

VILNIUS UNIVERSITY

VYTAUTAS KUOKŠTIS

THE POLITICAL ECONOMY OF INTERNAL ADJUSTMENT IN THE BALTIC  
STATES: EXPLAINING RESPONSES TO THE CRISIS

Summary of doctoral dissertation

Social Science, Political Science (02 S)

Vilnius, 2013

Doctoral dissertation was completed in 2008-2012 at Vilnius University.

**Scientific advisor:**

Prof. dr. Ramūnas Vilpišauskas (Vilnius University, Social science, Political Science – 02 S).

Council of Defence:

**Chairman:**

Prof. Habil. Dr. Jonas Čičinskas (Vilnius University, Social Science, Political Science – 02 S).

**Members:**

Prof. Habil. Dr. Vygandas Kazimieras Paulikas (Mykolas Romeris University, Social Science, Management – 03 S);

Prof. Dr. Vytautas Radžvilas (Vilnius University, Social Science, Political Science – 02 S);

Prof. Dr. Alvydas Raipa (Mykolas Romeris University, Social Science, Management – 03 S);

Doc. Dr. Ainė Ramonaitė (Vilnius University, Social Science, Political Science – 02 S).

**Opponents :**

Prof. Dr. Vitalis Nakrošis (Vilnius University, Social Science, Political Science – 02 S);

Prof. Dr. Artūras Grebliauskas (Vytautas Magnus University, Social Science, Economics - 04 S).

The public defence of the dissertation will be held at 3 PM on April 5, 2013, at 402 aud. of the Institute of International Relations and Political Science, Vilnius University.

Address: Vokiečių str. 10, Vilnius, Lithuania.

The summary of the dissertation was mailed on March 5, 2013.

The dissertation can be inspected at the library of Vilnius University.

VILNIAUS UNIVERSITETAS

VYTAUTAS KUOKŠTIS

VIDINIO PRISITAIKYMO POLITINĖ EKONOMIJA BALTIJOS ŠALYSE:  
VALSTYBIŲ REAKCIJOS Į KRIZĘ AIŠKINIMAS

Daktaro disertacijos santrauka

Socialiniai mokslai, politikos mokslai (02 S)

Vilnius, 2013

Disertacija rengta 2008-2012 metais Vilniaus universitete.

**Mokslinis vadovas:**

prof. dr. Ramūnas Vilpišauskas (Vilniaus universitetas, socialiniai mokslai, politikos mokslai – 02 S).

Disertacija ginama Vilniaus universiteto Politikos mokslų krypties taryboje:

**Pirmininkas:**

prof. habil. dr. Jonas Čičinskas (Vilniaus universitetas, socialiniai mokslai, politikos mokslai – 02 S).

**Nariai:**

prof. habil. dr. Vygandas Kazimieras Paulikas (Mykolo Romerio universitetas, socialiniai mokslai, vadyba – 03 S);

prof. dr. Vytautas Radžvilas (Vilniaus universitetas, socialiniai mokslai, politikos mokslai – 02 S);

prof. dr. Alvydas Raipa (Mykolo Romerio universitetas, socialiniai mokslai, vadyba – 03 S);

doc. dr. Ainė Ramonaitė (Vilniaus universitetas, socialiniai mokslai, politikos mokslai – 02 S).

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prof. dr. Artūras Grebliauskas (Vytauto Didžiojo universitetas, socialiniai mokslai, ekonomika – 04 S).

Disertacija bus ginama viešame Politikos mokslų krypties tarybos posėdyje 2013 m. balandžio mėn. 5 d. 15 val. Vilniaus universiteto Tarptautinių santykių ir politikos mokslų instituto 402 auditorijoje.

Adresas: Vokiečių g. 10, Vilnius, Lietuva.

Disertacijos santrauka išsiuntinėta 2013 m. kovo 5 d.

Disertaciją galima peržiūrėti Vilniaus universiteto bibliotekoje.

## Summary of doctoral dissertation

### *Research questions and motivation*

The aim of this dissertation is to investigate how and why the three Baltic countries responded to the economic crisis in 2008-2010. More specifically, it aims to analyze the strategy of internal adjustment, which involves safeguarding the fixed exchange rate and achieving fiscal sustainability.

There are several reasons why such an investigation is worthwhile. To begin with, the economic crisis was a major challenge for the three Baltic countries (the biggest economic shock since the transition period), and thus constitutes an inherently important phenomenon for research. Furthermore, the Baltic countries' experience is often discussed in the light of problems faced by countries in the southern Eurozone periphery (Greece, Portugal, Spain, and Italy) that are basically trying to implement similar anti-crisis strategy. Finding out how and why the Baltic countries were able to implement internal adjustment therefore might provide potential practical "lessons".

What is more, Baltic countries' experience during the crisis provides several interesting empirical puzzles. First, during the economic crisis the majority of outside financial analysts predicted that the Baltic anti-crisis strategy was bound to fail. Indeed, conventional currency crises models would have predicted a high likelihood of a currency crisis in the Baltics. Similarly, in the light of conventional fiscal consolidation theories, it was surprising that the Baltic countries were able to implement a very large program of fiscal adjustment.

Another puzzle is related to the diverging experience among the Baltic countries. While Estonia faced a similar economic shock as the other Baltic countries and also chose similar means to tackle the crisis, it managed to cut budget deficit much more quickly and to a greater extent. As a result, Estonia was able to satisfy Maastricht criteria and was invited to join the Eurozone from 2011.

Consequently, the two main questions in the dissertation are the following:

1) Why did the Baltic countries choose to implement internal adjustment and why were they able to do this, contrary to analysts' expectations and theoretical predictions?

2) Why did Estonia manage to deal with the crisis most successfully, despite similar economic challenges?

### *Theoretical model*

This dissertation deals with the phenomenon of economic adjustment. Why might there be a need for such adjustment? The following is a typical scenario of boom and bust: a country (often an emerging economy) experiences a positive shock (for instance, as a result of successful structural reforms) which induces economic growth, increasing wages and optimistic expectations. This leads to loans' growth and ultimately lending boom financed with imported capital as domestic savings are insufficient. The economic boom is often induced by a successful macroeconomic stabilization by fixing the exchange rate. If such a reform is successful, it helps to stabilize inflation and strengthen macroeconomic stability. There is also an investment boom, especially in the untradeable sectors, such as real estate, finance and retail. Expanding domestic demand gives a boost to wage growth, which starts exceeding productivity gains. Besides, price bubbles in asset markets (real estate and/or stock market) develop. As a result, real exchange rate appreciates leading to a loss of competitiveness. The economy becomes "overheated". At some point, the economic situation deteriorates, triggered by adverse external or domestic events. Economic agents are no longer willing to invest and might even start moving capital out of the country. As private sector is no longer willing to finance the current account deficit, balance of payments problems develop. Furthermore, falling investment and lower consumption lead to higher unemployment. In this case, there is a need for economic adjustment to achieve external (balance of payments) and internal (full employment) equilibrium.

There are two main ways to do this. The first one is currency devaluation, which can immediately increase competitiveness, thus encouraging exports and helping to both reduce current account deficit and stimulate employment. The alternative way is internal

devaluation which means falling wages and prices in the economy while the fixed exchange rate is preserved. It is commonly assumed that currency devaluation is the better option, because due to wage rigidity internal devaluation takes longer and therefore generates bigger political and social costs.

It is also important to take into account the role of fiscal policy. During economic contraction, there are two basic options: fiscal contraction (consolidation) and expansion. The standard Keynesian recipe is to stimulate falling aggregate demand (and therefore employment) with expansionary fiscal policy. However, this strategy might be dangerous or even impossible, especially if the country also wants to preserve the currency peg. First of all, a country must have fiscal resources, but international financial markets or lenders might be unwilling to provide them. Second, expansionary fiscal policies slow down internal devaluation and therefore the process of regaining competitiveness. The alternative to fiscal expansion is fiscal consolidation. Its aim is to restore investor confidence and achieve fiscal sustainability by cutting expenditure and/or increasing revenues. Its main drawback is considered to be the fact that it adds to economic (and also political) pain by further increasing unemployment in the context of overall economic recession. In fact, it might even be self-defeating, as fiscal consolidation leads to lower aggregate demand, which then depresses tax revenues, which in turn calls for more consolidation, etc.

