

## ТРАНСФОРМАЦІЇ ПОЛІТИЧНОГО ПРОСТОРУ В СУЧАСНІЙ УКРАЇНІ

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### OLIGARCHY AS A MODEL OF SOCIAL ORGANIZATION IN CONDITIONS OF POST-SOCIALIST TRANSFORMATION

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In the presented paper oligarchy is considered not as a transitional form of government on the way from socialism to capitalism but as a substantially different model of social organization and domination based on strong ties between political and economic elites, on the merger of political clout and economic property. It is also seen as a particular model of societal modernization – constrained, directed and controlled by ruling classes. The paper discusses major factors that promoted creation of oligarchic system in Ukraine of both internal and international nature. Oligarchy stemmed, on one hand, from socialist legacy and, on the other, from a specific model of transformation implemented in the post-socialist epoch. Reforms were launched and continued in such a way that interests of ruling classes in the private and uncontrolled acquisition of public resources and in the exploitation of producing classes were ensured. Oligarchy is rooted in informal structures of power – closed clans that are based on clientelist (or patron-client) model of social integration of society.

*Key words:* oligarchy, controlled modernization, clientism, paternalism, clan, postsocialist transformations

Among many changes brought about by post-socialist transition the emergence of oligarchic regimes in several countries of the former Soviet block is one of the most noticeable and consequential outcomes. Oligarchy contradicts to the expectations of many experts in post-Soviet studies about the emergence of an efficient market economy and the democratic form of government after the collapse of communism.

After the period of euphoria among politicians and social scientists shortly after the disintegration of the Soviet empire, analysts started to present a more sober – and in many cases totally pessimistic – picture of post-socialist transformation. Some authors tend to perceive it as a regression to earlier stages of historical process – to merchant capitalism (M. Burawoy) [1] or even feudalism (V. Shlapentokh) [2]. However, most students of post-communism posit that oligarchy is a temporary condition of transition process, a certain anomaly or aberration from its strategic path, which can be corrected as soon as an efficient

set of reforms is implemented. In most cases Western commentators explain negative developments in post-socialist world in the light of the *model of failure* to realize a specific Western goal.

In contrast to the above assumptions oligarchy in many respects cannot be regarded a transitional form of post-communist rule, a particular post-Soviet road from socialism to capitalism, from plan to market, and from autocracy to democracy. Furthermore, this particular model of economic and political organization cannot be correctly understood and adequately explained within the paradigm of transition.

Paradoxically enough, in spite of the fact that oligarchy is a social phenomenon of great importance and consequence, it still remains understudied and instigates rare media publications and political speculations. Sporadic attempts to present scholarly conceptualizations of the phenomenon have been made in western political science [see, particularly: 3; 4]. However, they are either too much empirically oriented or tend to focus on one specific aspect of the problem in question, particularly the type of authoritarianism. Among a few domestic studies of oligarchy one of publications analyzes the antisocial essence of oligarchic political regime and its features which contradict to democracy, law-abiding and welfare state [5]. What is missing is a broader analytical framework and a composite medium range theory of the phenomenon in question.

In the presented paper oligarchy is seen not as a transitional form on the way from socialism to capitalism but as a substantially different model of social organization and domination, as a particular model of societal modernization. In so doing I try to delineate, first, the essence of this model, focusing on how it is related with modernization processes, second, the dynamics of oligarchy, factors that conditioned its emergence and further reinforcement, emphasizing primarily the antecedent conditions. The issue of how the model of transformation employed by ruling classes predetermined the path of Ukrainian society to oligarchy is somewhat beyond the scope of this discussion and referred to only sketchily.

### **What is Oligarchy?**

Oligarchy is originated from the ancient Greek and initially meant “the rule by the few”. In modern scientific discourse it started to apply with regard to certain institutions of mass democracy such as political parties, trade unions, interest groups and lobbies. In this respect one should recall the famous ‘iron law of oligarchy’ formulated by German sociologist Robert Michels in *Political Parties* in the beginning of the XX c. In the early 1990s the term was re-applied to describe the newly emerged type of political and economic regimes based on strong ties, or rather symbiosis between political and economic elites, on the merger of political clout and economic property. The economic might of oligarchs is based on their political position and connections. They convert money into power and back in bigger money.

