

# The Glaring Socioeconomic Meltdown in Post-Soviet Ukraine, Moldova, and Belarus: A Distorted Mindset in Search of a Way Out

**Olesea Ghedrovici**

Moldavian Academy of Economic Studies  
Chişinău, Moldova  
E-mail: olesea.mel@gmail.com

**Nikolai Ostapenko**

University of the District of Columbia  
Washington, D.C.  
E-mail: nostapenko@udc.edu

## ABSTRACT

*Cultural and historical values and assumptions deeply imprint all aspects of people's lives, including their role in social, economic, and political transformation. Many of the former Soviet states are still going through a painful metamorphosis on a confusing path toward acceptance of freedom and democratic values. The idea we wish to highlight there is the impact of the Soviet moral and psychological legacy on the socioeconomic transition now under way in the East European countries that once were republics of the Soviet Union. It is important to shed light on the reasons why, after 20 years of formal independence, the region is still struggling to find its way forward.*

**Key Words:** economic transition, Stalinism, former Soviet Union, corruption, growth, moral and psychological legacy, values, beliefs, ethnic identity, nationalism, national self-awareness.

## 1. Roots of the Modern Problems

Echoes of the Soviet period are still evident in the former Soviet republics. In all twelve of them, excluding the Baltic countries, the Soviet regime succeeded in penetrating very deeply into people's minds and influenced their way of doing business and the sphere of public administration. The numerous, multifaceted remnants of the failed regime are reminders of the almost seventy years of inclusion in the Soviet Union, from 1922 to 1991. That era will be preserved in people's minds and actions for many years to come.

The theory of behavioral economics suggests that national self-awareness is an important pre-requisite for economic decision-making. Akerlof and Kranton (2010), in *Identity Economics*, revealed how identities influence decisions, and why people facing the same economic circumstances make different choices. That might explain the failure of the Washington Consensus prescription issued for many transitional economies, including those of the former Soviet republics. Western principles, when forcefully applied to the dominant anti-capitalist mentality, look like expensive make-up on the wrinkled face of reality.

Hofstede (1980, 1983) also analyzed socio-psychological factors that could affect economic progress and public decisions. He identified five socio-cultural factors that determine successful transformation: individualism vs. collectivism, power distance, risk avoidance, masculinity vs. femininity, and long-term vs. short-term orientation. The same factors can be attributed to economic development in general. Hofstede argued that Western countries are more likely to support individual choice and embrace individual freedom when societal rules are universal for all. In masculine societies, achievement is the most important criterion, while in feminine societies, performance of daily, routine work is a must. In societies with a large power distance, professionals are not consulted but are instructed by the power centers. High uncertainty avoidance presumes the existence of rules and the insignificance of independent judgment. The former Soviet republics were ruled by collectivistic standards with a long-term orientation; they exhibited strong risk avoidance and created a bureaucratic hierarchy of societal institutions. They were rather feminine societies, guided by modesty and by lack of interest in competition and individual prosperity, and they valued care and support of the needy.

Gray (1988), further developing Hofstede's hypothesis, concluded that the higher a country ranks in terms of individualism and the lower it scores in terms of power distance and uncertainty avoidance, the more likely it is to achieve higher rates of economic progress and overall success through promoting existing values. The opposite is true with regard to the collapsed Soviet Union. Analyzing Soviet history, one may conclude that the state ideology caused irreparable damage to at least two generations, not only by glorifying corrupt economic and political paths but also by modifying people's mentality, deforming their understanding of reality and abusing individual morals and work ethics.

The post-Soviet era unveiled the underlying diversity of the region's socioeconomic models of development and the speed of change. According to "The Global Competitiveness Report 2011-2012," prepared by the World Economic Forum, the dynamics of the economic transition look as follows:

1. Russia and the Baltic countries (Estonia, Latvia, Lithuania) are transitioning from the second to the third stage of development (from efficiency-driven to innovation-driven);
2. Armenia, Azerbaijan, Georgia, Kazakhstan, and Ukraine are transitioning from the first to the second stage of development (from factor-driven to efficiency-driven);
3. Kyrgyzstan, Moldova, and Tadjikistan are in the first stage of development (stuck at the factor-driven stage).

