



OPENING REMARKS

In the second quarter of 2005, the Government of Victor Yushchenko, the President of Ukraine, has celebrated its first 100 days of existence. The whole country evaluated the results of its activity. The president and the majority of citizens graded it «excellent». The politicians and journalists, on the contrary, fulminated more than approved. TV screens shined with clear sarcasm, which accompanied the comments on the presidential assessment of the government's «excellent» work. The only commonly agreed fact is that the government managed to demonstrate much transparency.

In fact, it is really very hard to evaluate the 100 days of the new government. The community has not yet probably realized the most important thing, the fact that Ukraine has the first government that does not come within the casual image of this highest administrative organ. Even the government's proponents could not see its principally new features of the government of the market economy, even though it, as a subject of market relations, managed to demonstrate feasibility, competence and effectiveness. This is clearly demonstrated by such steps as introducing competitive selection of managers for the state-owned enterprises; implementing new principles for calculating managerial salaries based on end results; using special regulation levers for natural monopolies and oligopolies; participation in price competition; diversification of the supplies of petrol and meat; effective introduction of a set of monetary mechanisms.

Along with that, the government's activity discovered the lack of readiness, or rather non-professionalism of a large number of politicians, journalists and economists, primarily in the sphere of macroeconomics. How can we appreciate the accusations of the government in using «manual control» when solving the questions of prices on petrol, if in the case of monopoly cartels (created by the Russian owners of petroleum refineries in violation of the market laws) the economic science knows only one method of regulation – state intervention, which is a generally recognized market instrument used by every government of the market economy? And why can't the state create reserves and enterprises (the point in question is the suggestion of the prime-minister Yu. Tymoshenko about building high-technology petroleum refineries, for example, in the Brody district), which would be capable of high-degree processing (about 90%)? And what worth are the arguments about purchasing cheap meat abroad, which are considered «to harm the interests of domestic producers»? Exactly these measures are considered to be the market instruments of encouraging competition for

inducing domestic producers to search for ways of lowering production costs, reducing «dummy» intermediaries that managed to monopolize the market pricing mechanism, and maintaining socially appropriate price levels.

Economically, the Ukrainian Olympus appeared to be most inexperienced in the questions of monetary policy. Surprising are the comments concerning the revaluation of hryvnya, when some observers pompously trumpet about the «robbery of population». The population consists of the oligarchs, the ex-bureaucrats who have already been at power and «grabbed» their share of wealth, and the ordinary workers that receive scanty wages and still thoroughly generate national income. So who lost and who won in the revaluation? This question is being avoided by the critics. They forget that the main economic form is the balance. Those who save money in foreign currency indirectly show their distrust in national currency. Today, these people must realize that a normal state would not attempt to strengthen foreign currency, and if so, then sooner or later it must take measures to appreciate national currency for the sake of its stability.

Thus, the losers were those who did not believe in the new government, its competency and patriotism, those who held foreign currency and its leader – the dollar – sacred, and those who did not manage to realize in time that in order to correct the mistakes of the previous economic policy needed is the revaluation of hryvnya. In the past, there was no adequate response to increased money supply, monetary base, and surplus of current account. This is not the best way to learn, but the economic realities give a lesson to every citizen about the essential foundations of the market economy.

Concluding the governmental report to President Viktor Yushchenko about the first 100 days of work, the Prime-Minister Yuliya Tymoshenko asserted that the country had the best government in its history. Notwithstanding some lack of modesty, it is worth seeing in these words an understanding of the complexity and the non-conventionality of the tasks faced by the government today. The key to solving these problems is the economy, turned by previous government into a clannish and oligarchic economy with its financial capital concentrated far beyond its boundaries and in the shadow. In spite of this, the government is justifying the hopes so far. Along with dissatisfaction from prices and exchange rates, the economy witnesses the emergence of a young growth of «Europeaness» in its broadest sense. In addition, the strengthening of the national currency did not affect the non-residents' activity on the Ukrainian market, even though it was earlier believed that it was exactly the undervaluation of hryvnya that contributed to participation of non-residents in speculations on the market of government bonds.

Having concentrated on certain short-term hardships, the Ukrainian people did not notice the speed of the undertaken reforms, which distinguishes today's government from all the previous. They might resemble the shock therapy, but, as proves the experience, the semi-character of all previous economic reforms is the result of past misalignments and abuse that hampered our development. Liberation from this undecidedness, speed of achieving the results, is exactly what is needed for the nation exhausted by poverty.

The Orange Revolution has come about. The budget was reviewed. The social obligations of the President are being realized. The economic diversions of the oligarchs are being overcome. But this is no place to put a full stop. This is not a verge, beyond which it is only left to wait quietly for results. Today, as never before, it is worth mentioning that practically all reforms can be successful. Those of them related to partial problems can be overtaking and suitable for solving only tactical tasks. Let us remind about the reforms of Kosygin in 1960-ies, upturn of the virgin soils, anti-alcoholic campaign of 1980-ies. The «catching up» reforms create an illusion of improvement, but in reality, this is only the marking time.

The victory of the Orange Revolution calls for leading reforms. Historically, in the Soviet Union, such was only the industrialization of 1930-ies, which was not necessarily needed at that time, but the results of which we use even today. The country expects for an economic reform, which would create the new economy with science and technology as primary links. A tangible return on this reform can not be expected to appear in 100 days or even a year. It will not do without certain «sacrifices», and thus, its beginning can seem unpopular. The results of this vast reform will be enjoyed by those who will live and govern in 5-10 years. The best time for its launch is the period of stability. In view of this, this reform should be started after the parliamentary elections of 2006.



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