President’s address

Although macroeconomic indicators in 2013 were quite promising, tension in the political arena increased. This tension was caused by the government’s unjustified, imprudent decisions and proposals which hurt working and creative people. For almost twenty years now politicians have repeatedly been infected with the idea of progressive income taxes as if with the flu virus. We participated in a governmental working group on tax reform and throughout the year we argued in public discourse that progressive taxes were unjust, ineffective and harmful. We also spoke against new taxes and showed in a policy brief that tax increases could lead to a decline in budget revenues.

Admittedly, the year 2013 brought more uncalled-for initiatives. They culminated in a referendum against land sale to foreigners. Obviously, threats to people’s ownership may come from a certain part of the society. This only confirms that our attention to public education is necessary and timely.

Therefore in 2013 we actively pursued a number of educational initiatives. We organized four international conferences and invited more than 20 foreign economists, philosophers and other professionals to Lithuania. We published an extensive review of the Austrian Economic School and took part in the 2014 Vilnius book festival (and we participated in the 2014 Vilnius book fair). We expanded the already traditional Realistic Analysis of Economics course into a four-module programme. With the help of partners we launched a cross-country outdoor advertising campaign “Entrepreneurs see it differently.” We spoke about the entrepreneur’s input to the society’s well-being and economic growth on radio and TV. Finally, our team visited ten Lithuanian municipalities.

When dark clouds seemed to be gathering over freedom, beams of liberty would shine out from the most unexpected places. Take the radio listeners in Alytus who, when asked how the government could help business, answered “they should not disturb and we will do the rest.” And an elderly radio listener who on a Lithuanian Radio programme on entrepreneurship gave a sermon that could be envied by many diplomaed economists. And seniors in Taurage who explicitly said during a meeting with us that they did not like it at all when someone else sought to decide what they were to do with their property.

This understanding and belief gives energy. Personal freedom and responsibility is not a norm to be imposed by someone but the most precious and valuable thing Lithuania’s citizens possess. Safeguarding freedom is not our duty but our honour.

I wish you a prosperous year!

Žilvinas Šilėnas
LFMI President

Lithuanian Free Market Institute

The Lithuanian Free Market Institute (LFMI) is a private non-profit non-party organization established in 1990 to promote the ideas of individual freedom and responsibility, the free market, and limited government intervention.

The Board of LFMI. We appreciate their continued support and advice

Established in 2002, the Board of the Lithuanian Free Market Institute is an advisory body. It consists of individuals who uphold the LFMI mission and actively contribute their ideas to its success.

Chairperson of the LFMI Board –
Elena Leontjeva, founder of LFMI

Members of the LFMI Board –
Gintautas Bartkus, Baltic Legal Solutions Lietuva
Vytautas Bučas, Invalda privatus kapitalas
Giedrius Dusevičius, Swedbank
Arturas Feiferas, Kapital bank
Juozas Kabašinskas, COGNAC boutique
Dr. Kęstutis Kėvalas, auxiliary Bishop of Kaunas
Dr. Virginijus Kundrotas, Baltic Management Development Association, ISM University of Management and Economics, Adizes Institute
Dr. Šarūnas Nedzinskas, DNB bankas
Dainius Pupkevičius, KPMG Baltics
Prof. dr. Paulius Subačius, Lithuanian Catholic Academy of Science
Egidija Vaicekauskienė, Nematekas

We are also thankful for LFMI’s long-term board member Dr. Kęstutis Bagdonavičius for his time, insight, and advice. We wish him all the best in his other endeavors.
LFMI remains among the world’s strongest think-tanks

LFMI is ranked among the best think tanks in Central and Eastern Europe and the world, according to the think tanks’ index “Global Go To Think Tanks.” Researchers at the University of Pennsylvania (USA) assessed 6826 think tanks of 182 countries. LFMI ranks 11th in Central and Eastern Europe, and 121st in the world ranking.

In 2013 prominent economists, researchers, and presenters visit Lithuania at the invitation of LFMI:

Yuri Maltsev, Professor of Economics (Carthage College, USA), one of few economists who worked in the Soviet Union during the Cold War period; and who has later made a successful career in the West.

Friedrich Schneider, Professor of Economics (Johannes Kepler University, Austria), one of the most prominent researchers of the shadow economy.

Hardy Bouillon, Professor of Philosophy, member of New Direction – The Foundation for European Reform (Belgium).

Hannes H. Gissurarson, Professor at the University of Iceland, former board member of the Central Bank of Iceland, and advisor to Prime Minister David Oddsson.