The development from efficiency to innovation was determined by many geopolitical factors and by the original "take-off" economic conditions. For example, the Baltic countries historically and geographically always gravitated more toward the Scandinavian model of resource re-allocation (PIIE, 2010), while Russia inherited many strategically important economic resources after the USSR's disintegration and did not have to immediately wage a battle for survival.

At the same time, many sources of the chaotic economic transformation and current problems are concealed in the ethnic and social foundations of the Soviet Union. The Soviet machine started to show its teeth in 1929 when Stalin published his famous work "A Year of Great Change," which symbolized the beginning of a new age of agrarian collectivization and a departure from petty capitalism: the "New Economic Policy" (NEP). The change was one cause of the devastating famine that expanded drastically, affecting many Soviet regions (Ellman, 2000).

Promotion of cultural and national identity for the diverse peoples of the Soviet Union was considered practically a criminal act. The most educated, talented, and intelligent individuals were forcibly deported to Siberia and the Northern Urals to die, or were executed during the period preceding World War II and even for some years afterward. More than 7 million kulaks, "class enemies," were killed in 1932 and 1933, and the total number of Stalin's victims during the period of repression between 1933 and 1953 is estimated at 20 million (Wheatcroft, 1996). Those who survived learned to stay silent and accept the totalitarian regime, and they taught their children to do the same. Stalin and his associates made fear the main mechanism for consolidating the Soviet republics under the centralized power and destroying any show of respect for Russia's authentic cultural traditions and rich history. All the Soviet republics were subject to domination by communist bureaucrats, who were sent far and wide to preserve the Kremlin's dictatorship even on the remote outskirts of the Soviet empire. Party control became brutally universal, and people submitted to these conditions to avoid new waves of state-sponsored terror and abuse.

The fear factor contributed to the development of unique national behavior, which in turn influenced ideology and the operations of various organizations and social institutions. Massive corruption, deeply rooted in the public consciousness, has interfered with post-Soviet economic and political systems, initially through communal practices. Acceptance of the idea that everything is held in common and belongs to nobody excludes an understanding of corruption as a crime. The state hypocrisy, in combination with the imperial desire to make people believe in propagated values, was a ticking time bomb.

The remnants of the Soviet regime still exert power over the everyday lives of people in the region. Policy mistakes were made from the very beginning, as the borders of many of the former Soviet republics were artificially created. Newly invented languages (such as Moldavian/Moldovan, which is essentially a variety of Romanian) were introduced; cultures were mixed; and historically different territories were merged under the same centralized administration. People were no longer certain what "our" history meant. Soviet citizens for generations were urged to believe that their enormous country was the best, and their lives were the happiest.

This critical lack of respect for national identity and the ensuing skepticism became serious mental barriers to true socio-cultural transformation in the post-Soviet states. The easy acceptance of foreign virtues still predominates in the political and social decisions of the newly independent republics, which have not yet learned to own their own destiny. The only difference is that most people in Ukraine, Moldova, Kazakhstan, and the other countries openly view the European social order as the best, and think it is more important to speak English well than to spend time reading books in Ukrainian, Uzbek, or other national languages. Some recent studies (Vachudova, 2005; Jacoby, 2004) have demonstrated the importance of the influence of the European Union (EU) on post-Soviet self-awareness. Vachudova argues that the EU exerted a powerful attraction on post-communist Europe, including the post-Soviet countries. The actual level of this attraction, however, varies from relatively low in Belarus to significantly higher in Moldova or Ukraine.

