

THE NEW PLAYERS AND BALANCE OF POWER IN UKRAINE

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Having deeply penetrated into all spheres of public relations, the consequences of the crisis in the power balance model in Ukraine caused a unique system of collective agreement: a combination of bureaucracy with rigid hierarchical structures called “economic and political teams” and almost anarchic and chaotic pattern of the state’s policy both in domestic and in foreign areas.

It is a common place in social sciences within the Post-Soviet states to assert that economic, social and political institutes defining the matter and character of the state’s model arrangement are under crucial transformation. But the allegation that institutes of traditional society have been altering toward institutes of democratic society and market relations is a common mistake.

The arrangement of modern society is characterised by the adequate institutional system, social structure and culture potential. Interdependence among above features in Ukraine creates special transformational ground. The re-structurisation logic is the core of this ground and the most significant processes are evolution of “soviet enterprise” to entrepreneur firm and social adaptation to market relations. Such changes initiate the radical transformations in ideology and individual behaviour motives.

The way from centralise-planned economy to market is supplemented with deepening of the existent contradictions as well as with new threats appearance, and first of all, in social-economic sphere.

It is necessary to estimate the realistic results of strategic reforms in order to aware the essence of transformation processes, which have been taking place in Ukraine since 1991.

Without doubts, we can observe some alterations in the external symptoms of public and economic life in Ukraine, such as: competition, elections etc. However, the key point of any organisation arrangement as decision making procedure has not changed in fact.

It should be noticed that Soviet social-economic mechanism was a system, in which inward imbalances and conflicts were minimal. In economic sphere it was archived through the state monopoly for production and distribution of most values as well as via directive state regulation of people’s incomes. In social sphere the frugal consumer needs and non-egoistic motives in industrial relations were educated. The destruction of the Soviet social-economic security components is a reason for appearance of the untraditional threats. Being taken together, these threats often create the sphere of uncertain complex conflicts and multi-risk society.

The appearance of the new players such as new independent states, administrative regions, corporations, political and social groups have caused the radical structural shifts in the institutional

system of the Ukrainian State. New players establish their own political and economic institutes with the goal to defend their economic interests.

There are at least two authoritative scientific approaches, which have been basing their arguments on the facts and theory of interest agreement.

In accordance with one of them, Arrow's approach, any system of interest agreement has been leading to dictatorship (theorem of Dictatorship, Arrow). Sovietology as another one approach argue that all alterations in economic and public relations within the Post-Soviet states are initiated by bureaucracy within bureaucratic governmental organisations in accordance with the interests of elite.

I have no reasons to argue against the possibility to use both approaches for the explanation of institutional transformations in the Ukrainian State. On the contrary, after conducting my own researches, I have had enough empirical data to confirm the justice of these theories.

Although it is possible to argue many of the imbalances in social-economical development of Ukraine with these theories, we suppose to investigate the following specific reasons for interregional imbalances in the Ukraine: for example, that it has small experience of statehood. As a result, Ukrainian citizens have no single idea of integrity. The second one is the dependence of the economy of the industrial regions from close collaboration with the NIS and Russia. That forces the economical elite of these regions to lobby for the entry into the Eurasian Economical Community. Residents of the Western Ukraine have enough homogeneity public opinion, which conflicts with the opinion of the other residents of the Ukraine. The ten-year crisis had a drastically negative influence on the social-economical indexes of the Western Ukrainian regional development. Accompanying with the sharp perception of national identity, such steady decline formed clearly opposite to the rest of Ukrainians public opinion towards the reasons for the crisis and possible ways out of this.

The intention of the research was to explain the reasons and corollaries for the deepening imbalance between the regions of the Ukraine. The research was aimed to forecast the future patterns for the state arrangement, based on the analysis of social-economic dynamics and the state and regional policies during 1991-2002 years.

The subject of the research is the difference in dynamics, essence and character of the social-economical situations in the Ukrainian regions. This profound difference causes the rise in tension (at the level of public opinion) both in interregional relations and in the country as a whole.

Judging on the intensity of publications and sharp polemics in the mass-media, the problems of interregional imbalances and regional policy is placed among the most actual questions. Interregional imbalances cover a broad spectrum of questions; from the initiatives of the regional elite and the influence of financial-industrial corporations to the unequal policy of the state toward regional science, education and labour force development.

The popularity of regional problems in Ukraine does not mean the existence of systematic scientific researches, which are based on analysis of statistics and empirical investigations. Partly it

could be explained by the novelty of the problem, but first of all, it's "political" character. All publications in regional study are biased; each of them reflects the point of view of certain social or political group.

The absence of scientific grounds for the explanations of the imbalances has influenced the speculations over these problems, including the origins of the conflicts and the aspiration for the economical or political separatism. As a result, the core problem moves from the economical sphere to politics to the open interregional opposition.

