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Private entrepreneurship in Ukraine: a history and analysis

Abstract

This article deals with the question of what kind of philosophical principles guide private entrepreneurship in Ukraine, and what are its strengths and weaknesses. There is evidence that a history of entrepreneurship is present in Ukrainian history. However, this private entrepreneurship has mostly eked out an existence despite overwhelmingly unfavourable odds. The question of guiding principles has had little time or space devoted to it. Nevertheless, there is a clear tendency to respond to corruption, and any other challenges, with increasing deregulation and removal of rights and protections. While encouragement of business ownership is desirable, the policies that Ukraine is undertaking create as many problems as they solve, are harmful to workers, entrepreneurs, for society, and stability – indicating that this is not a viable long-term strategy.

Keywords: Ukraine, Entrepreneurship, political philosophy, property ownership

Introduction

This article answers the research question of what kind of philosophical principles guide private entrepreneurship in Ukraine, and what are its strengths and weaknesses, with particular relation to stability and the encouragement of liberal democracy. In dealing with this question, the article also provides historical context and contemporary analysis of private entrepreneurship in Ukraine, dispelling the myth that Ukraine lacks a history of private entrepreneurship. A major challenge for Ukraine, with the directions it has pursued in terms of economics, is that it has often been inconsistent, marred by a lack of institutions and a clear philosophy, and more recently promoted quite radical ideologically motivated policies that risk the stability of Ukrainian society. They do so

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by facilitating inequality, by promoting particular work models that may not appeal to all, and could also, seemingly contradictory, fail to provide the means for individuals to pursue entrepreneurship, instead, consolidating the power of the already wealthy.

Initially, we outline certain key philosophical terms required to understand both the present-day and historical economic policies that have guided Ukraine's transition from communism, and we explain the stance of the paper towards the matter of economic freedom. This is to ensure clarity throughout the paper. The historical development of entrepreneurship from the pre-Soviet period to post-Maidan is then traced, up until the present day. Subsequently, the justifications for the current, more ideological commitment to a seemingly neoliberal perspective are drawn out, as well as the significant problems, both philosophically ideal and non-ideal within the context of Ukraine, before ways to ensure a more stable, market economy for Ukraine, especially within the context of an existential war and post-war nation-state are provided.

When referring to entrepreneurship, the term is taken as encompassing all forms of private business. It is often associated with individuals creating new markets (Schumpeter 2010), elite businesspeople (Cordasco and Cowen 2024), large corporations, and start-ups. However, it just as much includes small-scale businesses and individual traders (Kirzner 1997). This is important to note, as the paper is not merely discussing the growth of larger industries, but also the smaller scale industries, as it is essential to assess the benefits and harms to these parties as much as workers and larger businesses when analysing the current realities of post-communist Ukraine.

This question is pressing for multiple reasons. The most obvious is that Ukraine is currently defending itself in a war of existential proportions, and considering the challenges to stability and growth, the survival and success of Ukraine rests on developing a flourishing market economy within a functioning liberal democracy. Secondly, many of the policies examined in this article are yet to be the centre of significant discussion in literature as they are still developing and are often overshadowed by matters of war. However, considering their risks is essential and highly salient. Finally, the discussion raises major questions for proponents of neoliberal, classical liberal, "neo" classical liberal, and libertarian philosophers, who tend to discuss the issues of marketisation and property ownership within ideal societies or western nations which have not transitioned from communism.

Philosophy

This paper is assessing the risks and benefits of stability due to the increased marketisation of Ukraine, the encouragement of entrepreneurship, and understanding the historical changes of entrepreneurship within Ukraine. A major risk in identifying flaws within Ukraine's post-communist economy could be attributing the failures to a

lack of experience and exposure. However, as will be illustrated, there is a long-standing tradition of entrepreneurship in Ukraine. The issues should rather be attributed to the idealised vision of an entrepreneur-led, aggressively marketized economy, and philosophical investigation can assist in not only identifying risks, and benefits, but also, understanding what corrections can and should be made.

The relationship between economic freedom, free markets, and property ownership in relation to the ideal society is long-standing. Neoliberals have often claimed that economic freedom leads to greater overall freedom, prosperity, and more (Hayek 1994; Friedman 2002). More recently philosophers such as Brennan (2014) have discussed how market societies can foster an egalitarian ethos due to the benefits of mutual trade; while others, such as Tomasi (2012), have claimed that for individuals to have self-respect, a sense of “self-authorship”, as in agency and capacity to control one’s life, entrepreneurship is valuable; therefore, an ideal society would robustly protect private property rights and encourage workers to be contractors with little to no government interference. Much of these ideas, deliberately or otherwise, overlap with much of the recent direction of Ukraine’s increasing marketisation and encouragement of entrepreneurship.

This paper does not take a particular ideological stance towards markets and property ownership. Rather, it aims to assess the arguments for increased marketisation and the promotion of entrepreneurship on the basis of increasing stability, encouraging a market economy that continues the transition from communism and providing greater degrees of freedom to individuals. This means considering the arguments within a broadly liberal stance, as in one wherein individual freedom is seen as something to be enhanced, where there is, at *least*, formal equality, and state institutions and the rule of law. This is because these ideas are implicit or explicit behind much of the argumentation for entrepreneurship. By doing so, it means defenders of strong degrees of economic freedom, private property ownership, and marketisation must take up the challenges we identify. Nonetheless, the paper will consider objections outside of standard liberalism, to consider the strengths and weaknesses of the policies discussed in this paper, such as domination. Although we attempt to illustrate the issues we highlight, there should be concerns for even ardent libertarians.

At this point, it is necessary to summarise two different ideological categories as they are used throughout the paper. Neoliberalism is often overused and vague (Hardin 2014: 199), but there are often consistent ideas that it promotes capitalism, advocates less state interference economically, promotes privatisation for efficiency, reduces state expenses on welfare, seeing the enterprise model for society as a whole (Flew 2014) and as a justification for the state (Foucault 2008: 240, 84) and promoting corporations (Hardin 2014). The justifications can be and tend to be consequentialist, such as by Friedman or Hayek (Thorsen and Lie 2006), to achieve social justice,

efficiency, economic growth. Justifications for such policies based on deontological commitments tend to veer closer to libertarianism. Philosophically, libertarianism, or right-wing libertarianism to be specific, emphasises self-ownership, and the entitlements to acquiring property through the use of one's self, a strong bundle of strictly protected rights, particular property related, and a nightwatchman state which only serves to protect individuals from violations of their rights, meaning there is no redistribution of wealth, tax, social services, etc. This is classically expounded by Robert Nozick (2013). Later libertarians, or "neo-classical liberals" or "bleeding heart libertarians" such as Tomasi (2012) have modified the stance to accept the importance of social justice or conceded the viability of a basic income or at least more intervention than Nozick style libertarians advocated for, which indicates there is not one complete and clear ideology.

