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AN UNLIKELY DECISION:
FACTORS INFLUENCING INTERNAL DEVALUATION IN RESPONSE TO THE
2008-2010 FINANCIAL CRISIS IN CENTRAL AND EASTERN EUROPE

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ABSTRACT

Prior to the global financial crisis in 2008-2010, economists and politicians alike considered it virtually impossible for governments to pass and implement internal devaluation (ie severe austerity programs). When a number of Eastern European democracies proposed this policy response, they were warned that skyrocketing unemployment, an even deeper collapse of GDP and unruly unrest would ensue. Still, some governments elected to enact internal devaluation measures. This paper seeks to identify what factors influenced the decision making of governments in Central and Eastern Europe to internally devalue by adopting internal austerity measures. Nine countries across Central and Eastern Europe are studied between the years 2000 and 2011 to assess the impact of different currency regimes, changes in GDP and current account balances, partisanship, and political unrest on the likelihood of internal devaluation, as measured by the percent change in government expenditures. The results indicate that countries with pegged or managed float currencies and sharp changes in GDP and current account balances were most likely to enact internal devaluation. Partisanship and political unrest were not significant factors influencing the likelihood of internal devaluation measures. These results suggest that in Central and Eastern Europe, currency structure and economic instability, not political partisanship or public demonstrations, were the greatest influences on policy makers during the crisis.

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Chapter 1

Introduction

The global economic crisis that began in 2008 sent shock waves across virtually all economies in the world, leading many countries to question their economic structure and behaviors in the past and look for new ways to handle their economies going forward. Central and Eastern Europe were hit particularly hard by the crisis. GDP declined as much as five to eighteen percent across the region in 2008 and 2009. Despite a similar experience among many countries in the region in their long term and recent economic history, there was a wide range of government responses to the crisis. The Baltic States managed to pass harsh austerity measures while maintaining their currency regimes, while other states such as Poland devalued their currency under a free exchange regime to divert further crisis.

Prior to the crisis in 2008-2010, economists believed the only way to recover from such serious deficits in government balances and current accounts was an external devaluation of the national currency. An external devaluation is the downward adjustment of a country's currency exchange rate. External devaluation makes exports more competitive by offering the same exports at a lower price. Imported goods are therefore more expensive because the relative price of these goods has not changed, but the value of the domestic currency is now less valuable and therefore able to buy fewer goods. External devaluation therefore should aid in reducing a country's current account and trade deficits. Internal devaluation involves the cutting of government expenditures

and wages in country to maintain the valuation of the currency in international markets but encourage deflation of prices and wages domestically. This allows a country to maintain the stability of its currency but requires a government to make harsh cuts in expenditures which will likely reverberate across the private sector as well.

During the crisis the idea of austerity as a form of internal devaluation to maintain the peg of a currency was seen as an unsustainable bandage that would ultimately result in external devaluation and the ousting of budget-cutting politicians and decision makers. While both external and internal devaluation are likely to result in a contraction of GDP, wages and national income, internal devaluation requires politicians to make direct job cuts, wage cuts, and difficult social cuts. If the cuts are not severe enough to close the budget deficit, external devaluation may be needed. Attempts to maintain the peg in East Asia in 1997 and Argentina in 1999-2002 had failed and led to a deepening of the crises (Aslund 2010). Both Argentina and the East Asian countries had extremely high government deficits and were not able to make deep enough public expenditure cuts to maintain the stability of the government and economy internally (Walter 2009; Aslund 2010, 2012). In both cases, the governments were forced to turn to external devaluation to balance the current accounts and government deficits. During the 2008-2010 financial crisis, IMF leaders and international economists made Central and East European governments aware of these events and the risks of austerity and internal devaluation. They advocated external devaluation as a means to reestablish competitiveness in international markets and therefore reduce the current account deficit. Additionally, the immensity of the budget cuts necessary to maintain the peg and restructure the economy was considered political suicide for democratic leaders.

How and why then did a number of countries choose to undertake internal devaluation and slash government spending despite its risks? This study will attempt to answer this question by measuring how different variables affected the likelihood for a country to pass internal devaluation measures. Unlike previous literature, this paper tests the effects of partisanship, unrest, and currency regimes in addition to current accounts and GDP percent change on the likelihood of internal devaluation. The results indicate that the type of currency regime, GDP percent change, and current account balance played a significant role in determining the likelihood of austerity. This paper will argue that external devaluation was not inevitable, and internal devaluation is possible and likely when certain conditions are present.

Chapter 2

Literature Review

Factors affecting economic decline in Central and Eastern Europe

Researchers have identified a number of significant factors contributing to the variation in economic decline among the countries of Central and Eastern Europe in the crisis of 2008-2010; but overall, high levels of debt and a high degree of openness are the most significant variables. Richard Connolly (2012) finds that the stock of external debt growth, the rate of pre-crisis credit growth, and the stock of government debt in 2007 are most significant. Myant and Drahekoupil (2012) conclude that dependence on financialized growth, government deficits and private and household credit, and government final consumption are the most significant factors. What is striking is that these factors were also the propellants of earlier growth in the region.

Prior to the crisis, Eastern Europe was booming and quickly converging with its Western European counterparts. Accession to the EU printed a stamp of approval on these countries as open for business. Credit and investment flowed rapidly into Eastern Europe, which was seen as the perfect low risk emerging market. Eastern Europe still remained far below the average income levels and GDP of Western Europe, but as required as part of EU accession, Eastern European governments were becoming more democratic, open, and financially stable.

While all countries were experiencing positive growth on average, the most significant growth was seen in the Baltics. The Baltic Tigers, as they became known,

averaged between 7-8% growth in GDP between 2000 and 2006, while the other Eastern European countries saw about 3-5% growth during the same time (EBRD). The Baltics began with some of the lowest GDP levels in Central and Eastern Europe, but made a smooth transition into capitalism and were therefore seen as a good investment. Capital from Nordic, especially Swedish, banks flooded the region with cheap credit. Many of these loans however were in Euros due to the ease of transaction and as a precaution for international lenders. In Latvia, the Latvian Central Bank estimated that 87% of domestic credit was denominated in Euro (Aslund 2010).

But while credit was cheap and easy for a time, when international markets began to contract, foreign money pulled out and underlying structural problems in the economies quickly became exposed. Countries that had the highest levels of debt, both private and public, found themselves the most exposed to the liquidity crunch. As Myant and Drahokoupil (2012) find, countries that had become the most dependent on international finances before the crisis were relying on these funds to drive growth. When these funds stopped flowing, the economies froze and began to quickly decline. Countries that were not dependent on these funds, CIS countries and resource rich countries for example, were less exposed to the credit crunch and did not decline as severely.

Connolly (2012) finds that the growth in external debt and the rate of pre-crisis credit growth were also important. This can be seen in the Baltics where the rise in external debt and international financing was dramatic in the pre-crisis years. In countries where these debt levels remained relatively stagnant over time, the decline in GDP was less severe. Other variables proved less significant in Connolly's analysis. His findings suggest that the variables of fixed exchange rate, share of foreign banks in banking assets,

trade linkages, and institutional variables either proved insignificant or had only a weak relationship with the decline in growth.

In addition to focusing on Eastern Europe, Connolly also assesses whether the region is an anomaly compared to the rest of the world. The results are very similar except that trade linkages have more impact on growth globally than in post-socialist Europe alone. This suggests that post-socialist Europe was not an anomaly but rather a representative example of the world-wide pre-crisis problems factors that led to the drop in growth.

