

SOVIET ECONOMIC GASLIGHTING OF LATVIA AND THE BALTIC STATES

Gatis Krūmiņš

Abstract

In declaring Russia the successor state to the USSR in 1991, the Kremlin sought to retain and restore its political and economic influence in the so-called post-Soviet area—Central Europe, the Baltic countries, and Central Asia. The Kremlin-controlled media are currently engaged in strengthening the myth of the Soviet Union as a success story. In today's Russia, and in Latvia, Lithuania, and Estonia, the three Baltic countries occupied by the USSR after the Second World War, a narrative combining the ideas of 'Soviet investment' and 'ungrateful Baltic people' is being popularised: the Baltic states are clearly demonstrating their lack of gratitude for generous Soviet era policies, while attempts to describe the Soviet occupation from the Baltic point of view are dismissed as falsification of history.

The purpose of this article is to describe the main directions used in Soviet propaganda to deceive society about the socio-economic situation in Latvia, and in the Baltic states in general, during the first decade of the Soviet occupation (1940–1950). The article also offers insight into the socio-economic realities of the period of occupation and the current topicality of the issue—links between Soviet propaganda and the current communications policy of the Russian Federation.

Keywords—*Latvia, Baltic states, USSR, Russia, Soviet propaganda, myths, strategic communications*

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Introduction

The USSR ceased to exist a quarter of a century ago. However, the ruins of this lost empire continue to weigh on today's Russian ruling political elite, which has built its strategic communications with the outside world in large part by returning to the rhetoric of the USSR. Russia's status as the successor state to the USSR was quickly recognised by the international community, since a successor was a legal necessity. At the time of its dissolution, the 'Commonwealth of Independent States' (CIS) was organised as an alternative, more flexible cooperation platform for former Soviet 'republics'. The three Baltic countries, with newly elected parliaments, declared the restoration of their independence in 1990, one and a half years before the dissolution of the USSR. Hoping to rejoin the West as quickly as possible, the Baltic states refused to join the CIS, as membership also carried a strong implication of orientation toward Moscow. The Kremlin was clearly trying to preserve major elements of the Soviet legacy, and therefore also some form of the myth of the Soviet Union as a success story—not only in Russia but also in the non-Russian territories once occupied by the USSR. This tendency has become much stronger in the twenty-first century, under the leadership of Russian President Vladimir Putin, who has repeatedly expressed his regret regarding the collapse of the USSR.

The gravity of the current situation cannot be underestimated, as Soviet propaganda was once a great success. By deliberately spreading disinformation about the situation in the occupied Baltic states, the Soviet regime managed to deceive a significant part of Baltic society, and now that propaganda has transformed into various myths and narratives. It provides sufficiently fertile ground to successfully continue the work of influencing society in its favour by adding a new dose of disinformation. The purpose of this article is to describe the main tactics employed in Soviet propaganda to deceive the Baltic people

about the socio-economic situation in Latvia and in the Baltic states in general during the first decade of the Soviet occupation (1940–1950). The article also offers insight into the socio-economic reality of the Soviet occupation period and the current topicality of the issue.

Background

The economic woes brought on by the Depression led to the establishment of dictatorial governments in many European countries, and Latvia was among them. In 1934, the Prime Minister, Kārlis Ulmanis staged a bloodless coup, suspended the Constitution, the political parties, and the Parliament, and assumed power. About 500 political opponents were arrested and placed in a concentration camp. Most of them were released shortly thereafter, and a few were required to serve three-year sentences. Ulmanis claimed he was saving the country from coups by both right- and left-wing extremists, and was able to persuade a considerable part of the population that he was doing the right thing. He had no ideology, but rather promulgated a ‘personality cult’. He was eager to avoid conflict with the neighbouring totalitarian giants, Nazi Germany and the Soviet Union, who were bitter enemies at that time, waging propaganda campaigns and even a proxy war in Spain against one another.

After a secret agreement on 23 August 1939, the two totalitarian powers—the Communist Soviet Union and Nazi Germany—coordinated their geopolitical ambitions in East Central Europe and the Baltic region. This was a dramatic turnaround, considering their long-standing enmity; now, for almost two years, they acted as friends. Poland was divided between them on 1 September 1939, causing the start of the Second World War. From autumn 1939 to summer 1940, the USSR implemented a series of aggressive measures in Latvia, Lithuania, and Estonia. First, the Baltic countries were forced to allow the USSR to establish military bases on their territory; then, in June of 1940, Lithuania, Latvia, and Estonia were occupied and their independent statehood destroyed. The Soviet Union unsuccessfully attempted to legalise its occupation of the Baltic states at the international level by organising pseudo-elections in their territories based on Soviet standards, with a single list of candidates and prescribed election results. These ‘parliaments’ proclaimed Soviet sovereignty in the Baltic countries and requested admission into the USSR. The international community, however, did not recognise the legitimacy of the annexation of the Baltic states. Nevertheless, the USSR did significantly better with the real subjugation of the Baltic states, which remained under occupation for five decades. The Baltic countries managed to restore their de facto independence only in 1991, fifty-one years

later.¹ Throughout the occupation period, the Soviet regime tried not only to justify the legitimacy of the Baltic annexation in its communication with both the international community and the Soviet population, but also strove to create the impression that the Baltic states had a special socio-economic status—that they received special assistance and support from the USSR, and only thanks to this help was the quality of life in the Baltic states better than in the rest of the USSR.

The First Year of Soviet Occupation—Early Attempts to Use Propaganda to Distort the Socio-economic Reality of the Baltic states

The level of socio-economic development was significantly higher in Latvia at the time of the Soviet occupation in 1940 than in the rest of the USSR. It is often impossible to compare statistical indicators between Latvia and the USSR directly, because each country used a different economic model. However, using the results of modern research comparing the development of different countries and regions at different times, we can conclude that GDP per capita in Latvia at the end of the 1930s was 40–50 per cent higher than in the USSR.² The quality of life of an average citizen differed even more significantly. While in Latvia all types of services, food products, and manufactured consumer goods were available in almost unlimited quantities (some limits for the purchase of retail goods were introduced after the start of the war, as trade with Great Britain, France, and other countries became much more difficult), while in the USSR a satisfactory supply of goods was available only to a privileged few—the inner circle of the Communist Party and those close to it. The rest of the population had to look for other options to obtain the goods they needed. When Latvia was occupied in 1940, the exchange rate for Soviet ruble (RUB) to the Latvian lat (LVL) was introduced at a ratio of 1 to 1. But the real purchasing power of the ruble was considerably lower, and if we compare market prices, it is clear that they differed significantly.³

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1 Inesis Feldmanis (ed.), *Latvia: Toward 100 Years* (Riga: Jumava, 2014), pp. 431–58.

2 Norkus, Zenonas, 'A Comparison of the Economic Growth of the Baltic states between the Two World Wars', *World Political Sciences*, Vol. 12, 2016.

3 For more about economic developments in Latvia in the first year of Soviet occupation year see: Gatis Kruminis, *Economic and Monetary developments in Latvia During World War II* (Riga: Bank of Latvia, 2012), pp. 87–112.