Jan Oravec, founder of the F. A. Hayek Foundation (Slovakia) and president of the Slovak Entrepreneurs Association.

Stephen Davies, historian, education program director at the Institute of Economic Affairs (UK).

Samuel Gregg, research director of the Acton Institute (USA); has a Doctor of Philosophy degree from the University of Oxford.

Pascal Salin, Professor Emeritus (Université Paris-Dauphine, France), former president of the prestigious Mont Pelerin Society.

Juan R. Rallo, director of Juan de Mariana Institute (Spain).

Robert Nef, chairman of Liberal Institute (Switzerland) and lecturer.

Pieter Cleppe, head of Open Europe’s Brussels office.

Marc Sidwell, managing editor for City A.M., a business-focused newspaper (UK).
Teaching and sharing experience

Economics Online students ponder the question: Who owns the moon?
In autumn, we invited pupils to join our fifth annual free interactive economic courses. The updated online platform allows pupils to choose a task to complete, within a week or several months, and to take consultations or rely only on their own knowledge. We do not create hypothetical realities; we teach people how to understand the real world. During the whole course pupils could get help from the LFMI’s head of Education Centre and a group of experts.

By the end of 2013, more than 1700 pupils registered for these courses! Every year, the best pupils are invited to the annual summer camp. Last year, 25 pupils participated, with training led by the experts of LFMI, member of the Parliament R. Šimašius, supervisor of skaitykle.lt D. Talijūnas, and teambuilding expert C. Brebbia.

Renewed Realistic Analysis of Economics II with prominent Lithuanian and foreign lecturers
For those who have doubts about traditional interpretations and who wish to strengthen their arguments in the fields of economics, ethics, law, and investment, we offered a series of 17 lectures. For the sixth time, the courses achieved all planned aims. We had 80 participants and four foreign lecturers – S. Davies (United Kingdom), S. Gregg (United States), P. Salin (France), J. R. Rallo (Spain). Lithuanian lectures included G. Azguridienė (Vilnius University), E. Aleksandriūtė (Vytautas Magnus University), R. Vainienė (Mykolas Romeris University), LFMI’s experts V. Žukauskas and R. Senavaitis, and others.

High-performing students intern with LFMI
Every year high-performing students of economics, law, philosophy, communications, and other areas choose to intern with LFMI. Interns have the freedom to implement their ideas and are expected to show initiative and responsibility. A total of 33 students interned with LFMI in 2013.
With a new book at the Vilnius Book Festival
In 2013, we released the book by economics professor Jesus Huerta de Soto “The Austrian School: Market Order and Entrepreneurial Creativity.” For the first time we dived into the excitement of the Vilnius Book Festival. We presented our latest books and hosted a discussion which was attended by a large number of people. We asked whether art should be supported by business or by the people. We looked for answers together with the journalist and musician A. Lukošius, the founder of the arts and education centre Rupert D. Žakaitis, and the entrepreneur and curator of cultural projects M. Splinter.

LFMI’s books now available in e-format
In order to avoid carrying an extra suitcase on summer holiday, we have taken care that all LFMI books can be downloaded in electronic format from early summer 2013! The books are distributed through skaitykle.lt/leidykla/llri

Full house in meeting with the film director from the United States
Is the economy getting better or are we just benefiting from one more economic “bubble”? To find an answer to this question, we invited Jimmy Morrison, director of the documentary “The Bubble.” In this film, famous economists, investors and entrepreneurs shared their ideas on the causes and consequences of the global economic crisis. The meeting was hosted at the cinema “Pasaka,” and attracted about 50 residents of Vilnius. The event featured not only discussions, but also a review of the most interesting passages of the film, as well as the details of making the film.

4th annual Think Tank School a great success
In March we held the fourth annual Think Tank School. A total of 30 participants from 14 countries participated. LFMI’s president Žilvinas Šilėnas lectured on strategic planning and vice president Edita Maslauskaitė spoke about fundraising. The experience of various non-governmental organizations on topics including establishment, management, and communication was shared by the experts of Open Europe, The Taxpayers’ Alliance, European Students for Liberty, and Atlas Network. The success of the LFMI project was the result of more than 20 years experience.
What is the role of entrepreneurs?

What is the role of entrepreneurs?

“In a broad or general sense, entrepreneurship actually coincides with human action. In this respect, it could be said that any person who acts to modify the present and achieve his objectives in the future, exercises entrepreneurship.” – Jesus Huerta de Soto

From the beginning of 2013, we began promoting the initiative “What is the role of entrepreneurs?” We believe that a better understanding of the role of the entrepreneur in the economy, and their contribution to the public good, can create a better future. Through LFMI’s initiative, this theme has appeared about 100 times in Lithuanian media since 2013: on television and radio broadcasts, publications in print, and online portals.