Oligarchy came into being in a specific historical situation in which nascent states – successors to the former Soviet Union faced three major historic challenges – democratization, marketization, and state-building. Oligarchy was brought into being by the complicated combination of marketization and the resulting economic dislocation, on one hand, and political processes, on the other. The core mechanism of oligarchy creation was intrinsically linked with the distribution of property.

Oligarchy is regarded here as a specific model of social domination and organization, as a form of controlled or segregated modernization. This model of modernization was launched and continued in such a way that interests of ruling classes and private acquisition of public resources were ensured in the process of post-socialist reforming. These social actors – winners of transformation – initiated reforms, but neither implemented them in full, nor sought to turn them around. As Hellman puts it, “instead, they have frequently attempted to block specific advances in the reform process that threaten to eliminate the special advantages and market distortions upon which their own early reform gains were based. Instead of forming a constituency in support of advancing reforms, the short-term winners have often sought to stall the economy in a *partial reform equilibrium* that generates concentrated rents for themselves, while imposing high costs on the rest of society” [6, p. 204–205]. Hellman properly argues that the most common obstacles to the progress of economic reform in postcommunist transitions have come not from the traditional and expectable short-term losers, such as pensioners, workers, dislodged intelligentsia or the unemployed, but from very different sources, namely from the earliest and biggest winners of transition – enterprise insiders, bankers, officials, and Mafiosi. Under these circumstances economic liberalization mostly led to privatization without the formation of efficiently functioning market institutions and mechanisms of regulation. By the same token, democratization had an essentially limited character and aimed at the maximally full realization of the rights of privileged groups.

Oligarchy creates informal structures of power – closed and powerful clans. A clan is defined by Dinello as a “particularistic and cohesive network of trust and reliability that is dense and tightly interlinked, hierarchical, and non-transparent. Each clan shares its own set of values, symbols and interests, enforces particular norms of behavior, maintains strong in-group solidarity, and guards barriers to entry” [7, p. 595]. In modern economies clan-like networks are used for rent-seeking in contrast to profit seeking activity in a competitive market. Clans tend to preserve and take advantage of monopoly positions in order to stifle competitors from the outside, to limit their business options, and to increase the costs of entry into business. These clans are deeply in-built in informal power structures, using various, generally, clandestine, political means of influence on decision-making process. They exploit state resources and lobby preferences and favors by privatizing regulatory and repressive functions of the state in their own particular interests. The interrelationships among clans are regulated by authoritarian rulers.

The peculiarity of Ukraine’s situation is that each of several clans (in Ukrainian political discourse euphemistically called financial-industrial groups) is associated with certain region. The most powerful of several FIGs in Ukraine are Donetsk, Kiev, Kharkiv, and Dnipropetrovs’k-based (“Privat-group” of I. Kolomoyskiy and “Interpipe” of V. Pinchuk). Each of them controls huge economic resources and is involved in multiple economic sectors. For instance, the Donetsk clan headed by the richest man of Ukraine Rinat Akhmetov is in charge of the largest managerial company of the country *System Capital Management*. It runs numerous metallurgical plants and chemical factories, coal-mines, firms in machinery, energy generating and trading, oil and gas trading, food production and processing, phone company and mobile operator, several banks, media holding (newspapers, radio stations and TV channel), and, finally, FC “Shakhtar”. However, Donetsk clan is not unified, and there is one more large political-economic structure in Donetsk region led by Sergey Taruta. This

FIG is almost equal by its political and economic clout to the SCM. Moreover, it is close to the political leadership of the country. Each clan tends to have wide representation in government and controls a certain political party (in case of Donetsk clan it is the Party of Regions of Ukraine). Lately, clans seek to participate in formal political activities, particularly the creation of own factions in parliament.