The collapse of the Soviet Union has had a major impact on the economic transition of the former Soviet republics toward a market economy. Immediately after declaring their independence, the republics announced liberalization of prices and created conditions for privatization. Under the Soviet system, all the economies of the republics adhered to the same principles: Production and distribution were fully controlled by the government, no private ownership was allowed, no competition existed, and no financial markets functioned. Domestic economies depended largely on the pre-set and pre-planned manufacturing and distribution of goods. The majority of the Soviet republics developed their economies with strong emphasis on one particular sector. For instance, Ukraine, with its Kuzbassregion, was considered the "all-Union forge," the Kuban region of the southern Soviet Union was the "all-Union granary," the Caucasus was the "all-Union health resort," and so on. Soviet power created "disabled economies" that wobbled on one crooked leg and were unable to achieve any significant level of efficiency. When the republics became independent and the centrally controlled chains of distribution disappeared, all the key sectors experienced great economic turmoil. In terms of financial management, the post-Soviet governments employed artificially exaggerated official exchange rates, and that increased the trade deficit, owing to the disproportional growth of imports.

The "cheap dollar" policy had a further destructive impact on the economy, worsened the position of the export-oriented industries, and aggravated the rapid GDP decline everywhere. In comparison with the pre-perestroika indices (level of GDP in 1989 = 100%), during the transition process GDP was down in Armenia by 59.3%, Azerbaijan by 63%, Georgia by 74.6%, Moldova by 69.4%, Russia by 44.7%, and Ukraine by 63.5%.<sup>1</sup>

The post-Soviet republics lacked the experienced management and administrative personnel, skilled labor force, and institutional capacities needed to face the new economic challenges. In addition, the extreme dependence of many of these countries (Ukraine, Moldova, Armenia) on Russian energy, in combination with a vast range of other factors, including underdeveloped institutional and social infrastructure and deeply ingrained corruption, further slowed the republics' transition to better socioeconomic health. Even the Central Asian countries (Uzbekistan and Turkmenistan) were hugely dependent on Russia, as were both Ukraine and Belarus despite their own abundant gas reserves.

Independence brought significant changes not only in the economic sphere, but also in peoples' minds. The Soviet policy of disregard for national cultures and insistence on Russian dominance in all major societal structures produced successor states marked by ethnic, linguistic, and cultural confusion. In their rush to develop domestic policies and governing institutions, the interests of their minority populations were (and still are) often forgotten. Questions of national identity became pressing and caused several conflicts, in Armenia, Moldova, and Russia (Ossetia, Chechnya) (Kolsto, 2002). Civil war erupted in Tajikistan and Georgia. Yet other countries, such as Ukraine, demonstrated that multiculturalism need not always end in violent civil conflict.

As a result, the national governments' inability to coordinate efforts and prioritize challenges resulted in failure to implement pragmatic economic reforms and further exacerbated many social problems in the post-Soviet region. The political chaos supported "wild privatization," so that the major state-owned companies passed into the hands of well-connected apparatchiks, who turned the gaps in institutional and legislative control to their own advantage from the start. The wave of privatizations in the 1990s turned the post-Soviet countries into oligarch-run societies where newly emerged elite with enormous wealth and decisive control over public resources transformed its economic power into political influence to preserve its dominance.

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<sup>1</sup>UNICEF (2001), "A Decade of Transition," Regional Monitoring Report, 8:155, Florence: UNICEF Innocent Research Center.

In 2012 King, Stuckler, and McKee tested the idea that implementation of mass privatization in the post-communist states was linked to a worsening of economic outcomes both for individual companies and for overall economies. To test their hypothesis, these scholars compared the individual fortunes made between 1990 and 2000 in 25 former communist countries (including post-Soviet countries). The World Bank data received from managers of more than 3,500 firms in 24 post-communist countries was also examined. The results show a direct and consistent link between mass privatization, decline of state fiscal revenue, and slowdown of economic growth. Between 1990 and 2000, government spending was about 20% lower in mass-privatizing countries than in those which chose a steadier form of change. Similarly, mass-privatizing states experienced an average decline in GDP per capita more than 16% greater than that of non-mass-privatizing countries after implementation of privatization in a step-by-step manner. The analysis of individual firms revealed that among mass-privatizing countries, firms privatized by domestic owners had greater risks of economic corruption. Private domestic companies in these countries were 78% more likely than state-owned companies to use barter rather than monetary transactions.