Indexes of social-economical development have been changing for the worse since 1990. In addition to that, the change is not equal for all the different regions. The inequality between the regions had increased dramatically.

The unequal development factors have both objective and subjective character. The objective factors are as follows:

1) The different basic levels of economic development, which can be evaluated with absolute and proportional (for an one-person) indexes of production volume;

2) Essentially the different structures of the public production in the regions (the ratio between the parts of industries in the volume of production, unemployment, depth of economical interrelations with other regions of the former USSR).

3) The unequal basic levels of social security for the inhabitants of the different regions of the Ukraine (indexes of average household income, public and below-cost education, medical service, social protection, etc.).

4) The different influence of the 10 years crisis on some industries of the economy, which are located in the different regions. The complex of inward and outward factors, having both economical and political character has influenced this. Due to the drastically unequal density of industrial concentration in the Ukraine, the economical crisis causes different impacts (both in strength and character) on the regional situations.

The research also includes the analysis of subjective factors, which promote the deepening differentiation between social-economical situations in the Ukrainian regions. The major factors are the following: the different decisions of the Parliament and the governmental organisations (the local governments, the regional governments, the ministries, and the state government) towards domestic and international policies, the strategies and influences of the trade unions and the employers associations. The important part of the investigation is the analysis of the government's decisions and their results towards: firstly, the separation of the economy of the former USSR to the economy of the independent state (Ukraine); secondly, the transformation of a central-planned economy to the market model and finally, the regional development. The examples of such decisions are privileged tax-policy for some enterprises, industries and regions; the differentiation of the export-import tariffs for enterprises, which are located on the territory of some regions; the differentiation of the assignments to the local budgets and to the state budget for the different regions; privileged credits, subventions, subsidy, etc.

In addition to the historically based imbalance in Ukrainian economy, the ineffective economical reforms have been causing an even deeper disproportion through the ineffective system of political and economical institutes.

The deepening imbalance in the social-economical situations in the regions causes different perceptions (at the level of public opinion) of the reasons for the worsening situation and the possible ways of improving it. The difference in public opinion has been increasing with the activity of the political parties, which present opposite interests and use such interregional imbalance for the achievement of their own goals.

The private property is the main factor, which establishes the group of interests (economic elite) as an institute. The effective exploitation of private property is precondition for strengthening of new economic elite.

The statistic analysis of privatisation processes shows that the most part of private firms is located in the industrial regions of Eastern Ukraine and Kiev. But effectiveness of private sector is higher in the agricultural regions of Western Ukraine. Among economically developed regions only Donetsk region provides high effectiveness of the private sector. Suddenly, after long years of stagnation the economy of Donetsk region has been strengthened. Complex investigation and monitoring of the regional situations give us the possibility to conclude that economy of Donetsk region takes the 1st place with criteria of the private sector effectiveness; the 3rd place in attraction of foreign investments; the 2nd place in total investments and last place in unemployment.

Such rapid changes could be explained with the dedicated system of corporate relations between entrepreneurs and regional government.

In such historically based conditions, when entire industries are located on the territory of Eastern Ukraine, the concentration of the significant part of private property in the hands of few entrepreneurs plus the effective exploitation of the private property and self-organisation of entrepreneurs and regional government are the basic factors for establishment of the territorial-industrial groups. In Ukraine these groups were named as “regional economic elite”.

Such processes we can observe in Donetsk, Dnipropetrovsk and Kiev regions. Having structured and agreed their own economic interests, owners of the large private enterprises needed to design the system of political institutes in order to maintain the influence within “domestic” territory and to enlarge influence over the whole Ukrainian economy.

There are several especial features of institutional political development in Ukraine.

First of all, we have strong powerful actors such as economic elite groups against a weak state. The dislocation of the main export-oriented branches on the territories of some administrative regions is the cause for the key role of regional economic elite in the decision making on the State level. For instance, such attempts are more or less successful in Kiev, Donetsk, Dnipropetrovsk regions, which are the main industrial centres in Ukraine.

Inwardly a regional group is rigid pyramid of the interests alike the Soviet bureaucratic model, in which the domination of high-level interest and the mechanism of enforcing took up the functions of market relations.

The next tendency is comparatively high instability of economic power, including property rights without the ramified system of the political and public control. Therefore, for the maintaining of their position each of the regional groups creates strongly subordinated systems of political lobbying and ideology-making through political parties, representatives in Parliament, mass-media resources, trade unions and NGOs.

Consequently, having non-democratic methods of interest agreement in political sphere, this model automatically excludes free competition and equal access in economy, including investments, tenders, tax-policy-making, etc.

Secondly, the weakness of NGO sector and trade unions is a proof of passive position of citizens and absence of desire to defend their own interests.

And the next, oligarchic character of economic relations puts obstacles on the way of democratic transformations.

All above-mentioned factors create especial field for “democratisation from the top” in political system development in Ukraine. In this case democratisation changes in society are results of inward transformations in the bureaucratic structures and initiative of the elite.

