NEWS RELEASE

Estonian incomes, living standards, life expectancy improved dramatically after transition to market democracy

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For immediate release

VANCOUVER—After Estonia ended socialist rule and transitioned back to a market democracy, Estonians enjoyed vast improvements in their incomes, living standards and other key measures of prosperity, finds a new book published by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“The progress of Estonia, which is now one of the most successful countries in Eastern Europe, is a testament to the benefits of markets,” said Matthew Mitchell, senior fellow at the Fraser Institute and co-author of ***The Road to Freedom: Estonia’s Rise from Soviet Vassal State to One of the Freest Nations on Earth***.

After the second World War, Estonia was annexed to the Soviet Union. When the Soviet Union collapsed in 1991, Estonia began a dramatic transformation back to a market democracy. It reduced and prioritized government spending, privatized formerly state-owned businesses, balanced the government’s budget, introduced the world’s first flat personal income tax, eliminated trade barriers and rooted out government corruption.

By 2021, Estonia’s average annual income (as measured by per-person GDP) had reached US$38,811, more than triple its annual (inflation-adjusted) income in 1993 and higher than any other former Soviet state except Lithuania (US$39,381).

Estonia’s poverty rate plummeted from 54.0 per cent in 1993 to 2.7 per cent in 2018, and is the lowest rate of any former Soviet state.

As Estonians prospered, they began living longer. In 1993, the average Estonian could expect to die more than nine years earlier than the average resident of high-income countries. But by 2015, Estonia had closed the gap to less than three years.

The reforms in Estonia have also unleashed entrepreneurship. After adjusting for population size, Estonia now has by far the highest rate of business startups of any European country.

“The return to markets has coincided with a marked return to economic prosperity in Estonia,” Mitchell said.

To further illustrate the benefits of Estonia’s transformation, the authors compared Estonia to nearby Finland.

Before the transition, the average Estonian could buy one-fourth as much food on his annual salary as the average Finn. But after Estonia embraced a market economy, Estonians and Finns could buy almost the same amount of food based on their salaries.

This new book on Estonia is especially important given recent polling results from Leger, which found that 42 per cent of all Canadians—and 50 per cent of young Canadians aged 18-24—support socialism as their preferred economic system. And among those who say they favour socialism, 35 per cent support government directly running the economy by owning companies and entire industries.

“Some Canadians support an economic system that impoverished Estonians and shortened their life expectancy,” Mitchell said.

This book is part of the Fraser Institute’s Realities of Socialism series.

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