

# Cultural Leadership and Entrepreneurship as Antecedents of Estonia's Singing Revolution and Post-Communist Success

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**Abstract:** *The Baltic people of Estonia, Lithuania, and Latvia gained recognition with their successful use of a cultural tool, singing folkloric songs, to protest collectively against their common Soviet oppressor in the summer of 1988, preceding the collapse of the Soviet Union. Rational-choice theorists have argued that large rebellious movements are paradoxical because the larger the number of potential revolutionaries, the greater the leadership, participation, and coordination problems they face (Olson, 1971; Tullock, 1974). This paper investigates Estonia's Singing Revolution and illustrates how ethnic Estonians used their shared cultural beliefs and singing traditions as a tacit, informal institutional solution to overcome the collective-action problems with organizing and participating in mass singing protests against the Soviet regime. The paper goes further to extend the standard rational-choice framework and to include a more dynamic, entrepreneurial-institutional perspective on socio-cultural change by accounting for the role of cultural leaders as cultural entrepreneurs, a subset of institutional entrepreneurs. The success of Estonia's Singing Revolution can be ultimately attributed to leadership in the form of cultural entrepreneurship going back to pre-Soviet Estonian times. The revived legacy of ancient shared beliefs, folkloric practices, and singing tradition represented the necessary social capital for the Estonian people to voice collectively shared preferences for political and economic governance during a window of constitutional opportunity. Mikhail Gorbachev's Glasnost,*

*a policy aimed to improve Soviet formal institutions by fostering freedom of speech and political transparency, also provided a context propitious for the Singing Revolution because it lowered the perceived costs of participation in the rebellious singing and opened a window of opportunity for political change.*

**Keywords:** *culture, embedded agency problem, entrepreneurship, Estonia, leadership, paradox of revolution, self-governance, Singing Revolution, social capital, social change, JEL Codes: D7, N4, P2, Z1*

## 1. Introduction

The Singing Revolutions in the formerly occupied Baltic countries—Estonia, Latvia, and Lithuania—gained recognition for their successful use of culture to protest collectively against the common Soviet oppressor in the late twentieth century. Can economics explain the culture-driven revolutions of the Baltics and of other nonviolent revolutions<sup>1</sup> in Communist Europe? The old paradigm of rational choice, of individual costs versus benefits, shows why revolutions in repressed societies are likely to fail but not why some succeed. Revolutionary collective action in large groups is plagued by incentive problems causing individuals to not participate and leadership to be absent (Olson, 1971; Tullock, 1974; Hardin, 1982). Using this approach, the literature shows how rebellious groups have historically been able to overcome the incentive problems by devising appropriate institutional solutions (Tilly; 1978; Lichbach, 1994; 1995; Petersen, 1999; 2001; Leeson, 2010, Leeson & Boettke, 2009). Other, more interdisciplinary approaches factor in the force of personal preferences or moral values and use threshold analysis to explain momentous social uprisings (see Granovetter, 1978; Kuran, 1989; 1991; 1995; Petersen, 1993). The literature presents us with dozens of context-dependent solutions in the form of either market exchanges or contractual arrangements in the communities involved, or the formation of new governance structures (see Lichbach; 1994; 1995; Petersen, 1993; 1999; 2001).

The biggest shortcoming of the standard rational-choice framework is that it is unable to explain dynamic phenomena in society (North, 1990; 1997; 2005; Denzau & North, 1994). What explains social change and revolutions, for example? In an uncertain, dynamic, non-ergodic world, North asks,

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<sup>1</sup> For example, the 1989 civil rights movements in East Germany, and student protests in the Velvet Revolution in former Czechoslovakia.

*How well do we understand reality? How do beliefs get formed? Whose beliefs matter and how do individual beliefs aggregate into belief systems? How do they change? What is the relationship between beliefs and institutions? How do institutions change? And perhaps most fundamental of all, what is the essential nature of the process [of economic change] itself? (North, 2005)*

History reveals the key role of the indigenous Estonian epistemic community of the early nineteenth century, represented by the members of the Estonian Learned Society, and its role in discovering and disseminating the relevant knowledge of the cultural commons in society. An alternative, entrepreneurial-institutional approach to rationality complements the standard neoclassical framework and helps explain what helped Estonians overcome the problems of revolution and reinstate self-governance. The key is understanding the role of culture and the entrepreneur-leaders who changed the culture in Estonian society.

In this paper, I first argue that from a rational-choice perspective, culture can be seen as an informal institution that increases the payoffs of participation and the costs of nonparticipation in a revolutionary movement. To illustrate this point, I investigate the recent historical case of Estonia's Singing Revolution in 1988 using a game-theoretic approach. Second, I take a step to explore the role of cultural leaders as entrepreneurs in understanding the antecedents of successful revolutions. From an entrepreneurship-augmented perspective, the standard rationality assumptions in studying collective, nonmarket decision-making must change from static, and only reactive, to dynamic and active-entrepreneurial. The revised assumptions characterize alert and capable individuals within a community (or a prospective community) who recognize and act upon existing windows of opportunity for desired sociocultural change. Within this entrepreneurial framework, individuals act creatively to advance the frontier of beliefs, customs and models of governance in such a way as to align any political changes with their true constitutional preferences. Working within smaller cultural-epistemic communities, individuals as entrepreneurs-leaders anticipate and devise solutions to help overcome future problems of constitutional choice in society.

To illustrate how an entrepreneurial-institutional approach to social change enriches our understanding of the successful Estonian revolution, I explore Estonia's system of ancient cultural beliefs. The ancient Estonian heroic epic *Kalevipoeg* illustrates how cultural beliefs persisted. It contributed to Estonia's moment of National Awakening, the successful corresponding revolution, and the struggle for independence. In a dynamic framework, the ancient-culture

curators acting as entrepreneurs facilitated social change manifested in a cultural awakening.