Therefore, the great changes of the 1990s brought to light many problems that were nonexistent during the Soviet Union era, or seemed to be so. The economic breakdown of the late 1980s (the perestroika era) was disastrous, promising a free-market heaven that never became reality. As a result, local Communist parties remain popular in many post-Soviet states, basing their appeal on exploitation of people's association of Soviet-style communism with stability and relative well-being in the past. The post-Soviet republics woke up in a completely new world of strained economic conditions. The inherited mentality played a large role in their troubled process of transformation.

## **2. Democratic Values versus Soviet Ideology: An Escalating Conflict of Interests**

Questions of national identity, deeply concealed during the Soviet era, sprang up in the early 1990s like mushrooms after the rain. The Soviet cultural mix appeared to be an explosive element in the process of declaring independence, and there were armed conflicts in Moldova, Armenia, and Ossetia, as well as profound disillusionment among those who participated in the "color revolutions" in Ukraine, Georgia, and Kyrgyzstan. Though many still disagree about the role of outside factors in the spread of these processes (Polese, 2010; Mitchell, 2012), there is no doubt that without a strong desire from inside to modify the direction of development, these events would not have transpired as they did. What was that internal force? And why do all post-Soviet countries not share the same economic conditions and problems now?

The Soviet mentality, which evolved over generations, represents a promising area of research for the field of behavioral economics. Many economic decisions should be described as irrational from the point of view of classic economic theory. However, taking into consideration the specific post-Soviet conditions, predominant mentality, and shared values, these choices were logical and easy to comprehend. A review of individual cases is worthwhile:

### **2.1 Ukraine and its energy insecurity**

There is no doubt that country leaders were not prepared for strategic decisions during the separation from the USSR. Post-Soviet conditions in many cases were confusing even for the new rulers. The absence of instructions from the center, the inability to formulate state goals, and the lack of professionalism in self-governance played a crucial role in their failure to outline a realistic time schedule and set a wise course for strategic development.

After declaring its independence, Ukraine remained heavily dependent on Russian energy resources. An influential Ukrainian publication, *The Ukrainian Week*, wrote, "Independent Ukraine could have used its portion of the Soviet heritage for a geopolitical game of its own. Yet none of its leaders were able to think on such a scale."<sup>2</sup>

Apart from its impressive coal reserves, Ukraine has significant oil and gas reserves along its Black Sea coast that have not been sufficiently explored to render the country independent of the Russian energy supply. As a result of its short-sighted policy lacking emphasis on key economic priorities, Ukraine had to pay the highest possible

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<sup>2</sup>O. Lutsenko, "The Energy Insecurity of Ukraine," *The Ukrainian Week*, international edition, August 29, 2011.

prices for Russian imported gas in 2011 (\$400 per 1000 bcm) and also lost a venue source when its transit monopoly was canceled. The Nord Stream pipeline started to operate in 2011, and thus Russia bypassed Ukraine and ended the country's part in its gas distribution. It seems that there will be no significant developments in Ukraine's attempt to renegotiate gas prices with Russia.

