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Roadmaps to post-communist neoliberalism: the case of the Baltic states

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Abstract

This article uncovers the pre-1991 origins of Baltic neoliberal regimes. It highlights the role of the communication networks between reformist economists in the Baltic National Fronts and social forces advocating neoliberalism in Scandinavia and the United States. We assert that those networks functioned as the early carriers of ideational and policy change, even if reform contents were authored by domestic rather than transnational agencies. Firstly, the article previews the structural factors conducive to network formation. Secondly, it examines the networks by highlighting cross-national differences. Finally, the idiosyncratic paths of neoliberal reformers' ascendance to the positions of influence are chronicled.

Keywords: neoliberalism; Baltic states; economic history; communication networks; Shock Therapy; post-communism

Introduction

The past three decenniums have given rise to a metanarrative that portrays the Baltic states as the paragons of neoliberalism. In mainstream "transitology" literature, the reports produced by international institutions and financial press commentaries Estonia, Latvia, and Lithuania have been labelled unrivalled "success stories" of post-communist transformation and the 2008 crisis management operations. As will be recalled, as early as in 1994, Estonia received laurels as “the shining star from the Baltics” – or to quote Newsweek magazine “the little country that could” – for its institutional infrastructures of business-friendly environment, pronounced foreign direct investment (FDI) inflows, balanced budgets, open trade regimes and strict monetary policies (as quoted in Smith 2001, 113). While Estonia’s reputation as the Baltic trendsetter in terms of neoliberal restructuring effort has encountered little competition ever since, its solo escalation into the epicenter of attention – culminating in country’s inclusion among the first round of applicants with whom the EU started entry negotiations in 1997 – did not endure. At the dawn of the new millennium, Latvia and Lithuania were termed the “new shooting stars” and “tiger economies” in the post-Soviet space registering the best growth prospects among future EU member states, which in turn placed them in the unique position to replicate Ireland’s success in utilizing structural funds following the accession. But by the autumn of 2008 very few countries in central and eastern Europe (CEE) would approximate the depth of the downturn akin to that observed in the Baltics. Opening their economies to the inflows of foreign capital in line with the recommendations from the International Monetary Fund (IMF) and the World Bank precipitated massive increases in external borrowing predominantly from Scandinavian banks, which in turn served to support the domestic private sector and consumption in the aftermath of the EU accession. Though this engendered an influx of imports owing to fixed and appreciating exchange rate regimes as well as the liberalization of lending, with the dry-up of global liquidity, the Baltic trio was bound to enter a freefall. The latter has been epitomized by unprecedented GDP contractions and increases in unemployment. Finding historical parallels to describe the Latvian avalanche exhibited in the country’s peak-to-bottom 24% output loss invited references to the Great Depression in the United States (Weisbrot and

Ray 2010). The subsequent introduction of austerity measures geared at divesting the burden of crisis resolution onto the public sector and the shoulders of Baltic labor and the poor more generally reverberated the collapse in living standards witnessed at the start of "transition." Providing the justification for resolving the crisis on neoliberal terms, the Baltics offered a modern morality tale of adversity overcome and fiscal rectitude restored through resolve and thrift, which then offered an inspirational model for the European Commission, the European Central Bank, and the IMF in their engagement with the Eurozone crisis in Southern Europe.

The interrogations as to why the Baltic states have become so distinct in CEE with their radical pro-market ideological fervor even when such policy conducts proved to be self-destructive by directly contributing to severe demographic and social crises (Sommers and Woolfson 2014) have generated at least three conventional lines of argumentation. For one, the predispositions for "market radicalism" among Baltic state managers have been attributed to the trauma of lost statehood, occupation, and Russification of the region in the aftermath of World War II (Norkus 2012, 283–284), which rendered the cases under our consideration distinct from those locales in CEE that were able to maintain a degree of autonomy from Kremlin's control. In this connection, the resort to neoliberal solutions that also found "elective affinities" with nationalism not only allowed the Baltics to dissociate themselves from the Soviet past but also offered an emotional coping strategy with a national calamity experienced first-hand. Thus, the fundamental departure from anything resembling "collectivism" and "state control" proved to be worthy of pursuit even if its consequences were demonstrably harmful and self-destructive. Another, yet related mode of reasoning has emphasized the presence of "elite consensus" for radical neoliberal path of "transition" among Baltic policymakers. According to Bohle and Greskovits (2012, 104–106), this consensus was predicated on the necessity to scaffold the regimes that would prioritize macroeconomic stability without any inclination to compensate the losers (see also Bohle 2006). Herein, the absence of opposition to “radical neoliberal” restructuring path has been in part engendered by Baltic (notably Estonian and Latvian) citizenship laws, which served to eradicate an electoral base representing industrial and working-class interests. What is more, the advent of the 2008 crisis has once again reinforced the coping strategies conducive to radical neoliberal choices (“internal devaluation”), which can be explained by considering previous policy choices (lack of industrial base and pegged currencies) and unstable party-systems, non-conducive to bringing about alternative left-wing solutions. Finally, it has been contended that the embrace of neoliberalism in the Baltics can be viewed as a “competitive signaling” strategy in the race for FDI with other CEE states (Appel and Orenstein 2018, 16–20). Seen from this angle, the post-communist restructuring across CEE has been centered on the attempts to “out-liberalize” the EU by pursuing “avant-garde” neoliberal policies. In their determination to outflank the competitors, the Baltics have prioritized “radical” neoliberal solutions by adopting flat income tax regimes and pioneering pension privatization.

While much can be learned from abovementioned literature, each perspective tends to assume away important areas of inquiry. Therefore, opting for the psychologized explanation that highlights the traumas carried forward from the Soviet period exhibits the propensity to overlook the actions of committed and well-organized minority, which has been responsible for crafting neoliberal regimes under consideration. Similarly, the assertions about “always-already” existing consensus for “radical” neoliberalism leaves little room for surveying the manifestations of intra-elite struggles and overestimates the popularity of “free-market” solutions. For its part, the amalgamation of neoliberalism’s embrace with interstate competition for FDI is warranted but tends to pay scant attention to the social forces that compose, manage, and govern the states in question. On a more general plane, what unites all publications dealing with the actualities and postscripts of Baltic neoliberal transformation to date is the analytical gap exhibited in the absence of engagements with the origin stories of Baltic neoliberal regimes. Currently, we know next to nothing about the parallelograms of social forces that advocated and authored policy repertories predicated on “free-market thinking,” the structural (geopolitical) constellations conducive to their rise to power and influence, as well as the ideational maps with which the market reformers operated both prior and immediately after the formal commencement of post-communist “transition.”

This article contributes to extant literature by offering a novel and historically-informed perspective to study the origins of neoliberalism in the Baltic states. It unearths and provisionally outlines the provenances of ideational, agential, and structural elements that configured the contents of neoliberal regimes in the Baltic states before (and after) the “watershed year” of 1991. Our invitation to “turn back the clock” to the late 1980s not only signifies the first attempt to chronicle the introduction and consolidation of neoliberal ideas and policies in the Baltics by paying close attention to international networks, modalities of communication, relevant personalities, and contingencies but also departs from parochial accounts that emphasize a straightforward and rapid Western-led imposition of neoliberal practices onto “passive” CEE recipients (Robinson 1996; Holman 1998). In other words, the interpretation put forward in this article amounts to a case study that forensically examines the spread of neoliberalism to the peripheries of global economy, which nonetheless is attentive to the processes of interest inter-mediation, the role of domestic agencies and particularities stemming from diverse socio-economic settings. In what follows, the origins of Baltic neoliberal regimes are attributed to the communication networks between reform-minded National Fronts’ economists and conservative-libertarian social forces in Scandinavia and the United States (US). We chronicle the emergence of these networks amid *perestroika* reforms and accentuate divergent dynamics characterizing their formation and evolution across three national cases. Whilst the endeavor to meticulously outline those dynamics is at the heart of the account presented herein, the building blocks of the story will certainly benefit from further scrutiny, improvement, and critique by the scholars of post-communist transformation. In that sense, the paragraphs below can be read as a call to develop future research inquiries into the Political Economy and Economic Sociology of the Baltic region.