## 2. The Estonian Singing Revolution: history, politics, culture

The Singing Revolution is the name given to a series of peaceful mass demonstrations featuring spontaneous, pro-independence singing in Estonia starting in 1987 that first led to increased political protests against the Soviet regime and later led Estonia to gain its independence from the Soviet Union in 1991 and the last Russian troops to withdraw from Estonian territory in 1994. The Estonian singing demonstrations started during Glasnost, Mikhail Gorbachev's policy regime of freedom of speech and political expression, and intensified in the summer of 1988, eventually culminating in over 300,000<sup>2</sup> Estonians convening at the annual Song Festival in Tallinn to sing Estonian national hymns and songs for independence that were strictly forbidden under the Soviet regime.

### 2.1 Estonia's singing culture

Singing, particularly as part of large song festivals, has been a defining characteristic of Estonia's cultural identity since the late 1800s, before the period of Russification, and before the Soviet era (Gross, 2002; Raun, 2001). Indeed, the recounting of old stories and oral histories, including by singing folkloric songs at annual festivals, as well as within familial circles, was one of the means by which Estonians preserved their cultural memory of an unique culture and national identity "awake" throughout the 50 years of Soviet ruling (Rakfeldt, 2015; Gross, 2002).

The tradition of singing popular religious and patriotic Estonian songs thrives as a result of a large portion of the younger population practicing singing generation after generation. According to Statistics Estonia, Estonia's official statistics database, the most active practitioners of amateur cultural activities, predominantly concerning folk culture, in 2010, were youth, aged 10 to 24, for whom choir singing was the most popular activity. According to the Time Use Survey by Statistics Estonia, 83 percent of such youths spent their leisure time in some 'amateur cultural activity' or 'folk culture' in 2010. Among people aged 25 to 64, 74 percent spent their time

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<sup>2</sup> Around a quarter of the entire Estonian population in 1989 (1,565,662 Est. Statistics Estonia).

in those activities; among persons aged 65 or older, the proportion was 56 percent.

A tradition that has persisted to the present day, Estonia's culture of singing goes back to at least the 1860s, the rule of the Russian Empire, when Estonian journalist and poet Johann Voldemar Jannsen first established the famous Estonian Song Festival, *Laulupidu*, in Tartu, 1969. He also wrote the lyrics of "Mu isamaa, mu õnn ja rõõm" [My fatherland, my happiness and joy], a popular song later adopted as the national anthem of Estonia. For composing the national anthem and establishing the annual Song Festival, Jannsen is credited with helping revive the Estonian National Awakening that fueled Estonia's singing culture that ultimately led to the Singing Revolution and subsequent independence from Moscow.

The Estonian National Awakening, the period between 1860s and 1880s, is well known for its strong movement of coordinated initiatives of cultural activism to establish a unified Estonian national and cultural identity (Raun, 2001; Iwaskiw *et al.*, 1996). The movement as a whole aimed to start and strengthen the following intellectual and cultural foci: the Estonian Alexander School, the Learned Estonian Society (LES)<sup>3</sup>, and the Estonian song festivals (Raun, 2001, p. 59). The LES Baltic-German intellectuals are credited for uncovering Estonia's ancient cultural roots. The purpose of the LES was to uncover, develop, and disseminate knowledge of Estonia's history and culture from antiquity to the present, including its language, literature, and folklore. The society published its works in yearbooks, bibliographies, and proceedings.

The leading figures of the LES were Friedrich Robert Faehmann, Friedrich Reinhold Kreutzwald, Alexander Friedrich von Hueck, and Dietrich Heinrich Jürgenson. Faehmann, an Estonian physician, folklore expert, and linguistic scholar, for example, took key steps toward restoring the Estonian ancient cultural heritage. He was the first to research Estonia's ancient folklore and to compile Estonia's ancient heroic epic *Kalevipoeg* [Kalev's Son], the source of stories and lyrics for Estonia's singing tradition. Faehmann died in 1850 at the age of 51, leaving behind "only bits and pieces of his ongoing efforts," according to Jaan Puhvel (2003), a comparative mythologist of Estonian origin. Faehmann's death, coupled with the immediately preceding publication of the Finnish *Kalevala* in 1849, prompted the Learned Estonian Society to commission his close friend, Estonian poet Friedrich Kreutzwald, to complete the literary task. As Puhvel notes, however, Kreutzwald's task required more

<sup>3</sup> English translation of the name of a well-known Estonian organization *Õpetatud Eesti Selts* (abbr. *ÕES*), founded in 1838 which, in his book, Toivo Raun refers to as the Society of Estonian Literati (Raun, 2001).

than restoring existing folkloric material because he had “only prose sagas and interspersed lyric pieces” to work with (Puhvel, 2003). To complete the epic, Kreutzwald creatively adapted the original lyrics by taking “considerable liberties which detracted somewhat from the final result”, and “only about twelve percent is from original folksongs” as Puhvel (2003) documents. By having the vision to reconstruct an ancient text into a new poem the population could relate to and adopt as its own, Friedrich Kreutzwald could be viewed as creator of sociocultural value, by leading and even reinventing Estonia’s cultural foundations, a cultural leader or a “cultural entrepreneur” acting to bridge the gap between ancient beliefs and modern socio-cultural demands in their society (a term I elaborate on in Section 4.2).