Recently Ukraine announced a new policy, "Energy Strategy until 2030," establishing long-term energy priorities. Is there a logical explanation for this overdue response? Greed might be one cause. Some special interests were hidden behind the state's lack of willingness to develop and exploit alternative sources of energy. Certain groups of individuals became unbelievably wealthy through involvement in the Russian gas trade. In fact, Ukraine's 50 richest oligarchs now control more than 85% of the country's GDP.<sup>3</sup> Unquestionably, these groups were very "close" to the authorities of that time. One of the wealthiest individuals is Petro Poroshenko, a former ally of Viktor Yushchenko (Ukraine's president at the time), and another is Serhiy Tihipko, a vice prime minister and Ukrainian "gas king." Dmytro Firtash, during the election campaign, shared headquarters with Viktor Yushchenko, Arseniy Yatseniuk, and Viktor Yanukovich in the RosUkr Energo building controlled by Firtash.<sup>4</sup> It is a classic case of collusion, with little or no regard for the constitutional protection of the nation's civil freedoms and rights.

Most of the post-Soviet countries have failed to establish adequate governance and promote politicians who are sufficiently capable, experienced, and respectful of the laws of the land to represent the true interests of their constituencies. Regrettably, a few blatantly robbed almost 46 million Ukrainian citizens for approximately two decades, and that conduct was accepted by the top authorities. The inability of social forces to establish equitable conditions and ensure fairness for all citizens, the belief in the powerlessness of individuals versus the power of the democratically elected government, and the tolerance of corruption are characteristic holdovers from the Soviet mentality. These factors have caused many further social and economic problems in the country. While people were mostly preoccupied with problems of national identity, their focus was diverted from the glaring economic issues.

## **2.2 Moldovan sense of national identity**

The Moldovan case is another conspicuous example of the disastrous consequences of Stalin's ethnic policies. In the pre-Soviet period, the Bessarabian part of present-day Moldova—the region on the right bank of the River Dniester (Nistru)—was part of Romania (1918–1940). Today Transnistria (on the left bank of the Dniester) is a part of Ukraine. The Soviets declared Moldavian the official language of Moldova, yet it was in fact a dialect of Romanian, written with the Cyrillic alphabet. When Moldova became independent, the new government reintroduced the Latin alphabet. In addition, a political movement called the Popular Front of Moldova started aggressively promoting a policy of excluding non-Moldovans from social institutions and reorienting educational policy toward abandonment of the interests of Moldova's many native Russian speakers. The main goals were to obtain independence from Russian domination and improve the social status of ethnic Romanians (Panici, 2003). The linguistic and territorial disputes caused massive protests in Gagauzia and Transnistria, the regions with a predominantly Russian-speaking population. As the Moldovan government failed to find a compromise approach, Transnistria and Moldova became engaged in an armed conflict that in fact solved nothing. Since 1922 Transnistria has been under Russian administrative and political control, and Russia supported Transnistrian leaders in their policy of distancing themselves from Moldova. There is a famous joke, "The Romanians in Moldova woke up in the late eighties but forgot to get out of their beds."<sup>5</sup>

In our opinion, there are two major causes of the conflict in 1994 that again are attributable to the widespread post-Soviet submissive mentality (with other factors exerting influence as well, of course):

1. Lack of attention to the interests of both parties: the Moldovan central government and the Transnistrian leaders. There had been no conflicts in the Soviet period because there were no explicit competing group interests. In the new situation, leaders failed to acknowledge the existence of the conflict, to analyze and facilitate its mitigation, and finally, to negotiate and

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<sup>3</sup>T. Kuzio, "Oligarchs wield power in Ukrainian Politics," *Eurasia Daily Monitor* 5 (125), 2008, available on [http://www.jamestown.org/single/?no\\_cache=1&tx\\_ttnews%5Btt\\_news%5D=33765](http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=33765)

<sup>4</sup>UNIAN Information Agency, "Tymoshenko: Yushchenko, Yatseniuk, and Yanukovich have one headquarters for three," available on <http://www.unian.info/news/321211-tymoshenko-yushchenko-yatseniuk-and-yanukovich-have-one-headquarters-for-three.html>

<sup>5</sup>I. Druta, "Unireanu se proclama la mitinguri," *Dimineata*, November 27, 1991, pp. 1-5.

communicate a mutually acceptable solution. Essentially, the conflict in Transnistria was fueled by ignorance. The majority of the population there truly thought that the new Moldovan government would abolish Russian as an official means of communications, that Moldova would be annexed by Romania, and that all Russian-speakers would be deported to Russia. In these circumstances, people were determined to fight for their families, language, and culture, and therefore the armed conflict spread rapidly.

