

*De oeconomia ex natione:*  
*An Examination of the Role of Nationalism in Estonia's Transition from Socialism to Capitalism*

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Abstract

This thesis explores the role played by nationalism in Estonia's transition to capitalism in the post-Soviet era and the way it continues to impact the Estonian economy. I hypothesize that nationalism was the key factor in this transition and that nationalism has placed a disproportionate economic burden on the resident ethnic Russians. First, I examine the history of Estonian nationalism. I examine the Estonian nationalist narrative from its beginning during the Livonian Crusade, the founding of Estonian nationalist thought in the late 1800s with a German model of nationalism, the conditions of the Soviet occupation, and the role of song festivals in Estonian nationalism. Second, I give a brief overview of the economic systems of Soviet and post-Soviet Estonia. Finally, I examine the impact of nationalism on the Estonian economy. To do this, I discuss the nature of nationalist economy, the presence of an ethno-national divide between the Estonians and Russians, and the impact of nationalist policies in citizenship, education, property rights, and geographical location. I find that there is a disproportionate difference in these areas between Estonians and ethnic Russians which affect the economy. I conclude by examining the problems and potential solutions to citizenship law, the use of neoliberalism in assimilation, and proposing a framework which could be used to examine disparities between differing groups in other economies.

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General Audience Abstract

Estonia is a small country in the Baltics. From the time of the Livonian Crusade in the 1300s, the land that would become Estonia had been under the control of one foreign occupier or another. In the late 1800s, the Estonian people started writing literature in their native language and collecting traditional folk songs. Singing these songs at festivals, the Estonian people developed a national identity. After twenty years of independence following the First World War, the Estonians were occupied by the Soviet Union. During this time, Estonians were subjected to deportations, Russification efforts, and control from Moscow. Relying on their language and folk song tradition, they kept the flame of the Estonian nation alive and gained independence in 1991. What followed was a rapid economic transition to a capitalist system with few barriers to trade, low regulations, and foreign direct investment. While the country made a tremendous amount of progress economically after the fall of the Soviet Union, there were still those who had fallen behind: the ethnic Russians. I argue that nationalism was the key factor in Estonia's post-Soviet economic transition and is responsible for the disproportionate burden on the ethnic Russian population. I look at the impact of geography, education, and citizenship on the economic status of residents of Estonia. I conclude by examining the problems caused by citizenship law, neoliberalism and assimilation, and proposing a framework to examine disparities between groups in other economies.

## **Dedication**

To my parents, who paid for all of this,  
Dr. Milman-Miller and the Virginia Tech Russian Department, without whom I never would  
have studied Russian, done Project GO, or gone to Estonia,  
and  
Jona, Emily, and Brianna, the three greatest friends I could have asked for at Tech.

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I give thanks to Emily Konoza for always being there to listen as I bemoaned my life as a graduate student. You were always there to listen to my incessant movie references, would humor me when I would start recalling stories with obscene amounts of detail from memory, and kept me well-fed my first year of grad school with the finest Number 13 with lettuce, olives, salt, pepper, and honey mustard ever to be made within the town limits of Blacksburg.

I wish to thank Brianna Jahn, one of my first and dearest friends I made at Tech. You had a profound impact on my time in Blacksburg. Whether it was laughing at how Russians synchronize their claps at the ballet, dividing the missed days of your logic puzzle calendar between the two of us and working on them in silence until you slammed your pencil down 45 minutes later declaring yourself the winner, driving to the train station in Richmond, or going to Walmart for LDAC supplies, you were one of the greatest friends a person could ask for. Whenever there was anything troubling me, be it a medical waiver for Army, the GRE, or getting into grad school, you were always there to tell me things would work out, give me a reason why, and make me believe it. I would go to you and trust you when I needed an honest opinion, no matter how straightforward or blunt it may be. I will forever be grateful for our conversations, both the short and the hours-long, in-person or over Facebook, that we have had over the years.

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## Introduction

With the collapse of the Soviet Bloc came an end to a system of government, an economy, and an ideology that pervaded every facet of daily life. Those states which had existed outside the Russian Empire and were only brought under the influence of the Soviet Union after the Second World War had histories of autonomy which aided them in their transition to democratic capitalism. Others, however, had historically been part of the Russian Empire and had little experience with capitalist systems, let alone modern neoliberal regimes, before being incorporated into the Soviet Union. Estonia is a prime example of this.

Estonia transitioned from a Soviet-style command and control economy to a Western neoliberal economic regime. Various explanations can be given as to why Estonia and the other post-socialist states transferred to capitalist economies. The simplest would be that, with the fall of the Soviet bloc and the socialist economic system, the post-socialist states naturally had to align their economic systems with capitalism, the only other economic system in Europe. Another explanation could be that, after having seen the decline and eventual fall of the Soviet system, the post-socialist states wanted to emulate their Western neighbors with the neoliberalism that characterized the Reagan and Thatcher eras. These explanations by themselves are not sufficient for the case of Estonia.

In the case of Estonia, one must consider their national identity. Unlike the non-Soviet post-socialist states, Estonia had limited experience with industrialization and capitalism before the October Revolution. Unlike the other former Soviet post-socialist states, Estonia had a substantial period of independence before being occupied by the Soviet Union in which a nascent national identity became further solidified and provided a pre-occupation “golden age” around

which to center it. It is because of this “golden age” that one must ask how nationalism served as a mechanism for Estonia’s transition to capitalism.

### *Hypothesis*

It is my hypothesis that nationalism not only played a significant role in the founding of the neoliberal Estonian economy, but was also integral in maintaining it in the aftermath of the fall of the Soviet Union, particularly regarding the status of the ethnic Russians living within Estonia.

Once Estonian self-rule was ended with the Soviet occupation, their golden age came to an end. Estonian nationalism continued underground until given new life enabled by the protests which resulted from *glasnost*. Once talk began of independence, it was realized that a new form of government and economy would be needed. With these talks of post-Soviet independence, Estonian nationalism became manifested in three aspects of post-Soviet governance. The first was soft nativism, wherein ethnic Estonians and other pre-occupation natives are given a privileged place within the new republic.

Second, this soft nativism in turn influenced post-Soviet citizenship law in Estonia. After the occupation commenced, there were both mass deportations of ethnic Estonians and resettlement of ethnic Russians in Estonia. As the Estonian nationalists active in the founding of the new republic did not view the occupation as legitimate, they considered only those who were citizens of Estonia before the occupation and their descendants as the only lawful citizens of Estonia whereas those who resettled in Estonia during the occupation and their descendants would have to seek citizenship elsewhere.

Finally, the stateless condition of the ethnic Russians who had settled in Estonia during the years of Soviet occupation is brought about by the post-Soviet citizenship law and reinforced by the soft nativism. In this condition, they are barred either *de jure* or *de facto* from certain areas of employment. Additionally, these Russian residents tend to be found in specific areas, such as the county of Ida-Virumaa and the city of Narva, further limiting their prospects of employment and integration into society.

With this framework, I intend to show that Estonian nationalism gave the push needed to not only establish a new republic, but also to establish a new economic order. The nationalist triad of soft nativism, citizenship law, and Russian statelessness, as explained above and depicted in Figure I.1, provided the means necessary to justify the sweeping economic changes that were implemented in the wake of the collapse of the Soviet Union. These facets of nationalism served to rationalize the sharp, rapid break from socialist economic systems under the guise of getting rid of the occupier's ways and to condone the consequences of transitioning to a deregulated neoliberal economy while reinforcing and continuing its existence.

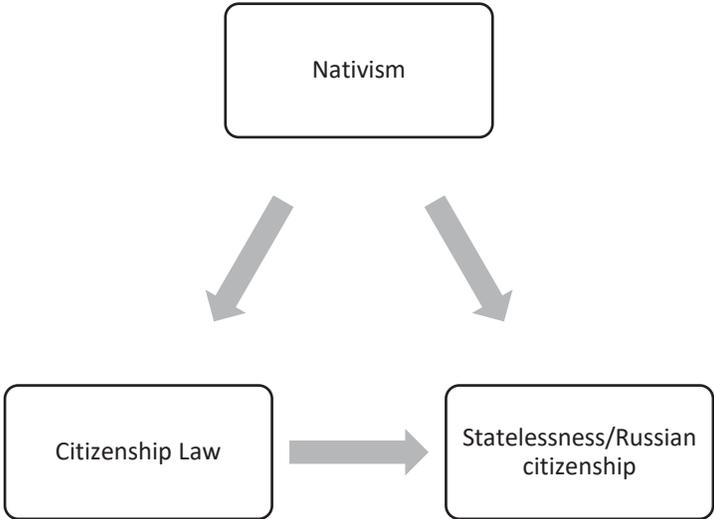


Figure I.1: The Mechanism of Estonian Nationalism in the Economy

## *Significance*

The question of nationalism's role in Estonia's economic transition is significant because it provides a new framework of how nationalism interacts with a state's economy. When examining nationalist economies, one will often find barriers and regulations such as tariffs, trade quotas, and other regulations which are meant to protect a state's industry from external competition.

This is not the case with Estonia. In the wake of the Soviet Union's collapse, Estonia pursued a staunchly neoliberal course of action in transitioning their economy by demolishing trade barriers, being extremely friendly towards foreign investors when privatizing, et cetera. The nature of Estonian ethnic identity, and the manner which brought about its awakening, is the crux of why Estonia's nationalist-influenced economy developed along a different path when compared to other nationalist economies.

In addition to examining an economy that runs counter to what one may expect from a nationalist economic system, Estonia may be used as a case study to explore the dynamics of economic transition in a post-colonial sense. Estonia was a constituent part of the Russian Empire from the days of Peter the Great until the October Revolution and thus not a colony of the Soviet Union in the sense commonly thought of wherein a colonizer controls a non-constituent territory that is not part of the mother country proper. Nevertheless, Estonia shares integral characteristics with states traditionally thought of as colonies. Estonia has been populated by an ethnic majority while being ruled by those belonging to a different cultural and ethnic group since the early 13<sup>th</sup> century. This was continued over the course of Soviet occupation. With the advent of Estonian independence, the ethnic majority came into power while the former occupying ethnicity remained. Examining the development of the Estonian

economy with this change in ethnic power in mind can provide a starting point to draw comparisons with other post-colonial states.

Finally, Estonia can serve as a starting point to study the post-socialist economic paths taken by other European countries. Variables such as level of control by Moscow, i.e. whether a member of the Soviet Union or simply within the Soviet sphere of influence; national history, et cetera, could be examined to see how such differentiation has led to different economic and political outcomes.

### ***Literature Review***

There is a strong history of Estonian nationalism occurring both before and after the fall of the Soviet Union. At the time of their independence from the Russian Empire, 88 percent of Estonia was ethnically Estonian.<sup>1</sup> While those native to what is now Estonia had been ruled by others since the time of the Livonian Crusade in the early 13<sup>th</sup> Century, Johannes Kaiv argues that “the Estonians have never forgotten what they were, and have not missed any opportunity to try and to re-establish their rights and get rid of the oppressors.”<sup>2</sup> This, however, is contradicted by those who argue that Estonian nationalism did not have its birth until the advent of a distinct Estonian literature.<sup>3</sup> Regardless of when the advent of an Estonian national identity occurred, it can be argued that it was firmly instituted by the time Estonia first gained its independence in 1920.

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<sup>1</sup> Kaiv, Johannes. "Estonian Nationalism." *The Annals of the American Academy of Political and Social Science* 232, no. A Challenge to Peacemakers (March 1944): 39-42. Accessed August 10, 2016. <http://www.jstor.org/stable/10.2307/1023332?ref=search-gateway:6cc2a2f79ea8ce50db8e5d714bb26576>. 39.

<sup>2</sup> Ibid.

<sup>3</sup> Puderbaugh, David. "How Choral Music Saved a Nation: The 1947 Estonian National Song Festival and the Song Festivals of Estonian's Soviet Occupation." *The Choral Journal* 49, no. 4 (October 2008): 28-43. Accessed August 10, 2016. <http://www.jstor.org/stable/10.2307/23558021?ref=search-gateway:d32dd3ceca47a24caf5e8626f9cc84f7>. 31.

It was this twenty-year period that lasted until the occupation during and after the Second World War that served as the “golden age” to which the Estonian identity hearkens back. Indeed, it can even be considered the “most romanticized time in the history of the Estonian people.”<sup>4</sup> Even at the outset of the occupation, Kaiv put it thus:

Beginning with a land devastated by the First World War, the Russian Revolution, and the Liberation War, and being without capital, the Estonians nevertheless reached a prosperous economic state. There was no unemployment. Estonia had a balanced budget. And all this was accomplished by her own diligence, without any outside help.<sup>5</sup>

The consensus is that the protests enabled by *glasnost*’ played a pivotal role in bringing down the Soviet regime in Estonia. The Estonian Popular Front took a lead role in the independence movement while “declaring itself to be a *perestroika* support group sympathetic to the course of reforms set out by Mikhail Gorbachev.”<sup>6</sup>

Concerning the economic aspects of the advanced capitalist states such as the United States and Germany, Hall and Soskice differentiate between Liberal Market Economies and Coordinated Market Economies. In Liberal Market Economies, coordination of firms are through in-firm hierarchies and competitive markets.<sup>7</sup> Coordinated Market Economies, on the other hand, rely more on non-market relationships for their coordination between firms.<sup>8</sup> While

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<sup>4</sup> Sillaste, Kyllike. "Conquest and Survival: An Outline of Estonian History. " *World Affairs* 157, no. 3 (January 1995): 119-23. Accessed August 10, 2016. <http://www.jstor.org/stable/10.2307/20672421?ref=search-gateway:d587cabcf99ce6eeb4c2fbd4e9cd08a1>. 121.

<sup>5</sup> Kaiv, 41

<sup>6</sup> Sillaste, 123.

<sup>7</sup> Hall, Peter A., and David W. Soskice. "An Introduction to Varieties of Capitalism." In *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, 1-68. Oxford: Oxford University Press, 2001. 8.

<sup>8</sup> Ibid.

Hall and Soskice outline the differences between these two systems at length, they do not directly apply to the case in Estonia. They are important, however, because they dispense with the view of capitalism as a monolithic institution and highlight the differences between varieties of capitalism which will be examined by other authors.

Nölke and Vliegenthart raise the question as to whether the original varieties of capitalism outlined by Hall and Soskice can be applied outside the “traditional core of the world economy.”<sup>9</sup> Nölke and Vliegenthart argue that the countries that make up East Central Europe represent a third variety of capitalism – the dependent market economy.<sup>10</sup> Within their formulation, dependent market economies have “comparative advantages in the assembly and production of relatively complex and durable consumer goods” and “are based on institutional complementarities between skilled, but cheap, labor; the transfer of technological innovations within transnational enterprises; and the provision of capital via foreign direct investment.”<sup>11</sup> While useful in broadening the varieties of capitalism framework and leading to further refining thereof, their work does not quite describe the system in Estonia.

This leads the discussion to Bohle and Greskovits. In their *Capitalist Diversity on Europe's Periphery*, Bohle and Greskovits write a chapter dedicated to the transformation of the Baltic economies into their own style of capitalism. They rightfully point out that elites in the Baltic states “saw national independence as their highest priority.”<sup>12</sup> The authors go on to

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<sup>9</sup> Nölke, Andreas, and Arjan Vliegenthart. "Enlarging the Varieties of Capitalism: The Emergence of Dependent Market Economies in East Central Europe." *World Pol. World Politics* 61, no. 04 (October 2009): 670-702. doi:10.1017/s0043887109990098. 671.

<sup>10</sup> Ibid., 672.

<sup>11</sup> Ibid.

