

POLITICAL PROCESS AND ECONOMIC TRANSFORMATION IN LITHUANIA*

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Introduction

The political factor is always critical for the launching and implementation of radical economic reforms. In case of Lithuania this is not only true but is also a fact that arguments for market-oriented economic reform have played a very important role in achieving political independence. Theoretical and practical efficiency of the market mechanism was the most powerful intellectual tool used in the debate about the necessity of decentralization of economic decisions. Opponents of the economic independence of the former Soviet republics were unable to find any scientific counter-argument to the proposed model of the common market of independent states similar to that of the European Economic Community. Their reasoning could only prove the Communist's antireformistic and imperialistic nature which was not in Gorbachev's interest.

On the other hand, the universal right of national self-determination backed by powerful national movement, together with other factors, made it possible to win a final victory for plans of transition to the free market economy.

As economic reform was an integral part of the restoration of independence, it was strongly supported by overwhelming majority of the population. People were ready to sacrifice a lot for the sake of future prosperity of the country although not knowing what it will be. This devotion to a change was later eroded not only because of an unexpectedly long transition period with unexpectedly great difficulties but political clashes of the leaders of the country added even more to this. It was also important that much the popular enthusiasm could not be used efficiently to implement the plans of reforms because timing and pace of an initial transition stage was constantly under threat of Soviet military and eco-

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conomic aggression, which really occurred several times. Only after the coup d'état in Moscow, in August, 1991, this country enjoys overall conditions similar to those in Central European countries.

Naturally, the political problems of economic transformation also became much the same as in other free countries, they only differ in their respective details. Performance of changes and its impact on the poor is the main concern. However, the current and previous governments are mostly criticized for corruption, inefficiency and flourishing criminal activities. The pressure groups are often responsible for deviations from open and liberal government policies.

Economic reform as a political tool

Speaking about political or economic discussions in the former Soviet Union one has to bear in mind that what was spoken or written then, was not necessarily believed. To achieve any positive result in public discussions one had to thoroughly avoid a direct contradiction with the main dogmas or any well known or popular citation of Lenin. However, one could always find less known citation in line with one's arguments or use mathematics which was beyond political suspicion. At the time of Perestroika it also was important to be in support of the "extremists" so one could influence the officials to move closely to those representing a "lesser evil". All roles had to be played; step by step. Interesting enough, the tactics of the Lithuanian popular movement Sajūdis which received an 87% approval from its ruling body members was "to keep reasonable tension with the government" (see Lietuva ir Sajūdis).

"Socialist market". Such wording about market appeared in the early stages of Perestroika. However, it was the intention of the party and state leadership to let it play a "more important" role; translated from clear Soviet jargon, no role at all. With growing pressures due to economic shortages and with the collapse of the economy on the horizon, the discussions about a free market economy grew as well. The first achievement was the "socialist" market of consumer goods combined with centrally planned "strategic" sectors of the economy. The irony was, that the most important sectors, the capital market amongst others, were left with a less efficient mechanism of central planning.

As mentioned above, mathematics was a trump card in economic discussions. Welfare and the like theorems present an excellent possibility

to argue for a free market. The author has used them on many occasions, including in a newspaper article in a Lithuanian daily (see Vilkas, 1988). Speculation goes this way: the main principle of socialism is "to everybody according to his work"; the only way to be paid accordingly is to keep the product for labourer himself, later on it to be exchanged for other products; the forces of free market exchange produces optimal effects for the whole society at large; therefore socialism cannot exist without market, however, limited it may be.

Self-financing of Soviet republics. In late 1987 some Estonian economists started to speak about the economic independence of republics, using then accepted ideas and wording of self-financing enterprises (in Russian *khozraschet*). In May, 1988, Lithuania was ready with its conception: "The Conception of Economic Independence of Lithuania" published as a separate paper later in September (see Lietuvos ekonominio savarankiškumo koncepcija, 1988). In this document, there was no hesitation about the necessity of private property and the ways and means of production: "... the markets for means of production, consumer goods, investment (capital), innovations, labour, currency, information and services should function". All economic interrelations with other Soviet republics and foreign countries should be based upon commercial factor only. "Economies of the republics should become part of the common market of the country and the market of socialist commonwealth as well as the world market".