Another key concept that must be elaborated is the idea of pursuit of the good life, and public justification, which is a typically Rawlsian/Political Liberal concern. The core idea is that all persons have a conception of the good and should be able to pursue it (Rawls 1996: 310), which requires certain rights and primary goods. Also, a politically liberal state should be neutral, finding justification for political acts that appeal to all reasonable persons with their own idea of the good, over one particular idea of the good life (Rawls 2001: 146) i.e., all religious groups should be able to agree, a policy should not appeal to one. This is important because Tomasi, a proponent of a heavily marketized society whom we will refer to often as a more recent source, bases his arguments on political liberal principles, and if, as we argue, the policies are at odds with the principles expounded, then there is more work to be done.

History

While an infrequently written, but commonly held assumption is that Ukraine, like many former communist countries, lacks a history of private entrepreneurship, the second half of the 19th to the first quarter of the 20th century saw the development of a group on the territory of Ukraine which "discovered the entrepreneurial method of action that corresponded to the new conditions of commodity-money relations in society" (Nizova 2007). This group was engaged in small-scale production and was made up of craftsmen or artisans (Kustari), who produced basic necessities, which were urgently and immediately needed in large quantities by the population (ibid.). This group continued to exist despite the revolutions and civil war(s) which took place in the country.

During the NEP period, certain measures were taken which allowed the Kurstari to do business. The tax reforms of 1925 saw many exempt from corporate tax, inexpensive licenses "for personal productive activity" (patent na lichnoe promyslovoe

zaniatie) were all that was required, although many Kustari did business without them (Ball 1990: 136). While the label petty private industry included others, the Kustari made up over 90 percent of this category, the implications of which are important – indicating that most were “simply handicraftsmen working at home or in a nearby shop, either alone or with help from family members, apprentices, and occasionally a hired hand” (ibid.).

The tolerance of the Kustari and other small producers does not mean that they did not suffer peripheral social status and political rights. For example, the table, below (Kimerling 1982), indicates that access to education was limited based on the social category of the applicant.

Social Category	Vuzy	Technicums
Workers and employees who earn over 100 rubles a month and peasants who belong to cooperatives	(36-225)	(18-150)
Peasants who pay agricultural tax of at least 15 rubles a year	Amount of tax (100)	$\frac{3}{4}$ amount of tax (75)
Kustari who pay corporate tax	1-1/2 x income tax (300)	Amount of income tax (200)
Free professions	1-1/2 x income tax (300)	Amount of income tax (250)
Persons living on non-labouring income	2 x income tax (500)	1-1/2 x income tax (400)
(Figure in parentheses is maximum charge in rubles per year)		

Such social policies had a notable impact on the prevalence and success of small producers. Just over fifty percent were engaged in a small-scale industry in 1913. This share fell to around forty five percent by 1927, yet then plunged to less than ten percent by 1933 (Kaufman 1962: 4). This was mirrored by a comparable fall in gross value of output (adjusted for inflation), which saw a nearly forty percent share for small business in 1913, falling to less than thirty in 1927 and then well below ten percent in 1933 (ibid.).

The period from 1930 to 1936 saw policymakers test how much private economic activity they could prohibit, finally being forced to tolerate more than they had originally hoped (Hessler 1998). Moreover, small-scale informal trade and artisanal manufactures represented a grey area, which saw them both acting as a safety valve for both consumers and providers for the remainder of the Stalin era, yet still periodically the victim of struggles against them (Hessler 1998). The Stalin era also saw the 1937 founding of The Department Against Misappropriation of Socialist Property (OBKhSS [RU: *Отдел по борьбе с хищениями социалистической собственности*, ОБХСС; UA *Відділ боротьби з розкраданням соціалістичної власності*, ВБРСВ])

(Tishkov, Alaberdeyev, and Latov 2007). This organisation continued to work against those engaging in speculation and similar issues until the end of the Soviet Union, with some fluctuations of focus; for example, in 1941, they were assigned the duty of fighting currency traders and smugglers, which had a focus on Western Ukraine and other border regions (Tishkov, Alaberdeyev, and Latov 2007).

The Khrushchev years saw the expansion of the production of food and industrial consumer goods, as well as increased purchasing power of the population (Artemov and Vodichev 2020). However, a coherent strategy was lacking. There was a reluctance to sacrifice the principles of socialism and reform economic mechanisms, and the joint goals on creating a consumer society and achieving defence parity proved unfeasible (Artemov and Vodichev 2020). Khrushchev also launched a fierce campaign against economic crime in the early 1960s, including harsher criminal and administrative penalties, as well as expanding definitions of punishable activities and restrictions on private entrepreneurial activities (Schwartz 1981). However, there was a transition from Khrushchev and his moral absolutes on economic crime to a situation under Brezhnev where informal rules, black-market bureaucracy, speculation were largely decriminalised (Schwartz 1981).

Throughout the Brezhnev years there was stability and a social contract of sorts, but the economy also stagnated, Gorbachev's reforms threatened this. For example, the June 1987 Law on the State Enterprise made the prospect of workers being released en-masse from unprofitable enterprises a very real possibility – one that self-evidently threatened Soviet workers' employment security (Cook 1992). Along with the risks, Gorbachev era reforms brought opportunity. The Law on Individual Labour Activity of 19 November 1986 permitted those not required to work in the state sector, such as housewives, pensioners, invalids, students, to engage in a variety of activities such as housing construction and renovation, motor car repair, hairdressing, private taxis, care of the elderly, and a limited collection of medical, translating and tutoring service (Plokker 1990).

