

# ICPS newsletter<sup>®</sup>

## Ukrainians and business: Shackled by soviet stereotypes

*Over 20–30 May 2007, Socis, a Kyiv-based center for social and political research, carried out a nationwide poll called “Reforms, Business and Policy,” with the support of the Institute of Sociology under the National Academy of Sciences. This poll was commissioned by the International Centre for Policy Studies. An analysis of this poll revealed a number of interesting trends: Ukrainians are orienting towards market values and they are linking their future and the future of their country with the development of entrepreneurship. At the same time, Ukrainians are holding on to soviet stereotypes about property, business and social justice. The results of this survey also showed that Ukrainians think private business is the one player with all the basic resources to implement reforms*

In commissioning this poll, ICPS analysts wanted to know the opinion of Ukrainians regarding four questions:

- Why are reforms not being implemented?
- How true is it that Ukrainians support only leftist, socialist ideas and are not material well-being and private property?
- How true is it that Ukrainians are unable to see business as a force that is capable of working for the benefit of the entire society?
- How true is it that Ukrainians consider the state the only real, effective player when it comes to development policy?

Based on this poll, ICPS analysts drew several key conclusions:

**Ukrainians are orienting towards market values and linking their future and the future of their country with the development of entrepreneurship.** All those parties and political consultants who are guided by leftist, populist slogans in their election approach and in the actions of the Government between the elections are apparently wrong. People in Ukraine have grown to understand a more rightist ideology: they want material success, they believe that private property works, and they are getting used to a competitive environment.

**Yet, Ukrainians are also holding onto some soviet stereotypes regarding property, business and social justice.** That is, they say one thing, and mean another. As a result, people in Ukraine are living in a state of

social schizophrenia, which is an impediment to understanding their own aims and to building their own future accordingly. For instance, Ukrainians are prepared to work hard to buy a car or a house or to start their own business but, at the same time, they parrot worn-out slogans like “Plunder and divide.”

**Ukrainians think private business is the one player with all the basic resources to implement reforms, while admitting that business gets little support from the average person.** One-third of Ukrainians support the idea that business should have input into economic reforms and social challenges through special organizations and funds that are arms-length from business and open to the community.

**Shackled by soviet stereotypes, Ukrainians believe in liberal values**

The poll shows that, although most Ukrainians believe in the primacy of private property, want fair competition and are getting used to a free market, they remain shackled by soviet stereotypes and leftist, populist slogans related to money, extensive private property and big business. This gap between internal values and imposed stereotypes is evident when respondents repeat ideological clichés left over from soviet times, but provide fundamentally different answers to questions about personal plans and priorities.

The paradoxical attitude of Ukrainians to private property is as follows: “my own”

property is good and inviolable, while “somebody else’s” property, especially if it’s big, can be challenged, because who knows how it was acquired. Attitudes towards business are similarly ambivalent. On one hand, Ukrainians are negative about the role of big business in modern Ukraine. On the other, they say private property works best. Most say they are ready to start their own business or to work at a private company. One-third thinks that big business should contribute to economic reforms and social challenges.

**The gap between soviet stereotypes and common sense**

74% of Ukrainians think that the state should uphold private property and provide incentives for the development of domestic business. Yet this view does not prevent almost 70% of Ukrainians from agreeing that major commercial assets should be re-privatized in Ukraine.

Ukrainians think that private enterprises and organizations are more effective than state-owned entities and prefer the kind of working conditions and terms of pay that are available only at private companies. But the minute the owner, even a good one, is mentioned, the number of Ukrainians wanting to work there diminishes rapidly.

50.4% of those polled think that when private business accumulates capital, it makes the state and ordinary people poor. Yet, 73.5% are convinced that civilized, transparent business brings an overall improvement in well-being.

38% of Ukrainians think that big business has achieved success in an unfair manner through exemptions or, worse, stealing from the state. They link big business with corruption and preserving opaque rules of the game (65%), the desire to make as much as possible and flee abroad (56%).

And yet, 50% of respondents want to start their own business. Nearly 40% have been entrepreneurs or have provided commercial

services. Entrepreneur and banker are the professions they most aspire to for their children and grandchildren.

More than 70% of Ukrainians are ready to work harder to make more, but a significantly smaller number of respondents is prepared to actually sacrifice something to do so, such as to give up their free time, to take on more personal responsibility or to train for a new profession.

About 9% of those polled feel fine in the current competitive environment, more than 40% are trying to adjust to it and only about 20% are unable to accept it.

## Ukrainians think business is the best placed to implement reforms

Ukrainians blame the failure of reforms on politicians and bureaucrats, as well as the weakness of the state machine. They think that reforms are not happening because:

1. Politicians are busy trying to divide power among themselves (66.6%).
2. Officials aren't interested in reforms (60.8%).
3. The state does not have a strategy or resources (33.5%).