Overall, the strategy of internal adjustment involves two aspects: 1) preservation of the fixed exchange rate via internal devaluation and 2) achieving fiscal sustainability by implementing fiscal consolidation. Internal adjustment strategy is considered successful if i) there is no currency crisis (fixed exchange rate is preserved) and ii) fiscal sustainability is achieved. It is also possible to take into account the *degree* of success, which refers to the extent and speed of achieving fiscal sustainability.

There is no coherent model in existing literature that would include all aspects of internal adjustment covered in the dissertation. However, one can rely on theories related to particular elements of internal adjustment. The novel model presented in the dissertation builds on conventional theories and models of currency crises and fiscal consolidation. However, it also takes into account other theories and factors that are not

as popular in the literature<sup>1</sup>. The theoretical model distinguishes three elements (conditions) of an internal adjustment strategy: the willingness to preserve the fixed exchange rate, implementation of fiscal consolidation measures, and final result of fiscal consolidation. For internal adjustment to happen, policy-makers must be willing to preserve the fixed exchange rate in the first place. At the same time, this willingness is insufficient, as usually fiscal consolidation measures must also be implemented. Finally, experience also shows that two countries implementing similar (or even identical) fiscal consolidation measures might end up with a different final consolidation result (i.e. actual change in budget deficit and public debt).

The theoretical model includes several variables that can affect the willingness to defend the peg based on conventional theories of currency crises. First of all, overall economic situation might have important influence. As economic activity contracts, aggregate demand falls and unemployment expands, politicians might consider it desirable to try to stimulate the economy by letting the exchange rate depreciate<sup>2</sup>. Besides, strong real exchange rate can decrease the willingness to defend the peg because exporters find it harder to compete with foreign firms. Furthermore, fiscal problems might also motivate politicians to abandon the currency peg as the latter precludes them from trying to monetize government debt. Therefore, worsening the state of the economy (a falling real GDP, increasing unemployment, decreasing industrial production), real exchange rate appreciation as well as bigger fiscal deficits and government debt can all be expected to lower politicians' willingness to keep fixed exchange rates and thus diminish chances of successful internal adjustment.

Political factors can also influence politicians' willingness to defend the peg. First, one might expect that leftist parties will be less motivated to keep it because they usually care more about full employment than inflation<sup>3</sup>. However, it is also possible that the opposite is true because leftist parties might have weaker reputation among financial-market participants and therefore stick to the peg as a way to ensure investor

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<sup>1</sup> In the dissertation, these are referred to as "non-conventional" theories and factors.

<sup>2</sup> Maurice Obstfeld, "The Logic of Currency Crises." NBER Working Paper No. 4640, 1994. <<http://www.nber.org/papers/w4640>>.

<sup>3</sup> Beth A. Simmons, *Who Adjusts?: Domestic Sources of Foreign Economic Policy During the Interwar Years*. Princeton: Princeton University Press, 1997.



confidence<sup>4</sup>. Second, electoral processes can be important. The argument is that politicians are usually less willing to devalue the currency before elections as currency devaluation hurts consumers who are also voters<sup>5</sup>. Third, one could expect the willingness to defend the peg be lower where exporting and import-competing sectors are more influential because they can gain from currency depreciation<sup>6</sup>.

Non-conventional explanations suggest some additional factors that can affect the willingness to defend the peg. First, conventional theories do not take into account the so-called “balance-sheet” effects affecting firms, households and governments. In particular, high borrowing in foreign currencies as well as dependence on imported materials makes it *ceteris paribus* more costly to pursue currency devaluation<sup>7</sup>. Second, conventional theories are based on the premise that economies are rigid (price and wage rigidity), which prolongs the process of internal devaluation. However, one could point out that economies have different levels of rigidity and that politicians might be more willing to defend the peg in more flexible ones.

Another non-conventional political-institutional factor possibly affecting the likelihood of keeping the peg is policy continuity. Specifically, the longer a country has a fixed exchange rate regime, the likelier it is that policymakers will want to safeguard it in order to avoid uncertainty and possible instability. Furthermore, the willingness to defend the peg will be higher in those countries where there is a stronger ideational consensus among policy-makers and experts that keeping the peg is a good economic policy<sup>8</sup>. Finally, one must remember that fixed exchange rates can have important non-economic functions, as they can help political integration processes and also serve as important national symbols<sup>9</sup>. The more important these other functions are, the higher the motivation to keep the currency peg.

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<sup>4</sup> David A. Leblang, “To Devalue or to Defend? The Political Economy of Exchange Rate Policy.” *International Studies Quarterly*, 47(4), 2003, 533–560.

<sup>5</sup> Leblang, 538.

<sup>6</sup> Jeffrey A. Frieden, “Invested Interests: The Politics of National Economic Policies in a World of Global Finance.” *International Organization*, 45(4), 1991, 425–451.

<sup>7</sup> David M. Woodruff, “Boom, Gloom, Doom: Balance Sheets, Monetary Fragmentation, and the Politics of Financial Crisis in Argentina and Russia.” *Politics & Society*, 33(1), 2005, 301–328.

<sup>8</sup> Barry Eichengreen and Peter Temin, “The Gold Standard and the Great Depression.” *NBER National Bureau of Economic Research*, No. 6060, 1997, 2 <<http://www.nber.org/papers/w6060>>.

<sup>9</sup> Eric Helleiner, “National Currencies and National Identities.” *American Behavioral Scientist*, 41(10), 1998, 1409–1436.

As for fiscal consolidation measures, conventional literature suggests that overall economic situation can be important. Nevertheless, its causal effect is somewhat ambiguous. On the one hand, as the economy contracts, politicians might be willing to stimulate the economy and engage in expansionary fiscal policy. On the other hand, a weaker economic situation is likely to cause fiscal problems or even fiscal crisis which might bring the need for fiscal austerity. What is important to remember is that based on conventional understanding politicians will be unwilling to engage in fiscal consolidation (austerity) under any set of economic conditions because austerity is generally considered to be unpopular and therefore hurting the chances for re-election<sup>10</sup>.

Furthermore, certain political factors might hinder fiscal consolidation efforts. The literature on political business cycles suggests that upcoming elections will decrease the chances of a fiscal consolidation episode or at least negatively affect the magnitude of austerity measures. Second, trade unions are likely to oppose it, especially in the form of expenditure cuts<sup>11</sup>. Third, leftist political parties are considered to be less willing to engage in austerity<sup>12</sup>. Finally, the number of veto players in the political system is expected to correlate negatively with the likelihood of fiscal consolidation. Both coalition governments and federalism is considered to increase the number of veto players.

Non-conventional theories of fiscal consolidation suggest additional factors. As in the case of exchange rate policy, path-dependency can play a role as politicians are likely to choose the course of action that was used in the past. Therefore, fiscal consolidation is likelier in those countries where it has historically been more popular<sup>13</sup>. Additionally,

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<sup>10</sup> Ringa Raudla, "Fiscal Retrenchment in Estonia During the Financial Crisis: The Role of Institutional Factors." *Public Administration*, 89(3), 2011.

<sup>11</sup> Kenneth S. Rogoff and Anne Sibert, *Elections and Macroeconomic Policy Cycles*, NBER Working Paper, No. 1838, 1988. <<http://www.nber.org/papers/w1838>>; Alberto Alesina, Nouriel Roubini and Gerald D. Cohen, *Political Cycles and the Macroeconomy*. USA: MIT Press, 1997; Adi Brender and Allan Drazen, "Political Budget Cycles in New Versus Established Democracies." *NBER Working Paper No. 10539*, 2004. <<http://www.nber.org/papers/w10539>>; Alberto Alesina, Silvia Ardagna and Francesco Trebbi, "Who Adjusts and When? On the Political Economy of Reforms" *NBER Working Paper No. 12049*, 2006. <<http://www.nber.org/papers/w12049>>.