What Lithuanians know about entrepreneurship

A representative survey of Lithuanians indicated that we appreciate the hard work of the entrepreneurs but underestimate the essential element of business activity – creativity and innovation. Together with historian Prof. Dr. N. Šepetys, literary expert Prof. Dr. P. Subačius, assoc. Dr. N. Putinaitė, and psychologist A. Griškonytė, we considered the causes of such an approach. We have come to a conclusion that our history, literature and religion have significantly influenced our attitude towards entrepreneurship and entrepreneurs. The findings and insights were released in a special publication which was distributed during lectures by LFMI’s experts, at universities and schools, as well as in public libraries and meetings.

Broad discussions about the role of entrepreneurs

In spring we invited entrepreneurs, academics and media representatives to the international conference “The Image of the Entrepreneur: What and Why?” Professor of Economics J. Maltsev (USA) opened the conference by talking about the influence of the Soviet regime on business and the future prospects for the region. We also presented the findings of the aforementioned survey. Businessman I. Laurs, rector N. Pačėsa (ISM University of Management and Economics), editors M. Garbačiauskaitė (delfi.lt) and M. Sidwell (City A.M., UK) and others participated in a discussion about the role of the entrepreneur in our society. The conference attracted media attention: LFMI experts participated and commented on various television and radio broadcasts. Topics including the image of the entrepreneur in society, the role of entrepreneurs, and the survey findings appeared in the news portals and the press.
TV interview series: What do we know about entrepreneurs?

In the most popular morning TV show “Labas rytas, Lietuva” (Lithuanian National Radio and Television) we explored the activities and attitudes of entrepreneurs from various perspectives. What does the history of Lithuanian business tell us? Is our business culture socially responsible? We wanted to encourage people to look to business with a new prospect and to be skeptical of the myths still associated with entrepreneurship. Different themes were analyzed by LFMI president Ž. Šilėnas, senior policy analyst K. Leontjeva, historian Dr. A. Ambrulevičiūtė, entrepreneur G. Azguridienė, and others. LFMI’s experts presented their insights on the role of the entrepreneurs on numerous broadcasts of the national and regional radio stations.

Video contest “Looking for Innovation in Business”

In 2013, we invited 15-to-28-year-olds to provide insights on how entrepreneurs and good ideas contribute to making our lives more comfortable and satisfied. Participants’ entries were evaluated by LFMI’s experts and business representatives from Pixelmator and Uoga Uoga. Technical competency was rated by a representative of the film festival “Vilnius film shorts” and by the film and advertising creators Artbox. The award for the first place was 3500 Lt, and 1700 Lt and 1000 Lt for the second and third places, respectively. The winners were announced in an awards ceremony – complete with a red carpet, screenings of finalist videos, and an audience of at least fifty contestants and their friends, members of the commission, and entrepreneurs.

LFMI’s initiative “Entrepreneurs see it differently”

Since November 2013, people in the streets of twelve Lithuanian cities have directed their gaze towards a series of eye catching posters showing that entrepreneurs see value where others do not. For those willing to learn more, the posters link to a special project’s page where relevant studies, books, articles etc. can be found.

The project is supported by the John Templeton Foundation. The project’s partners from Bulgaria, Georgia, and Kyrgyzstan, have implemented similar initiatives designed to introduce the role of entrepreneur in their countries.
In 2013 we debuted a new program entitled “Self-determination in regions.” We seek to show the local communities how to take individual initiative and foster self-help.

During the year we visited numerous cities across Lithuania: Kaunas, Šiauliai, Tauragė, Alytus, Panevėžys, Plungė, Marijampolė, Anykščiai and Telšiai. In each city we met with the municipal authorities, citizens, businesses, and the media. We also gave lectures in colleges and schools.

We explained the importance of investment and private initiative in the municipalities. We also introduced the latest results from the Lithuanian Municipalities Index. We discussed the vicious social system that encourages individuals not to look for ways to improve their lives, but rather to seek more benefits and welfare assistance from the state. We believe that with joint efforts, local authorities, business, and the individual can build a better future for themselves and for future generations.

