

Building Sustainable Think Tank: Experience of LFMI

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Lithuanian
Free
Market
Institute

Lithuanian Free Market Institute (LFMI) is an independent non-profit organization established in 1990 to advance the ideas of individual freedom and responsibility, free market and limited government.



Year 1990

Six economists – Kestutis Glaveckas, Nijole Zambaite, Petras Austrevicius, Dainius Pupkevicius, Elena Leontjeva and Darius Mockus came up with the idea to establish a think-tank for promoting Free Market in a new independent Lithuania.

Scratch line:

office – 1 room ~ informal rent

budget – close to 0

credibility – 0.

Now people say we are one of the leading think tanks in Eastern Europe and even the world.
 (“Global Go To Think Tanks Report”, 2008, 2009, University of Pennsylvania, USA)



Activities of Lithuanian Free Market Institute

- conducting research on **key** issues of economic policy
- developing **conceptual** reform packages
- drafting and evaluating **legislative** proposals
- submitting **policy recommendations** at the legislative and executive levels
- conducting educational **campaigns...**

We literally do all of these...

Lithuania before reforms

- Tight integration with former SU, ruble zone
- Heavy dependence on cheap energy products
- Price (including wages) regulation
- Declining production and incomes
- State ownership and control

» What direction of the activities of LFMI was?

Minimizing the burden of the state

- **Banking reform:** a bill on Commercial Banks (1991)
the Bank of Lithuania relinquished commercial banking functions (1992)
introduction of financial disclosure by commercial banks (1994)
opening of the Lithuanian market to foreign banks (1996)
legitimation of commercial bank loans in foreign currencies (1997)
abolition of income tax on foreign loan interest (1999)
rejection of a “Bausparkassen“ system (2002)
abolition of corporate tax on foreign loan interest (2009).
- **Stable money - Currency reform in 1994:** the Currency Board system - 100-percent reserve backing which ensures that every litas in circulation is freely convertible into foreign currency. At the start the anchor currency was the U.S. Dollar, and on February 2, 2002 the litas was re-pegged to the Euro.
- **Removing regulatory barriers and reducing bureaucracy:** Starting from 1996 LFMI launched campaigns on deregulation and lifting the bureaucratic burden. This became one of LFMI’s best-known initiatives: **Sunrise** (for business) and **Sunset** (for bureaucracy) Commissions (in 1999 and 2009);
- **Protecting competition:** A 1999 Competition Law lifted a number of legal restrictions of competition and defined responsibility for violations of competition on the part of government authorities.

Minimizing the burden of the state (II)

- **Cutting and abolishing taxes:** Keeping the personal income tax flat. Reinvested profits have not been taxed. The property tax for individuals has never been introduced.
- **Development of the securities market:** In 1993 created the legal foundations of Lithuania's Securities Market and the Stock Exchange. The National Stock Exchange privatized in 2004.
- **Pension reform in 2003:** In 1994 LFMI came up with the idea of private fully-funded pension insurance. In 2002 Lithuania introduced voluntary second-tier pension insurance in private pension funds.
- **Education reform in 2002, 2009:** the principle of a students Voucher – “state money follows the student” – introduced in the Secondary Education in 2002; students Voucher system in Higher Education in 2009.

» How have we achieved it?

Secrets of the Success



- Set the goal – policy changes.
- Be creative and flexible and not afraid to alter a plan.
- Monitor and be ready to react to the hot news.
- Cooperate, but be careful with compromises.
- Take the initiative/lead.
- Be ready for changes. Accept challenges.

after Lithuania before reforms

- Tight integration with former SU, ruble zone
- Heavy dependence on cheap energy products

Transport and Utilities

- Price (including wages) regulation
- Declining production and incomes
- Private State ownership and control

Challenges Ahead

Continue Mission in Lithuania:

Reforming Healthcare and Social Security,
Improving Business Conditions
(abolishing taxes, reducing regulations),
Encouraging further Privatization;
Teaching about the Free Market.

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- Our Homeland is the EU: Joint action in Europe
- Planting more seeds, better seeds of Free Market think-tanks: find and train talented intellectual entrepreneurs



Joint action in Europe

- There are more and more issues on the European agenda that cannot be addressed successfully on the local level.
- To achieve objectives which none of its members would be capable of, or interested in, undertaking, and to contribute in this way to the accomplishment of **otherwise unattainable goals** of its individual members.
- To make the free-market alternative visible and accessible throughout Europe.



Position Paper

**RESTART THE EU BUDGET:
“Ctrl+Alt+Del”**

Control Spending

Always Think of Alternatives

Delete Inefficiencies

Position Paper

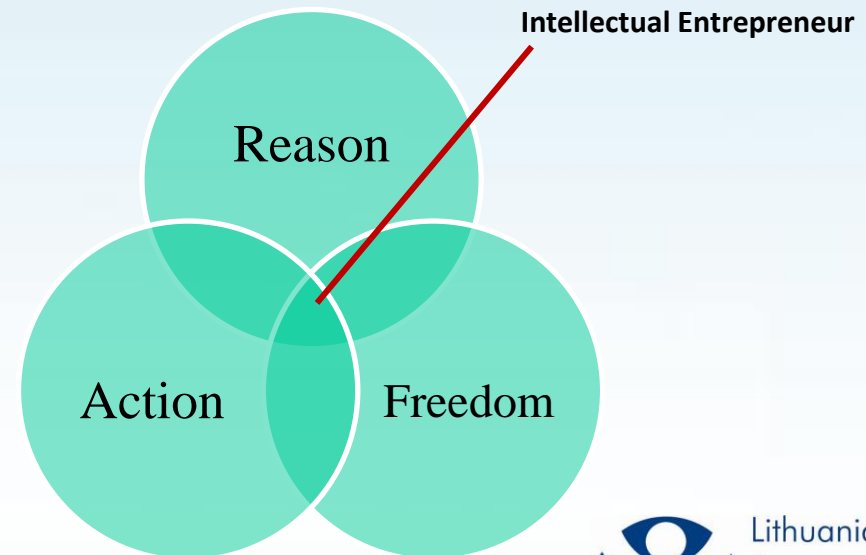
RESTART THE EU BUDGET: “Ctrl+Alt+Del”

More seeds, better seeds or Cloning the model



The need to develop or deepen the necessary skills of analysis, communication and entrepreneurship.

The goal - to find and train talented young people in Europe (Intellectual Entrepreneurs), to encourage undertaking innovative activities for principles of individual freedom, responsibility, free market and limited government.



How we continue to address the funding challenge?

- Trust among partners
- Part of our job is to educate our donors
- Diversity of funding sources (foundations, corporate funding, private funding)
- Program driven funding
- Long term fundraising strategy
- State-level agenda, but no state affiliation



Our vision: Think-tanks as Lighthouse for Change in Societies

Think-tanks are essential for navigation of reforms in societies;

Think-tanks do not navigate themselves but lead navigation;

Think-tanks firmly stand on the foundations of ideas and principles.

