



Havrylyshyn, Oleh

The Political Economy of Independent Ukraine: Slow Starts, False Starts, and a Last Chance?

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In the book *The Political Economy of Independent Ukraine: Slow Starts, False Starts, and a Last Chance?* Oleh Havrylyshyn engages with the two subjects that have been his passion for decades (as far as one can judge by his professional and academic record): transition economies and Ukraine. Taking stock of what has happened in Ukraine over the past 25 years, and what Havrylyshyn has been analyzing rigorously and continuously since the collapse of the communist camp,¹ this monograph has all potential to become one of the main reference books on the subject.

The word “comprehensive” describes the book best. Besides an introduction (Part 1 of the book) and a conclusion (Part 4 of the book), the book consists of two substantive parts. One is organized *chronologically* and provides an overview of Ukraine’s economic

¹ See Oleh Havrylyshyn and Lant Pritchett, “European Trade Patterns after the Transition,” *World Bank Working Papers* (1991): 748; Oleh Havrylyshyn and Donal McGettigan, *Privatization in Transition Countries: Lessons from the First Decade* (Washington DC: International Monetary Fund, 1999); Oleh Havrylyshyn, “Recovery and Growth in Transition: A Decade of Evidence,” *IMF Staff Papers* 48.1 (2001): 53–87; Oleh Havrylyshyn, *Divergent Paths in Post-Communist Transformation: Capitalism for All or Capitalism for the Few?* (Houndmills: Palgrave MacMillan, 2006); Oleh Havrylyshyn, “Fifteen Years of Transformation in the Post-Communist World: Rapid Reformers Outperformed Gradualists,” *Cato Development Policy Analysis Series Paper* 4 (2007); Oleh Havrylyshyn, “Structural Change in Transition 1990–2005: A Comparison of New Member States and Selected NIS Countries,” in *Economic Restructuring and Integration in Eastern Europe*, ed. Ruslan Grinberg, Peter Havlik and Oleh Havrylyshyn (Baden-Baden: Nomos Publishers, 2008), 17–46; Oleh Havrylyshyn, Xiaofan Meng and Marian L. Tupy, *25 Years of Reforms in Ex-Communist Countries: Fast and Extensive Reforms Led to Higher Growth and More Political Freedom*, Policy Analysis Paper 795 (Washington, DC: The CATO Institute, 2016).

reforms and performance, taking change of presidents to demarcate the analyzed time periods and covering the presidencies of Leonid Kravchuk (1991–1994), Leonid Kuchma (1994–2004), Viktor Yushchenko (2005–2010), Viktor Yanukovich (2010–2014) and the first two years of Petro Poroshenko's term (2014–2016) (Part 2 of the book). The other is organized *thematically* and unpacks challenges to systemic reform and improved performance one by one, with separate chapters on oligarchy, corruption, and the roles of Russia and the European Union (Part 3 of the book).

While this comprehensiveness is the book's main strength, it is also its main weakness, for breadth naturally comes at the expense of depth. Having obtained a comprehensive overview with the help of this book, the reader may wish to delve into the issues deeper through other, subject-specific studies, especially in what pertains to Ukraine's political and economic relations with Russia and the EU. Furthermore, due to this combined chronological/thematic approach, many issues are addressed in the book from a number of angles—and so more than once—naturally resulting in some repetitiveness. However, the great narrating style of the author and rich quantitative and qualitative data presented throughout the book compensate for any repetition splendidly.

The three aims of the book are to provide a comprehensive review of what has happened in the economy of Ukraine since 1991 with regard to market reform policies and actual economic performance, explain this outcome and provide an outlook for what may come next. The latter becomes particularly interesting with the lapse of time, as one gets to analyze for him-/herself which of the author's expectations have (not) materialized.

The main claim of the book is rather straightforward: delayed reforms lead to poor performance. Or, in its more elaborate version: the delay in undertaking transformational economic policies in Ukraine (including quick financial stabilization, market liberalization and institutional development) was primarily due to self-interest of the un-replaced elite and its "insincere and ethically questionable position" and had led to lagging economic performance, taking a great toll on the population of Ukraine. The author's argumentation behind this claim rests on three underlying premises. First, Havrylyshyn points to the primacy of *agency over structure*: The President of Ukraine as the almighty center of power is considered by the author to play perhaps a somewhat exaggeratedly important role. Second, Havrylyshyn emphasizes the *continuity* in time and, specifically, across changing (or not really changing) ruling elites, with the overbearing power of history and historical legacies. Third, Havrylyshyn tells a story of *interconnectedness* of economic, political and social reform, with "pervasive, persistent and pernicious" corruption behind Ukraine's poor economic performance, difficulty of its integration with Europe and dis-integration from Russia. The combination of rich quantitative and qualitative data, the use of comparative approach (placing Ukraine in a regional context and assessing it in relation to other former communist/East and Central European/former Soviet Union states) and the relatively long historical time-span—25 years—make the central argument of this book all the more convincing.