<sup>12</sup> Douglas A. Hibbs Jr., "Political Parties and Macroeconomic Policy." *The American Political Science Review*, 71(4), 1977, 1467–1487; Alesina, Roubini and Cohen; Fredrik Carlsen, "Counterfiscal Policies and Partisan Politics: Evidence from Industrialized Countries." *Applied Economics*, 29(2), 1997, 145–151; Thomas R. Cusack, "Partisan Politics and Fiscal Policy." *Comparative Political Studies*, 32(4), 1999, 464–486.

<sup>13</sup> Ringa Raudla and Rainer Kattel, "Why Did Estonia Choose Fiscal Retrenchment After the 2008 Crisis?" *Journal of Public Policy*, 31(2), 2011, 163–186.

ideas about the appropriate economic policy in times of crisis can be important. Stronger and more entrenched interest groups is another factor that might negatively affect the chances of fiscal consolidation<sup>14</sup>. Finally, societal reaction to austerity measures is important. Conventional theories of fiscal consolidation assume that society is generally opposed to fiscal austerity and also willing and capable to fight against it in some form (protests or elections). However, this might not be true as a country's population might trust the government and support fiscal consolidation measures. Even if it does not approve of the chosen economic policy, it might be incapable of opposing it. There might not be economic policy alternatives offered by other parties. Furthermore, open contestation towards austerity requires collective action and a certain amount of mobilization capacity which might be missing.

The final element of the theoretical model is the end result of fiscal consolidation. Based on conventional explanations, one could argue that two economic factors can influence it. First, lower economic growth can obviously have a negative effect on tax revenues and therefore fiscal consolidation. Second, stronger government efforts (expenditure cuts and/or tax increases) can be expected to contribute to better fiscal consolidation results.

However, one might argue that societal reaction can also have an influence. If the society does not approve of the government's policies but is not capable or unwilling to contest them openly, it still has a choice of "exit". The main form of "exit" that can undermine fiscal efforts is tax-avoidance. It has been shown in academic literature that tax morale (and consequently tax revenues) positively correlates with people's trust in government<sup>15</sup>. Therefore, one might expect that the higher the trust in government, the less likely people are to turn to shadow economy and therefore the better end results of fiscal consolidation might be expected.

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<sup>14</sup> Paul Pierson, "The New Politics of the Welfare State." *World Politics*, 48(2), 1996, 143–179.

<sup>15</sup> James Alm, Jorge Martinez-Vazquez and Benno Torgler, "Russian Attitudes Toward Paying Taxes—before, During, and After the Transition." *International Journal of Social Economics*, 33(12), 2006, 832–857.

## *Existing literature*

Existing literature on Baltic countries' experience during the crisis does not provide adequate answers to the questions raised in the dissertation. To begin with, most of the literature is of non-academic nature and does not analyze Baltic adjustment in depth. However, there are several pieces of research that deal with certain aspects which are covered in the dissertation. Authors who analyze the Baltic situation agree that these countries' experience during the crisis is surprising<sup>16</sup>. According to Purfield and Rosenberg, "the Baltics have already defied many conventional wisdoms. Despite an unprecedented economic downturn, both devaluation and a banking crisis have been avoided, very large fiscal adjustments were undertaken without encountering large-scale social resistance"<sup>17</sup>. In explaining this puzzle, authors argue that economic factors partly explain Baltic willingness and ability to implement internal devaluation, including a high degree of economic flexibility, a high share of loans in foreign currency, relatively low public debt levels at the start of the crisis<sup>18</sup>. As shown in the dissertation, these factors definitely contributed to the Baltic ability to adjust. However, in the dissertation the effects of these factors are explained in more detail both theoretically and empirically.

Other authors also argue for the importance of political factors in explaining Baltic internal adjustment. Åslund and Dombrovskis as well as Purfield and Rosenberg claim that Baltic adjustment was facilitated by the fact that societies in these countries essentially supported austerity policies<sup>19</sup>. Charles Woolfson investigates the Lithuanian situation and argues that the Lithuanian society did not support the adjustment strategy but rather chose to contest it by "exiting" via emigration and turning to shadow economy<sup>20</sup>. In the dissertation, it is argued that both of these viewpoints are inaccurate. Contrary to Åslund and Dombrovskis, it is maintained that in Latvia and Lithuania

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<sup>16</sup> Anders Åslund, *The Last Shall Be the First: East European Financial Crisis*. Washington, D.C: Peterson Institute for International Economics, 2010, 112; Catriona Purfield and Christoph Rosenberg, "Adjustment Under a Currency Peg: Estonia, Latvia and Lithuania During the Global Financial Crisis 2008–09." *IMF Working Papers*, No. 213, 2010. <<http://www.imf.org/external/pubs/ft/wp/2010/wp10213.pdf>>; Ringa Raudla, "Fiscal Retrenchment in Estonia During the Financial Crisis: The Role of Institutional Factors." *Public Administration*, 89(3), 2011.

<sup>17</sup> Purfield and Rosenberg, 31.

<sup>18</sup> Åslund; Anders Åslund and Valdis Dombrovskis, *How Latvia Came Through the Financial Crisis*. Washington, D.C: Peterson Institute for International Economics, 2011; Purfield and Rosenberg.

<sup>19</sup> Åslund and Dombrovskis; Purfield and Rosenberg.

<sup>20</sup> Charles Woolfson, "'Hard Times' in Lithuania: Crisis and 'Discourses of Discontent' in Post-communist Society." *Ethnography*, 11(4), 2010, 487–514.

societies did not support the economic adjustment strategies pursued by the government. Instead, as argued by Woolfson, they chose to “exit” rather than protest. However, Estonia’s example is incompatible with Woolfson’s argument that “neoliberal” strategies and austerity programs necessarily lead to alienation as well as social and economic problems.

Åslund and Dombrovskis mention another factor which enabled successful Baltic adjustment (they analyze the Latvian case, but conclusions can be extended to the two other Baltic countries). In their opinion, it was the fact that most measures of fiscal adjustment was concentrated at the start of the program<sup>21</sup>. Indeed, all three Baltic countries implemented radical fiscal consolidation very fast. However, the main question in this regard is *why* the Baltic countries reacted so fast. Raudla and Kattel mention several factors that could explain this in Estonia’s case, including the consensus to preserve the currency peg, the goal to join the Eurozone, presence of right wing parties in government as well as continuity in fiscal policies<sup>22</sup>. The dissertation largely confirms these conclusions but provides a more comprehensive analysis covering all three Baltic countries as well as a comparison with Argentina.

The question of Estonia’s better performance gets scant attention in the literature. Only Purfield and Rosenberg discuss this issue. According to them, Estonia’s better results can be to a significant extent attributed to quicker reaction to the crisis as well as better quality of institutions (accumulated fiscal reserves and stronger tax morale)<sup>23</sup>. Indeed, in the dissertation it is argued that tax morale and overall better institutional environment was the main factor that can explain Estonia’s better performance. However, while Purfield and Rosenberg discuss this factor briefly, much more extensive and stronger evidence is provided in the dissertation.

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<sup>21</sup> Åslund and Dombrovskis, *How Latvia Came Through the Financial Crisis*, 119.

<sup>22</sup> Ringa Raudla and Rainer Kattel, “Why Did Estonia Choose Fiscal Retrenchment After the 2008 Crisis?” *Journal of Public Policy*, 31(2), 2011, 163–186.

<sup>23</sup> Purfield and Rosenberg, “Adjustment Under a Currency Peg: Estonia, Latvia and Lithuania During the Global Financial Crisis 2008–09.” 22.

### *Research design and methodology*

The main goal of the dissertation is to investigate an intrinsically important phenomenon<sup>24</sup>. In James Mahoney's terms, the dissertation belongs to the research tradition that tries to find causes of effects rather than effects of causes, i.e. to find out what happened in a specific case or cases rather than measuring the average effect of one or several independent variables<sup>25</sup>. To this end, a number of various theories and variables are used in order to explain the developments in the specific Baltic cases.