Following the demise of the Soviet Union millions of people were laid off and the government could not and did not want to secure decent wages or unemployment benefits for them. While the government did, after some hesitation, allow them to make money privately, the "Soviet-minded" law enforcement and police refused to protect the rights of entrepreneurs and as a result racketeering flourished (Dubrovskiy 2023: 73–74). Although Kuchma oversaw a semi-authoritarian and highly patronal regime, there was seemingly success in free market reforms. Indeed, despite the fact that these reforms may have been undertaken so as to generate value that could be appropriated and re-distributed by the rent-seekers, it did not stop the development of a real middle class, one which was central to the revolutions that Ukraine underwent (Dubrovskiy 2023: 75). There were significant problems with the rule of law in this period and tools

such as blackmail were employed to establish presidential control over oligarchs, heads of enterprise and collective farms (Darden 2001).

The general attitudes were not particularly in favour of small business. As Leonid Kuchma stated:

“There is no capitalism without capitalists, without national bourgeoisie including big tycoons. But during all 15 years of our independence there were attempts to create capitalism of small merchants, small entrepreneurs, capitalism without big national bourgeoisie. Like in Poland. I spoke about it many times. This model would be unacceptable for Ukraine. Such model would be unacceptable for Ukraine even from the point of view of the structure of the Ukrainian economy, as its base is created by industrial giants.”

However, important in the context at hand, the Kuchma regime established a simplified taxation regime for micro businesses, which freed this class from the previously abundant discretionary opportunities of the tax authorities (Dubrovskiy 2023: 75).

Despite entrepreneurship and private property becoming widespread, problems persisted. The issue of corporate raiding (*reiderstvo*) badly affected the business environment in Ukraine. As Ukraine adopted new laws and regulations with the ostensible purpose of better protecting property rights, raiders utilised these laws and regulations as weapons to use against their targets (Rojansky 2014). Stack (2010) described corporate raiding in Ukraine as “a euphemism for the illegal and corrupt manipulation of Ukraine’s patchy legislation and ramshackle institutions to seize control of unsuspecting companies”.

The Tax Code Protesters’ Maidan or the Tax Maidan occurred in 2010, when around one hundred thousand people protested in the main square of Kyiv against changes to the tax code (Zakharov 2011). The proposals relating to small businesses, which have a simplified tax system, included a considerable reduction in the types of activity where this simplified system could be applied, while also significantly raising the tax rate for those who remained on the list (*ibid.*). Serhiy Tihipko, Deputy Prime Minister at the time was scathing in his assessment of the movement, stating that he hated the proletariat and that “the idea that we should be listening to ordinary people and taking their opinion into account before amending the Tax Code is absurd” (Kozak 2020). Zakharov (2011) argued that the issue represented a human’s rights concern as it left individuals with two options: “join the grey economy (which is repugnant and, in fact, impossible)”, or seek employment as a hired employee, “when in Ukraine the relations between owners and employees are often similar to feudal relations”.

Post-Maidan

The 2013-2014 Maidan protests represent the largest mobilisation event in modern Ukrainian history, yet few remember that it actually began as preparation for a general strike, which in actual fact never came to pass (Gorbach 2019). Despite economic grievances being incredibly important background to the protests, despite the formal participation of the million strong Confederation of Free Trade Unions of Ukraine (KVPU), the labour agenda was quickly side-lined (*ibid.*). The Federation of Trade Unions of Ukraine (FPU) boasted more than eight million members, yet was even more cautious than the aforementioned KVPU, despite resources and opportunity suggesting otherwise (*ibid.*).

Entrepreneurs did fare somewhat better in the aftermath of Maidan. Oleksiy Musiyezdov (2014) argued that Euromaidan ought to be viewed as a “bourgeois revolution”, which was driven by entrepreneurs and the creative class due to an interest in self-realisation within global capitalism. Indeed, Wynnyckyj (2019: 22) contended that “Maidan spawned the (re)birth of entrepreneurial/bourgeois self-reliance as a formative paradigm of political programming—a form of liberalism that had never previously gained traction on the European continent”. If worker rights were the forgotten elements of the post-Maidan transformation, entrepreneurship did at least fare better. However, there were limitations to the success which could be achieved in the post-Maidan reality.

Plokhorov and Yablonovskyy (2020) divided the periods of privatisation as an initially (1992-94) ill-designed start with no foreign investors, followed by a period of voucher privatisation by the State Property Fund (1995-1998), and finally, selective privatisation by cronies, including the good, the bad and the ugly examples in the 1998-2017 period. Furthermore, the authors note that expectations for the post-Maidan period were too high (Plokhorov and Yablonovskyy 2020). While expectations for privatisation in the post-Maidan environment may have been too high, around the same time, there was another burning, but related issue – that of inequality and its impact on social cohesion. The issue of inequality affects social cohesion, social inclusion, and public trust and there was a need for the government to utilise social policy in order to increase the level of social cohesion (Hrynenko and Kirilyuk 2016).

We can see the development of pro-market, pro-austerity, and neoliberal thought. Hrynenko and Kirilyuk (2016) argued that “only a small part of the population needs state support in a market economy” and “equality of conditions of human existence is hardly possible to provide in practice”. While also judging social payments actually detrimental to social cohesion due to social payments and benefits only leading to increased welfare mentality, not reducing inequality (Hrynenko and Kirilyuk 2016). Such views are widespread in Ukraine and reflect a general distrust of government in-

tervention, especially in the form of direct financial assistance. Additionally, in 2013, a survey found many Ukrainians tolerate inequalities, although they did still find some issues regarding the need for much of the society, especially low earners (Gatskova 2013). There was a sense, prior to the recent reforms, that the private sector can take the role of the government. Indeed, in some areas the private sector did step in to fill the void. The new notion of social entrepreneurship was developing in Ukraine (Malinkin and Smaglyi 2013). This kind of social entrepreneurship has continued to be important. According to Petro Darmoris (2023), Director at Social Economy Ukraine and Board Member of Social Economy Europe, Ukrainian social entrepreneurs responded to the war in a variety of ways, some created new social enterprises or expanded existing ones to provide essential goods and services to people affected by the war, while others focused on promoting peace and reconciliation in their communities.