## **2.2 *Kalevipoeg*: Estonia's ancient epic narrative of a society of free and responsible individuals**

The first version of Friedrich Kreutzwald’s heroic poem *Kalevipoeg* was published in the Learned Estonian Society’s *Proceedings* between 1857 and 1861. The epic was rapidly disseminated among and adopted by the indigenous population, and is considered to the present day “the fundamental Estonian heroic epic and a reservoir for ancient, pre-Soviet indigenous values, norms, and beliefs,” as documented by the Latvian sociologist Sergei Kruks (2003). Kruks looks at Baltic literary epic works “as conscious attempts to invent a tradition of self-identification in the framework of the emerging ‘nations’ in the 19th century,” and provides a comparative analysis of the cultural messages contained in the old texts of the Estonian poem *Kalevipoeg* by contrasting it with its Latvian counterpart (Kruks, 2003). Starting from the assumption that the logic of epic stories, as epic narratives, is to present us with contexts for interpreting which values, actions, or behaviors are moral and socially acceptable, and which ones are not, Kruks proceeds to read the verses of *Kalevipoeg* and derive the central message encompassed therein. The Estonian narrative describes the rise and growth of *Kalevipoeg*, the ancient Estonian hero, and how social norms passed on through ancient wisdom helped shape the hero’s individual character and morality in time.

I used Kruks (2003) as a secondary source in order to conduct a close reading of the poem and to compile, cross-interpret, and categorize specific Estonian personal, interpersonal, and governance values in Estonia as depicted in the nation’s favorite sung folkloric poem (and the source for Estonia’s present folkloric songs). In Table 1, I present a summary of my findings.

The underlying message of Estonia's oldest epic appears to be that self-governance is a superior mode of social organization. *Kalevipoeg* encourages personal responsibility, collective action, and risk-taking as essential for development. The message in Estonia's folklore is one of desire for a self-governing society of equals, capable of socially responsible actions, learning from mistakes, and self-actualization.

*Table 1. Cultural messages of self-governance, responsibility, cooperation, and entrepreneurialism in Kalevipoeg*

<b>Ancient Estonian beliefs, attitudes, and governance preferences</b>	<b>Ancient Estonian text</b>
An optimistic and constructive attitude toward failure	(Kreutzwald, 1982, p. 212; Song XVI)
Humility and knowledge accumulation	(Kreutzwald, 1982, p. 212; Song XVI)
Entrepreneurship as risk-taking	(Kreutzwald, 1982, p. 43; Song III)
The role of social feedback in good governance	(Kreutzwald, 1982, p. 200; Song XVI)
Conflict resolution and cooperation through communication: language and singing skills	(Kruks, 2003)
Responsibility for one's own actions	(Kreutzwald, 1982, p. 115; Song IX)
Freedom of choice; hope for the future	(Kreutzwald, 1982, p. 250; Song XIX)
Responsible collective action	(Kreutzwald, 1982, p. 251; Song XIX)
A society of equal, capable, and responsible beings	(Kreutzwald, 1982, p. 251; Song XIX)

*Source: Table with categories created by author's interpretation based on Kalevipoeg lyrics found in Kruks, 2003.*

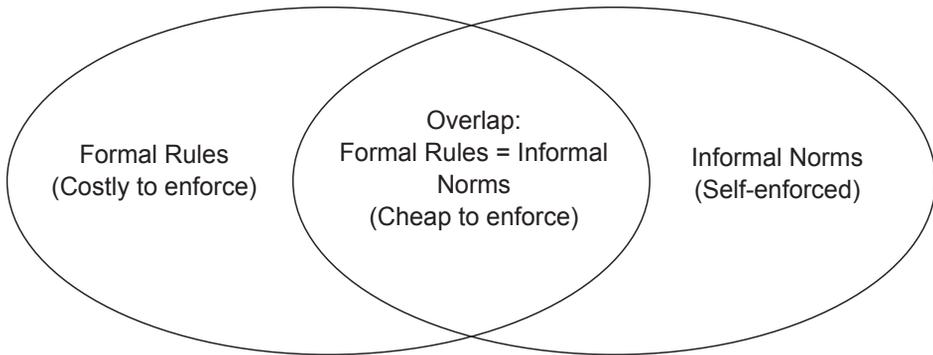
### **2.3 The cultural and political contexts of the Singing Revolution: Perestroika, Glasnost and the theory of preference falsification in Soviet Estonia**

Today Estonia is one of the most successful post-Communist reformers, along with Poland and the Czech Republic. Several studies point to the role of culture as a determinant of reform performance during the transition to democracy and a market-based economy in formerly Communist countries of Central and Eastern Europe in general, and the culture of singing in Estonia, in particular (see Boettke & Nicoara, 2015; Lauristin & Vihalemm, 1997).

In transitional political economy, culture is seen as a transaction cost facing economic and political reformers (Pejovich, 2003; Boettke *et al.*, 2005). Transitions in the interdependent legal and political systems are particularly constrained by the indigenous cultures that tend to unravel in the aftermath of a repressive regime in periods of newly introduced economic and political freedom (Boettke *et al.*, 2008; Eggertsson, 2005; Boettke, 1993). The policies of Perestroika and Glasnost implemented by Gorbachev in the mid-1980s led to the surfacing of the existing subculture, in the form of social unrest, protests, and revolutions. Estonia's case gives weight to Timur Kuran's theory of preference falsification. Kuran defines preference falsification as the deliberate misrepresentation of one's true beliefs or wants in the face of social and political pressure (Kuran, 1995). Kuran models preference falsification in formerly Communist societies under the Soviet regimes, indicating that in practice, Soviet societies adhered to two different, parallel institutional systems: one formal and militarily imposed, and one informal and self-enforced.