While Connolly (2012) and Myant and Drahokoupil's (2012) studies are relatively similar in their results, Myant and Drahokoupil suggest one more significant factor – a Baltic regional dummy variable. The worry about over-financialization of the Baltics came before the financial crisis even hit. The capital inflows in the Baltics peaked in July 2007. By the last two quarters of 2007, GDP was already declining in Latvia and Estonia. This small scale recession due to the lack of domestic credit was magnified by the global financial crisis in late 2008 and 2009. The ratio of debt to exports was insurmountable, again due to the excessive access to cheap credit and the over-financialization of the Baltics. Additionally, much of this debt was in foreign currency. When the governments of the Baltics were faced with the decision of currency devaluation, they realized the difficulties domestic citizens would have in repaying their debts, denominated mostly in Euros, if the currencies were devalued. Foreign banks also had an interest in getting their loans repaid and therefore mostly supported the decision of internal devaluation.

In general, Eastern Europe was far more conservative with government debt and deficits than the West, but even small government deficits in these countries caused fear of default during crisis. Current account deficits were high in many Eastern European countries causing fear that during the financial squeeze of recession, the region would likely contract even further and add to the government debt. Hungary was the least fiscally responsible with a budget deficit as high as 9.3% of GDP in 2006. It was, by no surprise, the first to seek IMF loans in September 2008. Current account deficits were high among all the Eastern European countries. Bulgaria and the Baltics had among the highest current account deficits even before the crisis. Poland, the Czech Republic, and Slovakia had relatively low budget and current account deficits and as such, did not suffer nearly as severely from the crisis.

Government Response to the Crisis

To this point, there is very little research on factors influencing the decision of internal devaluation. While many journalists and economists have expressed opinions about devaluation in the recent crisis, Stephanie Walter (2009; 2012) is one of the few analysts to conduct a cross-national empirical analysis of the topic. Walter sets out to explain why some governments chose the path of internal devaluation while others executed external devaluation.

In a 2009 article, Walter asks what incentivizes policymakers to respond to economic crisis by comparing the Asian financial crisis of the 1990s and the recent financial crisis with case studies of Iceland, Hungary, and Latvia. She argues that when the voters' vulnerability to currency depreciation is high, the policymakers will delay the

adjustment. She notes that Iceland was extremely vulnerable to currency depreciation; however the government allowed massive external devaluation. This led to the destruction of three Icelandic banks and the resignation of the government. Walter writes that Hungary faced a high vulnerability to external currency devaluation and a high but comparatively lesser vulnerability to internal devaluation. In 2008, the government enacted a mixed policy of limited external adjustment (external devaluation of 15% to maintain exchange rate peg specifications of ERMII) along with some degree of internal monetary tightening. The Hungarian government was forced to resign and the economy continued to decline.

In Walter's analysis, Latvia's response is the best example of policymakers responding to the vulnerability of their voters. Latvia also faced a high degree of vulnerability to currency devaluation as it had an extremely high percentage of loans and deposits in foreign currency (90% of loans, 70% of deposits). Voters were much more vulnerable to currency devaluation than monetary tightening of internal devaluation. As a result, policy makers did all they could to avoid currency devaluation as it would likely not be received well by the public.

Walter's 2012 article expands on her previous qualitative cross country comparison. She uses the EBRD's 2006 "Life in Transition" Survey of post-socialist countries to assess the citizens' vulnerability to currency devaluation, their perceptions of the effects of the crisis, and their assessments of the performance of national government. Walters again argues that foreign currency borrowing greatly increases the vulnerability of the electorate to the costs of external or currency devaluation. Politically conscious politicians recognize vulnerability of their voters and, despite the high social costs of

internal devaluation, choose to implement harsh austerity over currency devaluation.

Walter thus challenges the previous literature that views that internal devaluation as virtually impossible, and that suggests therefore, that it is highly unlikely that democratic governments would implement this policy to combat economic crisis.

Walter concludes that when voters and firms have investments and loans in foreign currencies, they are very likely to be against external devaluation. The more vulnerable the electorate to foreign exchange devaluation, the more likely it is for the government to pursue internal devaluation. This was the case in the Baltic nations, as up to 86% of loans were in foreign currency (Latvijas Banka). The direct and indirect effects of currency devaluation would have affected the ability for these citizens to pay back loans, the abilities for firms to pay back loans, and the health of the banking system in these countries both at the time of crisis and likely in the future.

My research

While the above research provides a good background for my study, I believe there are many important factors that have gone un-tested. The above studies do not directly test for the effects of currency regimes on government decision making on austerity. Currency regimes should have a strong impact on a government's decision to externally devalue or internally devalue. If a government has a free floating currency, it is natural for the exchange rate of the currency to ebb and flow with the market and the government should be more willing to externally devalue to raise competitiveness. A country with a currency peg or a managed float system however, should likely be more hesitant to externally devalue as this decision may have consequences on not only the

currency but other areas of the economy. While Aslund (2010, 2012) makes mention of this topic numerous times in his works, he does not conduct a statistical analysis to test its true significance. Additionally, none of the above studies weigh the significance of partisanship or unrest on decisions of government expenditures. Many possible variables have been proposed and debated by politicians, the IMF, and economists such as Paul Krugman and Anders Aslund, but no empirical study has tested their effects in this crisis. My analysis can thus help to show which factors did in fact carry more weight.

Chapter 3

Research Design

Research Question

What explains the differences in severity of the crisis across Central and Eastern European economies and the various government responses to the crisis? What factors prompted some governments to adopt deep cuts in spending while others did not?

The results of this study will be immediately applicable to Central and Eastern European countries and their economic policies. The research could also be applied to other developing nations and their economic policies especially during a crisis. As Europe continues to struggle with the ongoing economic crisis, sovereign debt and the stability of financial markets, the findings here will provide an assessment of policies that worked in Eastern Europe and those that could possibly be applied to the developed world.

Theories/Hypothesis

I predict that countries with low levels of riots and government demonstrations, countries with right of center governments, and countries with pegged currency rates will be more likely to pass austerity measures/internal devaluation as measured by the change in government expenditures as percent of government expenditures year on year.

As has been observed in Greece and other southern European countries, riots and demonstrations can have a profound effect on a government's decision making especially

in times of crisis. Politicians and elected political leaders are first and foremost concerned with staying in power. Riots and demonstrations against the government can topple leaders, as happened in Argentina in 2001. As such, many political actors are likely to vote not for what is “right” but rather for what is seen as favorable in the eyes of voters who are concerned with their own self-interest. In the recent economic crisis in Europe, this has created a slow and difficult negotiating process. It is expected therefore in this paper, that countries experiencing a high number of riots and demonstrations in relation to other countries of Central and Eastern Europe will be less likely to pass austerity measures. Countries experiencing low levels of unrest among their citizens will be more likely to pass and stick to austerity measures.

I also expect that right-of-center governments will be more likely to pass austerity measures than left of center governments. This study will measure the effect of the partisanship of both parliament (measured by party or coalition with largest number of seats in parliament) and the prime minister on change in government expenditures. In general, left-of-center governments should be associated with more extensive social programs and higher government spending than right-of-center governments. Therefore, left-of-center governments are likely to be less willing to cut social program spending typically required in austerity reform measures.