The article is structured accordingly. Besides articulating a three-fold definition of neoliberalism to be utilized throughout our investigation, the following section surveys the literature on the origins of neoliberalization in CEE. We assert that even the most advanced frameworks within this literature are not transferable to the Baltic context. Our hesitancy is informed by their problematic alignment of Western agency exclusively with the conducts of the US, a degree of ideational voluntarism that overlooks broader structural factors conducive to social change and extant empirical evidence that testifies to the absence of substantial knowledge exchanges between the Soviet Baltic economists and their counterparts in the West prior to 1980s. With this proviso, the article then probes into the structural factors capable of explaining why the spread of neoliberal ideas and practices has attained rapid speed during *perestroika* reforms. The trigger for the formation of communication networks between the reform-oriented elements in the Baltic National Fronts and social forces advocating neoliberalism on the other side of the "Iron Curtain" has been comprised of three elements. In section three, we show how the enablement of private enterprise initiatives as well as de-centralization drives in economic decision-making precipitated the birth of Baltic economic conceptions for self-sufficiency under federalized structures of the Soviet Union. Moreover, it is demonstrated how one consequence of the adoption of the Law on Joint Ventures has been the establishment of semi-independent Baltic foreign trade organizations – the vehicles for establishing contacts abroad. The last enabling factor, we assert, stemmed from the relaxation of the Soviet travel regime, which by 1988 encouraged the expeditions abroad for the purposes of informational exchange. While these structural preludes have been generative of communication networks with the social forces located in the West across the Baltics, the modalities of their advancement exhibited marked differences. To unpack these divergences, the fourth section compares the developments cross-nationally. It underscores that in Estonia the breeding ground for neoliberal ideational frameworks has been located in two domestic institutions that contained an international membership. Moreover, the ideological transformation in this country has been fomented thanks to the public and private efforts emanating from Sweden. In contrast, the Lithuanian and Latvian paths on this register entailed a transatlantic dimension. Here, émigré intellectuals and economists were actively involved in facilitating the visits of young and promising policymakers and advisers to the educational institutions in the US as the means to construct the preparatory grounds for neoliberalization. While the attempt to chart the cartographies of ideational change is an important task in its own right, it would be misleading to assert that the mere proliferation of neoliberal ideas was capable of instigating policy change. Therefore, in section five we overview the modes in which neoliberal forces in the Baltic states managed to gain the positions of influence and power. Here again, we accentuate variance between Estonian and Latvian contexts – where neoliberal reformers managed to end up in the top positions of the state apparatus – and a somehow exceptional case of Lithuania – where neoliberal ideas had to be promoted from the corridors of a politically dis-embedded think tank. The article concludes by sketching out potential areas for future research that may be generative of more accurate approximations of neoliberalism's birth in the Baltic region.

Scholarly encounters with the origins of neoliberalism in central and eastern Europe

While the term "neoliberalism" elicits the features of other contested concepts in social sciences, its current usages are rather free-flowing and evasive of precise definitions (Boas and Gans-Morse 2009). Oftentimes, the notion is deployed pejoratively and quickly morphs into a catchphrase to articulate the disagreements with one's political opponents. Departing from such tendencies, I emphasize three mutually constitutive definitional elements of neoliberalism. This practice, which also assists in transcending two popular conceptualizations of the term that reduce its meaning to either a circumscribed set of ideas and policies (Stiglitz 2002; Evans and Aligica 2009; Amsden, Kochanowicz, and Taylor 1998) or the conspiratorial operations of a "thought collective" (Mirowski 2009; Mirowski and Plehwe 2015). Following Adam Fabry (2019, 2–3), I define neoliberalism as a loose set of ideas and policies underpinned by the commitment to market self-regulation and tariff reduction, a monetarist analysis of inflation, supply-side theory, and the deployment of "enterprise" models that allow the state and its institutions to be run like business entities. Secondly, neoliberalism constitutes a class project geared primarily at re-establishing the conditions for capital accumulation in the aftermath of the 1973 global crisis. Third, it denotes the current phase (or a regulatory regime) of capitalism, characterized by the processes related to the structural re-orientation of the state towards export-oriented, financialized capital, open-ended commitments to market-like governance systems, privatization of state property, corporate expansion, and an ingrained antipathy towards redistribution of wealth. In what follows, the focus revolves around the first and third aspects, specifically.

If the Baltic case continues to be relegated to the shadows of scholarly attention as far as the study of neoliberalism's origins is concerned, the state of the art is considerably more advanced in the literature dealing with CEE (Ban 2016; Ost 2005; Wedel 2001). Yet, the latter also tends to reproduce two problematic modes of inquiry. The majority of interventions exhibit a proclivity to analyze the processes of neoliberalism's birth from a chronological vista that opens up in the *annus mirabilis* of 1989 (or 1991). Therefore, the "transition" to market capitalism begins invariably with the embrace of the Washington Consensus policies in the 1990s (Appel and Orenstein 2018; Amsden, Kochanowicz, and Taylor 1998). This methodological stance erases longer-term trends associated with the structural crisis of Soviet-style economies, the constellations of social forces advocating and opposing "the turn to the market" as well as ideational environments on both sides of the "Iron Curtain," which later configured the trajectories of change. Another wanting approach construes the idea that in the early 1990s Western advisers and international financial institutions straightforwardly imposed neoliberal agendas on east European policymakers and populations. Different versions of this "outside-in" ontology emphasize the capacity of the US to manipulate not only the outcomes of the crisis engulfing the Eastern Bloc in the 1980s but also subsequent transformation processes in favor of the "transnational elite" and its interests (Robinson 1996, 323–325; Holman 1998, 19; Gill 2003, 57–58). Those interests are said to have clustered around an instigation of "a total conversion to unfettered capitalism [in CEE]" – a system underpinned by fast and uncompromising macroeconomic stabilization, internal and external liberalization, and privatization into foreign hands (Klein 2008, 176). To recite Adam Przeworski's (1992, 45) imprecise but headline-making assertion –

the post-communist transformations can be summarized as denoting the implementation of "an intellectual blueprint, a blueprint drawn up within the walls of American academia and shaped by international financial institutions." Whilst instructive in its emphasis on the "coercive measures" that buttressed the policies and agendas of international institutions during post-communist transformation, this mode of reasoning underestimates the roles played by domestic agencies (policymakers, advisers, and ex-members of nomenklatura) in developing hegemonic projects and ideational frameworks.

