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The contradictions of austerity: the socio-economic costs of the neoliberal Baltic model, edited by J. Sommers and C. Woolfson, Routledge, 2014, 182 pp., £95 (hardback), ISBN 9780415820035, £34.99 (paperback), ISBN 9781138648852

The literature praising the economic performance of the Baltic states is vast. They have received numerous accolades for their post-socialist transformation – from the IMF, Moody's, and The Economist magazine, inter alia – for their “solid progress” and for the “good macroeconomic policies” they adopted in recovering from the global financial crisis. Having lived and worked for many years as an academic in Estonia, I often wondered whether the authors of these tributes ever left the hotel room. This highly topical and relevant book is not another acclamation of Baltic transition, far from it. It may make uncomfortable reading for those who regard the Baltics' post-socialist transition a model to emulate. Based on empirical investigations, the authors conclude that there is no “Baltic miracle” . Rather, the emperor has no clothes. They offer a comprehensive critique of the neoliberal trajectory that the Baltic administrations have been relentlessly pursuing over the past 25 years, and paint a bleak picture of the adverse social, demographic, and economic consequences of these policies. The hands-off economic management of successive Baltic governments has rendered these countries vulnerable to global economic fluctuations, leading to extraordinary contractions in 2008–2010. In Jeffrey Sommers' words, the “formerly fashionable ‘Baltic Tigers’ of the pre-2008 crisis were in fact ‘Paper Tigers,’” with economic development policies that were no more than “alchemy presenting itself as economics” (33). As a remedy for the financial crisis, the Baltic administrations implemented austerity measures that were more severe than the recommendations of the IMF and the European Union, leading to impoverishment, disenfranchisement, and large-scale emigration. In the opening chapter, Sommers examines the paradox whereby the Latvian governing party secured electoral victories in 2010 and 2011 despite having imposed radical austerity measures. Its success at the polls was widely viewed by economists and the international financial institutions as proof of economic success and of popular consent. He argues that Latvia's recovery took place at “significant social and demographic cost”, jeopardising the very survival of the country (p.38). This paradox, and the government's re-election, is explained with reference to nationalism and the ethnic divide between ethnic Russians and Latvians as the decisive factors. In the following chapter, Michael Hudson contrasts post-socialist optimism and the central goal of 1991 – closing the living standards gap with Western Europe – with today's depressing reality. He examines two and a half decades of neoliberalism in Latvia that has left the once debt-free economy highly indebted, uncompetitive, and underdeveloped. Erik Reinert and Rainer Kattel offer an in-depth comparative analysis of the EU's Southern enlargement in the 1980s (Spain, Portugal, and Greece) and its Eastern enlargement in 2004. Whereas the Southern countries underwent a gradual, symmetrical integration, the economies of Central and Eastern Europe were integrated into the EU almost overnight, along neoliberal lines. They point out the asymmetrical nature of their integration, which essentially turned Baltic industrial producers into the European equivalent of the Mexican maquiladoras. They harshly criticize the Baltic governments' decision on internal devaluation, which saved financial institutions but severely damaged the real economy, with devastating socio-economic consequences. In their chapter, Arunas Juska and Charles Woolfson discuss the neoliberal paradigm of self-regulation in view of the tragic collapse of the Maxima supermarket in Riga, and they provide valuable insights into the Lithuanian labour market. Their analysis of the primary labour market, dominated by the “EU-financed nomenklatura,” and of the emergence of an “austeriat” in the secondary labour market, reveals a central aspect of Lithuania's

neoliberalization. In a related way, Markku Sippola draws attention to the atomization of Estonian society in his discussion of current developments in the Estonian labour market, which utilizes Hirschman's theory of "exit, voice and loyalty" as a frame. The central theme of the book echoes Karl Polanyi's prediction: "To allow the market mechanism to be sole director of the fate of human beings and their natural environment, indeed, would result in the demolition of society." By offering sobering evidence of the dire consequences of neoliberalism in the Baltic region, this timely and highly recommended book prompts a rethinking of the neoliberal trajectory and calls for the re-evaluation and redesign of the European Union project.

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