6). By losing control over all of its resources, the Estonian Soviet Socialist Republic (ESSR) became a provincial economy making up 0.2 percent of the territory and 0.5 percent of the population of the USSR (Dmitrieva 1996). Soviet rule virtually isolated Estonia from the rest of the world and integrated it into the Soviet Union economically, politically and culturally. Although Estonia had been part of the Russian empire between the Great Northern War (1700 - 1721) and its proclamation of independence on February 24, 1918, it remained economically and politically distinct (Smith 2001). However, unlike the Czars of the Russian empire, Stalin aimed at “reproducing... his control forms of government and society *identical* to those of the Soviet Union” in every part of the USSR. He “set out to re-mould Eastern Europe in the Soviet image; to reproduce Soviet history, institutions and practices in each of the little states now controlled by the Communist parties” (Judt 2005, p. 167).

Many interviewees characterised the Soviet era in Estonia as a ‘disaster’, in which the country ‘regressed’. Their view echo Taagepera (1993, p. 68), to whom the Soviet annexation of Estonia was nothing short of colonisation, an “unmitigated disaster”. Political oppression was particularly severe during the Brezhnev era to the extent that it “was almost treasonous to raise doubts about the perfection of the Soviet way of life” (Doder and Branson 1990, p. 145) and people who publicly expressed political demands were prevented from holding any responsible position. In the words of Interviewee 1, “people couldn’t say outside what they were saying at home”. This ‘double life’ meant “(S)plitting one’s personality into home and school, friends work, private and public, was one way to cope with the requirement to collaborate” (Applebaum 2012, p. 425). This “duplicity” or “social schizophrenia” became a way of life; people had their “public self”, which complied with Communist Party rule, and their “private, real self”, which they showed at home with their family and close friends (Verdery 1996, p. 94). Interviewee 1 puts “self-brainwashing” (Applebaum 2012, p. 425) into perspective:

“We lived under Soviet rule and almost everything was somehow regulated and it carried over to personal relationships. We had at least two layers of personal relationships. One was people you knew and the other was people who you just met, to whom I wouldn’t have spoken everything at least during our first meeting... All these restrictions that you cannot do this, you cannot do that were so forceful that people developed an inside restriction.”

Many interviewees address this as self-censorship from an ethical perspective, as attested by a blunt respondent:

“Sometimes Westerners have accused us living behind the Iron Curtain that this is a double moral. But quite to the contrary, this is how we could remain humans. And it is possible to have this official face. I had to pass communist party exams, in order to get a diploma from university. I answered them great bulls..t but I hope it didn’t do any bigger damage to my brain.” (Interviewee 2)

Hoisting the Estonian national tricolour was the equivalent of subversion, warranting arrest (Miljan 1989). Production and mere possession of *samizdat*¹ materials were illegal. Typewriters and copy machines were regarded as proof of subversive intent and were confiscated – even from those who needed them for their work. Receiving mail from abroad or listening to foreign radio was illegal (Kukk 1993).

The Estonian nation had to deal with the full impact of Soviet occupation, which was more than just the loss of political and economic independence. Repatriation of large numbers of workers from other parts of the USSR permanently altered Estonia’s ethnic scene (Kukk 1993). Whereas on the eve of the Second World War 92 percent of the country’s population were ethnic Estonian, it decreased to 74.6 percent by 1959 and 61 percent by 1988. Between 1979 and 1989 the number of ethnic Estonians increased by 15,500 persons but the number of ethnic Russians rose by 60,000 (Khazanov 1995, p. 7). Taagepera (1993) contends that Russification of Estonia was close to the point of irreversibility. This view was echoed by Interviewee 2: “There are so few of us, we sometimes think that we are like the Mohicans!”

The Soviet authorities sought to establish a cultural hegemony over the USSR’s multinational population. Russians were the dominant nationality in the USSR; they were the most populous ethnic group and occupied the most important economic and political posts (Beissinger 2002; Hale 2008). The cultural and social policy of the USSR was aimed at the integration and assimilation of nationalities, Balts included, by shifting their national identification from Estonian to Soviet. Soviet nationalist policy led to Russification with significant impact on the various republics. Knowledge of the Russian language became a requirement for professional advancement.

¹ Written material unapproved by the authorities

Official meetings had to be conducted in Russian. Starting the mid-1970s, post-graduate degrees could be written and presented in Russian only. Estonian language maps disappeared altogether (Khazanov 1995). Russian language was promoted heavily squeezing out Estonian in public life and in the media. The objective of Soviet nationality policy was the “social, cultural, and linguistic unification of all nationalities in the USSR on the basis of Russian or, more accurately, Soviet-Russian culture”. (Khazanov 1995’ p. 12).

