

# Ukraine and the (Dis)integrating Empire of Capital

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**1989 Thirty Years Later: The combination of ill-prescribed market transition reforms and loaned funds mismanagement and misappropriation by kleptocratic ruling bloc with its rivalrous factions have resulted in a toxic debt dependency that has become a tool for manipulation in the renewed geopolitical confrontation between Russian and the USA/EU, as I discuss at length in my recent book. These asymmetries and unevenness condition the consciousness, thinking, approach, praxis of politics in Ukraine, be they conformist, populist performers of counter-narratives, or ideologically progressive e.g. the Social Movement party-in-the-making, - they all have to present solutions to the same realities while interpret those via their ideological lens.**

The demise of the USSR marked the beginning of the biggest most recent expansion of the capitalist empire as well as the sunset of the last significant counter-weight to the US-led capitalism-and-democracy elections world order. The post-Soviet space - and Ukraine in particular - are positioned on the crossings of reinvigorated geopolitical rivalries and conflicting agents of the empire of capital with its internal competitions and shifting spatial and social boundaries. It is torn by inequalities, economic crises, predatory capital (home-grown and from elsewhere), various forms of conflict, and reinvigorated struggle for geopolitical presence between Russia and the new-old West. The empire(s) and imperialisms cannot be reduced to states' boundaries and their assumed associated interests. Yet they do have a geopolitical dimension. And it is in that senses that Ukraine fell victim to the relentless spread of the empire of capital where Russian and Western capitalist geopolitical imperialisms collided.

Empire of capital spreads with historic and deliberate unevenness, that involves (geo)politics, economic and social relations and produces geographies of dependencies, extraction and exploitation with a dimension of militarism. Imperialism in the 21<sup>st</sup> century must, therefore, be seen as a combination of geopolitical and economic imperialisms which are more than one and they are competing yet ideologically they remain capitalist to the bone. As the states and their imperialisms compete in a global capitalist system, so they too become transformed in the process, reproduce it. In that competition they rely on a combination of means available to them: social, political, economic, ideological, geopolitical and military. In the process societies and their institutions are transformed and coopted by 'passive revolution' and *transformismo*, as the Italian revolutionary victim of fascism, Antonio Gramsci, discussed in his *Prison Notebooks* (1971; English translation). Those two processes are where the ruling bloc act as the often willing and responsible implementers and beneficiaries of marketization reforms; the masses too are being 'transformed' on the level of consciousness to perceive those reforms as benefiting them while in reality they are losing out and have social benefits taken away from them - and they know it too!

Market fetishisation, i.e. treating marketization as the only viable reform option, is the myth on which the dominance of the neoliberal system of governance rests. International organisations, financial institutions and lobby groups (associations) channel, further, perform that governance.

With the helping hand of those both Russia and Ukraine underwent capitalist transformation yet with their own idiosyncrasies; the first went through shock therapy to become a state-run paternalistic oligarchy, the second became a neoliberal kleptocracy. The crucial differences between the two unfolded in the remaking of the countries' institutional backbone, the state.

Empire of capital relies on the state as an institution where interests of various social groups, parties, movements, blocs are (re)organised to secure the interests of some at expense of the other, where ideally all of those can be negotiated. Yet, as different social groups and classes often have contradictory interests, the state and its institutions embody those contradictions. As much as the liberalisation of markets doctrine pushers criticise the state it is in fact the only economic institution without which capital and capitalism cannot function. In its neoliberal phase, however, the new imperialism needs a specific type of state - one that must acknowledge and accommodate the transforming mechanisms of accumulation and capitalist class structure globally, that there are classes and their fractions in each state that favour policies which go contrary to the interest of the state and/or society as a whole as we can see in concrete political decisions globally and frequently - inconsistencies of policies dispensed by Yanukovych, Poroshenko, Putin, US and various EU's officials; UK's push for Brexit, US withdrawal from the Paris Climate Agreement, and so on and so on. Elsewhere in my work I propose to resolve these contradictions in our understanding of the state by treating capital as a force that is shaped by and shapes the state and society alike yet has its own degree of autonomy - acceptance of this new norm-function of capital in the state-society relations allow us to better understand why certain potentially counter-intuitive and counter-logical decisions are being made by states' governments and institutions. Nation-states are then the categorical units of the past, enter state-society-capital complexes (see my [book](#)). Sovereign functioning of the Ukraine's state, for example, is then impossible in conditions where the interests of (transnational) capital take precedence, nor when autonomy of decision-making is compromised by complex economic dependencies with geopolitical component, not when accumulation interests of transnational capital from Ukraine, West or Russia are guaranteed by law at expense of socially-oriented investment.