All nine countries in this study are part of the EU, and many, if not all, have desires of one day adopting the Euro. The Euro has been, and in many cases still is, desirable for Central and Eastern European countries because of their small size, high costs of conversion of currencies with trade, travel and business, and the stability and insurance of a larger reserve currency. Each country seeking to adopt the Euro, must

adhere to the ERMII criteria¹, but must manage its national currency through its own central bank. For this paper, I have categorized the various currency regimes as pegged, free floating or managed float, even though there are more specific variations within each of these categories.

A currency peg means a country's national currency is directly tied to another currency at a fixed price. In Central and Eastern Europe, many countries pegged their currency to the US dollar or German Deutschemark after emerging from communist rule, but since the early 2000s they have pegged their currencies to the Euro. A pegged currency can have detrimental effects on a country if the peg is set either too high or too low. With the onset of the financial crisis, many critics encouraged the struggling Eastern European economies with pegged currencies to simply abandon the peg and devalue so as to increase export competitiveness, increase demand stimulus, and prevent a deflationary cycle. The currency peg however was a symbol of stability and success to its citizens in the Baltics and Bulgaria (Aslund 2011). Many worried that abandoning the peg would result in a setback on the path towards the Euro, and the collapse of their monetary and banking system. The governments of Central and Eastern Europe had witnessed the Argentinian and East Asian financial crises and refused to be subject to the same fate; however, maintaining the peg would mean extreme structural reforms, austerity measures and budget cuts (See Haggard 2000, Pempel 1999, and Desai 2003).

¹ ERMII criteria are: the consumer price index (CPI) must not be more than 1.5 percentage points above the rate of the three best performing Member States, government deficit must not exceed more than 3% of GDP, government debt as a percent of GDP must not exceed 60%, the long term interest rate should not be more than 2% above the rate of the three best performing Member States in terms of price stability, and the member state must demonstrate these criteria for at least 2 years without severe tension (European Commission)

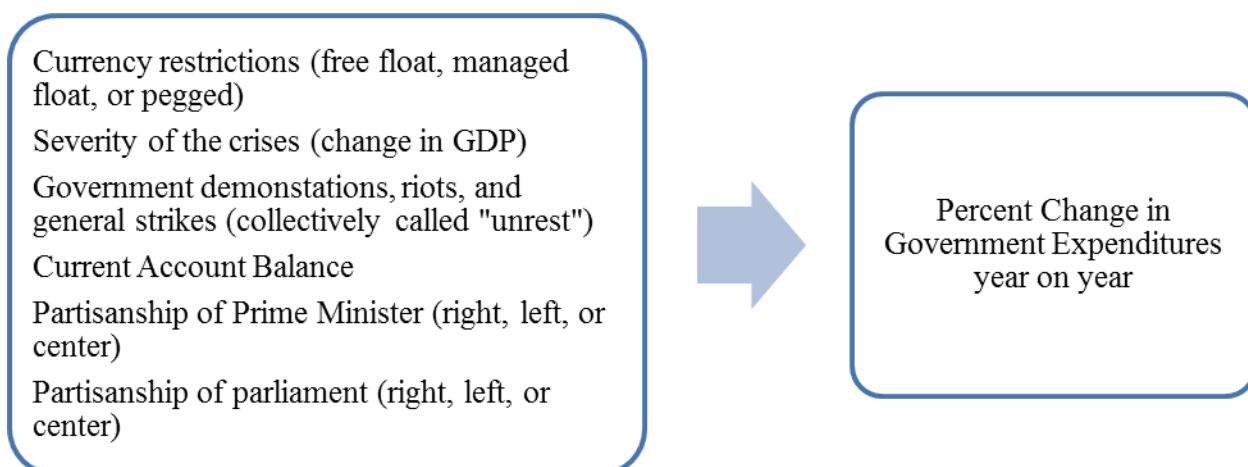
Free floating currency and managed floating currency are also included as dummy variables to test whether these two currency regimes affect the likelihood of internal devaluation. While both currency regimes allow for the adjustment of exchange rates, the managed floating currency is not adjusted instantaneously, and therefore may increase a country's likelihood of adopting austerity measures. If, for example, a country was on the path towards Euro adoption it must follow the ERM II criteria, which state that a country must maintain price stability within 1.5 percent of the lowest three inflation rates of EU members and normal fluctuation margins within +/- 2.5 percent. If a country's priority is to maintain these standards, and it has a managed floating currency regime it would be likely to enact internal devaluation measures, possibly in addition to some degree of external devaluation. It is therefore believed that a managed floating currency regime is more likely to pass austerity measures than a floating currency regime. However, because the managed floating currency regime does have some flexibility in the exchange rate, countries with managed floating currencies are expected to be less likely than currency peg regimes to pass austerity.

Countries with currency pegs are expected to be more likely to pass internal versus external devaluation. In Central and Eastern Europe the desire to maintain the peg in hopes of one day adopting the Euro should make governments more willing to pass internal devaluation. Of course, the desire to maintain a currency peg is not only based on the hope for future Euro adoption but also other potential damages that would affect the economy if devaluation were to occur. For example, external devaluation could lead to redistribution of wealth to a few big oligarchic exporters, the bankruptcy of domestic banks and foreign bank branches, and the inflation of imported goods which are essential

for such small economies, among others (Aslund 2011). In sum, countries with pegged currencies could face more short term and long term risks with external devaluation than with internal devaluation; therefore, reliance on a currency peg should mean a greater likelihood of cuts in government expenditures.

Research Design

In order to examine which countries are more likely to approve internal devaluation, I use multivariate OLS regression analysis in *Stata* to weigh the importance of various conditions on the outcome. Because there is no standard indicator for “austerity”, I have chosen to use the percent change in government expenditures to measure austerity and internal devaluation. I include the following independent variables to test their impact on changes in government expenditures: foreign exchange policy (three dummy variables for free floating currency, managed floating currency, or currency peg), GDP percent change, political unrest (a count of the number of anti-government demonstrations, riots, and general strikes in a given year), current account balance, partisanship of the prime minister (right, left, or center), and partisanship of the governing party or coalition in parliament (right, left, or center).



I will be studying the following countries: Estonia, Lithuania, Latvia, Poland, the Czech Republic, Slovakia, Hungary, Bulgaria, and Romania. I have chosen these countries because they are in the same geographic location, they have similar political histories, and they are all EU members. All of these countries are post-Soviet or post-communist states in Central and Eastern Europe that began economic and political transitions upon the dissolution of the Soviet Union and the Eastern European communist bloc system in the late 1980s and early 1990s. I have chosen not to include the post-Soviet states of Armenia, Azerbaijan and Georgia because of their geographic separation from the rest of these Central and East European countries, as well as their conflicts and wars during the post-Soviet years. The post-Soviet history of these countries has led them to have different experiences, economic and political institutions, and policies.

The time frame of this study is 2000-2011. While most of the countries in the sample were well into their transitions by 1995, their economies before 2000 were still adjusting to a market based system. Many of the fluctuations they experienced in growth rates, trade and other elements of the economy through the 1990s were significantly affected by the state of Russia's economy as their largest importer and exporter. The

Russian financial crisis of 1997-98 spread to these Central and East European economies and led to substantial reforms in banking, trade, and the financial system, helping to reduced dependence on the Russian market. For this reason, I have chosen to begin my study in year 2000 and conclude with the most recent data in 2011.