<sup>12</sup> Bohle, Dorothee, and Béla Greskovits. *Capitalist Diversity on Europe's Periphery*. Ithaca: Cornell University Press, 2012. 96.

outline various hallmarks of the transition in the Baltics, from reducing pensions, radical marketization, and deindustrialization as a means of decolonization.<sup>13</sup>

While Bohle and Greskovits argue that nationalism played a role in the transition of the Baltic economies, they fall short in two regards. First, most of their chapter examines the economies by expounding upon events that shaped the economies and their effects, but do not spend much time explaining the background behind the events. Secondly, while Bohle and Greskovits do examine various aspects of the Estonian economy, they do so in a unidirectional manner. A gave rise to B, which lead to C. Instead, the aspects of the economy should be examined in a more cyclical manner wherein A, B, and C lead to, act upon, and reinforce each other. Such a framework is the basis of this thesis.

### ***Key Concepts***

For the purposes of this thesis, a *nation* should be understood as “‘an imagined political community’ which is self-limiting to those within the nation and believes that it should be sovereign.”<sup>14</sup>

Furthermore, *nationality* should be understood as the quiddity which makes an Estonian an Estonian, almost, but not quite, like a being’s *essence* in the Thomistic sense of the word. Because of this understanding of *nation* and *nationality*, there must be a distinction made between *nationalism* and *patriotism*. To differentiate the two, it is necessary to understand the difference between the *natio* and the *patria*. The *natio*, in the original Latin, can mean birth, nation, people, race, or class, all of which play a role in the Estonian economy. The *patria* is,

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<sup>13</sup> Ibid., 115, 119.

<sup>14</sup> Anderson, Benedict. *Imagined Communities Reflections on the Origin and Spread of Nationalism*. London: Verso, 2006. 6.

simply put, the fatherland or country. Thus, *nationalism*, while having connotations of superiority in some texts, must in the context of this thesis be understood simply as pride in one's people or nation while *patriotism* must be understood as pride in one's state.

As an illustrative example, let us consider the Estonian Song Festival, an event held every five years in Tallinn with Estonian choirs from around the world joining together to sing folk songs. While the Song Festival has been used to the state's purposes before, there is nothing inherently tying the Song Festival to pride in the state and there is nothing that inherently ties those singing in Estonian choruses from other countries to the Estonian state. If there was, this would be a clear example of patriotism. On the contrary, the emotion of those in the Song Festival is focused on the Estonian people, the nation.

Lastly, for the purposes of this thesis, I define *nativism* as "a political position or policy that creates a privileged status for 'native' residents of a country which belong to a self-identified and self-inclusive group at the expense of those in non-included groups." Within nativism, there must be a distinction made between hard and soft nativism. By hard nativism, I mean anything from violence directed against the non-native group, e.g. the Philadelphia Nativist Riots, to blatant anti-"other" rhetoric. By soft nativism, I mean those structures and institutions that have been put in place to promote, protect, and preserve the privileged status of the "native" group. Soft nativism is termed soft not because it is less violent, but because it is silent in its maintenance of the privileged position.

### ***Overview of Chapters***

The three chapters required different methods. The first chapter, as it dealt with Estonian nationalism, was treated as covering the story of the Estonian people. As it was an overview of

this story, the chapter depended heavily on journal articles that covered Estonian history as well as texts examining the foundations of German nationalism and the role Friedrich Ludwig Jahn played therein, as it was the German model of festival-based nationalism that was imported to Estonia. The second chapter, being focused on the economy, required resources that explained the structures of Soviet and post-Soviet economics in Estonia so that the two could be compared. Lastly, the third chapter required a great deal of statistics from then-future President of Estonia Ilves to show that there was an ethno-nationalist divide at the tail end of the Soviet years along with statistical tables generated from data by Statistics Estonia. While the raw data from surveys and censuses were unavailable, there were numerous datasets on the Estonian government's Statistics Estonia website where I chose relevant variables to build the tables shown in the third chapter and show the impact of language, ethnic group, citizenship, and education on the Estonian economy.

### ***Limitations of the Study***

The first limitation of this thesis is that, while written about a post-socialist, Eastern European topic, most of my sources will be coming from the West. This is primarily due to the relative ease of access to English-language sources. In addition to this limitation on the origin of my sources, there will be limitations based on language. While I am a native English speaker with sufficient command of Russian to translate Russian-language sources, I have next to no knowledge of Estonian. While this rules out the use of Estonian-language sources, it can be reasonably assumed, given that there are Estonian authors published in English-language publications and Estonia's identification with the West, that using both English- and Russian-language sources should yield enough viewpoints to conduct meaningful research.

Furthermore, while this thesis is meant to show the role of nationalism in a post-socialist state, the case study is limited to one state, namely Estonia. This arises from the fact that, being a part of the former Russian Empire, Estonia did not have the same history of a relatively sustained period of independence, capitalism, and/or industrialization that non-Soviet post-socialist states had before coming under the influence of the Soviet Union at the end of the Second World War. At the same time, Estonia had a significant period of independence with a republican government whereas the other post-Soviet states had separated at the fall of the Russian Empire and were reincorporated five years later into the Soviet Union. This causes Estonia to be an outlier from both post- and non-Soviet post-socialist states. While this statement holds true for the other Baltic states, the Baltics tend to have a “follow-the-leader” mentality, with Estonia taking the lead. For this reason, since Estonia tends to make the policies that are later adopted by the other Baltic republics, the reasons behind Estonia’s actions should be studied first as they set the course for the region.

## Chapter 1

### The History of Estonian Nationalism

To understand the changes that took place in Estonia after the fall of the Soviet Union, it is necessary to understand the history of Estonian nationalism. While Estonian nationalism itself only came into being in the late nineteenth century, the narrative of the Estonian people stretches back almost a millennium. In this chapter, there will be an overview of Estonian national history from the time of the Northern Crusades until the fall of the Soviet Union.

#### *Estonia Under the Danes, Germans, Swedes, and Russians*

Surrounded by German, Slav and Finn peoples, the peace-loving Latvians could neither expand nor achieve a higher degree of civilization. Like their Prussian neighbors, they became ultimately most famous by the acts of violence which all these Baltic peoples suffered partly from the newly Christianized Poles and partly from the (German) Teutonic Knights. Humanity shudders at the blood that was shed there in long and wild wars, in which the old Prussians were almost entirely exterminated, while the Courlanders and Latvians were enslaved, a yoke which they still carry. Perhaps it will take centuries to free them from the yoke and to bring them instead of the horrors, by which these quiet peoples were robbed of their land and liberty, the enjoyment of a better liberty.

— Johann Gottfried von Herder, *Ideas for the History of Mankind*,  
Book XVI<sup>15</sup>

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<sup>15</sup> Kohn, Hans. *Nationalism, Its Meaning and History*. New York: Van Nostrand Reinhold Company, 1971. 104.

While von Herder was writing about the history of the Latvians, what he wrote is just as applicable to the Estonians and other Baltic peoples, as their histories each begin with their conquest by the Teutonic Knights in the early thirteenth century. At the end of the twelfth century, what is now Estonia and the other Baltic republics were pagan lands situated between the Orthodox Kievan Rus' and the Catholic Holy Roman Empire, Sweden, and Denmark. Both East and West took their commission to "go, therefore, and make disciples of all nations" with the utmost importance.<sup>16</sup> It was in this spirit that Catholic missionaries went to the Baltic region in the late eleventh century. One hundred years later, nominally to protect the Christians in the area who were being opposed and persecuted by the native pagans, the pope declared a crusade.

What followed over the course of the thirteenth century is now termed the Livonian Crusade, though only the first quarter century involved fighting in what is now Estonia. The Livonian Order of the Teutonic Knights and the Livonian Brothers of the Sword conquered and occupied Estonia, beginning a period in which the Estonians would be ruled by others that would last, except for a brief twenty-year period of independence, until the fall of the Soviet Union in 1991. Though the Estonian nation had not yet formed, this is the starting point of their narrative. So important it is to the Estonian mythos that Johannes Kaiv, Acting Consul General of Estonia in charge of Legation in the United States from 1939 onwards, wrote, "[from that time], the Estonians have never forgotten what they were, and have not missed any opportunity to try and re-establish their rights and get rid of the oppressors."<sup>17</sup>

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<sup>16</sup> Matt. 28:19 (NABRE).

<sup>17</sup> Kaiv, Johannes. "Estonian Nationalism." *The Annals of the American Academy of Political and Social Science* 232, no. A Challenge to Peacemakers (March 1944): 39-42. Accessed August 10, 2016. <http://www.jstor.org/stable/10.2307/1023332?ref=search-gateway:040a95ed92897c7b0284fce33bc78c1a>. 39.

The lands conquered in the Livonian Crusade were subject to the Holy See and were divided into the Bishoprics of Courland, Dorpat, and Ösel-Wiek; the Archbishopric of Riga, the lands held directly by the Livonian Order, and the Duchy of Estonia, which was ruled by the King of Denmark. The dominium of the Danish came to an end with the Saint George's Night Uprising in 1343, leading lands own by the Danish crown to be sold to the Livonian Order.<sup>18</sup> Two hundred years later, Russia would invade, almost conquering the entire Baltic region, but in the end, the Livonian War from 1558–1583 resulted in northern Estonia coming under the rule of the Swedes, with the rest of the country following in 1629.<sup>19</sup>

While not abolishing feudal serfdom, the period of Swedish rule brought about an easing of difficulties for the Estonian serfs. Laws were enacted to protect the serfs against their Baltic German nobles and schools were founded, allowing peasants to obtain some level of education.<sup>20</sup> This ended within a century when Charles XII of Sweden and Peter the Great of Russia went to war in 1700. While the Russians were initially repulsed, the final victory in the Great Northern War was theirs. Under the Russians, the Baltic Germans were once again in a strong position, and the lot of the serfs was not improved much until 1816, when serfdom was abolished in the Baltics. Though this was an improvement, it was only marginal.

### *The German Influence*

To understand what comes next in Estonian history and the birth of Estonian nationalism, it is necessary to first understand German nationalism and the influence of one man upon it, Friedrich Ludwig Jahn. Besides being the father of modern gymnastics and inventor of the

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<sup>18</sup> Sillaste, Kyllike. "Conquest and Survival: An Outline of Estonian History." *World Affairs* 157, no. 3 (January 1995): 119-23. Accessed August 10, 2016. <http://www.jstor.org/stable/10.2307/20672421?ref=search-gateway:d587cabcf99ce6eeb4c2fbd4e9cd08a1>. 119.

<sup>19</sup> *Ibid.* 120.

<sup>20</sup> *Ibid.*

parallel bars, Jahn was one of the fathers of German nationalism and greatly influenced the use of festivals in nationalist exercises.

Friedrich Ludwig Jahn was born the son of a Lutheran minister in Prignitz, Brandenburg, in 1778.<sup>21</sup> He attended the Gymnasium in Berlin and the Universities of Greifswald, Jena, and Halle, studying theology, history, and the German language, but did not complete a degree.<sup>22</sup> Jahn was not originally a pan-German nationalist, but rather a very proud Prussian, at one point declaring that “one Prussian defeats three Saxons, Hanoverians, Mecklenburgians, or Swedes.”<sup>23</sup> Within the first decade of the 1800s, his views shifted, envisaging a German nation that encompassed the Swiss, Danes, Austrians, and Dutch.<sup>24</sup>

While the French and British had the luxury of a state that consisted of their nation, there was no such “German” state in Jahn’s time. Thus, Jahn needed to “find [a uniting bond] in some reality more ancient and more ‘essential’ than the state.”<sup>25</sup> Jahn turned to the *Volk*, which he believed “existed before the state; it was its foundation.”<sup>26</sup> Jahn believed that this centering of nationalism upon the *Volk* would lead to a German state, as he wrote, “A state is nothing without a *Volk*—a soulless artifact. A *Volk* is nothing without a state—a bodiless phantom, like the wandering gypsies and Jews. Only the unity of state and *Volk* makes a *Reich*.”<sup>27</sup>

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<sup>21</sup> Hertz, Friedrich Otto. *The German Public Mind in the Nineteenth Century: A Social History of German Political Sentiments, Aspirations and Ideas*. Edited by Frank Eyck. Translated by Eric Northcott. Totowa: Rowman and Littlefield, 1975. 35.

<sup>22</sup> Ibid.

<sup>23</sup> Levinger, Matthew Bernard. *Enlightened Nationalism: The Transformation of Prussian Political Culture, 1806-1848*. Oxford: Oxford University Press, 2000. 105.

<sup>24</sup> Ibid.

<sup>25</sup> Kohn, Hans. "Father Jahn's Nationalism." *The Review of Politics* 11, no. 4 (October 1949): 419-32. Accessed March 01, 2017. <http://www.jstor.org/stable/1405158>. 426.

<sup>26</sup> Ibid.

<sup>27</sup> Levinger, *Enlightened Nationalism*. 106.

A starting point for Jahn's conceptualization of the *Volk* was language. Jahn's gymnasts wore the same uniform and addressed each other with the informal "du," regardless of their social class.<sup>28</sup> This brought about an egalitarian spirit of sorts among Jahn's *Turner*, where the emphasis was placed on the common *Deutschheit* as opposed to drawing distinction between rich and poor, worker and student, et cetera.<sup>29</sup> In addition to the role language played in promoting a certain egalitarianism among the members of the *Turner*, Jahn advocated for purity of the German language in society at large. Jahn, himself "a master of coarseness in language," believed "a true German was always forthright, outspoken and sincere," and considered refined language, such as the French used by diplomats, to hide the truth.<sup>30</sup>

To further solidify German nationalism around the *Volk*, Jahn turned to history, which he said was "[his] oldest playmate in [his] youth, she [had] remained [his] friend and companion throughout life."<sup>31</sup> Jahn brought history to the forefront through festivals, which were "not the festivals of the ancients, but the celebration of Germanic deeds. These deeds were not the actions of kings or bishops...He turned the cult of festivals away from ancient models or the symbols of the French Revolution toward the world of Germanic myth, thus giving national festivals a democratic direction."<sup>32</sup> It was in this manner that festivals were to "embody transcendent ideals symbolized through the nation" and "link themselves with traditions still alive among the people and penetrate the unconscious."<sup>33</sup>

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<sup>28</sup> Ibid., 107.

<sup>29</sup> *Turner* – gymnasts, *Deutschheit* – German-ness

<sup>30</sup> Kohn, "Father Jahn's Nationalism." 424.

<sup>31</sup> Ibid., 419-420.

<sup>32</sup> Mosse, George L. *The Nationalization of the Masses: Political Symbolism and Mass Movements in Germany from the Napoleonic Wars Through the Third Reich*. New York: Howard Fertig, 1975. 75.

<sup>33</sup> Ibid. 82.

There were certain elements common to all of Jahn's festivals. There would be choirs to sing patriotic songs and hymns, a speech or sermon inspiring patriotism, parades to the festival grounds, a sacred flame, "at times accompanied [by] gymnastics exercises."<sup>34</sup> However, by the end of the nineteenth century, these festivals had changed. No longer were they open to the masses. No longer were they celebrating the spartan sobriety of *Deutschheit*. Instead, the public became relegated to the role of spectator. A new, bourgeois culture came into being in the last decades of the 1800s and "the symbols of settled and comfortable middle-class life threatened to replace those of national revival."<sup>35</sup> This was directly counter to Jahn's belief that "a full stomach was opposed to patriotism and manliness" and that the consciousness of the *Volk* must be kept on past struggles, not present comforts.<sup>36</sup> The festivals had ceased to be organic and became centered around uniting people behind the Establishment, the exact opposite of Jahn's vision.

Besides his associations of *Turner*, Jahn contributed to nationalism by advocating for volunteer military free-corps and creating nationalist student fraternities, the *Burschenschaften*. Jahn advocated for reform in the Prussian army and found agreement with Scharnhorst, who "wished to exclude from [the national militia] not only foreigners but even Prussian subjects of Polish nationality" and wrote, "In France as well as in England, it was only the formation of the national militia which has aroused the military spirit of the nation and has created an enthusiasm for the independence of the fatherland which does not show itself in similar strength in other countries."<sup>37</sup> Jahn went further though, opposing a standing army and advocating for a wholly-

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<sup>34</sup> Ibid., 83.