Product	Price in Latvia (LVL) ¹	Price in Smolensk (RUB) ²	Market price in the USSR against the relevant price in Latvia (%)
Beef (kg)	1,15	18	1565
Milk (litre)	0,22	3,5	1590
Butter (kg)	2,40–2,70	40	1568
Eggs (10)	0,9–1,1	14	1400
Potatoes (kg)	0,07	3,50	5000

Table 1. Comparison between Latvian market prices and Smolensk kolkhoz market prices (July 1940)

Table 1 shows that a Soviet citizen arriving in Latvia from the Russian city of Smolensk in the summer of 1940 to ‘build socialism’ could buy 15 times more meat, butter, or milk for one ruble in a local Latvian market than he could back home. This opportunity was used extensively by people coming from Russia and elsewhere in the pre-1940 USSR, such as civil servants and officials of the occupying army; they purchased goods in Latvia and sent them home to their friends and family to use or to sell. It is worth pointing out that a similar policy was also used by the Nazis, through the introduction of disproportionate German and local exchange rates in the countries they had occupied, in effect subjecting these territories to ‘legal thievery’.⁴

One of the Soviet ‘propaganda success stories’ during both the first year of occupation (1940–1941) and after the Second World War was the presentation of pre-war independent Latvia as underdeveloped agrarian state. From the first months of the occupation, ‘industrialization’ was offered as an ideological alternative to the development of the national economy. In this respect, the ideological doctrine of Ulmanis’ authoritarian regime (1934–1940) was used very skilfully, namely that Latvia was a nation of peasants and its priority economic sector was agriculture. This was largely due to Ulmanis’ political background—he was the leader of the Latvian Farmers’ Union before the 1934 coup d’état. However, the economic reality in Latvia was quite different: in the second half of the ‘thirties, industry had developed much faster than agriculture. On the eve of the occupation, Ķegums Power Station—the most modern hydroelectric power plant in the Baltics at the time—was opened.

⁴ Alexander Dallin, *German rule in Russia, 1941-1945: a study of occupation policies*, (London: Macmillan, 1957), p. 393.

Airplanes, cars, and sophisticated agricultural machinery were manufactured in Latvia, and the electronics industry was generating world-class products. Radio and photo equipment manufactured in Latvia was internationally recognised. For example, 43,700 radios were produced in ‘agrarian’ Latvia in 1939, about one third as many as were produced in the entire ‘industrial’ Soviet Union the same year.⁵ However, Ulmanis’ authoritarian regime kept silent about these industrial achievements and emphasised the importance of agricultural production and exports. The Soviet regime unequivocally agreed with Ulmanis that Latvia had been an agrarian country before the occupation. Only the word ‘agrarian’ was supplemented by the word ‘underdeveloped’, and Latvian industry was represented as the result of the investments made by the USSR.

At the end of 1940, it was announced that a decision had been made in Moscow at the Communist Party conference (other sources have made reference to the orders of Joseph Stalin)⁶ that Latvia was to be transformed from an underdeveloped agrarian country into an industrial Soviet republic in four or five years time. The devaluation of the Latvian lat (LVL) and its equalisation to Soviet ruble (RUB) in 1940 was used to manipulate the statistical data, and in the spring of 1941 it was announced that the total industrial production (calculated in RUB) during the first quarter of 1941 as compared to the fourth quarter of 1940 had grown from RUB 312 m to RUB 744 m.⁷ A similar method was used to compare production during the first period of Latvian independence to that of Soviet-occupied Latvia, claiming, of course, enormous gains for the latter. A good example is the comparison of the output of the engineering and metalworking industries between 1940 and 1980 with the total production in 1980 presented as 573 times higher.⁸

Manipulative communication was often used as a tool for Sovietisation—the imposition of Soviet culture and its models for economics and governance on the occupied territories. The reforms made to Latvia’s agrarian sector are a striking example. An agrarian reform was announced in 1940. It was an absolutely meaningless measure from the economic point of view, but the results were

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5 Gatis Krūmiņš (ed.), *Latvijas tautsaimniecības vēsture* [The History of Latvian National Economy], (Rīga: Apgāds Jumava, 2017), p. 233.

6 ‘VK(b)P CK un PSRS Tautas Komisāru Padomes pilnvarotā pie Latvijas PSR TKP biedra Derevjanska runa LK(b)P IX kongresā’ [Speech by comrade Derevjansky, representative of the Central Committee of the Communist Party of the Soviet Union and the Council of People’s Commissars in Latvia to the 9th Congress of the Communist Party of Latvia] *Padomju Latvija*, December 1940, p. 4. [accessed 17 July 2017]

7 LNA, F. 101 (Documents of the Central Committee of the Communist Party of Latvia) descr. 1 1940–41) f. 49, p. 57 (Report for the Central Committee of the Communist Party of the Soviet Union—About the Results of Work of Latvian Industry, First Quarter, 1941).

8 Gulan, P[ēter], *Latvija v sistēme narodnogo božājstva SSSR* [Latvia in the Soviet Economic Model] (Rīga: Zinatne, 1982), in Russian.

immediately used by the occupation forces to their advantage: agricultural workers on the largest farms were transformed from employees with a stable income into small landholders, each of them placed in the unenviable position of receiving 10 hectares of land to work, in most cases without residential or farm buildings, and no livestock or agricultural equipment. In reality the Soviet regime had created a rural population condemned to poverty, and fragmented Latvian farmland, while at the same time striking a heavy blow toward the largest market- and export-oriented farms, depriving them of both land and labour. This economic absurdity was skilfully used to initiate the Sovietisation of rural Latvia and to create the impression that the Soviets were providing assistance to the poor. In order to ensure land granted to landless farmers was transformed into collective farms, Machinery and Tractor Stations and Machinery and Horse Rental Points were established in the rural areas. The infrastructure of these service companies was based on the most successful farms—one ‘model farm’ was left untouched in each district and the owners of these farms were simply evicted later on.⁹ These were the first steps towards the collectivisation of agriculture. The occupying power demonstrated its ‘assistance’ by adopting a decision of the Communist Party leadership in February 1941 to eradicate poverty and ‘farms without cows’ in Latvia; this was widely reported in the press and later described in Soviet historical literature.¹⁰ It must be re-emphasised that these poor farms had been created by the occupying power itself a few months before!

It cannot be denied that part of the Latvian population initially believed this Soviet propaganda, including that about the high level of prosperity in the USSR. There were several reasons for this, one of the most important being that the level of trust in media was traditionally rather high. Although Latvia’s authoritarian government had introduced censorship after Ulmanis’ coup d’état in 1934, it almost exclusively targeted open criticism of political power. Articles were published in the media and in literature openly discussing both the international situation and problems of an economic character. In general, censorship in independent Latvia was manifested by the neglect of certain topics, but no lies or disinformation about the economic situation were ever disseminated. The suppressed topics included the growing complexity of Latvia’s internal and external political situation at the beginning of the Second World War. The government did not dare tell its people that the agreement made with the USSR in October 1939 regarding the deployment of Soviet military bases in Latvia was a manifestation of the threat posed by the

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⁹ Gatis Kruminis, *Economic and Monetary developments in Latvia During World War II* (Riga: Bank of Latvia, 2012), pp. 98–99.

¹⁰ *Latvijas PSR vēsture* [History of the Latvian SSR], Vol. 3, (Riga: Latvijas PSR Zinātņu akadēmijas izdevniecība, 1959), pp. 412–13.