Preference falsification and the social practice of a form of cultural, unspoken collective choice seem to have a basis in Estonia's medieval cultural institutions. Estonians believe patience is a weapon and caution a virtue: "Their hero is the shrewd old barn keeper who sits by the fire, waits, watches, and acts only when the time is right" (see *The Singing Revolution*, 2007). Inherent in Estonians' folkloric traditions is a common identity reflecting the political preferences of their ancient indigenous people. The Tallinn choir as a revolutionary instrument provided Estonians with an opportunity to express their actual constitutional preferences in a synchronized and anonymous way.

Figure 1. The relationship between formal and informal institutions in society



Source: Sautet, 2005, p. 5

To better appreciate the phenomenon of preference falsification in practice, consider Sautet's illustration (Fig. 2) of the relationship between the formal and the informal dimensions of the relevant rules of the game, or institutions, and the cost of enforcing them (Sautet, 2005).

### 3. Rational choice, game theory, and the static solution to Estonia's revolution

From a standard rational-choice perspective, the Singing Revolution is a case in which the indigenous culture<sup>4</sup> helped solve the typical problems of collective action. The culture of singing played a role in increasing the payoffs to individuals participating in spontaneous, mass anti-Soviet protests and in the Singing Revolution. The pre-Soviet indigenous culture eliminated the problems of participation and coordination, and legitimized the creation of a liberal Estonian constitution during independence. The Estonians' tradition of singing lowered the transaction costs of mass singing during the Tallinn Song Festival, creating a window of opportunity for participants to express their true constitutional preferences. It helped overcome the participation problem—the context of the singing arena fostering spontaneous singing and thereby preserving the anonymity of the “first mover”—and eliminated the first-mover

<sup>4</sup> I use Douglass North's definition of culture as the set of informal constraints, customs, and norms we inherit from the past that influence our actions in the present, at both the individual and the societal levels. According to North, culture creates “path-dependence” in the trajectory of the subsequent institutional and economic developments in society (North, 1990; 2005). I also look at culture as a set of “slow-moving institution” as categorized by Gérard Roland (2008).

problem by eliminating the necessity for a first mover (the conductor was forced to continue conducting by the Soviet authorities themselves). Moreover, the festival arena preserved participants' anonymity and their assurance of a tacit, binding singing agreement.

Game theory can serve as a helpful heuristic in addressing why the Singing Revolution took place. The use of game theory to complement a rational-choice analysis of collective-action problems is especially popular in comparative politics. The “n-person assurance game” (or “tipping game”), for example, illustrates how an appropriate change in the structure of incentives leads to the cooperative equilibrium in a prisoner’s dilemma (Petersen, 1993; 2001). In the n-person assurance game, the underlying logic is that an individual will act only if a certain “threshold” of other agents will act as well (Sen, 1967; Schelling, 1960; Petersen, 1993). The “participation threshold” in the case of a revolution is the percentage level of participation in a reference group that triggers reciprocation among other individuals (Petersen, 1993). The n-person assurance game has been used in the past to explain revolutions against Communist regimes in Eastern Europe (Goldstone, 1994; Kuran, 1991; 1995; Karklins & Petersen, 1993; Petersen, 2001).

Applied to Estonia’s nonviolent, culture-driven revolution, the assurance game helps us illustrate the economic calculations by an individual choir singer and how the cooperative equilibrium of the singing revolution was reached. An individual choir singer’s expected payoff from obeying or disobeying the Soviet rule that exclusively Soviet propaganda songs, mostly in Russian, would be sung at the Tallinn Song Festival in 1988 (see *The Singing Revolution*, 2007) is expressed in the following equations. Let  $p_E$  be the probability that the other person sings in Estonian,  $F$  be the individual payoff if the rebellion is successful,  $S$  be the payoff of remaining with the status quo under Soviet rule (i.e., if the protest fails), and  $A$  be the payoff of being arrested ( $A > 0$ , so when computing the expected payoff for an individual, we must subtract the term). Because freedom is better than the status quo, I assume  $F > S > 0$ . Equation {1} expresses a choir singer’s expected payoff of protesting by singing Estonian along with his choir members. Equation {2} expresses his expected payoff of not protesting (by singing Russian) when his fellow choir members protest. The expected payoffs are

$$E(E) = p_E \cdot F - (1 - p_E) \cdot A \quad \{1\}$$

and

$$E(R) = S, \quad \{2\}$$

where  $E(E)$  is computed by considering the event in which the singing protest succeeds (which occurs with probability  $p_E$  and has a payoff of  $F$ ) and the event in which the rebellion fails (which occurs with probability  $1 - p_E$  and has a payoff of  $-A$ ).

Similarly,  $E(R) = S$  because if either of the two choir members does not sing in Estonian, this immediately prevents the rebellion from succeeding (so the status quo is maintained regardless of the behavior of the other choir member in this simple, two-singers' case).

*Figure 2. The Tallinn Song Festival choir singers' assurance game*

		Choir singer A	
		Protest (sing in Estonian/Estonian songs)	Conform (sing in Russian/Soviet songs)
Choir singer B	Protest (sing in Estonian/Estonian songs)	F	A
	Conform (sing in Russian/Soviet songs)	S	S

The assurance game has two pure-strategy Nash equilibria: the mutual-protest equilibrium, in which both choir members maximize their payoffs, and the equilibrium in which both conform by singing Soviet propaganda songs and neither improves his payoff existing before the opportunity to protest. Which equilibrium prevails depends on the probability each choir member places on what the other choir member chooses during the singing festival. Either individual singer must therefore decide whether to protest or conform by computing the probability,  $p_E$ , that the other singer will protest. The computation this individual must make is based on solving for  $p_E$  the inequality  $E(E) \geq E(R)$ .<sup>5</sup> The mutual-protest equilibrium maximizes social welfare, and will take place if and only if

$$p_E \geq \frac{S + A}{F + A} \quad \{3\}$$

<sup>5</sup> Because  $F > S > 0$  and  $A > 0$ , this bound is well defined and is a reasonable bound for the probability  $p_E$ .

