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.

Анотація. 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
inevitable as an «iron law» within any democratic organization as part of the «tactical and technical necessities» of organization [2].

The Iron Law of Oligarchy is similar to the concept in The Theory and Practice of Oligarchical Collectivism (1949), a book by George Orwell in which he investigates the social roots of oligarchism and inequality [3].

G. Hofstede, a Dutch social psychologist, explored the cultural roots of collectivism and power, equality and inequality. He says that inequality may appear in a vast type of areas like physical and mental characteristics, social status and authority, wealth, power, and laws. The patterns of inequality in a society are supported by its value system. Each culture justifies its authority applying its major values [4].

Consequently, some roots of Ukrainian oligarchy as a phenomenon can be found in the system of the nation’s cultural values.

Today, some experts believe that oligarchs have captured the Ukrainian state. However, they are more a symptom than the cause of the country’s crisis. That is why successful de-oligarchisation would not bring real progress, but only give rise to a new generation of oligarchs.

Oligarchies exist in any organization that delegates power to a small group of movers and shakers. Some power must be delegated to a group of expert insiders so that an organization can function. In other words, it is not efficient for everyone to make all the decisions all the time. An oligarchy allows most people to focus on their day-to-day lives. They can ignore the issues that concern society as a whole. They can spend their time doing other things, such as working on their chosen career, cultivating relationships with their families, or engaging in sports.

The oligarchy allows creative people to spend the time needed to innovate in new technologies. That is because the oligarchy manages the society. They can be successful as long as their inventions and success benefit the oligarchy’s interests as well.

The decisions made by an oligarchy are conservative since the goal is to preserve the status quo. It is therefore unlikely that any single strong leader can steer the society into ventures that are too risky. Oligarchies increase income inequality. That is because the oligarchs siphon a nation’s wealth into their pockets. That leaves less for everyone else. As the insider group gains power, it seeks to keep it. As their knowledge and expertise grow, it becomes more difficult for anyone else to break in.

This can sow the seeds of decline since they can miss the profitable synergies of a diverse team. If an oligarchy takes too much power, it can restrict a free market. They can agree informally to fix prices, which violate the laws of supply and demand. If people lose hope that they can one day join the oligarchy, they may become frustrated and violent. Consequently, they may overthrow the ruling class. This can disrupt the economy and cause pain and suffering for everyone in the society.

An oligarchy forms when leaders agree to increase their power regardless of whether it benefits society. The people in charge are very good at what they do; otherwise, they would not have risen to that level. That is how they continue to take more wealth and power from those that do not have those skills or interests.

Oligarchies can also arise in a democracy if the people do not stay informed. This happens more when a society becomes extremely complex and difficult to understand.
People are willing to make the trade-off. They allow those with the passion and knowledge to rule to take over [4].

The three most well-known countries with oligarchies are Russia, China and Iran. Others include Saudi Arabia, Turkey and apartheid South Africa.

According to the latest estimates of *Dragon Capital*, in 2016 the possessions of ten richest Ukrainian oligarchs amounted to over $11 billion. This was almost 13% of Ukraine’s GDP in 2015. For comparison: the possessions of ten richest people in Poland and the United States amounted to about 3% of GDP in the same period.

Is the United States an oligarchy? Many economists, such as Thomas Piketty and Simon Johnson, say that either it is now or it is headed that way. One sign is that income inequality is worsening. The incomes of the top 1 percent of earners rose 400 percent between 1979 and 2005 [5].

Two-thirds of that increase went to the top 0.1 percent. These are corporate executives, hedge fund and other financial managers, lawyers, and real estate investors. They go to the same schools, travel in the same social circles, and sit on each other’s boards.

For example, David and Charles Koch made their wealth by investing in oil derivatives. They support conservative politics through the Koch Foundations. Another is Harold Hamm, owner of Continental Resources, who opened up the Bakken shale oil fields and supports Republicans.

The research published by Northwestern and Princeton universities supports the oligarchy claim. It reviewed 1,800 federal policies enacted between 1981 and 2002. The researchers compared them to the preferences of four groups. It found that the policies most frequently aligned with the wishes of the elite and special interest groups rarely aligned with those of average citizens or mass interest groups [6].

As a result, most Americans feel disenfranchised. If not, they feel helpless in influencing their society. Gallup reports that 76 percent feel dissatisfied with the way things are going right now. In addition, 67 percent are dissatisfied with income distribution. As a result, 43 percent feel that there is not much opportunity to get ahead. That is up from 17 percent in 1997 [7].