Clans are a variety of clientelist (or patron-client) model of social organization and integration of society. Initially used mostly by anthropologists and later by political analysts to designate a specific model of social organization and integration of society mostly on the local level, now clientelism is rather widely applied to the explanation of a variety of phenomena from corruption of state officials to stratification processes. Kaufman [8, p. 285] identifies the following qualities of patron-client relationships: 1) the relationship occurs between actors of unequal status and power; 2) it is based on the principle of reciprocity, that is, a self-regulating form of interpersonal exchange, the maintenance of which depends on the return that each actor expects to obtain by rendering goods and services to the other and which ceases once the expected rewards fail to materialize; 3) the relationship is particularistic and private, anchored only loosely in public law or community norms.

Oligarchy exploits clientelist networks created on the local level in Soviet times, especially those between workers and management. In new conditions of oligarchy regimes clientelistic dependence between workers and management, common under state socialism, is retained and combined with individual private property. As aptly noted by Andras Sajo [9, p. 8–9], clientelist network is an effectual form of social organization in conditions of the absence or, at least, underdevelopment of other, alternative modes of social organization. What is important in our framework of analysis is the fact that relationships within the elites of power are especially susceptible to patronage. By the moment the communist regime had collapsed the elite network was the most developed, effective, well-equipped, and adaptable to social turmoil.

There was one more important factor promoted the creation of oligarchy – the relationships of patronage. Patronage is instrumental in the restoration of broken social ties which became an acute problem for each post-socialist society. Clients receive a sense of belonging on a broader than family scale. Thus, oligarchic regime exploits the situation of anomie.

The situation of radical changes with accompanying uncertainties and troubles created the lot of opportunities for misuse and corruption. The economy in transition is full of loopholes for opaque business deals and governmental decisions. Clientelist networks have strong interests in the preservation of status quo with the lack of transparency and civic control over decision-making process. The basis of the social structures of clientelist type is shaped by corruption. Sajo calls this symbiosis “clientelist corruption” [9, p. 3]. In fact clientelism gives additional impetus to corruption, makes it systematic and structural.

What conditions the emergence of clientelist system? Christopher Clapham [10, p. 7–9] identifies four necessary conditions for clientelism: 1) critical resources must be controlled by one particular group within a society; 2) patrons should sufficiently desire or require services provided by clients; 3) “the client group, taken as a whole, should be inhibited or prevented from gaining access to the resources controlled by the patron group through cooperative strategies...”; 4) “the absence of an affectively implemented ethic of public allocation: a system by which resources are allocated and exchanged according to accepted universalist criteria, rather than according to private and personalist ones”. This situation is explained by the lack of ideology or value consensus in a society.

In the above features clientelism is similar to patrimonialism as a type of relationship and action based on tradition, personal loyalty and direct dependence. Patrimonialism in classic treatment by Max Weber is juxtaposed to bureaucracy. Both of them mean not only particular types of domination but also “structures of everyday life”, as Weber puts it. In contrast to bureaucratic form of relationships, patrimonialism is “based not on the official’s commitment to an impersonal purpose, not on obedience to abstract norms, but on a strictly personal loyalty” [11, p. 1006]. In Weber’s writings these two models of action, management and relationships are ideal-type constructions.

However, the model of domination seen in post-socialist Ukraine is far from the classic type portrayed by Weber which is deeply rooted in tradition. The latter plays the role of a natural limitation to the otherwise unchecked power of the master. In our case such restraint is absent, since post-socialist patrimony is stemmed from pecuniary motifs of getting economic assets and political clout in conditions of ruthless and unordered struggle for limited resources.

But what happens in conditions of collision between these two types, when, for instance, bureaucratic rules are imposed upon patrimonial form of domination? As Vadim Volkov shows in his historical-sociological analysis of Muscovite Russia in pre- and post-Petrine epochs, “the imposition of an alternative normative and legal framework is likely to change the meaning of traditional practices without changing the practices themselves” [12, p. 39]. In fact as a result of the conflict of two frameworks the mixed types emerge, rules of action within which may be called “patrimonial rationality” [Ibid]. This is the “subjection of formal rules to personal discretion”. Patrimonial rationality becomes instrumental in the completion of oligarchic regime, since it simplifies the eventual privatization of the state functions by private interests.