Various other interesting, often revisionist, ideas are advanced across the 15 chapters of the book, and four of these will be discussed here. First, Havrylyshyn makes a point of distinguishing *delayed* reforms (the case in Ukraine) from *slow* reforms (favored by some transition economists). It is the long delay before any reforms were started, not the pace at which they occurred, that enabled rent-seeking, influenced all subsequent Ukraine's economic policies and caused tremendous economic costs and social pain. The book thus adds a whole new layer to the debate between rapid reformers and gradualists in transition economics (Chapters 3 and 9).

Second, Havrylyshyn argues, unconventionally, that first President of Ukraine *Leonid Kravchuk*, not his successor *Leonid Kuchma*, is the *godfather of Ukrainian oligarchs* and mini-garchs (that is, those with less than a billion USD fortune). In the absence of lustration immediately after the collapse of the Soviet Union, insiders of the former elite (and not brand new capitalists, as is often romanticized in the literature) captured money and power in Ukraine. Ukrainian oligarchy is peculiar in that oligarchs have used power to gain money, not money to gain power, operate in a live-and-let-live atmosphere instead of working to destruct each other, and are yet to become proponents of good institutions (Chapters 4, 5 and 10).

Third, Havrylyshyn argues flatly that third President of Ukraine *Viktor Yushchenko* is to blame for the failures of the Orange coalition: a "great compromiser," Yushchenko chose to compromise with the establishment rather than his coalition allies, failing to deliver on the "Orange promises" and implicitly signaling to his follower "do as you wish" (Chapter 6). And *Viktor Yanukovich* did as he wished, becoming "increasingly autocratic and kleptocratic" during his reign and leading the author to conclude the respective chapter of the book with an exclamation, "Bravo Bravissimo Viktor!" (Chapter 7). Given that Havrylyshyn has advised the government of Ukraine in the first years of independence and served as Deputy Minister of Finance (1992), for years after that dealt with Ukraine at the International Monetary Fund (IMF), and most recently advised the Ministry of Economy and the Presidential Administration (2014–2015), he naturally sympathizes with some Ukrainian politicians (*Viktor Pynzenyk* and *Yulia Tymoshenko* may be among them). He does an honest thing acknowledging the possibility of a bias in the Preface.

Fourth, Havrylyshyn blames Ukraine's prolonged economic dependence on Russia on a triad of rent-seekers, consisting of Ukrainian oligarchs, Ukrainian government officials and Russian oligarchs, alongside the Kremlin. *Ukrainian money and power elites* were thus *complicit in weakening Ukraine* and empowering Russia in this respect. Having told two contrasting stories that evolved in parallel—continuous energy-import dependence on Russia, on the one hand, and successful export diversification and globalization, on the other,—the author observes a change for the better after the start of the Ukraine-Russia conflict.

The final chapter of the book, on the prospects post-Euromaidan, opens with a section headed "hope dies last" and is a tad more optimistic than the title of the book. In fact, the author swings between *optimism* and *pessimism* throughout the book—

which, possibly, reflects the inner tension between his identities as a scholar and a long-standing expert in transition economies, who has seen some of his “research objects” progress further than others, and as a member of the Ukrainian diaspora, who sees Ukraine as his “native land” and dreams of “a strong, prosperous and democratic Ukrainian nation” (Preface). It is no accident that the book is dedicated to the Heavenly Hundred and many thousands that have died in the Donbas since 2014.

All in all, the book is a great addition to the earlier writings on the topic.² The author makes the most of his “privileged perspective,” as he calls it, having been an insider on many of the processes analyzed in the book through his affiliation with the World Bank, the IMF and several Ukrainian governments. As a book about the politics of economic reforms in Ukraine, it would be of interest to economists, political scientists, historians and people curious about the country and the wider region more broadly. Thanks to the author’s pleasant writing style and many historical references, personal observations and symbolic allusions scattered around the text, the book is capable of engaging both academic and non-academic readership. And its existence in the e-book format makes it all the more accessible and affordable to future readers.

If you can read but *one* book by Oleh Havrylyshyn, read this one, as it builds on his earlier ideas and decades of research in a new and engaging way.

2 See Anders Aslund, “Comparative Oligarchy: Russia, Ukraine and the United States,” *CASE Studies and Analysis* 296 (Warsaw: CASE, 2005); Anders Aslund, *How Ukraine Became a Market Economy and Democracy* (Washington DC: The Peterson Institute for International Economics, 2009); Christopher A. Hartwell, *Two Roads Diverge: The Transition Experience of Poland and Ukraine* (Cambridge: Cambridge University Press, 2016); Robert S. Kravchuk, *Ukrainian Political Economy: The First Ten Years* (Basingstoke: Palgrave Macmillan, 2003); Hans von Zon, *The Political Economy of Independent Ukraine: Captured by the Past* (Basingstoke: Palgrave Macmillan, 2000).