The demands for economic autonomy were stated in common by three Baltic countries as a Protocol of Riga's Summit held on September 21–23, 1988. The document was signed by chairmen of Planning Committees of three countries and by directors of the Institutes of Economics (for Estonia R. Otsason signed in both capacities). Thus the Summit received an official status alongside with the status of "summit of specialists". Annex to Protocol contained four articles:

1. Ownership: all-union ownership would be abolished in the republics;
2. Relations with the Soviet Government: only defence and general foreign policy would be within the competence of the USSR ;
3. Management of the economy of the republics: all governmental functions would be within jurisdiction of each republic;
4. Juridical side of self-financing: The Constitution of the USSR has to be changed accordingly.

The autonomy of the republics was fiercely attacked by the Centre. "In fact, proposals from Baltic economists for a market system have gone far beyond Moscow efforts to mix plan and market" (see Bahry, 1989). Party bosses and Moscow academicians blamed the Balts for economic autarky, neglecting the rights of enterprises and the interests of their nations, etc. The author wrote (see Vilkas, 1989): "For about a year our conception of economic independence is under discussion. Criticism risen by the Centre kept us thinking again and again. The only thing we maybe have done wrongly is that we described the conception in too direct way not paying attention to backwardness of public mentality. Doing so we acquired many opponents outside the republic especially at early stage. But now because of this we need not justify ourselves for half-truth and to clear behaviour up with our people who supported the principle of economic independence from the very beginning".

Political independence. Differently from Estonia, in Lithuania the conception of economic independence was preceded by some drafts for Soviet constitutional amendments that provided for a more logical conception. The first draft of the new Lithuanian constitution was completed by a special commission of Lithuanian Academy of Sciences just at the same day Sajūdis was established (June 3, 1988). USSR, it was stated in the draft, is the union of sovereign states, therefore USSR has the competence in the Lithuanian SSR provided by Lithuanian Constitution. Only Lithuanian law can be applicable within Lithuania and other laws after ratification by Lithuanian Supreme Council. The draft also contained other articles similar to those of Riga's Protocol.

The demands for political independence underwent several stages as everything else in the "singing revolution". According to the conception of economic independence and other political realities, the slogan of full independence appeared much later than debate on Union Treaty. In February, 1989, members of the ruling body of Sajūdis expressed the following opinion taken by a poll: 92% were in favour of the Lithuanian Constitution that was considered to be superior to the USSR Constitution, while 62% were in favour of Union Treaty and 24% were undecided and made their final decision dependent upon further political clarification (see Lietuva ir Sajūdis). Actually, at any time in 1989 the Baltic states would have to sign an acceptable Union Treaty but luckily enough Gorbachev missed this unique opportunity.

Provisional Basic Law of 1990. The work on economic reform did not end with the preparation of the conception of economic self-sufficiency. Several teams undertook an attempt to write drafts on a law for market economy under leadership of Prof. K. Antanavičius at the Institute of Economics of Academy of Sciences. Before March, 1990, the law on private property and private peasant farming were passed by the Supreme Council of Lithuanian SSR. Turning point was not only in the political field but also in economic reform achieved by the Declaration on Restoration of Independence of March 11, 1990, and the Provisional Basic Law passed at the same day thereby replacing the Soviet constitution. Article 44 of the Basic Law stated that the Lithuanian Economic System rests on private, collective and state ownership all being subject to equal rights. The owners have a right to employ other persons. By the way, the Constitution of 1992 contains a further bias to private ownership: "Lithuanian economy is based on private property, freedom of economic activity and initiative of persons" (Article 46). Both constitutional statements did not evoke any discussion in public and were peacefully formulated by professionals. The matter was different in the case of the laws relating to economic reform.

The first package of economic law

The juridical restoration of independence of the Lithuanian State did not become factual until the coup d'état had failed in Moscow in August, 1991. The common economic area that then was still existing with the USSR, which had complete control over Lithuanian borders, common currency and banking system, armed forces (paratroopers) openly defending "all-union" enterprises and "all-union" anti-reformers in Lithuania, etc. presented most unfavourable conditions for the reforms and reformers. In April, 1990, the Soviet Government declared "restrictions" on supplies of energy and other raw materials as well as of many other kinds of vital goods. Actually it was an economic blockade which lasted more than two months. The Soviet leadership was ready to use every populist approach to provoke and incite a "popular" uprising" in order to restore the previous Soviet regime. Such Soviet measures caused Lithuanian side to proceed with the greatest care paying foremost attention to the general public and its reaction. This time, lasting for approximately one year, was

spent on the preparatory phase for the eventual reform, which to some extent was a continuation of the "economic independence" project.

