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Economic Reforms and Transformations of the Socialist Ukrainian Economy

Reformy gospodarcze i przekształcenia socjalistycznej gospodarki Ukrainy

• Abstract •

The aim of this article is to present historical changes in the Ukrainian Soviet Socialist Republic based on an empirical analysis of the reforms of that time. In the Soviet Union, there were several attempts to reform the socialist economy. However, none of these reforms changed it structurally because they did not aim to build a new economic order or transform the old one; their mission was merely to save the socialist economy.

The research area covers the reform activities of Nikita Khrushchev, as well as the reforms of the 1960s and 1970s. An important period of reform of the economic and political systems occurred in the 1980s. The bold economic and political reforms introduced by Mikhail Gorbachev were subsequently referred to as “perestroika” (reconstruction), “uskorenie” (acceleration), and “glasnost” (openness). However, these reform activities were generally delayed and did not contribute to the stabilization of the economy or state policy, but even destabilized it. However, repeated and ill-considered reforms caused unexpected changes in the policy and economic system of the USSR including the socialist economy of Ukraine.

• Abstrakt •

Celem niniejszego artykułu jest próba zaprezentowania historycznych przemian w Ukraińskiej Socjalistycznej Republice Radzieckiej na podstawie analizy empirycznej ówczesnych reform. W Związku Radzieckim kilkakrotnie podejmowano próby reformowania gospodarki socjalistycznej, jednak żadna z tych reform nie zmieniła jej strukturalnie, albowiem nie zmierzały one do zbudowania nowego ładu gospodarczego czy transformacji starego, a ich misją było uratowanie socjalistycznej gospodarki.

Obszar badawczy obejmuje reformatorskie działania Nikity Chruszczowa, jak również reformy lat 60. i 70. XX wieku. Ważny okres reformowania systemu gospodarczego i politycznego przypadł na lata 80. XX wieku. Wprowadzone zostały wówczas śmiałe reformy gospodarcze i polityczne Michaiła Gorbaczowa pod hasłami „pieriestrojki” (przebudowy), „uskorienienia” (przyspieszenia), „glasnosti” (jawności). Jednak te reformatorskie działania były zasadniczo spóźnione i nie przyczyniły się do stabilizacji gospodarki oraz polityki państwa, a wręcz przeciwnie – prowadziły do ich destabilizacji. Wielokrotnie i nieprzemyślane reformy spowodowały jednak nieoczekiwane zmiany w polityce i systemie gospodarczym ZSRR, w tym również w socjalistycznej gospodarce Ukrainy.

Keywords: socialist economy; economic reforms; industrialization; collectivization; perestroika

Słowa kluczowe: gospodarka socjalistyczna; reformy gospodarcze; industrializacja; kolektywizacja; pierestrojka

The thirty-second anniversary of Ukraine regaining independence is a perfect excuse to remember the historical economic changes in Ukraine. Without knowledge of history, it is difficult to not only understand the present, predict, and effectively build the future, but also to raise an informed citizen and patriot of the Ukrainian state (Kondratyuk, Kachmar, 2020). The history of the Ukrainian socialist economy is a history of crises and reforms: socio-economic, political, parliamentary, etc. (Mahas, 2020). After World War II, the Soviet Union attempted various reforms of the socialist economic system. They can be divided into three stages. The first stage of economic reforms took place in the 1950s. Nikita Khrushchev took power in the Soviet Union after Stalin's death. In the USSR, criticism of the policy of preferential development of heavy industry intensified. The "secret report" delivered by Nikita Khrushchev at the 20th Congress of the Communist Party of the Soviet Union initiated a discussion on economic reforms, and the so-called Khrushchev's reforms were then introduced. They caused a few favorable phenomena in the economy. First, there was a fundamental change in the system of production orders in collective farms in 1956 and there was a shift to the principle of regionalist in economic control through the establishment of the National Economy Council in 1957 (Taguchi, 2011). The first stage of reforming the socialist economy ended in failure. There has been a partial thaw. The system was not reformed, and there were no sudden changes in the economy. The waste of materials, poor work organization, and ubiquitous corruption had a disastrous impact on the economy of the USSR. However, in 1961, an enormous success was achieved in the field of space exploration by sending the first manned flight with a mission to circumnavigate the globe. During Khrushchev's time, there was also a crisis in American-Soviet contacts, which almost led to nuclear war.