Aspiring to unearth internationally shaped, yet domestically constituted pre-1989 roots of "free-market thinking" in CEE, several students of neoliberalization have called for a departure from the abovementioned lines of argumentation by surveying the existence of proto-neoliberal worldviews in informal groups and think tanks long before the "watershed year" of formal transition (Zubek 1997; Shields 2014; Gagyi 2015; Fabry 2019). This literature tends to echo and extend the arguments of Johanna Bockmann and Gil Eyal (2002), who hold that eastern European reformers were converted into the adherents of neoliberalism long before 1989 (Bockmann 2011). From the 1960s, economists from the "Eastern Bloc" participated in the transnational dialogue with their Western counterparts through the media such as academic exchange programs, meetings, and conferences. Predictably, many post-1989 economic decision-makers and advisers had participated in those East-West knowledge exchanges (Bockmann and Eyal 2002, 342–343). In Russia, select few members of Prime Minister Gaidar's team of economists (Petr Aven, Stanislav Shatalin, and Evgeny Yasin) worked with Western economists at the International Institute for Applied Systems Analysis in Vienna. Similarly, two of the top economic advisers to the Hungarian government, János Kornai and Tamás Nagy, attended the East-West conferences organized at the Center for the Study of Economic and Social Problems (*Centro Studi e Ricerche su Problemi Economico-Sociali*) in Milan from the mid-1960s to the mid-1980s. They did so together with Václav Klaus and his closest collaborators, Tomáš Ježek and Dušan Tříska, as well as with Leszek Balcerowicz. As such, the oeuvre of Bockmann and Eyal is indispensable in challenging crude visions of social change that reduce the birth and evolution of neoliberalism in CEE to the dictates of "the West." While their contribution is capable of overcoming the two problematic tendencies mentioned above, it contains no passing references to the Baltic states, nor is it free from analytical limitations.

More specifically, there are at least three reasons why the practice of transferring Bockmann and Eyal's framework to the Baltic and other post-Soviet contexts is unfruitful. For one, although the authors might be partly justified in synonymizing "the West" with the US when deciphering the transnational networks of ideational exchange, this manner of reasoning renders other geographies, from which neoliberal ideas started to be advertised for eastern European audiences, redundant. As we will see below, the Scandinavian factor has been especially relevant in Estonia's neoliberalization. Secondly, and on a more theoretical plane, their analysis exhibits a degree of ideational voluntarism insofar as the neoliberalization of CEE is often detached from the global shift away from statist doctrines. A comprehensive account of neoliberalism's genesis in the post-Soviet space would have to unpack the structural reasons behind the disintegration of dominant statist economic paradigms in the 1970s. These are generally attributable to the rise of multinational corporations, the changing spatial scales at which capital became concentrated and the inability of statist techniques to reverse the growth slowdown and the return of crises (Fabry 2019; Shields 2014). Thirdly, it has to be emphasized that in contrast to their Polish and Hungarian counterparts, Baltic economists had very few opportunities to participate in the East-West exchanges. Linas Čekanavičius (2002, 122) maintains that the economic thinking in the Lithuanian Soviet Socialist Republic (SSR) has been virtually immune to Western influences. A very similar situation prevailed in the Estonian and Latvian SSRs (Karnite 2002; Püss 2002). Besides a very limited number of Western economic journals (for example, *Econometrica*, *Operations Research*, *Quarterly Journal of Economics*, and some individual volumes of other periodicals) available in the local libraries, the publications produced on the other side of the "Iron Curtain" remained inaccessible. Those intending to keep abreast of Western developments in the profession, therefore, had to visit the libraries in Moscow, but even this route was complicated owing to the restrictions imposed on the stocks available in those libraries. Another obstacle for the development of East-West connections in the Baltic context was related to language. Given that the main scientific language in the Soviet Union was Russian, the learning of other foreign languages remained neglected. As a result, the vast majority of economists struggled to follow the developments in English and did not take advantage of the limited bibliographical access allowed by the system. Although this does not mean that the buried origins of neoliberal thinking in the Baltics are to be found in the immediate aftermath of the 1991 revolutions, it does suggest that the spread of such ideas and practices was considerably more time-compressed than in the other parts of CEE. In the following section, I unpack three structural factors that contributed to the proliferation of communication networks through which neoliberal ideas started to be advertised, debated, appropriated, and adapted.

Structural preludes to the formation of Baltic neoliberal communication networks

The impetus for the formation of communication networks between reform-minded economists in the Baltic National Fronts and social forces championing neoliberal ideology on the other side of the "Iron Curtain" stemmed from a triptych of structural factors related to the conceptions about economic self-sufficiency as well as Soviet liberalization of foreign trade and travel.

The crux of *perestroika* has been to reorganize the bureaucratic edifices of stagnating Soviet Union's economy through a set of policy initiatives aiming to increase efficiency, dismantle the empire of industrial ministries, and substitute the vertical structures of enterprise coordination with marked-based horizontal links reliant on market forces. To this end, the Law on State Enterprises and the Law on Cooperatives, passed in 1988, accelerated the development of specific forms of private enterprise. Similarly, the Law on Joint Ventures of 1987 began dismantling the state monopoly on foreign trade by enabling firms to trade directly with foreign counterparts. The incentives for private enterprise have engendered centrifugal forces in the Baltic SSRs, where some elements began calling for greater regional autonomy. In the Estonian SSR, Gorbachev's Report on the Regional Role of *Perestroika* of 1986 laid the foundations for amalgamating the idea of Estonia's autonomy with that of economic prosperity – manifest in the so-called "Proposal of Four" (Miljan 1989, 149–150). Authored by Edgar Savisaar, Siim Kallas, Mikk Titma, and Tiit Made, the proposal featured an urgent call to grant autonomy to the republican Soviet over economic activity taking place on the territory of Estonia, introduce the convertibility of the Soviet ruble, establish budget autonomy, and so on. In short, it constituted the blueprint, which set in stone proto-market principles of autonomous economic management and planning. By the end of 1988, the document evolved into a comprehensive *Conceptual Framework for Economic Autonomy*, which catalyzed similar platforms in the Latvian and Lithuanian SSRs (Antanvičius and Vagnorius 1988).

The depiction of "market socialism" as a panacea to the curse of bureaucracy in the Soviet Union drew inspiration from earlier reform initiatives in Hungary, Poland, and

China (Stöcker 2019; Åslund 1991; Nee and Stark 1989). The Law on Joint Ventures intended to scaffold a parallel economic structure within the national economy that was to be nurtured by Western investments. This piece of legislation appeased enterprise directors and managers sensing the opportunity to earn and handle hard currency without the obligatory detour via central agencies. By way of engendering the conditions for Soviet-Western joint ventures, Oleg Bogomolov, who at the time headed the Institute of Economics of the World Socialist System in Moscow, put forward the idea of establishing free economic zones of the Chinese type, particularly in the Baltics, the Black Sea Region, and the Soviet Far East (Stöcker 2019, 582). Those measures – that effectively granted individual enterprises and cooperatives the right to enter deals with foreign investors – signified a major devolution of powers of the Soviet Ministry of Foreign Trade and received plaudits in the Baltics. It meant that hitherto All-Union foreign trade organization Lenfintorg had to be dissolved and give way for republican foreign trade institutions. After their opening in 1987, Estimpex, Interlatvija, and Litimpex were commissioned to coordinate republican foreign trade relations autonomously, even if the shortage of hard currency initially limited trade capacities to barter deals. Nevertheless, soon after the Baltic foreign trade organizations would metamorphose into proxies for nurturing exit routes from the intra-Soviet barter trade system, a process in which Sweden was to play the first violin (Stöcker 2019, 583).

