
Ukraine: Nation, History, and Soviet Reforms

In late 1987 I went to Canada to see the Ukrainian Catholic lay activist Iosyf Terelia. He had just been expelled from the Soviet Union after having spent 18 years, nearly half his life, as a political prisoner in the Gulag. Terelia told me matter-of-factly, “You know, in western Ukraine everybody looks upon the Soviet Union as something temporary.” His insight was simple: What you believe is true.

A Proud but Tragic National Legacy

Ukraine is one of Europe’s old, historical nations, which was squeezed between the Polish and Russian Empires, as well as the Hapsburg and Ottoman Empires. It did not gain national independence for centuries. Kyiv was the capital of Rus, which adopted Eastern Orthodox Christianity from Byzantium in 988. Both Russia and Ukraine saw Rus as their origin, and it was too early to talk about a distinct Ukrainian nation.

According to the outstanding historian of Ukraine Orest Subtelny (2005, 23), the word “Ukraine” has been used since the late 12th century. Even though its origin is unclear, most historians derive it from *okraina*, which means borderland. As Russia, much of Ukraine fell under Tatar rule in medieval times. The Polish-Lithuanian Commonwealth controlled most of present Ukraine’s territory in the 15th and 16th centuries. Ukraine’s national formation occurred in the 17th century. Many Ukrainians were Cossacks, free, Orthodox men roaming the steppes, and they were famously independent minded.

The Cossack leaders left two contradictory legacies, anti-Russian and anti-Polish. In 1648, just as the Thirty-Year War ended, Ukrainian Hetman Bohdan Khmelnytskyi led a Cossack uprising against the Polish-Lithuanian Empire, which was weakened by the war, and his Hetmanate acquired quasi-independence. In Ukrainian historiography, this is referred to as “a war of national liberation” (Wilson 2002, 61). In 1654 Khmelnytskyi concluded the Treaty of Pereyasliv, a military union with Russia. Khmelnytskyi’s intention with this union is in dispute, but eventually eastern Ukraine became an integral part of Russia. Ukraine was divided into an eastern Russophone part and western Ukraine, which stayed Polish and Western-oriented.

While national independence remained elusive, the Cossacks faced the critical choice of fighting Russia or Poland. Unlike Khmelnytskyi, half a century later Hetman Ivan Mazepa took exception to Russia and leaned to the West instead. In the midst of the Great Nordic War, Mazepa abandoned Russian Tsar Peter I to forge an alliance with Sweden’s King Charles XII, who invaded Ukraine with Swedish and Polish troops. However, the army of Tsar Peter I dealt them a devastating defeat in the epic battle at Poltava in June 1709, about which Voltaire, Alexander Pushkin, Lord Byron, and Victor Hugo wrote books and poems. It marked the emergence of Russia as a great power and the long-term subordination of Ukraine to the Russian crown. Russia and the Soviet Union celebrated Khmelnytskyi for having brought Ukraine to Russia, while Ukrainian nationalists see him as the father of the Ukrainian nation but also cherish the ultimately tragic Mazepa. Both decorate Ukrainian banknotes.

In the mid-19th century, Ukrainian nationalism rose around national myths, language, and culture, characteristic of budding European nations at the time. Ukraine’s national poet, Taras Shevchenko (1814–61), formulated lasting national ideas. He wrote in Ukrainian and identified Ukraine with its language, idealizing the Cossacks as free men with a natural inclination to popular democracy, since they elected their hetmans. By contrast, Shevchenko identified the Poles as aristocrats and the Russians as autocrats. The Ukrainians were orthodox, standing up against the Catholics of the West (Wilson 2002, 90–95).

Few nations suffered as much as the Ukrainians during the bloody 20th century. Parts of Ukraine were a battleground during World War I and terrible bloodshed took place during the Russian Civil War from 1917 to 1921. Russia’s imperial power collapsed through the February 1917 revolution. In Kyiv, nationalists formed an assembly that soon became the Ukrainian People’s Republic and declared Ukrainian independence in January 1918. It elected historian Mykhailo Hrushevskiy president of the republic in March 1917 and established four national symbols that were adopted anew after independence in 1991: the currency, the hryvnia; the trident, the coat of arms of the Rurik Dynasty of ancient Rus; the blue-and-yellow flag, sky over corn; and the national anthem.

But several separate Ukrainian republics declared independence in 1917 and 1918. The Bolsheviks invaded Kyiv three times. In 1920 Poland occupied most of Ukraine, but it was beaten back by the Red Army. The Bolsheviks did not fully subdue Ukraine until the peace in Riga between the Soviet Union and Poland in March 1921. As Andrew Wilson (2002, 124) puts it, the existence of the Ukrainian People's Republic "was brief, its boundaries variable and its power limited, but still it left a durable mythology behind it. . . ." The period 1917–20 offered Ukraine its greatest moment of national revival, and the Ukrainian People's Republic started building democratic institutions, but without a regular army the state could do nothing but fail. Its failure was also seen as caused by excessive internal divisions, leaving democracy with a dubious reputation.