In the second half of the 1960s, another attempt was made to reform the socialist economy in the USSR – through the implementation of the so-called Kosygin's reforms, which were intended to improve the profitability of Soviet enterprises. The assumptions of the reforms were consistent with the concept of economist Evsei Liberman presented during Khrushchev's thaw, and the "war of profits" broke out. The reform caused significant changes in the national economy. Economic changes were most noticeable in small republics, and to a much lesser extent, in Russia and Ukraine. The greatest effects of the reform were recorded during the implementation

of the 8th Five-Year Plan in 1966–1970, when the average annual GDP growth exceeded well over 7%. Economists call the Eighth Five-Year Plan for 1966–1970 “golden” because its performance was the best in 35 years. Kosygin’s reform was a success, but it did not leave the framework of the centralization system. Until the 1970s, it was not possible to reform the economy and the USSR was forced to return to the traditional planned economy and implement the 9th Five-Year Plan for 1971–1975. In the second half of the 1970s, the process of reforming the economy was finally stopped, and the country entered a period of economic stagnation in which the economy developed only to a small extent. The economic stagnation was influenced, among others, by the arms race between the USA and the USSR or the USSR’s involvement in international trade while ignoring the changes taking place in Western societies. The stagnation deepened even further at the end of the 1970s. Prime Minister Kosygin prepared a new economic program intended to increase the duties and responsibilities of individual ministries over the economy. The reform attempt was stopped when Kosygin died in 1980 and the conservative Tikhonov took over as prime minister, delaying the pace of reforms. As a result, the eleventh “five-year plan” from 1981 to 1985 turned out to be unsuccessful, as the economy achieved a growth rate of only 4%. Despite stagnation, Brezhnev managed to avoid an economic crisis thanks to trade with Western Europe and the rest of the world. In 1985, the country’s economy experienced a collapse. Mikhail Gorbachev took power in the Union of Soviet Socialist Republics. Shortly after, in 1986, he initiated “perestroika”, i.e., “reconstruction” of the state through a series of multilateral reforms that assumed increasing civil liberties in the country, modernizing the economy, and warming relations with the West. The first step towards repairing the state is the introduction of the policy of “glasnost”, i.e., “openness”, and the relaxation of censorship.

Mikhail Gorbachev’s reforms initiated in 1986 were not only unable to stop the disintegration of the state. They also triggered a chain reaction that, at an unexpectedly rapid pace, led to the collapse of the USSR and the creation of many, more or less sovereign, state entities in its place. The reason for the failure of Soviet reforms in the 1980s, aimed at modernizing and developing the socialist economy and saving the USSR from collapse, was called an insoluble dispute between opponents and supporters of any changes. This dispute, caused by Gorbachev’s stubbornness and self-righteousness, led to the failure of the reforms and the catastrophic collapse of the Soviet Union. The period of implementation of the third stage of economic reforms ended with the bankruptcy of the socialist economy, demonstrating the irreformability of this system. Similarly to the Soviet Union, the Ukrainian socialist economy paid particular attention to industrial development, defense, and mining

potential. This resulted in excessive expansion of “defense” at the expense of other sectors of the economy, primarily agriculture and light industry, as well as the food industry, degradation of the natural environment, and depletion of natural resources. There is a widespread feeling in the Ukrainian socialist economy that economic reforms do not serve economic improvement, but only deterioration, resource depletion and environmental degradation. Economic reforms in the USSR revealed all the pathologies of the socialist economy, and their effects were severely felt by society. The ruling regime did not even allow a moment to think about liberalization or fundamental changes, consistently “tightening the screws” and strengthening the totalitarian order.