By the end of the Soviet era Estonia was in a much worse shape than before losing its independence in 1940. “The income and consumption level of the Estonian population had dropped to the level of the year 1920; the living standards hardly ever reached the level of the late 1930s” (Kutsar and Trumm 1993, p. 130). If Estonia had been able to develop in a manner similar to Finland, its per capita output could have been four or five times its level at the turn of the 21st century (Klesment 2009) of €4,500 (Statistical Office of Estonia). In many ways Estonia regressed under Soviet domination. One interviewee perceives the Soviet era as a “huge distortion”. To Estonians socialism meant totalitarian alien rule, the absence of political and economic sovereignty and oppression in all areas of life, as echoed by Interviewee 3.

“The basic idea was very simple, to get rid of the Soviet system. Everything. I exaggerate a little bit but then the picture was that everything, which was characteristic of the Soviet system was bad, let’s get rid of it.”

To Estonians socialism meant poverty, hegemonic oppression, and a paternalistic state restricting personal liberty, from which they were eager to escape. Estonians desired freedom at any cost, sacrificing the benefits and security of the cradle-to-grave welfare system, putting the neoliberal utopia of ‘perfect liberty’ in a very attractive light.

The ‘pendulum effect’

On August 20, 1991, Estonia declared the end to Soviet power in Estonia. In June 1992, the citizens of Estonia overwhelmingly approved in a referendum the Constitution of the Republic of Estonia (Lauristin and Vihalemm 1997, p. 95). Having suffered half a century of Soviet totalitarianism Estonians developed their rejection of Soviet domination into a wholesale rejection of all aspects of socialism, which they conflated with communism.

Their perception of the state as an authoritarian institution strengthened their desire of establishing a free-market economy, as attested by Interviewee 3.

“The main objective was, of course, to get the economy running. As soon as possible, to cut from rouble, to cut from Soviet system to get the environment where free entrepreneurship will operate.”

Under communism Estonians were not free to manage their affairs, they were banned from starting their own business or travel abroad and the assets of the First Estonian Republic were confiscated and nationalised by the Soviet Union. Over a thousand enterprises were transferred into state ownership with their former owners simply removed and sometimes deported (Lieven 1993; Taagepera 1993; Smith 2001). Soviet occupation meant the end of Estonian political sovereignty, an externally imposed economic and political system, exploitation of the country’s resources, a drastic decline in living standards and a threat to the nation’s culture and language. Estonian policy makers conceptualise freedom as national self-determination as well as total economic freedom. A respondent explains: Independence to Estonians meant that

“When these outside restrictions went away people felt total freedom. You can see it even now in our society... I think this was one important mood of people.” (Interviewee 1)

Estonians see themselves as an individualistic and self-reliant nation (Lieven 1993; Kalmus and Vihalemm 2006; interviews). Coupled with their dislike of “government regulation and control of business activity by the state” (Interviewee 2), Estonian policy makers have consistently pursued ultra-liberal policies emphasising total, unlimited freedom since 1991 (Lagerspetz 2001; Raun 2001; Lauristin and Vihalemm 2009). Although policy alternation seems to have greatly contributed to the most successful transitions in Central and Eastern Europe (Orenstein, 2001), Estonia’s unwavering neoliberal trajectory also resulted in a successful economic transformation (Norkus 2007). Lin and Rosenblatt (2012) argue that countries pursuing gradualist reforms have often performed better than those implementing the shock therapy. Based on economic indicators Estonia’s economic transformation is among the few that has been achieved by shock therapy.

The Estonian elite narrative of the socialist era is simple; in the words of an Interviewee 4 “everything was bad that was in the Soviet time”. All interviewees unanimously claimed that anti-communism was a strongly popular sentiment among Estonians (Kalmus and Vihalemm 2006; Ehin 2007; Lauristin and Vihalemm 2009).

Interviewee 4 summed up Estonians’ characterisation of life in the USSR:

“Everybody wants to get free! I hate this system; I hate the communists!”

Interviewee 1 also reflects on the perceived simplicity of the situation:

“To get out of the Soviet Union. This was top priority. This was so important a goal that everything else was details.”

Interviewee 4 highlights the effect of anti-communism on policy choices:

“Basically anti-communist mood. Anti-communist mood was incredibly high. And the discourse was black and white and people had, nobody had any idea, not even me, nobody actually had understanding what is economic policy. At the same time this liberalism was very popular...”

Post-socialist “transition took place in a neoliberal world” (Orenstein 2001, p. 1) and as Interviewee 1 explains:

“This Anglo-Saxon individualistic free economy, free society fitted the situation, I think...”

In the words of another interviewee, “at this time it was very popular to be very right wing”. The experiences of the Soviet era affected Estonians leading to what Interviewee 1 calls the ‘pendulum effect’.

“This may be one reason, this going away from the old system – this is a pendulum, you start from one end and you are going all the way to the other.”

The pendulum effect meant that “East European reformers ... not only perceived the need for neoliberal reforms, but also became some of the strongest global champions of such reforms” (Bockman and Eyal 2002, p. 311).