Under Poroshenko's and Zelensky's governments, there have been two notable developments towards Ukraine's growth of entrepreneurship, increased marketisation, and reduction of state support. One is that there has been a proliferation of the IT sector, which has given way to a new middle class in Ukraine, with service-based jobs, high salaries for the educated, typically younger sectors of the population. In 2018, the IT sector provided 3% of GDP and 10% of foreign direct investment (National Investment Council of Ukraine 2018), and since the full-scale invasion by Russia, it has proven resilient, with a growth of 5% (Dickinson 2023). This is notable because it correlates with more marked neoliberal reforms.

The other development is the growth of "FOP", as in, formalised private entrepreneurship. Established in 1994, it nonetheless has grown considerably as the IT sector has grown, and been credited with providing significant tax, due to the low tax rate of 5% (Aridi, Hayter, and Radosevic 2021), and taking significant amounts of money away from the "grey" sector (Dubrov'skyi and Cherkashyn 2017), and encouraging growth (Tkachik and Beshko 2018). FOP allows entrepreneurs to operate legally, with a simplified tax system. It is notable, however, that many individuals, who take employment at IT companies, are hired on these contracts. IT companies took advantage of the "flexible labour force unrestrained by regulations that accompany full-time employment" and in 2021, 44% of workers in Ukraine were on FOP (Aridi, Hayter, and Radosevic 2021, 709). They are hired as contractors, meaning legally, there is little in the way of protections aside from the work contracts themselves, and are offered a low taxation rate alongside contributions to social insurance. Unlike full time employees, they receive fewer state guarantees of pensions and other social services.

There has been a marked continuation of neoliberal reform since Zelensky's election and during the full-scale invasion. For example, there have been cuts to welfare payments (Semchuk and Rowley 2023), a shift towards more means testing in redistribution (Ukrinform 2023). Crucially, there has been a considerable weakening of

worker rights, due to laws such as “On the Organisation of Labour Relations During Martial Law” (Verkhnova Rada of Ukraine 2022), emphasising individual negotiating, weakening rights for employees of small and medium scale businesses, empowering businesses to fire staff easily without obligations, and more “zero-hour contracts” (Sandul 2023). All of these factors, bundled together, indicate a clear neoliberal trajectory: less state intervention, fewer worker rights, more economic flexibility, greater rights for business owners, and, more entrepreneurship, although, many entrepreneurs, on paper, are in reality workers hired as contractors.

Despite modern concepts such as social entrepreneurship, and the reforms, there are still significant barriers to entrepreneurs. One issue which continues to prove to be a burden on entrepreneurs is that of inspections. 43% of entrepreneurs strongly feel the burden of business inspections, with a further 17% saying that they hinder their business operations. A tiny 4% minority felt that inspections help to improve their business processes (UNDP 2023). This indicates, arguably, that neither workers, nor entrepreneurs, are benefitting from the reforms. Additionally, in 2019-2022, there was the social movement “SaveFOP” which protested against tax reforms for entrepreneurs including “payment transactions recorders” (Interfax-Ukraine 2022). An essential note, is that the lack of trust in inspections, indicates a wider distrust of institutions. In general, the feeling of unfairness from entrepreneurs persists alongside a degradation of worker rights. Alexander Sokolovsky of the Union of Ukrainian Entrepreneurs commented that “The state is harassing legitimate businesses with its enormous law enforcement apparatus. At the same time, it exhibits impotence and is unwilling to deal with the unfair competition, which is killing us — the illegal factories, the contraband goods, the shady public procurement procedures, the lack of quality control in public purchases, the illegal construction works, etc” (Kozak 2020). Companies were still being pushed into the shadow economy by the 2020s, with the government’s response to the Covid crisis, banning various activity but leaving small business owners to largely fend for themselves, particularly damaging (Kozak 2020). Pavel Sebastianovich of the Association of Ukrainian Entrepreneurs stated that: “entrepreneurs can operate effectively in any system. Even in the Soviet Union, or in an authoritarian regime. Not in mass numbers, however, but rather as an exception to the general rule. A country can only succeed if entrepreneurs are able to achieve success in large numbers without superhuman effort” (Kozak 2020). Indeed, the evidence present in this article shows that the resilience of Ukrainian entrepreneurs can only be matched by various governments’ damaging policies. There appears to be a system which benefits the wealthy, larger companies which have connections within state apparatus, a lack of faith in a fair playing field as a result, and a system which serves not to benefit small level entrepreneurs or newer ventures or workers. A core element of this has been the lack of a coherent, guiding philosophy for the issue of private entre-

preneurship in Ukraine, followed by an aggressive neoliberal push without the appropriate institutions to guide it.

This combination of a simultaneous push towards a more deregulated economy, with reduced worker rights and welfare, a wider adoption of private entrepreneurship, and a simultaneous sense of unfairness, indicate an inconsistency, and risk to stability and achieving goals of stability and a healthier market economy. Additionally, it appears the proliferation of FOP, is not so much a wider growth of entrepreneurs, but may be rather a growth of workers with little in the way of protection. The lack of a clear guiding philosophy, and a failure to identify the risks of mass deregulation, as well as a lack of institutional support for both workers *and* entrepreneurs, is at the core of the issue.

Philosophical direction

While there is a lack of one clear stance, from a philosophical perspective, prior to Maidan at least, it is still possible to identify a mix of ideological promotion of markets and business ownership in some areas, alongside a more ad-hoc autocratic approach. While on one level, there is a clear capitalist economy with private ownership of productive forces, alongside certain state enterprises, there is a widespread, but “grey” or “shadow” class of smaller level entrepreneurs (Markina, Hniedkov, and Somych 2017). The guiding ethos appears to be pro-entrepreneur to an extent, without the strong institutions that are typically found in western nations, and more overt (though not necessarily more present) relations between oligarchs and government. There appears to be a promotion and protection of larger industries, the oligarchs or “tycoons”, to a greater extent than of the smaller industries in order to generate wealth. There is little in the way of state assistance, minimal redistribution of wealth, and despite the presence of worker unions, their role appears to be outsiders in the political sphere. This firmly distinguishes the form of capitalism away from social democratic regimes in reality or ideal liberal egalitarian regimes. Simultaneously, it cannot be said to be an ideal form of either institutionally backed capitalism a la neo or classical liberalism, but also, there is far too much state involvement for it to be close to a libertarian form of economy.