In 1990 a minimal package of laws needed to commence with the economic reform were passed by the Supreme Council of Lithuanian Republic. This included:

laws on enterprises

- Law on enterprises (May)
- Law on joint-stock companies (July)
- Law on state enterprises (September)
- Law on partnerships (October)
- Law on enterprises registry (July)

laws on taxes and budget

- Law on budget structure (July)
- Law on profit tax of legal persons (July)
- Law on income tax of physical persons (October)
- Law on agricultural tax (October)

laws on price regulation

- Law on prices (July)
- Resolution on implementation of price reform (December)

laws on social security

- Law on improving a pension maintenance (July)
- Law on insurance (September)
- Law on income guarantees (September)
- Draft law on state system of social maintenance (October)
- Law on employment (December)

other laws

- Law on foreign investment (December)
- Statute of Lithuanian Bank (September)
- Provisional law on accumulation of private employees' capital in state enterprises (December).

All the laws became effective, as soon as it was technically possible and are still valid with some minor changes and amendments. The exception to this were the prices laws, the implementation of which required a special Government Decree to compensate for one-time substantial rise in consumer goods prices, as retail trade was concentrated in hands of

state. In addition, also, the prices increases were politically dangerous, as this could be used by pro-Soviet forces influenced and directed by KGB to provoke social unrest with the aim to restore old regime. And indeed, the first attempt of the Government made by introducing fourfold price increase immediately led to the massacre of January 13, 1991. Thus, the price law had to be kept pending until the Soviet Government decided on its own price increase. Later on, a growth of prices and the degree of their liberalization was naturally more intensive in Lithuania than in the Soviet Union. In Lithuania prices were set free for private business from the very beginning.

The package of laws solved the problem of freedom for private economic activity and of administrative independence for state enterprises to the extent possible under conditions of dominating state ownership. The laws stipulated formal rights but did not set forth the conditions for the restructuring of economy; it increasingly became clear that some general plan is needed for the implementation of the reform, its timing, procedures and its actors. On July 26, 1990 the Supreme Council passed a resolution on economic reform in general. It said: "Taking into account the proposed principles and draft projects of the reform of Lithuanian economy... the Government of Lithuanian Republic has to prepare the programme of economic reform and a summary of its principles (the reform has to be performed at a good pace) and to present them to the Supreme Council until September 1, 1990" (see Dokumentų rinkinys..., 1991).

The Resolution had in mind the Draft Programme (see Alekskaitis *et al*, 1990) presented by six Lithuanian economists in June, 1990, a way how to solve the following problems – transformation of ownership rights (privatization), stimulation of business development, creation of markets, stabilization of macroeconomic processes, integration of Lithuania into world economy, and social policy – was outlined. The idea also was to establish a parliamentary and governmental Council of Economic Reform with the power to issue provisional laws and orders related to the reform which presented later to Parliament for final approval. This could allow to diminish influence of slow and populist debate in the Supreme Council as well as to react to situation quickly. The Government has agreed with the proposal but in a few days rejected it.

Privatization: efficiency VS fairness

In Lithuania there was no debate necessary for the privatization of state property or the restoration of private property rights. Ideological and political arguments concentrated on how to bring about the privatization. The economists mostly stressed the economic efficiency, whereas politicians and popular opinion asked for "equal starting positions", fair distribution of property, etc. The authors of the Draft Programme insisted on selling state owned property to potential entrepreneurs and later paying compensation to others out of production of such privately owned enterprises. "Selling" could mean even giving it away for free when appropriate. They also suggested the state promising to compensate the former owners when it will be in a position to do so instead of the physical return of their property. One can not say that those who supported fairness refused and denied economic arguments. Both sides had to keep eye on the following circumstances:

- the danger of using the Communist Party's money for buying Lithuanian property;
- historically advantageous and low prices for foreigners;
- shortage of savings within the country;
- most of the property in Vilnius and Klaipėda regions used to belong to now foreign citizens;
- popular opinion that everybody can claim for his or her share;
- socialist mentality: means of production belong to those who use them, etc.