To summarize, Ukrainian oligarchy is a system of societal government based on the fusion of economy and politics with a particular, mixed type of domination hinged upon “patrimonial rationality” and patron-client model of social relationships.

### **Oligarchy and Difficult Road to Modernization**

Oligarchy halts the modernization of society, stops the progress of modernizing reforms, preserves the status quo of incomplete modernization, making the difficult road to modernization even more precarious. Ukraine remains a society which modernization is incomplete. This society is distinguished by a specific model of social organization with the following features, among others:

- 1) the underdevelopment of structural differentiation, the lack of clear borders between various realms of social life, as well as between public and private spheres;
- 2) pre-modern regime of ownership structure with concentration in the hands of the few;
- 3) the lack of interconnection between official power, state and everyday life of people, the dualism of official and unofficial norms;
- 4) the underdevelopment of the political representation of public interests of social groups and categories;
- 5) high level of self-sufficiency, low interpersonal trust, and, respectively, low social capital;
- 6) cultural norms of particularism and functional diffuseness;
- 7) the precedence of family norms (nepotism is considered as a virtue).

Let us discuss the above characteristics in a more detail. Oligarchy implies monopolization and unified control over different institutions, whereas, modernization involves structural differentiation. Oligarchy is characterized by the tendency toward structural unification and simplification rather than differentiation which is typical of modernization processes. There is another significant border, which is typical of modern society, – between private and public areas. In post-soviet Ukraine these spheres are not entirely separated which leads to the personification of relationships as a necessary condition of successful activity in public sphere.

Oligarchy is grounded in the huge concentration of property. This tendency is totally at odds with the recent developments in the developed nations. However, in the early periods of capitalism in the West called by Adam Smith the “pre-history of capital” or the period of “childish capitalism” one could observe the similar processes of the concentration. However, they had a different internal nature and took place in completely different historical surroundings. It was a struggle of burgeoning, continuously growing bourgeoisie against seated but disappearing estate of nobility, particularly landed aristocracy. Metaphorically speaking, it was struggle of money against power.

In the late capitalism there emerged models of the democratization of property relationships, the establishment of economic democracy. It became possible due to the democratization of political life, and strengthening of civil society. It was state which brought under control business by setting up legal regulations. It was civil society – trade unions, church associations and others – which curbed the spread of market forces and gave them civilized forms. State and civil society did not allow market to hold sway, reign over society and politics. As Peter Druker put it, modern capitalism represents post-capitalist society, “capitalism without capitalists”. That means that capitals are no more concentrated in the hands of a narrow group of people, capitalists proper, but dispersed among millions of share-holders.

However, oligarchy is characterized not only by a specific, essentially pre-modern regime of ownership structure and relationships but also by the wide distribution of value orientations and norms typical of this model of social organization.

Soviet society and its Ukrainian successor are characterised by the dualism of official and unofficial norms, the incongruence of norms regulating people’s everyday life and norms officially sanctioned by the state [13]. Ukraine’s social reality is almost exclusively regulated by informal or infra-legal norms typical of pre-modern society. The same refers to the extreme narrowing of the sphere of public life and fragmentation of social space. Atomisation and excessive individualisation are emblematic for the everyday existence of Homo Post-Sovieticus.

This situation is explained by the nature of power relations that some authors call the “imposed power”. The imposed character of political power is predetermined by the chronic weakness of civil society, the dominance of despotic and authoritarian political regimes, the exclusion of the masses from any kind of political participation, except for revolutionary situations, as well as parochial and subservient types of political culture.