Thus, according to one interviewee the paradigm to “take care of yourself... went to the extreme”. In the economic as well as the political sphere, the concept of ‘total freedom’ was brought up repeatedly in the interviews echoing the “political ideals of individual liberty and freedom as sacrosanct” (Harvey 2007, p. 24). Estonia’s ‘return to Europe’ progressed through ultra-liberal policies, which were unparalleled in many respect among the transition countries. Interviewee 5 explains:

“Usually, the IMF or World Bank seem very radical on reforms. Not for us. For us they were always too mild.”

Having endured half a century of dictatorship, decision makers viewed alternatives to the neoliberal paradigm as unrealistic or lacking credibility:

“...then of course there were alternatives but... we didn't think about alternatives because there was this ideology that Mrs. Thatcher is the boss and we are the pupils of Mrs. Thatcher and all the people who were speaking about other things are socialists or communists..”

Interviewee 4)

These narratives echo Orenstein's (2001, p. 136) assertions that “(S)ome good transition policies always lie outside a given actor's ideological range”. Despite their close cultural and historical links and geographical proximity to Scandinavia and Germany, Estonian policy makers have consistently pursued ultra-liberal policies since 1991 (Lagerspetz 2001; Raun, 2001; Lauristin and Vihalemm, 2009). Estonian leaders did not emulate their economic policies, an act that an advisor found “quite unusual”. They did not consider Nordic model due their “too socialist” economies with “awful” tax regimes, an “unaffordable” welfare system and “over-unionised” (interviews) industries. A former government official remembers:

“Then it was very hard-core right wing rhetoric that ‘we are brave, we are right, all others are doing bad things and the Swedes are absolutely crazy and then there is only good economic mechanism in Estonia.’”

In addition, many respondents mentioned the downturn of the Finnish and Swedish economies in the early 1990s, which led to decreasing rates of GDP growth rates, industrial output, private consumption, and deteriorating current account balances (Aldcroft 2001), as one reason for the Estonian dislike of the Scandinavian economic system. Andres Tarand offers an explanation as to why the Scandinavian social-democratic system was not followed:

“...with Friedman as an apostle it became a bit ridiculous comparing ourselves with the Nordic countries and others.”

Estonian policy makers called for minimum “government regulation and control of business activity by the state” (interview).

Estonian policy makers ignored “potentially good policy choices”, by their own admission they did not consider alternative economic policies. Interviewee 9 explains:

“Friedman and such kind of freedom was very popular here. It is understandable because we had so regulated system for a long time, so regulated from Moscow. So we decided to go from this ‘very regulated’ to ‘minimum regulated’ ... It was easier to chop this other world. Even half-regulated was, for us, too regulated.”

Having experienced this extreme form of planning, Estonian policy makers chose the other extreme – rejection of planning in all its forms, including land use or infrastructure planning. This rejection of government intervention tout court meant that one interviewee, a senior advisor to the President of Estonia, labelled pre-EU accession Estonian policies as “ultra-liberal” to the extent that international organisations such as the World Bank and the EU advised Estonia to ‘de-liberalise’ them. In time, the international financial institutions actually toned the ultra-liberalism of Estonian policies down, as explained by Interviewee 6:

“... there was such an understanding that priorities are not needed at all. The market is ruling and long-range planning is not needed at all. It was a very strong and quite primitive understanding. Then the World Bank told that ‘guys, we don’t give you money if you don’t have, for example, long-term infrastructural development programmes’ ... and Estonia started to introduce planning.”

Leading Estonian politicians make no secret of their wholehearted endorsement of neoliberal policies.

Interviewee 1 proudly declares that “I am a supporter of neoliberal fields in the economy” placing Estonia’s post-socialist administrations among the “very few, that explicitly identify themselves as neoliberal” (Larner 2000, p. 8).

The legacy of the Soviet economic system “reinforced the hegemony of neoliberal economic ideas” (Frye 2010, p. 13) to a great extent in Estonia. Estonia’s post-socialist policies significantly deviate from the experimental reform programmes that were drawn up in 1987 under the umbrella of ‘Isemajandav Eesti²’ (IME) with the

² Translated to English: economic reform

objective to regain Estonian control of the economy within the territory of the ESSR. IME was an admission of the failure of central planning (Lieven 1993) and an unambiguous call for Estonian economic autonomy. The debates surrounding IME unveiled the real economic situation in the ESSR (Taagepera 1993). Estonia's neoliberal trajectory also defies the economic policies of the First Estonian Republic (1918 – 1940), which has enormous economic, political and social significance in Estonian consciousness (Lauristin 1997) and provided policy makers with important reference points (interviews). As opposed to the *laissez-faire* approach of the post-socialist administration, the governments of the First Republic did engage in economic management to some extent with the objectives of rebuilding the economy that had been badly damaged in World War I, integration into the European economy and subsequently recovery from the Great Depression (Lieven 1993; Kahk and Tarvel 1997).

A calculated ascent to neoliberalism?

