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POWER DISTANCE IN UKRAINE: GOVERNMENT-BUSINESS RELATIONSHIP

Abstract. *The article analyzes cultural factors, which affect the power perception in Ukraine. The cultural aspects, reflecting an interaction between business and authorities, are highlighted.*

Key words: *power distance, power perception, economic paternalism, government-business interaction, tendency to corruption.*

Анотація. *У статті проаналізовані культурні фактори, які впливають на ставлення до влади в Україні. Особливу увагу відведено культурним аспектам, які знаходять відображення у взаємодії владних структур та представників бізнес-середовища.*

Ключові слова: *відстань до влади, сприйняття влади, економічний патерналізм, взаємодія влади та бізнесу, схильність до корупції.*

Introduction. One of the favorite topics for discussion by historians and sociologists is the question of how the power distribution within a particular society transformed over time. The result of such transformation was a change in power perception within the society, as well as a change in the dialogue between society and authorities. After many tests of history, the modern government bodies are transparent and democratic, ready to contribute to economic development, which is expressed by the high degree of confidence in these bodies from business and a reduction in the distance between them. However, the transformation process has not finished yet in some developing countries and the cooperation between business and government is under the significant pressure from the latter.

This problem can be viewed from the political, economic, historical, social and other aspects. In this article, we will focus on the cultural one. Furthermore, some historical and economic circumstances must also be taken into account. We consider Ukraine to be a perfect example to explore the problem, since its culture combines the effects of the Soviet past and efforts to make a western-type cultural transformation.

First of all, we would like to analyze the perception of power in Ukraine. For this purpose, we will use the results of Geert Hofstede's research, specifically the dimension of so-called «Power Distance» (PDI). This dimension expresses the degree to which the less powerful members of a society accept and expect that power be distributed unequally. According to the country-comparison tool, available on Hofstede's website

Ukraine has the PDI of 92 out of 100, which shows the extremely high degree of loyalty to unequal power distribution among Ukrainians [1].

Below the comparison of PDI between Ukraine and selected Eastern European countries is presented. As we can see, Ukraine has a higher PDI index if compared to the neighboring states:

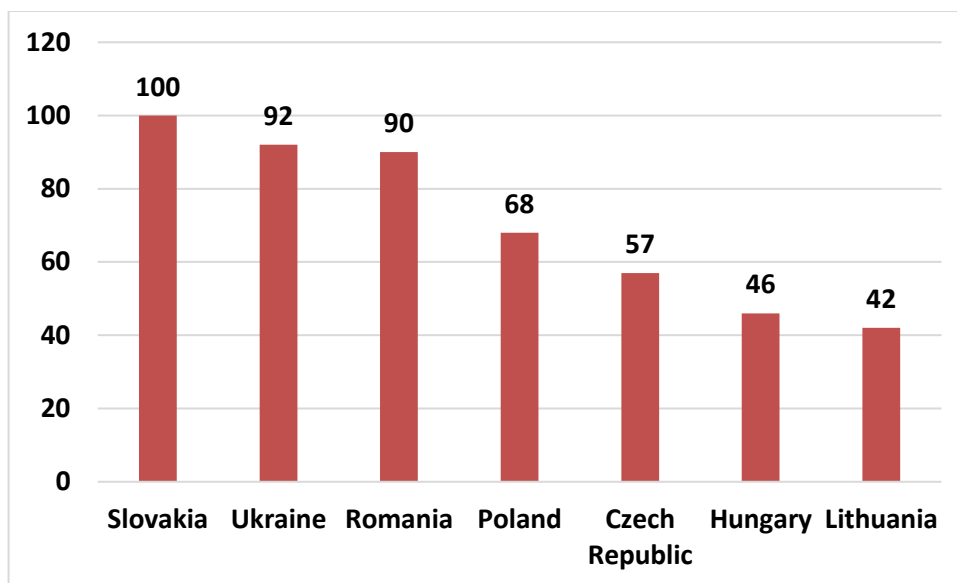


Chart 1. PDI in Eastern Europe: Country Comparison

This indicator reflects the quality of relationship between business and the authorities in Ukraine as well. It should be mentioned that throughout modern history business in Ukraine has been either strictly controlled by the government (as in Soviet times) or substantially depended on its decisions or resolutions (as in modern times). From cultural point of view, this has led to the passivity of Ukrainians in assuming responsibility for the development of their own business. Ukrainians have got used to relying on the government in the matters of their own well-being. This led to a system of relations defined as «economic paternalism», in which the state takes care of needs and plans of companies and entrepreneurs.