Despite these circumstances Lithuania was in a position to avoid "voucher privatization" differently from Russia, where socialist mentality is too strong even now. At a time when "voucher privatization" gained support of the Government and the Parliament, the reason of a more speedy method of privatization was not considered to be an important factor; it was rather fairness that was thought to be necessary under the above stated circumstances. As far as the restitution of the property rights was concerned the lobby of former property owners also played an important role. A prelude to the populist approach to privatization was the provisional law (December, 1990) according to which employees received a right to buy up to ten percent of shares of their enterprises on privileged terms. In 1991 the Supreme Council passed the following

law on privatization:

- Law on primary privatization of state owned property (February)
- Law on privatization of dwellings (May)
- Law on privatization of property of agriculture enterprises (July)
- Law on restitution of citizens' property rights for a survived real property (June).

The "primary" meant the stage of privatization according to voucher (investment payments) scheme until the enterprise obtains the status of private or joint-stock company; later on, privatization proceeds according to the law on enterprise. It is not the purpose of this paper to describe economic reform as such; we are only interested of its impact in the political process. Nevertheless, a minimal description and explanation is needed, as Lithuanian law is not common knowledge.

One can see from the list of the above privatization law that four different mechanisms were set forth for four different objects: state owned property in industry, infrastructure and services; dwellings rented from the state by families; collective farms and state owned property used for agriculture; land, houses and industrial units neither damaged nor entirely reconstructed and claimed by former owners who are citizens of Lithuania and permanent residents. Procedure of privatization of agricultural property (except land) was much the same as in industry, however, only rural residents were allowed to participate. Open competitions (auctions) had to be held after a closed bargaining sessions the properties were not placed. Nationalized or confiscated by Soviets property had to be restituted physically or duly compensated according to market prices; claims on personal estate or securities were not considered. Because of all this wealth has to be taken away from somebody, the procedure was designed to minimize damage to present users. Obviously, the chances for a poor state of handling all of this are limited by its financial resources. A large number of houses are claimed by and given back to churches of traditional confessions according to another law – the Restitution Act. Maybe the law on privatization of small houses or apartments by their residents was the most neutral. Except in cases where a house had a genuine owner, the privatization of dwellings did not pose any problem and at the moment is practically over, as well as privatization in rural area. What is usually understood as privatization in Lithuania, is implementation of the law on primary privatization.

The main features of primary privatization are as follows. Two thirds of state owned property has to be privatized according to the programme, payments made by investments money (deriving from a special savings bank account). This right was given to every citizen with a possibility to additionally use up the same amount of roubles or convertible currencies without restrictions. Legal persons were not allowed to participate. As a personal sum of investment money was too small to buy anything at an auction, a possibility to organize a group of investors was foreseen, however not in the form of an investment company. A special selling list of objects to foreigners was approved by Supreme Council. The objects were taken from all sectors of the economy. Two methods of privatization were foreseen, namely: a) an auction for small units and b) a public share subscription in case of medium or large enterprises. A Central Privatization Commission as well as regional commissions were established to prepare and perform any and all administrative and organisational functions. Many details of privatization procedures were set forth by Government Decrees.

The law was changed and amended many times, sometimes to the worse, sometimes for the better. Under the influence of populist pressure the law was changed to entitle give employees a right to buy up to 30% of shares of their enterprise at a nominal price; late last year the percentage grew up to 50. A special amendment was approved which provided naturally arising investment companies to trade in "voucher money" Recently, the Government decided to end the primary privatization as of July 1, 1994, as about three quarters of the privatization programme is now completed. The reason also being the improved efficiency of the privatization by methods usually applied in free market economies. This concerns not only the selling of enterprises to foreign investors which takes the form of a public tender even now. Furthermore, domestic investors would compete not only in price but also in business plans. Not used vouchers will be exchanged to state bonds on terms to be decided by the Government.

In spite of the method used in the privatization, this was only designed to transfer state owned property to private persons, without paying much attention to restructuring of the economy and the improvement of management. However, one has to observe that the high privatization speed and the mass involvement of general population call for substantial improvement essentially motivated by self-interest of all parties involved.

However, the shortcomings in privatization (all sorts of criminal activities, including corruption, rigidity and slowness of procedures, etc.) reduced its positive impact and caused noticeable political tensions within the society.

