

REIN OTSASON – SCIENTIST, POLITICIAN, BANKER (1931–2004)

Rein Otsason was born in Tartu on 24 May 1931. He started his studies at the then Tallinn Polytechnical Institute (now the Tallinn University of Technology) from which he graduated in 1954 as an economist.

After that R. Otsason went to work in Moscow where he was a senior researcher of the Institute of Economics of the Academy of Sciences of the U.S.S.R. in 1972–1976 and Head of Sector of the Scientific Research Institute of Economics of the State Planning Committee of the U.S.S.R. in 1976–1980.

In 1980, R. Otsason started his diplomatic career in Hungary where he was the First Secretary of the Embassy of the U.S.S.R. in Hungary until 1984. Hungary was a socialist country with one the most developed economies at that period where small business activities were developed and efforts were made to introduce elements of market economy as much as possible in the conditions of centralised planned economy. In 1984, R. Otsason was awarded the doctoral degree in economics. Then he returned to Estonia where he was elected as the Director of the Institute of Economics of the Academy of Sciences of the Estonian S.S.R.

In 1984, R. Otsason participated in the Conference on Economic Policy (the „Väraska Conference“) which was held that year in the form of a cruise on the Emajõe River. There he invited Sulev Mäeltsemees, author of these remembrances (who was the Head of the Chair of Service Economics of the Tallinn Polytechnical Institute) to work at the Institute of Economics of the Academy of Sciences. According to the proposal of its Director Rein Otsason, the largest sector of the institute, Sector of Social Infrastructure with more than twenty employees was merged with the small Legal Sector of a few employees to form the Sector of Social Infrastructure and Regional Economics. S. Mäeltsemees was elected as the head of the latter and was elected in 1988 to the post of the Research Director of the same institute.

On the initiative of R. Otsason also the Sector of Social Infrastructure and Regional Economics started research into local self-management and also into local municipalities forgotten in Estonia in the course of half a century. Local councils of people's deputies were functioning instead of the latter as a part of the central power. Institute of Economics of the Estonian Academy of Sciences became the leading research institute in the field of regional self-management in the U.S.S.R. Although regional self-management was also actively studied in Moscow (Dmitri Valentei, etc.) and Novosibirsk (Alexander Granberg), our Institute of Economics became the representative of research institutions of the U.S.S.R. in the international coordination group set up between the then socialist countries of Europe. Together with R. Otsason, S. Mäeltsemees published the preprint *Вопросы хозяйственного механизма и регионального управления социально-экономическим развитием в СССР / Сулев Мяэльтсемээс, Рейн Отсасон. Таллинн: Академия наук ЭССР, 1986 43 стр.* (Issues of the economic mechanism and regional management of socio-economic development in the U.S.S.R.). The preprint form was useful as it allowed fast

publishing of the publication and – very importantly – to bypass Glavlit, the tyrant of researchers, authors, etc. at that time.

In 1989 a large and representative All-Union conference *Problems of Management of National Economy in a Union Republic* was organised in Tallinn on the initiative of R. Otsason, in which approximately two hundred leading researchers of the U.S.S.R. above all in the field of regional economics participated (in addition to D. Valentei, A. Granberg, also the later Prime Minister of Lithuania Kazimira Prunskiene and many others). Five volumes of these *Проблемы управления народным хозяйством союзных республик* (Problems of Management of National Economy in a Union Republic) were published (e.g. *Секция I, Проблемы республиканского хозяйственного расчета: тезисы докладов всесоюзной конференции (Таллинн, апрель 1989 г.) / Академия наук ЭССР; [редколлегия: С. В. Мязьлтсемээ (председатель)]* (Section I: Problems of Accountancy of a Republic: Theses of Papers of the All-Union Conference).

R. Otsason developed intensive international relations of the institute, primarily with different institutions of Hungary (their research institutes but also the Planning Committee). Besides regional economics, the priority research subject of the Institute of Economics was the improvement of the economic mechanism (particularly in the area of services) and several researchers of the institute (Urve Venesaar, etc.) visited Hungary to become familiar with this field of studies.

Together with Juhan Sillaste who was the Director of the Institute of Construction Design and Technology of the Ministry of Services of the E.S.S.R., and Erki Truve, the Deputy Minister of Services, he analysed possibilities for improvement of the economic mechanism of the area of services (*Хозяйственный механизм в сфере бытового обслуживания: опыт Эстонской ССР / Р. А. Отсасон, Ю. Х. Силласте, Э. Р. Труве. Москва: Экономика, 1988; 110 lk*) (Economic mechanism in the area of personal services: experience of the Estonian S.S.R.).

Also research into the agroindustrial complex was a favourite subject for R. Otsason. He published as a preprint *„Тенденция и проблемы совершенствования хозяйственного механизма АПК в условиях интенсификации производства: (опыт СССР) / Р. Отсасон; Таллинн: Академия наук ЭССР, 1986, 40 lk.* (Trends and problems of enhancement of the economic mechanism of the agroindustrial complex in the conditions of intensification of production activities (experience of the U.S.S.R.).

At the end of 1980s the preparations for major political changes started in Estonia. In 1987 the proposal for Estonian Self-Management (IME) was published by four men (Siim Kallas, Tiit Made, Edgar Savisaar, Mikk Titma) in the *Edasi* newspaper. The proposal led to setting up two large (with more than 50 members) alternative research groups. The research groups that were working on a broad spectrum of political, social and economic development, bearing in mind already an independent state, involved many experts of different fields from outside their research institution, above all practitioners.