Finally, the environs conducive to the formation of communication networks between Baltic economists and social forces advocating for economic restructuring in line with neoliberal ideas and practices have been shaped due to the liberalization of the Soviet travel regime in 1987. In January that year, a new supplement to the 1970 Soviet regulation governing emigration has been published. While this decree was restrictive – providing for emigration only in cases of close family reunification and detailing a range of exceptions under which emigration may not take place – the Soviet authorities tended to interpret it rather loosely. The levels of outward migration reached unprecedented vicinities during 1987 (United States Committee on Foreign Affairs 1988, 120). A year later, conclusive steps towards the liberalization of border-control policy had become detectable. The Communist Party Central Committee now searched for new and innovative ways of facilitating business travel abroad, particularly for economic, scientific, and technical cooperation. Chronicling the developments that epitomized this historical moment, Andrea Chandler (1998, 92) observes that institutes, ministries, and enterprises have started to receive encouragement to increase the number of foreign trips for the purposes of economic collaboration. The Soviet embassies and missions were now called upon to facilitate this process, and central visa-granting agencies started granting more powers to their branches in the localities. The ensuing changes made travel, particularly from Moscow, much easier. This turn of events calibrated the grounds for the exchanges of information and ideas between economic and political elites based in the SSRs, in western Europe, and the US. Put simply, the conjuncture between 1987 and 1988 marked a breaking point insofar as it opened up the space for the development of neoliberal communication networks in the east of Baltic littoral. What then, were the intricacies denoting the formation of networks in question?

Provenances of neoliberalism in Estonia, Latvia, and Lithuania

Estonia

In Estonia, the tryptic of aforesaid structural factors has precipitated interactions between the country's émigré community and reform-oriented elements in the National Front, notably Siim Kallas, Rein Otsason, and Mart Laar. Their effects were manifest in the formation of the IME International Working Group (1989) tasked to develop preliminary taxation, finance, and banking reforms and the International Economic Advisory Board (IEAB) to the Prime Minister of Estonia (1990), working in the areas of privatization, foreign trade, and introduction of national currency. Cooperating with the Heritage Foundation – the two groups consisted of international representatives from the Venezuelan automotive concern ACO Holding Group, Aluminum Company of America (Alcoa), Munich Reinsurance Company, Firestone Tire and Rubber Company, McIntosh Granite Corporation, JP Morgan Chase Bank, and Zurich Insurance Group, among others (Marten 2014, 259). Several members of the IEAB group, such as Madis Üürike, former General Manager of the BGB Construction and Real Estate Management Company in Stockholm, Bo Kragh, the Vice-President of Handelsbanken, Jaan Manitski, and Andres Bergmann, became active in scaffolding the pedestal of Estonia's neoliberal regime. They occupied executive and advisory roles in the ministries of finance, energy, economic and foreign affairs, Bank of Estonia as well as country's Privatization Agency. Before the restoration of Estonia's independence, the IEAB also supported the establishment of the first business school in the Soviet Union. From 1988, the Estonian Business School, founded by Madis Habakuk, Marshall Fitzgerald, Rein Peterson, and Ilmar Martens, offered English language-based courses in Tallinn. Collaborating with leading Finnish consultancy firms (Mec Rastor and Omatulos) it sought to retrain qualified Soviet enterprise managers in Western work practices.

The lion's share of initiatives to transform Estonia's ideological climate originated from Sweden. In the informative study chronicling Sweden's involvement in the Soviet Baltic economies, Lars Fredrik Stöcker (2019, 586) asserts that by 1988 the representatives of major institutions of the republican economy, such as the Estonian Management Development Institute, had begun lobbying for closer links between the National Front and business leaders of Estonian origin abroad. The activities were conceived as a prospective channel to transfer Western economic expertise to Estonia. In turn, the Council of Ministers of the Estonian SSR issued a special decree on cooperation with compatriots in the west in October 1988, encouraging organizations like Estimpex to test the waters. A steadfast advocate of cooperation with the Soviet Baltic authorities at the time was Toomas Käbin, a Swedish-born economist of Estonian descent who worked as an area manager at the Swedish Trade Council. According to Stöcker (2019, 586–587), it was Käbin who, in late 1988, curated a weeklong crash course in Western economic thought and practice for Estonian enterprise directors and economists at the aforesaid Institute. Due to Käbin's commitments, the Swedish Trade Council later advanced its position on the nascent Baltic markets, encouraging small and midsize Swedish enterprises with no experience in Soviet trade to invest particularly in Estonia. By January 1990, Sweden's National Industrial Board, a state agency for regional entrepreneurial development operating under the Ministry of Industry established first contact with the Ministry of Economic Affairs in Tallinn, with the ambition to launch an educational project promoting small-scale entrepreneurship as an alternative to the Soviet "big factory thinking."

Three other initiatives discussed by Stöcker (2019, 593–595) are worth recounting. For one, Sweden's Ministry of Employment started working on an educational program for Baltic state employees and professionals, which drew on the experiences and practical advice offered by the Federation of Swedish Farmers (LRF). Since spring 1989, the Federation had been supporting the agricultural transformation in Estonia. Furthermore, the Swedish Employers' Association played a significant role in co-financing private sector initiatives such as the Market Economy Center in Tallinn, which opened in Tallinn in June 1990. The Centre attracted funds from the Stockholm-based neoliberal Timbro think tank, whose record included the struggles against corporatism, solidaristic wage policy, and welfare state in Sweden (Blyth 2001). Moreover, the Stockholm-based think tank provided the educational environment for Estonia's neoliberal Prime Minister Mart Laar. It was here that Laar was first introduced to Milton Freedman's teachings during a weeklong training program (Johansson 2016, 99). Meanwhile, after its opening, the Market Economy Center in Tallinn started to organize regular seminars for aspiring Estonian entrepreneurs with Swedish business representatives and through its traineeship program sent Estonian university lecturers to the Stockholm School of Economics (Stöcker 2016, 469). Finally, in spring 1991, the Foreign Ministry's trade department commissioned a group of independent economists with the task of issuing a first comprehensive report on the Baltic economies, which resembled the country studies later compiled by the World Bank on a regular basis (Stöcker 2019, 595).

This exposé constitutes an important qualifier to extant thinking about the trajectories of post-communist reform paths in Estonia. Specifically, it renders Bohle and Greskovits' (2012, 106) assertion that in Estonia "there was a pre-existing domestic consensus favoring radical solutions" to post-communist transformation problematic. The said "consensus" never exhibited a clearly domestic nature, insofar as the contents of neoliberal reform packages were scripted by social forces located abroad, and particularly in Sweden. Further, it could be asserted that frequently regurgitated references to the "always already" existing "consensus" in the Estonian case (see Lindstrom 2014, 224; Norkus 2012, 231–233; Raadschelders and Vigoda-Gadot 2015, 306) tend to underestimate alternative restructuring strategies. The presence of the latter is found in the feedback that Estonian émigré intellectuals – Thomas Palm, Rein Taagepera, and Ardo Hanson – received from the experts of the Estonian Academy of Sciences during the Suurupi Conference held in the autumn of 1991. The conference set out to examine and discuss the models for post-communist restructuring in Estonia, developed by a macroeconomics working group. Out of the three visions for post-socialist economic framework, two did envision transitional customs duties, the maintenance and at least temporary prioritization of eastward trade orientation conducted through clearing arrangements, the gradual liberalization of prices, and the protection of Estonia's agriculture from Western imports. To the dismay of the working group's chair, the "radical" restructuring model – advocating for a drastic Westward reorientation of trade, fast enterprise restructuring, the rise of unemployment to 40% during a "transformational recession," and the opening up to foreign investment and imports after the rapid introduction of the national currency – had been the least popular and encountered harsh criticism (Palm 1992, 286–287). That less than a year later it was the latter conception that Estonian policymakers adhered to intractably, depended on the ability of the IEAB-endorsed personnel to attain the driving seats at the Monetary Reform Committee. I will return to this historical vignette in the following section.