Lithuanian Municipalities Index 2013 generates 100 media appearances
In 2013 we presented the third edition of our Lithuanian Municipalities Index. The study assesses how municipalities ensure people’s economic freedom, i.e. freedom to choose services, products, and suppliers; and their freedom to act. It also evaluates whether the municipalities manage tax payers’ money effectively. This index is the most interesting LFMI study for the municipalities, citizens and the media. In only a few days the results of the index appeared widely in national and regional media.

The Klaipėda city municipality was announced as the best municipality out of 7 city municipalities in Lithuania. Kaunas was ranked first among 53 district municipalities. Municipal policies can both improve and worsen the conditions for residents and businesses. Once again, we pointed out that investment is an important source of productivity and wage growth. Statistics show that Lithuanian municipalities with more investment have lower rates of unemployment, and populations that earn more and are less dependent on social benefits from the government.
We can create, work, earn

**Municipalities and investments**

In the districts of Tauragė, Kaunas, Panevėžys, Plungė, Telšiai, Anykščiai, Marijampolė, Alytus and Kaunas municipalities, our LFMI policy analysts met with local authorities and discussed the importance of investment. Reports on attracting investment, territory planning issues, and cooperation with the private sector were presented by LFMI’s president Žilvinas Šilėnas and senior policy analyst Vytautas Žukauskas. Policy analyst Laura Krušė introduced the results and conclusions of Lithuanian Municipalities Index.

**Challenges of social support in municipalities**

LFMI’s senior policy analyst Kaetana Leontjeva held a series of meetings with municipal officials, executives and social workers to discuss social welfare issues, such as possibilities for socially disadvantaged people to return to the labour market and improving co-operation with non-governmental organizations. Social support staff shared their views on how to ensure a more efficient allocation of funds and support.

**Community discussion: how to avoid reluctance to work?**

In the public libraries of Plungė, Tauragė, Alytus, Panevėžys and Kaunas, we met with the local communities and discussed current social policy: how to help those in need without diminishing their desire to work and become self-sufficient. The discussion included valuable insights from LFMI’s staff, K. Leontjeva and Ž. Šilėnas. Thoughts about work and community welfare were shared by auxiliary Bishop of Kaunas K. Kėvalas and S. Filipavičius (Holy Trinity Parish of Troškūnai) in Kaunas and Panevėžys. Each meeting gathered about 50 participants, including local media.
2013 marked the Lithuanian Presidency of the European Union Council and higher attention to the EU issues. We joined the debate on EU related issues which directly impact the future of Lithuania. What is the interest of Lithuania in the EU Council deliberations? What is Lithuania’s position on the economic and monetary union, the banking union or inter-bank settlement regulation? The progress and future of Lithuania depends on whether we are willing to take an interest and raise the key issues: whether the actions of the EU are justified, beneficial and take into account who will be paying for them.

International conference on the future of the EU
In June we invited experts, government officials, entrepreneurs, and academics from across Europe and other nations worldwide to the international conference “To Save or Not to Save: Will Austerity Programs Alone Save Europe?” Reports were presented and a discussion was held by foreign visitors, including R. Sally (European Centre for International Political Economy), T. Palmer (Cato Institute, USA), J. Fund (Wall Street Journal, USA), R. Rahn (Institute for Global Economic Growth, USA), and others. The discussion was also attended by P. Auštrevičius (Member of Parliament, Lithuania), N. Mačiulis (Swedbank), B. Gruževskis (Institute of Labour and Social Research, Lithuania), and Eglė Radišauskienė (Ministry of Social Security and Labour, Lithuania). The conference was organized in cooperation with the Austrian Economics Center.

LFMI presented proposals to reduce the EU budget by half in Brussels
The budget of the European Union could function at half of the proposed cost to EU taxpayers while boosting economic growth. Together with the Brussels based think-tank New Direction — The Foundation for European Reform, LFMI presented its study “50:50 to 2020” in Brussels, as European leaders gathered in the city for a second attempt at finalizing the EU’s budget for the next seven years.

Yet another report “Helping Themselves” presented in Brussels showed that the EU spends €7.5 billion a year on non-governmental organisations, even ones acting against the public interest. This spending on NGOs is buttressing a culture of professional lobbying and fundraising by politicised charities which no longer reflect citizens’ priorities.
Adopting the euro: good or bad?

In 2013, we continued to argue that the goal of the euro adoption was a politically disciplining factor. We also pointed out that the government should aspire not only to introduce the euro, but also to have a stable currency. The main risk of adopting the euro is its future strength and stability. Firstly, a stable euro requires responsible monetary policy. The second condition is a stable and constantly growing European economy. Finally, we need a responsible fiscal policy. We will continue to encourage politicians to adequately assess the risks as we move towards the announced date of the euro adoption in 2015.