<sup>35</sup> Ibid., 93.

<sup>36</sup> Ibid.

<sup>37</sup> Kohn, "Father Jahn's Nationalism". 421.

volunteer based force, a free corps, which was created on a small scale and mainly manned by students.<sup>38</sup>

The first *Burschenschaft* was founded at the University of Jena in 1815. These *Burschenschaften* were meant to be an organization to which all Christian students at all German universities would belong, regardless of class or from which German principality they hailed.<sup>39</sup> To Jahn, the older generations had been corrupted by years of following the fashions of non-German powers in Europe, especially the French.<sup>40</sup> It was thus up to the youth, led by the students, to bring about an awakening of German identity.

### *The Estonian Application*

In the whole history of a people, its most sacred moment arrives when it awakens from its torpor, rises from its death-like existence, becomes for the first time conscious of itself, thinks of its sacred rights and of the eternal duty of preserving them, and finally recognizes that it can lose itself among other peoples only by the suicide of its folkdom. It is the beginning of a new and long-hoped for period of creation when a people after the course of terrible years can reveal to itself, to its contemporaries and to posterity loudly and freely and without reservation, how it fell into humiliating serfdom...A people which grasps with joy and love the eternity of its folkdom can celebrate at all times the festival of its rebirth and the day of its resurrection.

— Friedrich Ludwig Jahn, *Werke*, vol. 1, p. 309<sup>41</sup>

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<sup>38</sup> Ibid., 422.

<sup>39</sup> Ibid., 426.

<sup>40</sup> Ibid.

<sup>41</sup> Ibid., 430.

The reason for the in-depth examination of the origins of German nationalism is this: it is the method and model that was to be used by the Estonians. In contrast to Jahn's views of a national awakening, Ernst Gellner contends, "Nationalism is not the awakening of nations to self-consciousness: it *invents* nations where they do not exist."<sup>42</sup> Historically, Estonia was quite diverse, with each county and parish having its own folk costume and with ethnic minorities, such as the Seto and Võro peoples, who had their own languages and cultures. It was only with the advent of Estonian literature that the concept of an Estonian nation began to come to fruition. With the advent of Estonian literature came a "new fixity to language, which in the long run helped to build that image of antiquity so central to the subjective idea of the nation."<sup>43</sup>

This fits with the framework of Miroslav Hroch, who divides national movement into three phases: Phase A, which is a period of scholarly interest, Phase B, the period of patriotic agitation, and Phase C, mass national movement.<sup>44</sup> Hroch notes that "the composition of the ruling class [in Estonia] was entirely predetermined by the expansion of the Teutonic Knights and the subsequent German urban colonization. Language thenceforth remained a barrier separating the ruling class from the subject people."<sup>45</sup> It is for this reason that it is important to realize that when the first manifestations of national identity in Estonia came into being, it was in the middle of the nineteenth century, spurred on by German or Germanized intelligentsia who had taken an "interest in the language and popular culture of the Estonians."<sup>46</sup>

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<sup>42</sup> Anderson, Benedict. *Imagined Communities: Reflections on the Origin and Spread of Nationalism*. London: Verso, 2006. 6.

<sup>43</sup> *Ibid.*, 44.

<sup>44</sup> Hroch, Miroslav. *Social Preconditions of National Revival in Europe: A Comparative Analysis of the Social Composition of Patriotic Groups Among the Smaller European Nations*. Cambridge: Cambridge University Press, 1985. 23.

<sup>45</sup> *Ibid.*, 76

<sup>46</sup> *Ibid.*

These German and Germanized men of letters, made up of pastors, teachers, and those known as “*Küster*” living in Estonia in the middle of the nineteenth century, would have been familiar with the writings and activities of Friedrich Ludwig Jahn, who had founded the *Turner* societies, *Burschenschaften*, and festivals just forty years prior.<sup>47</sup> This stratum of intelligentsia came to believe that “people would have to be educated in the spirit of national-self-consciousness.”<sup>48</sup> This was keeping with Jahn’s notion of a national education, when he wrote

The effects of such a...national education will be infinite...The citizen will feel, think and act with the state, through it, for it and in it; he will be one with it and the people in life, woe and love. Through all the changing times, the folkdom and its sacredly treasured originality (*heilig bewahrte Ursprünglichkeit*) will mirror itself from generation to generation with ever increasing beauty.<sup>49</sup>

Shortly thereafter, this banner of an education for a national self-consciousness was taken up by Estonian students at the University of Tartu. These student groups, mirroring the *Burschenschaften* of Jahn, organized patriotic activities and have been linked with the foundation of explicitly patriotic organizations, such as the Estonian Literary Society and the Committee for the Estonian Secondary School, along with the publication of Estonia’s national epic poem, the *Kalevipoeg*.<sup>50</sup>

This national awakening in Estonia, the *Ärkamisaeg*, brought about mass song festivals which were to define popular Estonian national activity. These song festivals were to be shaped and influenced by “contemporary German nationalist folk festivals,” such as those started by

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<sup>47</sup> *Küster* – sacristan/sexton

<sup>48</sup> Ibid.

<sup>49</sup> Kohn, “Father Jahn’s Nationalism.” 430-431.

<sup>50</sup> Hroch, *Social Preconditions of National Revival in Europe*. 76.

Jahn.<sup>51</sup> While gymnastics played a prominent role in German festivals, folk songs rose to prominence in the Estonian festivals as, before the *Kalevipoeg*, Estonian literature consisted “solely of religious tracts, prayers, hymns and translations, even though literacy was already well advanced and, in Estonia by the end of the century, perhaps at a higher level than in Britain,” leaving folk songs to be the only truly Estonian facet of culture in their language.<sup>52</sup>

The first Estonian song festival, or *Laulupidu*, was held in the city of Tartu in 1869. This was taken as “an opportunity ‘to awaken the people to a national consciousness, to unite them, and to promote the improvement of both social and political conditions.’”<sup>53</sup> Inspired by the choral festivals of Germany, the program consisted of German music with two pieces in Estonian. By all accounts, the aim of creating an Estonian national identity worked, as before the beginning of such festivals, the inhabitants of what is now Estonia were not referred to as *Eesti*, but as *maarahvas*.<sup>54</sup> This transition from *maarahvas* to *Eesti* can also be linked to the use of the phrase “Estonian people” in the newspaper writings of Johannes Voldemar Jannsen.<sup>55</sup>

Shortly thereafter, a Russification campaign was launched by the government of Tsar Alexander III in 1885. Through this Russification campaign, Russian became the only language in schools and state offices while promoting Russian nationalism at the expense of non-Russian identities.<sup>56</sup> Despite these efforts of Russification, the song festivals would continue and would

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<sup>51</sup> Lieven, Anatol. *The Baltic Revolution: Estonia, Latvia, Lithuania, and the Path to Independence*. 2nd ed. New Haven: Yale University Press, 1993. 110.

<sup>52</sup> *Ibid.*, 111.

<sup>53</sup> Puderbaugh, David. "How Choral Music Saved a Nation: The 1947 Estonian National Song Festival and the Song Festivals of Estonian's Soviet Occupation." *The Choral Journal* 49, no. 4 (October 2008): 28-43. Accessed August 10, 2016. <http://www.jstor.org/stable/10.2307/23558021?ref=search-gateway:a91286de8baa7b08d519cee2638e402f>. 30.

<sup>54</sup> *Eesti* – Estonian, *Maarahvas* – people of the country

<sup>55</sup> *Ibid.*, 31.

<sup>56</sup> Sillaste, “Conquest and Survival.” 120.

be a breeding ground for Estonian cultural development and nationalism through the fall of the Russian Empire.

### *Independence Gained*

In March of 1917, after years of war and amid economic troubles, the Russians of Petrograd revolted against the Tsarist government in the February Revolution, resulting in the abdication of Tsar Nicholas II. It was then that Estonian politicians met in Tartu and decided to sue for autonomy. While the provisional government in Petrograd was slow to action, they would come to pass a law granting Estonia autonomy on March 30, 1917.<sup>57</sup> This not being enough, Estonia decided to separate from Russia on November 15, 1917, and declared independence on February 24<sup>th</sup> of the next year.

One year later, the Russian Soviet Federative Republic invaded Estonia at the border town of Narva while the German *Baltische Landeswehr* came from the Latvian border.<sup>58</sup> Aided by the United Kingdom, Latvia, and the White movement, the Estonians pushed the Red Army back to within ten miles of Petrograd. On February 2, 1920, a peace treaty was signed, wherein the Russians gave up all claims to Estonia.

Thus began a period “characterised by great economic success, internal political failure, and foreign policy frustration followed by catastrophe: in 1940 they were annexed by Stalin’s Soviet Union.”<sup>59</sup> After the First World War, a democratic constitution was adopted, “strengthened by the almost messianic hopes attached to the League of Nations and to the philosophy of President Woodrow Wilson.”<sup>60</sup> After seventeen years of democratic rule, Estonia

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<sup>57</sup> Kaiv, “Estonian Nationalism.” 40.

<sup>58</sup> Ibid.

<sup>59</sup> Lieven, *The Baltic Revolution*. 61.

<sup>60</sup> Ibid., 64.

experienced a coup in response to a long chain of political and economic crises, including the worldwide depression. Part of the political troubles that lead to the rise of authoritarianism in Estonia can be traced to the lack of a formal head of state, a prime minister wholly dependent on the *Riigikogu*, and over fourteen political parties being represented in the *Riigikogu*.<sup>61</sup> Such a situation led to the average length of any one government lasting eight months throughout the 1920s.<sup>62</sup>

In response to these political and economic troubles, a nationalist, anti-communist, anti-parliamentary, anti-Semitic, and anti-minority group gained traction, the League of Veterans.<sup>63</sup> With fears of a coup, the prime minister, Konstantin Päts, proclaimed martial law. One year later, in 1935, all political parties were banned, the *Riigikogu* was suspended, and the press was more controlled. Despite the move to authoritarianism, the whole of Estonia's period of interwar independence has become the "most romanticized time in the history of the Estonian people," a golden age of independence that Estonians would look back upon for many years to come.<sup>64</sup>

### ***Independence Lost***

The Soviet Union, after agreeing to a plan to partition Poland and the Baltics in the Molotov-Ribbentrop Pact, invaded Estonia on June 17, 1940. In 1941, some 9,632 people were deported to Siberia from Estonia.<sup>65</sup> The initial Soviet occupation was brief, only lasting one year before the forces of Nazi Germany captured and occupied the Baltic region on their way to Leningrad. The Nazis installed a puppet government with no power that was headed by a former

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<sup>61</sup> *Riigikogu* – Estonian Parliament

<sup>62</sup> *Ibid.*, 69.

<sup>63</sup> *Ibid.*

<sup>64</sup> Sillaste, "Conquest and Survival". 121.

<sup>65</sup> Rahi, Aigi. "Mass Deportations in 1941 and 1949 in Estonia." In *The Baltic Countries Under Occupation: Soviet and Nazi Rule 1939-1991*, edited by Anu Mai Kõll, 47-54. Stockholm: Almqvist & Wiksell Internat., 2003. 50.

leader of the League of Veterans.<sup>66</sup> After much fighting, the Soviets would retake the Baltics in 1945 and occupy them until the fall of the Soviet Union.

With the reoccupation of Estonia came a renewed push for Russification and Soviet control. Rebuilding after the war brought a new wave of industrialization, along with Russian immigrants to work in the factories. This is remembered as a bleak time in Estonian history, as an interview with Eva Tarm, an Estonian friend of author Anatol Lieven shows:

I was born in 1958, and for most of my life I saw my country being degraded before my eyes by Soviet rule. My grandmother showed me mementos of the period of independence, and told me how good life had been. Meanwhile outside I saw Russians...being given the flats of their victims, and Estonians living in poverty. The country was changing as we looked, and there was nothing we could do about it...In the shops, if I spoke in my native language, the shop assistants yelled at me, and if I sent my son to shop he came back empty-handed because he spoke no Russian...

Our generation is permanently depressed, disillusioned with everybody and everything, because under Soviet rule, the only way to improve your life was by compromising yourself completely...It was like being in prison – either people found underhand ways of evading the system, or they developed hobbies which were really just substitutes for real life outside the walls.<sup>67</sup>

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<sup>66</sup> Kasekamp, Andres. "The Ideological Roots of Estonian Collaboration during the Nazi Occupation." In *The Baltic Countries Under Occupation: Soviet and Nazi Rule 1939-1991*, edited by Anu Mai Kõll, 85-95. Stockholm: Almqvist & Wiksell Internat., 2003. 88.

<sup>67</sup> Lieven, *The Baltic Revolution*. 82-83.

One such underhand way to evade the system was through the Estonian tradition of song festivals.

The first post-war song festival was held in June of 1947. This contrasted with the suppression of displays of ethnic pride that was characteristic during the Stalinist era.<sup>68</sup> The Soviet government had three motivations behind allowing the return of *Laulupidu*: to “create a sense of comfort and continuity” after the war, to celebrate victory over the Germans, and to showcase the progress of the Estonian SSR.<sup>69</sup> Any piece that spoke of Estonian independence or any sacred music was rejected outright, while the Soviet anthem and the anthem of the Estonian SSR was inserted into the program. The Soviet organizers had turned the festival into an instrument for the support of the Establishment, as opposed to a “true national [festival which grows] organically and [is] part of a revived historical consciousness.”<sup>70</sup>

This, however, was not to prove an obstacle for Estonian nationalism. Composers and lyricists started to write songs for the festival which were not explicitly pro-Soviet, but could still be interpreted as such. However, hidden in the lyrics of these songs would be a double meaning, which was often pro-Estonia or pro-independence. A prime example of this is “*Jüriöö marss*.”<sup>71</sup> The song was nominally about a medieval Estonian uprising against their German overlords, yet the lyrics could easily be understood by an Estonian calling for a day when they would no longer be subject to the Soviets. Indeed, the song is written in the present tense and could be interpreted as referring to the “Forest Brethren” resistance fighters still harassing the Soviets after the war

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<sup>68</sup> Beissinger, Mark R. *Nationalist Mobilization and the Collapse of the Soviet State*. Cambridge: Cambridge Univ. Press, 2010. 52.

<sup>69</sup> Puderbaugh, “How Choral Music Saved a Nation.” 35.

<sup>70</sup> Mosse, *The Nationalization of the Masses*. 76.

<sup>71</sup> St. George’s Night March

ended.<sup>72</sup> Also snuck into the program at the 1947 *Laulupidu* was “*Mu isamaa on minu arm.*”<sup>73</sup> This song would become the unofficial anthem of occupied Estonia.

### ***Independence Regained: The Singing Revolution***

Given the importance of songs to the birth and growth of the Estonian nation, it is not surprising that the seeds of the Estonian independence movement would start with songs. *Glasnost*’ allowed popular music to become overtly politicized, leading the songs, songwriters, and audiences to become more politically aware.<sup>74</sup> In June, 1988, people attending a song festival did not wish to go home yet, so, gathering more people as they went, they made their way to the song festival grounds for what turned into a week-long “night song festival” that included new songs protesting a new Russian-speaking enclave in the city.<sup>75</sup> By the end of the year, the Estonians had signed the “Estonian Sovereignty Declaration,” making Soviet law subordinate to Estonian law.

Throughout the next two years, there would be spontaneous demonstrations with people gathering and singing traditional Estonian folk songs. On August 23, 1989, two million Balts, about two-fifths of the Baltic population, joined hands in a 370-mile human chain from Vilnius to Tallinn.<sup>76</sup> The culmination of this Singing Revolution came in August 1991, when communist hardliners in Moscow sent tanks to target the television tower in Tallinn. In response, the Estonians formed a singing human shield to protect the tower. Not knowing what to do, the

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<sup>72</sup> Puderbaugh, “How Choral Music Saved a Nation.” 38.