The Stalinist terror was particularly severe in Ukraine. The brutal collectivization of agriculture in 1932–33 is commonly assessed to have caused 5 million to 7 million deaths, about a quarter of the population, in what became known as *Holodomor*, the Famine or Hunger Death. Most people died because of imposed starvation as NKVD troops sealed the borders to the region condemned to die of hunger (Conquest 1986). Ukraine demands that this act be condemned as genocide. During the Great Terror in 1937, tens of thousands of Ukrainians were executed.

In August 1939 Joseph Stalin and Adolf Hitler concluded the Molotov-Ribbentrop Pact. It granted the Soviet Union western Ukraine, which then belonged to Poland. Similarly, Hitler promised Stalin the three Baltic states, Estonia, Latvia, and Lithuania. On September 1 Hitler invaded Poland from the west, and on September 17, Soviet troops attacked eastern Poland and annexed western Ukraine, executing and deporting a large part of the population. The Soviet occupation of western Ukraine through the Molotov-Ribbentrop Pact left the western Ukrainians deeply convinced that their belonging to the Soviet Union was unjust. Western Ukraine became the center of Ukrainian nationalism. A large part of the population fled to the West, mainly Canada and the United States, preserving a strong Ukrainian nationalist opposition to the Soviet Union. However brutal Soviet repression of western Ukraine was, the opposition was never defeated.

The western Ukrainian reaction left a complicated legacy for a future Ukrainian state. The strongest Ukrainian resistance organization was the Organization of Ukrainian Nationalists (OUN). The Ukrainian Insurgent Army (UPA) had as many as 90,000 men under arms at the end of World War II, though far more Ukrainians—2 million—fought in the Red Army. The Ukrainian Insurgent Army battled against Germans and Soviets. Alexander Motyl (1980, 167) labels it a "national liberation struggle." The guerilla war continued intensely until 1947 and persisted until the mid-1950s (Wilson 2002, 131–34, 143). This radical nationalism has survived within a small but vocal minority.

Ukraine has a vibrant religious life characterized by more diversity than in any other European state. It has four major churches: The Moscow Orthodox Church, the Kyiv Orthodox Church, the Autocephalous Orthodox Church, and the Greek Catholic Church. Through the Union in Brest in 1595, the Polish king persuaded the Ukrainian (Ruthenian) Orthodox Church in Poland to break with the Orthodox patriarch in Moscow and acknowledge the pope in Rome, forming the Ukrainian Greek Catholic Church. It primarily exists in western Ukraine. In 1946, after western Ukraine had been incorporated into the Soviet Union, Stalin forcibly merged the Ukrainian Greek Catholic Church with the Russian Orthodox Church. Its priests were jailed and many were executed while the Russian Orthodox Church seized its property, but the church persisted underground. In 1921 the Ukrainian Autocephalous Orthodox Church was founded in the wake of the collapse of the Russian Empire. Since it did not recognize the Moscow patriarch, Stalin prohibited it, and the Soviet secret police severely persecuted its priests and adherents. In addition, the Ukrainian Catholic Church was a large clandestine church. All these churches persevered as underground mass organizations and reemerged in the late 1980s.

After Stalin's death in March 1953, repression eased. Nikita Khrushchev's secret speech about Stalin's many crimes to the 20th Soviet Communist Party Congress in 1956 augured a thaw that was to last until his ouster in 1964. The thaw also affected Ukraine, where the intelligentsia reacted as the Moscow intelligentsia did. This was a time to believe in the reform of socialism, and its optimistic supporters were called *shestidesyatniki*, or Children of the 20th Party Congress in Kyiv as in Moscow, where their foremost representative was to be Mikhail Gorbachev. This generation of the 1960s took advantage of the more relaxed political atmosphere, and in Ukraine *shestidesyatniki* naturally also explored Ukrainian culture and language. Not all were nationalists and dissidents, but many were, notably Vyacheslav Chornovil and Levko Lukyanenko. The Ukrainians once again seized the opportunity to raise their nationalist cause.

Khrushchev was ethnically Russian, but he had spent his early career in Ukraine and led much of the repression. In 1963 Khrushchev promoted Petro Shelest to first secretary of the Communist Party of Ukraine (CPU). Shelest was a man of Khrushchev's cue, acting within the communist system but showing some common sense. As Taras Kuzio (2000, 45) puts it: "Shelest was never a separatist but he did lobby for Ukrainian cultural and economic rights. . . ." More specifically, he demanded more investment in Ukraine and favored the Ukrainian language. In 1972 Shelest was accused of Ukrainian nationalist deviations and duly sacked. The Kremlin unleashed serious repression targeting nationalist intellectuals in Kyiv. Hundreds of Ukrainian dissidents, including Chornovil and Lukyanenko, were sentenced to long prison sentences in the 1970s and 1980s.