2. Lack of independent thinking on the part of the new Moldovan government, in combination with an understanding of independence as separation from Russian control alone. After Moldova became a sovereign state, its leaders immediately started looking for a new patron. And that was a result of the ineradicable mentality of dependency.

In fact, as in the case of Ukraine, the Moldovan situation presented an excellent opportunity for some individuals to become rich. The uncontrolled Pridnestrovian-Ukrainian part of the Moldovan state border became an open door for huge amounts of smuggled goods and for illegal immigration. The biggest factories built during Soviet times in Moldova (a cement plant, a metallurgical factory, and other important industrial entities) remained in Transnistria, and they were privatized overnight without any civil control. Today, impressive sums of money from shadow export-import operations are still bypassing the Moldovan state budget. The scale of these losses can be illustrated by comparing Moldovan and Transnistrian official data on foreign trade with the respective GDPs (Table 1).

Table 1. Foreign trade as a percent age of GDP in Moldova and Transnistria, %

	1999	2000	2001	2002	2003	2004
Transnistria	240.8	409.7	359.4	279.6	324.5	309.7
Moldova	89.6	96.9	99.1	111.7	110.,7	106.4

Source: M. Burla et al., 2005.

There is no need for detailed discussion of the consequences of this situation, such as shortfalls in the Moldovan state budget, delayed payment of government salaries, miserable pensions and social benefits, and the familiar widespread state corruption. The driving forces behind the events of almost twenty years ago are still in effect. Transnistria today is an unrecognized country with its own customs, fiscal authorities, and other state attributes. The Moldovan government and other parties to the frozen negotiation process (Russia, Ukraine, the OSCE, the United States, and the European Union) cannot find a mutually acceptable solution. Perhaps some of them do not even want to change the situation.

### 2.3 The uniqueness of post-Soviet Belarus

*Belarus Digest* defined the modern-day economic process in Belarus as “Chernobyl-Style policy,” likening it to the devastating nuclear disaster at Chernobyl in 1986. President of the Republic of Belarus A. Lukashenko repeats an old mantra, “No crash occurred, we have everything under control, do not listen to foreign propaganda, no reason to worry...”<sup>6</sup> It explains the essence of Belarus’s policies and methods for achieving progress.

After the collapse of the Soviet Union, Belarus chose its own direction of development, one quite opposite to the paths followed by other post-Soviet countries. The government’s involvement in business and the banking system, as well as its tight control over fiscal and monetary policy, have been criticized by many “outside” economists. In 2001, however, Belarus was the first CIS country to attain Soviet-era levels of industrial and agricultural production, and it has the highest standard of living among the post-Soviet republics. Since then, the average rate of GDP growth has been about 8% annually (World Bank, 2013). This growth was made possible by large-scale state support, huge public spending, and expansion of government-directed lending programs. One might say that these are great achievements and that the country is on the path to recovery. And this conclusion is accurate, in a way.

Mr. Lukashenko was elected for his first term in 1994, and since that time Belarus’s economic policy and strategies of governance have been very similar to those employed in the former Soviet Union. Lukashenko’s

<sup>6</sup>AB (2011) Chernobyl-Style Economic Policy of Belarus, *Belarus Digest*, 21 June, 2011, available on <http://belarusdigest.com/2011/06/21/chernobyl-style-economic-policy-belarus>

popularity (he received more than 90% of the electoral votes in 2011) in Belarus is still high, mainly owing to nostalgia for the Soviet era with its relative stability, absence of unemployment, and cultivation of belief in the country's bright future. The majority of the population is still skeptical about the introduction of Western values in the country. Europe and the United States have imposed various economic sanctions on Belarus, but this drastic step only strengthens national desire to resist the pro-capitalist alternative.