Post-Maidan, it is reasonable to say that, whether through pragmatism or ideology, Ukraine has embarked on a more aggressively ideological path, with a distinctive influence of a neoliberal philosophy which prioritises markets, business owners, and deregulation, over redistribution, social welfare, and worker rights, more than other, capitalist countries which balance both i.e., much of Western Europe. The foundations of the policies must now be examined, the justifications analysed, risks assessed, and recommendations and future directions outlined. However, it is not possible to

discount that these issues are, in major part, due to a lack, or weakness of institutions, but rather to neoliberal policies in and of themselves. Of course, there were complaints regarding “soviet hangovers” (Perlez 1994), particularly pre-Maidan. This was to be expected in as much as the legal frameworks included much continuity, and there was a lack of democratic engagement and trusted institutions of the ilk which may be found in the most successful capitalist countries, a contributing factor being, ironically, a historical distrust of authorities. This is a fact that must be addressed.

A significant issue in the post-communist transition was that of institutions, an area in which Ukraine lagged behind (Havrylyshyn 2006). While others criticised the transitional leaders over institutions (O’Brien 2010), there can be no doubt that Ukraine missed the window of opportunity in terms of democratic consolidation (Jonavicius 2009). Institutions, such as: welfare bodies, civil society, regulatory bodies, support for entrepreneurs, workers, etc, tend to function ineffectively, are corrupted, are not trusted, have little power, or are wielded by the already wealthy, or some combination of all or some of these factors. In fact, Ukraine’s most important institution has been described as endemic corruption (Aslund 2014), even post-Maidan, while generally informal relations became increasingly vulnerable to formalisation, meaning that various informal institutions lost their functions and influence, others were actually preserved by the political elites, and even employed to promote the reform process (Aliyev 2018).

Many capitalist nations have institutions that are, somewhat at least, trusted, whether they be state providers of goods i.e., the NHS – the most trusted public service in the UK (Office for National Statistics 2022), or more regulatory, or non-state but nonetheless crucial components of society i.e., unions – whose confidence is proven to be related to a wide array of people including non-working individuals and vulnerable social groups (Frangi, Koos, and Hadziabdic 2017). While Ukraine has a mix of state and non-state institutions, many of them, at present, are weak, such as trade unions (Volynets 2015), corrupted, such as many of the state’s regulatory bodies, distrusted, such as the supreme court (Smirnova 2020), or wielded by oligarchs such as national media, banks, etc (Wilson 2016). Ukraine’s anticorruption activities have been primarily based on deregulation, demonopolisation, digitalisation and attempts at the creation of a strong institutional environment, with a focus on deregulation and demonopolisation (Smorodina 2021). The issue of a lack of a strong institutional environment leads to a problem in that the market economy does not function with the same background as many other nations. Individuals are highly atomised, and are often not protected, nor feel they have a voice in economic or political processes which directly affect their work or business. Without such institutions and *trust* in their institutions, people have tended to embrace more egoistic attitudes within capitalism, both businesses and workers are not protected legally, and the market is distorted by

the already connected and wealthy. This means that further market reform can inevitably lead to further problems, rather than solutions.

The problems with the case for wider marketisation

Much of the justification for these policies is to make Ukraine more attractive to investors (Lawson 2022), as well as to continue the path of decommunisation. However, these policies go beyond typical market economies. While it is understandable within the context of the war that the state cannot fulfil as many obligations, and the workforce may need to tolerate more flexibility, the fact that these laws have come in for the long-term indicates an ideological direction, overlapping with neo and classical liberal, or “neo-classical liberal” thought, as already stated.

Aside from ideology, however, we can identify some practical justifications for such policies. The benefits of further reform could be that it can further attract necessary investment for Ukraine’s economy to survive, encourage entrepreneurship, and limit the power of a state, which is often corrupt in Ukraine’s context. By encouraging more people to become entrepreneurs, more income can be accumulated, businesses will invest from abroad, and individuals will feel a sense of freedom in their lives. It may come at some negative costs, but one could make a case that it is a necessary step in the path towards becoming a full liberal democracy. Markets can encourage cooperation between trading partners, facilitate growth, and it is reasonable to identify the importance of business ownership for many persons’ conception of a good life. The justification could be that, without such aggressive marketisation, Ukraine’s transition will not be complete, and Ukraine will grow economically and become a more modern, cooperative state, where individuals can easily pursue their dreams of business ownership. However, there are several issues that arise, posing difficulties for these justifications whether philosophical or practical. We explore the challenges, passing the response to those defenders of such reforms and identifying threats to Ukraine’s transition to a democratic society.

Inequality

First, the critical issue of inequality is explored. Evidently, there are risks associated with further development of inequality by providing less to the worst off, empowering the already wealthy or a new class or oligarchs, who can corrupt the political processes. A typical concern is that wider inequality can lead to the elite controlling the media, affecting political processes, and generally facilitating further control over the disadvantaged (Scanlon 2018: 6). In Ukraine, the oligarchs have typically owned TV channels (Haring 2018), and routinely run for president and been presidents, such as Poroshenko. With this already existing inequality, it is unclear how giving greater

control to employers, especially wealthy ones who may be better able to navigate the corrupt system to pay even less tax, would not merely create a new class of oligarchs or consolidate the current oligarchs.

Some may respond that inequality is not a major issue, so long as there is social mobility. This is a typical response, for example, to claim that equality cannot be sustained, and patterned ideas of justice inevitably fail due to freedom (Nozick 2013: 149–182) or that equality before the law is the only attainable freedom and the benefits of inequality are for everyone (Hayek 2005). However, the types of policies advocated do not accompany greater social mobility and are going beyond a level of inequality conducive to social mobility. Ukraine has considerable poverty and an oligarch class with considerable wealth, social mobility is already heavily restricted, and it is unclear how cutting the support for the worst off would make it better. Nation states with stronger welfare states and worker rights tend to score higher on social mobility than those without (World Economic Forum 2020). Additionally, if a person is not protected by the state, has no security financially, then they are more likely to be exploited, and therefore less able to pursue their goals and improve their conditions (Penny 2015). While the promotion of entrepreneurship does not inherently lead to a lack of social mobility or entrenched inequality, as there is no fundamental opposition to worker rights and welfare, the bundle of policies that have been accompanying the reforms does appear to lead to those effects. The inequality itself may not be an issue, provided there is a real chance for social mobility, and real opportunity for everyone. However, when it is difficult for many to improve their lives financially, or otherwise, it is unclear that we can claim that the worst off have opportunity or freedom to pursue their lives. Either the proponent of a minimal state must accept vast inequalities, even at the expense of opportunity and social mobility, as evidence bears out, or recognise the threat that inequality, at least in non-ideal conditions, poses for persons' freedom to pursue their goals.