USSR to occupy Latvia. When Ulmanis addressed the people in October 1939, he wanted to give the impression that Latvia would not be endangered by these agreements in any way: 'I must say that the pact, as it is customary in the pacts of the Soviet Union, stands out with its clarity and certainty, as well as the recognition of and respect for the interests of the other party, and is truly mutual.'¹¹ Similarly, Ulmanis explained away the departure of the Baltic German community—about 60,000 Latvian citizens—to territories controlled by Nazi Germany; this was arranged in Berlin in order to remove them from areas that Hitler knew were about to be overrun by the USSR. Ulmanis, however, denied that it was in any way related to the Molotov-Ribbentrop Pact signed on 23 August 1939:

Certain turmoil in the society has also been created by the German departure movement. I must say that they would do the right thing if they would firmly stand up against this agitation for their own good. The malicious idea that the emigration of Germans is in some way related to the new treaty with the Soviet Union is absolutely wrong.¹²

By deceiving the public, Ulmanis' authoritarian regime solved its short-term problems—the people were calmed. However, from the perspective of strategic communications it was a fundamental mistake for the long run, as those who constituted the biggest geopolitical threats to Latvia were represented as friends. The treaties imposed by the USSR, which authorised the presence of the Soviet army in Latvia, were presented to the people as wisdom and foresight. In June 1940, when the USSR took the next steps to annex Latvia, Ulmanis was at an impasse. In a radio address at the moment of occupation, Ulmanis was unable to acknowledge his mistakes and tell the truth, so he called the arriving occupation troops 'the army of a friendly country'. This statement confused local society, and from the strategic communication point of view, Ulmanis made his greatest mistake—not even a diplomatic protest was announced about the situation.

After the occupation of Latvia, all media were subject to strict centralised control, and the information space was flooded with disinformation about the good intentions of the USSR and its leaders in the Baltics. Many intellectual leaders who held more or less important positions in various institutions initially believed in the good intentions of the USSR and agreed to cooperate with the occupying regime. The managers of the agricultural sector requested

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¹¹ *Rīgas Vēstnesis* [Riga Herald], 'Ja grib lai brauc, bet—uz neatgriešanās' [If they want to leave, let them, but—without returning], 19 October 1939. [Accessed 10 July 2017, Latvian National Library]
¹² *Ibid.*

equipment from the Soviet authorities, and officials of the new Latvian SSR who prepared the first draft budget for the year 1941 were very optimistic about investments from the new government. All requests were rejected, and what actually happened was quite the opposite—a brutal exploitation of the Latvian economy in the interests of the USSR. During the first year of the occupation (1940–1941), Latvia was turned into a military base for the USSR, and almost all resources were channelled primarily into strengthening its military power.¹³

Soviet Propaganda in the Post-war Years

After the occupation period by Nazi Germany (1941–1944, part of Latvia until 1945), Latvia fell once more under Soviet control, and during this period Soviet propaganda began to operate with new force. The creation of an impression of Soviet support to Latvia was strengthened. The resources of the territory and its population were exploited, but the official information sources declared the opposite—that the USSR was investing in the Latvian economy and socio-economic processes. The press and radio, and later television, as well as scientific and popular-science publications, were used to strengthen this deliberately skewed interpretation and to misinform Latvian society. Particular attention was paid to the education system. For example, in a history book on the Latvian SSR published in 1959, the post-war period was characterised as follows:

The actions of the Latvian nation in restoring the national economy became possible thanks to that huge assistance provided by the Soviet government, the Soviet Union Communist Party Central Committee, the fraternal Soviet republics, and the Soviet army.¹⁴

Special attention was paid to the teaching of Latvian history in schools, and history was ‘rewritten’ just after the end of the Second World War. In 1945, an expert from Moscow¹⁵ evaluated the content of the new 7th grade Latvian history textbook and concluded:

- The programme poorly reflects the friendly attitude of the Russian nation towards the Latvian people and its assistance to the Latvian people in different periods of history [...]. Nothing is said about the role of the Russian proletariat’s advanced guard in the liberation of the oppressed

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13 Gatis Kruminis, *Economic and Monetary developments in Latvia During World War II* (Riga: Bank of Latvia, 2012), p. 100.

14 Kārlis Strazdiņš (ed.), *Latvijas PSR vēsture* [History of Latvian SSR] (Riga: Latvijas PSR Zinātņu akadēmijas izdevniecība, 1953–1959). Volume 3 (1959), p. 485.

15 Head of the School Sector of the All-Union Communist (Bolshevik) Party Central Committee

nations from autocracy, including the liberation of Latvians from the dictatorship of tsarism and the bourgeoisie.

- During the period of tsarism, German barons were to blame for serfdom.
- The economic tendency of Latvia towards Russia, the dependence of cultural and economic development, are not reflected.¹⁶

The Soviet regime treated the ‘correct’ interpretation of history as an integral part of its propaganda and regarded it as very important. Soviet historical narratives were purposefully designed to ensure that any national issue was permeated by a single message—our country is multinational, but in previous centuries and in the present it is Russia and the Russian people who have played the leading role. This idea permeates the historical literature of the entire period of Soviet occupation. One of the first examples is the third volume of *History of the USSR for Secondary Schools*,¹⁷ translated from Russian into Latvian in 1945, in which representatives of several nations are described as war heroes, but the book closes with a clear message:

The Soviet state, which came into being under the leadership of Lenin and Stalin as a result of the centuries-long liberation struggle of the great Russian people, the greatest leaders of mankind, turned our land into an unshakeable fortress during a brief period of history.¹⁸

No matter what the time period, Russia’s territorial expansion is always characterised as the ‘liberation’ of other nations for their own benefit. Already in 1940, when the new political and socio-economic changes were being explained to the Latvian people, the USSR’s readiness to ‘help’ this border region was emphasised:

The Soviet Union is such a big and powerful factor in international relations that without its participation the capitalist world cannot solve any problems. The Soviet Union is so powerful that it can bestow peace, not only in its own country even while the second imperialist war rages all around, but it can help its bordering countries escape the horrors of war, shake off the capitalist yoke, and acquire the Soviet power it longs for. This is a new determinant with great historical significance that

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16 Archive of the Socio-political History of the Russian Federation, f. 600 (Documents of the Latvian Office of the Central Committee of the Communist Party of the Soviet Union), descr. 1, f. 3, pp. 85–91.

17 Anna Pankratova (ed.) *PSRS Vēsture. Mācību grāmata vidusskolas X klasei. 3 daļa*. [History of the USSR for Secondary Schools. Volume 3] (Riga: APP, 1945).

18 *Ibid.*, p. 363.

can open new and happy prospects for oppressed nations and all progressive humanity worn out by imperialism.¹⁹

As can be seen, the ‘special rights’ of neighbouring countries, which from time to time are demonstrated by the Russian political elite in their strategic communications today (for example, in relations with Ukraine), is a product of Stalin’s totalitarian USSR.

It is no surprise that the political elite approved the former Soviet anthem as the anthem of the Russian Federation in 2000. By using the same melody, albeit with different words, they created an unambiguous message about their ambition to restore the former superpower. Why is the anthem considered important for strategic communications? In the Soviet version, still ringing in the minds of the older generation, the first four lines of the anthem send a very clear strategic message: ‘The indestructible union of free Soviet republics has forever been united by mighty Russia.’ Despite the fact that the USSR positioned itself as a multinational ‘family of nations’ in both its external and internal communications, it is important to understand that the emphasis was always clearly on the dominant role of Russia and Russians. Similar messages were integrated into the symbols of the Soviet republics. A parallel idea was embedded in the words of the Latvian SSR anthem: ‘Only together with the great Russian people did we become a power that conquered the enemy.’ To strengthen the narrative of the special role of Russians, the authorities used essays lauding the ‘friendship of nations’ (which invariably meant the alleged role of Russia in providing neighbouring nations with both the example and the impetus to develop their own economies and cultures) and historical narratives embodying the aforementioned interpretations of history. This essay by Janis Sudrabkalns, written in 1959, was widely disseminated:

The friendship of nations is the strongest power of the Soviet family, its greatest treasure. From ancient times the Slavs and Balts, Russians and Latvians have been neighbours and friends. Around the mighty Russian oak, a rich grove of Soviet nations has spread. The Russian language, one of the leading languages in the new world, is also the language of friendship and cooperation of the whole Soviet family [...].²⁰

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19 LNA, F. 101 (Documents of Central Committee of the Communist Party of Latvia) descr. 2 (1940–41) f. 430 (Materials for Propagandists), p.1.

