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INSTITUTIONAL AND PSYCHOSOCIAL ANALYSIS OF UKRAINIAN REFORMS

Abstract. Sociocultural reasons for failures in implementing structural reforms in Ukraine are analyzed. It is concluded that the administrative-oligarchical model, which was formed in Ukraine, is not able to provide sustainable economic growth and social well-being. An analysis is made of the psychosocial components of the institutional trap of reform. The structure of competencies necessary for the successful implementation of reforms is considered. The urgency of creating the institutional foundations of innovative cultural policy is substantiated.

Keywords: cultural policy, institutional trap, modernization, reforms in Ukraine.

ІНСТИТУЦІЙНИЙ ТА ПСИХОСОЦІАЛЬНИЙ АНАЛІЗ УКРАЇНСЬКИХ РЕФОРМ

Анотація. Аналізуються соціокультурні причини невдач у реалізації структурних реформ в Україні. Узагальнено, що адміністративно-олігархічна

модель, яка сформована в Україні, не здатна забезпечити стійке економічне зростання і соціальне благополуччя. Аналізуються психосоціальні складові інституціональної пастки реформ. Розглядається структура компетенцій, необхідних для успішного впровадження реформ. Обґрунтовується актуальність створення інституційних засад інноваційної культурної політики.

Ключові слова: культурна політика, інституціональна пастка, модернізація, реформи в Україні.

ИНСТИТУЦИОНАЛЬНЫЙ И ПСИХОСОЦИАЛЬНЫЙ АНАЛИЗ УКРАИНСКИХ РЕФОРМ

Аннотация. Анализируются социокультурные причины неудач в реализации структурных реформ в Украине. Делается вывод о том, что административно-олигархическая модель, которая сформировалась в Украине, не способна обеспечить устойчивый экономический рост и социальное благополучие. Проводится анализ психосоциальных составляющих институциональной ловушки реформ. Рассматривается структура компетенций, необходимых для успешной реализации реформ. Обосновывается актуальность создания институциональных основ инновационной культурной политики.

Ключевые слова: культурная политика, институциональная ловушка, модернизация, реформы в Украине.

Target setting. Ukrainian society always keeps in sight the task of implementing reforms. They became particularly relevant after the dramatic events in 2014, which are related to the Euro-maidan. However, if we summarize the result of over the past 25 years of transformation, we must recognize that there are not too many positive changes that have pointed to a new quality of society. Thus, political class face the challenge, on the one hand, to assess progress made in the historical trajectory, and on the other hand – to understand the state building errors, which apparently were done more than enough. And the most important part is to create realistic agenda for prospective reforms for the near future.

Analysis of recent research and publications. Studies of the problem related with the implementation of the reforms were always in sight of Ukrainian scientists. Due to the tasks of of this publication its point to study those authors who studied the socio-economic aspect of reform. This includes work of Halchynskiy, A. Vlasyuk, V. Symonenko, V. Heyeytsya, E. Libanovoy, E. Golovakha, E. Afonin, S. Korablina V. Shulga and others. It is also necessary to called foreign scientists who have studied the processes of global socio-economic transformation. In particular, V. Polterovych, J. Stiglitz, J. Perkins, John. Sachs, F. Fukuyama, E. Reinert and others.

The aim of this article is an analysis of institutional and psychosocial aspects of reforms that were implemented in Ukraine. As historical experience has shown, the activity of the reformers took place in conditions of the historically developed social institutions and under the influence of certain values (archetypes) that did not fall in sight of their goal-setting, but at the same time “silently” contributed to the degradation of reform projects. Thus, the task of the research paper is to identify psychosocial and institutional factors in implementation reform projects.

The statement of basic materials. By the time when Ukraine became an independent state, it was a highly developed industrial-agrarian republic. Its share in foreign economic relations of the USSR was about 20 %. It is believed that Ukraine wealth expressed in value terms in 1991 was amounted to 6,8 trillion dollars [1]. The share of industry in the structure of the economy in 1990 was 37,9 %. In 1990 the industry of Ukraine was equivalent to 32,8 billion dollars and ranked 27 in the world. Agriculture of Ukraine in 1990 was estimated at 22,1 billion dollars and was ranked 12th place in the world [2].