However, since the Baltic countries' experience provides several puzzles in the light of conventional theories of political economy, the dissertation also involves elements of "deviant" case study design. As has been mentioned, based on established theories of currency crises and fiscal consolidation, one could have expected a currency crisis in the Baltics as well as a failure of fiscal consolidation efforts. However, the opposite happened. Furthermore, the fact that Estonia dealt with the crisis more successfully than Latvia and Lithuania despite similar background conditions allows using the comparative method (most-similar systems design) along with within-case analysis.

The dissertation includes both qualitative as well as quantitative (econometric/statistical) methods, reflecting a pragmatic stance and the idea that research questions should determine the methods and techniques used, and not vice versa. Several qualitative techniques are used: secondary and primary source analysis as well as interviews with experts and decision-makers. Quantitative techniques employed include ordinary least squares regression (OLS), ordered probit models and panel data analysis. The combination of qualitative and quantitative methods helps to strengthen the conclusions.

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<sup>24</sup> John S. Odell, "Case Study Methods in International Political Economy." *International Studies Perspectives*, 2(2), 2001, 163.

<sup>25</sup> James Mahoney, "After KKV: The New Methodology of Qualitative Research," *World Politics* 62(1), 2009, 132.

The dissertation also relies on “nested analysis”<sup>26</sup> approach as a way of combining the insights of qualitative and quantitative methods. This approach is used to explain Estonia’s better performance. First, Baltic countries’ fiscal (tax) performance is placed in a broader EU-wide context to reveal their “deviance”. This helps to capture to what extent Estonia, Latvia and Lithuania deviate from the general expectations of tax revenues that would have been predicted based on economic conditions. After providing within-case evidence that trust was the factor influencing Estonia’s better results, these insights are again corroborated in a wider sample.

Finally, the dissertation includes a comparison between Latvia and Argentina. When a researcher seeks to explain an outcome in a particular case, it is worth trying to find a case with a different outcome (difference in the value of the dependent variable) but with background conditions that are as similar as possible. This allows isolating the variables that could explain the difference in outcome. Argentina is a good case for such a comparison, as back in 1998-2001 it faced similar economic conditions and chose an essentially similar strategy to adjust but ultimately abandoned its efforts, declared default on government debt and devalued its currency. It is not a coincidence that during the peak of the last economic crisis many analysts started comparing Latvia and Argentina and predicted that Latvian adjustment would fail (as was the case in Argentina). The comparative study of Argentina and Latvia also allows to check the conclusions reached when explaining Baltic adjustment using within-case analysis.

### *Main findings*

Conventional models of currency crises and fiscal consolidation do not perform well in explaining the developments in the Baltic countries in 2008-2010. In order to satisfactorily explain them, additional (non-conventional) variables must be investigated.

To begin with, given deep economic vulnerabilities Baltic politicians should have been motivated to devalue exchange rates and try to provide boost for aggregate demand

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<sup>26</sup> Evan S. Lieberman, *Race and Regionalism in the Politics of Taxation in Brazil and South Africa*. Cambridge: Cambridge University Press, 2003; Evan S. Lieberman, “Nested Analysis as a Mixed-method Strategy for Comparative Research.” *American Political Science Review*, 99(3), 2005, 435–452.

and consequently for employment. The Baltic countries suffered a very large economic contraction. Furthermore, the situation was complicated by the fact that the main trading partners (Poland, Russia, Sweden, Belarus) devalued their currencies and thus put additional pressure on Baltic economies. Nevertheless, Baltic politicians were very determined to safeguard fixed exchange rates despite many suggestions from foreign analysts against such a course of action. Even the International Monetary Fund was skeptical about Latvia's decision to stick to the peg when it negotiated the terms of the country's financial assistance program. During the crisis this consensus somewhat weakened only in Latvia where opposition members and even certain government representatives started discussing the need for currency devaluation. Nevertheless, even in Latvia these discussions only started after the main decisions regarding anti-crisis strategy had already been taken. Furthermore, the main political actors (the Prime minister, Finance minister and Central Bank Governor) were all firmly determined to preserve the fixed exchange rate.

Conventional political-institutional factors do not help to explain the strong Baltic willingness to defend the peg either. First, exporters and import-competing sectors did not lobby for weaker exchange rate (with some exceptions in Latvia). Furthermore, there was almost no correlation between partisanship and support for fixed exchange rate, as suggested by conventional theories. For instance, both Lithuanian and Estonian social democrats were unanimously in support of the fixed exchange rate system. Electoral cycles cannot explain Baltic policymakers' motivation to stick to the peg simply because elections took place in all three countries but the motivation largely did not change (i.e. the value of the independent variable changed but the value of the dependent variable remained constant).

In order to explain Baltic willingness to preserve the fixed exchange rates one must turn to non-conventional factors. First, Baltic households and firms had mostly borrowed in euros before the crisis, and therefore a devaluation would have immediately increased their real debt burden. Besides, negative effects of currency devaluation would have been aggravated by the fact that Baltic economies are highly dependent on imports. Furthermore, a high level of flexibility of Baltic economies meant that internal



adjustment was less painful than otherwise would have been. Exporting and import-competing firms had lower motivation to pressure for depreciation.

Secondly, the Baltic countries had safeguarded fixed exchange rates for around twenty years, i.e. for the majority of their independence. Keeping fixed exchange rates therefore represented continuity in economic (exchange rate) policy and allowed to avoid uncertainty that would have been associated with changing the currency regime. Fixed exchange rates had become the anchors of macroeconomic stability in the Baltic countries. It is therefore likely that abandoning them would have seriously undermined the confidence in these countries' financial and overall economic systems.

Third, within the Baltic countries there was a strong ideational consensus supporting the fixed exchange rate system. According to these beliefs, currency devaluation was to be avoided at all costs, and sticking to the peg was the best policy option available. This belief was shared by the vast majority of policy analysts, economists, government officials and the public at large. One must also remember that fixed exchange rates were (for good reasons) widely perceived to be one of the most successful reforms during the independence period, as they had helped to bring down inflation and ensure macroeconomic stability.

Fourth, fixed exchange rates served two important non-economic functions. First, founded not long after regaining independence, they were powerful symbols of national pride to many people. Furthermore, they fit well within the broad Euro-integration project sought by the Baltic countries. Specifically, abandoning a fixed exchange rate peg would have jeopardized the plans for euro adoption in the near future. Euro entrance itself acted as an important "exit strategy" for Baltic policymakers during the economic crisis.

The fact that a country wants to safeguard a fixed exchange rate is usually not enough to preserve it, however. One must also enact painful austerity measures to achieve this goal. Baltic ability to achieve the necessary fiscal adjustment is also surprising. This is because politicians are generally considered to be unwilling to impose austerity under any set of circumstances, while the Baltic countries implemented a very large austerity package in historical context. Furthermore, conventional fiscal

consolidation literature predicts that coalition and minority governments would find it hard to achieve fiscal consolidation. During the adjustment period, Baltic countries were ruled by relatively fragile coalition governments (Latvia and Estonia at one time also had minority governments in power). What factors could explain the ability of Estonia, Latvia and Lithuania to implement the necessary austerity measures to restore fiscal sustainability and keep fixed exchange rates?

Conventional theories of fiscal consolidation provide some important explanations. First of all, trade unions in the Baltic countries are very weak, and even though they tried to contest fiscal austerity, ultimately they proved to be incapable of that. Furthermore, Baltic adjustment was facilitated by a highly centralized governance system. A contrast is provided by the case of Argentina where fiscal adjustment efforts were seriously undermined by a high level of autonomy enjoyed by regional governments that refused to implement the federal government's plans to cut expenditure. In the Baltic countries, partly as a result of formal constitutional rules and partly due to informal traditions, decision-making and implementation was highly centralized, which allowed for drastic and fast austerity actions.

Other hypotheses derived from conventional theories of fiscal consolidation find mixed support. For instance, in Estonia and Lithuania there was little evidence that political parties on the left and the right had essentially different views on the need for fiscal consolidation. Estonian social democrats initially even participated in the coalition that ruled during the fiscal adjustment period (although they did oppose some expenditure cuts and suggested tax increases instead). Political business cycles theory is partially supported by the evidence, especially in Latvia and Lithuania. In both of these countries politicians were unwilling to take serious action before national elections. The 2008 parliamentary elections in Lithuania was one of the factors that delayed fiscal adjustment in Lithuania. However, political business cycle theory cannot explain the ultimate Baltic ability to implement internal adjustment because although they delayed adjustment efforts, Lithuanian and Latvia policy-makers were ultimately willing and able to pass through very large austerity packages.