Reform in agriculture

Under Soviet rule agriculture was one of the prides of the Lithuanian economy. Approximately half of the agricultural production was exported to the Soviet Union. Collective farms provided their people not only with means for living but also with a cultural, social and medical infrastructure which is of utmost importance for mid-age old rural population. Of course, Lithuanian agriculture, while the best within the Soviet Union, was backward in comparison with those of the Western European countries. Therefore, reform in agriculture was needed and not only to achieve higher productivity but, more important, to adjust it to the inevitable price changes of all productive inputs as well as to compete with cheaper imported products. The only appropriate model of farming was seen in private family farm. The reform in agriculture has started in 1988 with adoption of the law to allow private farms with land of up to 50 hectares. The most active people started to separate themselves from collective farms; the pace of this process was much in accordance with the possibilities of government assistance for the farmers to buy machinery and other equipment, animals, etc. This evolutionary reform produced by now the strongest private farms.

A new stage of reform was outlined by the law on privatization in agriculture and law on restoration of property rights mentioned above as well as special *laws on reform in agriculture*:

Law on agricultural companies (April, 1991)

Law on land reform (July, 1991).

It was clear enough in advance that one had to remember a few circumstances: restituting land will take 5-7 years for technical reasons; the land claims by previous owners will exceed the amount available; the transition from large collective farming to small private farming requires substantial investment; the rapidly growing prices of production inputs and competition with cheaper imports will make the starting phase of private farming particularly difficult; many old people feel at times helpless without co-operatives. Unfortunately, all this was actually ignored in the

law; its implementation by the Government was especially careless and simply insulting to the peasants.

The revolutionary reform was initiated by force from above with the aim to undo the "socio-political basis" from the rural nomenclatura and "red managers". An organizational structure in agriculture was destroyed in one year thus creating a vacuum while development of a suitable substitute obviously needed much more time. The droughty summer of 1992 added more to the difficulties in agricultural reform. Although dissatisfaction with some actions of Government officials did not lead up to social unrest, however, it stimulated a split in Landsbergis' ruling coalition and to great extent caused a crushing defeat of Sajūdis in general election in October, 1992. It certainly helped Brazauskas' followers to gain overall political ground in the country; traditionally Brazauskas' Party had more support in rural area than in cities.

Political events of 1992

One can agree with J.W.Golebiowski (see Golebiowski, 1993) that: "There is plenty of evidence that the decommunizing fervour of Sajūdis in Lithuania greatly contributed to its defeat by ex-communist Brazauskas." (Does Professor Golebiowski have in mind that Brazauskas made his party to succeed from the CPSU ?) As mentioned above, agriculture contributed too and, of course, a rapidly worsening economic situation. In 1992, the greatest decline of economy, 39% of GDP, took place. All this and more revealed an extreme activity in the political process of that year.

An erosion of Sajūdis parliamentary faction started in 1990 with the formation of other factions from mostly Sajūdis deputies: Centre, Liberal, and National Progress. Gradually they formed an informal opposition backed by Polish and Democratic Labour Party factions, as well as by votes of some Moderates and non-faction deputies gaining altogether a fragile majority in the Supreme Council. A vote of non-confidence for the Government appeared on an official agenda of the Parliament; after several attempts, it gained a needed majority. The situation became threatening for Landsbergis position. In response to this, Landsbergis tried his best to have a strong presidency and thus keep his followers and himself in power. Non-parliamentary but still constitutional means were used to organize a referendum for the amendment of the Basic Law establishing the presidency. To attain positive results Landsbergis organized also an-

other referendum with certainly positive result – for the withdrawal of Russian troops – trying to hold both the same day. However, it was in the competence of the Supreme Council to decide dates of referendums so they were held separately. The referendum for presidency lost and this created a politically very dangerous situation.

Luckily enough, both sides understood that the way out of the situation are a new election and a new constitution. The decision on both, the election and the constitution, required two thirds majority, practically consensus of all deputies. Landsbergis' side stressed election as a necessary condition for agreement while the other side demanded a new constitution. It was really great wisdom and patience of all politicians involved to reach a compromise on both issues. Election for new Parliament (Seimas) and referendum for Constitution of the Republic of Lithuania were held on the same day, October 25, 1992.

The political fight for power did not stop economic reform, however, less attention was paid to it by politicians and more by businessmen as the election campaign had not started. The election campaign forced political parties to evaluate the outcomes of reform and to present their economic programmes. Naturally, this did not produce any unexpected findings but a great portion of populism though not long lived. The new Government declared it will continue the transition to a free market economy and obey the requirements of the Memorandum signed with the IMF by the previous Government, which was done. By the way, it is hardly true the opinion of R.Rapacki when he said: "The lack of such a firm political commitment, as in case of Russia, Lithuania and other former Soviet republics, may produce a situation of prolonged "systemic vacuum" and lead to protracted economic turmoil, political instability and excessive social costs" (see Rapacki, 1993). Lithuania ought not to have been included in the list; no single Lithuanian Government lacked a political commitment for radical reforms.