I have developed an original dataset for the sake of this study. I gathered from a number of independent international groups including the World Bank's World Development Indicators dataset, the European Bank of Reconstruction and Development (EBRD), the IMF, and others². For each variable, I chose the data source based on which dataset had the most complete and consistent information for the countries and years of this study.

Variable explanations:

I have chosen to define austerity as continuous variable (percent change in government expenditures), because a dummy variable of yes/no internal devaluation would provide less information about the degree of change. The continuous variable also measures increases in expenditures allowing for the comparison of fiscal policy in the boom years when government expenditures were increasing significantly. The continuous dependent variable also allows for a broader comparison across the subject countries during the crisis, as some had more severe structural reforms than others.

² Please see Appendix A for a complete list of data sources and descriptions

It has been mentioned in previous literature (Aslund 2009, 2011) that one of the reasons Latvia in particular chose internal devaluation was because of its currency regime and its desire to stay on track with the ERM criteria for future Euro adoption. I chose to test this theory by including variable of currency regime categorized by free floating currency, managed floating currency, or currency peg. Each country can only be categorized as one currency regime in a given year but can change over time as new policies are adopted.

The variables of GDP percent change and current account balance are included due to their general importance as indicators of the health of the economy and in determining fiscal policy.

The variable unrest includes a count of the number of anti-government demonstrations, riots, and general strikes as recorded by the Cross National Time Series Data Archive. As recent events in Greece and Spain make clear, the riots and unrest of Southern Europe have been a significant deterrent in decision making by politicians in these debt ridden countries. It would be expected that politicians concerned about maintaining their positions in office would be less likely to pass hard austerity measures if there was strong and even violent opposition to the policy measures.

The partisanship of the prime minister and parliament are included to test the significance of political parties and ideology in government expenditures in general but more importantly fiscal policy after a crisis. Partisanship of parliament is measured by the party or coalition with the largest number of seats

During the financial crisis of 2008-2010, all of the Baltic nations (Latvia, Lithuania, and Estonia) selected similar policies in structural reforms and government

expenditure cuts in an attempt to rescue their economies. These countries also all had the most severe retractions in GDP during the crisis. The worst among them, Latvia, suffered the most significant drop in GDP in the world for the year 2009 with a decline of 18% of GDP in that year alone. Lithuania and Estonia followed close behind with declines of 14.7% and 14.1% respectively. To account for any difference in both Latvia and the Baltics not explained by the above variables, I also included two dummy variables: one for all the Baltics, and one specifically for Latvia.

Chapter 4

Results

The results were obtained by linear regression in Stata. I have used the standard p value of $\leq .05$ to determine significance in the variables.

In Table 1, the dependent variable is percent change in government expenditures; independent variables are lagged one year. Model A includes currency regimes, GDP percent change, unrest, and current account balance. Model B adds a dummy variable for the Baltic region. Model C adds variables to test the impact of the partisanship of the incumbent prime minister and ruling coalition. Model D adds a dummy variable for Latvia. Model E excludes the dummy variable for Latvia and instead includes the Baltic dummy variable again. Variables with a significant p-value ($\leq .05$) are in boldface.

Table 1: Percent Change in Government Spending (with lagged independent variables)

	Dependent Variable = Change in Government expenditure (y+1)									
	Model A		Model B		Model C		Model D		Model E	
	n =	90	n =	90	n =	90	n =	90	n =	90
	adj r2 =	0.0701	adj r2 =	0.1156	adj r2 =	0.026	adj r2 =	0.0321	adj r2 =	0.0842
Independent variable	Coef	p value	Coef	p value	Coef	p value	Coef	p value	Coef	p value
Managed Float	-11.2769	0.021	-11.1901	0.019	-11.3251	0.024	-11.8431	0.018	-11.1687	0.022
Currency Peg	-9.4640	0.019	-19.2701	0.001	-9.6884	0.046	-10.7478	0.029	-19.0842	0.002
GDP percent change	-0.6070	0.121	-0.7372	0.057	-6.0092	0.143	-0.5163	0.212	-0.7104	0.077
Unrest	1.6941	0.422	1.6846	0.413	1.6047	0.463	1.6705	0.444	2.0842	0.328
Current Account	-0.5737	0.13	-0.7278	0.054	-0.5106	0.222	-0.5898	0.163	-0.778	0.065
PM Right					-1.3972	0.827	-6.2154	0.407	2.0081	0.752
PM Center					1.3534	0.884	-13.2407	0.381	0.0334	0.997
Parliament Right					-0.1650	0.981	2.7107	0.711	-4.9029	0.484
Parliament Center					1.6955	0.819	-3.0484	0.715	-7.6476	0.348
Latvia							15.5848	0.223		
Baltics			12.7875	0.024					16.3432	0.016
_cons	18.7865	0.00	18.3847	0.00	19.3220	0.00	19.0079	0.00	17.9678	0.00

In every model (A-E), currency peg and managed peg are the most significant variables. The regional dummy variable of the Baltics proves significant when it is included (in Models B and E) suggesting that the Baltics are a unique case even when compared with generally similar countries. Latvia alone however, does not prove significant (Model D). GDP percent change and current account balance demonstrate marginal significance. GDP p-values range from 0.057 in Model B to 0.212 in Model D. Current account p-values range from 0.054 in Model B to 0.222 in Model C. Unrest, prime minister partisanship and parliament partisanship all show little to no significance.

The presence of a currency peg or managed float currency regime proves to be by far the most significant variables tested. In every model, currency peg has a p-value of between 0.001 and 0.046. (Countries with currency pegs are Bulgaria [2000-2011],

Latvia [2000-2011], Lithuania [2000-2011], Estonia [2000-2011], and Slovakia [2009-2011])³. These results show a strong relationship between the presence of a currency peg and change in government expenditures. Countries with a currency peg are more likely to adjust internally via cuts in government expenditures. The relationship is also significant during boom times when government expenditures typically increase.