International conference: the importance of preserving the EU’s four freedoms

One of the main aims of the EU is the common market. It is therefore vitally important that its four freedoms - the free movement of goods, services, capital, and people - always remain free. How strong is the foundation of Europe; and what awaits us in the future? In September we organized an international conference which brought together economic experts and representatives of numerous European civil institutions, including Prof. H. H. Gissurarson (University of Iceland), Prof. H. Bouillons (New Direction, Belgium), J. Oravec (Slovak Entrepreneurs Association), C. Stagnaro (Bruno Leoni Institute, Italy), P. Cleppe (Open Europe, Belgium), Prof. R. Vilpišauskas (Vilnius University, Lithuania), and others. The conference brought together more than 100 participants. At its end, a resolution was signed. The news portals delfi.lt, 15min.lt, and lrytas.lt, and the magazine IQ, took exclusive interviews about the problems and perspectives of the EU.

More Liberal Voices – a project gathering like-minded European think-tanks together

In 2013, we brought together like-minded think-tanks across Europe. Along with our Slovak, Polish, Czech, Bulgarian, Hungarian and German partners, we made sure that EU decision-makers would get more insights on European economic problems based on the free-market principles. We submitted to the European Commission our comments and suggestions regarding shale gas and other non-traditional fossil fuels in Europe, sustainable buildings, sustainability of food systems, the European Taxpayer’s Code, policy of the climate, and energy.
Our aim is to become the country with the lowest taxes, at least in Europe; and we are able to justify the need for tax cuts. At the same time, we show that a balanced budget is a real possibility through purposeful spending and prudent usage.

Kaetana Leontjeva joins governmental working group on tax reform
In January 2013 LFMI’s senior policy analyst Kaetana Leontjeva was invited to join a governmental working group on tax reform. The working group incorporated in its reform package two proposals from LFMI, namely proposals to increase the amount of tax-exempt income and to put a cap on social security contributions. Kaetana opposed the proposals to tax interest and all investment income as harmful to the society and the economy and not beneficial for the national budget.

Five reasons for capping social security contributions
We presented a detailed analysis in response to fears about potential losses and negative effects of caps on social security contributions for public finances. We argued that due to new jobs and an increase in consumption, the loss of public finances could be as low as 40 to 65 mln Lt. We put forward five arguments in favour of a cap on social security contributions, including justice, higher salaries, investments, incentives for emigrants to return to Lithuania, and finally, income legalization. The analysis was presented to relevant authorities, members of parliament, and the media.

Policy briefs: tax increases cost millions in uncollected budget revenue
There are concerns about the introduction of new taxes in Lithuania. We analyzed numerous cases of tax increases in the period from 2008 to 2012, including social security contributions and compulsory health insurance contributions charged on salaries, tax increases for dividends from 15 to 26 percent, and a real estate tax. We demonstrated that the authorities underestimated the implications of tax increases for budget revenues. We published the findings in a policy brief and introduced them to the members of parliament, the public, and the media.
Government watch
Reducing the tax burden

The annual Tax Freedom Day occurred on the 15th of May in 2013, two days later than in 2012. On this occasion, we held a press conference to present a symbolic receipt for the expenses of the public sector per average taxpayer in the country. We calculated that in 2013 the total public expenditure per resident was 14,734 Lt. In comparison with 2012, this figure showed an increase of 566 Lt. The Tax Freedom Day is a symbolic day of the year when the average taxpayer stops working for the public sector and start earning money for themselves. In celebration of the day, the receipt swept through the media.

The new budget dangerously far from the reality
We put the spotlight on flaws in the new national budget and cautioned that the budget revenue plan was too optimistic, with costs (excluding EU funds) showing an alarming increase to 1.4 mln Lt. The estimated 6 percent increase in government expenditure was almost twice as rapid as the expected growth of the economy (3.4 percent) and was the most atrocious increase during the entire 2008–2013 year period. This means further growth of public debt and creates presumptions for inefficient and wasteful use of budget funds. We proposed reducing VAT, excise duties, and income tax revenue plans.