### **Ukraine's capitalism with a twist**

Ukraine's integration into global capitalist economy meant abandoning planned economy and the welfare functions of the Soviet state for the sake of planning for markets. It was premised on a mythological idea that "transition to market" based on IMF, WB, and EBRD modelling had to occur in the ex-USSR republics. However, politico-economic complexity cannot be captured by that modelling as apart from the (socio-)economic factors there also are their political forms e.g. institutional, ideological, cultural, etc. thus implementation yields disruptive consequences. Secondly, the modelling presumes that there must be a transition to neoliberal market capitalism with no reasons given for that choice. Indeed, market (mis)planning and the weakening of the state were the main factors that have brought on the devastating socio-economic effects we are seeing now. One more decisive component in Ukraine's institutional transformation was the existence of the criminal-political nexus i.e. the kleptocratic network that run through the state apparatus, security institution, and the judiciary. Since the 1990s, Ukraine's nascent ruling bloc utilised the multiplicity of already available and constantly expanding mechanisms of accumulation in the global capitalist system, legal and extra-legal (e.g. offshoring of revenue, capital recycling as FDI, tax avoidance and evasion, (in)direct subsidisation of private enterprise/socialisation of costs, etc) hastily advised to adopt by IMF and EBRD to produce a regime of neoliberal kleptocracy. Through domestic and foreign economic policies of selective liberalisation and protectionism that favoured oligarchic capital and through creation of virtual spaces of accumulation for offshoring profits and institutionalised expropriation, "black holes" were designed in the economy ([Yurchenko, 2012](#)). Neoliberal kleptocracy evolved with its inevitable rivalry over access to power (social, economic and

political) and inability to achieve a consolidated strategy between the dominant and contender blocs shaped Ukraine's post-soviet history, escalated into a civil armed conflict with an element of foreign intervention, occupation and separatism that are still ongoing at the time of writing.

### **Survival myths of systemic failure**

Socio-political destabilisation of the country would not have been possible without the erosion of the collective mythology that bound the nation together in the boundaries of 1991 Ukraine. In its 1991 borders set by the Soviets in mid-twentieth century, the multi-ethnic, multi-religious, multilingual nation needed a strong cosmopolitan foundation myth to bring it into a sovereign existence. The country's multi-ethnic, multi-religious, multilingual nation needed a cosmopolitan constitutional backbone to prop up its survival and cement social cohesion necessary for economic transformation that lied ahead. And its leaders have produced that backbone, if de jure, as the country's Constitution, adopted in 1996. Unfortunately, "marketisation and geopolitical games in the post-Soviet space were in contradiction with the potential construction of a cosmopolitan, egalitarian society and thus, different, divisive myths were used to shape public imagination" ([Yurchenko 2018: 4](#)). As the empire of transnational capital was spreading with the EBRD, USAID, IMF and WB, neoliberal reforms were planted into the transforming system (in Ukraine and Russia alike if with different consequences), undermining the best of intention by their incompatibility with socio-economic development and exacerbated by the existing and, too, transforming system of economic activity, legal and extra-legal. They needed a different backbone, one patch worked from myths that would compartmentalise the society as an effect. They are four: the myth of transition, democracy, "two Ukraines," and the "Other" (Yurchenko 2018: 10-22 *et passim*). The myth of transition can be summarised in the idea that "transition to market" based on IMF, WB and EBRD modelling had to occur in the ex-USSR republics. First of all, politico-economic reality is much more complex than the model presupposes as apart from the (socio-)economic factors there also are their political forms e.g. institutional, ideological, cultural, etc. This means that by default implementation process will have multiple negative consequences. Secondly, the model is premised upon an assumption that there must be a transition to (neoliberal) market capitalism in the first place and that it is the only alternative for the post-Soviet states; it is not clear at all why the above is treated as an axiom. Thirdly, the process of 'transition' towards a certain mode of production and social reproduction - capitalist or otherwise - is steeped in teleology of itself. Thus, as any social prescription does not account for, if at all acknowledges, the social dialectic of its target locale. Moreover, teleology of transition to market fetishizes a fictitious object i.e. free market, which neither in theory, nor in practice was shown to either exist, or perform with efficacy. No amount of complications nor crises emergent as a result of this ill-conceived policy fixation led to its revision. The myth of democracy helps maintain the façade of selectedness of the market orientation and of a functioning democratic system and representation politics. Feasibility of a democratic rule in a polity where private interests come before public is one of the more insidious yet resilient myths that allows for authoritarian neoliberalism to survive and spread in Ukraine and elsewhere. Instead of a functioning representative democracy - rather than a system of 'transparent elections' - what can be witnessed in Ukraine is the further entrenchment of a regime of neoliberal kleptocracy where political disempowerment of the voter became combined with their economic disempowerment and ideological hollowing out of political discourse. The myth of "two Ukraines", east and west, Russian and Ukrainian speaking has been manufactured in what is a diverse and non-homogenous society, just like any other country and its "heterogeneity is a historical norm, not the historical exception" ([Menon and Rumer 2015: 1 et passim](#)). The Yanukovich vs Yushchenko electoral campaign became the main defining moment where the boundary manufactured by political technologists between the two was demarcated in Ukraine's political discourse making Riabchuk's 1992 declaration a materialised prophecy. The myth of "the Other" is the most recent and the most destabilising, destructive for the country's social fabric and collective national consciousness. The Ukrainian is

now locked in defining itself in opposition to the Russian “other” by the content of the infamous “de-communization laws”. So, the othering occurs not only on the level of separation of society on separatist/Russia sympathisers and “patriots” but also intrinsically, on individual level through rejection of a part of one’s cultural, historical, linguistic, and religious identity.