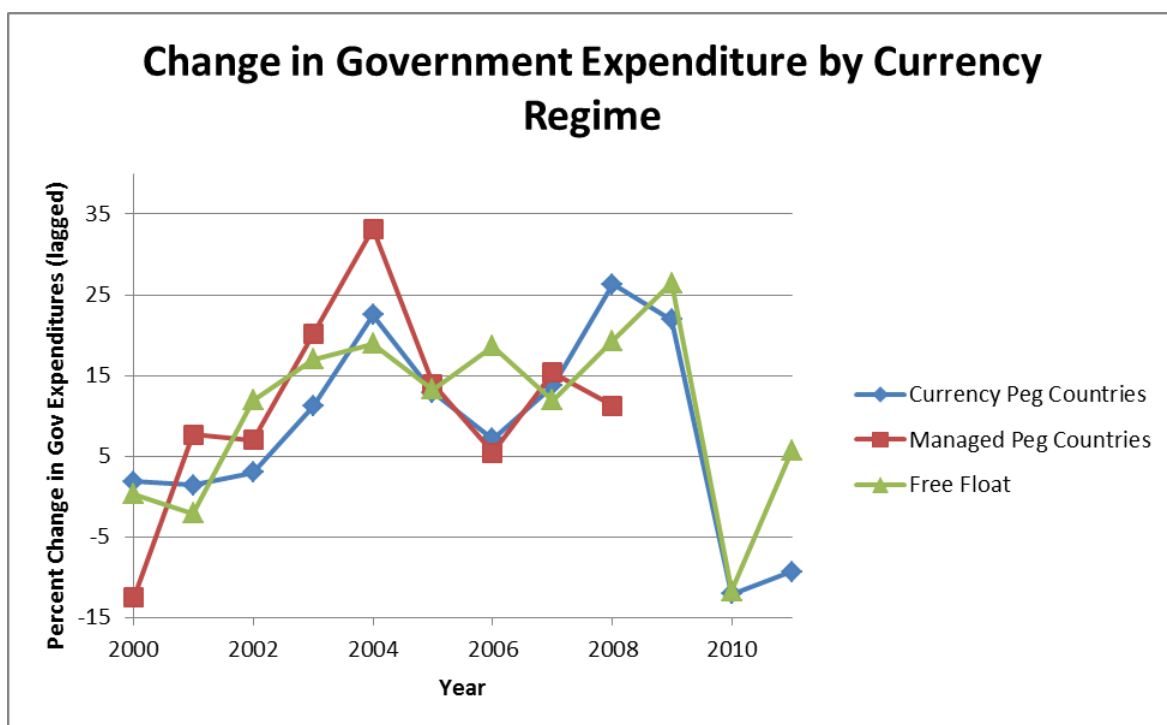
Managed float currency regimes also proved significant with p-values ranging from 0.018 to 0.024. (Countries with managed peg currency regimes include Hungary [2000-2003], Slovakia [2000-2008], and Romania [2000-2003]). There are no observations of countries with managed float currency regimes after year 2008 in this data set; all the observed countries either transitioned from a managed float regime to a free float regime (as was the case in Hungary and Romania) or to the Euro in the case of Slovakia. While using a managed float currency system, these countries had to use fiscal policy as a way of internally maintaining the established peg for that period. Romania during these years had ebbs and flows in government expenditures of plus and minus over thirty percent. Slovakia is the only country of the group that used a managed peg system for a significant period of time. Slovakia successfully managed to adhere to the ERMII criteria under the managed peg system and was able to maintain the peg system without having to cut government expenditures.

Because the number of observations for managed float currency regimes is limited, the significance of the variable should not be considered as conclusive as the

³ For this study the Euro was defined as a currency peg. Slovakia adopted the Euro in 2009 and Estonia in 2010. While the Euro itself is a free floating currency, the countries using the Euro have no control over the level. They are therefore pegged to rate established upon adoption. Estonia had its national currency pegged to the Euro prior to adoption. Slovakia used a managed float currency prior to adoption.

significance of the currency peg variable which held strong over the observed period in all four countries. Figure 1 shows the changes in government expenditures among the three different types of currency regimes. Since there are no observations of the managed float currency regime after 2008, including during the crisis years of 2008-2010, it is difficult to support a strong argument for the significance of this variable in predicting government expenditures and the likelihood of internal devaluation. Based on the pre-crisis years however, it appears that the managed float system and currency peg systems follow a similar pattern of change in government expenditures as can be seen in Figure 1.

Figure 1: Change in Government Expenditure by Currency Regime

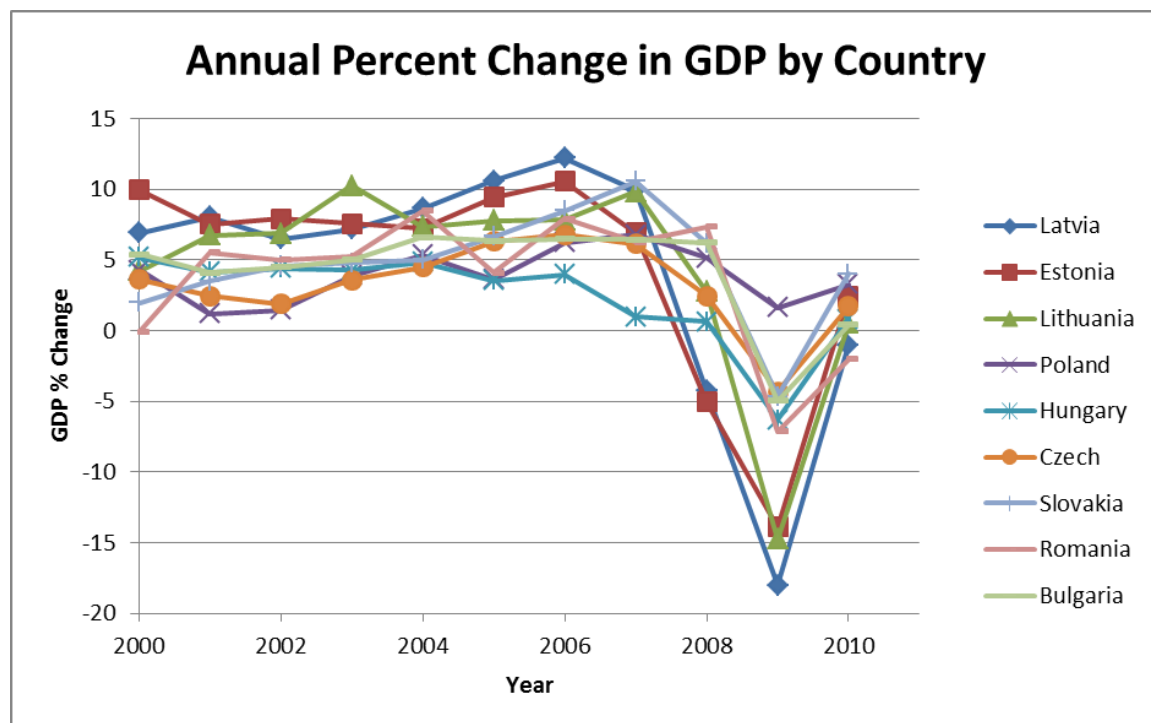


This suggests that countries with a currency peg are willing to adjust internally to maintain the peg externally. In the case of the Baltic currency peg countries, the peg had worked well since its adoption. During this time, the Baltics had experienced growth of 5-12% of GDP. The peg was seen by investors and the government as a sign of stability. If the peg could be maintained, then the economy must be healthy. The Baltics as well as Bulgaria were willing to maintain the legitimacy of their pegs at all cost even during the crisis. This required internal adjustments to government expenditures.

Prior year current accounts and GDP percent change are also somewhat significant variables. This should be expected. When a government makes the decision to increase or decrease government expenditures two of the important variables they should be referencing in the decision are current account deficits or surpluses and the change in GDP. In times of high current account deficits or stagnant or contracting GDP, governments should be more likely to cut, or at least not increase, government expenditures. In fact, these metrics were used by both the governments, and in the case of Latvia and Hungary, by the IMF to determine the best course of action to combat the crisis. The significance of these variables proved true in this study.

Figure 2 illustrates the change in GDP among all nine studied countries in the sample for the years 2000-2010. Prior to the crisis, in the period 2000-2007, the Baltics experienced the greatest increase in GDP on average. Once the crisis hit however, these countries experienced the most severe decline in GDP. Countries that were experiencing more moderate growth fluctuation in the pre-crisis years (Poland, Czech Republic, Hungary, Slovakia, Romania, and Bulgaria) suffered a less severe decline during the crisis.

