



... Russia without any prejudice recognizes the self-rule and independence of the State of Lithuania with all the juridical consequences . . . and for all times renounces with good will all the sovereignty rights of Russia, which it has had in regard to the Lithuanian nation or territory.

Peace Treaty with Russia  
Moscow, July 12, 1920

President Roosevelt and Prime Minister Churchill:

1. Their countries seek no aggrandizement, territorial or other;
2. They desire to see no territorial changes that do not accord with the freely expressed wishes of the peoples concerned;
3. They respect the right of all peoples to choose the form of government under which they will live; and they wish to see sovereign rights and self-government restored to those who have been forcibly deprived of them.

Atlantic Charter  
August 14, 1941

# LITHUANIAN BULLETIN

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## THE ECONOMIC REVIEW OF LITHUANIA BETWEEN TWO WARS

By A. SIMUTIS  
Author of "The Economic Reconstruction of Lithuania after 1918".

Although the reconstructed Republic of Lithuania in 1918 was not a new state, from the historic viewpoint, her many political institutions and economic establishments in particular had to be created to suit the new international conditions and particular needs of a small and almost purely agricultural country. On the success and progress of the new institutions depended much — perhaps, indeed, the very existence of the independent and sovereign Lithuanian Republic. After twenty-two years of independence (1918-1940) Lithuania more than proved that she could exist, prosper, and progress as an economic entity.

In 1918-20 Lithuania, plundered by four years of German occupation, bolshevik invasion, and the Bermont-Avaloff armed bands, was on the verge of starvation. Yet, five years later (1925) her exports were valued at \$24,300,000 in gold of which livestock and food products constituted nearly 34 percent (livestock, 16.56 percent and food products, 17.2 percent). This alone shows the unusual vitality of the country, which managed in the short period of five years to change from a starving country to a food-surplus-exporting country.

The fact that Lithuania could not only survive as an economic entity, but also progress toward higher standards of living and even reach a certain degree of prosperity is very important and interesting and well worth an analysis. On the credit side of Lithuanian economic successes belong the circumstance that the country possesses no natural resources, such as gold, iron, coal and oil. Consequently, Lithuania has none of the exceptional advantages of more fortunate countries but has been forced to rely upon her ingenuity and labor to promote her economic progress and prosperity.

A short review of Lithuanian economy demands

an analysis of the country's agriculture, industry, commerce, and finance.

### AGRICULTURE

Agriculture is the foundation on which is built the structure of economic, social, and cultural life in Lithuania. Nearly eighty-seven percent of the population live on farms or in villages and make their living from farming. Although Lithuania has no big cities or industrial centers it is one of the most thickly populated of the agricultural countries, exceeding in population her more industrially advanced neighbors to the north, Latvia and Estonia with 78.7 and 61.6 population per square mile respectively. Lithuania in 1938 had 117.6 inhabitants per square mile.

As a general rule the increase in population in agricultural countries is greater than in industrial countries. Lithuania was no exception. Before the First World War there was always an excess population which sought an outlet into the cities or emigrated to the newer countries overseas, usually to the United States. It is estimated that shortly before the First World War about thirty thousand persons emigrated yearly, most of them to the United States. This number is very high when one considers that the country had a population of only 3,000,000.

After the war doors to the overseas countries were closed to the prospective emigrants, while growing cities of the young Lithuanian Republic could not absorb all the surplus population which came from the farms. When Lithuania declared her independence on February 16, 1918, about 17 percent of the farmers were landless, and nearly 13 percent had so little land that they could not make a decent living from it. At the same time there were still a substantial reserves

For a succinct analysis of the Lithuanian economy consult *The Economic Reconstruction of Lithuania after 1918* by Anicetas Simutis (Columbia University Press, New York, 1942).

of unused land concentrated in big estates comprising 1,000 hectares (2,471 acres) and more, which accounted for 21.60 percent of the total land of Lithuania. It was evident that problem of excess population could be solved by putting into production all the available land which could be secured by breaking up the large estates and by intensification of farming. As early as December 1, 1918, the Land Reform Commission was formed for this purpose under the jurisdiction of the Ministry of Agriculture. The Commission was entrusted to collect all the information as to how many landless and small-parcel-owning farmers would have to be supplied with land and how much land was available for distribution. It was also entrusted with the preparation of a plan for carrying out the land reform. The survey disclosed that there were 60,000 landless farmer families and 40,000 small-parcel owners possessing not more than twelve acres. In the summer of 1920 the Land Reform Commission submitted a proposal which was made law by the Seimas (parliament) on April 3, 1922, and known as the Land Reform Law. In accordance with this law, the land transfer up to the end of 1939 involved 1,774,099 acres (717,968 hectares), of which a substantial part was relinquished for cultural and other public uses, being given to schools, cemeteries, municipalities, public playgrounds, and so on.