<sup>73</sup> “My Fatherland is My Love”

<sup>74</sup> Waren, Warren. “Theories of the Singing Revolution: An Historical Analysis of the Role of Music in the Estonian Independence Movement.” *International Review of the Aesthetics and Sociology of Music* 43, no. 2 (December 2012): 439-51. Accessed August 10, 2016. <http://www.jstor.org/stable/10.2307/23342831?ref=search-gateway:8b7316900a5f57e5c71cff9e093bf48c>. 445.

<sup>75</sup> *Ibid.*

<sup>76</sup> Lieven, *The Baltic Revolution*. 219.

tanks stopped and awaited instructions from Moscow. This nonviolent response, as contrasted with more active demonstrations taken in Latvia and Lithuania, prevented any bloodshed. One month later, the Soviet government in Moscow formally recognized the Republic of Estonia.

Thus, by singing the songs of angry men, Estonia had gained its independence. This would go to prove Johannes Kaiv correct when he wrote that “nationalism is the only means of self-preservation, as Estonian history proves.”<sup>77</sup> This history of Estonian nationalism and their narrative of oppression by the Russians will contribute to the framework discussed in Chapter 3 describing how nativist sentiment interacts with the Estonian economy through various laws and policies.

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<sup>77</sup> Kaiv, “Estonian Nationalism.” 42.

## Chapter 2

### An Overview of Estonia's Soviet and Post-Soviet Economic Systems

The first Estonian Republic had a background in capitalism carried over from the days of the Russian Empire and the influence of the Baltic German population. This early capitalism had started in the days of the Hanseatic League, of which Tallinn and Tartu were members. With a large port in Tallinn, Estonia became a shipping center in the Russian Empire with well-established links to Central and Western Europe, continuing their role in shipping from before Russian conquest.

At the time, a great deal of Estonia's exports and production was centered on the agricultural and manufacturing economic sectors. Of note was the Kreenholm textile factory in the city of Narva. During the late 19<sup>th</sup> and early 20<sup>th</sup> centuries, the Kreenholm factory was the largest in the entirety of the Russian Empire.<sup>78</sup> Despite having the largest textile factory in the Russian Empire, agriculture, along with food processing and exportation, dominated the bulk of Estonian economic activity up until the time of Soviet occupation.<sup>79</sup> During this interwar period of independence, "nearly two-thirds of the region's economically active citizens were then engaged in agricultural or agriculturally related production."<sup>80</sup> This agrarian-based economy would change drastically over the course of Soviet occupation.

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<sup>78</sup> Lieven, *The Baltic Revolution*. 62.

<sup>79</sup> Shen, Raphael. *Restructuring the Baltic Economies: Disengaging Fifty Years of Integration with the USSR*. Westport: Praeger Publishers, 1994. 42.

<sup>80</sup> *Ibid.*

## *Soviet Economics*

Raphael Shen contends that the “Baltic economies consistently led the way in productivity gains among former Soviet republics, with only the republics of Russia and Byelorussia in the same league.”<sup>81</sup> During the Soviet years, the Baltic republics were among the agricultural and industrial leaders within the Union, with exports constituting between one-third and two-fifths of the Baltic republics’ gross national products throughout the 1980s.<sup>82</sup> Despite their agricultural and industrial productivity, the Baltic republics were dependent on energy imports, a trend that would continue after gaining independence.

The robustness that comes with being one of the leading Soviet economies can be seen in the growth of the national income and per capita national income (Table 2.1).

Table 2.1: National Income (NI) of Estonia, Selected Years, 1980-1990

	1980	1985	1989	1990
NI <sup>1</sup>	3,222	3,605	4,386	5,456
Change (1980=100)	100	115	134	129
Per Capita NI <sup>2</sup>	2,178	2,347	2,780	3,448
Change (1980=100)	100	111	125	120

Source: Shen, *Restructuring the Baltic Economies*. 32.

<sup>1</sup> At 1994 prices in millions of rubles

<sup>2</sup> At 1980 constant prices in rubles

These statistics on their own show that there was steady growth in both national income and the per capita national income. However, while useful, these statistics should be interpreted cautiously. In the first place, methodology in compiling, reporting, and publishing data was inconsistent.<sup>83</sup> Additionally, there were instances in the past where data was manipulated to serve the government’s purpose.<sup>84</sup> Finally, Shen cautions that “sensitive economic information

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<sup>81</sup> Ibid., 33.

<sup>82</sup> Ibid.

<sup>83</sup> Ibid.

<sup>84</sup> Ibid.

and data were guarded as state secrets and not readily available for verifying the accuracy of published data.”<sup>85</sup>

Before the Soviet occupation, the Estonian economy was predominately agricultural-based.<sup>86</sup> By 1990, industry dominated, with the beginnings of a tertiary economy, in the form of transport and healthcare, beginning to show, as can be seen in Table 2.2.

Table 2.2: Division of Estonian Labor Force in 1990

	Labor force (%)
Industry	33
Trade-related industry	9.9
Education	9.1
Transportation	8.9
Healthcare	7.3
Construction	7.2
Agriculture	6.9
Not specified	17.1

Source: Shen, *Restructuring the Baltic Economies*. 34.

This rapid rise in industry was the result of years of central planning from Moscow which focused on industrialization at all costs, oftentimes at the expense of agriculture, which had historically had the highest potential for productivity.<sup>87</sup>

This push toward industrialization occurred in the 1940s and 1950s. The government in Moscow built factories in new industries that had not been developed in Estonia previously. This initial industrial diversification necessitated the importation of migrant labor to the Baltic region, sending thousands of workers to Estonia from the other Soviet republics and completely remaking the ethnic makeup of Estonia. One such example of this was what happened in the

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<sup>85</sup> Ibid.

<sup>86</sup> Ibid., 34.

<sup>87</sup> Ibid.

border city of Narva. Mostly Baltic German and Estonian before the Second World War, Narva was destroyed by the advancing Red Army in 1944 through the use of air raids. After the war, the city was rebuilt and it was decided that Narva was to become a closed city and be the center for a uranium enrichment facility. As this was a task that could not be entrusted to the native Estonians, who had only recently, and unwillingly, been incorporated into the Soviet Union, the populace of the city was relocated and Narva was repopulated with Russians.

The economy came to include heavy industries, including “machine building, engineering, power generation, electronics, chemicals, petrochemicals, metals, communications, transport, and defense-related spheres.”<sup>88</sup> A further example of this is the increase in Estonia’s oil shale mining. During the period of interwar independence, Estonia mined 1.9 million tons of oil shale. This had increased about fifteenfold to 31.3 million tons in the 1980s.<sup>89</sup> This drastically increased productivity in the oil shale mines is yet another example of increased industrialization that brought Russian workers to settle in Estonia, in this case to the mining town of Kohtla-Järve.

In the process of introducing these heavy industries, three types of industrial enterprises emerged: the all-Union enterprises, Union-republic enterprises, and republic firms. The all-Union enterprises were those that were of the utmost importance to the powers in Moscow and were thus directed by the Soviet government. These enterprises contributed to only twenty percent of industrial output in Estonia in 1980, about half that of what was present in the other Baltic economies.<sup>90</sup> It can be argued that this lower number of all-Union enterprises could have

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<sup>88</sup> Ibid. 36.

<sup>89</sup> Ibid.

<sup>90</sup> Ibid.

lessened the “structural and functional impediments” to post-Soviet restructuring.<sup>91</sup> The Union-republic enterprises, in practice, were controlled by the individual republics, but could be taken over by the central departments of the Soviet government. These enterprises made up about one-half of industrial output in the Baltics in early 1980s.<sup>92</sup> The republic firms came under the control of their republic-level departments. In Estonia, these made up twenty percent of Estonia’s enterprises.<sup>93</sup>

The industrial sector of the economy was not the only facet of Estonia’s economy that was effected by the control of the Soviet government. Before the occupation, farms were independent and ranged in size from ten to fifty hectares. The collectivization of farms and introduction of the *kolkhoz* system was aimed at five objectives: “eliminating private land ownership, transforming self-employed farm workers to hired hands of the state, accelerating off-farm migration, collectivizing productive activities, and destroying the existing social fabric.”<sup>94</sup> In Estonia, there were 140,000 small farms before the Soviet occupation.<sup>95</sup> Those small farms were merged into 3,000 collective farms in the early days of the occupation and were further merged into only 150 farms in the 1980s, with only 11.8 percent of the labor force working in the agricultural sector.<sup>96</sup> This collectivization would be one of the chief obstacles to be overcome when restructuring the post-Soviet Estonian economy.

The collectivization was not the only aspect of enforced change that impacted the Estonian agricultural sector. Before the occupation, Estonian agriculture was focused on making

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<sup>91</sup> Ibid., 37

<sup>92</sup> Ibid.

<sup>93</sup> Ibid.

<sup>94</sup> Ibid., 42

<sup>95</sup> Ibid., 43.

<sup>96</sup> Ibid.

products best suited for themselves and most marketable for exportation westward and to the Nordic countries. After occupation, the Baltic agricultural sectors were repurposed to feeding the other parts of the Soviet Union. This brought an industrialization to Estonian agriculture that had not existed before. As opposed to producing food with the focus of feeding themselves, central planning had “earmarked approximately one-third of the region’s total agricultural outputs for consumption in other parts of the [Soviet] Union.”<sup>97</sup> This led to a much higher level of interdependence in the agricultural sector, necessitating the Baltic republics’ reliance on other republics to get a sizable portion of their fruits and vegetables.

However, at the end of the 1980s, the Baltic agricultural sectors had begun to make changes that were aimed at refocusing the agricultural sector toward more local concerns. These changes included:

self-financing by collectives and the state farms, stressing profit as a performance criterion; restructuring over-sized public farms into smaller administrative units; restoring selected collective farms from animal husbandry to crop farming, reducing dependence on inter-republic food imports while tending to domestic demand; fostering a return of home industry practices besides farming; and finally, circumstances permitting, supplanting union laws through republic decrees, permitting the reappearance of private farms.<sup>98</sup>

These would be the beginning the economic changes of the post-Soviet regimes.

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<sup>97</sup> Ibid., 44.

<sup>98</sup> Ibid., 47.

## *Post-Soviet Economics*

At the time of Estonia's independence from the Soviet Union, ninety percent of companies were owned by the state.<sup>99</sup> An immediate push was made for privatization of the economy in the immediate aftermath of the adoption of the new Estonian constitution. In Russia, this privatization took the form of vouchers, where each citizen was given vouchers that, in effect, were for shares of the country. This led to some people buying up other citizens' vouchers and gave rise to the Russian oligarchs. Estonia chose not to follow this method.

As opposed to the Russian voucher method, the Estonian government privatized by relying on the market and by opening the country's economy to strategic private investors.<sup>100</sup> Showing no preference for native Estonians, Estonia required a common process for all applicants wishing to invest in the new post-Soviet economy. The cash which the Estonians gained from privatizing without vouchers put their economy in a strong position from the immediate inception of their post-Soviet independence.

Within two years of independence, the private sector of the economy contributed fifty percent of the gross domestic product.<sup>101</sup> Five years later, in 1997, the private sector had grown to sixty-seven percent of the GDP.<sup>102</sup> Two key areas of privatization were the banking and telecommunication sectors. By 2004, fifty-five percent of assets and fifty-eight percent of deposits within the Estonian banking market were owned and controlled by the Swedish Swedbank.<sup>103</sup> During the privatization process, Estonian Telecom was sold, with private

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<sup>99</sup> Clark, Douglas. "Foreign Direct Investment: 'Think Nordic'." In *Doing Business with Estonia*, edited by Marat Terterov, 32-39. London: Kogan Page, 2004. 32.-33

<sup>100</sup> Clark. "Foreign Direct Investment: 'Think Nordic'." 33.

<sup>101</sup> Terterov, Marat, ed. *Doing Business with Estonia*. London: Kogan Page, 2004. xvii.

<sup>102</sup> Ibid.

<sup>103</sup> Clark. "Foreign Direct Investment: 'Think Nordic'." 33.

investors purchasing twenty-four percent of the shares and the rest being purchased by the TeliaSonera Group of Finland and Sweden.<sup>104</sup> Lastly, the Estonian Shipping Company, controlling a significant portion of the long-standing shipping sector, was sold to the US Stanton Capital Group.<sup>105</sup>

This privatization was made possible by the abolition of virtually all tariff and non-tariff barriers to imports and exports. In addition to privatizing, the abolition of these barriers is why Estonia was listed as the sixth freest economy in the world in the *Wall Street Journal/Heritage Foundation's Index of Economic Freedom 2003*, as the second least corrupt Central or Eastern European country by Transparency International, and as one of the most competitive economies in Europe by the 2002 *World Competitiveness Yearbook*.<sup>106</sup>

In addition to the general opening of trade, there was also restructuring to the economy. Traditional industries such as textile manufacturing and food processing were sold and benefited from technological advancements, but in the end, along with the agricultural sector, suffered from an increase in the new service sector of the economy.<sup>107</sup>

Another reason that has been put forth as to why the Estonian economy was to rebound so quickly after the fall of the Soviet Union was the “availability of highly skilled, reasonably priced labour, [along with] the adaptability and flexibility of the labour market [having] contributed greatly to changes in the structure of the economy.”<sup>108</sup> This “highly skilled, reasonably priced” workforce consisted of those who were able to transfer to the service sector

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<sup>104</sup> Ibid.

<sup>105</sup> Ibid.

<sup>106</sup> Enterprise Estonia. "Country Profile." In *Doing Business with Estonia*, edited by Marat Terterov, 3-11. London: Kogan Page, 2004. 6.

<sup>107</sup> Purju, Alari. "Economic Performance and Market Reforms." In *Doing Business with Estonia*, edited by Marat Terterov, 12-19. London: Kogan Page, 2004. 13.

<sup>108</sup> Ibid., 8.

of the Estonian economy when “the share of services in the GDP...increased from 48.3 per cent in 1993 to 60.9 per cent in 2000, [while] the share of industry and agriculture [had] declined accordingly.”<sup>109</sup>

In direct contrast to Enterprise Estonia’s “Country Profile,” Alari Purju paints a much bleaker picture of the transitional ability of the workforce. Purju writes,

The main problem of the labour market is its low quality of labour. During restructuring and application, new technologies and new industries have not managed to find enough skilled employees. The existing training system has not offered the necessary opportunities to retrain people. The vocational training system is in deep crisis and this is a major obstacle to future employment.<sup>110</sup>

This, however, seems to stem from Parju’s level of analysis being the individual counties as opposed to analyzing the economy from the state level. This possibility of using a different level of analysis is supported by Purju using Ida-Virumaa’s unemployment statistic of 18.9 percent.<sup>111</sup>

To better understand Estonia’s post-Soviet economic performance, it is necessary to examine more closely the structural changes made to the Estonian economic system. The economic transformation of the entire Baltic region has progressed through a more-or-less “follow-the-leader” train of thought, with Estonia being the one to make changes and Latvia and Lithuania following suit in their reforms.<sup>112</sup>

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<sup>109</sup> Ibid.

<sup>110</sup> Ibid., 18.

<sup>111</sup> Ibid.

<sup>112</sup> Bohle, Dorothee, and Béla Greskovits. *Capitalist Diversity on Europe's Periphery*. Ithaca: Cornell University Press, 2012. 97.