Figure 2: Annual Percent Change in GDP by Country



As the results in Table 1 demonstrate, neither political unrest, nor the partisan affiliation of the Prime Minister or major party in parliament affected the level of government spending. Unlike Southern Europe, where unrest seems to be having some impact on the decisions of policy makers, in Central and Eastern Europe unrest proved insignificant. It should be mentioned that unrest during these years, including the crisis years, was very minimal in all the Central and Eastern European countries in the sample. However, when the Latvian government cut government expenditures by over 22% and cut government jobs and salaries by one-third beginning in 2008, some citizens did take to the streets in a riot in January 2009. The riot, however, did not stop the government

from continuing austerity measures. But, then-Prime Minister-Godmanis and his government did resign in March of 2009. Godmanis was replaced by Valdis Dombrovski as Prime Minister; and Dombrovski continued the cuts and austerity measures through 2009 and into 2010. Dombrovski also secured the support of the public in elections in October 2010. There were no further riots or demonstrations despite the increased austerity measures enacted by his government. Policy makers in most cases thus appear to have been unaffected by the presence or absence of riots, strikes and anti-government demonstrations, even in Latvia where the government continued to stay the course on internal devaluation after a riot and Prime Minister Godmanis' resignation.

Some experts suggest that one reason for this may be because Central Eastern Europe in general has a history of economic crises and general hardship⁴. This perhaps is a reason why citizens of the region are less inclined to strike, riot, or engage in anti-government demonstrations even when the government is debating harsh austerity measures. It is true that the region has seen its fair share of crises. The region overall experienced relatively low growth during the late Communist era. Since then, most countries have also been affected by the collapse of the Soviet system, the banking crises of the 1990s (1991, 1998), and additional domestic recessions due to transition, corruption or other factors. Additionally, the governments may be more willing to enact austerity measures as they are aware of the indifference of the electorate and therefore have little fear of public backlash.

The partisan affiliations of the Prime Minister and the major party in parliament also appear to have little effect on decisions about austerity. Although right-leaning

⁴ Sources: summarized discussions with interviewees listed in Appendix A

governments are typically considered more conservative in government spending, partisanship had little impact on government spending in this study. The leanings of neither the prime minister nor the parliament prove significant in the determination of the national budget⁵.

This is an interesting and unexpected finding. I had expected left-of-center governments to be more obliged to uphold social programs and government expenditure programs, but both right- and left-leaning governments were willing to enact austerity measures. However, this may reflect the fact that the ideological distance between political parties in Central and Eastern Europe is in general relatively short. There are few extremist political parties of great significance at either end of the left-right spectrum in the region today. Therefore, a government considered to be left leaning is in fact left leaning but may have centralist tendencies that make it more likely to concede to “conservative” policies.

The Baltics are an interesting case prior to, during, and after the crisis. They were the fastest growing countries in Central and Eastern Europe before the crisis, the worst hit during the crisis, and they seem to be the most successful (at least in terms of GDP growth) post-crisis. For this reason, as I conducted my regressions, I came to believe that perhaps the Baltics possessed some other characteristic, unrelated to the variables already being tested, that made this region different. I tested this theory by creating a regional dummy variable for the Baltics. As Table 1 demonstrates, the results did indicate that the

⁵ I have considered here the possibility of multicollinearity among the partisanship variables. I have regressed these variables separately and the results are still insignificant for these variables.

Baltics are distinctive, even after controlling for the other variables included in the analysis.

Interestingly, Latvia, which was the most extreme of not just the Baltics but the world in both the severity of the crisis and its dramatic internal devaluation response to the crisis, did not prove to be significantly different (when I included it as a dummy variable for that country alone in Table 1). While the Latvian experience was the most severe, it was not all that different in structure to that of the Lithuanians and Estonians. Therefore, it is more important to ask what made the Baltics as a whole different.

I should note that I conducted several alternative tests of the relationships depicted in Table 1. It could be argued, for example, that the independent variables should not be lagged. In times of crisis, as in 2008 and 2009, governments were called on to take quick decisive action on expenditures for the current year. In some cases, immediate cuts were necessary to prevent default. Thus it might be the current-year values of GDP and the current account that have the most impact on budget-cutting.

To determine the effect of these arguments on government expenditures, Table 2 presents the same analysis as in Table 1, but with unlagged independent variables. Model A includes currency regimes, GDP percent change, unrest, and current account balance. Model B adds a dummy variable for the Baltic region. Model C adds variables to test the impact of the partisanship of the incumbent prime minister and ruling coalition. Model D excludes the dummy variable for the Baltics and instead includes a dummy variable for just Latvia. Model E includes both Latvian and the Baltics. Variables with a significant p-value ($\leq .05$) are in boldface.

Table 2: Change in Government Spending, 2000-2011 (with unlagged independent variables)

Independent variable	Change in Government Spending, 2000-2011 (with unlagged independent variables)									
	Model A		Model B		Model C		Model D		Model E	
	n =	90	n =	90	n =	90	n =	90	n =	90
	adj r2 =	0.1658	adj r2 =	0.2061	adj r2 =	0.17	adj r2 =	0.137	adj r2 =	0.1596
	Coef	p value	Coef	p value	Coef	p value	Coef	p value	Coef	p value
Managed Float	2.85996	0.554	2.922092	0.532	2.697648	0.574	2.526757	0.607	2.731025	0.573
Currency Peg	-7.91856	0.047	-17.6463	0.003	-17.7725	0.004	-11.0999	0.024	-17.7476	0.004
GDP percent change	0.764421	0.051	0.635173	0.099	0.642974	0.109	0.731589	0.077	0.637188	0.121
Unrest	-0.39611	0.85	-0.40554	0.843	-0.50266	0.814	-0.84216	0.698	-0.50492	0.814
Current Account	-0.76569	0.044	-0.91854	0.015	-0.90601	0.033	-0.72077	0.087	-0.90207	0.036
PM Right					-3.55945	0.576	-6.55993	0.379	-3.24123	0.669
PM Center					-3.91305	0.665	-4.58653	0.76	-2.99544	0.84
Parliament Right					3.328706	0.636	7.076233	0.332	3.128011	0.677
Parliament Center					3.469518	0.67	9.697704	0.244	3.732337	0.674
Latvia							1.738718	0.891	-0.98551	0.938
Baltics			12.68532	0.024	11.8203	0.079			11.88531	0.082
cons	7.910497	0.021	7.511853	0.025	7.818343	0.034	8.769984	0.019	7.832776	0.035

The results of these regressions yield an overall better model fit (i.e., higher values of adjusted R2), and stronger levels of significance for the current account variable. However, the unlagged independent variables raise a question about the direction of cause and effect. For example, it is impossible to tell here whether change in GDP influenced the change in government spending or whether change in government spending influenced the change in GDP. A similar question arises with respect to the current account variable. Additionally a change in government expenditures could have occurred because of unrest, but unrest could have also occurred because of a change in government expenditures. Thus the results based on lagged values (in Table 1) offer somewhat more assurance about the direction of causality.

Since the study includes cross sectional and time series data, I also ran the models in Table 1 with random effects regression in Stata, with clustering by country and robust standard errors. The results proved to be the same as those in Table 1. I did not use fixed effects, however, since some key variables in the analysis are constant or change only in certain periods of time (i.e. currency regime).