Neoliberals are no more rational decision makers in possession of full information than any other actors. Estonian elites' preference for neoliberal policies was not a calculated, educated and conscious decision. It was based on an almost emotional or gut rejection of socialism and state paternalism in all their forms and the appeal of neoliberal utopia, without necessarily understanding the full implications of neoliberalisation. Whereas many of the leaders and technocrats of the Southern American economies that underwent neoliberal restructuring in the 1980s and 1990s graduated at North-American universities with strong monetarist curricula (Dezalay and Garth 2002; Harvey 2005), that was not the case in Estonia.

Keeping Soviet-era managers in their positions was not on the agenda of Estonia's new administration, as admitted by the then Prime Minister, Interviewee 5 himself:

“First of all you must really make it clear that you must kick the communists out. You clean the administration out.”

The first administration of independent Estonia did not include any public officials or politicians from the Soviet era; the new government consisted of young ethnic Estonians in their twenties and thirties, many of whom were former dissidents with no links to regimes of the socialist era (Raun 1994). Interviewee 6 comments on the composition of Estonia's first cabinet:

“Mart Laar said ‘I am a historian, I don’t know much about economics anyway’ and in some areas they would just go for youth.... I think the first government of Mart Laar had three ministers who were in their twenties... the average age must have been in the thirties.”

The mistrust of anyone holding government position in the socialist era led to a “lack of qualified people” (Interviewee 6). The new administration consisted of novice public officials with no background in public administration, governance or economics. This is admitted by Interviewee 5:

“None of us had any experience in the organisation of government... The Minister of Justice studied forestry.”

As in other parts of Central and Eastern Europe “the mood of the time dictated a dramatic break with the past” (Appel 2004, p. 424). The former administration was “cleaned out”. “Out with the Soviets” was the slogan (interviews). Indeed, the popularity of the neoliberal ideology was coupled with lack of economic expertise. Among members of the first administrations were climatologists, historians, political scientists, physicists, mathematicians, writers, engineers, etc. all educated in the Soviet era, undergoing further training in Germany and the Scandinavian countries. Only Siim Kallas and a few members of the Central Bank were trained economists. When asked why they chose neoliberal policies, the response of Interviewee 5 is telling:

“I am a conservative myself... I am not so sure what it exactly means, so I never try to call myself a liberal or a neoliberal, whatsoever. That is what we have done... I think to find a name would be useless, so I never wasted my time. So actually I am not wasting my time thinking what policies I made. I tried to do the best.”

As in other parts of the former USSR, “people were economically illiterate” (Doder and Branson 1990, p. 241), as emphasised by Interviewee 1:

“We had in Estonia maybe 5 or 10 people who heard the name of Keynes...even economists didn’t know these names. So the choices were not clear between different strands in economic policy but it was built up piece by piece.”

In the words of a former political activist (Interviewee 4), “the main policy was to let the people do what they want”. The lack of appropriate qualification of cabinet members had a drastic impact on policy formulation, as “many decisions were based on feelings” (Interviewee 1) and “less on knowledge or a clear picture of how a society should look like” (Interviewee 7). Interviewee 6 attests to the inadequate skills and knowledge of the cabinet members of the Mart Laar administration: “Mr. Laar and his people didn’t have any experience in economic policy.” Interviewee 7 comments on the level of preparedness and knowledge of decision makers of Estonia’s first freely elected post-socialist administration:

“The problem was that people had read only the first chapters of textbooks, the very first ones... Very simply stupidity or inadequate preparedness was in that time also an issue.”

Interviewee 6 notes another aspect of neoliberalism that invoked a Polanyian utopian vision of a free economy.

“...they were new politicians... and it was very easy to find a very clear-cut ideology, very extreme but it’s such a pure picture of the world.”

The utopian vision of ‘total freedom’ of the neoliberal paradigm of a self-regulating market, minimalist government, individual initiative, self-reliance and accountability appealed to Estonia’s policy shapers.

Interviewee 4 offers his views on the then prime minister:

“He was fond of Thatcher, Mart Laar... He had no vision, he had no policies at all. He just took a model and proposed it... He saw black and white, he was no expert and had no vision. He had no understanding...It was an ideological decision, not based on logic.”

The neoliberal agenda with its ‘the market got it right’ and ‘wealth-destroying government’ principles (North 2006) seemed the optimal policy choice for Estonian policy makers. The Estonian will of “no way to return to the Soviet Union” and to “get as fast and as far away as possible” led to a situation where “everybody wanted liberal policies”. Their goal to achieve the utopia of ‘total freedom’ was reflected in the economic objective of “let’s just liberalise...” (interviews).