The effect of the land reform on the social and economic situation in Lithuania was tremendous. Over forty-five thousand new farms were established and 200,000 persons, including the families of new settlers, were provided with regular occupations and permanent homes. The productivity of the land was raised substantially because owners of small farms were able to give more personal attention and care to their farms than were the landlords of the big estates. Through the land reform almost every small town was provided with parcels of land for public playgrounds and recreation centers.

The land reform was one of the fundamental causes of the development of the cooperatives in Lithuania which became the backbone of the economic reconstruction, progress, and prosperity of the country. Nowhere are the cooperatives so helpful in economic rehabilitation as in a small agricultural country with small farms. Only by organizing into strong cooperatives were Lithuanian farmers able to obtain better prices for their products and to buy farming machinery on better terms. While the scope of this article does not permit a broader analysis of the development of Lithuanian cooperatives, a short review of the most important aspects of cooperation in Lithuania will be given.

Although the first consumer cooperatives in Lithuania were organized as far back as 1881, the real cooperative development was started only after the Declaration of Independence in

1918. After that date no obstructions were placed in the path of the cooperative movement as there had been under the Czarist government. On the contrary, cooperative activity was strongly encouraged and fostered by the government. By 1939 there were 1,332 cooperative societies in Lithuania. Of these credit societies accounted for 401; stores and consumers' cooperatives, 275; manufacturing, 224; and nonclassified, 430. Before the Russian occupation in 1940 the strongest in the credit group were town cooperatives (mostly Jewish People's Banks), farmers' credit cooperatives, and farmers' saving and loan associations. The Jewish People's Banks Union comprised over one hundred member banks distributed in various towns of Lithuania. The farmers' credit cooperatives, before the occupation of 1940, were assembled in the Cooperation Bank of Lithuania (Lietuvos Kooperacijos Bankas). In 1939 the total capitalization of the credit cooperative societies was 14,473,200 litas. Total deposits amounted to 29,857,700 litas; borrowings from the banks, 22,554,500 litas; and credits to the members and others, 60,823,900 litas. (\*

In the group of stores and consumers' cooperatives the Central Union of Agricultural Cooperative Societies of Lithuania, known under the trade name **Lietūkis**, financially is one of the strongest cooperative unions of Lithuania, as well as the most popular among the farmers. **Lietūkis** is the largest exporter of grain, and before the occupation of 1940 it handled almost the entire grain export. **Lietūkis** was organized in 1923. In 1939 it comprised 145 cooperative societies in its membership, and maintained sixteen branch trading establishments with warehouses, in addition to its central establishment in Kaunas. In 1939 it operated three elevators, one of 3,000 metric tons capacity in Klaipėda (Memel), another of 3,250 tons capacity in Šiauliai, and a third of 2,250 tons capacity in Kaunas. Before the war **Lietūkis** handled the largest percentage of many commodities imported and exported: import of fertilizers, 100 percent; of salt, 92.9 percent; agricultural machinery, 80 percent; cement, 42 percent; petroleum products, 40 percent; export of grain, 85 percent; of flax, 27 percent. The yearly turnover of goods of **Lietūkis** increased from 12,000,000 litas in 1928 to 139 million litas in 1939. In other words, it increased more than elevenfold in a ten-year period.

After the Soviet occupation **Lietūkis** with all its branches was made a government agency, while Germans, in turn, took control of **Lietūkis** after the invasion of June 22, 1941.

In the group of production cooperatives the most important are the dairy cooperative societies, forming the Central Union of Dairy Cooperative Societies of Lithuania (Centralinė Lietuvos Pieno Perdirbimo Bendrovių Sąjunga) **Pienocentras**. In 1938 **Pienocentras** had a membership

\* The litas, the monetary unit of Lithuania, equals 100 centas and contains 0.150463 grams of fine gold. Its circulation was introduced in Lithuania in 1922 and was abolished by the Soviet Government after the occupation in 1940.

of 185 dairy cooperative societies with 2,105 milk-skimming stations. How fast the Pienocentras's activities grew may be seen from the fact that from 6,000,000 litas of total turnover in 1927 it increased to 44,000,000 litas in 1930 and to 68,000,000 litas in 1939. With the growth of Pienocentras's activities its share in the exports of Lithuania increased from 1.6 percent in 1927 to 25.7 percent in 1939. At the end of 1939 all the dairy cooperative societies of Lithuania had 21,701 members and 106,605 regular milk suppliers. The fate of Pienocentras under the Russian and German occupations was similar to that of Lietūkis.