Therefore, Ukrainians often use public services or seek help from the government, even when they do not need it. On the other hand, people are not used to showing entrepreneurial skills or developing professional abilities, that is, taking luck in their own hands. All these are consequences of the Soviet past, though we have to admit that at present Ukrainians are demonstrating increasing independence from the government.

As Hofstede puts it, in countries with a high power distance index, where authority is seldom or never challenged, «might prevails over right», «whoever holds the power is right and good» [2].

The government in such countries is autocratic or oligarchic and based on cooptation. In addition, the tendency to corruption is utterly strong. As to Ukraine, a high level of corruption is not a surprise for local businesses. Moreover, it is supported by a high level of bureaucracy with a large number of power structures, instructions and

policies. The legislation norms are not clearly stated, therefore, they can be interpreted in different ways. This trend resulted in a large amount of inspections, legal cases and legal actions.

In this regard, Ukrainians understand that even if they conduct business honestly, their activities may be violated or suspended due to legislation deficiencies or authorities' mistake. This, accordingly, provokes a high level of distrust to state power and makes business and authorities «play cats and mice» with each other.

An investor who plans to operate in Ukraine should take into account that Ukrainians spend a lot of time negotiating with authorities, monitoring changes in legislation, attending meetings with the officials and blaming the inefficiency of the governmental management.

According to the recent research, the main features of the Soviet meaning of power that are incorporated into Ukrainian national identity are political, social, and economic paternalism, perception of power as source of profit and violence, and the dual reality of power with the gap between official narratives of power and a real life. Thus, Ukrainians are described as a tolerant, patient people, who value personal and family well-being above all, historically live their own life, and do not trust the government, but subsume to its power [3].

Some researchers go far and note that the religion has been completely at the service of the rulers in Ukraine during the history and define the orthodoxy as a totalitarian religion [4].

The level of power distance index in business-government relations can also be observed in everyday life of the residents. Additionally, we would like to consider the observations of the foreigners who have worked in Ukraine.

For example, a US blogger believes that the drastic difference in relationship between government and business in both countries is one of the biggest obstacles to more substantial investment into Ukraine's economy. He argues that, bureaucracy is bureaucracy in any country, but in Ukraine (as well as in Russia and in other post-communist countries) the government and business play games with each other. Different government bodies often have overlapping spheres of responsibility, conflicting instructions, and policies. Controlling and regulating bodies often act unpredictably, based on rules that no one else is aware of [5].

We often hear the word «**non-transparent**» concerning Ukrainian governmental processes. What exactly does this mean? It is obvious, that the rules and principles the government bodies adhere to in fulfilling their duties are poorly formulated and poorly communicated to general public. The lack of official, set-in-stone information is maddening to many Ukrainian businesspersons as well as to foreigners. Even if the rules appear to be written down, «details» (or «nuances», as they like to say in Ukraine) such as the bureaus' choice of office hours, the availability of necessary forms, and longer-than-expected lines can easily throw everything out of kilter. It seems that nothing is done to make the system work more smoothly and efficiently.

Conclusion. Summarizing the foregoing, we can conclude that business and authorities in Ukraine are on different sides of the track. The economic and social institutions are far from democratic. Ukrainians perceive civil service as a source of

power and enrichment at the expense of business. Therefore, cooperation between the government and business needs significant reforms. Law-abiding should become part of national culture. Fortunately, in the wake of the Revolution of Dignity, the Ukrainian mindset is rapidly changing and we believe that, in future, the relations between the Ukrainian government and business will become trustworthy and transparent.

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OLIGARCHY: UKRAINIAN STYLE

Abstract. This paper is about oligarchs and their role in the Ukrainian economy. The article identifies the advantages and disadvantages of the oligarchy, as well as examples of oligarchic structures in different countries. The article examines the influence of the oligarchs on the Ukrainian economy.

Key words: oligarch, corruption, economy, politic, business.

Аномація. У статті йдеться про роль олігархів в українській економіці. Стаття визначає переваги та недоліки олігархії, а також на прикладах показує в дії олігархічні структури в різних країнах. У статті розглядається вплив олігархів на економіку України.

Ключові слова: олігархія, корупція, економіка, політика, бізнес.

*Even organizations designed to be egalitarian,
such as political parties, develop their power elites
as it is described in Michel's iron law of oligarchy
(R. Michels)*

Introduction. The oligarchy consists of individuals who have inherited from their educated parents: higher earnings abilities; the desire to influence and participate in public choices through voting [1].

The problem of the roots of oligarchy has been explored by a number of scholars. In 1911, R. Michel, the German sociologist, stated that rule by an elite, or oligarchy, is