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STANDARD OF LIVING IN ESTONIA AND FINLAND IN THE 1930s

When Estonia and Finland became independent after World War I, they were in many respects in a similar economic and political position. Both were agrarian countries where about two thirds of the population earned their livelihood from agriculture and forestry. A characteristic feature of Finnish agriculture was the strong emphasis on dairy production. In Estonia, potato growing was in focus and therefore, like Latvia and Lithuania, it was called a potato republic.

In the interwar years, land reform was one of the most important economic reforms in East Europe. In Finland, this process was started by the liberation of crofters in 1918. In Estonia, a similar reform began about a year later. Common features of East European land reforms were decreasing the area owned and cultivated by manors or other large estates and favouring small and medium-sized peasant homesteads, family farms. One goal was to diminish the number of landless rural population and increase the number of self-supporting peasants. Another goal in the interwar agrarian policy was to attain a high self-sufficiency in the production of the basic agricultural commodities. In the Eastern European context, both Estonian and Finnish land reforms were fairly successful in the respect that a great part of the goals set up by the agrarian-minded governments were achieved.

Another common problem for Estonia and Finland was that after World War I their trade with Russia slumped. As a result, foreign trade had to be reorganised and directed to Western markets. In this respect, Finland succeeded better than Estonia. In the early 20th century, the Finnish staple products in exporting to Imperial Russia were paper and cardboard. For these products, it was fairly easy to find new markets in the West.

Estonia, by contrast, failed to turn the sales of its strong industrial sectors, such as ship-building, engineering, and textile manufacturing, from the Russian markets to the so-called "borderlands" or to the Western countries. The breakage of old trade relations with Russia caused a deep recession in Estonian export industries. The number of Estonian industrial workers dropped from 40 000 to 9 000 between 1913 and November 1918.¹ In Finland, employment in manufacturing revived as early as 1920 to the level of 1913. In Estonia, the prewar level was attained only in 1935.

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¹ Pihlamägi, M. Tööstuspoliitika omariikluse algaastail Eestis (1918—1919). — Proc. Estonian Acad. Sci. Social Sciences, 1991, 40, 1, 68, 72.

In the late 1920s, the economy was developing favourably in both countries. The great depression, a scourge haunting the whole world economy of the time, interrupted their economic growth for three to four years in the early 1930s. Finnish industry reached the bottom of the great depression one year earlier than Estonian industry. A fortunate feature of the slump was that it was not so deep in the two Finnic republics as in some other countries or in the world economy in general. In Finland, industrial output fell by 20 per cent from 1929 to 1931 and then rose slightly. In 1934 it surpassed the level of 1929.² In Estonia, the downturn of industrial production ended in 1932 when its volume index was 22 per cent lower than in 1929. In that country, the pre-slump level was reached in 1935. By the bottom of the depression, the industrial output of Europe had decreased by 28 per cent. In the world as a whole (excluding the USSR), the corresponding fall was 36 per cent, and the 1929 level of industrial output was restored only in 1937 — for one year. A new downturn started in 1938.³

In the late 1930s, the growth rates of Estonian and Finnish industry were among the highest in the world. In Europe, their achievements were surpassed only by the Soviet Union, Latvia, and Greece. Between 1929 and 1938, the volume index of industrial production rose from 100 to 146 in Estonia and to 156 in Finland respectively, while the corresponding figure for the world industrial output was approximately 112.⁴

Comparisons of Estonian and Finnish Living Standards

The downturn of the Estonian economy and the strengthening of Finnish welfare in the 1970s and 1980s have increased the interest in the comparisons of economic development in these two countries in a longer perspective as well. The interwar period has often been chosen as a starting point for such comparisons, because at that time these countries have been seen in the same phase of development. It has been claimed that economic development was so favourable in independent Estonia (1918—1940) that the country caught up with the living standard of Finland by the end of the 1930s. The pseudonymous Sirje Sinilind, who represents the outlook of some Estonian scholars, formulated her viewpoint in her book *Viro ja Venäjä* (Estonia and Russia) as follows:

“Despite various difficulties during the period of its independence, Estonia succeeded by World War II in rising its economy to the level which did not substantially differ from the circumstances in Finland at the time.”⁵

² According to a more recent estimate industrial output decreased only 16.5 per cent from 1929 to 1931. *Hjerpe, R.* The Finnish Economy, 1860—1985. Helsinki, 1989, 237—241. An older cross-country comparison was published in: *Annuaire statistique de Finlande* (hereafter ASF). Publication du Bureau Central de Statistique. Helsinki, 1940, 38.

³ ASF, 1940.

⁴ Including the Soviet Union. Excluding the Soviet Union, the figure was in 1938 only 93. ASF, 1940.

⁵ *Sinilind, S.* *Viro ja Venäjä.* Huomioita Neuvostoliiton kansallisuuspoliitikasta Virossa 1940—1984. Jyväskylä, 1984, 47.

It is understandable that in the present situation the Estonians tend to interpret history in that way. Solidarity toward kinsmen has made various Finns, too, to emphasise those aspects of economic development which were similar in interwar Estonia and Finland. For example, economists Robert Hagfors and Toivo Kuus have put forward their opinion on the strong resemblance between the levels of workers' earnings in the two interwar republics. They claim that "before the Second World War the differences of income levels between Finland and independent Estonia were very small."⁶ We may, however, ask whether this resemblance is a historical fact or just a myth fitting to the current political fancy.

The methods used for measuring earnings, cost of living, and living standards have essential impact on the results of a comparative study. This is especially true in the case of comparisons between Estonia and Finland. If income level is measured on the average hourly wages of industrial workers and the cost of living on the price of a "shopping basket" containing primarily domestic foodstuffs, the differences between these two countries do not seem to be great. In 1938 the average hourly wage of industrial workers was about 40 per cent higher in Finland than in Estonia.⁷ The "basket of provisions" of 14 basic foodstuffs calculated by the International Labour Office (ILO) cost approximately 30 per cent more in Finland than in Estonia.⁸ A Finnish worker had to labour for eight hours to buy this theoretical amount of necessities whilst his Estonian counterpart had to toil nearly one hour — or 11 per cent — longer.

The relatively small discrepancies between the average real earnings of industrial workers of the two kindred nations were partly attributed to a different kind of industrial structure and a different type of the geographical location of manufacturing plants in these countries. In Finland, a great many factories were situated in the countryside where wages and the cost of living were lower than in the capital. In Estonia, industrial production was concentrated in Tallinn and in a few other industrial towns where the level of wages was higher than in the countryside.

The compilers of international statistics were sceptical about their figures. They remarked that the figures were merely approximate indicators of earnings and costs of living — not accurate statistics suitable for commensurable comparisons. For example, in the introduction to a statistical survey by the ILO, it is stated: "These figures are not offered as an exact and reliable measure of the cost of living (in terms of foodstuffs), for the purpose of giving a very summary indication of the purchasing power of the wages given in the preceding statistics. To prevent any erroneous interpretation, their exact meaning and limitations may be recalled."⁹

Conclusions made on the basis of average wages in the secondary sector of the economy do not necessarily reflect reliably real discrepancies in the average national income level per capita between countries. In the early 1930s, a relatively small proportion — only 15—17 per cent — of the Estonian and Finnish workforce was attached to industry and construction. As much as 60 per cent gained their living in agriculture and forestry in both countries. At the time, the Finnish farmhand earned annually twice as much as the Estonian farmhand in nominal terms.¹⁰ As

⁶ Hagfors, R. and Kuus, T. *Reaalipalkat nopeassa laskussa Virossa*. — Helsingin Sanomat, 1991, July 25, 2.