LFMI’s video attracts 2,000 viewings
The EU budget is “missing” a fifth of revenues due to tax fraud and tax evasion. The European Commission announced this news in a video The Missing Part. In our opinion, a much more important question needs to be asked: what is an individual’s personal budget after taxes? Therefore, in our interpretation of the EC video we highlighted the reasons behind tax avoidance and drew attention to the causes, rather than the consequences, of tax evasion. We were also mindful to assess the impact of taxes on household budgets and to stress the need for sufficient income after tax.
Government watch Reducing the tax burden

The new edition of Shadow Economy in Lithuania on undeclared labour

LFMI’s analysis revealed that in 2012 the undeclared labour market involved 22 percent of the Lithuanian population. According to the survey, most people enter the shadow labor market because of the prospects of higher income or have legal jobs in combination with “under the table” earnings. Once again, we drew the authorities’ attention to the high taxation of labour and a lack of legal job opportunities.

It is also important to consider a relatively lower level of productivity and salaries in Lithuania. Even a smaller tax burden in Lithuania harms its citizens more than, for instance, that of Germany. Consequently, the shadow economy offers an alternative to those seeking to avoid the tax burden. Labour relations in Lithuania are taxed at more than 40 per cent, which is more than the EU average. The study was presented to relevant public authorities and the media. We put forward a number of solutions that would help increase people’s income and quality of life. Firstly, we drew attention to the need to increase labour productivity by attracting corporate investments.

Baltic survey shows smuggling driven by high taxes and a low standard of living

Lithuanians, Latvians and Estonians do not justify smuggling and illegal consumption of goods, according to a second representative opinion poll LFMI conducted in the three Baltic countries. A total of 3,033 citizens were interviewed. We found out that one in three Lithuanians purchased illegal cigarettes, gas, and fuel. People in the Baltic States agreed that excise tax cuts would be the most effective way to fight smuggling, illegal production of goods and undeclared commerce. The survey findings were presented in Lithuania and at a special press conference in Latvia and generated extensive media coverage.
International conference “Shadow Economy and Taxation” held in Vilnius

The European Union and Member States lose billions in unpaid taxes every year from counterfeit and smuggled goods. The conference brought together revenue and customs authorities and policy makers from the EU member states, the World Customs Organization, Interpol, Europol, renowned academics, leading private sector representatives and industry experts. The speakers included Prof. F. Schneider, presently one of the most renowned scholars on the topic of the shadow economy, A. Šipavičius (Lithuanian Customs), Prof. L. Shelley (George Mason University), C. van Heuckelom (Europol), Dr. N. Mačiulis (Swedbank), S. Di Meo (Interpol) and others. The discussion focused not only on the present situation, but also on prevention of shadow economies. The event was organized in cooperation with the International Tax and Investment Center.

Lithuania’s President meets with LFMI and other NGO representatives

In commemoration of the Anti-Corruption Day, Lithuanian President Dalia Grybauskaitė met with numerous Lithuanian non-government organizations fighting against corruption and undeclared activities. During the meeting LFMI’s senior policy analyst Vytautas Žukauskas had this to say: “The shadow economy is not only about legal violations or human tolerance of illegal activities. First of all, we must discern the underlying reasons why people get involved in the shadow economy.”

LFMI’s study: a cap on cash payments will restrict individual freedom, not the shadow economy

We analyzed and presented the trends of the shadow economy and payments by credit cards in the EU countries. We concluded that the restriction of more than 10,000 Lt in cash settlements, which was being considered in the parliament, would not help in the fight against the shadow economy. Such restrictions would reduce the choice and competition between payment systems and would enhance the expenses of individuals and legal business payments.
We oppose unjustified regulatory proposals and highlight existing excessive regulations.

**Flexible labour relations for lesser unemployment**

We analyzed the experiences of EU countries and issued a policy brief with arguments that nanny-state regulation of the labour market augmented unemployment, while flexible labour policies brought lasting benefits to employability. We suggested that Lithuania should follow Estonia’s example and should revoke laws which obstructed the opportunities for young and unemployed people to find jobs. The analysis attracted the attention of the minister of social affairs and labour and numerous media outlets.

**More flexible labour relations: only cosmetic changes, but better than nothing**

In 2013, the government aimed to stop much needed draft amendments to the Labour Code. We submitted our analysis to the government and pointed out that simpler administrative requirements would not reduce the rights of employees, but would ease the administrative and financial burden on companies. We argued that fixed-term contracts for permanent employment would be useful for employees as they would stimulate job creation. However, the government rejected these proposals and the legislative package was not debated in the parliament.

In the autumn, a proposal for amending Labour Code regulations in favour of a lower administrative burden in labour relations was submitted to the parliament. We strongly supported it in numerous media appearances. It is estimated that the adoption of the proposed provisions could save businesses over 26 mln Lt, an amount of money was spent on mandatory payment slips over the year.
Work is not for students?