20 Aleksandrs Drīzulis (ed.), *Latvijas PSR vēsture vidusskolām* [History of the Latvian SSR for Secondary Schools] (Rīga: Zvaigzne, 1988), p. 237, in Latvian.

Soviet interpretations of history grew broader and more spurious. For example, *History of the Latvian SSR*, published in 1960, made the unjustifiable claim that during the 5th–9th centuries the Baltic tribes developed more slowly than the Eastern Slavs, and some influence of the ‘Old Russian State’ that had a positive effect on the territory of Latvia for centuries to come was pointed out in all contexts. The history of Livonia was interpreted in a similar way:

Russia, the great and trustworthy Eastern neighbour of the Baltic nations, experienced a period of feudal fragmentation. Its forces were involved in a dire struggle against the Mongols. Although the Germans conquered the Baltics, the historic friendship between the Latvian and Russian nations did not disappear. In the long and difficult struggle with their German conquerors, the Latvian people always sought help from the great Russian nation. In the heroic struggles of the 13th century against the Germans and other invaders, the friendship between the Russian, Latvian, and Estonian nations grew stronger, and they began to better understand the coherence and unity of their political interests.²¹

Anyone familiar with the region’s history might now find these claims absurd, but this interpretation of history was imposed on the Latvian people for almost half a century. The histories of Lithuania and Estonia were similarly rewritten, and the role of the Russian language in their national cultures was exaggerated.²² The impression is given that the ‘high culture’ from which the Baltic people took cues was Russian. In fact, for the Lithuanians it was Polish, and for the Latvians and Estonians German and Scandinavian (while for the Russians of the 18th and 19th centuries it was French).

Industrialisation was also a widely publicised topic; Latvian industrial achievements were ignored, and Latvia was described using the derogatory epithet ‘the agrarian adjunct of imperialist countries’. By contrast, the alternative view and its origin were clearly defined:

Owing to extensive help from the other Soviet republics and the cooperation between Soviet nations, the industrialisation of the Latvian SSR began in the early post-war years.²³

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21 Jānis Zutis (ed.), *Latvijas PSR vēsture*. [History of Latvian SSR] (Rīga: Latvijas Valsts izdevniecība, 1960), p. 25
22 Epp Annus, ‘Between Arts and Politics: A Postcolonial View on Baltic Cultures of the Soviet Era’, *Journal of Baltic Studies*, Vol. 47, № 1 (January 2016), pp. 1–13.

23 Kārlis Strazdiņš (ed.), *Latvijas PSR vēsture* [History of Latvian SSR] (Rīga: Latvijas PSR Zinātņu akadēmijas izdevniecība, 1953–1959). Volume 3 (1959) p. 496.

The Latvian people were also disinformed about financial policy and budgetary priorities. At a time when, in reality, almost half of all expenditures went to the military,²⁴ a story was constructed about extensive investments in the national economy to assuage the needs of the population:

The second session of the second convocation of the Latvian SSR Supreme Council in March 1948 endorsed the republican budget for the year 1948: RUB 1 bn 454,1 m [...] Approximately one third of all budget expenditures (RUB 463.6 m) for the republic were allocated for the development of the national economy. In addition, large amounts from the budget of the USSR were redirected for the building and reconstruction [...] of the republic's largest enterprises and construction objects. [...] 89.3% of total budget resources were allocated for the further development of the national economy and the domestic and cultural needs of the inhabitants.²⁵

The claim that Latvia was receiving great material benefits after the occupation was also inserted into all reference books, including the *Latvian Soviet Encyclopaedia* published during the last decade of the occupation: 'Admitted to the family of the united Soviet republics, the LSSR received great, selfless help from all Soviet nations.'²⁶

The *Latvian Soviet Encyclopaedia* does not even mention Soviet budgetary expenditures in Latvian territory; only the Latvian SSR budget revenue and expenditure is analysed (however, the encyclopaedia does state that the budget of the Latvian SSR is part of the USSR budget in compliance with Leninist and democratic centralist principles).²⁷ The relationship between the Latvian SSR budget and the USSR budget is not explained in any way.²⁸

The occupying regime largely avoided characterising the Soviet financial policy with actual figures, confining itself to general phrases about 'generous assistance'. Soviet budgetary expenditures in Latvia, even investments in

24 I.N.A.F. 202 (Documents of the Bank of the USSR, Latvian Branch in Riga), Descr. 1-a (secret documents), f 1 (Accounting Reports Regarding Revenues and Expenditures of the Soviet Central Budget in the Latvian SSR—secret documents, 1946–65).

25 Ibid., pp. 500–01.

26 Pēteris Jērāns (ed.), *Latvijas Padomju enciklopēdija* [Latvian Soviet Encyclopedia], Vol. 5-2, (Riga: Galvenā enciklopēdiju redakcija, 1984), p. 332.

27 The occupying Soviet regime broadly described itself using expressions that characterised a democratic state structure. However, in reality principles of democratic governance were ignored. The USSR had no free elections and no freedom of the press, nor did it have any other features of a democratic society.

28 Ibid., pp. 432–33.

industry, were never made public. The only publicly available source was the republican budget, which included the heading 'USSR budget allocation' within annual revenue. Data on Latvian revenues forwarded to the USSR budget, and the data on the part of the revenue which returned and the purposes it was used for, have not been found in the historical literature until now.

Financial and Economic Realities of the Post-war Years

After the independence of the Baltic states was restored in 1991, the accounting documents of the USSR State Bank branches, the record that makes it possible to analyse the financial policy of the USSR occupation regime in the Baltic states in detail, were declassified. The documents found in the archives of the Baltic countries made it possible to calculate revenues and expenditure in the Baltic states during the Soviet occupation, including the expenditures of the occupying Soviet regime for military purposes and the funding for repressive institutions. Having these unique documents, we are now able to assess the economic processes in the territory of the Baltic states and to provide answers to many hitherto unanswered questions, and thus to refute the idea constructed during the occupation period of an extensive Soviet investment in the Baltic countries.

During the post-war years, about a quarter of the revenue generated in Latvia by taxes and fees were directed to the Latvian SSR budget. The rest were diverted to the USSR budget, where the revenue was allocated in accordance with the priorities of the central government. As already mentioned, there was no official information in Latvia regarding the budgetary revenues and expenditure of the USSR, except for a certain amount transferred from the USSR budget to the Latvian SSR budget each year. This information created the false impression that the Soviet Union had financially invested in Latvia. In the later years of the Soviet era, the authorities had skilfully sustained the myth that the elimination of war damage and the renewed industrial development in Latvia had been made possible by USSR investments.