⁷ International Labour Review (hereafter ILR), 39, 1939, April, 4, 548. Näin on käynyt. Työmarkkinoiden ja talouden kehitys Suomessa 1900-luvulla, STK & SAK, 2nd edition, Helsinki, 1987, 68.

⁸ Wages and normal hours of work of adult males in certain occupations in various countries in October 1938. — ILR, 1939, March, 39, 3, 407—410.

⁹ ILR, 1939, March, 39, 3, 407.

¹⁰ Baltic Yearbook, Statistical Supplement to Baltic Countries, 2, 1936, May, 1, 24.

the productivity of agriculture was higher on the northern side of the Gulf of Finland than on its southern side, it is quite inevitable that there were similar differences in the income levels of farmers to those of farmhands. Since for the country people foodstuffs were mainly self-produced, the discrepancies in price levels did not level down the differences in living standards between farming populations as they did between industrial workers.

The Real Wages of Fitters in Helsinki and Tallinn

Clear variations can be observed in income levels between Estonian and Finnish industrial workers in the interwar period, if we compare occupational groups doing similar work in localities of the same kind. For example, in 1939 the hourly rates of fitters and turners in the engineering workshops were in the capital of Finland 12.20 marks and in the capital of Estonia 44 sents, which was equal to 5.43 Finnish marks. Hence fitters and turners in Helsinki earned nominal wages that were by 125 per cent higher than those of their counterparts in Tallinn. A roughly similar relationship prevailed in the rates of many other skilled workers, such as painters and electric mechanics.¹¹

Amounts of certain articles of ordinary consumption which average fitters in Helsinki and Tallinn could buy for an hour's wage in autumn 1939

Articles per gramme	Tallinn	Helsinki	Index for Helsinki, Tallinn=100
Wheat bread	830	1141	137
Rye bread	2200	3089	140
Wheat flour	1571	2054	131
Oatmeal or rolled oats	1257	2440	194
Rice	677	1694	250
Beef, 1st quality	571	879	154
Pork, 1st quality	436	678	156
Mutton, 1st quality	629	834	133
Veal, 1st quality	733	717	98
Margarine	518	678	131
Lard	314	659	210
Milk, unskimmed*	40	64	161
Cream*	4	5	133
Butter (table)	251	405	161
Cheese (ordinary quality)	352	496	141
Eggs (fresh)**	9	10	117
Peas (dried)	1333	1821	137
Potatoes	6286	9919	158
Cabbage (green or red)	1333	5728	430
Sugar (white granulated)	863	1465	170
Salt (cooking)	8800	11296	128
Firewood (fir)***	30	46	151
Unweighted average			165

* Per litre; ** per piece; *** per kilogramme.

Tallinn: data on wages for October 1939 and on the prices of necessities for July 1939. Helsinki: data on wages and the prices of necessities for October 1939.

Sources: Wages and normal hours of work of adult males in certain occupations in various countries in October 1939. — International Labour Review 41 (April 1940), 4, 404—423; Retail prices in certain countries in October 1939. — International Labour Review 41 (April 1940), 4, 428—433.

¹¹ ILR, 1940, April, 41, 4, 406—423; Retail prices in certain countries in October 1939. — ILR, 1940, April, 41, 4, 428—430.

According to statistics compiled by the ILO just before the Winter War, domestic foodstuffs were 30—50 per cent more expensive on average in the capital of Finland than in the two biggest towns of Estonia. The Table compares how much of various necessities an average fitter might buy for an hour's wage in Helsinki and Tallinn in autumn 1939. With his hourly wage, the Finnish fitter could buy larger amounts of all the commodities mentioned in the Table than his Estonian counterpart except veal.¹² On the basis of these measures, the level of his real income was on average about 50—60 per cent higher than that of his Estonian colleague.

