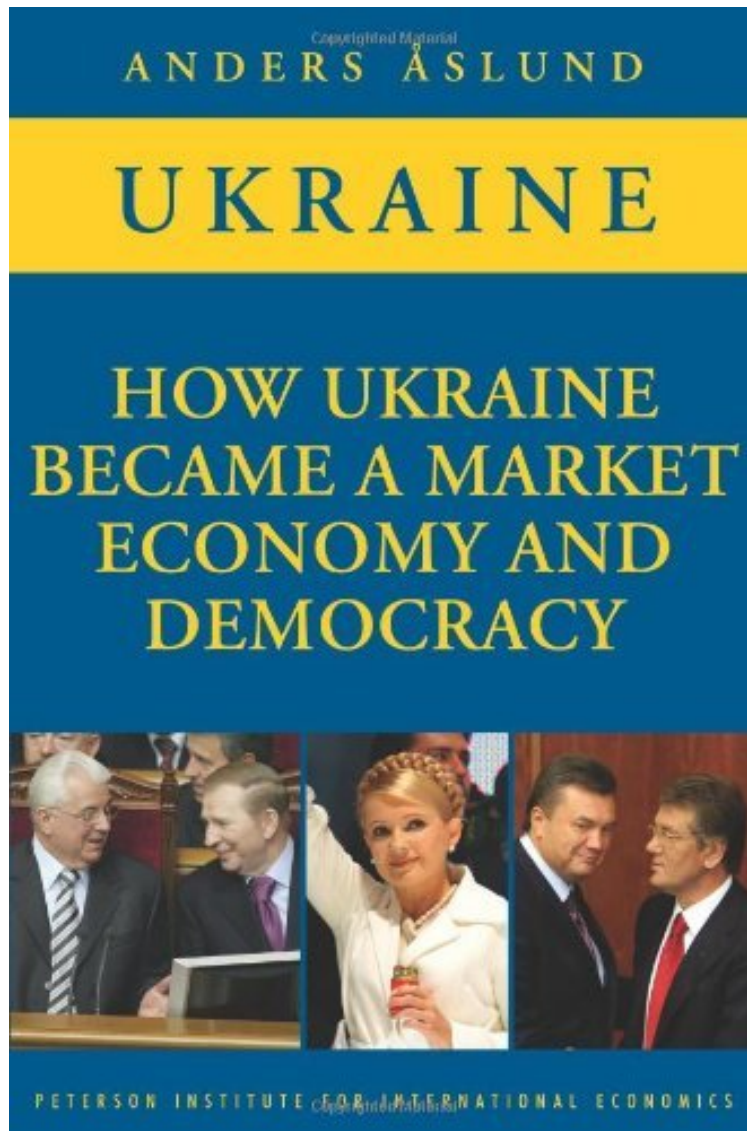


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How Ukraine Became a Market Economy and Democracy

Anders Aslund

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Anders Aslund : How Ukraine Became a Market Economy and Democracy before purchasing it in order to gage whether or not it would be worth my time, and all praised How Ukraine Became a Market Economy and Democracy:

0 of 1 people found the following review helpful. The Cost of Delayed TransitionBy Etienne RPA curious contrast exists between the historiography of Russia and Ukraine during the end of communism. Books on Russia discuss economic crisis and reform at great length, while studies of Ukraine mention economics just in passing. Transition economics focuses on Russia and treats Ukraine as a footnote.By describing how Ukraine became a market economy and democracy, Anders Aslund's book intends to fill that gap. He devotes equal attention to the economics of