Recovery of the Ukrainian economy after World War II

During World War II, Ukraine suffered enormous destruction. The war period was exceptionally difficult, as evidenced by the fact that Ukraine suffered the greatest human and economic losses among all the republics of the USSR. When peace came, rebuilding the socialist economy was one of the priority tasks. The main goal was to get the Ukrainian socialist economy, which had been destroyed by the war, back on its feet. Its reconstruction went hand in hand with the renewal of communist policy. The economic situation was dramatic. Many economic facilities were destroyed and liquidated. The war most affected industries that had a significant share in the country's economy. In agriculture, livestock farms were particularly impacted by losses. The structure of the economy changed, so a small part of the property taken from Ukraine during the war was returned. However, the country did not receive any compensation for the property that was lost. You had to pay for the new equipment delivered from your own budget. The reconstruction of the war-damaged economy took place in extremely difficult conditions.

In 1946, the Supreme Council of the USSR and the Ukrainian SSR issued a resolution on the implementation of the five-year Economic Reconstruction Plan for 1946–1950 (hereinafter referred to as the Reconstruction Plan). The main assumptions of the Plan are the development of the eastern regions of the RSFSR. The goal set for the Ukrainian SSR was to rebuild the war-damaged economy. To achieve the assumed goal, Ukraine was granted 20.7% of all funds allocated for direct investments in the development of the economy, and this was the highest support in history divided between the republics. The construction of heavy industry and the collectivization of agriculture were considered priorities, as well as reconstruction of the country in a new economic space, elimination of unemployment, and

reduction of rural overpopulation with a declaration of raising the standard of living of the population to the pre-war level. The construction of hundreds of industrial plants was planned, and the construction of gigantic factories began in large cities, the launch of which was to lead to a rapid increase in industrial production and economic development.

In order to accelerate the expected changes in the heavy industry sector, the communist authorities provided material and material assistance, offering the best materials and raw materials, and engaging the most skilled professionals and specialists. Investment outlays on industry increased gradually, but expenditures on housing, consumer goods industry, and transportation significantly decreased. Agriculture and the food industry, as the most important sectors of agribusiness, were in poor condition and required substantial financial support. The Azovstal and Zaporizhstal plants were reconstructed, along with G. Pietrowski, named after F. Dzerzhinsky, among others. The volume of industrial production (rolling of ferrous metals, iron ore) exceeded the pre-war level, and other production (steel, cast iron, coke) reached 93–95%. Machine-building plants were opened – Kharkov Tractor Plant, Kyiv “Bilshovyk”, Voroshilovgrad Steam Locomotive Plant and others. The development of industry, especially heavy industry, transformed Ukraine from an agrarian country into an industrialized country. Then, pre-war production, oil and natural gas extraction was resumed. The entire fundamental communication network, along with numerous railway lines (such as Donbass and Kryvorizh), was reconstructed. Between 1946 and 1950, 129 coal mines were opened, with a total capacity of fifty-two million tons per year. Several new mining levels were put into operation in sixty mines, and pre-war industrial efficiency was restored. Over 2,000 industrial enterprises were reconstructed, including several new ones in Lviv (Bazhan, 2014). Despite challenges and inflated costs, the economic reconstruction progressed rapidly. The process of rebuilding Ukrainian industry was relatively quick and effective, accomplished without foreign loans. Between 1946 and 1950, the socialist economy of Ukraine recovered more rapidly than anticipated. There were significant disparities in economic development among various sectors. While the heavy industry sector experienced rapid growth, the agricultural, food, textile, and clothing industries consistently lagged behind. The reconstruction of light industry enterprises proceeded at a sluggish pace; by 1950, its gross production had reached only 79% of the pre-war level. There remained a shortage, or even absence, of funds to meet basic living needs. The basic task of agriculture, as one of the main sectors of Ukrainian economy, was to provide food and raw materials. However, the Soviet government disregarded the social aspects of life of the Ukrainian nation, which led to the deepening of technological backwardness. This hampered the development of