If we extend the comparison from domestic necessities to imported consumer goods, the situation becomes even more unfavourable to the Estonian skilled worker. To purchase various imported beverages, tobacco, clothes or durables, he had to spend a bigger proportion of his income than did the Finnish worker. For example, in autumn 1938 a kilogramme of coffee cost 20 marks in Helsinki and 4 crowns (FIM 50) in Tallinn. Therefore, an average Finnish industrial worker could buy with his hourly wage 3.5 times more coffee than his Estonian mate.¹³

It can be interpreted as a sign of lower living standards in Estonia that industrial workers in that country still had to spend 60 per cent of their earnings of foodstuffs in the late 1920s. In Finland the corresponding figure was 51 per cent. Estonians spent relatively more money on clothing as well. The cost of housing was, in turn, higher for Finns. Within both countries, rents varied considerably. The rents per square metre of dwellings of a similar standard were estimated to be on average 20—40 per cent higher in Helsinki than in Tallinn. The higher housing expenses of the Finns were partly caused by the fact that they spent a larger proportion of their income on furniture and other household appliances than did the Estonians. Nevertheless, the Finns had relatively more money left for sundries, such as hobbies, entertainment, and health care.

Taxation did not appreciably level down differences in earnings although taxes were higher in Finland than in Estonia. In the late 1920s, direct taxes cut about 4 per cent of the Finnish worker's income, while the respective figure for the Estonian worker was less than one per cent.¹⁴

Inequalities in income levels between countries are as a rule manifested in dissimilarities in their population's consumption behaviour. Generally, it is considered that as living standards rise, the consumption of durables increases. In Finland in the mid-1930s, there were twice as many telephones, two and half times as many automobiles, and three times as many radio receivers per 1000 inhabitants as in Estonia.¹⁵ One reason for these differences was that the purchase and use of these primarily imported technical devices were relatively less expensive for the Finns. For instance, in the late 1930s, the consumer price of electricity was about 50 per cent higher in Tallinn and Tartu than in Helsinki.¹⁶

¹² ILR, 1940, 41, 4, 407, 428—433.

¹³ ILR, 1939, March, 39, 3, 413.

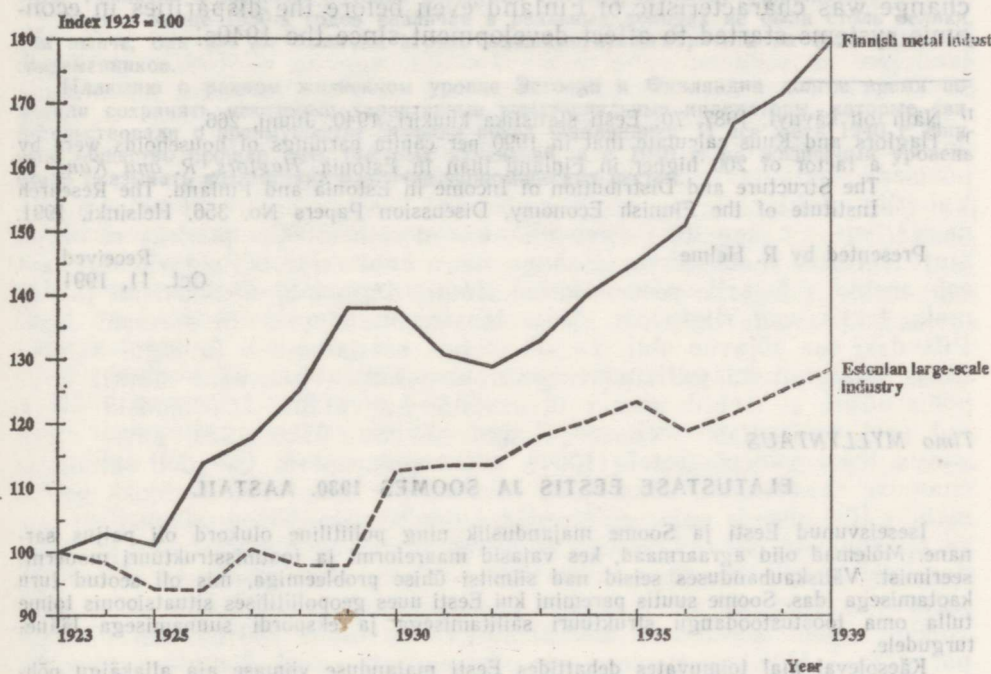
¹⁴ ILR, 1939, May, 39, 5, 662—705.