It was agreed in advance that in case the Constitution will receive approval in the referendum the presidential election had to be held no later than four months after the referendum. This legal norm was a part of the law on transition period from Provisional Basic Law for a new Constitution. Despite all parties except Brazauskas' party supported his opponent Lozoraitis (then Lithuanian ambassador to the USA) Brazauskas won the presidency with an undebatable margin. This brought an end to the uncertainties of the political situation and started, I hope, four years

of calm period of improving the implementation of the reform. The Democratic Labour Party holds 74 seats of 141 in Seimas (one seat is still vacant as two rounds of election could not produce any result) and its former leader became a President for a five years term.

Financial stabilization

It is true that Lithuania was too slow in developing a banking system and in achieving a macroeconomic stabilization which is partly responsible for somebody obtaining an impression of Lithuania as non-reforming country. Lithuania started, maybe, too early, when she was not quite able to act as independent state. However, later on, incompetence and self-interest of the people from the Bank of Lithuania (central bank) which was the main obstacle to decentralize banking and efficiently introduce a national currency. Here politics played its negative role too. According to the law on Bank of Lithuania, the Government was prohibited to intervene in the Bank's activity, at the same time the Supreme Council was incompetent to control it or purposely was unwilling to do so because bankers were political and professional associates of an influential group of deputies. This situation changed after presidential election in February, 1993. In June, 1993 national currency Litas was introduced and inflation slowed down to 1-6 % monthly.

After litas became strong and stable in relation to other currencies, not everybody could be happy with this. Confederation of Industrialists who have strong influence on the Government blamed the Central Bank for a superficially high litas exchange rate because this made exports of low efficiency unprofitable. The rules set by Bank, they say, favour commercial banks at the expense of the industry. To reduce the role of the Central Bank the Government initiated a law to introduce a Currency Board model. From March 30, 1994, litas is pegged with US dollar; exchange rate is fixed at four litas for one dollar.

Government, pressure groups and opposition

In spite of the unexpected and overwhelming victory in the parliamentary election the Democratic Labour Party came to power followed by shadow of being *ex-communist* which their opponents simply exposed as *re-communist*. For some time this stood in the way of improved

relations with Russia and Poland, also to some extent with Estonia and Latvia. The impact was less evident in domestic economic affairs and it may have been an asset in the devotion to European integration.

The biggest mistake of the newly elected Parliament was a hurriedly passed Resolution to suspend temporarily an implementation of the Law on primary privatization under populist pressure inside and outside the Seimas. The reason was to stop criminal activities which were very real in privatization process. However, the change of the law which took place after two months did not serve this purpose, instead, it increased the limit of privileged purchase of shares by employees of up to 50% adding new possibilities for criminals. The non-privatization affair (it took place before the present Government was formed) combined with the "return of communists" turned into a disadvantage for the country, both politically and economically.

Fortunately, this was only an unlucky episode and later on it did not prove to be genuine policy of the Seimas and the Government. One can describe Government's economic policy as an attempt to overcome difficulties during the transition period by using free market forces and institutions. Of course, there is always a political bargain when redistribution problems are concerned but, it seems, that the interest in economic growth through transition to free market economy and integration into world economy always prevails. As the main directions of the Government's activities would appear as follows:

- preparation of missing law and creation of missing market institutions;
- revision of the laws to make them compatible with Directives of European Union;
- work with IMF, World Bank and foreign experts to prepare investment programmes;
- elaboration of sectoral programmes of restructuring and development;
- bilateral and multilateral agreements on trade and investment.

It is also important that the regulatory and the redistributive role of government is set forth, which at present poses the most sensitive political problems. It is in this area where the Government meets demands of the pressure groups and the risks of social costs potentially growing too high.

As the labour unions lost their members and in fact their existence is only nominal, they pose no danger for strikes. On the other hand, strikes most often have no sense because they hardly can threaten to cause losses

to anybody; employees of the infrastructure are paid best. Therefore disappointment is usually shown in a form of a picket. Those who are picketing most are "potential homeless people" living in houses which have to be restituted to previous owners.