During 26 years Ukraine largely lost its economic potential. Over the years since the acquisition of sovereignty its real GDP declined by 35 %. According to the World Bank, this is the worst result in the world for the past 24 years.

Dramatic years for the economy were in the biennium of 2014–2016. Nominal GDP in Ukraine in 2015 was amounted to 90,6 billion dollars, while in 2014 – 133,5 billion dollars. In 2015 in purchasing power standards of GDP per capita Ukraine figures decreased to

7,5 thousand dollars against 8,2 thousand dollars in the previous 2014 [3]. This is 5 times less than the average amount in the EU, 3,4 times – than in Russia, 3,2 times – than in Kazakhstan, 2,3 times – than in Belarus. During the biennium of 2014–2015 GDP of the country declined by 17,5 %. In 2016 Ukrainian economy has shown an increase of 2,2 %, which is absolutely not enough to reach the pre-crisis level. The economy is gaining momentum in deindustrialization and strengthening the low-tech orientation of production. There is an increasing trend in growth of outdated production capacity. Thus, over the past 15 years, the degree of wear and tear of basic means of production increased from 43,7 % in 2000 to 85 % in 2015. However, in 2015 Ukraine has strengthened the agricultural specialization of its economy. Agricultural production generates almost 39 % of GDP. For comparison, in the EU countries the share of agriculture in GDP is much lower and in 2015 it was 1,5 %. At the same time in the EU the contribution of professional, scientific and technical activities to GDP is almost three times higher compared to the Ukrainian indexes (average 10,9 % of GDP in the EU and only 3,8 % in Ukraine). As noted by the experts, such structural imbalances between Ukrainian and European economies limit the competitive opportunities of the national economy in the process of European integration. Technological backwardness and conservation of low-tech production structure suggest a crisis of the national industrial policy [4]. Experts said “since independence the country has lost not just individual enterprises and research centers, but the whole industries. Tech-

nological decline “gave” Ukraine not just a commodity and small economy, but the damped economy. Since independence, its weight in the world production decreased by 4–5 times. Having lost former technology base, the domestic economy was tied to world markets for raw materials” [5]. Despite the huge amount of government debt, according to experts since 1991 from Ukraine to offshore zone was withdrawn the amount of capital equal to 148 billion dollars [6]. These negative trends have contributed to the spread of poverty in the country. GDP per capita fell from \$ 4,186 in 2013 to \$ 2,067 in 2015. In 2017 according to the UN about 80 % of Ukraine’s population was below the poverty line [7].

In 1991, when Ukraine gained independence was proclaimed withdrawal from totalitarian administrative command model to build a socially oriented market economy. However, analyzing the socio-economic results of what has been achieved, we have conclude that none of the stated goals was achieved. Over 26 years were approved many government programs that were designed to prevent destructive processes. In each of them with different levels of detail were proposed measures to stimulate economic growth and improve the social situation of citizens. As an illustration, we mention the most important ones.

It is believed that the first document of the public policy that defined the objectives of reforms was a ruling by the Supreme Council dated October 25, 1991. “The main directions of economic policy of Ukraine in conditions of independence”, prepared by the Government V. Fokin.