### **Hope, farce or what to come from the ‘collective president’**

Zelensky. ‘team Zelensky’ or, as I call them, the ‘collective president’ (reference here to the most presidential communication/decision-making being produced by the ‘team Zelensky’ as a signatory), came into power on the assumed promises to democratise the establishment, disempower the oligarchs, improve the standard of living, among other often ambiguous claims, and – most importantly – end the war. The positive slogans and the ambiguous, if any, implementation plan had little to do with the victory – the disenchantment of the demoralised masses with the establishment and moral bankruptcy of all but a few of the 39 presidential candidates is what delivered it. Yet neither before, nor after the election Zelensky, nor his party, the Servant of the People (named after a TV show where he played Ukraine’s president...), have managed to convincingly [distance themselves from the oligarchy](#), [nor demonstrate politics and conduct significantly different](#) from their predecessors – [return of the self-exiled oligarchs](#) and MPs of Yanukovich era to the country, [renewed pressure](#) on the National Bank of Ukraine – not least by [Kolomoysky](#), and the [removal of the land sale moratorium](#) are all signs of more of the same on steroids.

The task before any politician coming into office in Ukraine is an arduous one. On top of the most complex and multidimensional crisis the country has experienced to date (see [Bojcum 2016](#) for its roots), it is heavily dependent on the foreign lenders. In its 28 years of its de jure independence the country became the second (after Greece) largest borrower by amount of outstanding debt with IMF and was among the countries hit hardest the global financial crisis of 2007-9. The combination of ill-prescribed market transition reforms and loaned funds mismanagement and misappropriation by kleptocratic ruling bloc with its rivalrous fractions have resulted in a toxic debt dependency that has become a tool for manipulation in the renewed geopolitical confrontation between Russian and the USA/EU, as I discuss at length in [my recent book](#). These asymmetries and unevenness condition the consciousness, thinking, approach, praxis of politics in Ukraine, be they conformist, populist performers of counter-narratives, or ideologically progressive e.g. the [Social Movement](#) party-in-the-making, – they all have to present solutions to the same realities while interpret those via their ideological lens.

Election of Zelensky and the Servant of the People party as the majority party of the Parliament this year signals by their actions of a new phase of oligarchic class fractional rivalry, further unleashing of neoliberal reforms, emboldening of the transnational capital on Ukraine’s market, weakening of domestic economic players (especially SMEs) in the light of uneven competition and its intensification, increasing [loss of most capable workforce to \(e\)migration](#), and [loss of hope](#) of the better future among those who leave and remain alike. To top it all – as we are seeing more and more in the relations with the foreign lenders, aiders, and the USA aka [Trumpgate](#) – Ukraine is in a state of an erosion of the residual sovereignty it still had. The Trumpgate particularly is a great illustration of the morbidity that permeates the (dis)integrating empire of capital. As legitimate consensualising narratives fail, convincing by fraud and corruption become the instruments of persuasion, of manufacturing “consensus”, dominance of one class and bloc over the other. This morbidity corrodes by its toxicity the weaker and the dependent, while at the same time offers an opportunity to be made exposed for what it is, challenged, and potentially replaced by a more progressive form of social organisation in all of its expressions. The collective president is inexperienced and is economically naïve in their thinking that more marketisation will bring prosperity for all (provided they are genuine in that intention). Good intentions too pave the road to hell; yet that path is not locked. The 73% of the population who voted for a comedy actor – among

other - protested, rejected the oligarchic establishment and the socio-economic reality that the regime of neoliberal kleptocracy produces, reject their roles as co-producers of it. The political demand is for socialism that dare not speak its name in the “decommunizing” minds and institutions. Yet, under whatever name or banner it would come, the economic system that is in “demand” is the socialist.

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*The pieces in the dossier 1989 Thirty Years Later were developed around the workshop “Eastern Europe after 30 years of transition: New emancipatory perspectives from the region,” held in Prague on 25-26 October 2019, organised by the Transnational Institute (Amsterdam) and the Rosa Luxemburg Foundation (Prague), coordinated by Agnes Gagyi and Ondrej Slacalek. In addition to their commentary on the present, these articles also give a virtual tour of the collapsing state-socialist world at the moment of its demise, through the memory of those who lived through it, and implore us to reconsider what critical memory might look like, that is, memory that helps us work toward a substantially different future.*