At this stage, it is important to accentuate that the Scandinavian imprint characterizing the communication networks between reform-minded Estonia's National Front economists and transnational social forces can be accounted for with reference to a sizable Estonian émigré community in Sweden, and to a lesser extent in Finland. Furthermore, those networks, as Stöcker (2019, 600) maintains, were cemented due to infrastructural factors. The direct flight route between Stockholm and Tallinn inaugurated in the autumn of 1990 constituted one accelerating feature. Moreover, the agreement between the Estonian Communication Ministry and the Finnish and Swedish branches of Telecom International, which placed the northern part of Estonia in the Nordic Mobile Network in early 1991, made phone calls between countries of national (rather than international) status. Given that the other two Baltic countries were bereft of such infrastructural rewards and had the largest proportion of their émigré communities residing in the US, the inauguration of communication networks therein attained peculiarities of their own.

Lithuania

The seeds for the ideas associated with neoliberalism in Lithuania have been sown owing to the efforts of Alexander Shtromas and Saul Anuzis. A Lithuanian émigré political scientist, Shtromas left the Soviet Union in the 1970s to lecture at Bradford and Salford universities in the UK, before settling in at Hillsdale College – a private conservative liberal arts college in Hillsdale, Michigan. Another American Lithuanian figure, Anuzis, rose to political prominence in the city of Lansing. After the election as a member of the Michigan Republican Party's state committee, he served as a campaign manager of Dick Posthumus' senate race in 1982 (Grazulis 2009, 60). In the summer of 1990, Shtromas and Anuzis worked collaboratively to prepare an invitation addressed to the delegation of Lithuanian National Front economists to visit the Hillsdale College in Michigan. During this visit, the Lithuanian delegation attended the 17th annual Ludwig von Mises Lectures, in which the experts of Austrian economic thought such as Charles Van Eaton, Gary Wolfram, George Selgin, and Richard Ebeling discussed the state of the Austrian School (Imprimis 1990). After the event, Hillsdale College, together with the Financial Development Group of Lansing, coordinated the delegation's visit to several free-market institutions in the US. That summer, members of the College authored a detailed package of privatization, restitution, monetary, and banking reforms (Shtromas 2003, 200–206). What came to be known as the Hillsdale Plan, entailed the advocacy of an instantaneous and "truly total privatization" with no single industrial, agrarian, financial, or other service enterprise surviving under the state's proprietorship. The plan aimed to transfer the stock to single entities and to eradicate the role of intermediary organizations, such as workers' collectives or trusts in ownership structures. In the context of full local currency convertibility, the national unit was to be attached to the US dollar or the Deutschemark (via a currency board arrangement), while the liberalization of prices and wages had to proceed against the backdrop of negative taxation and the elimination of state's role in wage settlements. If the libertarian reverie "was too episodic and weak to stand a chance of becoming real success," its ideational repertories were later partially realized in practice. Moreover, the College played an important role in aiding the neoliberal mainstay in Lithuania (Shtromas 2003, 200). Having coordinated the Lithuanian SSR delegation's visit to several American free-market organizations in 1990, Hillsdale's president, George Roche, later delivered widely publicized speeches in Lithuania, donated a collection of Austrian textbooks to Vilnius University library, and, crucially, inaugurated the Lithuanian Free Market Institute (LFMI).

Forming a part of the global network of think tanks under the aegis of Atlas network, the Institute was a brainchild of Hillsdale College and six Lithuanian economists – a recent Michigan returnee Kęstutis Glaveckas and his student and later a member of Mont Pèlerin society, Elena Leontjeva, as well as Nijolė Žambaitė, Petras Auštrevičius, Dainius Pupkevičius, and Darius Mockus. Established in November 1990, the LFMI set out "to promote ideas of individual freedom and responsibility, free market, and limited government intervention" and initially worked in the areas of law-drafting and legislative analysis, monetary and banking policy, and privatization (Lietuvos Laisvosios Rinkos Institutas 2021). Throughout the years, the organization received funding from Friedrich Naumann, New Direction, John Templeton, and Earhart foundations. This has enabled the LFMI to conduct regular studies on economic policy, develop reform packages, undertake public education campaigns, and evaluate and shape legislation. In the domain of the banking sector, the LMFI backed the initiatives of opening up the domestic market to foreign banking corporations (1996), legitimating commercial bank loans in foreign currencies (1997), and abolishing income tax on foreign loan interest (1999). The creation of low tax infrastructure constituted another mission, to which the Institute dedicated its energies (Vainienė 2002). The LFMI promoted the ideas of abolishing direct income taxes, removing corporate income tax, and doing away with the road as well as real estate tax. Apart from its involvement in the deregulation of the labor market – through the activities such as drafting a new, post-communist Labor Code – the Institute pursued the idea of pension privatization (Lietuvos Laisvosios Rinkos Institutas 1996). Initially, its analysts drafted the first pension funds bill in Lithuania (1994) and later legislation involving a voluntary fully funded pension insurance with private pension funds (1999). In response to the political challenges associated with the proposed pension reform, the Institute went on to propose a policy compromise involving voluntary second-tier pension insurance in private pension funds, which served as a stimulus for a subsequent Lithuania's pension privatization reform (Lietuvos Laisvosios Rinkos Institutas 2003). In short, throughout the first decade of "transition" and beyond, the LFMI became capable of articulating neoliberal ideational frameworks as the only "correct" policy prescriptions. After the implementation of currency and monetary reforms (examined below), its members attained advisory roles in both center-left and center-right ministries.

Latvia

The transatlantic landscapes demarcating the communication networks' formation has been in large part replicated in Latvia. Here, the ideas and social forces supportive of neoliberalism gained momentum after Baltic prime ministers and the Indianapolis-based conservative Hudson Institute signed the agreement to establish the International Baltic

Economic Commission (IBEC) in 1990. Aiming to foster "cooperation between Western experts and Baltic counterparts in developing an action plan for the transformation of [the region] into independent free market economies […] integrated with the world economy," the Commission was patterned on the Hungarian Blue-Ribbon Commission model (Wheeler and Beldavs 1991, 2). It was designed to "create the framework for the economic, social, and legal aspects of the transition of the Baltic Republics to market economies, and then to work side-by-side with the Baltic delegations to draft and implement the laws needed to accomplish the identified objectives" (Flaschen and DeSieno 1992, 667). The Commission attracted funding from the Ford Foundation, the Rockefeller Brothers Fund as well as the Pew Charitable Trusts and came to be structured along nine working groups (Wheeler and Beldavs 1991). Each group specialized in different areas of restructuring, including property ownership, government strategy, legal systems, market mechanisms, monetary and fiscal policies, structural adjustment, foreign relations, and social policy.