agriculture in the country. Industrialization brought significant changes, although it was carried out thoughtlessly, without economic analysis or the availability of raw materials. Environmental protection issues were largely ignored, as evidenced by the construction of chemical plants in spa areas. The rise in production, particularly in the extraction of hard coal, kerosene, natural gas, and iron ore, was achieved through the unsustainable consumption of fixed assets and the exploitative use of resources. The impacts of war and the establishment of collective farms exacerbated the chronic shortages of machinery, livestock, draft animals, seeds, and laborers, leading to the significant degradation of Ukrainian agriculture. Mainly women, children, and the elderly worked in agriculture. Lack of rainfall, or drought, negatively affected many crops and caused significant losses. The decline in harvests in the southern regions of the republic was one of the reasons for the poor condition of Ukrainian agriculture. Rural areas of southern and eastern Ukraine found themselves in a dramatic situation, deprived of any food, which ultimately led to famine. The famine disaster affected millions of Ukrainians. It is estimated that at least 800,000 people died during the famine in Ukraine (Bazhan, 2014). Despite large demographic losses, the Ukrainian village still had a large labor force. Men were demobilized from the army and returned to the collective farms. The harsh regime forced children from the age of 12 and older people to work. Poor work organization, based only on coercion and protection of property against theft, produced poor results. In the years 1946–1947, famine could have been avoided. The country had sufficient food reserves. The famine occurred in one of the most fertile countries in Europe during peacetime, when the USSR was exporting huge amounts of grain. The wheat grown was taken abroad, and ordinary workers died of hunger.

In 1948–1949, the Stalinist regime began to implement plans to collectivize agriculture in the western oblasts of Ukraine (Eberhardt, 2005). Collectivization was carried out using the same method as in the 1930s in the Ukrainian SSR – by increasing tax pressure on rich peasants, coercion, and deportation of disobedient people to Siberia and Central Asia (Sen'kiv, 2003). In the western regions of the Ukrainian SSR, at the end of 1949, there were over 6,000 collective farms, covering 61% of peasant farms, and in 1950, collective farms covered 96% of peasant farms and over 99.4% of arable land (Kul'chyts'kyy, 2000). In the mountainous regions of the Stanislavov and Zakarpattia Region Oblasts, the process of collectivization continued, and ended only in 1952.

Thanks to the heroic efforts of the Ukrainian people, significant success was achieved in rebuilding the war-damaged economy and achieving the indicators set out in the Reconstruction Plan. The industry was gradually developing, and the energy sector was also developing slowly but surely. The reopened gas and oil

industry was gradually regaining its pre-war position. Dynamic economic growth fueled a huge demand for raw materials. Not all industries managed to successfully implement the Recovery Plan and achieve the indicators. The worst situation was in trade, transport, communications, municipal services, health care, and education. The situation in agriculture meant that aid for the countryside was insufficient in relation to its needs. The development of the eastern regions of the RSFSR resulted in a significant decline in the share of the Ukrainian economy in the economy of the USSR.

The years of the Khrushchev “thaw”

At the end of the 1950s and in the first half of the 1960s, the principles of economic policy in the USSR almost did not change. The crisis in the development policy of the socialist economy was deepening as the prospects for economic growth deteriorated. However, after Stalin's death, attempts were made to revise some aspects of economic policy in terms of systemic changes, without changing the foundations of the totalitarian system. After the “long winter” of the Stalinist regime, there was a period of liberalization, or relaxation of the regime, metaphorically called the “thaw” (Mahas, 2020).