Pre-Soviet culture, in this assurance game, increases the level of participation by other singers, and leads to the cooperative pure-strategy Nash equilibrium in which the payoffs of the singing revolutionaries are maximized. Furthermore, the freedom of speech and political expression provided by Glasnost decreased the costs of revolutionary participation and leadership. Moreover, the use of the Tallinn Festival Arena as a focal point solved the problems of collective protest coordination, and the use of collective singing solved the problem of achieving anonymity of the prime singer-protesters. The arena allowed more revolutionaries to convene to anonymously protest. The conductor of the choir could be considered the prime mover because his role in coordinating the singing was crucial. Accounts tell us that even if the Soviets wished to use the festival for Soviet propaganda, they were forced to allow the conductor to guide the thousands of choir singers' spontaneous, unified singing of patriotic and religious Estonian songs, in essence an expression of opposition to the Soviet regime and a clear demand for independence and change.

The problem with the rational-choice, game-theoretic explanation of the Singing Revolution is that it is no explanation at all. By treating changes in culture, the informal structure of beliefs, as exogenous, the framework remains static. It only describes the equilibrium outcomes before and after the change. In our case, it omits who in nineteenth-century Estonia made social change possible. The standard rational-choice approach omits the human element in sociocultural change.

#### **4. A dynamic theory of sociocultural choice: the role of cultural leadership as a form of cultural entrepreneurship in Estonia's Singing Revolution**

A key lesson from the collapse of Communism that scholars in the field of transition-and-development economics seem to have underplayed is that leadership (along with culture) *matters* in understanding the different outcomes of transition reforms across Europe, Russia, and Central Asia (Boettke & Nicoara, 2015). The challenge remains in demonstrating how leadership, and culture, matter for institutional change and development. Combining Israel Kirzner's dynamic theory of entrepreneurship (Kirzner, 1973) with Joseph Schumpeter's behavioral notion of entrepreneurs as bold leader-innovators (Schumpeter, 1950) and using the underlying framework of new institutional economics can complement the narrow rational-choice framework to help us explain

dynamic sociocultural phenomena like the Estonian cultural awakening and the subsequent Singing Revolution that led to Estonia's independence. The way to escape the comparative-statics trap is to reintroduce the active, entrepreneurial human element into economic theory by taking recourse to entrepreneurial-institutional individualism as opposed to conforming to an atomistic definition of methodological individualism (Buchanan, 1999; Boettke, 1996).

The biggest shortcoming of the rationality assumption in orthodox neoclassical economics is that it prevents explanations of various dynamic phenomena in society (North, 1990; 2005; North & Denzau, 1994). Social change is a black box for neoclassical theorists in Douglass North's view because of the elusive concept of culture as the set of informal rules of the game, or informal institutions, inherited from the past, that may influence individuals' beliefs and actions in the present (North, 1990). Starting from a more realistic assumption an uncertain, constantly changing, dynamic world, North asks:

*How well do we understand reality? How do beliefs get formed? Whose beliefs matter and how do individual beliefs aggregate into belief systems? How do they change? What is the relationship between beliefs and institutions? How do institutions change? And perhaps most fundamental of all, what is the essential nature of the process [of economic change] itself?* (North, 1990, p. 5).

Like many sociologists, North appears inclined to accept an evolutionary theory of social change. Social norms, beliefs, values, and cultures change over time by an evolutionary mechanism, through learning from and adapting in response to experience (North, 2005). An evolutionary perspective on social change, however, disarms even theorists, such as Douglass North, from exploring the possibility and validity of alternative, dynamic theories. If evolution must take its course first in order for the prevailing societal system of beliefs to change, then we must take social change as exogenous—that is, given. The culture of a society, as defined by North, is “the cumulative structure of rules and norms (and beliefs) that we *inherit* from the past that shape our present and influence our future” (North, 2005, p. 5, emphasis added).

In this paper, I argue that although an evolutionary theory of social change in Estonia may perfectly hold, it omits the role of the Estonian cultural leader-entrepreneurs, such as Friedrich Kreutzwald and other members of the LES, who deliberately attempted to steer—and succeeded at steering—Estonia's cultural evolution toward re-actualizing ancient indigenous beliefs of self-governance and responsibility. I therefore define “cultural entrepreneurs” as individuals who

discover and exploit opportunities to create value in society by satisfying an existing, yet unaddressed, socio-cultural need. Cultural entrepreneurs persuade others of the benefits of a discovered cultural change. They bet that their proposed course of socio-cultural change becomes adopted and translated into tacit knowledge, cultural practices, and social capital over time. The period of National Awakening was a period of opportunities for such cultural leadership and cultural entrepreneurship, for it “was a period of conscious agitation by a growing number of activists who sought to convince others of the merits of a modern Estonian nation and culture” as delineated in by Toivo Raun (2001, p. 57). The resulting socio-cultural changes later prompted corresponding changes in Estonia’s formal institutions (i.e., legislation, constitution, etc.), when Estonia gained independence from Moscow.