Khrushchev's successor as general secretary of the Communist Party of the Soviet Union (CPSU), Leonid Brezhnev, instigated the new wave of repression. He was born and raised in the Dnipropetrovsk region in eastern Ukraine. In 1972 he replaced Shelest with his loyal friend from Dnipropetrovsk, Volodymyr Shcherbytskiy, as first secretary of the CPU. Kuzio (2000, 43) summarized: "Shcherbytskiy's rule was characterised by repression, economic and spiritual stagnation, and a determined campaign for the Russification of Ukrainian language and culture."

Because of his strong hold over the Ukrainian party apparatus, Shcherbytskiy stayed in power until September 1989, being one of the last Brezhnevites to go. As a consequence, among the European republics of the Soviet Union, Ukraine endured the most severe repression in the 1980s. Gorbachev's perestroika, glasnost, and democratization were long strange phenomena announced in Moscow and seen on Soviet television but lacking local roots in Ukraine, least of all in the CPU.

Society Wakes Up under Gorbachev

On March 11, 1985, Mikhail Gorbachev was elected general secretary of the CPSU after a standard but very fast-paced party career.¹ He had been first party secretary of the Stavropol region in southern Russia, close to Ukraine, and the Central Committee secretary for agriculture and ideology as well as a member of the politburo (Åslund 2007b).

Yet Gorbachev was no ordinary man. Three months before his coronation, he made a major speech on ideology in which he mentioned all the catchwords that became popular later: perestroika, glasnost, and democratization (Gorbachev 1987a). What was missing, however, was a nationality policy. However radical and knowledgeable Gorbachev was, unlike his hardened predecessors, he had no clue about nationality policy but harbored the naïve thought that the Soviet Union had solved the national dilemma. His 1987 book *Perestroika* illustrates his delusions:

The Revolution and socialism have done away with national oppression and inequality, and ensured economic, intellectual and cultural progress for all nations and nationalities. . . . If the nationality question had not been solved in principle, the Soviet Union would never have had the social, cultural, economic and defense potential as it has now. (Gorbachev 1987b, 118–19)

It was long before the deep-frozen Ukrainian society woke up. The first year of glasnost and perestroika passed without particular notice in Ukraine. On April 26, 1986, a nuclear reactor in Chornobyl just north of Kyiv melted down. The radioactive cloud went north over Belarus, but

1. The two main sources of this section are Wilson (2002) and Kuzio (2000).

Ukraine suffered as well. On May 1, 1986, the CPU held its usual May Day parade without considering the radioactivity. No popular protest was recorded, but people were aware and shocked. The Chernobyl scandal enhanced glasnost in Moscow but had much less impact in Ukraine.

Even so, the Chernobyl catastrophe left serious legacies. People were upset that they had not been informed about the disaster. One of Ukraine's first popular movements was the environmental movement *Zelenyi Svit*, or Green World, which held the first officially sanctioned popular demonstration with 10,000 participants in Kyiv on November 13, 1988 (Banaian 1999, 12). The republican authorities were angry because they neither received information nor possessed any influence over all-union companies managed from Moscow. The Ukrainization of such enterprises became an issue. The shock of the disaster also bred popular dislike of nuclear arms.

In April 1987 Gorbachev declared a general amnesty for prisoners of conscience, most of whom were Ukrainians. Hundreds of them returned from Siberia to Ukraine. Some were religious, others democratic activists, but they were predominantly Ukrainian nationalists from western Ukraine or Kyiv. Hardened by many years in the camps, they were no longer afraid and naturally seized the leadership of budding popular movements.

Chornovil and Lukyanenko, who were returning after many years in prison camps, became nationalist opposition leaders, usually in competition with each other. In August 1987 Chornovil wrote an open letter to Gorbachev, which became the first major Ukrainian opposition document of the era. Lukyanenko was elected the leader of the Ukrainian Helsinki Group (later renamed the Ukrainian Helsinki Union), which became the mainstay of former political prisoners (Kuzio 2000, 66–71).

In 1988 each of the three Baltic states, Estonia, Latvia, and Lithuania, established powerful national fronts, which were soon demanding full independence. Ukrainian nationalists looked to the Baltic national fronts as examples to follow. In early 1989 many popular Ukrainian movements, including the Writers' Union, the Ukrainian Helsinki Group, and Green World, joined to form *Rukh*, which simply means movement. It was designed as a broad association and was originally called the "Popular Movement in Support of Perestroika." Its leaders were primarily intellectuals from Ukraine's cultural establishment, such as writers Ivan Drach and Dmytro Pavlychko, but also former political prisoners. *Rukh* was to lead Ukraine's national awakening and its focus was the revival of the Ukrainian language, culture, and national symbols. To remain legal, it did not call for full independence initially. It largely ignored economics. It criticized the old regime for being "totalitarian-communist" or "imperial-totalitarian," while the Russian liberal critique of communism also attacked the "command-administrative" system. *Rukh*'s supporters came

almost entirely from western and central Ukraine, limiting its potential support to one-quarter of the population (Wilson 2002, 156–60).