The economic elite groups initiate creation of the institutional political framework by the following methods and activities:

- 1) complex of economic, social and legislative initiatives such as the strategic and tactic economic programs, which are dedicated to help other social groups to understand their economic interests;
- 2) ideology, which in the nearest future should take place of the establishment of factual economic interests.

The interests of the economic elite groups are presented by the centrist political parties with the network of the linear organisations and own mass-media. But the centrist political parties are the most vulnerable political power, because they are dedicated to represent the interests of the middle-class. Middle class is the smallest social group in Ukraine.

In accordance with such criteria as level of income, the most optimistic estimations attribute less than 10-12% population to the Ukrainian middle class. But in 2002 elections few centrist political parties had got about 65% of voices. This fact could be explained with the phenomenon of the social perception. Although lower incomes, the most part of Ukrainian population considers itself as middle class.

Within research project “The future of Donetsk region” we had conducted the sociologic investigation in order to estimate the level of social adaptation to market relations. Conducted investigations showed that 13% respondents were small or middle business entrepreneurs (in accordance with official statistics this index was 8% in 2002), 28% respondents would like to begin their own

small or middle business; 22% respondents would prefer to join in existent business as a partner; 46% respondents prefer to be employed in private firms.

Such social-psychological perception is the potential both for the economic development of Donetsk region and for the democratic society development. But this potential can be transformed into economic effect, if the aspiration to increase the entrepreneur activity is supported by the concrete initiatives of regional economic elite and regional government.

Because regional economic elite effectively exploits its private property, in current situation the elite is the most interested group for the maintenance of social stability and stable functioning of the market and state institutes. Dramatic stratification in incomes is precondition for social instability; therefore, rational behaviour of the elite is based on the motives to initiate building of the agreed economic interests, including interests of other social groups.

In accordance with the principle “elite +” the pyramid of the economic interests has been construed through lower taxes and attractive credits for small business, through prevalence non-budget financing of the vitally important projects (e.g. project “Dnepr- Donbass” water-main).

It is very interesting to explain the phenomenon of the regional separatism in Ukraine from the point of view of economic theory. Separatism was initiated by the economic elite groups at the first stage of reform. Now separatism has practically lost its meaning in the current stage of transformations. Because of the wish to get full control over Ukrainian economy, it is not profitable for regional groups to use the idea and ideology of separatism.

We would like to consider the basic reasons for regional separatism in Ukraine.

The first reason is the colossal redistributive function realised by the State. The second reason is development of free trade and economic zones into stable form of regional autarchy, which creates “institutional traps” to stimulate ineffective production. The third reason is the economic growth in export-oriented metal production, which is fully located in the Eastern Ukraine with simultaneous decreasing production in the regions of Western Ukraine. And, finally, intensification of migration from less developed Western regions to Eastern Ukraine and Kiev is the factor, deepening the interregional imbalance and creating base for regional separatism.

Taken together, all above-mentioned consequences of the State policy have been deepening historically existent imbalance in Ukrainian economy, political life and public perception.

On the other hand, in accordance with statistics, the state policy continues to support economically ineffective redistribution in favour of Western Ukraine. The main donors are economies of Donetsk, Dnipropetrovsk, Zaporozje, Odessa regions, which transfer in the state budget between 60-90% of all levied in these regions taxes. There is significant difference in indexes of average salary among the regions of Ukraine as well as in indexes of unemployment. Although in 2002 all regions of Ukraine had raised the volume of industrial production, Donetsk and Dnipropetrovsk regions mostly influenced the positive export balance. Regional imbalance in production and export is supplemented with imbalance in the sphere of science and education.

The regional economic elite enact the laws, defending economic interests of the donor regions in order to compensate economically unprofitable budget redistribution. For these aims the elite use methods of lobbying of the certain political groups in parliament. As a matter of fact, regional elites achieve to reduce the taxes for industrial branches located in the donor regions (for instance, the Law of Ukraine “About free economic zones and priority development territories in the Donetsk region” and the Law of Ukraine “About experiment in mining- metal complex”).

Economic separatism is strengthened with appearance of the regional political parties. The domination of the parties with support of citizens from all regions favours integration of the state. On the contrary, strengthening the regional parties deepens disintegration and separatism.

There are three possible scenarios of existent power model development after the upcoming president’s elections.

1) Continuation of the current situation when the President’s office is successful in manipulating the interests of the elite for maintaining its own positions. In this case existent bureaucratic structure will be saved with its mechanisms of interest agreement.

2) The victory of one regional elite group over the others in its desire to enlarge the sphere of influence over the whole territory of Ukraine. As a result, it would be a model of a fully controlled state.

3) It would be incorrect not to describe the scenario of market relations development and democratization of public life. But this scenario is so far from reality that it can be only used as a strategic goal for progressive reforms, because of the deep rooted position of citizen’s passivity.

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