Belarus's case is unique because, after starting from the same point as the other newly independent states, it chose a leader who did not radically alter the direction of governance. A Chinese proverb says, "God save you from living in times of change." The history of Belarus is a version of transformation without a change. Most Belarusians are poor but lead reasonably comfortable lives, and do not experience the stress generated by a need to adapt to new circumstances and a new way of work. At the same time, the average national output is practically the same. Very few citizens dare to dream about democracy, the free market, and the experience of another lifestyle, rather than the stability of a miserable existence. For decades Belarusians were told to prefer "a titmouse in the hand to a crane afar in the heavens" (Russian proverb), and Obama's slogan "Change We Need!" would be followed in Belarus by the question, "What for?" There is no understanding that stability leads to stagnation, and that painful changes are necessary for survival. Clinging to the status quo only postpones the drastic shifts that are inevitable in the future, which will be even more painful for younger generations with the Soviet mentality imbedded not only in their heads but also in their hearts.

### **3. Revival Signs as "a Light at the End of the Tunnel"**

Even though old Soviet values still demonstrate their power, some encouraging signs of a national revival are cropping up here and there. Increased opportunities to travel abroad and see life in wealthy countries are a major impetus for transition. Young people are becoming better prepared to welcome a market economy and democratic values.

Business innovations and an entrepreneurial spirit are emerging with relative speed. The traditional dominance of mono-industries is losing strength. According to Deloitte reports, the Ukrainian economy is in the process of active diversification. In 2010, local private Ukrainian companies were active in all major industries. More than 50% of the largest companies are now controlled by domestic investors;<sup>7</sup> this means that domestic investors are optimistic about the economic future of the country and no longer keep all their money in foreign banks. Modern Ukraine is actively shifting away from its Soviet industrial heritage. The business sector is very active, and is the first economic sector to embrace and incorporate the necessary structural changes.

Another promising example is Georgia's fight against corruption, a lingering and widespread post-Soviet disease. In 2010, Transparency International's Global Corruption Barometer attested to the fact that a remarkable transformation has taken place there over the past several years. "There is no other country at the moment where more people see a decrease in corruption in their country, and where more people say the government is effective in fighting it,"<sup>8</sup> said Mathias Hunter, a senior analyst in Transparency International's Georgia office. The culture of corruption was so effectively eradicated from day-to-day life by the government that Georgia is highly unlikely to invite it back. The most remarkable examples of policies include the introduction of an innovative electronic procurement system, e-government tools, a database with disclosure of public officials' assets, and other electronic services provided to citizens by public agencies. As a result of these measures, Georgia may set a good example for other post-Soviet countries.

Important changes are observable in Moldova, the poorest country in Europe, and Tajikistan, the poorest country in the CIS. Over the last ten years, small entities have risen up with renewed and up-to-date specializations other than the traditional agricultural focus promoted by the Soviet power in the past. Local entities are becoming able to produce and sell various consumer goods locally. Therefore, new Moldovan and Tajik consumer brands are increasingly popular and can be called real success stories. Notable examples of these positive changes include the following:

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<sup>7</sup>DELOITTE, "Who is Shaping Tomorrow," the Deloitte ranking report for 2010, available on [www.deloitte.com](http://www.deloitte.com)

<sup>8</sup>Radio Free Europe, Nino Kharadze, available on [http://www.rferl.org/content/georgia\\_corruption/2243593.html](http://www.rferl.org/content/georgia_corruption/2243593.html)

- The Moldovan brand Bombonici has created high-quality clothing for children since 2003. It started as a small family business and today is one of the most preferred consumer brands in the country.
- The Moldovan company Ravetti has offered women's under wearsince 2009; it too started as a small family business. Ravetti is popular in Romania, Ukraine, and Russia as well.
- Basri, a Tajik brand, successfully sells a popular range of biscuits and cakes; it started as a small family bakery in Dushanbe.