Rukh had to contend with a small but hard and well-organized nationalist movement on its right, which opposed compromises with the communist authorities and demanded outright independence. These hard-liners were significant only in the western-most regions, but they comprised Rukh's home turf, so these local right-wingers drove Rukh into a nationalist corner. One right-wing movement drew on the interwar nationalist organization, the Organization of Ukrainian Nationalists, which reemerged as the Congress of Ukrainian Nationalists in 1992. It attracted anti-Soviet war veterans and its rallies looked like gatherings of pensioners. Another right-wing challenge came from a student movement, which in September 1991 formed UNA-UNSO (the Ukrainian National Assembly and the Ukrainian National Self-Defense Force). It preached the greatness of the Ukrainian state, mobilizing militant men, who were repeatedly accused of resorting to violence. Although these two movements were marginal, attracting only a couple percent of voters, they forced Rukh to show its nationalist fervor, which deterred other voters (Wilson 2002, 181–82).

Rukh was prone to splits inspired by the Ukrainian People's Republic. Lukyanenko chose to go his own way with his nationalist Ukrainian Republican Party. Its leaders were former political prisoners, who demanded the annulment of the 1922 Union Treaty with Russia, which had formed the Soviet Union. Within Rukh, Chornovil won the leadership struggle against the more moderate Drach. Gradually, Rukh's emphasis moved from human rights and democracy to nationalism. As a consequence, Rukh failed to appeal to the country as a whole (Prizel 1997, 339–41).

Gorbachev's speeches and meetings riveted the whole world, but ironically because of the tight political control in Ukraine they had limited impact on its public. In June–July 1988, Gorbachev organized the 19th Party Conference in Moscow to promote democratization in the Soviet Union.

Eventually, this process also reached Ukraine through the all-union elections of a new Soviet parliament, the USSR Congress of People's Deputies, on March 26, 1989. These were the first elections offering some choice, but freedom was limited. The Communist Party and other Soviet organizations appointed one-third of the deputies. The remaining deputies were supposed to be elected, but in Ukraine only one-third of the candidates were accepted for registration, and almost one-third of the seats were not contested in the election. As many as 87.6 percent of the new deputies were members of the CPU, and only a handful belonged to the opposition, but a larger number were liberals. Even so, shockingly, several top communist officials lost, namely the first party secretary of Kyiv, the chairman of the Kyiv City Council, and four regional party leaders (Kuzio 2000, 96–98; Birch 2000a, 46, 53; Prizel 1997, 338).

In May–June 1989, the first session of the USSR Congress of People’s Deputies in Moscow marked the breakthrough of freedom of speech in Russia. Its impact in Ukraine was more limited, but old-style communism had become untenable.

In the summer of 1989, the workers awoke. Coal miners went on strike throughout the Soviet Union, notably in Kuzbass in Siberia and Karaganda in Kazakhstan. These strikes also spread to the huge coalfields in Donbas in eastern Ukraine between July 18 and 24. Upset about massive shortages of goods and the impending collapse of the Soviet economy, the coal miners focused on economic demands. Their most moving demand was guaranteed supplies of soap so that they could wash themselves. These strikes gave rise to independent coal miners’ unions, partially inspired by Poland’s Solidarity. For the first time, the workers started playing a role and organizing themselves; they had coordinated their protests with coal miners in other parts of the Soviet Union. They spoke Russian, and Rukh with its Ukrainian nationalist agenda was alien to them (Banaian 1999, 13).

These strikes persuaded Gorbachev to finally sack the hard-line Ukrainian first party secretary, Volodymyr Shcherbytskiy. He was replaced by Volodymyr Ivashko, another Ukrainian party official of the same hue, but at least there was some change. Shcherbytskiy’s ouster showed that the CPU had weakened, but it took some time before reformers emerged within the party ranks.

On March 4, 1990, Ukraine held its first semidemocratic republican elections to Ukraine’s Supreme Rada, also imposed upon Ukraine by Gorbachev. These elections were much freer than the all-union elections a year earlier but far from free and fair. Administrative manipulation and ballot tampering were widespread. While independent candidates were allowed, opposition parties were not. Possibilities for campaigning were very limited. Voters could not know much about the candidates. Rukh staged one of its largest demonstrations in January 1990 by forming a human chain from Kyiv to Lviv to symbolize the unity of western and eastern Ukraine, following the example of the Baltic nationalists the previous year.

The March 1990 republican elections marked a breakthrough for democratization in Ukraine. The communists won no less than 373 seats out of the 450, that is, 83 percent, but many communists were no longer loyal to the party. The Democratic Bloc, which included Rukh, Lukyanenko’s Ukrainian Republican Party, and others, won 108 seats, one-quarter of the vote, compared with 239 loyal communists, who formed the majority. The Democratic Bloc captured most seats in the western regions and did well in Kyiv and central Ukraine, while the communists maintained overwhelming control in the east and the south as well as in the countryside (Prizel 1997, 339–40; Wilson 2002, 160). This regional division of Ukraine has lasted. Rukh would never do better than how it did in this early election; one-quarter of the votes was its ceiling (box 1.1). This election

Box 1.1 Ukraine: A country of regions

Ukraine cannot be understood without its regional peculiarities and tensions. The divisions are many, between east and west, between Ukrainian and Russian speakers, as well as between countryside and towns.