They go on to say that the state lacks:

1. experience in systemic change (52.6%);
2. political support of parties (44.7%), that is, people understand that, in their ongoing pursuit of votes, parties impede reforms or are not interested in them at all;
3. a strategy and plans for reforms (42.6%), that is, Ukrainians don't hear the government talk about plans or actions.

Compared with state and community organizations, business apparently has the largest and the most critical resources for implementing reform on nearly all indicators: money (81% said that business has financial resources to implement reforms), intellectual potential (61%), and strategy and planning (51%). Ukrainians think that these are the most important resources to implement reforms. At the same time, business does not have much support among Ukrainians (only 26% think that Ukrainian society supports business)!

More than one-third of Ukrainians are prepared to support the idea of big business participating in economic reforms. 33.7% think that big business should have input into economic and social objectives through special funds that at arms length from business and open to the community. This is much less than the number (76%) who think that the social role of big business is to engage in charity and patronage, but more

than the number who think that business should stick to business (20%) or should directly participate in policy-making (12%).

Thanks to foundations set up by Viktor Pinchuk and Rinat Akhmetov, charity balls and benefit auctions, Ukrainians have gotten used to charitable activities and patronage on the part of big business. With the arrival of Mr. Akhmetov's fund, which plans to make recommendations to the Government for implementing reforms, publicly and involving stakeholders, public support for this kind of business participation public administration should grow.

Ukrainians are most interested in reforming healthcare and education (68.4% and 48.1%). Ukrainians also show serious interest in "horizontal" reforms—local government reform (46.7%), civil service reform (45.7%), and judiciary reform (42.3%). Regulatory reform that would simplify business activity is supported by 25% of Ukrainians.

## Reliance on stereotypes is the main reason behind the failure of reform

Most Ukrainians think that politicians and bureaucrats impede reforms. Yet, politicians only relay and reinforce what Ukrainians think inside. They are guided by popular leftist stereotypes, which is why not a single party in Ukraine dares drop them altogether or establish an image that completely rejects them.

As a result, these stereotypes determine government policy and make it impossible to implement reforms that might result in a situation where money will work for our future and for our country. The main block to reform is a form of populism that Ukrainians automatically vote for at every election. Ukrainians agree with the ban on selling land and, thus, they encourage corruption: a black market for land has operated for a long time and those very people who yell "No!" to the sale of land from the Verkhovna Rada podium make a fortune on that market. Influenced by Ukrainian stereotypes, the Government engages in price controls and, thus, contributes to artificial price hikes and shortage. Ukrainians may be "kurkuls [kulaks]" and "descendants of kurkuls," yet they are afraid, to this day, to admit that the word "kurkul" refers to the most hardworking, successful social group in the pre-1917 Ukraine.

Until Ukrainians reject soviet stereotypes and admit that they have long been oriented towards material well-being and private property, that they prefer incentives for their business ideas and, ultimately, free economic

competition without raids, unfair benefits and exemptions, and almighty bureaucrat's "No, you can't!," Ukraine will never have an effective, responsible Government. But to reject stereotypes, Ukrainians have to first identify them and admit that, by influencing their decisions, these stereotypes really spoil their lives.

## Ukrainians supports the ideology of the right proposed by business

Most Ukrainians believe that the state should protect private property and provide incentives for the development of domestic business. Ukrainians want to work in the kind of environment that only private business can ensure and they recognize the effectiveness of private companies. The results of this study provide evidence that the liberal values embodied in business already have broad support in Ukraine.

And yet, Ukrainians are critical of the current political role of big business. Big business has gone too far, they say, sponsoring political parties with social stereotypes. This is why it does not enjoy trust or support among ordinary Ukrainians and why they reject the idea of business formulating state policy. In this kind of situation, business will not be able to apply its reformatory potential. In the final count, that will be bad for the country—and for business itself.

To become the main constructive force in an open, competitive society, business needs to change the rules of the political game. Business must stop supporting actions and ideas that it does not believe in, stop being silent about its real values, and stop avoiding the competition for public trust.

Even now, business can take advantage of conditions that are ripe in Ukrainian society, to organize and step forward with the ideology inherent to business, to propose its reform plan—and to do this all openly, through business organizations, rather than counting on the protection of other political forces. ■

*This project was managed by Vira Nanivska, Honorary Chair of the ICPS Supervisory Board and President of the National Academy of Public Administration under the President of Ukraine. For the detailed results of this sociological survey and their analysis, visit the ICPS website online at: [http://www.icps.com.ua/doc/BusinessAndReforms\\_U.pdf](http://www.icps.com.ua/doc/BusinessAndReforms_U.pdf) (in Ukrainian).*

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