One research group, led by Savisaar, was the IME Problems Council at Mainor, and the other, led by R. Otsason, was at the Institute of Economics of the Estonian Academy of Sciences. Own currency was a favourite subject for R. Otsason. He could visit the USA for a few weeks and the author remembers that right before his departure R. Otsason was still rather sceptical about the introduction of own currency by one union republic within the empire. But after his return he became a convinced supporter of the fast introduction of our own currency.

After about five years at the post of the Director of the Institute of Economics, R. Otsason was appointed in 1988 as the Director of the State Planning Committee of the Estonian S.S.R. where he continued scientific research in the field of Estonian self-management, above all in the area of finance. On 15 December 1989 the Government decided to re-establish the Bank of Estonia. On 28 December 1989 the Bank Act of the Republic of Estonia was passed and Rein Otsason was appointed as the first President of the re-established Bank of Estonia on the same day. On 1 January 1990 the Bank of Estonia started operation as an independent issuing bank. Thus R. Otsason was in charge of the Bank of Estonia during the epochal years when banking legislation was prepared and transition to the Estonian kroon was planned. The fundamental changes that took place in our banking sector can be characterised by the fact that the Supervisory Board of the Bank of Estonia approved the procedure for the establishment of commercial banks on 15 May 1990.

During the subsequent preparation of the monetary reform also the already existing conflict of R. Otsason with the Prime Minister E. Savisaar became more tense. On 12 April 1990 the Presidium of the Supreme Soviet of the Republic of Estonia adopted the decision on the transition to our own currency by Christmas of the same year – 24 December 1991. This did not happen due to conflicts between the Prime Minister and the President of the Bank of Estonia. The main issue in the conflict was the speed of the reform – whether to introduce our own currency immediately according to the conception of introduction of our own currency by the Bank of Estonia, developed under the leadership of R. Otsason, or to use an intermediate stage according to the proposal of the Government (with the Swede Bo Kragh as the main adviser) like our neighbours Latvians did (*Latvian rublis*).

Together with E. Savisaar, R. Otsason was a member of the Currency Reform Committee set up with the Act passed on 27 March 1991; Prime Minister E. Savisaar was the chairman of the committee and R. Otsason participated in the committee as the President of the Bank of Estonia. In September 1991 R. Otsason was replaced by Siim Kallas at the post of the President of the Bank of Estonia and the actual currency reform took place at the time of the latter President (exchange of roubles against kroons in June 1992). But the signature of R. Otsason was still on our bank notes of 1 and 2 kroons which had been printed earlier. R. Otsason signed also the contract with the company Thomas De La Rue & Co Ltd. on 10 May 1991 on printing the bank notes of 5 to 500 kroons.

Both Rein Otsason and Siim Kallas are regarded as “fathers of the Estonian kroon” due to their crucial role in the preparation and conduction of the currency reform. R. Otsason had a particularly complicated mission – to have Estonian kroons printed fast

and at high quality for a non-existent state for non-existent funds. President of the Republic Arnold Rüütel awarded R. Otsason with the Order of Merit of the National Coat of Arms, Third Class, in 2003 for the preparation of the currency reform.

After that R. Otsason applied his energy and financial knowledge in practice by establishing a new commercial bank – Eesti Krediidipank (Estonian Credit Bank) which started operation on 15 March 1992. R. Otsason was the president of the bank until he passed away in 2004. In 1992–2000 he was the Chairman of the Management Board of Eesti Krediidipank and from 2000 the Chairman of the Supervisory Board of the bank. He and his wife Valentina Otsason were also major shareholders of the bank.

By applying his broad financial knowledge and with the help of his extensive network of international relations, R. Otsason succeeded in keeping Eesti Krediidipank in business during the period of crisis in 1997–1999 when several financial institutions went bankrupt. At the end of 1990s R. Otsason started cooperation with the Bank of Moscow owned by the Government of Moscow, as a result of which the latter acquired 18.7% of the shares in the Eesti Krediidipank in 2003 through its Latvian subsidiary Latvian Business Bank. After the death of R. Otsason the Latvian Business Bank became the major shareholder of Eesti Krediidipank, acquiring 60% of the shares in the bank on 2 August 2005. Until that transaction in 2005, Eesti Krediidipank had been one of the last financial institutions providing traditional bank services with Estonian majority shareholders.

During the last years of his life, R. Otsason participated again more actively in the main political arena. He joined the Union for the Republic – Res Publica established in 2001 and participated in the parliamentary elections in 2003 but instead of working in the Riigikogu he preferred to continue his work in the bank he had created. Among his broader social activities outside the bank we can mention his work at the post of the Chairman of the Supervisory Board of the Medical Rehabilitation Foundation of the Tallinn Järve Hospital.

Eesti Krediidipank established the Rein Otsason Foundation on 24 May 2006, the 75th anniversary of the birth of R. Otsason, for the purposes of charity and support of studies and research activities of students of finance or economics. The foundation issued the first three grants exactly three years later. Also a book of memoirs by Juhan Aare “Rein Otsasoni kolm elu” (Three lives of Rein Otsason) (Rakvere: VR Kirjastus, 2006. ISBN 978-9949-13-600-1, 88 lk) was published both in Estonian and in Russian on the 75th anniversary of his birth.

Professor Emeritus Sulev Mäeltsemees
Colleague of Rein Otsason at the Institute of Economics of the
Estonian Academy of Sciences, co-author of joint research papers