transition and to the politics of democratization. No one was better placed to write it: Aslund served as an economic adviser to the Ukrainian government from 1994 to 1997, and has remained deeply engaged with Ukraine as the country struggled through the first fifteen years of its independence. As a result, the book can be read as part memoirs, part political analysis, and part applied economics. Aslund uses the first person to comment on many reforms in which he was an active player. He expresses frustration at times for the lack of understanding that he faced with his policy prescriptions, but also gives credit to the main actors of Ukraine's transition. Leonid Kravchuk led Ukraine during the most intense phase of nation-building and is credited with having secured peaceful independence, but his neglect of the economy led to hyperinflation, extreme rent seeking, and output collapse. The political origin of the financial stabilization was Leonid Kuchma's election as president in July 1994. The crowning of the stabilization was the symbolically important introduction of the hryvnia in September 1996, which was managed by the chairman of the National Bank of Ukraine, Viktor Yushchenko. As prime minister in 2000, Yushchenko completed the market economy by cleaning the worst remaining rent-seeking practices and moved Ukraine to high growth. Ukraine became a full-fledged democracy with free and fair elections as well as free media after the Orange Revolution in November-December 2004. The revolutionary momentum, however, wasn't used to reform Ukraine's dysfunctional political system. Severe conflicts between the president and prime minister led to frequent government changes, early parliamentary elections, and minimal legislative activity. There are several lessons to be learned from Anders Aslund's book. The first is the cost of delayed transition. Aslund gives a categorical answer to the debate on whether post-communist states should have adopted a shock therapy or a more gradual approach in the transition to a market economy. Ukraine delayed reforms for three years and this gradual approach was to no one's advantage. On the contrary, it aggravated inflation, output collapse and social suffering in the initial years of transition. Corruption became entrenched and was to be a long-lasting ill. No less amazing than the cost of delayed reform was the Ukrainian population's tolerance for this neglect and patience in the face of economic hardship. Ukrainians appear to have considered nation-building their all-dominant priority. The second lesson is about the choice between a presidential and a parliamentary system. Ukraine seems to be moving from the former toward the latter. Here again the choice should be clear-cut: all postcommunist presidential systems have become authoritarian, whereas all postcommunist countries which chose a parliamentary system are democracies. In the CIS, the most democratic countries - Ukraine, Georgia, Kyrgyzstan, Moldova, and Armenia - have recently been moving in a parliamentary direction, while the authoritarian countries have reinforced presidential rule. The correlation between democracy and parliamentary system is strong. In addition, parliamentary democracies implemented more far-reaching and comprehensive economic reforms, whereas countries which moved slowly on reforms fell into an authoritarian trap. Transparent laws are preferable to presidential decrees for substantial reform. The third lesson is on the need to find champions for reforms and the role of foreigners as providers of policy advice. At the time of independence, Ukrainians understood little about economics and, apart from an able corps of diplomats, had few contacts with the outside world. The ministry of finance was very weak in the Soviet system, being the state accountant rather than a policymaking unit. As a result, the main reformers tended to concentrate around the president or the prime minister, with very little apparent opposition. They drew support from foreign advisers like Anders Aslund, who was introduced to the newly elected President Kuchma by George Soros and who exerted considerable influence during two years of frantic activity. The World Bank, the IMF, USAID, and a German advisory group are also credited with providing invaluable help in the key years of reforms. By contrast, Anders Aslund criticizes the European Union for its passive approach toward Ukraine. Here is how he summarizes its assistance: "Through its Technical Assistance to the Commonwealth of Independent State (TACIS) program, the European Union spent a lot of money on Ukraine, but its mandate and procedures were construed in such a way that it could hardly do anything useful. For example, after Ukraine finally managed to break out of the ruble zone and bring inflation under control, TACIS parachuted a French Trotskyite into Kyiv with a project to restore a currency union with Russia and Belarus." To be true, the author is also critical of policy recommendations provided by the IMF on monetary matters: although "by and large, IMF policy advice was sound," "the worse piece of advice was probably the adoption of a currency corridor from 1996 to 1998, as in Russia, which led to an abrupt devaluation in the fall of 1998 after a severe loss of international currency reserves." 0 of 1 people found the following review helpful. Great book By Olena It's a very good book with lots of thoroughly analyzed information. I teach Ukrainian studies and though I do not teach politics my students often ask me about political situation in Ukraine. I always recommend them to read this book in addition to my answers. It's also good to see a foreign author writing on Ukraine who knows exactly what he is talking about. The best book on Ukrainian politics in English so far. 1 of 3 people found the following review helpful. How Ukraine Became a Market Economy and Democracy By Oleh This book is written in, I'd say, a 'readable' style, which is a rare thing for many experts nowadays. The author gives an unbiased description and his sources of information are well known in Ukraine. I find the information quite reliable, because I was born and have lived in this country all my life through and am able to compare the real events with what the book says.. Thank you, Mr Aslund! Wish you many successful works in future! Oleh Klymchuk

How Ukraine Became a Market Economy and Democracy explores Ukraine's postcommunist transformation from

1991 to 2008, how and why key policy decisions were made, and what Ukraine should do to overcome the ravages of its political and financial crises. The path Ukraine has traveled since 1991, when Ukrainians overwhelmingly voted for their nation's independence, has been turbulent. During this time, it has recorded many achievements, but it has also faltered. Its greatest triumph is that hardly any Ukrainian questions the sovereignty of the state. It has become a democracy, albeit fragile, and is a market economy with predominant private ownership. Despite being one of the last postcommunist countries to opt for serious market economic reforms in the 1990s, it grew at an average of 7.5 percent a year from 2000 to 2007. In this clear, accessible account of Ukraine's political and economic metamorphosis, noted expert on the postcommunist transformation Anders Aslund provides a chronological guide to the evolution of a country known for its diverse regions. Aslund identifies the protagonists and leaders who have formed the country's regimes in this easy-to-read volume and analyzes how constant governmental transitions have affected the country.

A comprehensive and insightful analysis of Ukraine's economic and political development since the achievement of its independence in 1991. The implicit message of this important book is that Ukraine is and, even more, should be an integral part of Europe. --Zbigniew Brzezinski, former US national security adviser
This is an excellent book. Aslund is perhaps unsurpassed in his expertise regarding Ukraine's recent economic and political development. . . . Highly Recommended. --Choice
Few observers of the contemporary Ukrainian scene have proven as astute and insightful as Anders Aslund. His latest book is essential reading for those who wish to understand the course that Ukraine has traveled since 1991, where it has succeeded, where it has fallen short, and why. --Steven Pifer, former US ambassador to Ukraine
About the Author
Anders Aslund, known for repeatedly challenging conventional wisdom on transition economies, is a leading specialist on postcommunist economic transformation with more than 30 years of experience in the field. He boldly predicted the fall of the Soviet Union in his *Gorbachev's Struggle for Economic Reform* (1989). In *Building Capitalism: The Transformation of the Former Soviet Bloc* (2002) he firmly stated that the only choice Russia had was market reform. He is also the author of *Russia's Capitalist Revolution* (2007). Dr. Aslund joined the Peterson Institute for International Economics as senior fellow in January 2006. He has worked as an economic adviser to the Russian government (1991-94), to the Ukrainian government, and to the president of the Kyrgyz Republic.