Estonian elites proactively discarded the legacy of central planning in favour of a free market economy by emphasising values compatible with neoliberal theory, such as individual initiative, self-reliance, accountability, and a minimalistic state, that they claimed were the view of the good life that Estonians widely shared. The “all too visible hands of the party” were replaced by the invisible hand of the market (Verdery 1996, p. 181)

overnight. The country's first freely elected government in 1992 spearheaded a quick break with the Soviet past, as they claimed that the benefits offered by the paternalistic socialist state such as guaranteed employment and subsidised provisions came at too high a price. In the words of Interviewee 5, "the overall goal was to return Estonia to Europe". The priorities of the new government were recovering national sovereignty: the withdrawal of Russian troops from Estonian soil, reorganisation of the defence forces, Westernisation of the Estonian Economy, EU membership and cooperation with NATO. Economic policies were characterised by a radical transformation, which Mart Laar summed up as a 'Just Do It' philosophy, named after the slogan of the Nike corporation. His strategy of 'maximum liberalisation' was based on 'four no-s' – no trade barriers, no subsidies, no progressive taxes and no extensive income transfers. Estonia's first post-socialist administration completely opened up Estonia's internal market to foreign producers by eliminating all trade barriers – visible and invisible alike in one stroke. By steadfastly adhering to maintaining a balanced, budget state subsidies were phased out (Lauristin and Vihalemm 1997 and 2009; Smith 2001). The immediate implementation of free trade measures without gradually decreasing tariffs and converting non-tariff barriers to tariffs distinguished Estonian reformers as the most liberal ever in any economy (Feldmann and Sally 2002). Indeed, Estonia "has been described as pursuing a neoliberal version of capitalism with a small welfare state" Feldmann (2017 36).

Estonian policy makers strongly argued for the necessity of 'shock therapy' over a more gradual approach.

Interviewee 8 offers an explanation:

"...the reason was to make all these reforms as quickly as possible. If you wait, you will not have development. It was right, in my mind. It is like a body – if you want to get rid of a sick part, it is better to do it quickly than wait..."

The features of Estonian economic development since 1991 exhibits classic neoliberal features. A cornerstone of Estonia's liberal economy is its tax regime. The tax legislation, which is one of the most liberal tax systems in the world, places more emphasis on indirect, rather than direct taxation. Personal incomes and distributed corporate profits are subject to a proportional tax rate of 20 percent. All corporate reinvested profits are tax exempt (Estonian Investment Agency), reflecting Friedman's (1962, p. 174) recommendations of the introduction of flat-rate tax and the "abolition of the corporate income tax".

Overcoming the legacy of the safe dictatorship

The utopia of the free market could easily be contrasted with the manifest deficiencies of the pre-existing conditions in the former socialist countries by Estonians in 1991. State socialism created a fairly egalitarian system with a more even distribution of income and wealth than in the capitalist countries. People's basic economic needs were satisfied. Unemployment was virtually unknown (Kornai 1992; Swain and Swain 2009). As Interviewee 7 stated, "people were relatively equal". In his words education

"was completely free to everybody... It was not possible to buy higher education for money. It was your knowledge or quality, which gave you entry to the school."

As far as health care is concerned

"everybody was able to go to the doctor paying nothing ... I am not saying that at that time quality was so bad. Technically they were not so well equipped. But the knowledge was good. I think maybe even sometimes better because doctors should be able to deal with observation with talking, not only using equipment. And that had its positive side."

However, Estonians felt that the safety net state provision provided was not an adequate compensation for lack of freedom in other spheres (Lauristin 1997; Kalmus and Vihalemm 2006). Post-socialist transition to a market economy meant substantially increased freedoms but also the disappearance of subsidies, guaranteed employment and welfare provisions. Interviewee 7 addresses this dilemma:

"it was clear that the standard of living was falling. And seriously. I guess in the early 90s, everybody felt that. It was quite a strong decline in your personal welfare. We talked about that also – how much freedom can compensate for your living standard decline?"

While the paternalistic state provided extensive welfare benefits, these benefits were also seen as part and parcel of an authoritarian regime (Kornai 1992). Interviewee 8 called the socialist era a "safe dictatorship", which the post-socialist administrations of Estonia were intent on getting rid of. Rejecting state welfare was seen as rejecting this safe dictatorship.

In the centrally planned economies “markets were simply ruled out in many fields” rendering prices ineffective (Sen 1999, p. 114) to perform their functions of transmitting information about demand and supply, providing incentives to improve production methods and quality of output, and distributing income (Balcerowicz 1995). The philosophy of the paternalism of the Communist Party, which in Verdery’s words (1996, p. 25) acted “like a father who gives handouts to the children as he sees fit” created a mentality of reliance on the state making adjustment to new situations very hard (Kutsar and Trumm 1993).

As central planning generated total aversion to risk, mediocrity and risk avoidance became commonplace with lasting effects. Poor quality control, rude customer service, restaurants shutting down during lunch hour so that the staff can have lunch, were all commonplace even in post-socialist private enterprises. Many interviewees recall an old adage from the Soviet-era: “they pretended to pay us and we pretended to work”. Apathy’ was a returning theme in the interviews. Interviewee 5 reflects on the legacy of the Soviet era:

“the citizens of the Soviet Union were always regarded as children. And the state was like your mother and father, who always will take care of you, who would solve your problems and think about you and control you. The Estonian Republic of today is not that model of a country ... Therefore the very idea ... was that everyone should be able at least to try to take care of himself ... we can help only those people who are interested to help themselves. Only when the citizens are strong, the society is strong.”