In the Soviet Union, especially in Ukraine, the thaw is associated with the person of the first secretary of the CPSU, Nikita Khrushchev, who delivered a lecture during the 20th Party Congress entitled “Cult of Personality and Its Consequences” (Vasyl'yev, 2023). Khrushchev condemned the policy of Joseph Stalin and subjected it to sharp criticism, accusing him of the murder of thousands of party members, widespread use of terror, and building a cult of self and pride. After the report was announced, censorship and repression weakened, and culture began to develop more freely. Despite deleting the famous Paragraph 58 of the Soviet Penal Code (on counter-revolutionary activities) and rehabilitating some of Stalin's victims, Khrushchev and his successors did not change the powerful terror apparatus that continued to brutally deal with real or imaginary enemies of communism.

Nikita Khrushchev, ruling a powerful empire, had a certain advantage over Stalin. Over the years of his activity in party structures in Ukraine, he had the opportunity to observe the realities of the functioning of the USSR. Noticing numerous anomalies in Soviet reality and trying to change and repair it, he wanted to be perceived as a great reformer of the Soviet empire. He dreamed of the power of the USSR and achieving economic advantage over the USA (Puchkova, 1999). He was the first to attempt to reform the huge empire, which continued to play an important role

for decades. The Soviet economy faced further development challenges, the scale of which was great. The national economic system, including the multiannual planning system, required deep and comprehensive reform. The immediate implementation of radical reforms was to put the socialist economy on the track of real development, which meant abandoning plans to recreate old, ineffective economic structures. Essential political events that took place in the USSR in 1956 paved the way for the implementation of the concepts of democratization and decentralization in the areas of social and economic life. Decentralist tendencies in the area of managing the state economy were reflected in the reform and liquidation of sectoral ministries. In accordance with the assumptions of the 1957 reform, the ministries were changed into National Economy Councils. However, reforming the ministries did not bring any improvement to the economic situation. Enterprises, instead of being under the care of ministries and departments, found themselves under pressure from the National Economy Councils (Eberhardt, 2005). Unlike the National Economy Councils of the People since the 20th century, the new councils operated in a centrally controlled system and could not use economic management methods. The new NECs used old bureaucratic management methods and remained practically the same ministries in relation to enterprises; only difference being they operated in a specific territory, not in an industry. In fact, management methods and economic mechanisms did not change at that time. This proves the lack of proper organization and continuity of activities. As a result of the reform introduced to the USSR, the country slowly entered the path of development of a socialist economy and had the real possibility of strengthening its backward economy. The economic, political, and military power of the state depended on the degree of development of agricultural production. The fight to increase the level of agricultural productivity has become a key factor determining the profitability of the food industry.

Developing new lands for cultivation as part of the “virgin lands sowing program” in Central Asia and South Siberia did not bring the expected results. Observing the successes of animal breeding and the agricultural sector of the economy in the USA, the leader of the party and state, reformer Nikita Khrushchev, decided to introduce to the USSR some achievements of American farmers (Surnin, 1998). In the mid-1950s, agriculture became profitable for the first time. Gross indicators of agricultural production, including cereals, and the number of breeding animals increased. This trend, however, turned out to be unstable, because, after the peak of production growth in Ukrainian agriculture was recorded in the mid-1950s, the parameters began to decline rapidly. If in the years 1951–1958 there was an increase in gross production by 65%, in the years 1959–1964 it was only by 22%. The annual increase in industrial production was 12.3%, the increase in national

income was 11.7%, and in the years 1959–1965 by 8.8% and 7%, respectively. The year 1960 marked a period of several significant achievements in the development of the national economy. There was a relatively rapid increase in production, with the share of Ukrainian industry in the structure of the USSR's national income reaching 47.9%, agriculture at 29.1%, transport and communications at 4.7%, construction at 8.2%, and trade at 11.1% (Danylenko & Novokhat'ko, 2011).

The average annual growth rate also decreased. The dynamic development during the first period of Khrushchev's rule contributed to improving the standard of living for Ukrainian citizens. Economic growth remained high compared to Western countries, and good trends prevailed in the Ukrainian economy, although they slowed significantly in the second half of the 1950s. The changes in the economy introduced by Nikita Khrushchev had positive and negative consequences, especially visible in agriculture during the period of attempted widespread cultivation of corn (Kondratyuk, Kachmar, 2020).