In this connection, it is pertinent to recall that the 1959 purge of ethnic Latvians from the Latvian Communist Party augmented a prolonged wave of anti-nationalism emanating from Moscow (Karklins 1987; Steen 1997). Even after the launch of *perestroika*, the Latvian Communist Party remained more tightly controlled, closed, and repressive compared to its two other Baltic counterparts (Bennich-Björkman 2009, 31). The hegemony of the Party in the Latvian SSR, however, did not mean – as Magnus Feldmann (2001, 553) suggests – that a blueprint for economic self-sufficiency akin to Estonia's "Proposal of Four" was never developed in Latvia. On the contrary, a working group advocating for economic autonomy for the Latvian SSR and authoring proposals for the improvement of the economic mechanism of the republic's State Planning Committee started its work in 1987. The key figure and ideologist of the working group was Arnis Kalniņš, whose proposals garnered endorsements from Jānis Āboltiņš – at the time a Deputy Chairman of the State Planning Committee. Other members of the group – Aina Bataraga, Inesis Feiferis, Andris Liepiņš, Uldis Osis, and Uldis Vitolins – would later come to endorse neoliberal visions of restructuring, pushed through by the so-called "Georgetown Gang." At that time, however, Latvia's National Front Economic Platform proposed to transfer all fixed assets to Latvia's SSRs' property, introduce an autonomous tax system, grant the republic a right to determine wages and prices on market principles as well as to equalize Latvia's exchange with other republics in raw materials, finished products, and services. Therefore, instead of focusing on the absence of reform blueprints in the late 1980s, a more apposite interpretation would have to pinpoint the Party's role in discouraging the proliferation of discussions, ideas, and impulses from distinctly Western theory and practice (Bennich-Björkman 2006, 298).

The impulse for Western-influenced change came from the Hudson Institute, which has attained far greater pre-eminence in Latvia than in the other two republics. On the one hand, the Commission financed the translation of "position papers" on the liberalization of trade and investment, foreign aid, tax reform, and integration in the European Common Market into the Latvian language. The translation work was often undertaken by émigré economists, political scientists, and business experts under the auspices of the World Federation of Free Latvians (Vīksniņš 2008, 110). On the other hand, the IBEC's cooperation with an aforementioned influential American foundation, the Pew Charitable Trusts, provided the basis for kindling a segment of future Latvian policymakers, inculcated into a neoliberal worldview. The birth of the so-called "Georgetown Gang" was predicated on the ability of its architect, American-Latvian economics professor George (Juris) Vīksniņš, to arrange multiple stipends for young Latvian policymakers to participate in the Pew Economic Freedom Fellows Program

(PEFFP) at Georgetown University (Sommers and Woolfson 2014). Based in Washington, the prestigious half-a-year program entailed academic and practical dimensions. The successful applicants first undertook three months training in economics, business, and computer use, provided by Georgetown University faculty. The second part of the program provided attendees with practical work experience, often at the headquarters of the International Monetary Fund (IMF) or the World Bank. No less than a third of eastern European graduates of the 1992 PEFFP program "were either the members of the Supreme Council of the Latvian SSR, experts working in various [republic's] ministries, or other representatives in the World Federation of Free Latvians" (Arpad 2013, 243). As Vīksniņš (2008, 109) recalls, Georgetown University also sponsored an intensive seven-week program of summer courses and internships for college students, called the Engalitcheff Institute for Comparative Political and Economic Systems, which has had several Baltic alumni.

The determination to refashion Latvia's post-communist economy in the image of neoliberal "transition posterchild" is displayed most clearly in the plan for restructuring *Latvija 2000*. This program was first discussed in July 1991 at the World Congress of Latvian Sciences. Its preparation and implementation were subsequently endorsed and nourished by the World Federation of Free Latvians, the Latvian Embassy in the US and Georgetown University. In January 1992, working together with two economists – Uldis Osis and Ojārs Kehris, who had earlier served as a consultant to the Economic and Ideological Departments of the Latvian Communist Party Central Committee – George Vīksniņš established the *Latvija 2000* working group in Washington. Throughout 1992 and 1993, this working group discussed the guidelines of the program with CEE countries' economic reformers, experts of macroeconomic reform in the US and Western Europe as well as specialists in the PEFFP and the Salzburg Seminar organization. In the following years, eight conferences dedicated to the discussion of the reform blueprint took place in Riga and Washington, attracting the input from other notable figures, including American Latvians, such as Juris Neimanis, Gundars Ķēniņš-Kings as well as Ilmārs Rimšēvics. Rimšēvics, a student at Clarkson University, would go on to become the deputy governor and later governor of Latvia's Central Bank.

The blueprint set out to establish a long-term economic reform agenda capable of articulating a solid macroeconomic vision, signaling to the world "where and how" Latvia wants to go, and attracting the backing from the global financial community for the program's implementation (Kehris, Osis, and Vīksniņš 1993, 1). Having pronounced that the "cherished independence" of Latvia has not brought about economic prosperity, instead giving way to disorder, insecurity, and social vulnerability, the document echoed general Shock Therapy discourse (Lipton and Sachs 1990; Balcerowicz 1995). Its authors insisted that the success of neoliberal reforms depended on the government's determination to implement radical policies. At the same time, they emphasized that irrespective of changes in government, reforms had to proceed at a rapid pace. If "progress" was rapid, the opponents would find it difficult to deviate from the path of change. To realize those commitments, *Latvija 2000* program focused on several reform aspects, including the liberalization of prices and trade, introduction of convertible currency, rapid privatization of state-owned enterprises, and adoption of monetary and fiscal restraint to combat inflation (Kehris, Osis, and Vīksniņš 1993). Thanks to the execution of tasks outlined in this blueprint, "the right-wing free marketers were able to gain the upper hand, and managed to steer Latvia towards the path of privatization, liberalization and opening up to foreign investment" (Vīksniņš 2008, 113).

Pathways to power and policy influence

The intermezzo between 1987 and 1991 constituted the moment when the communication networks have become consolidated. These developments then laid the basis for the implementation of Shock Therapy policies. While certain parallels can be dissected in the initial phase of neoliberalism's birth – the birth in the realm of ideas, action plans and training programs – the same logic does not apply to the variegated paths through which neoliberal coteries captured the economic policy levers in each national setting.

Perhaps the most straightforward conduit delineating the movement of internationally connected elements in favor of "free-market" policies to the loci of power and influence is provided by the Georgetown Gang's capacity to position itself as an orchestrator of initial reforms. In large part, this stemmed from the entrenchment of the Gang's members in the governing council of Latvia's Central Bank. Already before the start of currency and monetary restructuring that culminated with the introduction of the Latvian national unit, the Lats, in March 1993, Vīksniņš teamed up with another influential American Latvian, Uldis Klauss, whose career credentials included executive posts at the organizations such as the Bankers Trust Company, Long Island Trust Company, and the Bank of New York. The pair received funding from the US Treasury and began serving as expert advisors to the Central Bank. Subsequently, Vīksniņš's intellectual foster-child, a graduate of physics from the Latvia State University, Einars Repše, was appointed as the governor of the Bank. Ilmārs Rimšēvičs – whose input has been critical in drafting the *Latvija 2000* program (Vīksniņš 2008, 111) – started working as Repše's deputy. Following Repše's resignation in 2001, he would hold the position of the bank's governor for the next 18 years. Apart from the two most influential positions in the bank, the Georgetown Gang's influence has been pronounced in the Executive Board. In late 1992, except for one available vacancy, the six-member Board was composed of Galina Aliyeva, Valentīna Kolotova, Harijs Bušs, Bruno Reinholds Rubess, and Varis Zariņš (Latvijas Banka 1993, 23). While Kolotova, Bušs, and Zariņš were close associates of Repše, Rubess – a Canadian Latvian, who prior to his appointment worked as a Senior Director for Volkswagen AG in Wolfsburg – is mentioned among the drafters of the *Latvija 2000* program.