Politics in Ukraine, like most other post-Soviet societies in transformation, is subject to narrow corporatist interests. On the mass-scale arena politicians exploit the symbols of identification and pseudo-interests of the public in order to achieve their personal or elite group interests. Mostly symbols of electoral mobilization have demagogic and populist nature. The level of their efficiency is closely and conversely connected with the level of freedom,

self-sufficiency, citizenry consciousness and political efficacy of citizens. The more independent and free in economic, political, and psychological terms the citizens are, the less they are perceptive to populism. Populist politics finds the greatest resonance among the least efficient mass public. It is exactly why oligarchs are interested in the restriction of people's independence, dignity, initiative, and opportunities to influence the decision-making process. Any progress in this direction is equal to the restriction of oligarchy.

The normative dualism finds its further expression in the existence of two completely different models of behaviour – one in relation to the members of own community, “ours”, the other – with respect to the strangers, “others”. This is a major feature of incomplete modernisation, since the important tendency of modern society development is the gradual removal of barriers and differences between members of different groups and communities. People in such society tend to support and trust only the members of their own group and express enmity in relation to everything lying outside of this entity. For post-soviet Ukrainians this community has reduced to extremely narrow circle of family members, relatives and close friends. All the rest are positioned outside and distrusted.

The excessively spread distrust in contemporary Ukrainian society is a consequence of the incomplete modernisation of soviet and post-soviet times. Ukrainians are in lack of the so-called social capital as a set of informal rules and norms that are shared by all the members of society and that help them to efficiently interact with each other. The most important role in the creation of social capital is played by interpersonal trust. However, this social resource of utmost importance is in great shortage in today's Ukraine.

Another typical value of post-soviet Ukraine's society is what Edward Banfield calls amoral familism [14]. It is typical of those societies which are based on the particularity rather than universal standards. In such societies people tend to help only those with whom they have close relations and personal obligations. As Weber stressed, the principle of personal loyalty and market are incompatible. Amoral familism characterises such cultures which lack communitarian values but at the same time support tight family bonds. People in such cultures do not care of social interests and disrespect norms of socially orientated behaviour, altruism, and reciprocity. This familism impedes the formation of universal ethical norms.

The all-embracing economisation of social life leads to deep restructuring of value system and hierarchy of social and individual values. Contemporary Ukrainian society is strongly oriented to economic success, but at the same time it ignores the fundamental principle of the equal opportunities and lacks communitarian values. Cultures with such value orientations tend to make societies highly corrupted. In Ukraine people tend to highly appreciate individual success. On the other hand, vast majority of them have no access to the legitimate means of achieving such success. Thus, there is a big gap between means and ends that are sanctioned by culture. Such conditions create basis for the development of socially deviant behaviour and to the spread of anomie.

Anomie as a state of the lack of socially endorsed norms regulating behaviour is one of the most negative upshots of oligarchy. Anomic state of public consciousness has the most far-reaching consequences, since it devastates the fabric of social solidarity, trust, and demolishes social capital. But this is a type of capital which requires the longest period of time for the formation and restoration. As was shown by many authors, such as F. Fukuyama, J. Coleman, N. Lin, R. Putnam and others, social relations play a role of utmost importance in achieving economic goals and improving the efficiency of economic system. For

P. Bourdieu, social capital is “made up of social obligations and connections”. Oligarchy causes the very unequal distribution of all types of capital in society – economic, cultural, human, and social. In the last case it obstructs people’s mutual help, solidarity, interpersonal trust, coordination of efforts, social identification, and opportunities for collective action with the aim of the struggle for common interests.

### **Factors Determining the Formation of Oligarchy**

What conditions the emergence of oligarchy?

One can distinguish **two groups of factors** favoring the emergence of an oligarchy in the post-Soviet sphere. One bunch of factors is path-dependent based on the country specific model of development previous to the epoch of transformation and concerned with structural legacies of the Soviet epoch that have a long-term quality. The second group of factors is related to the strategy of reforms in terms of their content and methods of implementation. A number of reforms implemented in Ukraine directly promoted the formation of oligarchy. First of all, it relates to the privatization legislature and practice of state property distribution. As one scholar aptly noticed, “the economic reforms in [...] Ukraine, particularly privatization, were adopted without popular input. They have resulted in a distorted economic system that further limits the ability of actors such as trade unions to exercise political or economic influence. Ostensibly designed to create a new bourgeoisie, these reforms have created an oligarchy” [15].