In 1992 Parliament approved the program “Fundamentals of National Economy of Ukraine”, presented by the President Leonid Kravchuk. In 1996, the President Leonid Kuchma made the program “Through radical reforms”. In 2000 former prime minister Viktor Yushchenko presented to the Parliament the program “Reforms for welfare”. During the premiership of Yanukovich the parliament has approved two programs – “Openness, effectiveness, and efficiency” (2003) and “Sequence. Efficiency. And Responsibility” (2004). However, the second one was canceled in December 2004 after the “Orange Revolution”. Since his premiership of Yulia Tymoshenko were presented the following programs “Meet the People” (2005), composed in continuation of Yushchenko’s election program “Ten steps towards people”, and “Ukrainian Breakthrough: for People, not for Politicians” (2008). Reference is also made to a program of economic reforms of former President Viktor Yanukovich “Prosperous Society, Competitive Economy, and Effective State” (2012). Post-maidan power was “distinguished” by active program-making. Here, in particular, can be specified a Poroshenko’s program “Ukraine – 2020” and the coalition agreement of deputy factions “European Ukraine”. In addition to the presidential and premier programs in the last decade, the government approved dozens of targeted industry concepts and development programs. However, as can be seen from the socio-economic results of what has been achieved, none of the attempts to implement approved programs or strategies failed to stop the accumulation of negative trends. Discrepancies

between the proposed by political class reform programs and socio-economic reality were amazing – resulting in a socio-economic model, which nobody has planned. In the country was formed an administrative-oligarchic model system [8]. In fact, the country is facing the threat of socio-economic disaster, balancing on the verge of bankruptcy, from which saves us financial contributions of the IMF and other international financial institutions. Gradually, the so-called external control is being alleged when the key decisions in the economic and political spheres shall be agreed upon the foreign “friends”. Based on the results of 26 years of experience in implementing reforms, Ukraine can be called a “loser country”.

Establishing the administrative oligarchic model in Ukraine is not the result of some historical accidents. For many years, understanding reforms for political and administrative elite was associated with importing models that are based on the principles of the so-called Washington consensus. However, implementation of these models in practice led to opposite results. Modernization that was carried out under the ideological influence of “market fundamentalism”, has resulted in the formation of so-called “trophy economy” – a system of socio-economic relations, based on the use of previous era accumulated material wealth in order to obtain short-term benefits and not able to create conditions for the dynamic development. As Erik Reinert noted, “in 1989, the fact of the fall of the Berlin Wall created almost religious euphoria about the free market, has revived the dream of the world economy. This belief is the basis of the

ideology of the International Monetary Fund and the World Bank, international financial organizations, which since the early 1990s govern affairs in most poor countries. In many countries this management led to a disaster. History reveals us how the rich countries became wealthy by methods that are now almost completely banned by the conditions of Washington Consensus” [9, p. 5, 18]. History of Ukraine proves the correctness of this opinion.

The transformation of post-totalitarian society based on neoliberal models contributed to the economic and cultural pathologies. Thus, privatization of socialist property has led not to the formation of an “effective owner”, but to the looting and destruction of industrial assets. Even economically sustainable enterprises after privatization did not evolve, social status of workers did not improve, and the fixed assets did not renew. Refusal of state regulation and opening the domestic market for ostensibly stimulate investment and competition led to decrease in national production. Short-term successes of the “trophy economy”, which were shown, for example, in a partial GDP growth and partly improving people’s welfare after the next political cycle (for example, the next presidential election) changed to recession and increased poverty. One of the reasons for the failure in implementing reforms is that the political and administrative classes were the victims of an institution cultural trap. Its essence is that by declaring the need to create new forms of social and economic structure, it functioned in other coordinates of rationalities (corrupt rent, “trophy economy”). Development programs, which were

aimed at creating new forms of economic and social activity, were carried out in the old socio-cultural conditions of the (archetype) institutions. This led to the formation of a strong anti-reform potential in society, which has always “put out” modernization impulses.

The impact of institutional cultural trap lies in the fact that ignoring the problems of cultural development has led to the destruction of reform projects. The point is that without introducing changes in the cultural sphere it is impossible to achieve a successful transformation in society. In recent years, reformers have proposed in their projects a new system of socio-economic relations, but post-totalitarian society, sharing the old system of values neither did perceive changes nor implementation of liberal doctrines had opposite effects, helping to create anti-reform attitudes in the public consciousness. Cultural trap is a situation where the harmful and outdated values become resistant norms of life, making any modernization strategy ineffective.