Also deserving of mention is the grocery trade cooperative society in Kaunas, known under the trade name **Parama**, which owns and operates thirty modern grocery chain stores, as well as the largest and most modern bakery in Lithuania, with an annual production valued at 6,000,000 litas.

The coordinator and director of the cooperatives of Lithuania is the Council of Cooperatives of Lithuania in which are represented all the cooperative unions and the larger cooperative societies. The Council published two magazines, **Talka** (Cooperation) and **Bendras Darbas** (Cooperative Work). Publication of both has been suspended by the occupational authorities since 1940.

Perhaps in no other country in the world cooperative institutions played so important and so successful a role as they have played in the economic reconstruction and development of Lithuania since 1918. Cooperative institutions have very substantially increased the productive capacity and skill of the Lithuanian farmer which in turn resulted in a higher income and a higher living standard for the entire population.

The particular value of cooperative work becomes clear when a glance is taken at the change of composition of Lithuanian exports. Before the First World War Lithuania was chiefly a grain-producing country, with horses, pigs, cattle, and their products (skins, bristles, hair, bones) as secondary items. Milk, butter, or cheese production for export was nonexistent. There was little surplus milk or milk products; what the farmers were able to produce was barely enough for the populations of the local towns. After the war conditions changed. From a study of the situation Lithuanian economists concluded that farming by the old methods, where the emphasis was put on grain production was no longer profitable or practical. Grain production requires much land, while the amount of land per capita has shrunk in Lithuania, due to the increase in population. Although the new situation required radical changes in farming, the average Lithuanian farmer was too conservative to give up his methods. At this point the cooperatives stepped in and accomplished what many had thought impossible. The results may be seen from the following facts: In 1924 the export value of livestock and their

products was 71,586,000 litas, constituting 26.1 percent of the nation's total exports. Milk, butter, and cheese accounted for only 6,969,000 litas; horses, 16,219,000 litas; live pigs, 11,773,000 litas; cattle, 5,404,000 litas; skins, 16,022,000 litas; and meat and meat products, 10,966,000 litas. Conditions changed so much that from the negligible sum of 6,969,000 litas received from milk, butter, and cheese exports in 1924, the exports increased to 58,110,000 litas in 1938. The value of meat and meat products exported advanced from 10,966,000 litas in 1924 to 39,884,000 litas in 1939. Pig export values advanced from 11,773,000 litas in 1924 to 38,753,000 litas in 1930 and to 23,509,000 in 1939. The importance of livestock and their products in the exports of Lithuania increased every year. While in 1924 they constituted only 26.1 percent of the nation's total exports, in 1928 they reached 31 percent; in 1930 it was 51.3 percent, reaching 61.4 percent in 1939.

It must be remembered that this change for the better was reached not by utopian experiments or by herding the poor farmers into kolkhozes or sovkhoses as during the Soviet occupation in 1940, but in most cases by their own initiative or by guiding them intelligently through their own cooperatives.

## INDUSTRY

When the war came to a close in 1918 the problem for Lithuania was not only to reconstruct the few factories which were destroyed during the war, but to create entirely new industries that had not existed before the war. Although Lithuania was a purely agricultural country there was not a single factory for the preparation of agricultural products for export. Thus in the reconstructed Republic of Lithuania leather and metal industries which had been producing for the Russian Empire experienced a great setback, while food, textile, and paper industries grew and prospered.

Industrial production in Lithuania showed particular increase in the last years before the outbreak of the Second World War. The total industrial production rose from 311,084,000 litas in 1937 to 405,749,000 litas in 1939. The food industry alone accounted for 223,424,000 litas in 1939, while next came the textile industry, with 40,331,000 litas of production; clothing and footwear, 26,588,000 litas; and metals and machinery, 23,378,000 litas.

It is interesting to note that even the world depression of 1929 did not greatly affect the growth of Lithuania's industrial production. Its production index rose from 100 in 1929 to 354.2 in 1939. The main cause of this was that the industry was not developed before the war and there was still room for growth despite depression in the rest of the world. Further growth and expansion of the Lithuanian industry was stopped by the events of the Second World War.