I will attempt to identify how and to what extent the contemporary political-economic regime of oligarchy is the outgrowth of Soviet structural legacies. These antecedent conditions relate to institutional, structural, and cultural inheritance, i.e. peculiarities of national mentality, culture (first of all, typical features of political culture), predominant socio-economic and political values, customs, traditional and socially acknowledged models of public behavior. I will highlight how these antecedent conditions were subsequently utilized by ruling elites in the process of reforming in order to form and strengthen the regime of oligarchy. The point is that there is high continuity between pre-reform situation and the strategy of reforming itself.

Let me now emphasize those legacies of the Soviet past which affected the path of reforming and contributed to the emergence of oligarchy in Ukraine.

*First*, the hypertrophied, excessive role of the state in social life and the concentration of huge resources in the hands of the Soviet state. The statist model of social development suppressed people’s initiative and independent social and economic activity. As a result, Soviet society lacked propertied class of bourgeoisie, even farmers and small entrepreneurs were eliminated. Today this state of affairs determine the strong dependence of business people from the state. It is worth emphasizing that the weakness and dependence of bourgeoisie from the political incumbents is a long-lasting feature of Ukrainian society.

*Second*, the weak rule of law and the underdevelopment of legal consciousness, disrespect for the law, the spread of deep-rooted traditions of revolutionary purposefulness and the Soviet-style “telephone justice”. Post-Soviet Ukraine is short of legal traditions hinged upon the law-abiding state.

*Third*, the underdevelopment of civil society and NGOs, the weakness of civil society institutions and value orientations, norms, and behavioral practices concomitant with civil society. Soviet Union was a society without civil society in its authentic meaning. The dominant statist model of social development, the prevalence of the state over society did not entail the emergence and consolidation of the autonomous third sector, independent from the immediate

state intervention and capable of the articulation and protection of interests of various social groups. All civil organizations were put under the direct control of the party-state. The idea of local self-government was abandoned. The patron-client system was established. It was based on the domination of the values of oppression and violence. The vertical ties took upper hand over the horizontal ones. There was no system of checks and control over the activity of political elite and economic managers in the process of privatization which led to the stripping of SOEs. Weak civil society means that there is no strong and active social force with necessary resources and instruments which has real interest and desire to act in order to overcome the clientelist corruption, and hence to change the very social organization.

*Fourth*, the specific structural model of the economy in soviet times – vertically integrated branches and monopolization, especially in old industries. Such structure of the economy facilitated the acquisition of the state assets by insiders – managers of the SOE in conditions of spontaneous privatization when controlling and managing functions of the state in the economic realm were severely limited.

These starting conditions facilitated the introduction of economic reforms in the interests of power incumbents. Privatization, the liberalization of foreign trade, barter were the major economic mechanisms of enrichment in the first years of transition. In conditions of the shortage of capital and civil control privatization processes lacked transparency and competition as well as gave preferences for insiders (managers). As a result, in Ukraine one can observe the highest level of concentration of production assets in the hands of managers. There is no surprise that privatization was called “*privatization*” or “*prikhvatizatsiya*” – *grabbing* in popular parlance. Spontaneous privatization opened a wide room for multiple illegalities and ubiquitous corruption, especially in conditions of deep economic crisis and extraordinary decrease in living standards of the majority of the population. Privatization has fundamentally changed the political economy and social landscape of post-communist societies determining whether democratization is feasible. Privatization took place in the situation of severe economic depression and lack of capitals and capitalists with legal capitals to buy out state assets in open bids. Thus, access to the political incumbents was crucial for property acquisition. In Soviet times there was widely spread a specific system of social redistribution – “*blat*”, based mostly on vertical, client-patron type personal relationships. This system of privileged access to goods and services rooted in deficient nature of the Soviet economy was successfully inherited from Soviet times and used on a larger scale and in a modified form in conditions of primitive capital accumulation.