As Lauristin and Vihalemm (1997, p. 100) write, the end of socialism meant that “like prisoners released after long isolation from the free world, they had to relearn the art of living and coping with normal, everyday functions.” To quote Interviewee 5 again:

“I think the one important factor or goal was really to change the minds and hearts of people. It means to free them, to educate them because in some ways socialism was a very convenient system. You were always told in the morning what to do, no responsibilities, nothing... When you are not getting people moved, when you are not getting people out of this Soviet apathy then nothing will happen. We had to truly wake them all up.”

This ‘convenient system’ had an unforeseen consequence in the post-socialist era: an absence of personal initiative “except for considerable skills in procuring scarce goods and services, legally or illegally” (Taagepera

1993, p. 107). As Interviewee 8 puts it, “people needed some sort of courage after decades of being grey and silent”. Interviewee 9 highlights the general mood of the times invoking the neoliberal principle of self-reliance:

“the ideology was in the 90s that people or households have to help themselves, not so much the government or the state help you. People were entrepreneurs, people thought that they should do something, go to work, or establish their own business.”

These manifest problems with ‘actually existing socialism’ provided elites with what they saw as evidence for the superiority of neoliberal prescriptions. Thus Lerner (2000, pp. 12-13) emphasises the neoliberal conceptualisation of people as “entrepreneurial, enterprising and innovative ... political subjects” as opposed to passive subjects of a paternalistic dictatorship:

“Neoliberal strategies of rule, found in diverse realms including workplaces, educational institutions and health and welfare agencies, encourage people to see themselves as individualised and active subjects responsible for enhancing their own well-being.”

Having endured half a century of restrictions, many Estonians were eager to engage with this characterisation of human motivation. According to Interviewee 4 “the totally liberal discourse” was accepted implicitly that “proof of freedom is that the individual is able to take care of himself”.

Estonia’s speedy transition to a capitalist system meant that the “soup kitchen of the welfare state” (Krugman 2007, p. 105) was quickly replaced with self-reliance for some. But transition also meant disruption and socio-economic problems on a massive scale for which many were unprepared, and adaptation to the fundamentally new circumstances was often painful, as emphasised by Interviewee 10:

“There are winners and losers. This situation was absolutely new. Some people lost their hope and lost everything because they just couldn’t understand what’s going on. There were a lot of emotions ... The intellectual power of individuals was very important. It was somehow dramatic to look at people and see that some understood that it’s a new time, just wonderful to have many possibilities, you have to work hard... but others just complained about what’s going on.”

The country’s post-socialist transition along neoliberal lines has put an enormous strain on Estonian society.

Lauristin and Vihalemm (2009, p. 1) lament that “beneath the surface of extraordinarily high economic growth,

society is tormented by unresolved political, economic and social problems.” According to the OECD’s Economic Survey of Estonia (2019)

“Estonia has continued to enjoy a fast convergence. However, many wellbeing challenges still need to be addressed: inequalities in income, health, environmental quality and other aspects of life, which vary across regions and by level of education, between genders and urban and rural areas.”

Average life expectancy at birth in Estonia only reached 1989 levels by 2000, when it was the lowest in Europe. At the writing of this article, it is still among the lowest in the EU (Eurostat). Throughout the 1990s, birthrates declined by about one-third. The deteriorating living conditions were reflected in fertility rates, which dropped from 2.05 in 1990 to 1.37 in 2003 (Statistical Office of Estonia). Estonia is at the very bottom on the healthy life years ranking for males and second worst for females (Eurostat). Estonian income inequalities in 2004 were the highest in the EU and - despite its exceptionally fast economic growth rates - are still among the worst in the EU (Eurostat).

Estonia’s ethnic Russian population paid a high price for the country’s neoliberal transformation, which is particularly pronounced in the predominantly Russian Ida-Viru County where 96 percent of the population are of Russian origin (Statistical Office of Estonia). The structural changes of the Estonian economy hit the manufacturing sector very hard, with a disproportionately negative impact on the ethnic Russian population (Saar; Krusell and Helemae 2017). The strict Alien’s Law of 1993 which restored Estonian citizenship exclusively to pre-1940 citizens and their descendants further aggravated their plight. The ethnic Russian minority subsequently lost its status of citizenship, which could only be regained by undergoing a rigorous naturalisation process that included an oath of loyalty and written examination in Estonian history, culture and language (Lieven, 1993). Large parts of the Russian population have been alienated by the citizenship regulations. Proficiency in Estonian is a requirement for public sector employment; all local and state government positions are filled by Estonian citizens. Unemployment today is higher among ethnic Russians as they were “overrepresented in heavy industry” (Feldmann, 2018: 375) and due to their poor command of the state language. Although the majority of Russians were able to get new jobs without proficiency in Estonian during the first half of the 1990s, fluency in Estonian has gradually become a necessity in gaining employment in the private sector as well (Smith, 2001).