Ukraine's fundamental division is between the east-south and the west-center, between the Ukrainian-speaking and Russian-speaking parts of the country. Roughly half the population prefers Russian and the other half Ukrainian. Ukraine's luck is that the division is not clear cut. Many people speak Ukrainian at home and Russian at work or vice versa. Quite a few converse in Russian with one parent and in Ukrainian with the other. An estimated one-fifth of the population speaks a mixture of Russian and Ukrainian, called *surzhyk*. Ethnically, the population also displays an amazing mixture of Jewish, Polish, German, Greek, Romanian, and Tartar blood.

By historical origins, Ukraine and its 27 regions can be divided into five territories. First, in the far west, five oblasts (regions) belonged to the Hapsburg Empire: Lviv, Ternopil, Ivano-Frankivsk, Chernivtsi (formerly Bukovyna), and Transcarpathia. The second region consists of Volyn and Rivne oblasts, which were long part of Poland but were gradually taken over by the Russian Empire. All these seven western oblasts were incorporated into the Soviet Union in 1944. Third, six oblasts around Kyiv on the right bank of the Dnieper River belonged to Poland until the partition of 1793, when they became Russian, but most of the land was owned by Polish landlords until the Russian revolution. Fourth, the left bank of the Dnieper is the most populous, industrial, and urban part of Ukraine. It consists of ten oblasts, including Dnipropetrovsk and Donetsk. It was also the cradle of Cossack Hetmanates but became Russian in 1654 through the Treaty of Pereyasliv. The fifth territory consists of former Ottoman lands at the Black Sea, notably Odesa and Crimea (Birch 2000b, 1019–20).

Hard-core Ukrainian nationalists, who comprise at most a quarter of the population, always oppose the Russified near half of Ukraine, but this division is so diffuse that it is unlikely to lead to a partition of the country as occurred in Czechoslovakia in 1992 or in Sweden-Norway in 1905. In those cases, the divide between two nations was much more clear cut, however close the languages. In both cases, the dominant nations (Czechs and Swedes) accounted for two-thirds of the population, making the minority feel that it could never win. In Ukraine, by contrast, election victories have wandered between the west-center, Dnipropetrovsk, and Donetsk.

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Box 1.1 Ukraine: A country of regions *(continued)*

Unlike countries such as the United Kingdom, France, Russia, or Austria, Ukraine is not dominated by its capital. Its circumstances are more reminiscent of the Federal Republic of Germany, Italy, or the United States. Until 1934, Kharkiv was the capital of Soviet Ukraine. In Soviet times, Dnipropetrovsk, the city of Brezhnev, Shcherbytskiy, and Kuchma, was the leading light. Donetsk produced prime ministers Yukhym Zviatkovskiy and Viktor Yanukovich. These two cities represented the industrial wealth of Ukraine and became the seats of the wealthiest business empires. Meanwhile, Kyiv gained importance as the capital of the country. These three cities were to play against one another. As if to make that point, each city has its own soccer team. Yet other cities are also important. Lviv is the predominant western Ukrainian center, while Odesa is the main port and trading city. In the east, Kharkiv and Zaporizhe remain alternative centers.

In 2006 a top representative of one of Ukraine's biggest business groups told me: "In this country, the west and east always oppose and balance each other. We are four oligarchic groups, each of which is stronger than the state, and we all hate one another so we cannot agree on anything but balance one another. Therefore, Ukraine is bound to be a democracy."

marked the limits of both Rukh and the CPU, which energized the political center.

The parliament elected in March 1990 was to last until 1994, and the electoral order was formative for Ukraine's future parliamentary elections. On the positive side, reserved seats for the CPU and related organizations were abolished. The whole parliament was elected in direct elections. Many formal obstacles for nomination were removed. However, this order left several negative legacies. Political parties played a minimal role because all deputies were elected through majority vote in one-man constituencies, breeding weak and fractured parties and many independent deputies. Onerous demands for an absolute majority of the voters turning out made it nearly impossible to fill all seats in parliament. Elections were rerun repeatedly because of the failure to fill empty spots, exhausting voters (Birch 2000a, 55–67; D'Anieri 2006).

Local elections were also held on March 4, 1990. The Democratic Bloc won absolute majorities in the three western-most oblasts (regions), Lviv, Ternopil, and Ivano-Frankivsk, and Chornovil became chairman of the Lviv oblast council. For the first time, the opposition had acquired formal executive power (Kuzio 2000, 132).

After the March 1990 elections, liberalization finally encroached upon the hard-line CPU. Three kinds of moderate left emerged. As in Russia, a

democratic platform was constituted within the CPU. It evolved into the Party of Democratic Rebirth of Ukraine, which favored privatization and the creation of a market economy, while maintaining a belief in socialism. State enterprise managers, commonly called “red directors,” formed a second group of moderate communists. From the summer of 1990, they lobbied for the Ukrainization of all-union enterprises in Ukraine, effectively demanding personal ownership of the factories. A third group of moderate communists recast themselves as nationalists under the leadership of Leonid Kravchuk, who as second secretary of the CPU responsible for ideology had been Ukraine’s ideological policeman. These three groups were amorphous and often overlapped (Prizel 1997, Wilson 2002).