The first measure taken to transfer their economy away from the Soviet model was the creation of a national currency, the kroon, in June of 1992. In reality, the push toward a national currency had begun much earlier, in 1987, with a plan called *Isemajandav Eesti*, or IME.<sup>113</sup> This self-management program “proposed republican management of taxes, budgets, and property; the authorization of different forms of property including foreign ownership; and more independence in financial and monetary policies...[including] the suggestion of introducing a national currency.”<sup>114</sup> This was followed by the creation of the Bank of Estonia in 1990 and the Monetary Reform Committee, both of which were the main pro-market entities in Estonia and laid out a road map to the creation of an independent currency.<sup>115</sup> The Estonians would prevent devaluation of their currency by “issuing futures contracts guaranteeing the same exchange rate for up to eight years ahead” and “[pegging] the kroon to the deutschmark.”<sup>116</sup>

The next step Estonia took to differentiate themselves from the surrounding economies was the adoption of a simple tax code which consisted of a flat tax with no “hidden extras.”<sup>117</sup> This flat tax was inspired by the writings of Friedrich Hayek in *The Constitution of Liberty*, Milton and Rose Friedman in *Free to Choose*, along with Alvin Rabushka and Robert Hall in *The Flat Tax*.<sup>118</sup> This put Estonia’s post-Soviet economy on the neoliberal track in a move which was hailed as: “Simplicity itself. At the stroke of a pen, this tiny Baltic nation transformed itself from backwater to bellwether, emulated by neighbors and envied by conservatives in America who long to flatten their own country’s taxes.”<sup>119</sup> Estonia set personal

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<sup>113</sup> “Self-Management Estonia.” Coincidentally, or perhaps intentionally, the acronym is the Estonian word for “miracle.”

<sup>114</sup> Ibid., 104.

<sup>115</sup> Ibid., 104-105.

<sup>116</sup> Ibid., 105.

<sup>117</sup> Enterprise Estonia. "Country Profile." 7.

<sup>118</sup> Bohle and Greskovits. *Capitalist Diversity on Europe's Periphery*. 112.

<sup>119</sup> Ibid.

and corporate income taxes at 26 percent, although reinvested corporate profits are exempted from this tax “in order to encourage enterprises to reinvest their profits.”<sup>120</sup>

In addition to the tax scheme devised after the fall of the Soviet Union, the social welfare system underwent a complete overhaul. The Soviet system had left Estonia a

fully articulated, mature [system] of social security that carried extensive financial obligations to [its population]. These included old age pensions and sickness, disability and survivor benefits covering most workers and their families and financed from state budgets partly through taxes on enterprises, usually with no direct worker contribution.<sup>121</sup>

To take over such a system required Estonia to institute a high payroll tax of thirty-three percent. Despite this relatively high tax rate, the Estonian government took steps to set up social welfare funds as separate from the general budget and looked to find ways to limit the amount of money spent on welfare.<sup>122</sup>

The first cut to social welfare was to the pension system. Under the Soviet system, pensions amounted to two-thirds of the social welfare expenditures, making them prime candidates to be the fat trimmed from the welfare program.<sup>123</sup> Bohle and Greskovits quote Branko Milanović, who wrote:

The Baltics started the transition with a low pension-wage ratio (under 40 percent)...Four years into the transition, the ratios for the Baltics have gone

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<sup>120</sup> Enterprise Estonia. "Country Profile." 7.

<sup>121</sup> Bohle and Greskovits. *Capitalist Diversity on Europe's Periphery*. 114.

<sup>122</sup> Ibid.

<sup>123</sup> Ibid.

further *down*....Since the wage...declined even faster in the Baltics, the real cut in the pensions in the Baltics was even more substantial than indicated by the pension-wage ratio alone. Between 1987-88 and 1992-1993, the average pension and pension spending in the Baltics were cut by 45 percent.<sup>124</sup>

With this, Estonia took steps toward new funding schemes and partially privatizing the social welfare system.

To further support their new economy, the Estonians constructed a narrative of a post-Soviet success story. While there were indeed great strides in restructuring and reform in the years following the fall of the Soviet Union, there was also a great deal of storytelling to further the cause. One such storyteller was two-time Prime Minister of Estonia, Mart Laar. In the early 1990s, Laar marketed Estonia as a post-Soviet miracle in the international community, leading *Newsweek* to label the country as “a little country that could.”<sup>125</sup> Laar even used this as the title of a book detailing the post-Soviet economic reforms “which was published and promoted by the Center for Research into Post-Communist Economies, a neoliberal think tank.”<sup>126</sup> Laar stated in an interview:

It is very fortunate that I was not an economist. I had read only one book on economics—Milton Friedman’s *Free to Choose*. I was so ignorant at the time that I thought that what Friedman wrote about the benefits of privatisation, the flat tax and the abolition of all customs rights, was the result of economic reforms that had been put into practice in the West. It seemed common sense to me and, as I

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<sup>124</sup> Ibid., 115.

<sup>125</sup> Ibid., 124.

<sup>126</sup> Ibid.

thought it had already been done everywhere, I simply introduced it in Estonia, despite warnings from Estonian economists that it could not be done. They said it was as impossible as walking on water. We did it: we just walked on the water because we did not know that it was impossible.<sup>127</sup>

This narrative by Laar serves a purpose, namely to tell a story that “even under the most unlikely circumstances, success could happen.”<sup>128</sup> For Laar, this success would be measured by the speed of the economic recovery brought about by radical reforms and through the narrative of the country “pulling itself up by its own bootstraps.”<sup>129</sup> This narrative, however, fails to take into account the fact that Estonia “served as an economic laboratory for economic experiments” during the Soviet times, along with the fact that, as has previously been mentioned in the first section of this chapter, the share of centrally-controlled heavy industries were not as prevalent in Estonia as they were in the other Baltic republics.<sup>130</sup>

In the end, the post-Soviet reforms and the narrative of an Estonian economic miracle “led to an increase of the [Estonian population’s] satisfaction with democratic and economic regime performance” that would define their economic and political lives for years after the fall of the Soviet Union.<sup>131</sup> With the Soviet and post-Soviet systems of government in mind, it is now appropriate to discuss the framework that allowed the economic transition from one system to the other.

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<sup>127</sup> Ibid., 125.

<sup>128</sup> Ibid.

<sup>129</sup> Ibid., 126.

<sup>130</sup> Ibid.

<sup>131</sup> Ibid., 136.

## Chapter 3

### The Role of Nationalism in Estonia's Economy

As has been shown in the previous two chapters, Estonia has a long history of nationalism and has made quite the transition to neoliberalism from their Soviet past. However, the question remains, to what extent does nationalism impact Estonia's economy? To answer this question, it is necessary to examine what constitutes a nationalist economy, whether there is an ethno-national divide between those living in the country, and, if so, what is the source of this divide, how it manifests itself, and how it impacts the economy.

#### *What Constitutes a Nationalist Economy?*

While Alexander Hamilton had advocated for economic protectionism to bolster the fledgling American economy when the country was first founded, the foundations of nationalist economics were more fully developed in the writings of Friedrich List. At the time of the Industrial Revolution, Britain's economy had taken off, soaring to new heights that could only have been dreamt of before. More agrarian states, such as those in Central, South, and Eastern Europe, had nowhere near Britain's economic capacity and would never be able to compete on a level playing field with the United Kingdom. The economic thought of the day was that "*laissez-faire* benefited the most advanced countries and harmed the less developed."<sup>132</sup> In response, these less-well-off countries introduced protective economic measures to "defend themselves from Western encroachments."<sup>133</sup>

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<sup>132</sup> Berend, Ivan T. *An Economic History of Nineteenth-Century Europe: Diversity and Industrialization*. Cambridge: Cambridge University Press, 2013. 301.

<sup>133</sup> *Ibid.*, 292.

All of this was in keeping with the thoughts and writings of Friedrich List. In 1841, List wrote his most influential work, *Das nationale System der politischen Ökonomie*. What made List's economic outlook distinct from the prevailing *laissez-faire* attitude of Adam Smith's followers was List's centering of the economy around the nation. List saw that

between each individual and entire humanity...stands THE NATION, with its special language and literature, with its own peculiar origin and history, with its special manners and customs, laws and institutions, with the claims of all these for existence, independence, perfection and continuance for the future, and with its separate territory...It is the task of national economy to accomplish *the economical development of the nation*, and to prepare it for admission into the universal society of the future.<sup>134</sup>

Because of the role of the nation in his economic thought, List saw his nationalist economics not only as a way for smaller countries to compete with larger, more industrialized neighbors who are able to use *laissez-faire* policies to their advantage, but also as a means to unify Germany into a single state.

Additionally, List had his own outline of economic progression. Starting with savage conditions, the nation would then progress through pastoral, agricultural, agricultural-manufacturing, and agricultural-manufacturing-commercial stages.<sup>135</sup> List held that certain nations had developmental advantages and thus reached industrialization earlier than others, allowing them to monopolize their industries while not allowing those nations without an

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<sup>134</sup> Mehmet, Ozay. *Westernizing the Third World: The Eurocentricity of Economic Development Theories*. London: Routledge, 2002. 53.

<sup>135</sup> Berend, *An Economic History of Nineteenth-Century Europe*. 302.

advantageous starting point the opportunity to catch up. To protect and nurture the nascent industries in disadvantaged states, it was necessary to take active measures to protect them.

Such protectionist measures in nationalist economics come from a mercantilist viewpoint and include, but are not limited to:

- protection and subsidization of domestic producers;
- privileging of domestically produced goods and services;
- structural barriers to prevent access of imported foreign goods into domestic markets;
- manipulation of domestic currency values against foreign currencies; and
- limitations on foreign ownership of domestic corporations.<sup>136</sup>

Such policies can be instituted by “political values..., national security..., or the power of special interests.”<sup>137</sup>

Does Estonia have a nationalist economy? First, while List proposes protective actions when the national economy is nascent, particularly when transitioning from an agricultural economy to an agricultural-manufacturing economy, Estonia came out of the fall of the Soviet Union with at least an agricultural-manufacturing infrastructure. Second, while protectionist economic regimes emplace structural barriers to prevent access of foreign goods into domestic markets and place limitations on foreign ownership of domestic corporations, Estonia has a long history of foreign direct investment, even allowing foreign entities to own sizable portions of key industries such as banking and telecommunications.<sup>138</sup> Third, instead of manipulating domestic

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<sup>136</sup> Weisband, Edward, and Courtney I.P. Thomas. *International Political Economy: Navigating the Logic Streams: An Introduction*. Dubuque, IA: Kendall Hunt Pub., 2010. 117.

<sup>137</sup> Ibid.

<sup>138</sup> Clark, "Foreign Direct Investment: 'Think Nordic'." 33.

currency values against foreign currencies, Estonia “invented a strong protective device against possible future temptations to devalue its currency by issuing futures contracts guaranteeing the same exchange rate for up to eight years ahead...[and pegged] the kroon to the deutschmark.”<sup>139</sup> Indeed, Estonia’s economic system fits David Harvey’s conceptualization of neoliberalism very well by “liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade.”<sup>140</sup> If this is the case, how can Estonia be considered a nationalist economy?

If one were to look at nationalist economics solely by the protectionist policies often attached to it, Estonia is, undoubtedly and unequivocally, not a nationalist economy. And yet, the neoliberal, post-Soviet reforms “[have] been intrinsically tied to the agenda of nation-state building.”<sup>141</sup> How can these two contrasting statements be reconciled?

List was writing at a specific time and for specific circumstances and focused much of his writing on Germany, which at the time was not yet unified into a single state. Germany had no history of being a nation-state and was instead at the beginning of forming their national identity as Germans instead of as Saxons, Bavarians, or Prussians. At the time of Soviet collapse, the Estonians had had a national identity for one hundred years and had a twenty-year period of independence with their own state before the fifty years of occupation.

At the time of List’s writing, Germany was trying to catch up to Britain with regards to industrialization. At the fall of the Soviet Union, Estonia and the Baltics had ample experience with industrialization.

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<sup>139</sup> Bohle and Greskovits. *Capitalist Diversity on Europe's Periphery*. 105.

<sup>140</sup> Harvey, David. *A Brief History of Neoliberalism*. Oxford: Oxford University Press, 2005. 2.

<sup>141</sup> Bohle and Greskovits. *Capitalist Diversity on Europe's Periphery*. 96.

List was concerned with Germany competing against Western European economies and having external stability on the world economic stage. Estonia was concerned with joining a wider European Community and with the nation having internal stability after a former colonizer left a sizable population in the aftermath of its withdrawal.

With two completely different situations, it *should* be expected that different measures would be taken. Yet Estonia and Listian nationalist economics are linked through the realization that “between each individual and entire humanity...stands THE NATION...[and that it is] the task of national economy to accomplish *the economical development of the nation*, and to prepare it for admission into the universal society of the future.”<sup>142</sup> That is the core of what it means to have a nationalist economy. Note there is nothing inherent in the task of a national economy “[accomplishing] the economical development of the nation” that necessitates protectionist policies. The tariffs, quotas, and barriers to trade are all contingent elements of what a national economy *could* have.

It is possible to accomplish the economical development of the nation without manipulating the currency. It is possible to accomplish the economical development of the nation without restricting foreign ownership of domestic corporations. It is possible to accomplish the economical development of the nation without barriers to trade. It is the central emphasis on the nation and the development thereof within the economy, regardless of the measures and policies taken to do so, that is the essential element of what it is to be a nationalist economy.

This, however, would make it seem that there is no difference between a national economy and a nationalist economy. It must be noted that, at the time of List’s writing,

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<sup>142</sup> Mehmet, Ozay. *Westernizing the Third World*. 53.

Germany was not a unified state. While List wrote about making Germany competitive with the United Kingdom, his end goal and only way of doing this was the consolidation of the German territories into a single state for the German nation with a single national economy rather than fragmented economic principalities. In the case of Estonia, the economy is not aimed toward the competitiveness of the state, but the strengthening of the Estonian nation. This nation is not inclusive of the entire population of the Estonian Republic, but excludes ethnic Russians. While a national economy is state-focused, a nationalist economy is nation-focused. Even with the trappings of neoliberalism, Estonia is very much a nationalist economy.

This should be contrasted with what is meant by a national economy, which is simply the economy at the state level. While a nationalist economy is always focused on the nation, at times subverting the state and dividing along ethnic lines, a national economy is generally state strengthening. When acting as a state-strengthening force, the national economy acts through a variety of methods, whether it is making advantageous trade deals, setting economic policies that are beneficial to the state as a whole, or ensuring the continued power structure within the government and the social elite through kleptocracy or clientelism.

### ***The Ethno-National Divide***

For Estonia to be a nationalist economy within this definition of being an economy that builds up a nation, in this case the Estonian nation, there must be a national divide. The obvious possibility for such a divide would be between the ethnic Russians and the ethnic Estonians, yet what seems obvious can oftentimes be wrong when subjected to further scrutiny. What evidence is there for this Russo-Estonian divide?

The first place to look would be the history of Estonian nationalism. Of vital importance to Estonian nationalism is language. It was the language celebrated in Estonian literature and

song that gave birth to the Estonian nation. It was the language that preserved the nation under Soviet occupation. It was the language that, if spoken during the years of occupation, would cause “the shop assistants [to yell] at [them], and if [they] sent [their] son to shop he came back empty-handed because he spoke no Russian.”<sup>143</sup> The language is a perfect example of what separates the Russian from the Estonian. Suffice to say, Estonian is a more complex language than Russian and from a completely different language family. This prevents ethnic Russians from joining the common culture that has been essential to the existence of the Estonian nation.

A second avenue for examining this national divide is the way the Russians and Estonians see each other. The Russians, because of the “golden age” of interwar independence and their subsequent role in Estonia’s incorporation into the Soviet Union, have been cast into the role of the occupier. After fifty years of Soviet occupation, and now into twenty-six years of post-Soviet independence, the Russians are still the outsider, regardless of when they came to Estonia, how many generations have lived there, or even if they have been born in Estonia themselves.

Of interest is a chapter written by Toomas Hendrik Ilves in *Toward Independence: The Baltic Popular Movements*. Ilves’ writing serves to illustrate the perception of an ethno-national divide.