## SOVIET PROPAGANDA AND THE TRUTH

In connection with the Red Army's arrival on the Estonian frontier early in February, Moscow renewed its old propaganda aimed at reannexation of the Baltic States.

Taking advantage of the presence in the Red Army of two deported Baltic Generals, the Soviet Propaganda Center found it propitious to attribute to them such utterances as a "deep gratification" for the German-sponsored Soviet occupation of the Baltic States in 1940, praise of the fake elections which had been staged there by the Soviet political commissars, and, finally, of the subsequent farce of Lithuania "voluntarily" joining to the Soviet Union.

Our attitude in the matter of Soviet annexionist tendencies toward Lithuania and other Baltic States is well known:

**We are asking for Lithuania and other sister Republics the right to live free and independent.**

Of course, we praise every Lithuanian, whenever he might be, fighting Nazi Germany, including some Lithuanians on the Eastern front fighting, at the present time, shoulder to shoulder with the Red Army.

However, the fact of fighting the nazis is one thing, while devious manoeverings in taking political advantages of it to subjugate Lithuania is quite another.

The following is a letter sent by Col. K. V. Grinius to the Editor of the New York Times on February 14 pertaining to the above mentioned facts:

"Dear Sir:

In your issue of February the 8th you published a piece cabled to you by your London Correspondent and entitled "2 Baltic Generals Praise Tie to Russia". Your Correspondent took his material from a letter to the editor of The London Times under the signature of an Esthonian general with the Soviet troops and a Lithuanian general, Vladas Karvelis.

Having served the Lithuanian Army for 22 years, of course I know General Karvelis very well, in fact we at times both served in the same unit. I must say that he enjoyed the reputation of an upright, honest man both in his duties as a soldier as well as in his private life. No one ever doubted his patriotism and I do not believe for a moment that he has ever changed his ideal, to see Lithuania a free, independent and democratic country.

I do not intend, however, to engage your space with a rating of citizenship of this man of arms. I fully agree with your Correspondent's reflection that "this document cabled to the paper was accepted by observers here as the opening shot of the Russian propaganda campaign on the occasion of the sweep through the Baltic Republics". My object here is to briefly give you the facts as to how General Karvelis found himself in Soviet Russia, which I believe will be of help to evaluate the nature and origin of that document referred to in your Correspondent's cable.

When the Soviets occupied Lithuania in June, 1940, they emerged, as is known, upon a complete totalitarian reorganization of the entire country. Accordingly, the Lithuanian Army was transformed into the 29th Territorial Red Army Corps. Theretofore, unknown to the Lithuanian Army organization, political commissars had been brought from Russia. It is curious to note that in Soviet Russia itself the institution of political commissars had already been abolished at that time.

The above mentioned general, Karvelis, had been made Commander of the 184th Division of the 29th Corps. He did not last long. In June, 1941, a mass deportation of Lithuanian officers to the depths of Russia began. The first group of 300 officers were disarmed and arrested, among them six generals, including General Vladas Karvelis. According to an eye witness report by a Lithuanian army lieutenant, Arunas, who managed to escape to a neutral country, the arrested officers were thrown into cattle wagons, some of them handcuffed, under the supervision of a detachment of the Soviet G. P. U.

General Karvelis' family was arrested separately at the same time in Kaunas and deported to Russia.

On the basis of our knowledge that to this very day the elementary democratic freedoms are still lacking in Soviet Russia and that the well known totalitarian methods of dealing with people, particularly from the newly invaded countries, are still practised in Soviet Russia, no Lithuanian in this free country or in England who has any knowledge of General Karvelis will believe that he would voluntarily put his signature to the type of material contained in the Soviet letter published in The London Times.

**Col. Kazys Grinius,**  
Lithuanian Army

Chairman of the Lithuanian National Council in America.

### BOOKS ON LITHUANIA:

OUTLINE HISTORY OF LITHUANIAN LITERATURE by A. Vaičiulaitis, Marianapolis College, Thompson, Conn. (Publication of the Lithuanian Cultural Institute, New York, 1942).

54 pages \$0.40.

Let's be acquainted with Lithuanian language! Reade: THE LITHUANIAN LANGUAGE by Alfred Senn of the University of Pennsylvania (Publication of the Lithuanian Cultural Institute, New York, 1942).

49 pages \$0.40.

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