In July 1990 Gorbachev called Ukraine’s party chief and parliamentary speaker, Volodymyr Ivashko, to Moscow to become second secretary of the CPSU, ending his career in Ukraine. His two posts of party leader and parliamentary speaker were separated, which led to a division of the CPU. Stanislav Hurenko, a communist hard-liner, became first party secretary. He maintained a dogmatic Soviet line, marginalizing himself. Kravchuk assumed the position of chairman of the Ukrainian parliament in July 1990, and he swiftly transformed himself into the father of national communism, moving with remarkable ease and credibility in a nationalist direction.

All the Soviet republics held semidemocratic parliamentary elections, and almost all the newly elected parliaments declared their republics either independent or sovereign. Although these words are usually synonymous, “independent” was much stronger than “sovereign,” which was understood as autonomous. On June 12, 1990, Boris Yeltsin persuaded the Russian State Duma to adopt the Russian declaration of sovereignty. Ukraine cautiously followed Russia. Under Kravchuk’s leadership, the Ukrainian Supreme Rada adopted a declaration of state sovereignty on July 16, 1990, with an overwhelming majority of 355 to 4. Kravchuk had already accepted most of Rukh’s agenda (Kuzio 2000, 137).

The summer of 1990 was hot. New strikes in Donbas preceded Ukraine’s declaration of sovereignty. The workers demanded the resignation of the republican government. On September 30, 1990, Rukh organized its biggest demonstration ever with 200,000 participants in Kyiv, finally dropping its reference to perestroika and demanding full independence. In early October, students forced through a hunger strike the ouster of Prime Minister Vitaliy Masol, an old-style apparatchik, but he was replaced by Vitold Fokin, who was hardly better as the former chairman of Ukraine’s State Planning Committee. Fokin focused on Ukrainizing all-union enterprises (Kuzio 2000, 161; Banaian 1999, 14–15). Meanwhile, the Five-Hundred-Day Program for transition to a market economy was the rage in Moscow, but this discussion hardly echoed in Ukraine.

In the fall of 1990, a first attempt at a Ukrainian economic policy was made. The new prime minister, Vitold Fokin, and the chairman of the

Parliamentary Commission on Economic Reform, Volodymyr Pylypchuk, wrote a program of economic reforms, which the parliament adopted on October 1, 1990. The inspiration came from the Russian Five-Hundred-Day Program. But Pylypchuk's program was very different. It focused on Ukraine acquiring control over its own economy and an orderly withdrawal from the USSR but did not prescribe a transition to a market economy. Rationing coupons were introduced so that Ukrainian goods were not diverted to Russia. In October 1990 Gorbachev turned against the reformers and to the hard-liners for support, and politics also cooled down in Ukraine.

Fokin tried again in the fall of 1991 with a program called "Fundamentals of Ukraine's National Economic Policy under Conditions of Independence." The parliament failed to adopt it, presumably because of both its disinterest in economic policy and the poor quality of the proposal. Ukraine adopted an enterprise law and elementary laws on privatization in 1991, but little was done. Although the old command economy was falling apart, no attempt was made to build a new market economy (Kravchuk 2002, 48–50).

On March 17, 1991, Gorbachev organized a referendum on the Soviet Union with multiple aims. He wanted to contain separatism but transform the Soviet Union into a real federation. He aspired to undermine Boris Yeltsin's political standing by formulating a question Yeltsin could not say no to and by gaining a large majority. The question, however, was just about impossible to understand: "Do you consider the preservation of the Union of Soviet Socialist Republics necessary as a renewed federation of equal sovereign republics, in which the rights and freedom of an individual of any nationality will be fully guaranteed?" (Dunlop 1993, 33).

Yeltsin could do nothing but accept it, but he cleverly avoided making this referendum a political issue. In Russia, 71 percent of voters answered yes, but the three Baltic republics (Estonia, Latvia, and Lithuania), Georgia, Armenia, and Moldova boycotted the referendum, which led to the independence of these six republics. In Ukraine, 70.5 percent of the voters said yes, and turnout was high. However, two alternative votes were tagged on. In the three western-most oblasts, a referendum on Ukrainian independence from the Soviet Union received the overwhelming support of 88 percent of voters. To another question, which Kravchuk added throughout Ukraine—"Do you agree that Ukraine should be a part of the Union of Sovereign States on the basis of the Declaration of State Sovereignty of Ukraine?"—80.2 percent answered yes (Wilson 2002, 164–65). Thus, he transformed the vote to one for greater Ukrainian independence.

Gorbachev won the referendum, but this was another Pyrrhic victory because nobody understood the question. Yeltsin retained his strength; six republics refused any further discussion of a new union. Ukraine had taken an ambiguous but distinct step toward full independence.