Other important factors are suggested by non-conventional theories. First, as in the case of currency peg, fiscal austerity was the traditional anti-crisis approach used by Baltic policy-makers. This was how the Baltics chose to respond to the Russian crisis in 1998-1999. Fiscal adjustment was also supported by an ideational climate where other economic ideas were relatively weak (most importantly, Keynesian ones). Only in Latvia's case this consensus was somewhat challenged. The main opposition party developed an alternative economic strategy, but this party was not included in the ruling coalition and ultimately was not able to affect the economic adjustment program.

Second, the Baltic countries lack strong, entrenched interest groups that would be ready to fight for the preservation of social spending programs. Here, it is noteworthy that social spending is relatively low in the Baltic countries, and much of it grew rapidly before the crisis. Therefore, there were no equal entrenched interest group networks to fight the austerity measures as in most other European countries (or other countries, such as Argentina in 1998-2001).

Third, a major factor facilitating the Baltic adjustment was the lack of contestation towards austerity on the part of society either in terms of electoral sanctions or open protests. This lack of contestation itself is a big puzzle, as international experience shows that higher austerity (especially if it is based on expenditure cuts, as was the case in the Baltics) is strongly associated with political instability<sup>27</sup>.

The dissertation argues that the sources of societal lack of opposition to the austerity program were largely different in the Baltic countries. In particular, it could be argued that Estonian society mostly supported the government and its program, while Latvian and Lithuanian societies acquiesced and did not approve of the chosen strategy, but instead opted for "exit" rather than "voice" (or "protest"). This argument is supported by a couple of facts. For instance, in the spring of 2007, 66 percent of Estonians said they trusted the national government, while only 20 percent of Latvians and 26 percent of Lithuanians did<sup>28</sup>. Second, emigration numbers can be said to reflect whether citizens "approve" of a given country's governance. In Latvia and especially Lithuania,

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<sup>27</sup> Jacopo Ponticelli and Hans-Joachim Voth, "Austerity and Anarchy: Budget Cuts and Social Unrest in Europe, 1919–2009." *CEPR Discussion Papers*, No. DP8513, 2011, 1.  
<[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1908561](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1908561)>

<sup>28</sup> Standard Eurobarometer data.

emigration increased substantially during the crisis. The third indicator suggesting a different reaction by Estonians versus Latvians and Lithuanians is fiscal consolidation results.

All three Baltic countries faced similar economic challenges, although Latvia was affected the most (not least because of a failure of a major domestic bank “Parex”). Furthermore, all three chose similar anti-crisis strategies. Nevertheless, Estonia managed to tackle the crisis most successfully. The dissertation argues that this can be explained by higher tax compliance in Estonia, as its citizens did not turn to shadow economy to the same extent that Latvians and Lithuanians did. This higher compliance could be attributed to stronger tax morale, which in turn can be associated with a higher level of trust in government. Substantial literature documents the positive relationship between trust in governments and tax morale<sup>29</sup> (and subsequently fiscal performance), but the dissertation introduces a novel modification. It is argued that the importance of trust for fiscal performance might be conditional on the general economic environment. Specifically, the importance of trust might increase when economic conditions turn bad, as trust acts as a “buffer” that keeps people from turning to shadow economy.

This line of argument is supported by several observations which mainly focus on the comparison of Estonia and Lithuania but also discuss Latvia. First, it is argued that better fiscal results in Estonia cannot be attributed to stronger expenditure efforts as Lithuanians and especially Latvians cut it more. Better tax revenue results can account for the difference. It is then documented that there are important differences in political trust levels as well as other indicators of institutional quality (e.g. corruption, government effectiveness, rule of law) between Estonia on the one hand and Latvia and Lithuania on the other. Second, evidence is provided that Estonians have significantly higher tax morale than Latvians and Lithuanians. Third, statistical tests confirm that there is a positive link between various measures of political trust and tax morale and also that these differences can partly account for the gap in tax morale between Estonia and Lithuania. Fourth, the inclusion of a measure of political trust helps explaining part of the deviation of Estonian, Latvian and Lithuanian fiscal results during the crisis from

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<sup>29</sup> See, for instance, Bruno S. Frey and Benno Torgler, “Tax Morale and Conditional Cooperation.” *Journal of Comparative Economics*, 35(1), 2007, 136–159.

general expectation. In other words, after accounting for the level of trust in political institutions, one can better understand why Latvians and Lithuanians collected less and Estonians more tax revenue during the crisis than would have been expected based on general economic contraction. Finally, statistical tests provide evidence that the conditional effect of trust on fiscal results (i.e. trust becomes more important as economic conditions worsen) is confirmed in the wider sample of European Union member countries.

### *Implications and suggestions for future research*

This dissertation provides several implications, both theoretical and practical. Concerning tax revenue and fiscal results in general, the dissertation suggests taking into account the importance of trust in government and in particular the hypothesis that trust's influence might increase in bad economic conditions. This hypothesis should be further explored in future research.

Other factors that enabled fiscal adjustment in the Baltic countries should also be considered in conventional explanations of fiscal consolidation, namely the level of entrenchment of social programs as well as society's capacity to contest austerity programs. One could include, for example, the level of social expenditure and indicators of "protest culture". As for theories of currency crises, they could be improved by including the above-mentioned variables affecting the success of fiscal consolidation, because the latter is often a precondition for the preservation of a currency peg. Other factors neglected by conventional theories and models that affect the willingness to defend the currency peg are the following: the level of economic flexibility, indebtedness in foreign currencies as well as continuity in exchange rate policies.

As for Baltic lessons for European periphery, the implications are not very optimistic. It is true that the Baltic countries faced enormous economic challenges but nevertheless were able to implement internal adjustment. Arguably, European periphery countries are not facing worse economic environment overall. At the same time, most factors that enabled adjustment in the Baltics do not exist in the Eurozone periphery.

Such factors are weak trade unions, absence of entrenched interest groups defending social spending programs, weak protest culture, ideational climate supporting austerity, etc. Therefore, drawing upon research in this dissertation, one should be skeptical about extracting clear lessons for adjustment in other countries.

Finally, the dissertation suggests that in order to tackle seemingly purely economic issues, namely fiscal deficits and public debt, in Latvia and Lithuania there is a need to deal with the relationship between government and society. If trust in government does not improve, it will be hard to expect good economic performance, and it is likely that Estonia's path will diverge even more from Latvia and Lithuania.

## Reziumė lietuvių kalba

### *Tyrimo klausimai ir aktualumas*

Šios disertacijos tikslas yra išnagrinėti, kaip ir kodėl trys Baltijos šalys – Estija, Latvija, Lietuva – reagavo į ekonomikos krizę 2008-2010 metais. Nagrinėjama „vidinio prisitaikymo“ strategija, kurią šios valstybės pasirinko, siekdamos išspręsti kilusius ekonominius sunkumus.

Baltijos šalių reakcijos į krizę patirtis yra įdomi dėl kelių priežasčių. Visų pirma krizė buvo didžiausias ekonomikos sukrėtimas Baltijos valstybėse nu perėjimo pradžios. Be to, Baltijos šalys patyrė didžiausią ekonomikos nuosmukį pasaulyje 2009 metais. Todėl tai yra istoriškai svarbus reiškinys, vertas praktikų ir mokslininkų dėmesio. Taip pat verta paminėti, kad euro zonos periferijos šalys, tokios kaip Italija, Graikija, Ispanija ir Portugalija, jau kelerius metus bando įgyvendinti iš esmės panašią antikrizinę strategiją, todėl diskutuojama, kad Baltijos šalių „pamokos“ gali būti naudingos šiame kontekste.