We will provide psychosocial components of the institutional trap of the reform:

- absence of passionarity in authors of reform projects. Dealing with reforms was a matter usually performed by officials or political leaders for whom the reformist trend actually was not a priority. For them, it was the implementation of an approved “outside” plan or performing a specific role. These “reformers” sought the formal evidence of the impact of their efforts, not realizing the strategic goals of social development.

- low legitimacy of power contributed to the anti-reform potential in

society, who served a protective function for those sectors of the population who did not understand the content of the reforms. Even when the power offered quite reasonable reform projects, still in a crisis of confidence they were perceived by the population mostly in a negative way.

- organizational failure. In the executive branch was not formed a separate body that would be responsible for implementing reforms. All ministries and departments were engaged in the process, but there was no system work of a separate structure that would have authority to evaluate the effectiveness of policy reforms and would be responsible for its implementation. When such structures are created in a variety of “advisory boards” or “reform committees”, they performed mostly secondary functions. Thus, often there often arose a situation where for implementing reforms at the same time all seemed to be responsible, but no one did.

- it was a common imitation of reform projects when programs were created to mobilize voters during election campaigns or to obtain external financing. Often promoting reform projects were only part of broad manipulative efforts to create a positive image of individual leaders or political parties.

- significant disadvantage of reform projects was their declarative character, which was the result of low-level design of public policy. Typically, these projects were created without proper calculation of material, institutional and human resources required for their implementation. There was neither created mechanism of identifying priorities nor proper evaluation of required

resources for the implementation of government programs.

- conflict of interest prevented the implementation of reforms. Successful could be only those changes that meet the interests of specific politicians or business groups. If the proposed changes did not meet corporate or personal interests, they were strongly held back, or even did not implement at all.

- there should be indicated a factor of lacking the continuity in the implementation of reform projects. Winners of the next parliamentary and presidential elections refused to develop positive achievements of their predecessors. Guided by considerations of creating a positive public image, they wanted to start from scratch that is why even small positive experiences of predecessors were lost. Due to the strategic incompetence of establishment management plans were created based on one political cycle.

- finally, it should be noted that conceptual failure of many reform projects, which is why they were based on false postulates of the Washington Consensus, which were imposed from outside. Implementation of the ideology of “market fundamentalism” has led to the fact that the domestic economy deteriorated and there was a conservation of backwardness.

Summarizing the psychosocial components of the institutional trap can be argued that they can be overcome by forming competencies that are necessary for successful reforms.

In summary form, these competencies can be summarized as follows items: 1) the possession of an exhaustive knowledge of the facility, which is planning to be changed; 2) the abil-

ity to identify priority segments or areas that need urgent positive change; 3) the ability to prepare a realistic plan of action, which would contain the calculation of the required human, financial and organizational resources; 4) presence of motivation for concerted actions, the ability to consistently implement the programs and achieve identified goals; 5) the ability to mobilize supporters, presence in society a critical number of actors who support reforms, an opportunity to establish a productive communication with them; 6) knowing when make evaluations of the achieved results and the need for understanding the mistakes, the ability to make quick adjustments to previous plans; 7) the presence of positive results that can be presented to public awareness, and by which increase the number of supporters; 8) loyalty of society to innovative changes, focus of public awareness on the development and rejection of retrograde psychology; 9) the ability to positive borrowing the positive reform experiences of other countries, knowledge of successful and unsuccessful reforms in other countries.

The transformation of post-totalitarian society over the past two decades did not produce the largely expected result because the inefficient cultural policy could not form a social consciousness fixing on the innovative development. Thus, in order to form the task in the public consciousness, especially the political class, strategic vision of culture importance for the success of the implementation of reform projects. However, the political class does not fully recognize the need for appropriate cultural policy during the implementation of reform projects. It must be noted

that the political class has no strategic vision on the role of culture in the successful implementation of reform projects.