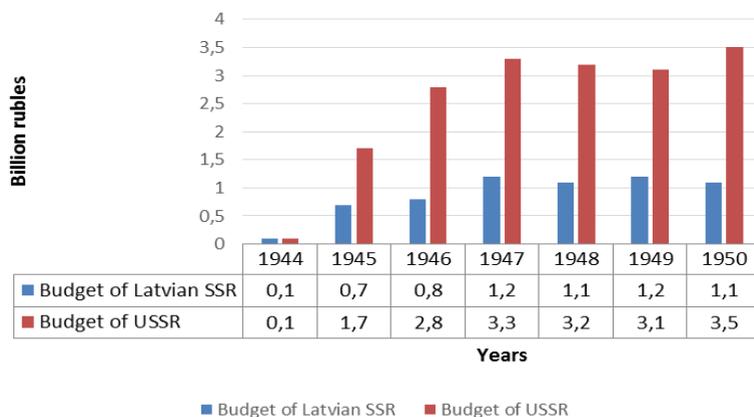


Figure 1. Revenue from the territory of Latvia split between the budgets of the Latvian SSR and the USSR (1945–1950, in billions of RUB)²⁹

Most of the revenue consisted of a variety of taxes, of which the largest was the ‘Turnover Tax’, which brought in up to two thirds of total state income during the post-war years (Table 2). The Turnover tax was applied to all goods produced in the USSR that entered the market. Government loans (or bonds) also had particular significance, and the money thus ‘borrowed’ could be added to tax revenues. Residents were forced to ‘lend’ money to the state with a long repayment period, on a ‘voluntary basis’. The plan for these loans was carefully developed and implemented in regard to certain farms and citizens; the process was carefully controlled, and refusal to participate was classified as sabotage.³⁰

29 LNA F. 202 (Documents of the Bank of the USSR, Latvian Branch in Riga), descr. 1-a (Secret Documents), f. 1 (Accounting Reports Regarding Revenues and Expenditures of the Soviet Central Budget in the Latvian SSR—secret documents, 1946–65), and descr. 2 (Accounting and Financial reports), f. 512 (Revenues and Expenditures from the Latvian SSR—Latvian SSR and USSR Budgets, 1946–47), f. 517 (Revenues and Expenditures from the Latvian SSR—Latvian SSR and USSR Budgets, 1948), f. 545 (Revenues and Expenditures from the Latvian SSR—Latvian SSR and USSR Budgets, 1949); LNA F. 327 (Ministry of Finances of the Latvian SSR), descr. 20 (Accounting and Financial Reports), f. 208 (Revenues and Expenditures from the Latvian SSR—Latvian SSR and USSR Budgets, 1950).

30 LNA, F. 327 (Ministry of Finance of the Latvian SSR), descr. 1-a (Secret Documents), f. 3 (Reports Regarding Financial Policy), p. 59.

Type of tax	1946	1947	1948	1949	1950
Turnover Tax	2568	3392	2804	2755	2830
State Loans ³	186	185	209	307	344
Taxes from Residents (total)	356	511 ⁴	666	425	400
Incl. income Tax	164	195	206	221	233
Incl. agricultural Tax	128	316	361	99	59
Incl. bachelor Tax	64	—	99	105	108

Table 2. The most significant revenues from the territory of Latvia in the budgets of the USSR and the Latvian SSR (in millions of RUB, total)³¹

In 1945, Latvia was an active war zone and military spending was not particularly recorded, but the accounting reports regarding the implementation of the budget during the post-war years confirm that the funds were systematically channelled to other regions of the USSR, and a large part of the financial resources did not return to Latvia, even in relation to military expenditures. This is contrary to the myth cultivated during the entire Soviet period that the Latvian economy was restored by extensive investments from the USSR. The financial settlements confirm the contrary—the Soviet economy outside Latvia was renewed on funds obtained and taxes collected in Latvia, not vice versa. The fact remains that in the 1940s Latvia was the economic donor of the USSR.

After the Second World War Latvia became a border zone of a totalitarian country; in addition to that, it was in a region where the countries on the other side of the border were considered potential enemies by the USSR leadership. Riga was at the centre of the Baltic military district, and the territory of Latvia was highly militarised. Large amounts of money were also spent on internal affairs and national security structures, mostly because of the active national resistance movement that the Soviet regime wanted to suppress at all costs.³² The USSR spent large sums on military and security institutions (Table 3, next page).

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 31 LNA F. 202. (Documents of Bank of USSR, Latvian branch in Riga), descr. 2 (Accounting and Financial Reports), f. 512 (Revenues and Expenditures from the Latvian SSR—Latvian SSR and USSR Budgets, 1946–47), f. 517 (Revenues and Expenditures from the Latvian SSR—Latvian SSR and USSR Budgets, 1948), f. 545 (Revenues and Expenditures from the Latvian SSR—Latvian SSR and USSR Budgets, 1949); LNA F. 327 (Ministry of Finance of the Latvian SSR), descr. 20 (Accounting and Financial Reports), f. 208 (Revenues and Expenditures of the Latvian SSR—Latvian SSR and USSR Budgets, 1950). LNA F. 202, descr. 1-a, f. 1, and F. 327, descr. 4 (Revenues and Expenditures in Latvian Territory).

32 Inesis Feldmanis (ed.), *Latvia: Toward 100 Years* (Riga: Jumava, 2014), pp. 316–21.

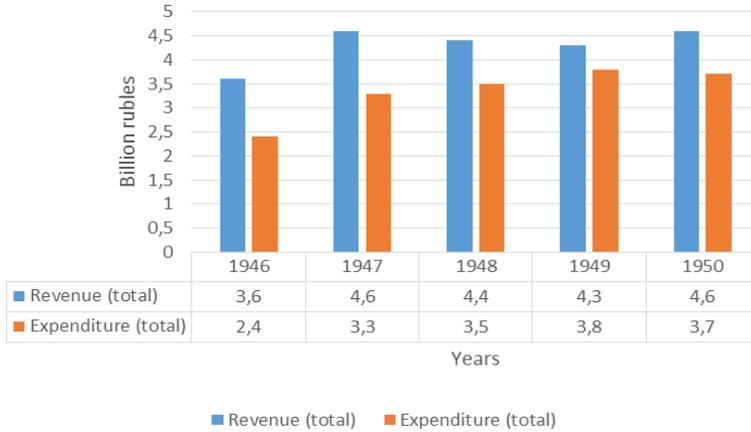


Figure 2. The total revenues and expenditures in Latvia 1945–1950 (Latvian SSR and USSR budgets, in billions of RUB)³³

Heading of the USSR budget expenditure	Amount in rubles
Ministry of War and Naval Enterprise Construction	RUB 4 855 725
The USSR Ministry of Armed Forces	RUB 1 034 140 577
The USSR Ministry of Armed Forces (pensions)	RUB 11 869 486
The USSR Ministry of Internal Affairs	RUB 144 442 309
The USSR Ministry of Internal Affairs (pensions)	RUB 1 756 568
The USSR Ministry of State Security	RUB 23 559 312
The USSR Ministry of State Security (pensions)	RUB 362 791
Total	RUB 1 220 986 770

Table 3. Expenditures of the USSR military and repressive ministries in Latvia in 1946 (in RUB)³⁴

33 Calculations of author, source: LNA F. 202. (Documents of Bank of USSR, Latvian branch in Riga), descr. 1-a (Secret documents), f. 1. (Accounting reports about revenue and expenditures of Soviet central budget in Latvian SSR – secret part, years 1946 -1965) and descr. 2 (Accounting and financial reports), f. 512 (Revenue and expenditures from Latvian SSR – Latvian SSR un USSR budgets, years 1946 -1947), f. 517 (Revenue and expenditures from Latvian SSR – Latvian SSR un USSR budgets, year 1948), f. 545 (Revenue and expenditures from Latvian SSR – Latvian SSR un USSR budgets, year 1949); LNA F. 327. (Ministry of Finances of Latvian SSR), descr. 20. (Accounting and financial reports), f. 208. (Revenue and expenditures from Latvian SSR – Latvian SSR un USSR budgets, year 1950).

34 Ibid.

For comparison, the Latvian SSR budgetary expenditure in 1946 was only RUB 763 m, but all-Union budget spent in this year for military needs more than RUB 1, 2 billion.³⁵ Most of the money spent came from the all-Union budget, as result of the high degree of centralisation of economic policy (a high proportion of centrally controlled funds, and a corresponding reduction of the funds of ‘Union Republics’).