One final point, while inequality is often not an issue for libertarians, there is an exception. A major aspect of Nozick's *Anarchy, State, and Utopia* is that the principle of rectification (Nozick 2013: 152–153), as in, unjust transfers of property are offset. Much of the historical acquisition of property in Ukraine, as much of the USSR came about from corruption and unjust acquisitions (Novokmet et. al., 2018). The further deregulation and marketisation will likely benefit the already wealthy, as the transition from communism benefitted mostly those already powerful within communism. There is a libertarian case, arguably, for a wider redistribution of wealth and to control their power within many former soviet (and arguably other) nation states. It is peculiar, in fact, that this has never been made. While few, full libertarians are developing Ukraine's policies, if we can make a case on the more radical position of libertarianism, then neoliberals can, arguably, concede some ground for constraint against the

wider inequality that the policies will most likely result in. Ukraine should also recognise the historical context which it operates in.

Pursuit of life plans

There are two issues to be taken together: the strong protection of markets is not acceptable to everyone, and that it is not conducive to help people pursue their life goals. These refer back to the political liberal ideas explained earlier held by Tomasi in his work *Free Market Fairness* (2012). Tomasi appeals to the idea that a just society is one that is acceptable to all reasonable conceptions of the good in line with Rawlsian thought (Rawls 1996). While others could advocate market economy because it is inherently *good* as a life plan, if a major, recent proponent of this sort of policy attempts to uphold a political liberal idea of being acceptable to all, it should be questioned if it is. Additionally, even if we ignore the political liberal issue, libertarians and neo-liberals often appeal to ideas of liberty. We argue against both, claiming the policies advocated by libertarians and neoliberals that are or could be pursued in Ukraine are not acceptable to all life plans. Generally, these policies will hinder people's ability to live their lives, which we could reasonably call freedom. This is a more ideal, philosophical argument, but there is a fundamental flaw with the approach that should be taken into account.

First, we discuss the acceptability of the issue. Encouraging more individuals to take FOPs, and deregulating and cutting welfare could be rejected by many. Considering that in 2012, many Ukrainians did not prefer a market economy to a centrally planned one (Protsenko 2019), the encouragement of entrepreneurship will not be agreed to when it comes at the expense of other life plans. Critics of Tomasi's argument have claimed that the sort of framework he advocates with strong free markets is not acceptable to everyone (Clayton and Stevens 2015). For example, others may prefer typical employment, to be part of unions, cooperatively owned or run workplaces etc., all of which are denied or exceedingly difficult under a radically pro market society. While some will dream of business ownership, not all do, and the state, by preferring one idea of the good life over another, may be contested. Additionally, when we consider that many workers are on FOPs, rather than contracts, it indicates they are not entrepreneurs, rather, they are being indirectly coerced into particular work contracts. The risk of feeling alienated from the state, that their idea of the good life is rejected, could threaten stability.

This argument may not convince all; however, there is still the second issue of being able to freely pursue one's life goals. A market economy with greater individual control, rather than dictated rules, may, as some philosophers such as John Tomasi claim, give a greater sense of "self-authorship" as in the "capacity to realistically assess the options before them and, in light of that assessment, to set standards for a life of a

sort that each deems worth living” (Tomasi 2012: 40). The argument is that individuals being able to decide their salaries, contracts, and conditions autonomously gives them a sense of self-respect and control. In addition, as business ownership is a crucial component of one’s life plan and if the owners of business are not given expansive rights over their property, as in, with little regulation, taxation, etc. then they are denied this ability to live their life plan (Tomasi 2012: 66, 78–79).

However, this argument is peculiar. First, no nation state has ever had such protected rights as they advocate for property ownership, while many have been entrepreneurs, including within the USSR, as discussed. It is unclear why the rights must be so robust to undermine workers, cut redistribution, and risk wider inequality. Further, the idea that individuals should be free to pursue their goals requires this particular set of freedoms and a heavily marketized economy ignores the fact previously mentioned that many have other ideas of the good, and will be coerced into a different life from that they prefer. Critics of Tomasi have claimed that if a person lacks support, they will feel less able to pursue their goals, even if they have more “freedom” (Fowler 2015). One could reply within a market economy there is a choice, as Tomasi (2014) does; however, employers will prefer a system that is more profitable and this could push out the alternatives.

Furthermore, and arguably more importantly, by giving greater power to employers, workers are at the whims of their demands. This is what neorepublicans call domination (Pettit 1997), wherein an individual is under arbitrary control. Employers in many countries, such as the USA, exert considerable control over their employees, for example via the activities they do out of work, what they post online etc. It is, according to Anderson (2017), equivalent to a “private government”. This is clearly not beneficial to the individual freedom to pursue one’s end. While an entrepreneur may be able to pursue their dreams, their workers are less free. Libertarians and neoliberals sometimes reject the idea of domination; however, in societies with weaker states, oligarchs and companies often operate with the same power as the state, or use the state’s corrupted power for their own ends, and it is unclear why, even if one accepted the strongest libertarian idea of “self-ownership” where one is entitled to the fullest fruits of their labour and body, a corporation or oligarch should have so much power to influence political processes, to control employee’s activities outside of work, or to control many facets of society. A libertarian will have to answer this question with significant difficulty, either permitting oligarchic control, or recognising the need to limit their power. Neoliberals will be challenged to recognise that with their presence, further deregulation and privatisation will, arguably, hinder growth and the benefits for all that allegedly come from full free market capitalism, when the benefits will mostly go to the oligarchs and government. If they do not, it is unclear why it is permissible.