Table 3.1: Evaluations of Estonian-non-Estonian Relations in mid- to late-1980s

	Estonians (%)			Non-Estonians (%)		
	1986	1988	DIFF	1986	1988	DIFF
Relations have improved	22	3	-19	42	8	-34
Relations the same	41	28	-13	44	49	+5
Relations worsened	37	69	+32	14	43	+29

Source: Ilves, "Reaction: The Intermovement in Estonia." In *Toward Independence: The Baltic Popular Movements*. 73.

<sup>143</sup> Lieven, *The Baltic Revolution*. 82-83.

Tables 3.1 and 3.2 reflect the results of two surveys conducted by *Eesti komunist* in November 1986, and April 1988. Table 3.1 clearly shows that in 1986, there were two separate groups of people who, although they occupy the same space, viewed things completely differently, with the Russians vastly overestimating improvement of Russo-Estonian relations, seemingly oblivious of the undercurrent of Estonian discontent. While both Estonian and non-Estonians view of relational improvement declined in 1988, about half of the non-Estonians still felt that relations were the same as they had always been, while the Estonian opinion had decidedly swung to the negative.

Table 3.2: Evaluations of Estonian-non-Estonian Relations in the Future

	Estonians (%)			Non-Estonians (%)		
	1986	1988	DIFF	1986	1988	DIFF
Relations will improve	16	11	-5	58	35	-23
Relations will remain the same	46	34	-12	33	44	+11
Relations will worsen	38	54	+16	9	21	+12

Source: Ilves, "Reaction: The Intermovement in Estonia." In *Toward Independence: The Baltic Popular Movements*. 74.

Table 3.2 further illustrates this divide, with the non-Estonians, even with the increase in respondents who believed relations would worsen, generally being more neutral or optimistic than the Estonians, over half of whom believing relations would continue to worsen and showing the increased levels of dissatisfaction with the Soviet system present in 1988.

Table 3.3: National Identity (1988)

	Estonians (%)	Russians (%)
Identify self as member of national group	73	15
Identify self as member of "Soviet nation"	10	78

Source: Ilves, "Reaction: The Intermovement in Estonia." In *Toward Independence: The Baltic Popular Movements*. 76.

In addition to having differing outlooks on inter-ethnic relations dividing those living in the Estonian SSR into two camps, there is clearly a divide as to which "imagined community" the Estonians and Russians consider themselves to belong. As shown in Table 3.3, almost three-

quarters of the ethnic Estonian population considered themselves to be members of their national group while a similar proportion of ethnic Russians considered themselves instead to belong to the “Soviet nation.” In addition to this, only seven percent of ethnic Russians thought of themselves as living in the Estonian SSR, the rest thinking of themselves as simply living in the Soviet Union.<sup>144</sup> This is flipped with the ethnic Estonians, only two percent of which thought of themselves as living in the Soviet Union with the rest considering themselves to live in Estonia.<sup>145</sup>

Table 3.4: How do you see the future of Estonia? (1989)

	Estonians (%)	Russians (%)
As a constituent republic of the Soviet Union (i.e., as in 1989)	2.4	54.1
As a sovereign republic in a Soviet confederation	38.7	25.1
As an independent Estonia	55.5	5.3
Don't know	2.7	13.9
Did not answer	0.7	1.5

Source: Ilves, "Reaction: The Intermovement in Estonia." In *Toward Independence: The Baltic Popular Movements*. 80.

Lastly, in Table 3.4, results indicate that the two groups had no unified ideas about the future of Estonia. Once again split along ethnic lines, there is a clear distinction between the Estonian nation and the ethnic Russians living in Estonia.

The divide has not narrowed much since independence. Dr. Katri Raik is the director of the University of Tartu's Narva College. While the college in Narva is primarily a teacher's college, training students to teach the Russian language, Dr. Raik wrote a book detailing life in the predominately ethnic-Russian city. In detailing the divide, Raik writes

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<sup>144</sup> Ibid.

<sup>145</sup> Ibid., 76-77.

Russians in Narva live close to the border, have few interactions with Estonians, have a poor command of the Estonian language, rarely visit Europe, and completely trust Russian mass media...

The Russian question remains one of the main questions and the interest in Russia continues unabated. Not long ago in Narva, a group was founded called “Narva War”. One of their hits was the song “Moscow and Muscovites”. The song was permeated with pain for Muscovites scurrying like ants to their own city. In the song, they talked about corruption among the authorities. The refrain went: “However, it is sad to me, and in a strange way/But we cannot do without our dear friend, the Tsar.” If you think about it, this “we” has a very wide coverage, and, it turns out, that this countless “we” cannot imagine their life without Mr. Putin.<sup>146</sup>

The Russians in Narva do not consider themselves Estonian, which is to be expected in a city where ethnic Russians make up eighty-three percent of the population and Estonians make up only four percent.<sup>147</sup> With so little contact with Estonians and the ubiquitous presence of Russian mass media, most Narvans look across the river to Moscow instead of west toward Tallinn. The sentiments of the Narvans toward Estonia can best be summed up with this statement: “I know more about Russia than I do about Estonia. Estonia interests me less.”<sup>148</sup>

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<sup>146</sup> Raik, Katri. *Моя Нарва: Между двух миров*. Tallinn: Petroni Print, 2014. 26-27.

<sup>147</sup> Estonia. City of Narva. Narva Department for Development and Economy. *Narva in Figures 2015*. Accessed April 3, 2017. <http://web.narva.ee/files/11629.docx>. 4.

<sup>148</sup> Raik, *Моя Нарва*. 26.

## *Manifestations of the Ethno-National Divide*

The ethno-national divide and the facets of Estonian nationalism which pertain to the economy manifests itself in the following way. The anti-Russian sentiment that has been held over from the days of Soviet occupation has given rise to a nativist sentiment in the Estonian government and in Estonian society at large. Driven by this nativist sentiment, one of the first moves made by the newly independent Republic of Estonia was to institute an exclusionary citizenship law. This citizenship law, in turn, caused many ethnic Russians to become stateless or to seek Russian citizenship. The nativist sentiment against the Russians would then act directly upon the ethnic Russians through laws and societal pressures (refer to Figure I.1).

Not much about the way the Estonians view the ethnic Russians has changed in the twenty-six years since regaining independence. Eleven years after regaining independence, former Prime Minister of Estonia Mart Laar wrote in his book, *Estonia: Little Country That Could*, “The Nazi ‘General Plan Ost’ had envisaged 520,000 German colonists to reside in the Baltic States by 1965. Instead, by that date, the Baltic countries had received over a million Russian colonists. Soviet reality surpassed Nazi plans.”<sup>149</sup>

Fifteen years after he wrote a chapter for *Toward Independence: The Baltic Popular Movements*, Toomas Hendrik Ilves was elected President of Estonia. President Ilves has made several outspoken comments about the ethnic Russians during his ten-year tenure as President of Estonia. In 2010, President Ilves, when asked about the ethnic Russians in his country, stated, “I

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<sup>149</sup> Bohle and Greskovits. *Capitalist Diversity on Europe’s Periphery*. 99.

don't see what people are complaining about...I mean, the Germans were beaten up for years after the end of World War II. That was a very bad situation. We don't have that here."<sup>150</sup>

While these are only the statements of two men, the positions which they held give a gravity to their sentiments that would not be there otherwise. Mart Laar has spent years writing about his country, telling the story of Estonia to the outside world. As Prime Minister from 1992-1994 and from 1999-2002, he was the leader of a coalition of parties that represented the majority of the *Riigikogu* and thus he and his opinions, political or otherwise, would need to be either supported or tacitly approved by the majority of the government.

President Ilves, who was President of Estonia for two consecutive five-year terms from 2006-2016, was not elected by the people, but chosen by the *Riigikogu*. When elected as President, the candidate chosen must suspend any political affiliations, cease any other elected or appointed offices they may hold, and essentially act as a ceremonial figurehead. As such, they are supposed to be apolitical. For President Ilves to make remarks of any kind glossing over the situation of the ethnic Russians in his country demonstrates a general lack of concern for a sizable chunk of their residential population and the presence of a nativist attitude in the Estonian government.

Driven by this anti-Russian sentiment, Estonia reinstated the 1938 Citizenship Act in 1992. By reinstituting this act, the Estonian government recognized only those who had been citizens before the occupation in 1940 and their descendants as Estonian citizens. All of those who came to Estonia during the years of occupation and their descendants were stripped of their citizenship overnight. In the wake of this, the now stateless ethnic Russians were faced with four

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<sup>150</sup> Greene, David. "Russian Minority Struggles In Post-Soviet Estonia." NPR. August 23, 2010. Accessed December 07, 2015. <http://www.npr.org/templates/story/story.php?storyId=129333023>.

courses of action: become naturalized Estonian citizens, live as “individuals with undefined citizenship,” become citizens of other countries (including Russia), or leave Estonia.<sup>151</sup> Under this citizenship law, the naturalization process required a loyalty oath, a certain level of proficiency in the Estonian language, and two years of residency.<sup>152</sup>

In 1995, Estonia passed a new citizenship law. This law added new restrictions to the naturalization process. The period of residency was increased from two years to eight, and included having a stable income, reaching a level of B-1 proficiency in Estonian according to the Common European Framework of Reference for Language scale, and knowledge of the Estonian political system.<sup>153</sup> Of importance here is the specification of the language requirement. While the original nationality law had a language requirement, the specification in the 1995 law has made a distinct yardstick against which to measure someone’s qualification to become a citizen.

A B-1 level on the CEFRL scale is rated as a threshold or intermediate independent user. To understand the difficulty in reaching this level for ethnic Russians, it is necessary to understand that the Estonian and Russian languages come from two completely different language families and the grammatical structures are significantly more complex in Estonian, with nominal cases and verbal tenses that are simply not present in the Russian language. To further illustrate this, in 2015, one-third of Russian students in Estonia were unable to meet the

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<sup>151</sup> Järve, Priit, and Vadim Poleshchuk. *Country Report: Estonia*. Report. January 2013. Accessed April 2, 2017. <http://eudo-citizenship.eu/admin/?p=file&appl=countryProfiles&f=Estonia.pdf>. 1.

<sup>152</sup> *Integrating Estonia's Non-Citizen Minority*. Report. 20th ed. Vol. 5. Human Rights Watch, 1993. Accessed April 3, 2017. [https://www.hrw.org/sites/default/files/reports/ESTONIA93O\\_0.PDF](https://www.hrw.org/sites/default/files/reports/ESTONIA93O_0.PDF). 7.

<sup>153</sup> Estonia. Riigi Teataja. *Citizenship Act – Riigi Teataja*. By Riigikogu. January 13, 2017. Accessed April 04, 2017. <https://www.riigiteataja.ee/en/eli/ee/513012017001/consolide>.

B-1 level requirements for Estonian proficiency and do not have a sufficient command of the language to study in Estonian at the secondary-school level.<sup>154</sup>

This citizenship law directly forces a sizable portion of Estonia's population into the condition of statelessness. While there has been significant improvement with ethnic Russians either becoming naturalized citizens of Estonia or taking Russian citizenship, there are still pockets with significant populations of stateless persons, such as Narva, of which fifteen percent of the population is stateless.<sup>155</sup> In addition to being caused by the citizenship law, the statelessness of the Russians is reinforced and acted upon by the nativist, anti-Russian sentiment.

### ***The Impact of Estonian Nationalism on the Economy***

The first way Estonian nationalism impacts the Estonian economy is the property laws granting rights, or lack thereof, accorded to citizens and non-citizens. The first example of this is within the housing market. With the fall of the Soviet Union, the newly formed Estonian Republic faced a delicate problem. During the years of Soviet occupation, ethnic Estonians were oftentimes resettled and replaced with Russians or workers from other Soviet republics. When resettled, the incoming Russians would often take up residence in houses and properties formerly owned by ethnic Estonians.

After the fall of the Soviet Union, there was a question about what to do with these ethnic Russians living in houses previously owned by Estonians. On the one hand, the occupation, to the Estonians' way of thinking, was illegal, and any actions taken by the Soviet regime, including resettling Russians in homes previously owned by Estonians, were illegal and any

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<sup>154</sup> "Third of Russian-language School Students Failed to Reach Required Estonian Level." Eesti Rahvusringhääling. January 15, 2015. Accessed April 04, 2017. <http://news.err.ee/114857/third-of-russian-language-school-students-failed-to-reach-required-estonian-level>.

<sup>155</sup> Estonia, *Narva in Figures*. 4.

transfer of property was not recognized. On the other hand, when confronted with the actuality of having large numbers of Russians within their borders, it was decided that the government could not just force people out of their homes onto the streets. What happened was a compromise.

Property ownership was given back to the Estonians, or their descendants, who held the lands or buildings before the occupation. The Russians would then lease the property from their Estonian owners. Granted low rent and strong tenant protections against eviction from the state, the property values of the land and buildings housing Russian tenants plummeted.<sup>156</sup> In turn, this led Estonian landlords to not provide upkeep for their properties in hopes that their tenants would leave of their own accord, thereby opening a window for eviction.

The second manifestation of nationalism through property laws involves the agricultural and forestry industries. To buy land for either agricultural or forestry use without restrictions, one must either be an Estonian citizen or a citizen of the European Union who has lived in Estonia for three years.<sup>157</sup> Non-Estonian/European Union citizens must obtain a recommendation from the local municipal council and permission from the county governor before buying any amount of land. While the purpose of this law is ostensibly to prevent foreigners from buying large tracts of land in an uncontrolled manner, the fact remains that, while foreign countries may buy up large tracts of land, the ethnic Russian who is either stateless or a citizen of Russia living in Estonia is most likely going to have come from a manufacturing background and not be able to afford large tracts of land. It thus seems suspect that there is no threshold within the law for an area above which the law would apply. It is instead absolute,

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<sup>156</sup> Clarke, Hedman Osborne. "Property Law." In *Doing Business with Estonia*, edited by Marat Terterov, 66-70. London: Kogan Page, 2004. 69.

<sup>157</sup> *Ibid.*, 67.

applying to all purchases of land, no matter how small. In addition to the formal barriers to buying land, it could be argued that informal barriers could exist as well, such as a seller being more likely to choose to sell to an Estonian citizen rather than wait for a non-Estonian citizen's paperwork to be approved.

Both examples follow the mechanism shown in Figure I.1. The nativist sentiment led to the citizenship law, which led a substantial portion of the ethnic Russian population to become stateless or Russian citizens. Then the nativist sentiment enabled the manipulation of property rights which led property owners to let properties fall into ruin to prompt ethnic Russians to leave of their own accord and led to the passing of a law prohibiting the purchasing of land by non-Estonian citizens.

The next manner through which Estonian nationalism impacts the economy is through education. With educational advancement comes a widening of possibilities in the labor market. By educating oneself, a person becomes more marketable, either through learning a trade, a set of technical skills, or becoming an expert in a field of study. Of the three public comprehensive universities, such as the University of Tartu and Tallinn University; nine public specialized universities, such as the Estonian Academy of Arts and Estonian University of Life Sciences; and eight private institutions, such as the Estonian Business School and the Estonian School of Diplomacy; only the Mainor Business School, a private institution, explicitly states that they offer degrees taught in Russian.<sup>158</sup> Indeed, of the eighteen other institutions, only three even have websites in Russian, where the English proficiency requirements for admissions is explained. A direct impact of the lack of instruction in the Russian language is the fact that only

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<sup>158</sup> "Об университете." Эстонский университет предпринимательства Майноу. Accessed April 04, 2017. <https://rus.eek.ee/index.php?pg=2467&setlang=rus>.

nine percent of non-Estonians who did not speak Estonian obtained post-secondary higher education.<sup>159</sup>

Table 3.5: Post-Secondary Education by Citizenship (2011)

<b>Educational Level</b>	<b>Estonians (%)</b>	<b>Russians (%)</b>	<b>Undetermined (%)</b>
Post-secondary non-tertiary	6.50	8.95	9.39
Professional higher education	10.98	19.85	16.94
Academic higher education	17.74	14.97	7.98
...Bachelor's degree	5.15	1.09	1.13
...Higher education obtained on the basis of a curriculum used before 1992	8.81	11.47	5.98
...Master's degree or equivalent	3.78	2.40	0.88
Doctorate (incl. former Candidate of Sciences)	0.70	0.26	0.09
Educational attainment unknown	1.23	1.64	2.26

*Source:* "At Least Ten-Year-Old Persons by Educational Attainment, Sex, Age Group, Citizenship and County, 31 December 2011." Statistics Estonia. Accessed April 05, 2017. <https://tinyurl.com/knkuznp>.