Analysing the structure of expenditures in Latvia, it must be concluded that the militarisation and subjugation of the territory was the main priority of the Soviet regime in the 1940s, as the proportion of these expenses within the total expenditure (of the Latvian SSR and the USSR budget together) reached as high as 50% at the end of the forties (Figure 3).

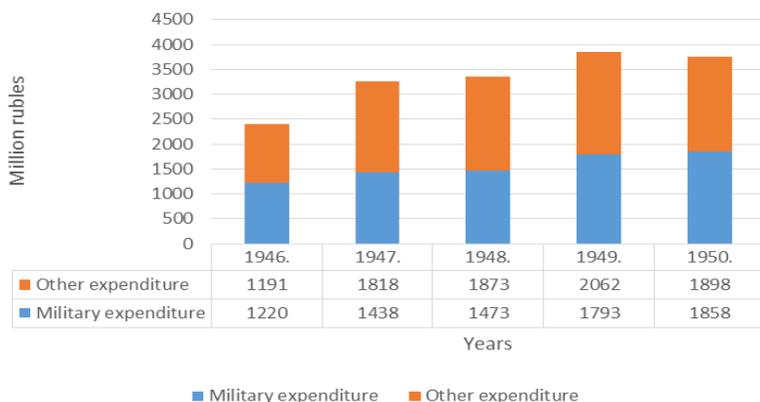


Figure 3. Amount and proportion of expenditures for the military and repressive ministries in the total expenditures in the territory of Latvia 1946–1950 (Latvian SSR and USSR budgets, in millions of RUB)³⁶

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 35 LNA F. 202. (Documents of Bank of USSR, Latvian branch in Riga), descr. 1-a (Secret documents), f. 1. (Accounting reports about revenue and expenditures of Soviet central budget in Latvian SSR – secret part, years 1946 -1965), descr. 2 (Accounting and financial reports), f. 512 (Revenue and expenditures from Latvian SSR – Latvian SSR un USSR budgets, years 1946 -1947).

36 Author’s calculations, source: LNA F. 202 (Documents of the Bank of the USSR, Latvian branch in Riga), descr. 1-a (Secret Documents), f. 1 (Accounting Reports Regarding Revenues and Expenditures of the Soviet Central Budget in the Latvian SSR—secret documents, 1946–65), and descr. 2 (Accounting and Financial Reports), f. 512 (Revenues and Expenditures from the Latvian SSR—Latvian SSR and USSR Budgets, 1946–47), f. 517 (Revenues and Expenditures from the Latvian SSR—Latvian SSR and USSR Budgets, 1948), f. 545 (Revenues and Expenditures from the Latvian SSR—Latvian SSR and USSR Budgets, 1949); LNA F. 327 (Ministry of Finance of the Latvian SSR), descr. 20 (Accounting and Financial Reports), f. 208 (Revenues and Expenditures from the Latvian SSR—Latvian SSR and USSR Budgets, 1950).

Expenditure heading	Amount in RUB
Ministry of War and Naval Enterprise Construction—bonuses and allowances to forestry and other workers for timber supply and exportation	10,000.00
USSR Ministry of Internal Affairs, Motorway Administration, and Central Road Administration	27,864,000.00
Ministry of Food and Material Reserve—increase of current assets and other expenditures	42,809,028.0
Ministry of Food and Material Reserve	578,493.23
USSR Ministry of Armed Forces	17,593,714.10
USSR Ministry of Armed Forces, pensions	11,343,886.61
USSR Ministry of Internal Affairs	205,999,366.71
USSR Ministry of Internal Affairs, pensions	2,061,816.58
USSR Ministry of State Security	304,288,407.35
USSR Ministry of State Security, pensions	878,595.29
Other expenditures of USSR ministries and departments	414,892,659.00
Total	1,183,319,966.95

Table 4. USSR budgetary expenditures in Lithuania (1948, in RUB)³⁷

The USSR occupation regime policy was similar in the other Baltic states, Lithuania and Estonia, although some aspects differed. In Lithuania much higher amounts were spent on the financing of internal affairs (repressive ministries) than in Latvia and Estonia. This is due to the country's very active national resistance activities against the occupying regime in the post-war years (more extensive forest and swamp lands in Lithuania enabled the anti-Soviet resistance to hold out longer there). In 1948 more than half a billion rubles were spent on the needs of the Ministry of Internal Affairs and the Ministry of State Security in Lithuania, which is more than in Latvia and Estonia together in the same year. By contrast, the total military expenditure compared to Latvia was significantly lower.

Lithuania's economic situation, both at the time of the occupation and during the post-war years, was considerably worse than that of Latvia and Estonia,

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³⁷ Lithuanian National Archive, F R-871 (Documents of the Bank of the USSR, Lithuanian Branch in Vilnius), descr. 6. (Accounting Reports), f. 3 (Accounting Reports Regarding Revenues and Expenditures of the Soviet Central Budget in the Lithuanian SSR—secret documents, 1948), pp. 8–9.

but Lithuania also transferred larger amounts to the USSR budget than those returning to Lithuania. Thus, from the Lithuanian earnings the Soviet regime not only funded the fight against the national resistance movement, but also channelled some of the money for achieving other purposes outside the territory of Lithuania. In 1949, the revenue of the Lithuanian territory (the USSR and the Lithuanian SSR budgets taken together) was RUB 2,617 m, while the expenditures in Lithuania, including the military and repressive institutions, were RUB 2,458 m. Thus, RUB 159 m were channelled outside the territory of Lithuania.³⁸ In Estonia in 1949, the situation was quite similar—the total revenue was RUB 2,642 m, while the expenditures were RUB 2,503 m, so the ‘profit’ of the Soviet regime was RUB 139 m.³⁹ Comparatively the largest amount that year— RUB 526 m—was invested in the Soviet central budget by Latvia; thus in total the Baltic states in 1949 covered not only the expenditure of all the military and repressive forces on their own territories, but sponsored the Soviet central budget with RUB 824 m.⁴⁰ The Soviet budgeting system, in which the republican budgets were part of the USSR budget, allowed Moscow to control all financial flows and payments. As a result, the Baltic ‘republics’ had no autonomy in budgeting and planning, much less any possibility of independently building their own budget policy, planning budget revenues and expenditures, or forecasting possible surpluses or deficits.

The emphasis in Soviet propaganda on Russia and the Russian historical role has already been extensively described, but this was not the only aspect. In addition to the ideological Russification mentioned before, actual Russification also took place in Latvia in two ways: the numbers of the Russian-speaking population significantly increased as a result of immigration, and the role of the Russian language in everyday life and in the education system grew significantly.

Changes in the national composition of Latvia were dramatic—half a century after the loss of independence the number of Latvians was smaller than in 1940. By contrast, the number of Russian-nationality inhabitants had increased more than five times, and the number of Belarusians more than four times. The portion of Latvians had shrunk to 52% of the population of Latvia. Despite

38 Ibid., f. 4 (Accounting Reports Regarding Revenues and Expenditures of the Soviet Central Budget in the Lithuanian SSR—secret documents, 1949), pp. 2–4.

39 National Archives of Estonia, F R-26. (Documents of the Bank of the USSR, Estonian Branch in Tallinn), descr. 4 (Accounting reports), descr. 4 (Accounting reports about revenue and expenditures of Soviet central budget in Estonian SSR—secret documents, 1949), pp. 33–34.