Elinor Ostrom and Michael McGinnis theorized about epistemic communities as potential drivers of desirable institutional change in a group (McGinnis & Ostrom, 1996). Estonia’s history provides us with an example of such drivers of institutional change in the original epistemic communities formed around the cultural leaders-entrepreneurs of the early nineteenth-century Estonia, represented by the cultural activists, members of the Learned Estonian Society, and their role in investigating, developing, and disseminating the relevant knowledge of the cultural commons in Estonia. The cultural commons of the Estonian society include the set of beliefs, norms, traditions, and forms of cultural expression through folkloric poems, and singing practices traced back to the medieval times.

An entrepreneurial-institutional approach to rationality complements the standard neoclassical framework and can explain what helped Estonians to overcome the problems of revolution and to reinstate self-governance. Cultural leadership is a form of cultural entrepreneurship and cultural entrepreneurship is a form of institutional entrepreneurship because culture is the bases of informal ‘rules of the game’ or informal ‘institutions’ in society. Cultural leaders are, therefore, cultural entrepreneurs and, ultimately, institutional entrepreneurs because of their alertness to discovering and exploiting opportunities to advance the type of informal institutions represented by underlying cultural norms and beliefs about governance which they best envision to promote the personal autonomy and well-being of individuals in their society, for generations to come.

#### **4.1 Institutional disequilibrium, entrepreneurial social change, and revolution**

From Paul Samuelson's famous illustration of a production possibilities frontier (PPF), we learn that a society's choice of optimal production level on its PPF varies with the "quantitative and qualitative resources of the economy in question and the technological efficiency with which they are used" (Samuelson, 1948, p. 18). The more fundamental question in economics, however, is what determines changes in the PPF itself. For a long time, the old growth theorists' biggest revelation was that growth is a result of exogenous technological changes. Schumpeter's entrepreneur-innovator solves steady state by disrupting, from within, the existing developmental equilibrium and pushing the frontier toward a new, higher state of allocative equilibrium (Schumpeter, 1983 [1911]; Boettke & Coyne, 2009). Kirzner addressed the Schumpeterian "long-run" type of entrepreneurship in his broader, more encompassing analytical framework, in which he endows individuals only with cognitive alertness to profit opportunities already existing in an out-of-equilibrium world (Kirzner, 1973; 1979; 2000). How fast existing profit opportunities are noticed and pursued in an economy is a function of the quality of the institutional environment within which alert individuals-entrepreneurs can make the most of their subjective knowledge, perceptions, talents, goals, and endowments (Kirzner, 1973; 1979; Kirzner & Sautet, 2006). Theorists in the new fields of comparative-institutional analysis and development have worked in parallel to show that the extent of the technological change is a function of the institutional makeup of a society; it is more efficient institutions that correspond to an increase in the PPF, and change the corresponding set of combinations of optimal production possibilities (Rosenberg, 1982; North, 1990; Romer, 1991; Djankov *et al.*, 2003).

Extending the relevance of institutions in macroeconomics to the problems of developed and developing nations, Simeon Djankov *et al.* (2003) devise a framework for understanding social choice, in which an Institutional Possibility Frontier (IPF) captures a society's optimal choice of institutions as a tradeoff between the extremes of dictatorship and disorder (Djankov *et al.*, 2003, p. 3). The problem in their framework is one of static choice, however. There is no explanation for the adjustment between chosen social orders.

I argued that standard economic tools of analysis exclude the dynamic role of entrepreneurs in coordinating markets and societies. The existence of multiple equilibriums, as predicted by standard game-theoretic analysis, betrays a state of de facto disequilibrium. Living under the military oppression of Communist

dictatorships did not stop a subculture in its process of continuous change and self-reinvention. Using the Kirznerian ideas of ‘opportunity discovery’ and ‘opportunity recognition’, found in the entrepreneurship and management literature (Shane & Venkataraman, 2000; Shane, 2003), cultural leader-entrepreneurs are arbitrageurs who discover an opportunity to create value by accelerating sociocultural change or, what Oliver Williamson calls, the “embeddedness level of society” (Williamson, 2000). Cultural entrepreneurship is entrepreneurship in the realm of culture, consistent with a broader notion of entrepreneurship that accounts for the realm of social choice (social entrepreneurship), the realm of institutional choice (institutional entrepreneurship), and the realm of political choice (political entrepreneurship) as exemplified by Boettke and Coyne (2003). In Estonia’s case, the Learned Estonian Society made creative use of the ancient Estonian beliefs to introduce and cultivate a common set of beliefs, norms, traditions, and informal narratives. From a dynamic, entrepreneurial-institutional perspective, cultural entrepreneurs discover and exploit on opportunities for improved states of social coordination through their acts of cultural leadership and persuasion, motivated by the discovery of an existing unmet public demand for a common cultural-historical narrative. What likely motivates cultural entrepreneurs is a desire for recognition and remembrance for their past acts of leadership and foresight benefiting generations to come.

## **4.2 Cultural leaders-entrepreneurs: the creative agents behind Estonia’s period of cultural awakening**

Toivo Raun, historian of Estonia and the Estonian people, attributes Estonia’s national awakening to the Society of Estonian Literati (Raun, 2001) which is, in fact, the well-known Learned Estonian Society (LES), founded in 1838. The society started as a group of local and German Estophile enthusiasts and promoters of educational literature in Estonia, but quickly expanded its cultural aspirations to include popularizing written Estonian folklore and music and establishing cultural centers, song festivals, and a museum in Tartu (Raun, 2001, p. 75). Its efforts were later paralleled by an emergence of civic organizations for the development of Estonian music, theater, and art. The first all-Estonian song festivals organized by LES members in 1869 in Tartu became a tradition and started an indigenous musical culture in Estonia. Mass participation in numerous song festivals grew rapidly over time, in particular as “antidotes to the pessimism occasioned by Russification” in 1890 (Raun, 2001, p. 76) and the later Soviet regime. The wide adoption and prevalence of the Estonian folklore and culture of singing can be described as spontaneous, leading to an awakening of shared sentiments of sociocultural and national identity.