Kosygin's liberal reforms

After Nikita Khrushchev was removed from power in 1964, the new USSR leadership led by Leonid Brezhnev developed its own concept of economic development, realizing the impossibility of returning to Stalinist methods of state management. The implementation of the concept began with economic reform, which is often identified with the name of the then Chairman of the Council of Ministers of the USSR, Oleksiy Kosygin (Skomorovs'kyi, 2013). The Kosygin reform of the 1960s was called "Libermanization" by skeptics, after the name of Professor Evsei Liberman from Kharkov, who spoke in favor of the independence of enterprises. It was an attempt to organize the functioning of enterprises based on profitability indicators. The Kosygin reform aimed to address the shortcomings of the planned economy and decentralize the Soviet economic system. It sought to empower regional planners by establishing associations while mitigating negative phenomena such as rising demand for capital investments, unfinished construction, and disproportions in sectoral development. To achieve this goal, various activities were planned. These included the development of enterprises, the reduction of planned indicators, the establishment of material stimulation funds, the financing of entrepreneurial investments through credit instead of subsidies, and the dissolution of the National Economy Councils in favor of a return to the sectoral management system.

Additionally, there were plans for price increases for the purchase of agricultural products and the distribution of national income to the agricultural sector. The

first years after the introduction showed very positive results of the reform: revival of agricultural production, improvement of food supply to cities, and increase in labor productivity. But already in the early 1970s, the pace of economic development slowed down significantly, and the Soviet leadership gradually abandoned all reforms. The events in Czechoslovakia in 1968 scared the leaders of the USSR and made them think about the future functioning of the socialist system. In the mid-1970s, the Soviet economy completely lost the growth dynamics of the 1950s and 1960s. Economic activity in the country decreased, and the pace of industrial development slowed down. However, the pace of implementation of centralization and bureaucratization in the state management system was increasing. The agricultural crisis deepened, food purchases abroad increased (10 times), the shortage of goods increased, the pace of housing construction decreased, and environmental problems deepened. After a short period of prosperity, there came a lasting period of stagnation, which gradually evolved into a crisis affecting all aspects of life – economy, politics, and ideology (Smol'nyts'ka, 2011). The socialist economy found itself in a serious depression. Corruption and a sense of self-aggrandizement began to emerge, and the actual enrichment of party nomenclature groups and clan conflicts became increasingly visible and problematic for the economy. The Ukrainian socialist economy, which had the greatest potential to become the fastest-growing and largest economy among the USSR republics, slowly lost its pace of development in the early 1970s. After reaching its peak, the level of economic activity decreased and gradually stagnated. The Ukrainian economy favored the “gray zone”, filling the gaps with socialist plans and the gaps of the inefficiently planned economy. The average annual growth rate of gross domestic product in the Ukrainian SSR decreased from one “Five-Year Plan” to another: from 6.75% in 1966–1970 (eighth five-year period) to 3.4% in 1981–1985; national income from 6.7% to 3.4%, respectively; production of industrial products from 8.4% to 3.5%; capital investments from 6.8% to 3.1%; the growth rate of labor productivity dropped more than twice, from 6.2% to 3.0%. The growth rate of gross agricultural production decreased from 3.2% to 0.5%. In the second half of the 1970s, the Ukrainian economy experienced a complete loss of momentum (Smol'nyts'ka, 2011).

Economic stagnation in the socialist economy was attributed to the ongoing arms race and, paradoxically, to the aspiration to preserve socialism, albeit in its rudimentary form, characterized by a low-efficiency, highly centralized economic system reliant on state ownership of resources, such as industrial plants. The socialist, centrally planned economy was characterized by the predominance of state ownership and production factors, managed by the state bureaucracy. It proved challenging to effectively plan the economic development of such a vast country as the USSR.