The Baltics:

As the statistical analysis demonstrates, the Baltics differ significantly from other Central/East European countries even after controlling for several other variables. Their declines in government spending were deeper than those of other countries in the region. To what extent were the cuts a result of intentional austerity measures? In all three cases, the Baltic governments adopted explicit austerity policies. All three were able to implement cuts in public spending, and with the exception of a change of power in Latvia early on in the crisis, all three countries were also able to maintain political stability throughout the crisis.

Latvia's government under Prime Minister Godmanis accepted an IMF rescue package in December 2008 that mandated a 2009 government deficit not to exceed 4.9% (IMF, 2008). However, while the Godmanis government realized the necessity of the budget cuts, it delayed in the implementation. The regime faced criticism from the citizenry and other parties of parliament for not implementing salary cuts across the board for all government workers. The Godmanis government tried to protect the salaries of ministers and public company executive salaries. Godmanis blamed the delayed

decision making on his ministers, but the public blamed Godmanis' inability to lead his government (Aslund 2011). The Latvian news source DELFI conducted an opinion poll in mid-January 2009 finding 70% of the electorate did not trust the government, 86% did not have confidence in parliament, and 64% were willing to vote for the dissolution of parliament (Delfi 2009). The Minister of Culture resigned in January because of a lack of confidence in the government. On January 13th, protestors gathered in Riga to demand dissolution of parliament. Public criticism, ministerial resignations, and the riot ultimately led to the resignation of Godmanis on February 20th, 2009.

On March 12th, 2009, Valdis Dombrovski was sworn in as Prime Minister.

Dombrovski was a former finance minister from 2002 to 2004 and quickly took charge of the budget cuts and economic reforms. Unlike the preceding Godmanis government, Dombrovski was willing to make cuts across the board including to wealthy government officials and ministers (Cabinet of Ministers 2009). 29% of civil servants were laid off, half of state agencies shut down or consolidated, and average public salaries were cut by 26%. Latvia had some of the highest numbers of hospitals/population in Europe, but subpar medical care. More than half the hospitals were shut down according to suggestions made by the World Bank. Education funding was cut and student-teacher ratios were increased to bring them more into line with the European average. Together the cuts amounted to 11% of GDP for 2009 (7% of GDP adopted by Godmanis and 4% of GDP additional cuts added by Dombrovski's government).

Lithuania and Estonia made similar commitments to the reduction of government expenditures during the crisis even without the mandate of the IMF. Lithuania's Prime Minister, Andrius Kubilius stated in early 2009, "Our strategic goal is to have stable

finances and to keep the budget deficit within a three-percent limit of GDP” (Agence France Presse). Despite a riot in Vilnius in January of 2009, Kubilius stayed the course of budget cuts. His government cut expenditures by 8.6% of GDP in 2009 and he remains in power as of March 2013 (Aslund 2010).

Estonia had been fiscally conservative before the crisis and remained committed to balanced budgets during and after the crisis from 2008 onward. The Estonian government adopted budget cuts of 9% of GDP in 2009 (Ummelas). Estonia remained within the Maastricht criteria even during the crises years and was therefore able to adopt the Euro in 2011.

To develop a better understanding of the factors that influenced Baltic decision-makers, I travelled to Latvia to conduct interviews in the summer of 2012 with 15 policy makers and economists in the region on what made the approach to the economic crisis in Latvia and the Baltics different from that in other Central and East European countries. I conducted interviews with David Moore (Resident Head of the IMF mission in Latvia), Vilnis Kirsis (Parliamentary Secretary of Ministry of Economics of Latvia), Uldis Rutkaste (Deputy Head of Monetary Policy, the Latvian Central Bank), as well as many other economists, journalists, and businessmen and women⁶.

While not all of the experts whom I interviewed agreed with the ultimate policy decisions or on every possible explanatory variable, there was a general consensus on a number of factors which made the Baltics different from other countries during the crisis. These included: the collapse of Parex bank in Latvia and the contagion of Latvia’s

⁶ A full list of all interviewees is provided in Appendix B

difficulties to its Baltic neighbors, the high level of debt derived in Euro and the implications of foreign currency derived debt on crises solutions (studied by Walter [2012]), the desire to stay on track for Euro adoption – not only by the citizens but also the government, and the long history of economic pain and suffering experienced by the Baltics that made them more willing to suffer through austerity to correct the ills of the past.

The first differentiating factor was the collapse of Latvia's Parex Bank. Parex was one of Latvia's only banks to survive the privatization period. It had the biggest domestic market share of any local bank in the European Union (Aslund 2010). Latvia and the rest of the Baltics started to experience a slowdown in the economy starting in 2007, but the real onset of the crisis began in the fall of 2008 as financial liquidity froze internationally. In October of 2008, Parex Bank experienced a run by depositors and was unable to obtain international financing to bridge the crisis. The Latvian government realized that the potential collapse of the bank would result in not only the bankruptcy of the bank itself but also its savers and investors; however, it did not possess the ability to bail out or nationalize the bank on its own. As a result, Latvia was forced to ask for IMF assistance. The fear of default or collapse was felt strongly by the other Baltic States as well. It is said that the collapse of Parex Bank therefore created a greater fear and real probability of default in Latvia and the Baltics which made the region different from its neighbors. While interviewees did not consider this to be the main factor prompting internal devaluation, they suggested that it did create a more extreme case of GDP collapse and economic uncertainty in the region.

The second factor that set the Baltics apart was the desire for Euro adoption. The Baltics had strong support for their currency pegs even during the midst of crisis. The desire to adopt the Euro and achieve admission to the monetary union was important to not only the government but also to many in the general public. In Latvia, a Eurobarometer poll in September 2009 found that 45% of the population believed introducing the Euro would have positive consequences. 47% of Estonians and 42% of Lithuanians believed Euro introduction would be positive. The proportions of positive responses, moreover, had increased during the crisis (Eurobarometer 2009). This could be interpreted as a loss of confidence in the government's ability to maintain the local domestic currency, but one of the main goals of the governments of Latvia, Lithuania, and Estonia was to meet the ERMII criteria and eventually adopt the Euro. Therefore, support for Euro adoption can also be understood as support for the governments' efforts and policies to achieve Euro adoption.

The last factor that seems to have set the Baltics apart is the high level of debt derived in foreign currency. Walter (2012) addresses this factor in her research and concludes that a high level foreign currency-denominated debt makes citizens more vulnerable to external currency devaluation. The experts I interviewed acknowledged this factor as a strong motivator in their decision on internal devaluation.

Additionally, some interviewees mentioned that the degree of openness of the Baltics left these countries more vulnerable to the international financial liquidity shock of the 2008 crisis. The openness of the Baltics was, in fact, one of the factors contributing to the growth of the region during the boom years when a large amount of capital flowed in from the developed nations in Western Europe and the Nordic countries among others.

When this influx of money suddenly stopped, the Baltics were forced to cut both public and private expenditures to avoid default on their loans. Other nations that were not quite as open were less vulnerable when the crisis hit and were therefore able to continue without as severe of spending cuts.