The lack of Estonian language skills of Northeastern Estonia's predominantly Russian population does not only make it much harder for them to find employment but also amplifies a feeling of alienation from Estonian society. Assessments of the citizenship regulations have been controversial. Estonians view it as 'historical justice' and a necessary measure to restore and protect Estonian culture and political sovereignty. They perceive the learning of Estonian language by non-Estonians as a symbol of recognition of their country's sovereignty and appreciation of its own history and culture. They consider lack of Estonian language skills disrespectful and arrogant (Korts 2009).

The rising socio-economic gap between the two ethnic groups has been feeding a heightened sense of dissatisfaction and insecurity among the Russian minority (Smith 2008). A study conducted in 2004 confirmed the dissatisfaction of ethnic Russians in terms of employment opportunities, access to education and political participation, and found a socio-economic gap between the Estonian and Russian populations (Smith 2008; Vihalemm and Kalmus 2009). Ethnicity has been identified by scholars as a source of "potential social cleavage" (Frye 2010: 58). However, the relative dissatisfaction of the Russian minority has not translated into political polarisation. Of Estonia's 283,000 ethnic Russians (Statistical Office of Estonia) 165,000 are stateless with the status of 'citizenship undetermined'. They have the right to vote in local elections but they cannot participate in referenda and in parliamentary elections (Lauristin and Vihalemm 1997). The Russian Party in Estonia, established in 1994, received only 0.9 percent of the 2011 national parliamentary elections and subsequently merged into the Social Democratic Party (Riigikogu). As Smith (1998 and 2008) points out, over time Estonia's Russian-speaking population have developed a distinct 'Baltic' identity with its own 'collective memory', which differentiates them not only from Estonians but also from Russians living in the Russian Federation. Their majority did not oppose Estonian independence and considered life in Estonia a better option than in Russia (Smith 1998).

Conclusion: neoliberalism ingrained

Neoliberalism is not a homogeneous ideology consisting solely of regressive policies that was imposed upon populations around the world with dire consequences. Calling the past thirty years the 'dark ages of neoliberalism' and discarding all its elements would be a mistake. Neoliberalism calls for an active society

along with a rejection of dependence on a paternalistic state has played a progressive role in motivating people to proactively improve their own fate in former dictatorships, and any twenty first century progressive politics needs to fully engage with the failures of state planning, and with the benefits of markets in providing for human freedom and choice, in ways that are as yet not fully clear. Centrally planned state socialism only provided basic welfare at the cost of significantly reduced freedoms. Estonian elites consequently desired ‘freedom’ in abstract terms and took the neoliberal utopia of total freedom literally as they felt it offered choice and inspired them to adopt the utopian objective of becoming self-directing individuals responsible for their own futures.

Elite conceptions were not imposed on a recalcitrant population. The radical reforms of Estonia’s post-socialist government “enjoyed broad national consent” (Lauristin and Vihalemm 2009, p. 9). Despite the hardship, opinion polls show public support for liberal economic policies in Estonia (Ehin, 2007). According to an EBRD (2007: 44) survey, “most people interviewed are satisfied with their lives and are optimistic about the future, regardless of age and income”. Indeed, the subsequent Estonian governments have been benefiting from a patient population. In the words of an interviewee, “mainly, the ordinary people understood”. Reminiscence about the socialist past is high only among the elderly generation, non-Estonian pensioners in particular, while the vast majority of people still refuses to return to the socialist past and is strongly motivated to closing the gap with Western standards of living (Vihalemm and Kalmus 2009). Unlike in other CEEC, such as Poland and Slovakia, which “have seen the development of visible protests against neoliberalism” (Stenning et al. 2010: 56), despite the harsh socio-economic consequences of radical economic policies no public protests have taken place in Estonia. Even the ‘draconian’ austerity response of the Estonian government to the 2008 financial crisis, which caused a dramatic fall in GDP in and a sharp rise in unemployment levels, “did not lead to any significant protests or popular backlash” (Feldmann 2017, p. 41).

Their aspiration to get out of the grip of the USSR, “clean the house” and “return to the West” (interviews) had a serious implication, as Interviewee 11 observes:

“...there was such a push from below to ‘let’s just get this done and the main thing is to break away, the sooner the better’. So it was very much a kind of an impatient period when people were ready to take a risk and somebody told them ‘this is what we need to get ahead and break towards the West’. People would give the government the benefit of the doubt at that time ...

Certainly, it really took probably several years before you could start saying that this is really paying off.”