One may reply that within a heavily marketized economy, the workers have a choice, and the market may punish poor bosses. However, within the former soviet countries, including Ukraine, we see little sense of business ethics (Fuxman 1997), consistent violations of regulations and protections, industrial accidents (Juska and Woolfson 2014), and so on. In part, due to the systems which have not suitably developed around market principles with proper institutions, there is a real inability to hold parties accountable and a sense that these parties will remain powerful. Many of the oligarchs may be deeply unpopular, however, they provide goods and services which are used regularly, and it is unclear how this would be different with wider deregulation. In addition, due to the precariousness of workers, they will be less able to exit their jobs, or negotiate collectively, improving their conditions.

Ethos

One defence is still available to the free marketer. Proponents of market economies, such as Brennan (2014), explain that egalitarian ethos and attitudes develop within them rather than collective ones (Zak 2008), citing psychological studies done between those in more collective vs marketized economies (Zak and Knack 2001). One could go further and make a case that cutting the state, weakening worker legislation, and encouraging full free market capitalism is essential to help foster a shared political culture, a civic attitude that can be sustainable post war, and generally strengthen and enhance Ukraine's democracy because it helps encourage people to work with each other and trade.

While we do not reject the claim outright that a market can foster cooperation and positive outcomes, this most likely does not apply to societies without proper institutions and trust in said institutions. In more ideal societies, or less corrupt market economies, individuals know they are protected by consumer or worker rights. However, without these rights, or uncorrupted bodies to uphold the laws, people will have less trust in others. It is unclear, how a more egalitarian society can develop, therefore. A democratic society may require some form of ethos of cooperation; however, the policies advocated may risk fragmentation. Proponents, such as Tomasi, prioritise economic liberties over political ones (Tomasi 2012: 252), and the prioritisation of economic liberties over political ones may diminish the political processes and capacity for engagement. Furthermore, if there is sharper inequality, less acceptability to all within society for the policies advocated, and generally less support for the worst off, there will be less stability, and the worst off will be less able to engage with broader political and civic society.

Harms to new entrepreneurs

If one still wishes to justify the policies because it is beneficial to entrepreneurship, the argument fails. Considering that, presently, many Ukrainian entrepreneurs feel the state and elite operate against them, the policies do not even appear conducive to their growth. The issue is more rooted in failing institutions, for entrepreneurs and workers, and general background conditions of injustice. It is unclear how small level entrepreneurship and competition can thrive within a system that a) already has oligarch class, b) can then empower employers and the rich further and c) fails to provide social support that can be essential for individuals to take the risk and pursue business ownership. For example, an individual safe in the knowledge that the state can take care of them if their business collapses is more likely to take a risk than one who is in a precarious position without the capital to start their business. This is born out, again, in data, where Finland and Netherlands score higher in entrepreneurship than in the USA, which has less support for workers and welfare (World Economic Forum 2022). This indicates that the neoliberal reforms go beyond what is necessary for encouraging entrepreneurship and will likely harm entrepreneurship *alongside* workers.

Going forward

It is now possible to turn to the issue of how to better protect entrepreneurship *and* workers who do not wish to pursue entrepreneurship, encourage growth, *and* ensure against inequality, as well as to foster a more egalitarian, stable, and consensus-based society for Ukraine. Effectively, how to find a path which facilitates a freer *and* fairer Ukraine. The main considerations are institutional support for entrepreneurship alongside egalitarian directives, welfare, worker rights, and a more consistent, guiding philosophy that is acceptable to all different ideas of the good life.

Institutions

As stated, a missing aspect, philosophically and practically, is proper institutions. Philosophically, it is unclear how a market economy could function without a proper rule of law to at least ensure contracts are upheld, and a just transfer of property is adhered to, even if the state operated on a minimalist, libertarian framework as advocated by Nozick in *Anarchy* (2013: 149–182). If individuals cannot trust that trades are properly upheld, then individuals may be less likely to adhere to proper practices and fairness in their trade, and, as stated, no egalitarian attitudes will be fostered as individuals will aim to take care of their own needs above all others.

Practically, it is also crucial to ensure that a market economy can function. Since the independence, for example, entrepreneurship has existed while there has not been clear, institutional support beyond the existence of FOP, with preference, and

dominance, for large scale companies and oligarchs (often, one and the same). In addition, regulatory institutions are perceived as corrupt, and a general lack of faith in the national government which has been growing since an initial surge in 2022 (Hrushetskyi, 2023) to ensure fairness and a level playing field, as well as providing necessities. Proper institutions can ensure multiple things are achieved. One is that there will be better trust in the institutions, leading to more adherence to the law and regulations, which benefits workers, consumers, and entrepreneurs who are now properly protected. The social norms that are commonplace in established market economies, and a more egalitarian ethos will more likely develop. Further, the disruptive components of a market economy, for example, starker inequality, employer dominance over workers can be better regulated. For example, ensuring that workers receive actual protection from the institutions, and that they can trust in them, means that they are less likely to be subject to illegal practices in the workplace and their contracts enforced. Entrepreneurs can also trust there are principles in place to protect them from other companies, employee claims, and generally be able to pursue their goals.

Welfare

Institutions relate to the next requirement; however, it is distinct. For individuals to feel free to be able to exit jobs that may be exploitative or dominative, or to take the risk of entrepreneurship, they will need some form of a safety net. This safety net, in Ukraine, is small and may well decrease. Within the context of being at war, and the approaching reality of a post-war Ukraine where many people will be unable to work due to physical and mental trauma, disabilities, etc., and much rebuilding to be done, there will be a massive need for a support network from the state. Without this support, considering the high number of those *unable* to work, there could be increased inequality, resentment, lack of trust, and people will be unable to both pursue entrepreneurship, as well as find any meaningful work as they will be entirely dependent on the employers and companies due to the lack of a safety net outside of work, and they will have to take any work available to them, regardless of conditions, benefits, salary etc. The society would foster structural domination, where those who can work will be indirectly coerced to choose work which they may not desire, as the other option is poverty. This is not conducive to a flourishing market economy so on the libertarian terms, it is a major concern, precisely because there will not be growth of individuals empowered to create businesses and trade, there will be many dependent on others, many unable to work and living in poverty, leading to economic disaster as they would be unable to buy the goods that new entrepreneurs provide, and the larger businesses and oligarchs will be able to better consolidate their position, undermining any market competition.