¹⁵ ASF, 1940; Baltic Yearbook, Statistical Supplement to Baltic Countries, 1, 1935, December, 2, 13—14.

¹⁶ *Myllyntaus, T.* Electrifying Finland. The Transfer of a New Technology into a Late Industrialising Economy. London, 1991, 256.

Finland Caught up with Estonia

The manufacturing industry of independent Estonia developed briskly in the late 1930s but the output of Finnish industry grew even more rapidly. Similar differences in growth rates had prevailed from the turn of the century. In the nineteenth century, industrialisation started later in the grand duchy of Finland than in the so-called Baltic provinces of Russia (Estland, Livland, and Kurland) but in contrast, for the first four decades of the 20th century, the Finnish economy developed faster than the Baltic economies in the southern side of the Gulf. Thanks to rapid economic growth, it was Finland which managed to catch up with Estonia in respect to gross national product per capita during the first third of the 20th century — not vice versa.



The development of real hourly wages in Estonian and Finnish industry, 1923—1939. Sources: *Sörmus, R. Gains dans l'industrie en 1939.* — Recueil mensuel de Bureau central de statistique de l'Estonie, 1940, 6, 266; *The Employers' Association of the Finnish Metal Industry.*

The disparities in economic growth were also reflected in the development of industrial wages in the interwar period. Fully comparable figures are not available. This is due primarily to the weakness of Finnish wage statistics. More statistical data on earnings were compiled and published in Estonia than in Finland in the 1920s and 1930s. In the manufacturing sector of the latter, the annual statistics of hourly wages for the whole interwar period is available only from the engineering industry. In the Figure, the real hourly wages of Finnish engineering workers are compared with those of workers in Estonian large-scale industry. According

to those data, the income level of the Finnish workers clearly rose faster than that of their Estonian mates in the 1920s and 1930s. While the average real wages were evidently a little higher in the Finnish engineering industry than in the Estonian large-scale industry as early as 1923, Finland's lead considerably increased by the year 1939.¹⁷

The available source materials quite unanimously support the view that at the end of the interwar period, the level of real earnings per capita was higher in Finland than in Estonia. The difference was then not so huge as it is nowadays¹⁸ but presumably it was so great that contemporaries could not avoid noticing it. However, dissimilarities in income levels were clouded and counteracted by the fact that for a long time some non-material indicators of living standards showed that Estonia was in the lead. Even after World War I, the rate of literacy and the average level of schooling were higher in Estonia than in Finland. In addition, the Estonians had a longer life expectancy than their northern neighbours. The Finns, however, caught up with their kinsmen even in these respects by the late 1930s. All in all, a swifter economic and social change was characteristic of Finland even before the disparities in economic systems started to affect development since the 1940s.

¹⁷ Näin on käynyt. 1987, 70; Eesti statistika kuukiri. 1940, Juuni, 266.

¹⁸ Hagfors and Kuus calculate that in 1990 per capita earnings of households were by a factor of 200 higher in Finland than in Estonia. Hagfors, R. and Kuus, T.: The Structure and Distribution of Income in Estonia and Finland, The Research Institute of the Finnish Economy, Discussion Papers No. 356. Helsinki, 1991.

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ELATUSTASE EESTIS JA SOOMES 1930. AASTAIL

Iseseisvunud Eesti ja Soome majanduslik ning poliitiline olukord oli paljus erinev. Mõlemad olid agraarriigid, kes vajasisid maareformi ja tootmisstruktuuri moderniseerimist. Väliskaubanduses seisid nad silmitsi ühise probleemiga, mis oli seotud turu kaotamisega idas. Soome suutis paremini kui Eestis uues geopoliitilises situatsioonis toime tulla oma tööstustoodangu struktuuri säilitamisega ja ekspordi suunamisega lääneturgetele.