Kita svarbi tyrimo motyvacija yra tai, kad Baltijos valstybių patirtis per krizę pateikė įdomių empirinių galvosūkių. Visų pirma krizės įkarštyje daugelis užsienio analitikų ir ekonomistų prognozavo, kad Baltijos šalims nepavyks įgyvendinti vidinio prisitaikymo strategijos. Iš tikrųjų žvelgiant iš konvencinių politinės ekonomijos teorijų (valiutos krizių ir fiskalinės konsolidacijos) perspektyvos, Baltijos šalių bandymas turėjo pasibaigti nesėkme.

Dar vienas svarbus galvosūkis kyla iš skirtingos Baltijos valstybių patirties per krizę. Nors visos šalys susidūrė su panašiomis didelio masto problemomis ir ėmėsi į jas reaguoti panašiai, Estijos rezultatai yra geriausi: ji greičiausiai ir labiausiai atkūrė investuotojų pasitikėjimą, subalansavo biudžetą ir galiausiai buvo pakviesta prisijungti prie euro zonos nuo 2011 metų.

Taigi disertacijoje siekiama atsakyti į šiuos klausimus, kylančius iš empirinių galvosūkių ir žyminčius skirtingą vidinio prisitaikymo strategijos sėkmės

pobūdį:

1. Politikos pasirinkimo ir įgyvendinimo galvosūkis: kodėl Baltijos valstybės sugebėjo išlaikyti fiksuotus valiutos kursus, priešingai analitikų spėjimams bei teorinėms prognozėms?

2. Skirtingos sėkmės galvosūkis: kaip ir kodėl išsiskyrė Baltijos valstybių prisitaikymo keliai? Konkrečiai kalbant, kodėl Estija sėkmingiausiai susitvarkė su krize: sugebėjo greičiausiai atkurti investuotojų pasitikėjimą, sumažino biudžeto deficitą ir galiausiai prisijungė prie euro zonos 2011 metais?

### *Teorinis pagrindas*

Disertacijoje nagrinėjama vidinio prisitaikymo strategija apima du aspektus: 1) fiksuoto valiutos kurso išlaikymą, vykdant vidinę devalvaciją (ar, tiksliau tariant, leidžiant jai vykti) ir 2) fiskalinio tvarumo pasiekimą, įgyvendinant fiskalinę konsolidaciją. Vidinio prisitaikymo strategija bus laikoma sėkminga, jeigu: a) bus išsaugotas fiksuotas valiutos kursas (išvengta valiutos krizės); b) bus pasiektas fiskalinis tvarumas. Taip pat galima kalbėti ir apie vidinio prisitaikymo strategijos sėkmės *laipsnį*: kaip greitai ir koku laipsniu atkuriamas investuotojų pasitikėjimas bei – svarbiausia – kaip greitai ir koku laipsniu pavyksta pasiekti biudžeto konsolidaciją.

Literatūroje nėra vieningo teorinio modelio, kuris apimtų visus nagrinėjamos vidinio prisitaikymo strategijos elementus. Tačiau galima remtis egzistuojančiomis valiutos krizės bei fiskalinės konsolidacijos teorijomis. Disertacijos teorinis modelis formuojamas, atsižvelgiant į minėtas vyraujančias teorijas, jų siūlomus veiksnius ir hipotezes. Tačiau kartu atsižvelgiama ir į papildomus, ne tokius populiarius aiškinimus. Teoriniame modelyje išskiriamos trys vidinio prisitaikymo strategijos sąlygos (elementai): noras išlaikyti fiksuotą valiutos kursą, fiskalinės konsolidacijos (taupymo) priemonių įgyvendinimą ir galutinį fiskalinį rezultatą.

Kalbant apie norą išsaugoti fiksuotą valiutos kursą, išskiriami tokie vyraujančių (konvencinių) teorijų nurodomi veiksniai, kurie turėtų mažinti norą ginti fiksuotą valiutos kursą, taigi didinti valiutos krizės bei kartu mažinti sėkmingo vidinio prisitaikymo tikimybę: prasta ekonominė situacija (bendri ekonominio aktyvumo



rodikliai, fiskalinė situacija), porinkiminis laikotarpis, kairiųjų partijų valdymas, pramonės sektoriaus stiprumas. Kaip papildomi, ne konvencinių teorijų siūlomi veiksniai yra nurodomi tokie aspektai: ekonominės politikos tęstinumas, ekonominės struktūros ypatumai (lankstumas, įsiskolinimas užsienio valiuta), priežastinių įsitikinimų pobūdis ir papildomos (neekonominės) fiksuoto valiutos kurso funkcijos.

Remiantis konvencinėmis fiskalinės konsolidacijos teorijomis, antrąjį vidinio prisitaikymo strategijos elementą – fiskalinės konsolidacijos (taupymo) priemonių įgyvendinimą – turėtų veikti jau minėtas noras išlaikyti fiksuotą valiutos kursą, bendra ekonominė situacija, rinkiminiai procesai, profesinių sąjungų stiprumas, veto žaidėjų skaičius politinėje sistemoje. Nurodomi papildomi veiksniai yra tokie: fiskalinės politikos tęstinumas, socialinių išlaidų programų įsitvirtinimas, priežastiniai įsitikinimai apie tinkamą ekonominę politiką. Taip pat pažymima ir visuomenės reakcijos (pasipriešinimo taupymo politikai) svarba, kurią gali veikti tokie veiksniai: pasitikėjimas valdžios institucijomis, alternatyvių prisitaikymo programų egzistavimas, mobilizacijos gebėjimai, protesto kultūros stiprumas.

Trečiasis vidinio prisitaikymo strategijos elementas – galutinis fiskalinis rezultatas – gali būti aiškinamas dviem veiksniais: bendra ekonomine situacija ir priimtos fiskalinės konsolidacijos priemonėmis. Disertacijoje nurodomas papildomas veiksnys yra susijęs su visuomenės reakcija: net jei visuomenė negali ar nenori priešintis bendrai taupymo politikai, ji gali pasirinkti „pasitraukimo“ kelią į šešėlinę ekonomiką, o tai blogina fiskalinius rezultatus.

### *Tyrimo struktūra ir metodologija*

Šios disertacijos pirminis tikslas – paaiškinti savaime svarbų (angl. *intrinsically important*) įvykį, t. y. suprasti, kas ir kodėl nutiko konkrečiais Baltijos valstybių atvejais<sup>30</sup>. Jameso Mahoney terminologija remiantis, šią disertaciją galima būtų priskirti tradicijai, skirtai ieškoti priežasčių, lėmusių tam tikrą rezultatą (angl. *causes of effect*), o ne ieškoti tam tikrų nepriklausomų kintamųjų poveikio (pasekmių) reikšmės ir dydžio

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<sup>30</sup> John S. Odell, „Case Study Methods in International Political Economy.“ *International Studies Perspectives*, 2(2), 2001, 163.

(angl. *effects of causes*): „pirminis tikslas (...) yra išsamiai paaiškinti konkretų įvykį ar įvykius“, o ne matuoti tam tikrų kintamųjų vidutinę įtaką<sup>31</sup>.

Tiesa, Baltijos šalių patirtis yra sunkiai suderinama su vyraujančiomis teorijomis. Todėl tyrimo struktūra iš dalies seka ir išskirtinių („deviantinių“) atvejų modelį: tai padeda aiškinantis, kodėl Baltijos valstybė sugebėjo pasiekti fiskalinę konsolidaciją bei išvengė valiutos krizės, nors remiantis konvencinėmis teorijomis būtų buvęs prognozuojamas priešingas rezultatas. Galiausiai išsiskyrusi Baltijos valstybių patirtis, žvelgiant į galutinį fiskalinį rezultatą, leidžia derinti lyginamojo metodo bruožus (panašiausių atvejų sistema) su analize atvejų viduje (angl. *within-case analysis*).

Disertacijoje vadovaujamasi požiūriu, kad kiekybiniai ir kokybiniai metodai turi savo privalumų ir trūkumų. Jų taikymas turi priklausyti nuo keliamo klausimo ir hipotezių. Disertacijoje derinami kokybiniai ir kiekybiniai metodai<sup>32</sup>. Kalbant apie konkrečias tyrimo technikas, remiamasi pirminių ir antrinių šaltinių analize, interviu su politikos formuotojais ir ekspertais, kiekybine regresine (panelinių duomenų, paprastąja tiesine, rangine probit) analize.