**Impact of oligarchy on Ukraine economy.** In this context, Ukraine’s political and economic system is rightly characterised as an oligarchic one. On the one hand, businesspersons have held prominent political roles, such as president, prime minister, cabinet members, members of parliament (MPs) or regional governors. On the other hand, those who have held power have often used it for either building or expanding their own businesses, which has led to autocratic and paternalistic leadership style. This was best illustrated by the Yanukovych regime in 2010–2013.

This oligarchic system created a deep social distrust towards the government, and undermined the legitimacy of the entire Ukrainian political system.

Unfortunately, since 2014 there has not been much change. Businesspersons continue to hold leading political roles. Immediately after the Euromaidan protests, the political influence of some oligarchs increased even further thanks to their role in stabilising the domestic political situation and fighting external aggression. For example, Ihor Kolomoysky, who was nominated as a governor of the Dnipropetrovsk
region, played the leading role in organising and financing battalions of volunteers to
defend the Donbas region. However, as the major shareholder of *Privatbank* (the largest
commercial bank in Ukraine), International Ukrainian Airlines and *Ukrnafta* he actively
resisted reforms in those sectors.

The related political problem with oligarchs is that their high dependence on
illegitimate and partly illegal state support for their businesses forces them to use all
means, mainly corrupt ones, to keep their influence in politics.

The oligarchs are just the attention-grabbing tip of the iceberg. In fact most of
Ukraine functions in «oligarch mode» even when the big oligarchs are not around.
Again, there is a simple test: If oligarchs are the major problem, then reforms in areas
where the oligarchs are not involved should be easy successes.

There are many vested interests opposed to reforms, not just big business but also
many small businesses, corrupted state bureaucrats as well as politicians.

This leads to another conclusion. Ukraine’s governance system has been
transformed into a rent-seeking mechanism. If some oligarchs lose their business and
their political power, they will simply be replaced by others. Not only on the side of
business, but on the side of the state as well many are looking or opportunities to get
rich personally and not to make the country rich [8].

**Conclusion.** The rise of the oligarchs in Ukraine has deep-seated economic, social
and cultural roots. The economic processes involved the distribution of property titles
of such enterprises, land, and real estate, on unequal base to the whole population of the
country. The cultural aspect of oligarchy in Ukraine is connected to the way people
perceive power differences and power distribution. Historically, Ukrainians believed
that higher power distance, which allows certain level of inequality was good because
everyone should have a specific place and role. However, today the oligarchic system
provokes a deep social distrust towards the authorities.

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GAMBLING BUSINESS IN UKRAINE.
ARE UKRAINIANS RISK-TAKERS?

Abstract. The article analyses gambling business in Ukraine, the risks of gambling and people’s reaction to ban. The author specifies risk avoidance as a Ukrainian cultural peculiarity in gambling.

Key words: psychological dependence on gambling, legislative norms on gambling, cultural roots, risk avoidance.

Анотація. У статті аналізується ринок азартних ігор в Україні, схильність українців до азартних ігор, ризики азартних ігор і реакція українців на їх заборону.

Ключові слова: азартні ігри, психологічні залежності, уникання ризику.

There is hardly any another business having so many aspects of its operations to be regulated by state at such extent as the gambling. The extent of such regulation is justified because the gambling operations have large amounts of cash that are uncounted and unrecorded as the gambling takes place, involving high risk of fraud and abuse for criminal activities such as money laundering, skimming etc.

A complete ban on gambling in Ukraine was introduced by Law of Ukraine «On Prohibition of Gambling Business in Ukraine» in 2009.

According to the Law, gambling is any game, an obligatory condition for participation in which is the payment of money by the player, including through electronic payment systems, which allows the participant how to receive a prize in any form, and not get it, depending on chance [1].

The provisions of the law apply to all types of activities in the field of gambling, including casinos, once-universal slot machines, computer simulators, bookmakers and even virtual gaming halls on the Internet. In accordance with the Law, the lottery is not considered a gamble.

The emergence of dependence on gambling is a complex phenomenon in which the role of many different factors plays, but the most important are:

• violations in the sphere of self-esteem («narcissism»);
• violations in the field of interpersonal relations;
• violation of the regulation of its own state of excitation [2].

Of particular importance is the violation of a person’s own assessment accompanied by a feeling of emptiness and loneliness. The person’s deeply rooted