The positions of neoliberal circles at the helm of Latvia's economy were cemented when the center-right Latvijas Ceļš party, which campaigned on the *Latvija 2000* program's guidelines, won the parliamentary elections in June 1993. While the majority of experts of the newly formed Valdis Birkavs government's economic policy team were part of the Georgetown network, its members also took the posts of the Deputy Prime Minister and Minister of Economics (Ojārs Kehris), the Minister of Finance (Uldis Osis), and a deputy in Finance Ministry in charge of revenues (Vilis Krištopans) (Arpad 2013, 243). Accordingly, the vision of restructuring advocated by the first (August 1993 – September 1994) and second (September 1994 – December 1995) Latvijas Ceļš-led governments borrowed directly from the Shock Therapy playbook. Latvia's trade regime was liberalized rapidly even if certain footprints of protectionism in the form of tariffs on agricultural imports initially remained intact. Following the advice of the Gang, the Latvijas Ceļš-led governments also accelerated the slow pace of the country's privatization program owing to the establishment of the Privatization Agency in the spring of 1994 and the measures geared at centralizing the process, such as the foundation of the State Property Fund. The pension system reform has been put onto a neoliberal course as early as 1993. Latvia became the first country in the post-communist orbit to introduce a system predicted on a private pension insurance model. It has not only introduced a multi-pillar pension system but also, and more significantly, modelled the first, pay-as-you-go pillar on the Swedish template of a notional defined contribution scheme, a system that resembles a lifetime contribution-based pension – as if offered by an insurance company (Fox and Palmer 1999, 9). This scheme imposed discipline on contributors and sent strong incentives to delay one's retirement, as retirement benefits were entirely dependent on an individual's contribution (Bohle and Greskovits 2012, 117). The imprint of neoliberal totems has, however, been most pronounced in the area of taxation reforms. The Birkavs government eliminated the differential corporate income tax system replacing it with a unique 25% rate. It also initiated a series of modifications of the income levels falling under the existing five tax brackets, ranging from 15% to 35%. These measures were geared at abandoning the progressive nature of personal income taxation, realized in the ultimate enactment of a 10% personal income tax rate on the highest earners. Together with the establishment of a unified corporate tax rate at 25%, the second government, led by Māris Gailis – and in this policy area supervised directly by Repše and Rimšēvičs – finalized the transformation of Latvia's personal taxation system into a regressive one. By 1995, Latvia became a country with an "unusual regressive rate structure" (that is, one under which the marginal rate falls with income), with a starting marginal rate of 25%, followed by a marginal rate of 10% on the highest incomes (Arpad 2013, 244).

It was the first post-Soviet general election in September 1992 that also supplied large swathes of radically minded reformers with mandates and advisory roles in Estonia. A subsequently formed coalition government was led by a staunch proponent of Shock Therapy, Mart Laar, who has once famously boasted of not having read a single book on economics, except from Milton and Rose Friedmans' *Free to Choose*. Finding inspiration in Ludwig Erhard's principles of "social market economy," the Laar government's reform vision sought to maintain a well-functioning price mechanism based on the highest possible degree of competition. Cherishing the institution of private property as the only guarantor of efficient use of resources and the prevention of monopoly formation, this normative stance reduced the role of the state to an impartial arbiter of the economic process against short-term interventionist temptations. The adaptation of Erhard's principles to the post-Soviet context entailed an additional focus on particularly strict fiscal constraint and rapid liberalization of trade (Laar 2002, 146). The neoliberal record of the first Laar government (October 1992 – November 1994) was immaculate. The institutionalization of fiscal restraint has been achieved not only through the resort to drastic cuts in various endowments, subsidies, and programs of social support but also through a new Budget Act, which made it a law to keep the budget balanced. A parallel area of priority has addressed the liberalization of foreign trade, with nearly all export restrictions abandoned by the end of 1992 and import tariffs lifted (bearing the exceptions on tobacco, alcohol, and fuels taxed with excise duty) subsequently. During this short timeframe, the government began a rapid privatization program based on the Treuhand model, which adhered to the "multi-track" approach combining national and international tenders alongside public share offerings (of minority stakes) to target strategic investors. The implementation of radical tax reform culminated in the introduction of a flat tax system for personal income taxation (Trasberg 2011; Azacis and Gillman 2010). Estonia's "flat tax" revolution subsequently served as an inspiration for Shock Therapy heirs across CEE and conservative libertarians beyond the region.

Against the backdrop of the aforementioned Laar government's reform credentials, it is pertinent to underscore that already before the 1992 general election, neoliberal flagmen were attaining positions of influence in the state apparatus. Of particular relevance in this connection is the duo of monetary reform architects – Siim Kallas and Ardo Hansson. Throughout his long and wide-ranging career, a former holder of the Communist Party card, Kallas, worked at the Finance Ministry Planning Committee and the Savings Bank of Estonian SSR. He also served as the Head of the Association of

Estonian Trade Unions and led a strike in support of democratic authorities in Moscow during the August putsch. Later he would become a patron to the informal Estonian Hayek Society, a Prime Minister, and the Vice-President of the European Commission. In the conjuncture of post-communist transformation, however, Kallas' path to influential positions began in the corridors of the Bank of Estonia, where he was appointed governor in September 1991. Ardo Hansson, meanwhile, was a young émigré economist who received a doctorate from Harvard University, working under the supervision of Shock Therapy pioneer Jeffrey Sachs. Hansson became one of the key figures in the midst of tumultuous years following his initial appointment as an Economic Advisor to the Prime Minister under transitional Tiit Vähi's government and a subsequent role as a member of the Supervisory Board of the Bank of Estonia. In March 1991, the pair attained the positions in the three-member Estonia's Monetary Reform Committee (MRC), which held extensive powers to issue decrees, considered to have the same status as parliamentary decisions regarding any monetary and currency reform-related issue (Drevina, Laurinavicius, and Tupits 2007, 27). Their dominance over the Committee accelerated the adoption of a monetary regime centered on a currency board arrangement (CBA) – which became the kernel of Estonia's post-Soviet neoliberalism. Apart from eradicating the incentives to pursue expansionary monetary policy, this exchange rate arrangement supported the imposition of fiscal restraint, openness to capital flows, and foreign investor-led privatization of state-owned enterprises (Ponsot 2006; Becker 2007; Salyga forthcoming).

In Lithuania, an idiosyncratic parallelogram of social forces was expressed in the fact that before 1994 neither the government nor the Central bank had any representatives with close ties to the citadel of neoliberalism – the LMFI. The latter proved nonetheless capable of achieving similar results (the introduction of CBA) as in Latvia and Estonia.

Bereft of direct access to decision-making power, in the early period of restructuring reserved to what in the Shock Therapy vocabulary came to be known as “stabilization reforms,” the Institute had to rely on contingencies to push through its preferred exchange-rate arrangement, namely that of a currency board. The conditions for making a distinctively neoliberal imprint on currency and monetary reforms became apposite when following the withdrawal of Lithuania’s interim currency (*talonas*) and the introduction of a new national unit (the Litas) under a managed float ($1 = 4.5 Lt) the Central Bank chose not to replicate exchange-rate-based stabilization programs underway in the Baltic north. In its fight against inflation, the Bank sought to reduce the monetary base by restraining credit for the government’s budget deficit financing and retaining control over the exchange-rate. Although the strategy proved conducive to the reduction of inflation by June 1993, it served to antagonize the government (Rudgalvis 1996, 47). In response, the government began articulating its hopes of a stable currency to sideline the Central Bank from an increasingly strong position it was acquiring. Even if most Lithuanian economists – some of whom were familiar with CBA since their visit to Hillsdale College – viewed the latter arrangement as a mechanism to deprive the country of monetary sovereignty, the confrontation between the Central Bank and the government in 1993 hastened the climate for relaunching the CBA campaign.

