



Written by [Bruce Walker](#) on October 30, 2012

Lithuanian Austerity Prime Minister Loses Election

The Lithuanian national elections, which were completed on Sunday, October 28, resulted in significant losses for [Prime Minister Andrius Kubilius' government](#). His Homeland Union Party came out of the elections with 13 percent of the vote, although the large number of political parties in the small Baltic nation — no fewer than 34 parties received meaningful numbers of votes in the small nation — means that the actual losses were not that dramatic.



The Labor Party and the Social Democrat Party, both leaning strongly towards socialism, received 21 percent and 19 percent of the votes respectively, which meant that even together these two parties formed only a weak plurality of the seats in the Seimas, the Lithuanian national legislature.

Compounding the problems of forming a new Lithuanian government has been the belief by President Dalia Grybauskaite that the elections were fraudulent because of vote buying by the Labor Party. She stated: “I believe that a party suspected of serious electoral law violations should not be allowed to participate in forming a new government.”

Grybauskaite, as head of state, is the individual with responsibility for identifying which political leader should be asked to form a government and so become prime minister or head of government. Often this process is pro forma. If, for example, one single party had won a majority of the seats in the Seimas, then the decision would be straightforward.

The Lithuanian president is a political independent, although she has been supported by Kubilius' Homeland Union Party and Grybauskaite has stated that Margaret Thatcher is one of her role models. The role of president in Lithuania does provide a bit more real power than in some other parliamentary systems. It is difficult to say, however, just how much Grybauskaite feels she can use her prerogatives of power without affecting the basic system of government.

The nation has long been a window between the industrial and modern states of western and northern Europe and the old Slavic nations of Eastern Europe. When the 2008 financial crisis hit the western world, Kubilius was just coming into power. Lithuania had enjoyed a boom based in large part on heavy borrowing and investment from the affluent Scandinavian nations. His response to the crisis was an austerity program.

His approach has won praise from economists. The nation's budget deficit has been contained and the GDP of the nation has actually grown 5.8 percent. In Europe, only nearby Estonia has a higher growth rate than Lithuania. The nation has a flat tax, rather than a progressive income tax, so all Lithuanians pay the same percentage of their income in taxes. The Kubilius government has also reduced tax rates from 24 percent to 21 percent. Corporate tax rates are also very low: 15 percent for larger businesses and 5 percent for small businesses.

The bond rating of Lithuanian sovereign debt has been called “positive,” “stable,” and “stable” by Fitch,



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Moody's, and Standard & Poor's bond rating services, respectively. (Each of those services has U.S. sovereign debt rated as "negative.") The nation's bond rating had been downgraded under the previous Lithuanian government, pushing the costs of borrowing on Kubilius' government higher. It appears that Prime Minister Andrius Kubilius has done a remarkable job of turning around a very dangerous economic situation for the small nation.

What caused Kubilius' party to lose? Unemployment remains high in the country and Kubilius' opponents have promised to provide more government spending to help the unemployed. They have also demanded that the rich pay more in taxes. Those opposition parties have also made an issue of the relations between Lithuania and Russia, and the Labor and Social Democrat parties have promised to improve relations with Russia.

Lithuanians also voted against building a nuclear power plant in the country, although that vote did not have the force of law, it will doubtless influence any subsequent government decision on a power plant. The power plant would have reduced the nation's dependence upon energy from Russia, which has become an issue not only Lithuanian politics but in European politics generally.

What might happen? One option has been for Prime Minister Andrius Kubilius to form a coalition with other parties in the Seimas, if a working majority could be persuaded to join. Another might be for new elections, although no one is talking about that very much now. The last option would be for the president to forget her qualms about vote buying and ask the two major parties of the left to form a government. What will happen is still very much up in the air.

Photo: In happier times, Lithuania's presidential candidate and EU Budget Commissioner Dalia Grybauskaitė, left, and Lithuanian Prime Minister Andrius Kubilius in Vilnius, Lithuania, on

May 18, 2009.



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