

SUBSCRIBE NOW AND RECEIVE *CRISIS AND LEVIATHAN** FREE!



"*The Independent Review* does not accept pronouncements of government officials nor the conventional wisdom at face value."

—**JOHN R. MACARTHUR**, Publisher, *Harper's*

"*The Independent Review* is excellent."

—**GARY BECKER**, Noble Laureate in Economic Sciences

Subscribe to [*The Independent Review*](#) and receive a free book of your choice* such as the 25th Anniversary Edition of *Crisis and Leviathan: Critical Episodes in the Growth of American Government*, by Founding Editor Robert Higgs. This quarterly journal, guided by co-editors Christopher J. Coyne, and Michael C. Munger, and Robert M. Whaples offers leading-edge insights on today's most critical issues in economics, healthcare, education, law, history, political science, philosophy, and sociology.

Thought-provoking and educational, [*The Independent Review*](#) is blazing the way toward informed debate!

Student? Educator? Journalist? Business or civic leader? Engaged citizen? This journal is for YOU!



*Order today for more **FREE** book options

SUBSCRIBE

Perfect for students or anyone on the go! *The Independent Review* is available on mobile devices or tablets: iOS devices, Amazon Kindle Fire, or Android through Magzter.



Etceteras . . .

Estonia and Finland, Updated

CRAIG M. NEWMARK

In a recent article in this journal, Robert Higgs (2007) presents the results of “still another fifty-year experiment in political economy.” In 1939, Estonia and Finland were, according to Mart Laar, a former prime minister of Estonia, similar in culture and living standards, and their economies were “more or less the same.” After fifty years of Communist rule in Estonia, however, key demographic and economic indicators in that country clearly lagged those in Finland. As of 1993–94, life expectancy was lower, and the infant mortality rate was almost four times higher in Estonia; and the Estonian economy as measured by gross domestic product (GDP) was only about one-ninth as large as Finland’s (Estonian GDP per capita was about one-third of Finland’s). In Estonia, telephones per capita, a rough indicator of the spread of modern technology, numbered less than one-half those in Finland.

An even more recent article describes some of the changes in the governance of Estonia since its independence from the Soviet Union. Prime Minister Laar, described as “an acolyte of the late economist Milton Friedman,” led major reforms, such as privatizing state assets, eliminating import tariffs, and establishing a flat tax (Kaster 2008).

It seems natural to ask, therefore, how Estonia and Finland compare now, after about seventeen years free of Communism and after the economic reforms in Estonia. Specifically, what does the table presented by Higgs look like when it is updated? Table 1 provides the answer.

Although life expectancy remains lower in Estonia than in Finland, the increases from 1994 to 2008 were roughly equal. Infant mortality improved substantially in Estonia. Economic growth, in both GDP and GDP per capita, though rapid in Finland, was even more rapid in Estonia. With regard to the rough indicator of technology,

Craig M. Newmark is an associate professor of economics at North Carolina State University.

The Independent Review, v. 13, n. 4, Spring 2009, ISSN 1086-1653, Copyright © 2009, pp. 623-626.

Table 1
Changes in Demographic and Economic Conditions,
Estonia and Finland 1993–94 to 2006–2008

Variable	Estonia	Finland
Population (millions, 1994 est.)	1.6	5.1
Population (millions, July 2008 est.)	1.3	5.2
Change	−0.3	0.1
Life expectancy at birth (years, 1994 est.)		
Males	65.0	72.2
Females	75.2	79.9
Both sexes	70.0	75.9
Life expectancy at birth (years, 2008 est.)		
Males	67.2	75.3
Females	78.3	82.5
Both sexes	72.6	78.8
Change, Males	2.2	3.1
Change, Females	3.1	2.6
Change, Both	2.6	2.9
Births per 1,000 population (1994 est.)		
Births per 1,000 population (2008 est.)	14.0	12.4
Change	−3.7	−2.0
Deaths per 1,000 population (1994 est.)		
Deaths per 1,000 population (2008 est.)	12.0	9.8
Change	1.4	0.2
Infant deaths per 1,000 live births (1994 est.)		
Infant deaths per 1,000 live births (2008 est.)	19.1	5.3
Change	−11.7	−1.8
Labor force in agriculture and forestry (% 1990)		
Labor force in agriculture and forestry (% 1999 est. for Estonia; %, 2004 est. for Finland)	20	9
Change	−9	−5

Table 1 (continued)

Variable	Estonia	Finland
GDP (billions of U.S. dollars, 1993 est.)	8.8	81.1
GDP (billions of U.S. dollars, PPP, 2007 est.)	29.4	185.5
Change	20.6	104.4
Compound Annual Growth Rate (%), 1993 to 2007	9.0	6.1
GDP per capita (U.S. dollars, 1993 est.)	5,480	16,100
GDP per capita (U.S. dollars, PPP, 2007 est.)	21,100	35,300
Change	15,620	19,200
Compound Annual Growth Rate (%), 1993 to 2007	10.1	5.8
Telephones per 100 persons (c. 1993–94)	25	62
Telephones, main lines, per 100 persons (telephones, 2006; population est. 2008)	41.4	36.6
Telephones, mobile cellular, per 100 persons (telephones, 2006; population est. 2008)	126.9	108.1
Change	143.3	82.7

Sources: All c. 1993–94 data from Higgs 2007 except total life expectancy, which was obtained from U.S. Central Intelligence Agency 1994. All later data are from U.S. Central Intelligence Agency 2008. Computations for changes, growth rates, and telephones per 100 persons are by the author.

telephones per capita, Estonia now surpasses Finland. (Thorvaldur Gylfason and Eduard Hochreiter [2008] note that both personal computers per capita and Internet users per capita around 2004–2005 were about the same in Estonia and Finland.)

These numbers are consistent with Higgs's finding: if communism hurt Estonia, the removal of communism should have helped. In light of these data, it apparently did.¹

References

- Higgs, Robert. 2007. Results of Still Another Fifty-Year Experiment in Political Economy. *The Independent Review* 12, no. 1 (summer): 151–52.

1. A caveat should be noted. Although political and legal reform seems to have preceded Estonia's improved economic performance (see the graph in Gylfason and Hochreiter 2008), that timing by itself does not establish that this reform *caused* the improved economic performance. Factors not considered here might have caused both political change and improved economic performance. Causality might even have run partly in the opposite direction: improved economic performance might have contributed to political liberalization. Further research would be needed to establish conclusively that, as suggested here, the political change caused the improved economic performance.

Gylfason, Thorvaldur, and Eduard Hochreiter. 2008. Governance and Growth: Why Does Georgia Lag Behind Estonia? *Vox* (August 2). Available at: <http://voxeu.org/index.php?q=node/1499>. Accessed August 2, 2008.

Kaster, Nicholas J. 2008. Will Estonia Liberate the United States? *American Thinker* (June 21). Available at: http://www.americanthinker.com/printpage/?url=http://www.americanthinker.com/2008/06/will_estonia_liberate_the_unit.html. Accessed July 24, 2008.

U.S. Central Intelligence Agency. 1994. *The Project Gutenberg Edition of the 1994 CIA World Factbook*. Available at: <http://www.gutenberg.org/etext/180>. Accessed July 26, 2008.

———. 2008. *The World Factbook*. Available at: <https://www.cia.gov/library/publications/the-world-factbook/index.html>. Accessed August 8, 2008.