Can economics account for the cultural leadership and entrepreneurship of the LES? Culture and entrepreneurship are two of the most elusive<sup>6</sup> and neglected concepts in social science in general, and in economics in particular. The neglect in standard economic analysis of entrepreneurship as the driving human element has been long acknowledged (Arrow, 1962; Baumol, 1968; Kirzner, 1973) and documented in the history of economic thought (Baumol, 1968; Demsetz, 1983; Boettke & Prychitko, 1998). Numerous contributions have been made toward either reintegrating the entrepreneur in economic theory (Kirzner, 1973; 1983; Baumol, 1990; 2006) or creating a distinct scholarly field (Shane & Venkataraman, 2000; Davidsson, 2003). Similarly, the framework of institutional analysis and development (Ostrom, 2005; Aligica & Boettke, 2009) arose as a response to the neglect typical in economics and political science of the role of deliberate, entrepreneurial action in solving problems of collective action and social choice (Ostrom, 1965; Kuhnert, 2001). As the post-Cold War literature has started to focus on a new approach that appreciates the role of culture and informal social institutions in problems of economic development and transition throughout economic history (North, 1990; Williamson, 2000; Djankov *et al.*, 2003; Boettke *et al.*, 2005), the question of cultural dynamics becomes ever more relevant. Is there room for an entrepreneurial dimension of sociocultural change?

In this section, I use insights from the field of entrepreneurship studies, on the one hand, and the new, culture-based approach in economics, on the other hand, to provide a more integrated framework for interpreting the Singing Revolution. Mainly, I draw on the literature that focus on the equilibrating function of entrepreneurship in society (Kirzner, 1973; Davidsson, 2003) and on “culture as the set of informal rules of the game a society inherits from the past that guide the behavior its individuals in the present” (North, 1990; 2005).

Kirzner (1973) defines entrepreneurship as an act of arbitrage through alertness to, discovery of, and exploitation of existing profit opportunities in the market setting: “The entrepreneurial element in the economic behavior of market participants consists [...] in their alertness to previously unnoticed changes in circumstances which may make it possible to get far more in exchange for whatever they have to offer than was hitherto possible” (Kirzner, 1973, pp. 15–16). In the same conceptual framework, I define *cultural entrepreneurship* as the entrepreneurial act of alertness to, discovery, and exploitation of existing, yet previously unnoticed, opportunities to create, advance and/or preserve valuable

<sup>6</sup> William Baumol famously noted that “the entrepreneur is at the same time one of the most intriguing and one of the most elusive characters in the cast that constitutes the subject of economic analysis” (Baumol, 1968, p. 64).

cultural commons in society. Following Santagata *et al.* (2011), in this paper, a ‘cultural commons’ is defined as a set of cultural resources, including language, beliefs about group identity and governance, customs, traditions, and folklore that is tacitly shared and/or practiced among the members of a community that may include or give rise to certain social technologies. Social technologies are tools or forms of private governance (see Eggertsson, 2010), and this paper uses the Estonian singing tradition, which contributed to the Estonian Singing Revolution and the subsequent breakaway from the Soviet ruling, as a case in point.

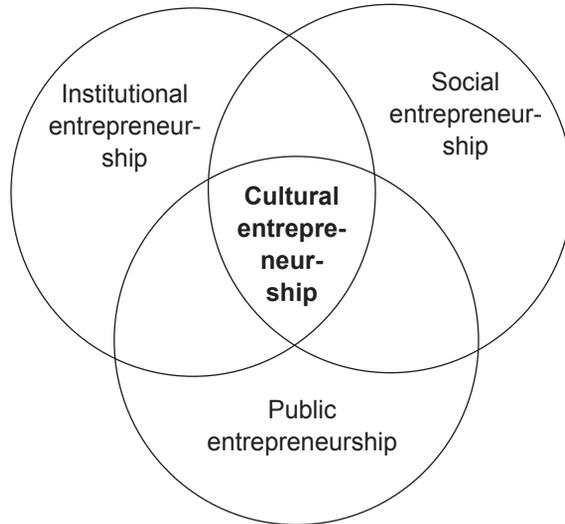
The existence of cultural commons, to begin with, however, possesses the dilemma of collective action at a higher level because cultural commons may suffer from, yet again, a leadership problem, and free rider problem. Identifying, promoting and maintaining the right set of cultural resources in society may require a cultural leader-entrepreneur’s vision and deliberate action plan to foster the most cohesive type of cultural commons.

The deliberate acts of cultural leadership in 1980s’ Estonia correspond to the notion and manifestation of cultural entrepreneurship that helps us understand how it was possible for Estonians to overcome the typical collective action problems in society. Friedrich Kreutzwald’s role, in particular, shows how Estonia’s cultural entrepreneurs were alert to discovering and exploiting opportunities to bridge the gap between the forgotten, already-existing culture (i.e., the ancient Estonian beliefs, folklore, singing practices and traditions, etc.) and the growing demand for a well-defined national identity that was best put in the lines of a member of the Learned Estonian Society who exclaimed, “Let’s give Estonians what they want!” (Raun, 1991; 2001).