Such plundering form of privatization where masses were excluded from the distribution of property was made easy due to the priority of patrimonialism over legalism as types of social coordination which was typical for Soviet society. As some prominent contemporary scholars of post-communism assert, drawing on Weber, communism was a society based on rank order in contrast to capitalism as a class-stratified society. In capitalism economic capital was dominant, while in communism – social capital which resulted in a socialist form of patron-client relations [16, p. 7].

*Fifth*, there is one important socio-cultural factor which made process of the oligarchization of society easier for the rulers, namely subservient and uncivil political culture. Traditional Ukrainian political culture is characterized by the lack of a clear border between private and public areas and interests which is typical of modern society. Communist rule reinforced some features of traditional culture, notably the “exclusive distinction and dichotomic antagonism between the official and private realms, [...] the already negative

image of the political realm and the insular quality of the private realm” [17, p. 210]. This feature is deeply ingrained in Ukrainian history and social organization. In contrast to European societies there was no a feudal estate of service nobility which subsequently, in the period of the formation of the modern state and capitalism, gave birth to rational bureaucracy. Ukraine faces the challenge of the creation of such modern bureaucracy able to serve the public good and to make a clear distinction between the public and private. Currently state servants still conceive of the state as a business tool.

*Sixth*, among multiple political factors the lack of strong and mobilized opposition at the outset of transition may well be seen as most crucial. Informal agreement between democratic nationalists and nomenclature communists: national symbols of statehood in exchange of the free hand in economic affairs. In fact economy reforming, on one hand, and nation-state making, on the other, were agreed to separate from each other. National democrats undervalued the economic aspects of nation making putting too much stress on cultural symbols.

There was another important mechanism of shaping oligarchy in Ukraine – the so-called “party of power”. This is an amorphous, informal, and de-ideologised political entity which united old communist and new national elites of power. What makes this pact between seemingly opposite forces possible is their lack of ideological preferences and orientation to political power. The party of power controls the “market of political services” which is specific and can be called market in a figurative sense. Additionally, there are no clear ideological and political preferences among the public.

Additionally to the numerous factors having internal nature the international environment indirectly favored the creation of oligarchic system as well. By the time of post-communist transition started there was Washington consensus based on neo-liberal ideology and economic policy among powerful international business and political elites. Thus, neoliberal economic recipe with accent on fast liberalization, privatization, and stabilization had no contender at that time.

Externally imposed liberalization and swift market reforms – “shock therapy” produced in apt words of Theodore Gerber and Michael Hout “more shock than therapy” [18]. “An overemphasis placed on economic liberalization rather than democratic consolidation laid the foundations for a degeneration of the system towards authoritarianism, the strengthening of the presidential administration and the weakening of horizontal checks and balances on the powers of the executive” [3, p. 100]. Another fundamental mistake was concerned with the underestimation of the role of the state, its capacity and interests in the implementation of economic reforms. Neoliberal ideology denies the state an active role, while any comprehensive and radical social change must inevitably produce resistance from the old order which can be broken down only by a strong state. The experience of many post-Soviet countries confirms the need for effective and legitimate state institutions able to enforce contracts and make enterprises to follow their economic and financial obligations. In Ukraine privatization was organized so that the state lost control over resources.

As a result growing openness of Ukraine to global community in economic, political, and cultural spheres has also contributed to the build-up of oligarchy. In a sense oligarchy was a compromise not only between national-democratic elites and nomenclature but also between the ruling class and elites of advanced countries. They sought to spread their sphere of influence, make national power structures global, and to widen a seller’s market for goods and services. Second, the authorities of Ukraine had their own, mostly mercenary motives. By means of the importation strategy they declined all further responsibility and