Significant social changes are inspired by technological advancements. International practices for implementation and application of information and communication technologies (ICT) in the e-governance, e-education, and e-health sectors are actively being adopted and becoming part of the socioeconomic reality of the post-Soviet countries. Successful ICT solutions implementing better governance and public services were successfully adopted in many post-communist countries: Estonia, Croatia, Czech Republic, Romania, Slovenia, Russia, and Moldova. Various aspects of organizing e-government centers with public-private partnerships, e-governance solutions, models of e-service portals with access via digital signature, and management information systems for public finances have contributed significantly to the fight against bureaucracy and to the advancement of the respective countries. The e-governance system can solve many persistent problems of post-communist countries: resistance to change, lack of transparency, corruption, and deep societal divide. There is no doubt that things have started to shift in this direction and will affect other public areas soon. The "e-lifestyle" is most popular among young people, and political leaders are tempted to follow this trend in an effort to maintain power and have young people follow them. But these transformations also oblige the leaders to enhance the information flow and the degree of societal openness. For instance, Russia adopted the "Electronic Russia" program in 2002. The program increased GDP spending on ICT by 5.1 %, and up to 20% of Russia's government procurement was handled electronically (Styrin, 2008).

Moldova also started to build its e-governance system with the support of the UNDP in 2008. The communications strategy "Acces@m Moldova" (Access Moldova) envisages a series of public awareness activities targeting different groups, including public servants, the mass media, and the private sector. The following benefits are expected:

- A strengthened institutional framework that is better able to formulate sound policies in the area of Information Society Development
- More efficient and transparent decisions by public administrations
- Increased ICT awareness among public administrators, leading to faster application of the new technologies in the public service sector
- Wider participation and inclusion of citizens in decision-making processes and stronger electronic democracy
- Expansion of access by citizens, especially those from rural regions, to the most advanced medical services through an efficient method of electronic scheduling and medical consultation
- Consolidated state capacity for arms and munitions control, as well as an improved crime investigation capacity (UNDP, 2008)

The positive results are already noticeable. Some public services such as business applications and permits are already available on the internet. This method eliminates opportunities to take bribes and engage in profiteering by exercising one's job responsibilities. E-governance was also supported in Georgia by the European Commission, and some steps toward implementation of e-government technologies were attempted in Ukraine, Belarus, and Kazakhstan (Janenova, 2010).

These are evidence of positive transformation in people's minds. Public initiative and respect for national identity are becoming appreciated and accepted. In socioeconomic terms, post-Soviet societies are in the process of seeking to satisfy Maslow's hierarchy of needs, with basic needs, at the lowest level, occupying the smallest part of peoples' concern and everyday life becoming more stable, offering a possibility to reach the highest level of this pyramid without many sacrifices. In addition, the new, liberated mentality increasingly inspires a generation of young people who represent a major source of hope and potential for progress.



## **Concluding Remarks**

There are many factors that can potentially influence the direction of a country's development after liberation from an imperial dictatorship. In fact, the important question of modern economic theory is how to predict, understand, and explain numerous preconditions and social behavior under these circumstances. More and more academics now are convinced that there is no across-the-boards scenario for such a break-up, and specific individual or collective choices may be irrational, depending on a multitude of characteristic attitudes of mind inherited by the society from the past. Similar processes are occurring in the post-Soviet countries after two decades of independence. Their experience provides grounds for ascribing the delay in development to commonly shared Soviet-style values and assumptions. The logical conclusion is that to break through and re-emerge in a viable form, it is necessary not only to improve the economic indicators but also to abandon the old mentality and change the old mindset. It is a long and difficult social process, but one that is of vital importance in bringing about a better future for these fledgling nations.

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