In this respect it should be noted that the cultural and creative resources are one source of socio-economic development of the developed countries. Innovations in the field of culture and the creative economy contribute to the sustainable development of society. For developed countries one of the priorities is investment in the development of innovative potential of culture with new ideas and promotes creative economy that functions with new ideas and is capable to implement them in competing products and services. For example, in the United Kingdom creative industry provides for about 1,7 million jobs with a turnover of 77 billion pounds. In 2015 in the EU creative industries were employed 7 million workers. Revenue from the creative industries in the US is about 51 % of GDP [10].

Current global trends, including great recession showed the decline of the neoliberal model. Instead, the positive effects are evident growing influence of state regulation of market processes. Experience of Ukrainian reforms shows that positive results are possible only under total condition of modernization of society. Calculating that since it is necessary to reform the economy, and then socio-cultural sphere was false. Economic and technological transformation must take place simultaneously with the socio-cultural. That is why, the priority should be forming in the public consciousness of innovative cultural facilities, which would be the basis for economic, technological and political innovations. Ukrainian society desper-

ately needs positive social and cultural development that will be ground for successful economic and technological development. The concept of culture of innovation should receive wide distribution in the minds of political and administrative class. Purposeful development of innovative culture is a means to overcome outdated mental and organizational forms. This type of culture creates new norms and behaviors that contribute to the implementation of reform and renewal of society.

International experience demonstrates that Ukraine is now facing a problem of understanding the role of cultural policies in reforming society, which has to become an instrument of formation innovative installations in public consciousness. In this sense, there is an actual government support of innovations in culture as a prerequisite for the development of creative environment and the socio-economic development. The role of state cultural policy in the implementation of reforms is determined primarily by the fact that culture is the valuable basis where possible consolidation of Ukrainian society to overcome the socio-economic crisis and sustainable development.

Conclusions:

1. Administrative-oligarchic model that formed in Ukraine is not able to ensure sustainable economic growth and social welfare. Transformation that were carried out in terms of this model, in fact, put the country on the brink of disaster, that is why successful reform of the socio-economic system of Ukraine should be considered as a necessary process of survival of the country in the long-term strategic perspective.

2. One of the reasons for the collapse of Ukrainian reforms is phenomenon of the institutional cultural trap. This concept indicates that without changes in the cultural sector, especially, in system of values and motivations in society are impossible productive drastic reforms. The reformers proposed a new system of socio-economic relations, but post-totalitarian institutions functioning in the old coordinate values or perceived changes in or implementation of liberal doctrine had the opposite effect. Cultural trap is a situation where the harmful values become resistant norms of life and make ineffective any strategy of modernization.

3. Institutional socio-cultural trap contributed to the loss of subjectivity of reformers. Modernization projects evolved under the influence of neoliberalism attitudes (Washington Consensus) that were unacceptable to society that functions in the coordinates of post-totalitarianism. Thus, it is necessary to reject false practice of borrowing these attitudes. Reformers should focus on creating incentives that promote the development of domestic industry and protectionist policies to strengthen the domestic market. Without this realization of neoliberal units (such as “market itself will bring the country out of crisis”) lead to the preservation of the technological backwardness.

4. You must give up superficial ideas about the reform. Without a comprehensive analysis of the economic and cultural realities it is impossible to determine priority areas of public policy reforms. Specifically, when efficiency reforms should be understood not only improving macroeconomic indicators, but also enhance the creative potential

of society and the cultural competences of the individual. On the agenda there is a need for a meaningful state strategy reform aimed at Reindustrialization of Ukrainian economy and the development of cultural competence of citizens.

5. The dynamic development of culture is key to successful reforms in Ukraine. It is necessary to give up the false view that the success of the reforms lies only in the economic and social dimensions. Successful transformation can be only when it is accompanied by effective state policy in the spiritual and cultural sphere, primarily due to the formation of an innovative culture. The priorities of the cultural policy strategy for reform society should be associated with the need of human creative potential and create conditions for the formation of creative environment and new forms of social organization.

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