The goal to “*break free regardless of the costs*” touches upon the crucial factor of the patient reaction of the population to the ultra-liberal policies of the successive governments of post-socialist Estonia. Although, as Taagepera (1993, p. 216) points out, “frugality now for the sake of the future well-being was a notion discredited by decades of Soviet empty promises”, once Estonia regained its independence, the population was willing to make serious sacrifices and waited patiently for the fruits of shock therapy to materialise providing the new administration with plenty of room to manoeuvre. Interviewee 6 explains the reaction of the population at the time:

“... we thought a lot about the reactions of people. But there was a belief that as the main aim is to get independence, the people understand that if we fall on hard times, there is nothing to do and it’s just a price for independence ...”

The experiences of the Soviet era fuelled Estonians’ desire for freedom. Estonians gave the “government plenty of breathing space” despite the costs of transformation from a paternalistic command economy to a free-market, even though “people sacrificed quite a lot in the standard of living” (Interviewee 11). Between 2010 and 2016, life satisfaction levels increased from 54 percent to 71 percent, which is “the fourth highest in the transition region and is just one percentage point below the average for Germany” (EBRD 2016). In the words of Interviewee 11, “(t)he social problems were sharp but... society, in general, accepted that this will be a tough road.”

The Estonian Conservative People’s Party (Eesti Konservatiivne Rahvaerakond / EKRE) received 8.1 percent in the 2015 parliamentary elections. Four years later, EKRE received 12.7 percent of the votes (European Parliament) with a radical right-wing agenda of an anti-Russian, anti-immigration, and Eurosceptic stance. Unlike in Western Europe where immigrants, Muslims in particular, are the main target of radical right parties, EKRE’s anti-immigration agenda targets national minorities, namely ethnic Russians. The party’s policy platform is heavily influenced by the Soviet past (Kasekamp, Madison and Wierenga 2019), the “collective memories of ‘colonisation’”(Braghiroli and Petsinis 2019, p. 432). EKRE’s ‘decolonisation’ agenda is linked to its Euroscepticism through concerns over being ruled from Brussels, instead of Tallinn. However, its manifesto

does not challenge the neoliberal trajectory of the Estonian economy (Petsinis 2019). That no left voice has emerged in Estonia to provide an alternative to the neoliberal utopia must give pause for thought.

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List of interviewees

Interviewee 1	Prof. Enn Liitra Member of the Supervisory Board of the Bank of Estonia President of the Eastern Economic Association Interview in Tallinn, Estonia, 2008.
Interviewee 2	Dr. Margus Laidre Represented the Republic of Estonia as Ambassador to Sweden, Germany and the UK, 1991-2014. Interview in London, UK, 2008.
Interviewee 3	Siim Kallas Vice President, European Commission 2010-2014 Prime minister of Estonia, 2002 – 2003 Minister of Finance, 1999 – 2002 Minister of Foreign Affairs, 1995 – 1996 President of the Bank of Estonia, 1991 - 1995 Chairman of the Central Union of the Estonian Trade Unions, 1989 – 1991 Chairman of the Central Authority of the Savings Banks, 1979–1986 Specialist at the Finance Ministry of the Estonian SSR, 1975 – 1979 Interview in Brussels, Belgium, 2009.
Interviewee 4	Prof. Rein Ruutsoo Former dissident, member of the Estonian Popular Front in 1980s and early 1990s Interview in Tallinn, Estonia, 2010.
Interviewee 5	Mart Laar Prime Minister of Estonia 1992 - 1994 and 1999 – 2002 Interview in Tallinn, Estonia, 2008.
Interviewee 6	Prof. Erik Terk Deputy Minister of Economy 1989 – 1992 Director of Estonian Institute for Future Studies Interview in Tallinn, Estonia, 2009.
Interviewee 7	Prof. Urmas Varblane Member of the Supervisory Board of the Bank of Estonia Interview in Tallinn, Estonia, 2008.
Interviewee 8	Andres Tarand Prime Minister of Estonia, 1994 – 1995 Member of the Estonian Parliament 1992 - 2004 MEP for the European Socialist Party 2004-2009 Interview in Tallinn, Estonia, 2009.
Interviewee 9	Prof. Jaak Leiman Minister of Finance 1991-1992, 1996-1999 Interview in Tallinn, Estonia, 2008.
Interviewee 10	Jaak Jõeriüt Member of the Supreme Council of the ESSR Minister of Defence 2004-2005 Represented the Republic of Estonia as Ambassador to the United Nations, Finland, Latvia, Italy, Malta, Cyprus and Sweden 1993-present Interview in Riga, Latvia, 2008.
Interviewee 11	Dr. Ardo Hansson Lead Economist, World Bank Advisor to the Estonian government 1991 – 1997 Telephone interview, 2008.
Interviewee 12	Tiit Vähi Prime Minister of Estonia 1990-1992 and 1995-1997 Interview in Tallinn, Estonia, 2009
Interviewee 13	Kaia Jäppinen Deputy Mayor of Tallinn 2004 - 2010 Senior Consultant, State Chancellery of the Republic of Estonia, 1990 – 1994 Interview in Tallinn, Estonia, 2010
Interviewee 14	Senior Advisor, Office of the President of the Republic of Estonia Interview in Tallinn, Estonia, 2011

