

Association for the Study of Nationalities
World Convention 2007 at Columbia University
TO BE DELIVERED ON SATURDAY APRIL 14
SESSION XI 5:20 PM-7:20 PM
PANEL CE11
Defining Community and Society in Baltic Politics

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The Impact of Identity Politics on the Economic Reforms in Estonia

Abstract

Two different accounts of post-socialist transition in Estonia have emerged in the academic literature. Scholars focusing on economic reforms have attempted to explain the factors behind rapid economic development. They have emphasized agency in the causal explanations for Estonia's emergence as a market liberal phoenix from the Soviet dust. In the most optimistic versions, a few, proud youthful reformers were not only able to carry out their radical agenda(s) despite internal and external structural constraints but also rapidly changed the domestic structures to their advantage in a time of "extraordinary politics." Scholars writing on nationalism and ethnicity issues have either taken a more skeptical view of developments in Estonia, at best, or have published devastating critiques by labeling the country's political system an "ethnocracy", at worst. They have emphasized structural and cultural constraints on agency, often presenting these constraints as being highly deterministic in nature.

Relying on secondary sources, my paper aims to link these two unconnected accounts. While acknowledging that tensions among structure-, culture- and agency-based approaches are often irresolvable and depend on the normative perspectives from which scholars conduct empirical research, the paper aims to paint a more holistic picture wherein interactions among agency, culture and structure are taken into consideration. Most importantly, I argue that the nature of identity politics in Estonia was a significant contributor to the relative success of economic reforms over the last 15 years. My holistic approach allows for overcoming contradictions that would emerge if literature on nationalism would simply be integrated with the literature on economic reforms.

I have structured the paper as follows: First, it characterizes the bleak accounts of the nature of nationalism in Estonia as a broad-brush normative exercise, which somewhat violently groups Estonian identity politics together with other accounts of nationalisms. This grouping neglects many positive elements characteristic of this nationalist movement. Empirical evidence suggests that, while in government, the nationalists were also the most supportive of liberal economic reforms.

Second, the paper moves beyond a mere acknowledgment of the co-existence of nationalism and liberal economic policies by exploring how the nature of identity politics and the way it was played out in Estonia made significant contributions to the radical nature of economic reforms in the 1990s. This implies that the agency is analyzed within

structural and cultural constraints. This section draws attention to the high degrees of fragmentation in Estonian politics and argues that support for radical economic reforms was broad-based beyond any set of political parties and their leaders. The issues related to identity and interpretation of recent history – not economic issues – formed major divisions in political life, which, by diverting attention, actually helped to implement economic reforms. Despite the divisions among the Estonian population, the identity of politicians and key decision-makers provided informal constraints and secured trust among the population during times of extreme uncertainty.

The way identity politics played out led to economic sanctions imposed by Russia, a main trading partner, thereby limiting the menu of choices available to Estonian politicians. This constraint contributed to the rapid and radical opening of the economy. Most importantly, these initial decisions - already made within structural and cultural constraints - to implement radical reforms led to a path-dependent process where increasing returns created incentives for most agents to stay on the initial course. Evidently, the path-dependency implies that the role of agency has to be discounted further in any causal analysis.