In 2013 the government proposed limiting access of minors to work by introducing 14 days of mandatory uninterrupted holidays in the summer vacation period. We opposed the proposals to restrict the right of students and their parents to self-determination, and some of our arguments were taken into account. Although an uninterrupted vacation period was approved, the employer will not be required to pay for it. We continue to argue that the government should not try to “protect” people from work.

The Survey of the Lithuanian Economy: forecasts and minimum monthly wage dilemma

In 2013 we supplemented traditional alternative economic forecasts in our survey with analysis of relevant topics. The 32nd edition of the survey focused on investment, productivity, and wages. According to the survey, a 2013 increase in the minimum monthly wage resulted in a slower decline of unemployment than had been expected. In 2012 the minimum monthly wage was raised twice, first to 850 Lt and later to 1,000 Lt. We made special efforts to show the damage caused to working individuals and the unemployed.

In a separate chapter of the 31st edition of the survey, we analyzed the European economy and the monetary policy pursued by the European Central Bank. We emphasized that one of the most serious negative effects of the monetary policy was price increase caused by a continuously growing amount of money.

Over the year the survey generated about 50 media hits. The survey, which was first launched back in 1997, is based on forecasts of market participants, including business owners, executives and economic and financial analysts. The survey is the oldest source of alternative statistics in Lithuania.
Referendum against people and their property

In 2013 we took concerted efforts to oppose the planned referendum against land sale to foreigners. We were named among the most active opponents of the referendum, which means we are among the most active advocates of private property rights.

The Law on Territorial Planning – LFMI contributed to positive developments

We provided a detailed analysis why the Law on Territorial Planning did not solve the main problem of territorial planning, namely a mismatch between restrictions on land and the scope of obligations for land users. We noted though that even small changes, such as building permission without a detailed plan and more flexible rules of territorial planning documentation, would facilitate business development and land use.

We are delighted that our proposals on the process of defining the concept of public interest were incorporated in the new Law on Territorial Planning. Public interest in territory planning from now on will be considered in the context of private property rights and investment promotion.

Future lawyers investigate validity of public interest in essay contest

In partnership with the European Law Students Association (ELSA) we held a traditional annual essay contest Cicero. Legal experts note that a growing number of lawsuits concerning public interest instigate discussions on whether public interest is properly defended. The contest attracted participants from numerous universities and colleges. The essays were evaluated by the lecturers of Mykolas Romeris University Dr. E. Klimas (LAWIN) and Prof. dr. R. Drakšas (Tark Grunte Sutkiene); Prof. dr. V. Nekrošius, LFMI president Ž. Šilčenas, and LFMI policy analyst R. Griguiolaitė. The authors of the best essays were awarded at a final conference.
Taxes and bans for shale gas

In 2013 we continued to support private initiative in the energy sector. We followed closely the developments in Lithuania’s shale gas industry and invited other stakeholders for a constructive discussion on the topic. We stressed that the final product, its price and availability rather than the technology of the gas extraction itself should be the main concern. We presented our position on unconventional fossil fuel to the European Commission. We actively criticized proposals to apply unreasonably high tax rates for shale gas, which threatened to undermine positive developments in the sector.

Liquefied natural gas terminal – some positive developments

We provided a comprehensive assessment of a draft law on a proposed liquefied natural gas (LNG) terminal. Some provisions were amended in the right direction, reducing or otherwise distributing the burden which the construction of a LNG terminal will inevitably impose on the consumers. Yet, a fundamental problem remains: will gas companies be forced to purchase gas from the terminal even if they can make cheaper deals elsewhere?

Solar energy sector

After the government set higher buy-up prices for solar energy, the number of people willing to invest in solar energy increased, showing the willingness and potential to invest in larger state supported projects (e.g. LNG terminal or a nuclear power plant). We noted that this was a much more effective way to cover costs than imposing the burden on the public through higher energy prices. Yet, at one point the higher tariffs were revoked, leaving some investors without planned income and demonstrating the government’s unpredictability.

Nuclear power – it’s all about the price

The government set up a working group on the new nuclear power plant. Its debates lasted throughout 2013 and will continue into 2014. Does a Lithuania without nuclear power equate to a Lithuania without a future? No. With proper business rather than political logic though, the project can meet the country’s energy needs and generate profits. We argued that this kind of approach to energy
Government watch: initiating economic reforms

We will restore the spirit and the tradition of reforms in the most important areas of human life – education, health and social care.