Besides the group mentioned above, Confederation of Industrialists, there is an agricultural lobby strong enough to influence decisions of the Government. A powerful group of former managers and specialists of collective farms elected to Seimas as DLP candidates may have an ultimate say on revision of the agricultural law and to make the reform more evolutionary. As a number of private farmers reached 110 thousand, their organizations are also taken seriously for their bargaining position with the Government have an impact on many practical issues of prices, subsidies, foreign trade tariffs, etc. In February, 1994 they threatened to strike, however, they did not succeed in its realization. If the food industry would repay its debt to the peasants, other problems could be dealt with later.

In Lithuania there is one pensioner for every two at work. The small budget is unable to provide them with sufficient means for a minimal standard of living. Teachers, doctors, scientists and other public servants are not much better off. These groups of the population, are still very patient, nevertheless, they represent a serious problem to the Government. Real pensions and wages started growing slowly since last July, however, they remain at one third of the 1989 level.

Summing up, conditions for social tension do exist, though they unlikely will grow to open social conflict if Government pays the attention required to the social needs of people. A speedy recovery of the economy would certainly help most.

Relations of the ruling party with the opposition led by Landsbergis seem more pessimistic. One has the impression that the opposition only wants to return to power immediately without serving its role of as Government opposition for the period stipulated by the Constitution. Neglecting the rules of democratic game the opposition insists on early elections as if it was possible to hold them without the Government receiving a vote of non-confidence and Presidential Decree confirming the necessity of the elections which is impossible under the present parliamentary seating. The most recent public polls show that the public does not like the idea of early elections.

Economic proposals of the opposition appear to be even more ridiculous. It prepared a draft law on compensation for the loss in value of deposits in savings bank. According to such law the compensation would amount to 6 bn litas, three times the country's present budget. The money is expected to derive from the selling of state owned property. However, it is absolutely unrealistic to find any purchasers willing to pay that much, not to mention that all sellable goods are privatized or included in privatization programme. The most recent proposal was a draft law on a total revision of privatization issues instead of using case by case investigation by court, if needed, as foreseen by law on privatization. This can only postpone a privatization, but not help to achieve its economic efficiency.

It seems appropriate to conclude the paper with an excerpt of an address delivered on February 14 by IMF Managing Director Michel Camdessus at a seminar on "Implications of Western Policies for the Economic Recovery in Eastern and Central Europe". It says:

"In the countries of the former Soviet Union, the transition began later than in Central Europe, the initial macroeconomic imbalances and distortions were worse, and more institution building needed to be done. But it has been shown that these obstacles are not insuperable. Observe the progress made in Estonia, Latvia, and Lithuania. In each of these three Baltic states, inflation is being brought decisively under control. Output turned up during 1993, and continued recovery is expected this year.

The progress made by these countries in Central Europe and the Baltics has not been fortuitous. Nor – and I emphasize this – can it be attributed mainly to external assistance. In each case, what underlies it is the resolute implementation of comprehensive and rigorous policies of macroeconomic stabilization and structural reform" (see Camdessus, 1994).

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POLITINIS PROCESAS IR EKONOMIKOS PERTVARKA LIETUVOJE

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S a n t r a u k a

Straipsnyje apžvelgiami 1988–1994 metų politiniai įvykiai ir jų sąsaja su ekonomikos reforma Lietuvoje. Neutraliausias būdas klibinti komandinės ekonomikos pagrindus pirmiausia buvo matematinės ekonomikos rezultatų naudojimas įrodyti, kad socialistinė ekonomika gali būti tik rinkos ekonomika. Tuo pat metu, 1988–1989 m., kaip rinkos ekonomikos išdava buvo propaguojama respublikų ūkiskaitos idėja, kuri savo ruožtu kėlė respublikų suverenumo klausimą, iš pradžių ekonominio, paskui ir politinio. Atkūrus Lietuvos nepriklausomybę, dar pusantrų metų Lietuva beveik neturėjo jokių sąlygų ekonominei reformai, tačiau vien per 1990 m. Aukščiausiosios Tarybos buvo priimti praktiškai visi rinkos ekonomikai būtini įstatymai. Straipsnyje atskirai aprašoma privatizacija, žemės ūkio reforma, 1992 m. politiniai įvykiai ir finansinis stabilizavimas. Baigiamas straipsnis pastabomis apie dabartinės Vyriausybės santykius su interesų grupėmis ir opozicija.