40 Author’s calculations, source: LNA F. 202 (Documents of the Bank of the USSR, Latvian Branch in Riga), descr. 1-a (Secret Documents), f. 1 (Accounting Reports Regarding Revenues and Expenditures of the Soviet Central Budget in the Latvian SSR—secret documents, 1946–65) and descr. 2 (Accounting and Financial Reports), f. 545 (Revenues and Expenditures from the Latvian SSR—Latvian SSR and USSR Budgets, 1949).

the prolonged domination of the Russian language in many areas of life, it should be noted that the Latvian part of the population did not lose its national identity—97.4% of Latvians in 1989 indicated that Latvian was their mother tongue.

Nationality	1940	1989	1989 vs. 1940
Latvian	1490.0	1387.8	-102.2
Russian	171.6	905.5	733.9
Belorussian	28.3	119.7	91.4
Ukrainian	---	92.1	92.1
Polish	49.0	60.4	11.4
Jewish	93.0	22.9	-70.1
Lithuanian	24.5	34.6	10.1
Other	29.6	43.6	14.0
Total	1886.0	2666.6	780.6

Table 5. National composition of the population of Latvia in 1940 and in 1989 (in thousands)⁴¹

Changes in individual cities and municipalities were also significant. Most immigrants arrived as factory workers, and in cities where industry grew rapidly, the proportion of Latvians fell almost as fast. In the capital, Riga, the proportion of Latvians in 1989 was only 36 per cent; even in Jurmala and Ventspils, where in the 40s the proportion of Latvians exceeded 90 per cent, it was less than half. The situation was relatively better in rural areas, where the population was still dominantly Latvian.

Those who came to Latvia from other regions of the USSR should not be blamed for purposeful colonisation with a goal of destroying the national identity of Latvia. Nor can we find documents proving that the main goal of immigration was the colonisation of the territory by people of other nationalities. A large proportion of immigrants fled from socio-economic disaster that the USSR regime had brought to the pre-WWII territory of the USSR; others were deliberately sent to provide labour to a disproportionately expanding industry.

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 41 Pārsla Egļīte and Ilmārs Mežs, 'The colonization of Latvia and causes of changes in ethnic composition 1944–1990', *Articles by the Commission of the Historians of Latvia. Occupation regimes in Latvia from 1940 to 1956*, Volume 7, Riga, 2002, p. 416.

But unwittingly these people became an instrument for implementing the policy of the Soviet regime.

The education system also became a tool for Russification, although it should be acknowledged that the imposition of the Russian language that took place during the Russian empire at the beginning of the 20th century did not occur during the Soviet occupation. Nevertheless, in 1945, 78–79% of all secondary school students in Latvia studied in the Latvian language, but in the following years, as the number of immigrants increased, the number of Russian-speaking students increased accordingly. There was no integration in the Latvian-speaking environment, quite the contrary—following the suppression of the national communist movement (1959), there was a particularly sharp increase in the number of Russian students. Between 1959 and 1965, the number of Russian students grew by about six thousand each year, increasing from 39% to 45%, which suggests that a significant number of Latvian children were forced to study in Russian that year.⁴² In 1988, only 52 per cent of children studied in the Latvian language. However, the Russian language had penetrated the education system of the 1980s much more deeply than the official statistics showed. In 1983–1985, following instructions from Moscow, the republics of the associated countries were required to carry out a reform of educational content and methodology aimed at strengthening the teaching of Russian to all age groups. In February 1985, the leader of the Communist Party of Latvia, Boris Pugo, sent a comprehensive report to Moscow, outlining the progress in integrating the Russian language at all stages of education, from kindergartens to universities. In vocational education, a number of subjects began to be taught only in the Russian language (in schools that were using Latvian as a teaching language!). The number of such schools was increased, providing ‘in-depth’ Russian language teaching—namely, teaching a large part of the study content in Russian only. In 1985, the procedure for obtaining higher education in a number of social sciences related to the ideology of the USSR was changed: in History of the Communist Party of the Soviet Union, Marxist-Leninist Philosophy, Political Economy, and Scientific Communism, entrance exams were organised only in Russian.⁴³

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42 *Ibid.*, p. 434

43 LNA F 101 (Documents of the Central Committee of the Communist Party of Latvia) descr. 55 (Documents from the year 1985), f. 28 (Secret Reports to the Central Committee of the Communist Party of Soviet Union), pp. 12–13.

USSR Investments in the Baltics: Today's Myths

Contrasting Soviet views to those of the present government of Russia, we find that much of the same Soviet propaganda is also being used today, in a somewhat transformed version, as it fits well with the strategic communications of the ruling political elite of today's Russia and their efforts to restore influence in the Baltic countries.⁴⁴ Thus, Russian-funded media quite often offer articles entitled 'Why the Baltic Economy was Good Only in the USSR',⁴⁵ and 'How Much Did the USSR Invest in the Baltics?'.⁴⁶ Moscow interprets today's situation on the basis of false or misleading information created by the Soviet regime. Its visions of the future are designed with only one scenario, namely, a strategic rapprochement of the Baltic states with Russia in order to receive financial assistance as allegedly happened in Soviet times.⁴⁷

Not all myths created during the Soviet occupation can be transferred to the present. In a number of cases, the economic and social reality is so radically different from the ideological doctrines and the official propaganda of the Soviet period that even the most eager supporters of the USSR have renounced their use. During the Soviet era, the USSR was declared to be the most democratic country in the world, with the most extensive welfare system; today this is not mentioned because these statements were so obviously different from reality. Similarly, the 'success story' of Soviet collective farming, at least in the Baltic region, is no longer emphasised. Although official Russian circles generally refuse to acknowledge the fact of the Baltic occupation, no one speaks about a 'socialist revolution'. And although the referenda by which the Baltic states joined the USSR are still claimed to have been valid, Russian media avoid speaking of an initiative of the Baltic states to join the USSR voluntarily.

In its strategic communications, today's Russia does not put forward the historical right to somehow influence or regain the Baltic states. The central point, rather, is the idea of the 'ungrateful Baltic people'. The Baltic states are criticised for two reasons: first, they do not appreciate that the USSR (Russia) liberated the Baltic states from Nazism (not mentioning the fact that the Baltics were

44 Thomas, Timothy, 'Russia's 21st Century Information War: Working to Undermine and Destabilize Populations', *Defence Strategic Communications* (Riga, NATO Strategic Communications Centre of Excellence, 2015), pp. 10–11.

45 'Počemu ekonomika Pribaltiki byla xoroša tol'ko v sostave SSSR?' [Why was the Baltic Economy Good Only in the USSR?], *Stena.ee*, 23 August 2016 [accessed 12 July 2017]

46 'Skol'ko SSSR Vložil v Pribaltiku?' [How Much Did the USSR Invest in the Baltics?], *RuBaltic.ru*, 14 March 2016. [accessed 12 July 2017]

47 'Ekspert: 2020 god staneť dlja Pribaltiki perelomnym' [Expert: 2020 Will be a Turning Point for the Baltic states], *RuBaltic.ru*, 30 September 2016. [accessed 12 July 2017]

occupied first by the USSR, but accusing the Baltic people of active cooperation with the Nazis and alleged war crimes in the territory of the USSR), and second, the large investment of the USSR in the Baltic states is not appreciated. The reality of the investment issue has been extensively analysed above, but the historical archive is not allowed to undermine the Kremlin-controlled media's wide use of a variety of unproven figures that supposedly attest that a number of Soviet republics 'parasitised' at the expense of the Russian Federation. A striking example is the reference to the publication in the newspaper *Soviet Russia* in 1992, of a table showing the volume of goods 'produced' and 'consumed' in each Soviet republic between 1985 and 1990.⁴⁸ There are no references to sources; there is no explanation of the method of calculation; but this table is often used as an argument to prove that the Baltic states have 'consumed' more than they contributed to the USSR. It is not surprising that Russia and Belarus are the largest donors according to this table, while the Baltic states are among the largest consumers. For example, according to this table, Latvia produced \$16.5 k per capita in 1990, but consumed \$26.9 k. In Lithuania the corresponding figures are respectively, \$13k and \$23.3k, and in Estonia \$15.8k and \$35.8k. There is no explanation of what was produced and consumed. Despite the apparent lack of credible sources and exaggerated figures, these indicators are widely used as a serious argument in various discussions.⁴⁹