Impact of Soviet Economic Reforms and Crisis

A curious contrast exists between the historiography of Russia and Ukraine during the end of communism.² Books on Russia discuss economic crisis and reforms at great length, while studies of Ukraine mention economics just in passing. Much of the Russian political debate was devoted to economics, while the Ukrainian political debate focused on independence and the nation's relations with Moscow. Before independence, economic reform programs played no role in the Ukrainian debate, and the criticism of the socialist economic system that was rampant in Moscow barely reached Kyiv.

To the extent that economic issues entered the agenda, they were limited to those that Shelest had embraced in the 1960s: demands for greater republican powers and a larger Ukrainian share of total Soviet resources. Ukrainians did not oppose market economic reforms and privatization, but few paid attention. The idea was to build national institutions rather than undertake market economic reforms. The introduction of a national currency was much discussed as a powerful manifestation of national independence, while macroeconomic policy was all but ignored.

Ukraine faced the same economic problems as the rest of the Soviet Union, but Ukrainians predominantly saw Russia as the root cause of their economic misfortunes. Therefore, they sought to isolate themselves from the destruction coming from Russia. However, the economic problems conditioned Ukraine's future. Ukraine was richly endowed. Traditionally, it was one of the most developed parts of the Soviet Union, with a GDP per capita that was 10 percent higher than Russia's in 1990 (Goskomstat SSSR 1991, 12). Ukraine had an extensive machine-building industry and a large advanced military-industrial sector. It was known as the breadbasket of the Russian Empire with its vast wheat and corn fields. Ukrainians were better educated than average Soviet citizens. It also had large coal mines and iron ore mines in Donbas.

Like the rest of the Soviet Union, Ukrainians experienced a sense of stagnation from 1980 onward, a general sense that nothing would change any time soon. People paid no attention to early perestroika with its many minor economic experiments.

The Ukrainians' first experience of Gorbachev's perestroika was his campaign against alcohol, which he unleashed in May 1985. Alcoholism was a great concern, but the campaign was carried out with administrative means as an old-style communist campaign. Gorbachev intentionally cut alcohol production by half, destroying the finest wineries in Crimea. Since prices were not raised to balance the market, the outcome was horrendously

2. Åslund (2007b) is the main source of this section.

long queues. Soviet men were forced to sober up, increasing their life expectancy by two years, but they did not like it at all. The halving of alcohol sales led to plummeting sales tax revenues, which enlarged the budget deficit. To finance the gap, the government printed more rubles, accelerating inflation and aggravating the already bad shortages.

In the summer of 1986, the CPSU launched another vicious neo-Stalinist campaign, this time against “unearned incomes,” that is, any private earnings. In practice, it was directed against poor pensioners who grew vegetables or fruit on their small household plots and badly needed this income for their subsistence. One effect was that private food supplies shrank, and prices on the relatively free *kolkhoz* markets soared.

For a long time, actual reforms were too minor to have any popular impact. In November 1986 the USSR Law on Individual Labor Activity was adopted; it came into force in May 1987 (*Pravda*, November 21, 1986). It legalized acceptable forms of individual labor activity. Economically, it was of minor significance, because the conditions offered were not very attractive, but it did legalize some forms of private enterprise.

The USSR Law on Cooperatives, which was enacted in May 1988, had quite another impact. Its content was amazingly liberal, delivering the real breakthrough for private enterprise. It was the first legal act consistent with a market economy. Any three adults could open a cooperative and hire an unlimited number of employees. These cooperatives were truly self-managing, self-financing, and profit-oriented, operating freely on the market without plans, centralized supplies, or price regulation. The law explicitly permitted cooperatives to engage in any kind of activity not forbidden by law, a sensational novelty. They could even set up banks and pursue foreign trade, and they benefited from very low tax rates, even if tax practices were unstable. Importantly, they were allowed to transform the abundant “noncash” money on enterprise accounts into cash. Most current big Ukrainian businessmen started their career by setting up a cooperative in 1988.

One of Gorbachev’s first reforms was a partial liberalization of foreign trade, which began in August 1986, long before domestic liberalization. Its goal was to break the foreign trade monopoly of the USSR Ministry of Foreign Trade to the benefit of large state enterprises. This liberalization was very popular among the managers of big state corporations, who could make money through arbitrage on the difference between low domestic prices and much higher world prices.

In parallel, up to 3,000 so-called currency coefficients were introduced, as every significant foreign trade good was assigned its own exchange rate. The ratio between these currency coefficients varied from 1 to 20, offering extraordinary opportunities for arbitrage. In late 1990 a unified commercial exchange rate replaced these coefficients, but even so, the Soviet Union had one official rate, one commercial rate, and one plummeting black-market exchange rate, permitting ever greater arbitrage gains.

In June 1987 Gorbachev legislated comprehensive economic reform. Its centerpiece was the Law on State Enterprises, which came into force in January 1988, but this was a badly misconceived reform. It deprived the state of its rights to command state enterprises, but it did not give state enterprises freedom. Nobody could direct state enterprises. The Soviet economy fell into a deep chasm between two systems. After a couple of years, the managers seized control over “their” state enterprises without being accountable to anybody. They possessed the cash-flow rights but not the control rights, which meant that they could tap money from the enterprises but not sell them.