The LFMI began advertising CBA to various expert audiences and government ministers as “the most effective cure from financial turbulence” (Gylys 2009, 35). These efforts paid off in January 1994. Upon the encouragement from the Senior Economist in Reagan Administration, Steve Hanke, Prime Minister Šleževičius became “convinced that a rule-based CBA would put the Bank of Lithuania on a short leash and impose a hard budget constraint on the Lithuanian parliament” (Hanke 2016, 5). Soon appointed as the State Counsellor on Monetary and Financial Policy, Hanke joined forces with the

LFMI, his old collaborator Kurt Schuler, and the IMF representatives. Although on the eve of the parliamentary vote on the Law on the Credibility of Litas (17 March 1994), the opposition to CBA has been rife – the ability of the Prime Minister to threaten the President with government's resignation, if the latter refused to sign the law, proved decisive. Following the decree institutionalizing the anchor currency as that of the US dollar and at an official peg rate of $1 equals to 4 Lt in late March 1994, Lithuania began operating a currency board. It thereby ensured the full backing of legal tender by the country's foreign reserves and decapitated the central bank's role in monetary policymaking. In this instance, a very similar neoliberal reform outcome (to that in Estonia) has been achieved in the environment where institutional and agential coordinates seemingly positioned the LFMI at the margins of power and influence. The marginality of that position has been superseded during the subsequent rounds of reforms.

Conclusions

Unearthing the ascendance and initial consolidation of neoliberalism in the Baltic states has been the central objective of this article. As demonstrated in the preceding paragraphs, locating the Baltic experiences of neoliberalization within a broader environment of social change necessitates an examination of structural, agential, and ideational peculiarities. Indicative in this connection is the acknowledgment that the cases under our consideration have been distinct from other locales in CEE where the birth of neoliberal ideational frameworks and forces supportive of it are traceable all the way back to the East-West knowledge exchanges, which emerged in the late 1960s. We have shown that specific structural coordinates that gave rise to the "free market thinking" are attributable to the decentralization reforms, which stimulated the development of Baltic self-sufficiency programs. These blueprints contained proto-neoliberal principles in the embryonic form. An additional catalyst on this register has been the reorganization of the Soviet Union's foreign trade institutional setting, which gave birth to independent Baltic trade organizations that turned into proxies for establishing connections with neoliberal forces in Scandinavia, particularly with regard to Estonian reformers. Finally, the preparatory grounds for what we have termed the "communication networks" between Baltic National Fronts' economists and émigré intellectuals alongside neoliberal institutions abroad have been laid due to the liberalization of the Soviet travel regime in the conjuncture between 1987 and 1988. This was a chronological point of rupture insofar as it opened up the space for the aforementioned networks to flourish.

Having accentuated the structural preludes conducive to the birth of neoliberalism in our studied cases, we have deciphered the divergent pathways in which the communication networks in the late Soviet era have been established and subsequently evolved. In Estonia, the proto-neoliberal ideas have been first discussed in the two domestic institutions – the IME International Working Group and the IEAB to Prime Minister. At the same time, the transformation of the ideological climate in the country has been affected from abroad, and most notably from Sweden. The activities of the Swedish Trade Council (training programs), National Industrial Board (contact gathering and educational projects), Employers' Association (co-financing the establishment of a neoliberal think-tank in Tallinn), and Foreign Ministry's trade department (country study) were of particular importance in this regard. Both Lithuanian and Latvian cases exhibited a departure from this route insofar as the communication networks there attained visibly transatlantic dimensions. In the case of the former, the energies of Lithuanian Americans (Shtromas and Anuzis) were pivotal in facilitating the dialogue between reform-minded economists in the National Front and conservative-libertarian scholars at the Hillsdale College. Its President supported and inaugurated the citadel of neoliberalism in the country, the Lithuanian Free Market Institute. Notwithstanding a certain time-lag, attributable to the Communist Party's suppression of Western influences in Latvia, the situation therein resembled the dynamics witnessed in Lithuania insofar as the transatlantic nature of exchanges between local economists and émigré intellectuals was concerned. The pertinent role was played by the American Latvian economics professor George Vīksniņš, who not only arranged multiple stipends for young Latvian policymakers to receive training in economics at Georgetown University but also gathered a group of economists to author the *Latvija 2000* program, which can be interpreted as the *Absichterklärung* of neoliberalism in the country.

It was against this backdrop of forensic examination of communication networks' proliferation and consolidation that we mapped out the distinct pathways in which neoliberal reformers managed to capture the economic levers of power in each national setting – a process that entailed variance of degree but not of substance. In Latvia and Estonia, a significant number of advisers and politicians were placed at the helm of relevant ministries in the aftermath of the first post-Soviet parliamentary elections. Yet in each case, the consolidation of power positions is also detectable in the central banks' executive boards. What distinguished the Lithuanian case in the early phase of "transition" is the fact that the Lithuanian Free Market Institute had no representatives in the government, nor in the Central Bank. To realize similar reform outcomes as those witnessed northwards of the Baltic littoral, the Institute had to rely on contingencies when attempting to influence the trajectory of monetary reforms. Its successful campaign for the introduction of a fixed exchange rate regime centered on the currency board arrangement helped to enhance its position.

This article has developed an interpretation capable of excavating the buried origins of free-market ideational frameworks and practices in the Baltics – an interpretation, to be sure, that can be subverted, criticized, and expanded. In this sense, the article is an epitaph to a call for a new research agenda that could be realized through embarking upon archival research and conducting interviews with first-hand witnesses and protagonists of neoliberalization. It is those endeavors in particular that hold the promise of shedding a light on several outstanding questions. For example, one still has to examine whether Baltic Soviet economists and émigré intellectuals took part in the East-West academic exchanges throughout the 1970s, even if the author of this article has not found any evidence to substantiate the claim. The vistas of inquiry here relate to the examination of participant lists in the input-output congresses organized by Wassily Leontief and his collaborators at Harvard University and the events organized by the International Institute for Applied Systems Analysis in Vienna. One may further explore the academic exchange programs of the Ford Foundation as well as a series of East-West conferences that took place in the Milan-based Center for the Study of Economic and Social Problems under the sponsorship of Renato Mieli. Another caveat that holds the promise of enriching our knowledge about the origins of Baltic neoliberalization is related to the degrees of influence that Western advisers exerted on Baltic decision-makers. For example, it is well-known that the first cabinet of Lithuania following its declaration of independence in March 1990 received advice from the former Michael Dukakis's chief economic strategist, Lawrence Summers. What remains undocumented to this day is, however, the extent of Summers' involvement as well as the advice provided. On a more general plane, empirical evidence confirming or disputing the claim that during post-communist transformation local Baltic economists and elites never behaved like the pawns in the hands of foreign agents or followed radical reform prescriptions blindly would be welcome. Apart from the example of the abovementioned Suurupi Conference, evidence in favor of complex intra-elite struggles is discernible in the conducts of the

Economic Reform Committee (or Forest Committee), which during the monetary restructuring in Estonia sought to recalibrate the macroeconomic reform agenda in a gradualist direction (Knöbl, Sutt, and Zavoiceo 2002, 6). The exploration of such conflicts and articulations of gradualist "transition" strategies ought to be extended to Latvian and Lithuanian cases. Such critical correctives can inform a new research agenda on Baltic neoliberalization which may contribute to the revival of the region's Economic Sociology and Political Economy. It is hoped that this exploratory article made a diminutive contribution towards that end.

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