Puppet Theater in the pension system

In 2013 we actively defended self-funded pension savings. According to the Lithuanian pension insurance model, a fixed rate is transferred from the state social security fund (Sodra) to personal accounts in pension funds. However, over the past five years contributions to personal accounts in pension funds have been cut three times. A new regime with two options was introduced in 2013. Under one option citizens who chose to contribute to pension accumulation from their own funds additionally receive a fixed subsidy from the government. The other option was to terminate transfers to personal accounts in pension funds and return to Sodra. Nearly 389,000 citizens opted for individual contributions with a government subsidy, demonstrating a strong support for individual responsibility.

Throughout the year we also opposed new pension fund regulations. During a meeting with the minister of social affairs and labour we highlighted the weaknesses of the pension reform and the absence of caps on social security contributions.

Compulsory health insurance: good intentions, bad results

We witnessed repeated calls to differentiate compulsory health insurance contributions based on people’s lifestyle and diet. In response, we issued a policy brief with a detailed analysis of the situation. We argued that the enforcement of such proposals would violate citizens’ privacy, dignity and constitutional rights. They would be ineffective and prone to corruption. We presented our position to the Ministry of Health, the Ministry of Social Affairs and Labour...
Government watch

Initiating economic reforms

and to other relevant authorities. **There is room for both public and private healthcare providers**. In 2013 we strongly advocated private healthcare service provision. When the government proposed to restrict the establishment of private healthcare institutions, we presented a detailed analysis to the Ministry of Health and other authorities showing that such proposals would damage the interests of the patients. We reminded of a ruling of the Constitutional Court that private healthcare institutions were legitimate and patients could pay for their medical treatment from the funds accumulated in the compulsory health insurance fund.

**For supplementary voluntary health insurance**

Together with patients and public medical organizations, we urged the government to legitimate supplementary voluntary insurance and admit the fact that the compulsory health insurance fund was not sufficient to properly finance the health care system. In our public campaign we stressed the need to allow patients to pay extra for health care services with their own means.

**Changes in the Law on Education and Science: lesser choice, competition and quality**

In 2013 proposals were made to allow the Ministry of Education to determine the maximum numbers of state-funded first year students for every higher education institution. In a policy paper we submitted to the Ministry of Education and Science and members of parliament we argued that these proposals would undermine competition and quality in higher education and limit students’ choice.
**LFMI in mass media**

In 2013 we generated about 2,000 media hits in television, radio, news portals and print media outlets. More than 1,000 appearances were initiated by journalists, showing our well-established standing as a source of opinion and analysis. We wrote articles and commentaries, organized conferences and workshops, and participated in external events and working groups. We were regularly invited to contribute op-eds and commentaries to the leading business daily Verslo žinios, the weekly Veidas magazine and the IQ magazine, which is affiliated to The Economist. We are also among the most active online commentators online appearing in the biggest news portals.

**LFMI in social networks – growing our Facebook audience**

During the year over 1,000 new fans joined LFMI's Facebook page. We use this social media platform to comment on everyday issues, to share our insights and infographics, and to publicise our events. On our YouTube channel we upload video invitations for pupils to attend the Economics Online courses and extracts from the news featuring our policy analysts.

**LFMI website got a new look**

In 2013 we updated our website. Every month it generates 40,000 viewings. This new website also hosts our blog which features a brief and more personal overview of what happens in the economy. To date our policy analysts have contributed almost 50 posts to the blog. This informal analysis attracts a great deal of media attention and is often reposted in the news portals.

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**Have any questions?**

Contact Vidmantė Čižienė
vidmante@llri.lt

Vidmantė works as communication officer at LFMI.
How you can contribute to the development of LFMI’s ideas?

Through our work, we aim to encourage people to believe in themselves, take initiative, work independently, develop and take responsibility for their own wellbeing.

Our mission is to help advance the general interests of the people of Lithuania which are best realized in a free market where all individuals are free to pursue their own objectives. The pursuit of self-interest ultimately benefits the society, whereas reliance on the government apparatus does not.

Therefore, financial independence is an essential condition for the accomplishment of our mission. Being loyal to the principles of private property, we do not receive and do not seek government funding.

- Even a small gesture of support is very valuable and important to us!
- You can support our activities as an individual or a private company.

Our account: – AB SEB bank –
No. LT90 7044 0600 0124 3182, Company Code 110059496

For more information on donating to us visit: en.llri.lt/support

Any questions? Write to us LLRI@llri.lt or call us in Vilnius (+370 5) 250 02 82.

You can also contact Edita Maslauskaitė, Vice President of LFMI, edita@llri.lt

THANK YOU!
YOUR SUPPORT IS OF GREAT VALUE TO US!