As can be seen in Table 3.5, Estonians and Russians had similar levels of attainment of higher education before 1992, once the languages used in higher education changed, the numbers of Russian citizens and people of undetermined citizenship who gained a Bachelor's degree plummeted to the point where the rate Russians and persons of undetermined citizenship obtaining a Bachelor's degree is five times less than the rate of Estonian citizens.

When the determining factor is language, the number of people who have obtained a degree in higher education is relatively even before 1992. But, once again, when the language of instruction at the universities was changed to Estonian and English, the percentage of those with no command of the Estonian language who attained a Bachelor's degree drops to one-tenth of a percent, clearly showing the impact of language skills. While it is not possible to access the raw data and to examine it based on citizenship and command of the Estonian language together, it is

<sup>159</sup> Estonia. Ministry of Finance. Statistics Estonia. *Social Trends 7*. Edited by Ellu Saar and Kairit Põder. Translated by OÜ Triangular and Kairi Kübarsepp. December 23, 2016. [http://www.stat.ee/publication-download-pdf?publication\\_id=42579](http://www.stat.ee/publication-download-pdf?publication_id=42579). 47.

entirely possible that those listed as having command of Estonian as a foreign language could include those who were motivated to buy into the system and become naturalized.

Table 3.6: Post-Secondary Education by Command of the Estonian Language (2011)

<b>Educational Level</b>	<b>Native Language (%)</b>	<b>Foreign Language (%)</b>	<b>No Command of Estonian Language (%)</b>
Post-secondary non-tertiary	6.17	8.62	8.78
Professional higher education	9.83	16.14	18.63
Academic higher education	16.98	22.82	11.73
...Bachelor's degree	4.97	6.88	0.10
...Higher education obtained on the basis of a curriculum used before 1992	8.27	11.08	9.22
...Master's degree or equivalent	3.74	4.86	1.54
Doctorate (incl. former Candidate of Sciences)	0.74	0.70	0.22
Educational attainment unknown	1.19	0.10	0.23

*Source:* "At Least Ten-Year-Old Persons by Educational Attainment, Sex, Age Group, Command of the Estonian Language and Country, 31 December 2011." Statistics Estonia. Accessed April 06, 2017. <https://tinyurl.com/kzcennh>.

This discrepancy in attaining tertiary education, in turn, reinforces the “higher representation [of non-Estonians] among skilled workers and in the manufacturing industry” that has continued since the Soviet times.<sup>160</sup> This higher representation in manufacturing is shown in Table 3.7. While Table 3.7 does show the general industries in which each ethnic group works, it does not show the capacity in which they work in those industries. Examining economic activity of Estonians and non-Estonians is better done by considering not the sector of the economy or industry, but instead the positions that they hold.

<sup>160</sup> Estonia. *Social Trends* 7. 47.

Table 3.7: Economic Activity by Ethnic Group (2016)

<b>Economic Activity</b>	<b>Estonians (%)</b>	<b>Non-Estonians (%)</b>
Agriculture, forestry and fishing	5.1	1.0
Mining and quarrying	0.3	1.0
Manufacturing	16.7	23.7
Electricity, gas, steam and air conditioning supply	0.7	1.6
Water supply; sewerage, waste management and remediation activities	0.5	...
Construction	9.0	9.0
Wholesale and retail trade; repair of motor vehicles and motorcycles	13.2	12.5
Transportation and storage	6.6	11.0
Accommodation and food service activities	3.7	5.2
Information and communication	4.7	3.7
Financial and insurance activities	1.7	1.7
Real estate activities	1.6	2.4
Professional, scientific and technical activities	4.6	2.0
Administrative and support service activities	2.8	4.6
Public administration and defense, compulsory social security	7.9	2.1
Education	10.0	6.4
Human health and social work activities	5.6	7.2
Arts, entertainment and recreation	3.0	2.0
Other activities	2.5	2.5

*Source:* "Employed Persons by Ethnic Nationality and Major Group of Occupations." Statistics Estonia. Accessed April 06, 2017. <https://tinyurl.com/ldx4rhd>

Table 3.8: Occupation Groups by Ethnicity (2016)

Occupation Group	Estonians (%)	Non-Estonians (%)
Managers	13.9	7.1
Professionals	22.5	15.0
Technicians and associate professionals	12.5	10.3
Clerical support workers	6.2	5.9
Service and sales workers	12.3	14.4
Skilled agricultural, forestry, and fishery workers	2.2	0.4
Craft and related trades workers	12.0	17.4
Plant and machine operators, and assemblers	11.2	16.1
Elementary occupations	6.7	13.4

*Source:* "Employed Persons by Ethnic Nationality and Major Group of Occupations." Statistics Estonia.

Accessed April 06, 2017. <https://tinyurl.com/m3rdha3>

Table 3.8 shows the discrepancy between levels of employment of ethnic Estonians and non-Estonians. Estonians are about twice as likely to be in managerial positions and about one and a half times more likely to be some sort of professional, while non-Estonians are more likely to fill trades, machinery, and other elementary positions that do not require the higher education they cannot receive due to language requirements. All this stems from the nativist sentiment which led to the languages of the universities being changed to Estonian and English, completely ignoring the sizable Russian-speaking minority in the country.

The next example, strangely enough, is an example of when nationalism kept a law or preventative measure from being implemented. Former Prime Minister Laar wrote that after 1940, a "large Soviet military garrison and the continued influx of Russian speaking colonists who acted like a 'civilian garrison' replaced the lost population. In order to effect colonization,

rapid industrialization was launched by Moscow.”<sup>161</sup> Because of this, “radical deindustrialization could be perceived as a means of decolonization.”<sup>162</sup>

One example of this is the Kreenholm textile factory. At one time, Kreenholm was one of the largest textile mills in the world, owning 32,000 acres of land and had 472,500 spindles, 3,672 looms, and 12,000 employees, processing 74,660 bales of cotton to produce 34,861,796 pounds of yarn and 159,994 45-yard lengths of cloth.<sup>163</sup> During the era of occupation, the Kreenholm mill became “an integral part of the Soviet industrial system” and was one of the main employers within the city of Narva, as it had been since its founding in the days of the Russian Empire.<sup>164</sup> After independence, it was bought by a Swedish company, Borås Wärfveri AB, when privatized in 1994.<sup>165</sup> Ten years later, the factory only employed 4,600 workers.<sup>166</sup> The company went bankrupt in 2012.

While deindustrialization could be explained away by appealing to market forces, the fact of the matter is that deindustrialization disproportionately affected the ethnic Russian population. What was once the largest employer in Narva sharply declined in the immediate aftermath of independence. Even though it had formed a vital part of the city’s economy, “protective industrial policies were not adopted to slow down the process of disruption of the predominantly

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<sup>161</sup> Bohle and Greskovits, *Capitalist Diversity on Europe’s Periphery*. 119.

<sup>162</sup> Ibid.

<sup>163</sup> United States. Department of Commerce and Labor. Bureau of Manufactures. *Cotton Goods in Russia*. By Ralph M. Odell. Vol. 51. Special Agents Series. Washington: Government Printing Office, 1912. Accessed April 06, 2017. <https://books.google.com/books?id=dPtGAQAIAAJ&pg=RA5-PA1#v=onepage&q&f=false>. 34.

<sup>164</sup> Roolah, Tõnu. "The Impact of Emerging International Networks on the Strategic Autonomy of Foreign-Owned Estonian Companies." In *Estonia, the New EU Economy: Building a Baltic Miracle?*, edited by Helena Hannula, Slavo Radošević, and Nick Von Tunzelmann, 285-316. Transition and Development. Burlington: Ashgate Publishing Company, 2006. 309

<sup>165</sup> Ibid.

<sup>166</sup> Stepanov, Sergei. "Kreenholm Plans More Layoffs." *The Baltic Times*. February 12, 2004. Accessed April 06, 2017. <http://www.baltictimes.com/news/articles/9459/>.

Russian labor force's life."<sup>167</sup> The effects of not issuing protective measures to prevent disruption in the life of the Russian worker is shown in Table 3.9.

Table 3.9: Ethnic Aspects of Social Dislocation, 1993

	Estonians (%)	Russians (%)
Initially enjoyed firm-based benefits	24	43
Currently unemployed (1993)	6	11
Loss of employment quality in the past year	24	38
Very worried about losing job	10	43

*Source:* Bohle and Greskovits, *Capitalist Diversity on Europe's Periphery*. 120.

As can be seen, almost half of Russians enjoyed firm-based benefits with their employment, such as “food, meals, housing, consumer goods, care for children, holiday facilities, [and] medical care.”<sup>168</sup> The percentage of Russians who lost employment quality, i.e. faced “unemployment, short-time pay, compulsory holiday[s] without pay,” were also higher than Estonians.<sup>169</sup> This, along forty-three percent of Russians who were worried about losing their job, point to the instability in the Russian community that could have been mitigated in some form by the government, but was not.

Part of the reason why the Estonian government did not act to stabilize these industries was their location, which feeds into the next way Estonian nationalism affects the economy: geographical location. As can be seen in Figure 3.1, Russians tend to be concentrated together in self-contained communities. The primary example of this is Narva, located on the banks of the Narva River that forms the northeastern border between Russia and Estonia and where eighty-three percent of the population is Russian.<sup>170</sup> The other notable center of Russian population is

<sup>167</sup> Bohle and Greskovits, *Capitalist Diversity on Europe's Periphery*. 119.

<sup>168</sup> *Ibid.*

<sup>169</sup> *Ibid.*

<sup>170</sup> Estonia, *Narva in Figures*. 4.

Kohtla-Järve, where the primary industry is oil shale mining. There is a sizable Russian population in Tallinn and in Maardu, just east of Tallinn, which is home to one of Estonia's main cargo ports.

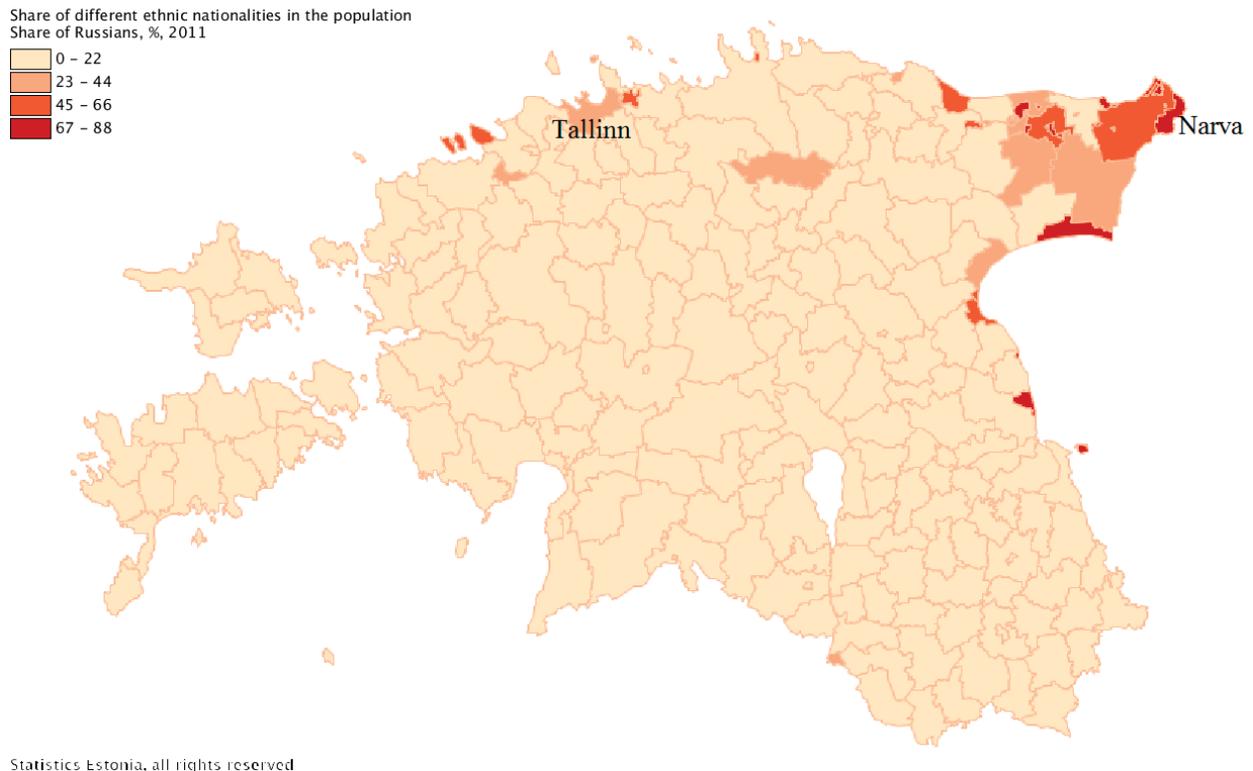


Figure 3.1: Concentrations of Ethnic Russians Within Estonia

Source: "VKR." Statistics Estonia. Accessed April 05, 2017. <https://estat.stat.ee/StatistikaKaart/VKR#>.

The problem with this is that each pocket of Russian population has its own culture separate from the rest of Estonia. Because of this, and the language barrier, there are drastically decreased “opportunities in applying for valuable positions outside of their own network.”<sup>171</sup> This lack of physical mobility leads to a lack of social mobility, as, trapped by a language and culture in one location, they are dependent on the economic resources within their community and are not as able, or willing, to pick up and move for the sake of economic betterment.

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<sup>171</sup> Estonia, *Social Trends* 7. 47.

While it is tempting to suggest the possibility of ceding Narva and a sizable portion of Ida-Virumaa to the Russian Federation, this simply cannot and will not be done. Narva was the site of the Soviet invasion which marked the beginning of the Estonian War of Independence on November 28, 1918. Ida-Virumaa was the site of several battles during the war, including a second battle at Narva where the Estonians pushed the Russians out and advanced on Petrograd. There are many monuments and cemeteries dedicated to those who died in the Estonian War of Independence.

Narva and Ida-Virumaa were the site of the Soviet invasion in 1940. After the Germans took the Baltics from the Soviets, Narva was the site of a six-and-a-half-month-long battle in 1944 which saw the complete destruction of the city by the Soviet air force. Ida-Virumaa was the site of one of the last stands against the Soviets in the Sinimäed Hills before they drove on Tallinn. Though complicated by the fact that they were fighting alongside the Germans in 1944, these battles are seen as a last stand in an attempt to prevent incorporation into the Soviet Union.

Due to the historical context, along with the cessions of Estonian territory to Russia in the aftermath of the Second World War which saw what is now Ivangorod and Russian Setomaa become incorporated into the Russian Soviet Federative Socialist Republic, the cession of Narva and the surrounding Ida-Virumaa is not only unlikely, but unthinkable.