Unwittingly and unintentionally, Gorbachev had created a perfect rent-generating machine. The liberalization of foreign trade allowed state enterprises to carry out arbitrage between low domestic prices of raw materials and high world market prices and between greatly varied exchange rates. The Law on State Enterprises permitted enterprises to keep the remaining profits, previously confiscated by the state at the end of each year. The new cooperatives made it possible for enterprise managers to transfer the profits of their state enterprises to their private companies and to transform “bank” money to real cash. The new commercial banks provided them with cheap state credits to finance their businesses.

In practice, state enterprise managers, or red directors, sold commodities they produced at official state prices to an intermediary, a cooperative they owned together with other well-placed people who could provide them with export licenses and permits. At the end of 1991 the domestic Soviet price of one ton of crude oil was 50 cents, while the world market price was about \$100, so an exporter’s margin was 200 times the cost of a product. Yegor Gaidar (1999, 122) has noted that, at the end of 1991, someone with an official export quota for oil could pay as little as one ruble for one dollar when the free exchange rate was 170 rubles per dollar. Few understood this at the time, but those who did made fortunes at the expense of their neighbors.

From 1989 the Soviet economic crisis was turning into collapse. As part of the Soviet Union, Ukraine suffered as the rest of the country. Ukrainians experienced aggravated shortages of goods, rising inflation, and output collapse. The chronic shortages prompted extensive rationing. People hoarded whatever they could buy, and the only good in surplus was money. Every Soviet home was packed with staples such as sugar, soap, and toilet paper.

In 1986 the Soviet budget deficit rose to 6 percent of GDP because of the leadership’s neglect and incompetence, expanding to 9 percent of GDP in 1988–89. Meanwhile, annual wage increases more than doubled as a consequence of the Law on State Enterprises. Managers concentrated on products with large profit margins, which boosted hidden inflation. They passed on some inflationary gains to their workers as wage hikes.

Toward the end of 1990, the Soviet macroeconomic crisis turned terminal, with populist social policy as a new driver. The USSR Congress of People's Deputies hiked social benefits by 25 percent, in competition with the republican legislatures, and in 1991 those benefits surged beyond control by 133 percent in Ukraine. The communists foolishly tried to maintain power and hold the Soviet Union together by opting for populism, sacrificing any remnant of fiscal sanity. Income increases accelerated to 85 percent in 1991 (Ministry of Statistics of Ukraine 1994, 12).

In 1991 Soviet state finances broke down. After the union republics had declared themselves sovereign or independent, they refused to deliver their revenues to the union treasury. Nor did they honor Soviet legislation, competing with the union in cutting taxes. As union revenues collapsed, the Soviet budget deficit skyrocketed to 31 percent of GDP (EBRD 1994). By the summer of 1991, the Soviet Union was no longer financially viable. The republics had established their own central banks, issuing ample credits in Soviet rubles. In 1991 the Soviet Union had no less than 16 mutually independent central banks issuing ruble credits in competition with one another. This monetary competition guaranteed the collapse of the Soviet Union.

Net Soviet foreign debt was not all that large at \$56.5 billion at the end of 1991 (UNECE 1993, 289), but starting at the end of 1989 Soviet foreign trade enterprises failed to pay on time. By 1990, foreign debt service became alarming because it was increasingly short term (Gaidar 2007). Irresponsibly, the Soviet government refused to act until the country had run out of foreign currency reserves. The outside world saw the mounting economic crisis and the country's creditworthiness declined.

The official exchange rate became increasingly irrelevant as market forces gained momentum. The public perceived the black-market exchange rate ever more as the "real" exchange rate. For years the standard black-market exchange rate had been 5 rubles to the dollar, but from the end of 1988 to the end of 1990 it rose to 30 rubles. As the ruble lost all value, the public hoarded cash dollars. By 1991 the economy had become extraordinarily dollarized.

In 1990 the national income started declining, officially by 3.6 percent; in 1991 output plunged officially by 13.4 percent, approaching a free fall (Ministry of Statistics of Ukraine 1994, 12). Because people had to spend ever more time waiting in line to use their money, it made little sense for them to earn more worthless money, so they reduced their work hours. Factories suffered from shortages of all inputs, harming production.

In the second half of 1991 the Soviet Union faced financial ruin. Soviet economic policy had evaporated. A universal economic collapse was under way.

The economic crisis baffled the Ukrainian elite and public. They knew little about economics and did not understand what was happening to

them. The enlightened public was preoccupied with nation-building, while the business elite indulged in rent seeking. The dominant economic policy demands remained rudimentary and confused: the introduction of a Ukrainian national currency, as if that on its own would salvage them from inflation, and the creation of a national bank. Inflation aroused people to call for more effective price controls, and nobody cared about macroeconomics. Privatization was discussed at length, but little was accomplished. Ukrainization of Soviet property was one of the strongest demands because a conviction prevailed that Ukraine was rich, but Moscow had exploited it.