### *Pagrindinės išvados*

Kalbant apie norą išlaikyti fiksuotą valiutos kursą, konvencinės valiutos krizių teorijos – pirmiausia grindžiamos antrosios kartos valiutos krizių modeliais – sunkiai geba paaiškinti Baltijos šalių situaciją. Svarbiausia tai, kad žvelgiant iš vyraujančių valiutos krizių teorijų perspektyvų, Baltijos šalių politikai turėjo būti nelinkę išsaugoti fiksuotą valiutos kursą dėl ypač didelio ekonomikos pažeidžiamumo (pervertinto realaus valiutos kurso, augančio fiskalinio deficito, BVP nuosmukio bei sparčiai didėjančio nedarbo). Ši Baltijos šalių galvosūkį galima paaiškinti, atsižvelgiant į specifinį jų kontekstą. Kalbant apie ekonominius aspektus, Baltijos valstybės išsiskyrė dideliu įsiskolinimu užsienio valiuta ir lanksčia ekonomikos struktūra – tai didino valiutos devalvacijos nuostolius ir kartu mažino jos patrauklumą. Be to, Baltijos šalyse fiksuoti

<sup>31</sup> James Mahoney, „After KKV: The New Methodology of Qualitative Research,“ *World Politics* 62(1), 2009, 141.

<sup>32</sup> Evan S. Lieberman, *Race and Regionalism in the Politics of Taxation in Brazil and South Africa*. Cambridge: Cambridge University Press, 2003; Evan S. Lieberman, „Nested Analysis as a Mixed-method Strategy for Comparative Research.“ *American Political Science Review*, 99(3), 2005, 435–452.

valiutos kursai vaidino ypatingą vaidmenį: jie veikė beveik visą nepriklausomybės laikotarpį, užtikrino bendrą makroekonominį stabilumą. Fiksuotų nacionalinės valiutos kursų atsisakymas būtų lėmęs didelį netikrumą ir galimai atnešęs didesnę nepasitikėjimą ne tik ekonominės politikos kursu, bet ir apskritai valstybe. Visose trijose Baltijos šalyse vyravo stiprūs idėjiniai įsitikinimai dėl to, kad fiksuotų valiutos kursų išlaikymas yra esminis antikrizinės politikos ramstis. Galiausiai Baltijos šalyse fiksuoti valiutos kursai buvo glaudžiai susiję su valstybingumo idėjomis bei eurointegracijos projektu – o tai dar labiau didino galimus valiutos devalvacijos nuostolius. Verta pridurti, kad daugelis minėtų kontekstinių sąlygų – ypač įsiskolinimas užsienio valiuta bei bendro institucinio stabilumo funkcija – yra būdingi besivystančioms valstybėms, neturinčioms didelio finansų rinkų ir apskritai ekonomikos veikėjų pasitikėjimo. Disertacijoje atliktas Latvijos palyginimas su kita besivystančia šalimi – Argentina 1998–2001 metais – patvirtina, kad joje taip pat egzistavo stiprus fiksuoto valiutos kurso palaikymas.

Vis dėlto Argentinos pavyzdys atskleidžia ir tai, kad vien noro išsaugoti fiksuotą valiutos kursą neužtenka, siekiant jį išlaikyti ir apskritai įgyvendinti vidinio prisitaikymo strategiją. Paprastai tokioje situacijoje atsidūrusiems šalims tenka įgyvendinti fiskalinės konsolidacijos programą – o to, remiantis konvencine išmintimi, politikai nelinkę daryti, ypač jeigu ekonominė situacija yra prasta. Todėl žvelgiant iš konvencinių teorijų perspektyvų, Baltijos šalių gebėjimas įgyvendinti plataus masto fiskalinę konsolidaciją yra stebinantis. Be to, remiantis vyraujančia literatūra, Baltijos šalių situaciją turėjo itin apsunkinti koalicinių bei mažumos (Estijoje ir Latvijoje) vyriausybių veikimas. Tiesa, konvencinės teorijos pateikia kelias priežastis, kurios padeda suprasti Baltijos valstybių gebėjimą įgyvendinti fiskalinę konsolidaciją: politinėje arenoje dominavo dešinėsios partijos, profesinės sąjungos buvo labai silpnos, valstybės valdymo centralizacija mažino potencialių veto žaidėjų skaičių. Tačiau šie veiksniai nėra pakankami, norint adekvačiai atsakyti į keliamą klausimą – tam taip pat reikia atsižvelgti į specifinį Baltijos šalių kontekstą. Pirma, Baltijos šalyse fiskalinė konsolidacija buvo tapusi tradiciniu atsaku į ekonominę krizę – jos įgyvendinimas reiškė ekonominės politikos tęstinumą. Taupymo politikai iš esmės neegzistavo jokia rimtesnė idėjinė alternatyva (išimtimi galima būtų laikyti Latvijoje įvykusius idėjinės inovacijos procesus politinės kairės stovykloje). Be to, interesų grupės, kurios galėtų būti potencialios socialinių išlaidų programų gynėjos ir

taupymo politikos priešininkės, buvo silpnai organizuotos. Galiausiai Baltijos valstybių visuomenės tradiciškai pasižymėjo menkais mobilizacijos gebėjimais ir silpna „protesto kultūra“, ypač nesant alternatyvių ekonominės politikos sprendimų. Baltijos šalių gyventojai, reaguodami į politiką, kuriai nepritarė, rinkosi ne „balso“ (rinkiminių ar atvirų protestų), o „pasitraukimo“ kelią. Latvijos palyginimas su Argentina taip pat parodo, kad pagal daugelį minėtų veiksnių šios šalys skyrėsi – Argentinos vidinio prisitaikymo nesėkmę, palyginti su Latvija, paaiškina ne ekonominiai pažeidžiamumai ar silpnas noras išlaikyti fiksuotą valiutos kursą, bet nepakankamas gebėjimas įgyvendinti fiskalinės konsolidacijos priemones.

Nors visos trys valstybės gebėjo priimti skausmingas fiskalines taupymo priemones, Estijos rezultatai buvo akivaizdžiai geriausi. To negali adekvačiai paaiškinti konvenciniai veiksniai: ekonominės situacijos, mokestinės ar išlaidų politikos skirtumai. Disertacijoje keliama ir pagrindžiama hipotezė, kad Estijos didesnę sėkmę lėmė aukštesnis pasitikėjimo valdžios institucijomis lygis, kuris mažino šešėlinės ekonomikos mastus, taigi kartu didino ir mokestines pajamas. Estijoje visuomenė iš esmės palaikė valdžią ir jos vykdomą politiką, o Latvijoje ir Lietuvoje, nors neprotestavo, bet „pasitraukė“ į emigraciją ir šešėlinę ekonomiką.

### *Rekomendacijos*

Disertacija leidžia pateikti kelis praktinius bei teorinius pasiūlymus. Kalbant apie mokestinius bei apskritai fiskalinius rezultatus, išskirta pasitikėjimo svarba. Disertacijoje iškelta hipotezė, kad pasitikėjimas gali būti ypač svarbus tada, kai šalis susiduria su ekonominiais sunkumais. Nors tyrime buvo rasta įrodymų, paremiančių šią hipotezę, naudinga būtų ateityje tyrimuose plačiau tirti minėtą ryšį kitose šalyse. Be to, fiskalinės konsolidacijos literatūroje taip pat būtų naudinga atsižvelgti į institucijų kokybės bei pasitikėjimo veiksnių. Disertacijoje buvo išskirti dar keli veiksniai, kurie palengvino Baltijos valstybių fiskalinę konsolidaciją, - tai socialinių programų įsitvirtinimo laipsnis ir visuomenės gebėjimas priešintis taupymo politikai. Minėti veiksniai taip pat galėtų būti įtraukti į kitus tyrimus, nagrinėjančius fiskalinės konsolidacijos epizodus.