As a last example of nationalism's interaction with the economy, and possibly the simplest, the nationalist model impacts the economy through restricting the ethnic Russians' access to the organs of power in the government. In Estonia, "non-citizens cannot form political parties, run for political office or vote in national elections."<sup>172</sup> Additionally, "by means of

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<sup>172</sup> Bohle and Greskovits, *Capitalist Diversity on Europe's Periphery*. 101.

restrictive language and citizenship laws, [Estonia] limited the access of the Russophone population to career opportunities in government, public administration, the professions, and many categories of the economy at large.”<sup>173</sup>

These professions include bailiffs, sworn translators, notaries public, anything relating to aviation security, harbor masters, harbor pilots, patent attorneys, lawyers, or captains of an Estonian ship.<sup>174</sup> Though perhaps most importantly, they are barred from voting or standing for elections. With this restriction, the stateless Russian population has no ability to ensure their voice is heard in government as they cannot choose who goes to the *Riigikogu*, nor can they go themselves and be part of the body that sets and passes the political and economic laws of the country. Without access to the structures of governmental power, the ethnic Russian population is left at the mercy of those whom they did not elect.

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<sup>173</sup> Ibid., 121.

<sup>174</sup> "О некоторых различиях в правах жителей Эстонской Республики, закрепленных в правовых актах." Европейский русский альянс. May 14, 2008. Accessed December 06, 2015. <http://www.eursa.eu/node/1727>.

## Conclusion

The road leading up to Estonia regaining their independence was long and difficult. The Estonian nation was born in the latter half of the nineteenth century, influenced by German nationalism and the model of Friedrich Ludwig Jahn. With the central focus of their nationalism being their language, literature, and song festivals, the Estonian people gained independence in with the fall of the Russian Empire. This independence was short-lived, as the Soviet Union occupied Estonia from the 1940s onward. Using the tradition of the song festivals, Estonia kept the national spirit alive and regained independence in 1991.

With their newfound independence, the Republic of Estonia set about restructuring their economy according to a neoliberal framework. During the Soviet era, the Estonian SSR was key to the Soviet agricultural and industrial sectors. While the other Baltic republics had higher number of all-Union enterprises that reported directly to Moscow, most of Estonia's enterprises reported to the government of the Estonian SSR, which alleviated the need for more extensive restructuring after the fall of the Soviet Union. After the fall, Estonia privatized not by voucher, but for cash, opening the doors to investors irrespective of whether they were Estonian or not and relying heavily on foreign direct investment. In implementing this new, neoliberal framework, the Estonians abolished tariff and non-tariff barriers to trade, instituted a flat tax, reduced welfare payouts, and created a narrative of Estonia being a post-Soviet success story.

While not exhibiting the traditional features of barriers to trade and limitation of foreign ownership, the new neoliberal economy was nevertheless a nationalist economy, as the Estonian government believed that “[it is] the task of national economy to accomplish *the economical development of the nation*, and to prepare it for admission into the universal society of the

future.”<sup>175</sup> The manner in which the Estonian government did this was by enacting a citizenship law that gave non-Estonians three options: become Estonian citizens, become Russian citizens, or remain stateless. Due to the difficult requirements of acquiring Estonian citizenship, many chose to take the latter two options. Once in these positions, the government followed nativist sentiments and acted in ways which gave the ethnic Russians further hardships.

While protections were given to Russians who had resettled in what were once Estonian properties, the anti-Russian sentiment was enough to lead the Estonian landlords to neglect their own properties and allow property values to plummet to get the Russian tenants to leave on their own accord. Land laws were passed that restricted the ability for non-citizens to purchase agricultural land and forests. Deindustrialization disproportionately affected ethnic Russians, as the industries affected were those in primarily Russian-populated areas and proceeded without any alleviating policies from the government. After the language of instruction was changed to Estonian and English in the university system, the ethnic Russians’ access to higher-paying occupations was limited. The Russians continue to be concentrated in certain areas of the country, limiting their ability to find employment outside their network. Finally, the law itself acts against the ethnic Russians, prohibiting them from entering certain lines of work and refusing them access to the power structures of the government.

The neoliberal approach was not only compatible with the Estonian nationalist economy, it was necessary. The Estonians inherited a state and economy that had been propped up through the stagnation that had begun under the leadership of Leonid Brezhnev. Ethnic Russians were the ones who made the most contributions to the most important economic sector during the

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<sup>175</sup> Mehmet, Ozay. *Westernizing the Third World*. 53.

Soviet years: manufacturing. Only by opening up to investors when privatizing, cutting social welfare, and lessening their dependence on the Russian-dominated manufacturing sector were the Estonian people able to diversify their economy and, more importantly, secure for themselves the positions of economic and political import.

### ***Implications of the Research***

One of the primary implications of this economic arrangement lies in the question of ethics. Is the citizenship law ethical? Citizenship “is the linkage of the individual to the territorial value system” and “gives the individual the ‘right to have rights.’”<sup>176</sup> Because of the citizenship law grounded in the principle of *jus sanguinis*, citizenship is not conferred upon children of stateless Russians, regardless of how long their family has been living in Estonia.

There are two sides that can be argued with regards to the citizenship law. In support of it, while Estonia did not ratify it, the Convention on Certain Questions Relating to the Conflict of Nationality Laws set forth a concept within international law, namely, “It is for each State to determine under its own law who are to be its nationals.”<sup>177</sup> However, this can be argued to be in opposition to the International Covenant on Civil and Political Rights and the Convention on the Rights of the Child, both acceded to on October 21, 1991, which state, “Every child has the right to acquire a nationality,” along with the International Convention on the Elimination of All Forms of Racial Discrimination, adopted at a time before the restrictive citizenship laws, which

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<sup>176</sup> Walker, Dorothy Jean. "Statelessness: Violation or Conduit for Violation of Human Rights?" *Human Rights Quarterly* 3, no. 1 (February 1981): 106-23. Accessed December 06, 2015. doi:10.2307/762070.

<sup>177</sup> "Convention on Certain Questions Relating to the Conflict of Nationality Law." Refworld. Accessed December 06, 2015. <http://www.refworld.org/docid/3ae6b3b00.html>.

states, "States Parties condemn racial discrimination and undertake to pursue by all appropriate means and without delay a policy of eliminating racial discrimination in all its forms."<sup>178</sup>

In the end, the debate will come down somewhere in the spectrum between two poles. The first argues that the state has "the whole power of prescribing rules" and can use this power to preserve itself by whatever means necessary.<sup>179</sup> The second pole argues that "law must concern itself in particular with the happiness of the community," but at the same time holds that "a law may be unjust...when burdens are placed on the community in an unequal fashion even if they are aimed at the common good. These are acts of violence rather than laws...[and] do not bind in conscience."<sup>180</sup> While there are undoubtedly more viewpoints than these two, they are oppositional enough to serve as a starting point to at least set up a spectrum for debate.

There are three possible avenues to solve this citizenship conundrum. David Weissbrodt and Clay Collins examine three routes to solving the statelessness problem: those routes that preempt statelessness, those that minimize its effects, and those that naturalize.<sup>181</sup> The preemptive solution is the easiest to come by and implement; Estonia need simply to implement a *jus soli* citizenship law. This, however would not impact those who were already born. Short of implementing a grandfather clause giving citizenship to those who have lived in Estonia their entire lives, a preemptive solution does nothing to fix the problem at hand. A minimizing

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<sup>178</sup> "International Covenant on Civil and Political Rights." United Nations Human Rights. Accessed April 07, 2017. <http://www.ohchr.org/EN/ProfessionalInterest/Pages/CCPR.aspx>;

"International Convention on the Elimination of All Forms of Racial Discrimination." United Nations Human Rights. Accessed April 07, 2017. <http://www.ohchr.org/EN/ProfessionalInterest/Pages/CERD.aspx>;

Racial discrimination includes national or ethnic origin in this convention.

<sup>179</sup> Hobbes, Thomas. "Leviathan." In *Princeton Readings in Political Thought: Essential Texts Since Plato*, edited by Mitchell Cohen and Nicole Fermon, 205-42. Princeton: Princeton University Press, 1996. 225.

<sup>180</sup> Aquinas, Thomas, O.P. "The Treatise on Law." 1273. In *Princeton Readings in Political Thought: Essential Texts Since Plato*, edited by Mitchell Cohen and Nicole Fermon, 144-52. Princeton: Princeton University Press, 1996. 144, 149.

<sup>181</sup> Weissbrodt, David S., and Clay Collins. "The Human Rights of Stateless Persons." *Human Rights Quarterly* 28, no. 1 (February 2006): 245-76. doi:10.1353/hrq.2006.0013.

solution already in place is the system with gray passports, which are travel documents that are also used as identification documents issued to resident stateless persons in Estonia. This, however, does nothing to solve the problem. The only effective type of solution left is a naturalizing solution, most likely to include getting rid of the language requirement.

Another implication of the research is the question of whether neoliberalism is an effective system for assimilation. David Harvey contends that “neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade.”<sup>182</sup> This advancement by free market contributes to the narrative of opportunities for everyone and Laar’s presentation of Estonia “pulling itself up by its own bootstraps.”<sup>183</sup> But in order to pull oneself up by one’s bootstraps, it’s necessary for one to have boots. The Russians were barefoot.

Neoliberalism is founded on the idea that with less regulation, people will be free to do what is best for them. While this may be true to an extent, when the university system is set up so that instruction is only offered in languages which a sizable portion of the population cannot speak, there will be those who are prevented from utilizing their full potential within the labor market, no matter how free the market is in and of itself. While it can be argued that the ethnic Russians are perfectly free to become Estonian citizens, the fact of the matter is that, while they are free to do so, the language requirements are extremely difficult for Russians to meet.

As has been shown, the nationalist tendencies in citizenship law, education, language policies, and property rights directly affected the ability for the ethnic Russians to integrate into Estonian society. This, in turn, can be used as the basis of a framework to examine economic

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<sup>182</sup> Harvey, *A Brief History of Neoliberalism*. 2.

<sup>183</sup> Bohle and Greskovits. *Capitalist Diversity on Europe's Periphery*. 126.

outcomes in other societies with distinct ethnic or national groups. Since education, language, and property laws can vary from place to place, this framework of analysis can be used not only on the state level, but also within the context of provincial or city economies.

### ***Paths for Further Research***

One of the limitations of this study was the source of data. While Statistics Estonia provides many resources within their database, there was no option to download raw data directly from their site. The most basic avenue for further research would be to obtain access to the raw data Statistics Estonia uses to generate their tables. With access to this raw data, it would be possible to look at a respondent's education and the sector of the economy in which they are employed. Running statistical regressions would serve to further strengthen the framework outlined herein.

Further, it would be worth considering what role nationalism played in other post-Soviet states' transitions to capitalist economies. Of note is Hungary. Nölke and Vliegthart write about the framework of dependent market economies, which is exhibited in Hungary. These economies rely heavily on trans-national corporations. In this manner, Hungary and Estonia are somewhat similar, both having been built upon foreign investment. The difference lies in the fact that Estonia is focused on the service sector of the economy and telecommunications while the dependent market economy is focused upon being "an assembly platform for semistandardized industrial goods."<sup>184</sup>

The different focus in their economies, and the different paths taken in the post-Soviet years, could be due to several different factors, such as Estonia having been a constituent

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<sup>184</sup> Nölke, Andreas, and Arjan Vliegthart. "Enlarging the Varieties of Capitalism: The Emergence of Dependent Market Economies in East Central Europe." *World Politics* 61, no. 4 (October 2009): 670-702. Accessed April 05, 2017. <http://www.jstor.org/stable/10.2307/40263536?ref=search-gateway:0c941ca5c63035e0e049b63cd8ec47d4.679>.

republic of the Soviet Union and Hungary simply being within the Soviet Union's sphere of influence, the history of the Estonians within the Russian Empire and the Hungarians within the Austro-Hungarian Empire, their period of post-First World War independence, the fact that there was a Russification campaign and Soviet garrison in Estonia while Hungary, though under the influence of Moscow, was still Hungarian and run by Hungarians, et cetera.

Another avenue for further research is the economic initiatives of more pro-ethnic-Russian parties, particularly the Estonian Centre Party. Traditionally doing well in areas with a relatively high proportion of ethnic Russians, the Estonian Centre Party considers itself to stand for centrism and social liberalism, though others have asserted that they hold to populist tenets. This is in contrast with the Estonian Reform Party, the most vocal proponent of market liberalism in Estonia and one of the most dominant parties in the *Riigikogu* over the past twenty years. As the Estonian Centre Party has only become the leading party at the end of November 2016, it will take time for their influence on the economy to be seen and is something that must be watched in the time to come.

In the end, this research serves as a starting point not only for the examination of the role of nationalism in the transition to post-socialist economic systems, but as a starting point to examine the economy of any country that was once occupied by another. Every occupation is different, as is every road to independence, but the role of asserting the native language over that of the former occupiers', reforming citizenship law, and governing access to educational institutions can be seen in states around the globe. It is there that the examinations must begin to examine the transition to post-occupation political and economic systems.

## Appendix A: Songs Referenced in Chapter 1

### *“Jüriöö marss” / “St George’s Night March”*

Manly men are marching  
With war sounds,  
Through the forests,  
Stars are shining for them at night,  
Resting in the sun during the day,  
They keep on wading,  
Through swamps, through bogs...  
Let the nation be free!

The young and the old are marching,  
Chasing the enemy,  
So that the forests are echoing.  
All are aware,  
Listening through stone,  
Listening to the woods,  
So as not to get trapped,  
Noticing every click.

We can already feel the spring,  
And caress the sun.  
The wind wants to help,  
To make our marching easier for us,  
Those whose faces are filled with anger,  
Who have muscles made of slings,  
They keep on wading,  
Through swamps, through bogs...  
Let the nation be free!<sup>185</sup>

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<sup>185</sup> Puderbaugh, “How Choral Music Saved a Nation.” 38.

***“Mu isamaa on minu arm” / “My Fatherland is My Love”***

My fatherland is my love,  
To whom I gave my heart,  
I sing to thee, my supreme joy,  
My prospering Estonia.  
Your pain is boiling in my heart,  
Your joy and happiness makes me happy.  
Your joy and happiness makes me happy  
My fatherland, my fatherland.

My fatherland is my love,  
I cannot leave you behind,  
I would die a hundred deaths for you,  
Despite the envy of the enemy,  
You still live in me.  
You still live in me,  
My fatherland, my fatherland.

My fatherland is my love,  
And I want to go to my rest,  
I fall asleep in your lap,  
My holy Estonia!  
Your birds will sing me to my sleep  
The flowers will grow from my ashes;  
The flowers will grow from my ashes,  
My fatherland, my fatherland!<sup>186</sup>

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<sup>186</sup> Ibid., 40.

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[web.2001/dialog/varval.asp?ma=PC0304&ti=AT%2BLEAST%2BTEN-YEAR-](http://pub.stat.ee/px-web.2001/dialog/varval.asp?ma=PC0304&ti=AT%2BLEAST%2BTEN-YEAR-)

[OLD%2BPERSONS%2BBY%2BEDUCATIONAL%2BATTAINMENT%2C%2BSEX%2C%2](http://pub.stat.ee/px-web.2001/dialog/varval.asp?ma=PC0304&ti=AT%2BLEAST%2BTEN-YEAR-)

[BAGE%2BGROUP%2C%2BCITIZENSHIP%2BAND%2BCOUNTY%2C%2B31%2BDECEM](http://pub.stat.ee/px-web.2001/dialog/varval.asp?ma=PC0304&ti=AT%2BLEAST%2BTEN-YEAR-)

[BER%2B2011&path=..%2FI\\_databas%2FPopulation\\_census%2Fphc2011%2F04study\\_migration](http://pub.stat.ee/px-web.2001/dialog/varval.asp?ma=PC0304&ti=AT%2BLEAST%2BTEN-YEAR-)

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[OLD%2BPERSONS%2BBY%2BEDUCATIONAL%2BATTAINMENT%2C%2BSEX%2C%2](http://pub.stat.ee/px-)

[BAGE%2BGROUP%2C%2BCOMMAND%2BOF%2BTHE%2BESTONIAN%2BLANGUAG](http://pub.stat.ee/px-)

[E%2B%2BAND%2BCOUNTY%2C%2B31%2BDECEMBER%2B2011&path=..%2FI\\_databas](http://pub.stat.ee/px-)

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