Chapter 5

Conclusion

This paper has argued that external devaluation was not inevitable, and internal devaluation is possible and not necessarily political suicide for those in power. *The existence of an established currency peg or managed peg, severe ebbs and flows in GDP growth, and current account balance make internal devaluation more likely. Unrest and partisanship do not necessarily affect the likelihood of internal devaluation according to this study. The Baltics represent a special case with faster growth before the crisis and quicker, more drastic spending cuts in response to it.*

This paper suggests that, in at least some cases, the partisan leaning of the government does not affect its ability to adopt harsh austerity measures. Decision makers of the right, left, and center in Central and Eastern Europe can pass and have passed austerity. It may be the case, though, that the ideological distance among political parties in Central and Eastern Europe is rather narrow compared to other regions. While the coding of right, left and center is based on a set of standard categories (in the World Bank's Governance Indicators), it does not necessarily capture the distance among parties on issues such as economic policy. Thus political partisanship might prove to be more significant outside of Central and Eastern Europe.

Political unrest also proves to have relatively little impact on the adoption of austerity in the region. Just because there is unrest (strikes, riots, or demonstrations) over the new austerity policies, a government will not necessarily back down in its budget-

tightening efforts. Countries that passed internal devaluation in Central and Eastern Europe were not completely free of unrest after the enactment of the policy; however, unrest was still very minimal (3 total incidents of unrest in Latvia in 2009, 1 in Lithuania, 0 in Estonia, etc.). Therefore, we can see that internal devaluation – what many before the crisis called politically impossible – was generally accepted by the citizens and, in fact, not political suicide.

Central and Eastern Europe and, in particular, the Baltics have been upheld as the great success story of the financial crisis – an opinion disputed by many. The IMF held a conference in Latvia in June of 2012 entitled, “Against All Odds: Lessons from the Recovery of the Baltics” congratulating the region and governments for a job well done. Speakers including IMF managing director, Christine Lagarde, European Commissioner for Economic and Financial Affairs, Olli Rehn, the Swedish Minister of Finance, Anders Borg, and many others applauded Latvia, Lithuania, and Estonia for their “success story” (Lagarde 2012). Miss Lagarde praises Latvia for the commitment to the internal devaluation measures, the government’s return to fiscal responsibility and the return to growth, but she is careful not to ignore the social implications of the program.

Many argue that the Baltics are not a “success story” at all. Unemployment is still around 14% as of March 2013, emigration is estimated to be as high as 10% in 2011 alone (France 24 2012) and the country has still not returned to the level of GDP obtained before the crisis. A great number of these critics believe that an external devaluation would have led to less severe social consequences and a faster return to pre-crisis growth levels. This debate is likely to continue for many years to come as Southern Europe and many other countries of the world struggle to deal with debt debacles, bank crises, and

imminent default. The “rightness” of policy decisions is in the eye of the beholder. Certainly, the Baltics still struggle with high unemployment, emigration, and poverty, but would the results have differed if they had chosen to pursue external devaluation? This will forever be uncertain as it was not the chosen policy. Additionally, the Baltics should still be congratulated for the success of their chosen course. Many other nations that have been forced to pursue austerity measures due to their lack of monetary freedom under the Euro and ECB system have failed to compromise on successful internal devaluation measures. Greece, Spain, Italy, and Portugal are still facing negative GDP years later. The fact that the Baltics were able to successfully pass and commit to austerity and restructuring measures should be commended. A return to growth at all in the slow economic environment is an achievement.

While all the Central and Eastern European economies still suffer from some repercussions of the crisis, all have returned to growth in GDP and many measures of the economy seem to be improving. No two policy choices during the crisis were exactly alike, and many were deemed politically impossible and economically doomed by the outside world, but the policies were passed and the economies are on a path of recovery. Overall, the evidence from this paper suggests that internal devaluation is possible and, in fact, likely when a country has a currency peg, high levels of current account deficits and GDP decline regardless of the partisan affiliation of the prime minister or the majority in parliament, and regardless of domestic unrest.

Appendix A

Data Sources

Variable	Source	Description
Country		9 Central and Eastern Europe countries
Country number		random number generator 10 – 30
Year		years 2000-2011
GDP % change	EBRD data	annual percent change in GDP
Current account balance (% of gdp)	IMF	
Currency restrictions	IMF, central bank websites	0 = free float, 1 = pegged to another currency (includes with and without currency board and includes if country adopted euro), 2 = managed float (including band float range)
% Change in Government Expenditure	Data from Gen. gov. final consumption expenditures (current US\$) = World Bank WDI.	Calculated by $(y_2 - y_1 \text{ gov expenditure}) / y_1 \text{ gov expenditure}$
Unrest	Cross National Time Series Data Archive	Anti Government demonstrations, Riots, and General Strikes to put into one variable
Anti-government demonstrations	Cross National Time Series Data Archive	# of government demonstrations per year
Riots	Cross National Time Series Data Archive	# of riots per year
General Strikes	Cross National Time Series Data Archive	# of general strikes per year
PM Partisanship	World Bank dataset on Political Institutions	Right (1); Left (3); Center (2); No information (0); No executive (NA)
Parliament Partisanship	World Bank dataset on Political Institutions	Right (1); Left (3); Center (2); No information (0); No executive (NA)
Baltics		Regional Dummy variable 0=not Baltic nation, 1=Baltic nation
Latvia		Country specific dummy variable 0= not Latvia, 1=Latvia

Appendix B

List of Interviewees

List of Interviewees

1. Journalists
 - a. **Aaron Eglitis** – Bloomberg reporter
 - b. **Pauls Raudseps** – Editorial Page Editor of the Latvian daily newspaper, *Diena*
 - c. **Dorian Ziedonis** – Chief Editor of the Baltic Times
 - d. **Karlis Streips** - Political analyst/ radio commentator
2. Business People
 - a. **Jacob Lalander** - Swedish businessman and entrepreneur
 - b. **David Derausse** - American working in real estate in Latvia
 - c. **Jerry Wirth** –currently Chair of the Foreign Investors' Council In Latvia, Former President of the American Chamber of Commerce in Latvia
 - d. **Līga Smildziņa-Bērtulsone** – Executive Director of American Chamber of Commerce in Latvia
3. Economists
 - a. **Dr. Dzineta Dimante** - University of Latvia Professor of Economics
 - b. **Jānis Bērziņš** - Economics professor
 - c. **Alf Vanags** – Baltic International Centre for Economic Policy Studies
4. Government officials
 - a. **Vilnis Kirsis** – Parliamentary Secretary of Ministry of Economics
 - b. **Uldis Rutkaste** - Deputy Head of Monetary Policy, the Latvian Central Bank
 - c. **Martins Gravītis** – Latvian central bank press secretary
5. International Organizations
 - a. **David Moore** – Resident Head of the IMF mission in Latvia

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Education

B.A. International Politics Expected 2013, Pennsylvania State University, University Park, PA

Honors and Awards

- Schreyer Honors College, Penn State University
- Political Science Department Grand Marshal, Spring 2013
- Phi Beta Kappa Academic Honor Society
- Thomas R. and Joan G. Dye Scholarship for Political Science, Penn State University
- Summer 2012 College of the Liberal Arts Enrichment Award for international thesis research in Latvia, Penn State University
- Newell Fund Award for Thesis Research in Political Science, Penn State University
- National Society of Collegiate Scholars

Association Memberships/Activities

- Vice President of Pi Sigma Alpha: National Political Science Honor Society

Professional Experience

- Research Assistant, Correlates of War Project: Militarized Interstate Dispute Data, University Park, PA
- Research Assistant, United States Army War College: Strategic Studies Institute, Carlisle, PA
- Intern, Office of International Business Development; Pennsylvania Department of Community and Economic Development, Harrisburg, PA