Käesoleval ajal toimuvates debattides Eesti majanduse viimase aja allakäigu põhjuste üle on tõstatatud kõrvutava majandusajaloo probleem. On tuntud fakt, et majandussituatsioon Eestis pole olnud alati nii õnnetu kui viimastel aastatel. Mõned kolleegid on arendanud retrospektiivse mõtlemise liini edasi ja püstitanud hüpoteesi, et vanal ajal, 1930. aastate lõpul, oli elatustase nii Eestis kui ka Soomes ühelsamal tasemel.

Käesoleva artikli eesmärk on kontrollida püstitatud hüpoteesi õigsust, kasutades Rahvusvahelise Töökomitee koostatud vastavat statistikat. Viimase andmetel oli kahe maailmasõja vahelistel aastatel nominaalsissetulek Soomes 40–125% kõrgem kui Eestis. Nende näitajate erinevus sõltub sellest, missuguseid kutsealasid on kõrvutatud ja mis meetodeid on kasutatud. Erinevused reaalsissetulekutes ulatusid 10–60%-ni Soome kasuks.

Kuigi 1930. aastate lõpul polnud erinevused reaalsissetulekute tasemes nii suured nagu tänapäeval, olid nad piisavalt suured selleks, et kaasaegsed seda tähele panid.

Illusiooni Eesti ja Soome elatustaseme võrdlusest aitasid kaua aega säilitada mõned elatustaset iseloomustavad mittemateriaalsed indikaatorid, mis näitasid Eesti edumaad Soome ees. Siiski oli Soomele iseloomulik ühiskonna kiirem muutumine juba enne 1940. aastat, millest alates elatustasemele hakkasid mõju avaldama majandussüsteemide erinevused.

ЖИЗНЕННЫЙ УРОВЕНЬ В ЭСТОНИИ И ФИНЛЯНДИИ В 1930-е ГОДЫ

Экономическое и политическое положение в независимой Эстонии и Финляндии было во многом схожим. Обе страны были аграрными, нуждались в земельной реформе и модернизации производственной структуры. Во внешней торговле они оказались с глазу на глаз с общей проблемой, связанной с потерей рынка на Востоке. Финляндия сумела лучше, чем Эстония, в новой геополитической ситуации справиться с сохранением структуры промышленного производства и направлением своего экспорта на западный рынок.

В нынешних дебатах о причинах падения в последние годы экономики Эстонии поднята проблема сравнительной экономической истории. Факт, что экономическая ситуация Эстонии не всегда столь неблагоприятной, как теперь. Некоторые коллеги, развивая линию ретроспективного мышления, выдвигали гипотезы о том, что в старое доброе время, т. е. в конце 1930-х годов, жизненный уровень как в Эстонии, так и в Финляндии был одинаковым.

Цель настоящей статьи — проверка верности поставленной гипотезы с использованием соответствующей статистики Международного комитета труда. По его данным, номинальный доход в Финляндии был выше, чем в Эстонии, на 40—125%. Разница этих данных зависит от того, какие сравнивались профессии и какие применялись методы. Различия в реальных доходах достигали 10—60% в пользу Финляндии.

Хотя в конце 1930-х годов различия в реальных доходах не были столь велики, как ныне, они все же были достаточно большими, чтобы обратить на себя внимание современников.

Иллюзию о равном жизненном уровне Эстонии и Финляндии долгое время помогали сохранять некоторые характерные нематериальные индикаторы, которые свидетельствовали о преимуществе Эстонии перед Финляндией. И все же к 1940 г. финское общество прошло путь быстрых изменений, а с 1940 г. на жизненный уровень стало оказывать воздействие различные экономических систем.