Following Soviet tradition, researchers are also employed to strengthen these narratives. In Moscow at the end of 2015, a collection of documents was published entitled *The Soviet Economic Model: The Union Centre and the Baltic Republics 1953–March 1965*.⁵⁰ This publication of more than a thousand pages is drawn almost exclusively from a variety of archival documents, but it does not change the fact that the scope of the document is insufficient to draw objective conclusions about the economic relations between the Soviet central power and the occupied Baltics during this period. Critically, the collection does not include documents providing a comprehensive breakdown of the financial revenue comparing the local republican budgets and the USSR budget, not to mention any documents that describe Soviet military spending in the Baltics. With the help of certain documents, the publication does offer an insight into

48 Republished by Politrussia.com: 'Strany byvshego SSSR: kto, komu i skol'ko dolžen' [Countries of the Former Soviet Union: Who Owes Whom and How Much?], 26 April, 2016, <http://politrussia.com/world/pribaltika-i-rus-sya-299/> [accessed 27 June 2018]

49 For more on this topic, see the video: Gatis Krūmiņš, 'Keep permanently', video, Vidzemes Augstskola, 18 March 2017.

50 Elena. Jur'evna Zubkova, *Sovetskaja model' ekonomiki—sojuznyj centr i respubliky pribaltiki 1953 g.—mart 1965 g.* [The Soviet Economic Model—The Union Centre and the Baltic Republics 1953–March 1965] (Moscow: Mezhdunarodnij fond "Demokratija", 2015)

many investment projects. But without an overall picture (a comparative analysis of the total revenue and expenditure) this method is rather unsuccessful if its goal was really an objective assessment of the relationship between the central power and the occupied Baltics. It is difficult to comment on what motivated the authors to publish these particular documents—a subjective approach and document selection according to a certain political position, or perhaps unavailability of other documents (possibly still having a secret status) in the Russian archives. The responsible compiler and author of the introduction to the edition is historian Elena Zubkova—the author of an objective book based on documents *The Baltic Countries and the Kremlin*.⁵¹

However, it is clear that the collection of documents and the subsequent conclusions fully satisfy the Kremlin in its misleading analysis. Consequently, it is not surprising that Russian government-funded media described the release of the collection with such expressions as ‘Archive Facts Strike at the “Occupation Myth” of the Baltic states’.⁵² The book does not particularly emphasise the ‘voluntary’ accession of the Baltics in the USSR, but the term Zubkova used in 2008—‘occupation’—is no longer mentioned. It has been replaced by the terms ‘incorporation’ and ‘accession’. Nevertheless, there are no attempts to prove that the Baltic countries were poor and underdeveloped at the time of the occupation. Zubkova acknowledges in the introduction that ‘the economic and social development equalization policy implemented by the USSR was not topical in the Baltics, since the quality of life of its population before the inclusion in the USSR was relatively high compared to other Soviet republics’.⁵³ But already in the next paragraph the author overturns this thesis, referring to the classics of Soviet propaganda:

The Baltic states had to be converted from raw-material and agrarian adjuncts of Western countries to highly developed industrialized agrarian republics.⁵⁴ The author goes on to explain that ‘it was a wide-scale investment project that changed the structure of the national economy sectors, provided radical changes in the infrastructure and increased the living standards of the Baltic population. The implementation of it required large capital investments from the Union centre.

51 Elena Jur'evna Zubkova, *Pribaltika i Kreml': 1940–1953* [The Baltic Countries and the Kremlin: 1940–1953] (Moscow: Rossijskaja političeskaja ěnciklopedija, 2008).

52 ‘Po “okkupacionnomu mifu” Pribaltiki udarili arxivnymi faktami’ [Archival Facts Strike at the ‘Occupation Myth’ of the Baltic states], *RuBaltic.ru*, 17 December 2015.

53 Elena Jur'evna Zubkova, *Sovetskaja model' ěkonomiki—sojuznyj centr i respubliki pribaltiki 1953 g.–mart 1965 g.* [The Soviet Economic Model—The Union Centre and the Baltic Republics 1953–March 1965] (Moscow: Mezdunarodnij fond “Demokratija”, 2015)

54 *Ibid.*, p. 8.

The author tries to justify her theory on major investments of the USSR in the Baltic states by the statistics from the year 1956—the national income per capita in Latvia was RUB 647, in Estonia RUB 636, and in Lithuania RUB 459 (the average in the USSR—RUB 535). Yet the author does not comment on why Lithuania was so immune to these ‘investments’, presenting significantly weaker results. The explanation for this disparity is to be found by going back to 1940—at the time Latvia and Estonia were more developed than both the USSR and Lithuania, and this difference remained in 1956 and persisted in later years before gradually disappearing. By contrast, there was no investment from the USSR in the 1940s, nor was there any at a later stage.

Conclusions and Summary

The Soviet propaganda interpretation of the economic situation of Latvia (and of the Baltic states as a whole) during and after the Second World War is an excellent example of how to create narratives that are partly in line with the real situation, but are generally misleading, by manipulating the historical record and adding targeted disinformation. Information now available about actual conditions during the Second World War and the post-war period confirms that the quality of life in Latvia was significantly higher than elsewhere in the USSR. However, USSR propaganda attributed this difference to alleged investments by the USSR in the region, although in reality the wealth was acquired prior to Soviet occupation. Upon arrival in the Baltic region from other regions of the USSR, people could easily observe that the standard of living in the Baltics was higher, and that the supply of basic necessities and of consumer goods was relatively better. It made a large part of the USSR population believe that the Baltic Soviet republics were a special investment project aimed at creating a ‘model region’ of the USSR.

The USSR was not afraid to spread disinformation that clearly differed from reality; it used an integrated approach in distributing its propaganda through a variety of channels, ranging from educational institutions and scientific and reference literature to extensive use of the popular media (the arts and entertainment industries, which are not discussed in this article, but were also used extensively).

Today a narrative is being created in Russia in which the ‘ungrateful Baltic people’ factor is added to the ‘Soviet investment’ content: Baltic states are currently demonstrating blatant ingratitude toward the policy of the Soviet period, while attempts to describe the Soviet occupation from the perspective of the Baltic

states are interpreted as rewriting history and falsification.

Both during the Soviet occupation and today, spreading disinformation about the socio-economic situation in the Baltic states during the Soviet occupation can be regarded as part of a policy intended to divide society; that part of society (or their predecessors) that lived in Latvia before the occupation was more immune to Soviet propaganda, since they were able to confront it with their own (or their family's) historical memory. Those who arrived in the Baltic states after the Soviet occupation did not have such historical memory. The same can be said of the people of today's Russia, who in most cases cannot critically evaluate the information offered to them in the past and also today.

The narratives of 20th-century history (which in many cases can already be regarded as myths) remain one of the cornerstones of the strategic communications of today's Russian Federation, when speaking directly about socio-economic history and when comparing (confronting) it with the present. Narratives based on knowingly distorted history are used to justify and explain many current activities. Given the high proportion of falsehoods, these narratives should largely be considered as deliberate disinformation.

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