Cultural entrepreneurs are a category of institutional entrepreneurs. Institutional entrepreneurs are defined in sociology as institutional arbitrageurs by DiMaggio (1988, p. 14) who states that “New institutions arise when organized actors with sufficient resources see in them an opportunity to realize interests that they value highly.” While institutional entrepreneurs may alter and/or innovate a broader category of institutions or “rules of the game” in society, cultural entrepreneurs act to alter and/or innovate elements of the cultural commons, including the folkloric heritage, or the foundations of informal institutions, including beliefs, tacit norms, traditions, etc. in society. I find that the most integrated understanding of cultural entrepreneurship acknowledges that it serves the functions of three distinct, yet interrelated, types of entrepreneurship: social entrepreneurship,

institutional entrepreneurship, and public entrepreneurship.<sup>7</sup> I illustrate cultural entrepreneurship at the intersection of social, institutional, and public entrepreneurship in Figure 3.

Figure 3. *Cultural entrepreneurship in relation to social, institutional, and public entrepreneurship*



The Estonian *Kalevipoeg* is an element of cultural heritage in the form of heroic epic poetry that contributed to Estonia's moment of cultural awakening and the successful revolution as well as the independence struggle. In a dynamic framework, Friedrich Kreutzwald and his predecessors represent the cultural entrepreneurs, the driving forces who facilitated the Estonian moment of sociocultural change or cultural awakening.

<sup>7</sup> For the complete synthesis of the different types of entrepreneurship in society—market, social, and institutional—in the literature, see Boettke and Coyne (2003). For the use of the concept of “public entrepreneurship” (as differentiated from political entrepreneurship), see Ostrom (1965). For a conceptualization of constitutional entrepreneurship based on Ostrom's concept of public entrepreneurship, see Kuhnert (2001).

## 5. Conclusion

The Singing Revolution was a spectacular case of successful collective action of hundreds of thousands of Estonians singing folkloric, patriotic songs with the goal of demanding independence from the Soviet Union in the late 1980s. What made the revolution possible and successful? In this paper, I argue that the possibility and the success of the Singing Revolution is attributable to three factors: (1) the context of political freedom under Glasnost, (2) Estonia's unified, homogenous culture, and (3) Estonia's pre-Soviet, cultural leadership or cultural entrepreneurship.

First, the mid-1980s' context of the rapid changes in the political rules of the game, as formalized in Gorbachev's Glasnost policy, favored revolutionary movements across all the former Soviet republics, including Estonia. Glasnost decreased individuals' costs of rebelling against the Soviet regime because it granted greater political freedom, including freedom of speech, without withholding freedom to speak against authority.

Second, culture can serve as a powerful tool of group coordination, reducing transaction costs, and turning the incentive balance in favor of active participation. Estonia's culture, preserved since pre-Soviet times, helped Estonians solve the paradox of revolutions by means of folkloric practices that served to foster a homogenous society, and to reinforce the shared beliefs about the Estonian national identity, and preferences of political and economic governance. Three of Estonia's cultural specificities helped solve the paradox of revolution: (a) the participants' shared beliefs about a unified Estonian national identity and political preference; (b) the participants' shared (and also preferred) way of voicing their political preference, by singing folkloric, patriotic songs in Estonian; (c) the annual song festival, *Laulupidu*, held at the Tallinn Festival Arena serving as a focal point both in time and in place.

Third, and perhaps most importantly, rather than stopping at Estonia's culture as an exogenous explanatory factor, to be taken for granted, I take a further step to uncover the antecedents of such a favorable culture to begin with. Otherwise, using 'culture' to explain the variation in post-Communist outcomes across countries in transition, for example, is, in a way, no explanation at all. Using historical and ethnographic research, I find that Estonia's culture benefited from its pre-Soviet cultural leaders or cultural entrepreneurs. The role of key leaders-entrepreneurs, from among the members of the Learned Estonian Society (LES), stands out in understanding the revival, curation, and promotion of Estonia's

ancient cultural beliefs, in the form of folkloric poems and stories, from the mid-nineteenth century to present day. The Estonian heroic epic *Kalevipoeg* is an example of a piece of cultural heritage that contributed to Estonia's moment of cultural awakening and the reclaiming of autonomy in governance through the successful Singing Revolution, and faster post-Communist growth and institutional development of the country.

In essence, cultural leadership in Estonia's Age of Cultural Awakening was a form of cultural entrepreneurship driven by the creative vision of the members of the LES. The entrepreneurial undertaking of Estonia's cultural leaders is a historical fact that calls for a switch to an entrepreneurial-institutional notion of rationality in economics to explain why peaceful, culture-based revolutions, similar to Estonia's, might not be as paradoxical as standard neoclassical theory predicts. In a dynamic framework of economic analysis, Kreutzwald, other members of the LES, and their predecessors represent the cultural entrepreneurs, the driving forces that promoted a culture of sung poetry and a sense of ancient belonging for the Estonian people that ultimately facilitated the Estonian revolutionary moment of socio-cultural change and a successful, post-Communist institutional transition that carries on to the present day.

While understanding the role of Estonia's singing culture can help us answer the 'Which,' 'How?' and 'Why?' questions of one of the biggest lessons learnt from the collapse of Communism, of 'Institutions Matter,' the role of cultural leaders-entrepreneurs can help us illuminate the origins of and the keys to channeling the existing culture towards socially desirable policy outcomes in the most cooperative way possible. Institutional reformers or policy makers must work alongside cultural leaders and interdisciplinary researchers to understand a nation's cultural specificities in order to design the most culturally-informed and incentive-compatible reforms possible.

Finally, the paper provides a dynamic conceptual-analytical framework, enhanced with insights from game theory, entrepreneurship studies and new institutional economics, to investigate the role of cultural entrepreneurship and leadership in collective decision-making as applicable to similar, non-violent revolutions elsewhere in the world. This enhanced framework could also be extended or applied to understanding the success or failures of collective efforts in other areas, including disaster recovery, as well as humanitarian and foreign aid initiatives in least developed countries.

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