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On the Road to Economic Independence, a Policy Perspective

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How does your life after the blockade differ from life during the blockade?

On August 26th Lithuanian Review asked various people in the main streets of Vilnius about their life now that the economic blockade has been lifted.

Mr. Lisovskij, 64, pensioner, Russian:
It means nothing to me. Everything is the same as it used to be. You know, for me, as a pensioner, nothing is good. Ah, it is even worse now, even worse. It used to be better. There is also nothing good now after the blockade.

Mr. Vorobyov, 60, taxi driver, Russian:
It is bad in general, it is bad everywhere! Nothing has improved and there is not going to be anything better until Landebergis and Gorbachev are kicked out. It has never been this bad here before. Look at the markets, people are being killed and beaten. Everything was better under Snieckus. Don't try to tell me anything. I'm 60 years old. Snieckus never spoke out and managed very well; it was he who built everything in Vilnius, the streets, the airport and in general, he made a town out of Vilnius! It was a village before! Believe me! (Antanas Snieckus was First Secretary of the Lithuanian Communist Party from 1940 on until the mid 70s, LR)

Aleksas Gimbičkas, 29, militiaman in the Supreme Council building:
Everything is the same. I was only given a bigger room which had been planned before. I'm living in a dormitory with my wife who is a teacher, and my child. I used to live in a room measuring 11 square meters and now I'm in a room measuring 17 sq. meters.

Vitalijus Poguzmas, 30, Lithuanian:
Almost the same, only gasoline has appeared again and I can drive now. I would not say there is more food now. There is as much as there was before. In fact, just as there was nothing before there is still nothing now. Everything is the same.

Giedre Kiršlovienė, 26, housewife:
I spend my time sitting at home with my child. I do not see many differences, except for the shortage of gasoline. We used to drive our car less. I don't know, I don't really feel a difference.

60 year old women, pensioner, Lithuanian:
Life has not changed and all is the same. If I compare the pre-blockade period to these days, there is only a shortage of food. There was much more food before.
A group of young people, all 18; No, life has not changed. Except that there are no cigarettes now. But on the whole nothing has changed.

Vysaitis Mikala, 39, construction worker:
Yes, it has changed for the better. First of all, gasoline has appeared, then there is more food—sugar, flour, rice, etc. Well, you as women know better about these things.

70 year old drunk former military officer refused to give his name:

On the road to economic independence, a policy perspective

by Greg Bruck, PhD
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As Lithuania moves down the road to full economic independence, much is being written about how Lithuania will stand on its own feet. World economic experience indicates that in fact real economic independence really means mutual interdependence with trade based on comparative advantage. Lithuania will need foreign assistance to achieve this mutual interdependence, and this assistance can best be provided in the form of trade.

In this regard, Lithuania can learn from U.S. experience with foreign trade. This experience is best characterized by a sign on the wall of Nobel Prize winning economist Milton Friedman's office that says "BUY AMERICAN" but the sign is "Made in Japan". Protection of American industries through trade barriers has helped some workers in the short run, but has also lead to a loss of competitiveness in the long run. Unfortunately, this problem is often made worse because the group of workers that are hurt by competition from abroad are well organized and politically active, while the consumers who benefit from higher quality products from abroad at a lower price are not organized at all. Thus, if the Lithuanian government chooses to erect barriers to free trade, it should only be done after an objective analysis of the costs and benefits to both the workers and consumers of a given product.

Domestic tax policy must also be used concurrently with trade policy to integrate Lithuania into the world market. One tax might be an energy tax. This tax assumes that Lithuania will be able to conclude agreements with various other republics that will allow Lithuania to continue to purchase at least some energy at a price below the world market price. The amount of the tax will then be the difference between the world energy price and whatever price must be paid to import energy from the other republics. Energy will thus be bought for one price from abroad, but sold in Lithuania for the world market price. Of course some small sectors of the economy could be exempt from the tax on humanitarian grounds.

This tax would benefit Lithuania in terms of the revenues provided and the desire for full economic independence. The revenues from the tax could be used to help create modern business schools and vocational training centers for workers who lose their jobs because of foreign competition. Also, by forcing producers and consumers in Lithuania to pay for energy according to world market prices, problems such as the high energy intensity of Lithuanian industry will be solved. Perhaps more importantly, only by adjusting the economy to world market energy prices can Lithuania be in a position to withstand a long term cutoff of energy from the USSR. While no tax is politically popular, Lithuania could again draw on U.S. experience where various taxes are "sold" to the public in the form of advertising that indicates what the tax revenue will be used for. Clearly a "Tax for Independence" is a tax Lithuanians could be persuaded to pay.