concealed the real interests of reformers. The policy of post-industrial countries towards Ukraine was determined by primarily economic and geopolitical interests to exclude the very possibility of the appearance of new competitive actors at the international arena, as well as to preserve the low quality of life and semi-peripheral, dependent position of the country. The West was also interested in the creation of “shadow zone”, “sanitary belt” on the territory of Ukraine that would separate the so-called “golden billion” from dangerous East and help solve the problems of illegal immigrants, trafficking, and others. Such policy provides Western societies not only with negative freedom from the undesirable elements from the outside, but also with the elements of positive freedom. This relates to the tendencies to occupy new markets for selling goods, to gain cheap natural resources, and to obtain highly qualified specialists in the high-tech sphere. The “brain-drain” from Ukraine became possible only due to the high disparity in the level of life between the core and periphery which emerged during the last decade and the maintenance of which is in the interests of the core countries.

Thus, globalization contains both incentives to modernize and impetus to curb modernization process. Which of these will dominate depends on the nature of internal political power and civil society of each particular country.

### **Conclusions**

Oligarchy stemmed from, on one hand, socialist legacy, on the other, a specific model of transition implemented in the post-communist epoch. Thus, deeply embedded social and cultural norms and institutions were matched by rational, pragmatic interests realized in particular pro-oligarchic policy. Oligarchic regime that has emerged in post-soviet Ukraine should not be seen as transitional from socialism to capitalism, or from plan to market, but rather as what it is, as a substantially different model of social organization. In political terms it is based on a hybrid type which is rather widespread in the world today and which is called competitive authoritarianism [5]. In economic terms it hinges upon a largely monopolized economy with limited and distorted market coordination and regulation. In social terms it is characterized by highly polarized and fragmented structure, atomization, and near to absent middle classes.

Oligarchy leads to the exacerbation of economic crisis, to the growth of authoritarianism in political life, to the further estrangement of people from political and social life, and to the deepening of social inequality. Oligarchic regime contributes to the moral depravity of society, to the spread of cynicism, apathy, egoism, bigotry, corruption and other anti-social mental tendencies and behavioral patterns that constitute grave danger to the very foundations of society existence.

Ukraine still lacks any strong societal actors to dislodge oligarchy and push for fundamental changes badly needed by society. Another problem to be resolved is not only the resistance of oligarchs but also the overcoming of those elements of national consciousness, value orientations, and social attitudes – less visible but never the less tangible factors – which objectively have pro-oligarchic, anti-democratic, and anti-modern impact both on the level of mass consciousness and, especially, on the level of elite perceptions and decision-making. On the other hand, Ukrainian history and culture has some components which can serve as a foundation for the democratic and market transformation of Ukrainian society.

In order to successfully resist oligarchy many steps should be taken. New institutions, i.e. new rules of the game, have to be implemented, and new social roles are to be elaborated. The formation of new institutions has to be accompanied by the creation of a new system of values, political and economic culture pertinent to developed, fully modernised societies.

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## **ОЛІГАРХІЯ ЯК МОДЕЛЬ СОЦІАЛЬНОЇ ОРГАНІЗАЦІЇ ЗА УМОВ ПОСТСОЦІАЛІСТИЧНИХ ТРАНСФОРМАЦІЙ**

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Олігархію розглянуто не як перехідну форму правління на етапі транзиту від соціалізму до капіталізму, а як особливу модель соціальної організації та управління, що ґрунтується на симбіозі політики та економіки, влади та власності, політичної та економічної еліти. Олігархія — це також інституціоналізована модель обмеженої та контрольованої правлячими елітами модернізації. Проаналізовано основні чинники становлення та піднесення олігархії — як внутрішньо зумовлені, так і зовнішні. В основі зародження олігархії є як радянська культурна та інституційна спадщина, так і специфічна модель реформування в процесі постсоціалістичної трансформації. Реформи відбуваються так, щоб максимально задовольнити інтереси правлячих еліт у привласненні суспільного багатства та експлуатації продуктивних класів. Олігархія вкорінена в неформальних власних структурах — кланах, які ґрунтуються на патрон-клієнтельній моделі соціальної інтеграції суспільства.

*Ключові слова:* олігархія, контрольована модернізація, клієнтизм, патримоніалізм, клани, постсоціалістичні трансформації.

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