Kalbant apie valiutos krizių teorijas, derėtų atsižvelgti į visus pirmiau minėtus veiksnius, kadangi fiskalinė politika yra glaudžiai susijusi su fiksuoto valiutos kurso išlaikymu arba valiutos krizėmis (veiksniai, kurie didina fiskalinės konsolidacijos tikimybę bei gerina jos rezultatus, kartu didina ir valiutos kurso išlaikymo tikimybę). Be to, derėtų įtraukti ir kitus kintamuosius, kurie gali būti susiję su noru ginti fiksuotą valiutos kursą – pirmiausia tai būtų ekonominio lankstumo ir įsiskolinimo rodikliai; taip pat būtų galima atsižvelgti į tai, kiek laiko veikia fiksuotas valiutos kursas bei į tai, ar valstybė turi patirties su alternatyviu valiutos kurso režimu.

Praktinės Baltijos šalių patirties „pamokos“ kitoms šalims, įgyvendinančioms panašią antikrizinę politiką (pirmiausia euro zonos periferijos valstybėms), yra nevienareikšmės. Viena vertus, buvo nustatyta, kad Baltijos valstybių gebėjimą įgyvendinti vidinio prisitaikymo politiką paaiškina politiniai ir instituciniai veiksniai; kitaip tariant, Baltijos valstybių patirtis rodo, jog net ir esant ypač nepalankioms ekonominėms aplinkybėms, galima išsaugoti fiksuotą valiutos kursą ir pasiekti fiskalinį tvarumą. Kita vertus, kartu buvo parodyta, kad Baltijos valstybių patirtis yra stipriai išskirtinė („deviantinė“) – jų vidinio prisitaikymo sėkmę paaiškina palyginti unikalūs įvairių sąlygų derinys. Todėl disertacijoje pateikta analizė nesiūlo itin optimistinių išvadų, kadangi euro zonos periferijos šalyse nėra daugelio sąlygų, kurios įgalino fiskalinę konsolidaciją Baltijos valstybėse: dešiniųjų partijų dominavimo, silpnų profesinių sąjungų bei kitų interesų grupių, kurios galėtų ginti „įsitvirtinusias“ socialinių išlaidų programas, idėjinio fiskalinės konsolidacijos kaip vienintelio tinkamo ekonominio prisitaikymo kelio dominavimo, menko visuomenės mobilizavimosi ir „protesto kultūros“ silpnumo.

Galiausiai dar vienas aktualus klausimas susijęs su tuo, ar per krizę išryškėję Baltijos šalių skirtumai paskatins tolesnę jų trajektorijų divergenciją. Iš tikrųjų galima įžvelgti „gerojo rato“ Estijoje (pasitikėjimas valdžia, įgalinantis geresnę politiką, kuri savo ruožtu kuria pasitikėjimą) ir „blogojo rato“ Lietuvoje bei Latvijoje (vienas kitą skatinantys pasitikėjimo trūkumas ir prasti rezultatai) požymių. Kita vertus, optimistinis scenarijus leistų tikėtis, kad iškilę sunkumai ir Estijos santykinė sėkmė paskatins Latviją ir Lietuvą ją vylti ir imtis atitinkamų veiksmų. Bet kuriuo atveju, siekiant išspręsti tokias iš pažiūros griežtai ekonomines problemas kaip valdžios deficitas ir auganti valstybės

skola, reikia spręsti giliai politinį iššūkį – pasitikėjimo valdžia deficitą, prastus valdžios ir visuomenės santykius.

## **Curriculum Vitae**

In 2003 Vytautas Kuokštis graduated from Vilnius Lyceum and was admitted to Stockholm School of Economics in Riga where he received a BSc degree in Economics and Business in 2006. V. Kuokštis then started studies at the Institute of International Relations and Political Science (IIRPS) of Vilnius University and graduated in 2008 with an MA diploma in Comparative Politics. He then proceeded to the doctoral studies program in Political Science.

During his doctoral studies, V. Kuokštis made several research visits in foreign universities and research institutes. He stayed at the Central European University, Tartu University, BICEPS research centre (Latvia) in 2010, Tallinn Technical University in 2011 and Creighton University (US) in 2012. He also attended summer schools (European Consortium for Political Research methods school as well as several summer schools for doctoral students).

During his doctoral studies, V. Kuokštis published seven publications and also presented articles at the main international political science conferences (American Political Science Association Annual Meeting in 2012, European Consortium for Political Research in 2011, European Standing Group for International Relations Conference in 2010).

Since 2010 V. Kuokštis supervises Bachelor and Master theses and teaches at thesis writing seminars. In 2013 he started teaching a course in Policy Analysis at IIRPS.

V. Kuokštis worked as policy analyst at Lithuanian Free Market Institute in 2007, had internships at the Bank of Lithuania, the World Bank as well as business consulting firm “McKinsey & Company“.

## **Gyvenimo, kūrybinės ir mokslinės veiklos aprašymas**

Vytautas Kuokštis 2003 m. baigė Vilniaus licėjų ir įstojo į Stokholmo aukštąją ekonomikos mokyklą Rygoje (SSE Riga), kurioje 2006 m. įgijo ekonomikos ir verslo administravimo bakalauro diplomą. Tais pačiais metais įstojo į Vilniaus universiteto Tarptautinių santykių ir politikos mokslų institutą (VU TSPMI), lyginamosios politikos magistro programą, kurią baigė 2008 m. Studijas tęsė VU TSPMI politikos mokslų doktorantūroje.

Doktorantūros metu stažavosi keliuose užsienio universitetuose ir tyrimų įstaigose: 2010 m. pavasarį ir rudenį Vidurio Europos universitete (CEU), 2010 m. birželį Tartu universitete, 2010 m. liepą-rugsėjį Tarptautiniame ekonomikos tyrimų institute Rygoje (BICEPS), 2011 m. sausį Talino technikos universitete, 2012 m. pavasarį Creightono (JAV) universitete. Taip pat žinias gilino įvairiuose kursuose (Amerikos politinių ir ekonominių sistemų institute – AIPES, Europos politikos mokslų konsorciumo (ECPR) metodų mokykloje), dalyvavo keliose tarptautinėse doktorantų vasaros mokyklose.

Doktorantūros studijų metu paskelbė septynias publikacijas, skaitė pranešimus svarbiausiose tarptautinėse politikos mokslų konferencijose (Amerikos politikos mokslų asociacijos (APSA) metinis susitikimas 2012 m., Europos politikos mokslų konsorciumo (ECPR) metinė konferencija 2011 m., Europos tarptautinių santykių grupės (SGIR) konferencija 2010 m.).

V. Kuokštis nuo 2010 m. dalyvauja VU TSPMI bakalauro ir magistro darbų rašymo kolokviumuose, vadovauja bakalauro, magistro darbams. Nuo 2013 m. pavasario VU TSPMI dėsto „Politikos analizės“ kursą.

V. Kuokštis yra dirbęs politikos analitiku Lietuvos laisvosios rinkos institute (2007 m.), atlikęs praktiką Lietuvos banke, Pasaulio banke ir verslo konsultacijų įmonėje „McKinsey & Company“.



### **Publikacijų sąrašas (List of publications):**

1. „Baltic Variety of Capitalism as an Explanation to the Success of Internal Devaluation“, kn. Leonid Kosals ir Heiko Pleines (sud.), *Governance failure and reform attempts after the global economic crisis of 2008/2009. Case Studies from Central and Eastern Europe. Changing Europe book series no. 9. Ibidem Publishers, Stuttgart*, 2012, p. 13-28.
2. „L’ajustement à la crise selon les pays baltes: une perspective comparatiste“ (kartu su Ramūnu Vilpišausku), *Outre Terre*, 32 (2), 2012, p. 283-294.
3. „What Type of Capitalism Do the Baltic Countries Belong to? *Emecon 1*, 2011.
4. „Kodėl Baltijos šalys nedevalvavo valiutos: politinis požiūris“, *Politologija* 62 (2), 2011, p. 57-86.
5. „Politika ir investuotojų pasitikėjimas: Baltijos šalys per krizę“, *Politologija* 60 (4), 2010, p. 59-95.