Workers' rights

Related to the domination of workers, a flourishing market economy and a more stable economy requires worker rights. Proponents of strong degrees of economic freedom focus on the owners of property and their right to use their property freely, for workers to be contractors, and for the state, or collective unions, to interfere with said property. However, this discounts the relationship between the employer and employee. Workers, without rights, are less able to pursue their ideas of the good, and are dominated by their employers. They are less able to negotiate for better conditions on individual levels, and currently, we see that many workers hired as private entrepreneurs have little legal protection, can lose their work easily, are unable to negotiate for better conditions, and their contracts have little legal protection. While we can claim entrepreneurs *should* have a degree of rights, so should workers, as their idea of the good life should be just as protected, and workers should not be controlled by others, regardless of it being the state or companies that they work for. With a highly deregulated market, with little support, companies can always find alternative sources of labour, and with the increasing threat of AI and automation, workers without rights and protections are especially vulnerable. This in turn increases the inequality within society, as economies with fewer rights and lower union membership have lower salaries and worse social mobility. Additionally, the continuing removal of workers' rights will facilitate the growth and/or consolidate the powerful elite who have a wider pool of contractors to choose from without restraint and there is no collective action that can meaningfully be done, as the business owners rights are stronger. Additionally, this would make it harder for many to actually become entrepreneurs as they are going to have lower wages, and compete in a very unbalance market. Ultimately, it also clearly indicates that the state prefers the rights of business owners to workers, which can create tension and threaten stability.

A consistent, guiding philosophy acceptable to all

All of the measures proposed are to ensure that the state enacts policies that appeal to *all*, not just business owners. Workers will be better protected, and feel they have institutional support, just as the entrepreneurs do. It also ensures that small level businesses have the support and protection they need. Ultimately, though, these issues indicate the requirement of a guiding philosophy that appeals to all. While this is a typical political liberal concern, it does not mean one has to be a political liberal to agree with this. In a society such as Ukraine, which covers a large land mass, has multiple languages, and is still developing in terms of democratic processes and institutions and a shared political culture, a sense of unity is necessary. This requires a guiding philosophy that appeals to all sectors of society, to build a consensus. This is a

core component of liberal democracies, to affirm certain rights and principles, even if there is still space for disagreement. The affirmation of only certain rights and powers for entrepreneurs, at the *expense of* others, will threaten a sense of stability. However, entrepreneurs also currently feel not validated by the state and that they face many obstacles as stated. It is unclear, currently, how the continuing neoliberalism, with corruption and a lack of functioning institutions, can appeal more universally. The solution is to find a balance that appeals to all. The shape and form can vary; however, it would need to protect property rights, as well as worker rights, have a social minimum of some kind, at least in the post-war years to come, and have functioning institutions that people will be more inclined to affirm and trust.

This has ramifications for the typical defences of a free market economy with no restraint. The illustrated problems within Ukraine are not unique to Ukraine, especially the lack of proper institutions from a post-communist transition which still has “soviet” as well as neoliberal “post-soviet” hangovers. The failure to produce democratic, stable, and fully functioning states in Ukraine, Russia, and elsewhere across the USSR, despite the transition to capitalism, is a result of the weakness of institutions. The more successful nations have lower corruption scores, stronger faith in institutions, and in turn, have the EU to regulate certain matters. Brennan’s (2014) idea that a market economy can create an egalitarian ethos fails to recognise that proper institutions and rules are essential to achieve this result, and we argue, do more, such as achieve a healthier, functioning economy, foster democratic attitudes, and remove oligarchic control. Regarding oligarchs, their development is directly attributed to the lack of tax and regulations. It would be easy to blame it as being an imperfect “not-real capitalism”; however, achieving a more “ideal” or “real” capitalism, through further cuts to tax, regulations, and worker rights, seems, at best, fanciful. Rather, this would consolidate the power and wealth of the oligarchs. Proper institutions, regulations, and redistribution are essential to create a healthier, just, and free form of capitalism.

Conclusion

This article has discussed the kind of philosophical principles guiding private entrepreneurship in Ukraine, its strengths and weaknesses, particularly considering stability and the encouragement of liberal democracy. Contrary to commonly held beliefs, there is a history of entrepreneurship present in Ukrainian history. However, it is has primarily stubbornly eked out an existence despite overwhelmingly unfavourable odds, with little time or space devoted to any kind of guiding principles. As Ukraine has gone through its post-communist transition, private entrepreneurs continued to tack against the prevailing wind. Despite their resilience, the matter of the guiding principles does require attention.

The tendency to respond to corruption, and any other challenges, with increasing deregulation and removal of rights and protections raises many concerns. However, the core question relates to entrepreneurship. One could reply that none of this indicates an issue with entrepreneurship, FOP, or encouraging it. The response, simply, is that it does not. The issue is the wider reforms and actions, which have major issues, ideally, but also non-ideally, especially within nations such as Ukraine without the proper institutions, checks and balances, and faith in institutions. Effectively, the philosophical justifications for wider marketisation are flawed, even if they are mixed, and not helpful. There is little practical justification for these wider policies. While encouragement of business ownership is desirable, the policies that Ukraine is undertaking are harmful to workers, entrepreneurs, for society, and stability. All of this indicates that it is not a viable long-term strategy, not to even begin to speak of optimal.

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Privatno poduzetništvo u Ukrajini: povijest i analiza

Sažetak

Ovaj rad bavi se pitanjem vrste filozofskih vodećih načela privatnog poduzetništva u Ukrajini, te koje su njegove jake i slabe strane. Postoji dokaz da je povijest poduzetništva prisutna u ukrajinskoj povijesti. Međutim, ovo privatno poduzetništvo u velikoj je mjeri saživjelo i opstalo unatoč pretežno nepovoljnim izgledima. Pitanju vodećih načela posvetilo se malo vremena i prostora. Ipak, postoji jasna tendencija pružanja odgovora na korupciju, kao i druge izazove, uz povećanje deregulacije i uklanjanje prava i zaštita. Dok je ohrabrivanje vlasništva poduzeća poželjno, politike koje Ukrajina poduzima stvaraju onoliko problema koliko ih rješavaju, štetne su za radnike, poduzetnike, za društvo, te za stabilnost – što ukazuje na to da ne predstavljaju dugoročno održivu strategiju.

Ključne riječi: Ukrajina, poduzetništvo, politička filozofija, vlasništvo