The reasons for the failure of reforms in the socialist economy in the 1970s lie at the heart of the totalitarian economy that was the Soviet economy. Economic reforms could not be successful without introducing real instruments for changing the political system, democratization, and real sovereignty of the republics. The basic cause of the crisis of the Soviet economy is the functioning political system in which one party has completely monopolized the right to power, i.e., the monopoly of power of the communist party. Practice shows that elements of a market economy generally cannot function in a centrally planned economy because a centrally planned economy is the opposite of a market economy.

Transformation of the socialist economy in the 1980s

The increase in crisis phenomena in the economic life of the USSR in the first half of the 1980s led to the need to change the political course. In April 1985, Mikhail Gorbachev, the leader of the younger generation of the party, came to power. When Gorbachev came to power, as happened more than once, there were the unfulfilled hopes of millions of USSR citizens. Plunged into an economic crisis, the economy of the Soviet Union required changes in many areas. The USSR was falling further and further behind the West, where modern technologies were introduced and the standard of living of the population was systematically rising. The Soviet Union was losing in the competition with the West and was in danger of losing the arms race and losing its status as a world power. In order to prevent this and to overcome the long-term stagnation inherited from Brezhnev's rule, which had hindered economic development, the new leader of the USSR Communist Party, Mikhail Gorbachev, announced a course of political and economic reforms. In 1986, a reform called "perestroika" was announced, which included: rebuilding the economy of the USSR, opening the country to the world, modernizing the economy, increasing civil liberties, limiting corruption, and warming relations with the West. The reform was initiated despite furious resistance from the conservative part of the party nomenclatures. However, the real goal of "perestroika" was not to change the system, but to improve it.

During the period of "perestroika", "glorification" was introduced, censorship was abolished, and the provision on the leading role of the CPSU was withdrawn from the constitution. It also started the fight against alcoholism among residents. Gorbachev carried out all reforms slowly so as not to discourage the conservative opposition.

"Perestroika" caused even greater instability and disruption of social and political balance. Less and less money was allocated to the budget; most of the production

was allocated for export, to cover the currency deficit, which was becoming more and more difficult (Gidadhubli, 1987). The economic crisis was deepening rapidly, and the actions taken by the Soviet leadership did not bring the expected improvement. The economic and socio-economic situation in the country was already very bad and required comprehensive remedial actions, which so far had been undertaken only on a point-by-point basis. The implementation of the “Anti-Alcohol Law” resulted in excessive difficulties and financial damage to the economy of the USSR, particularly affecting Ukraine. During this period, over 20% of the republic’s budget relied on revenue from alcohol sales. As a consequence of the anti-alcohol campaign, more than 60,000 hectares of vineyards were either completely or partially destroyed, while the illegal alcohol trade and corruption proliferated. The inconsistent and chaotic nature of the reform is one of the reasons for the failure. Undoubtedly, the reform was an important attempt to correct the imperfections of the socialist economy.

At the end of the 1980s, a massive economic crisis emerged in the Soviet Union. The centrally controlled machine of the USSR was unable to compete with the modern market economy of the USA. The gap between the two powers was widening. The leadership of the CPSU was aware of the desperate situation. However, it was absorbed in efforts to exit the financial crisis or minimize its effects (Kaser, 1965). The economic crisis was followed by a social crisis, mainly in the form of rising unemployment. The economic reforms of the “perestroika” era were doomed to failure from the beginning. Not only did they lack the foundational assumptions and principles of credit and financial policy – most importantly, they were attempted within a centrally planned economy, where state control over the market was absolute, state ownership prevailed, and inefficient management methods abounded. Power in the state was exercised by ministries and departments, i.e., the bureaucratic apparatus (Ovcharenko, 2013).

In the first years of “perestroika” little changed in the Ukrainian economy; the economy continued to shape and develop industries and achieved significant growth. At the beginning of the 1980s, the republic produced more than 50% of iron ore (USSR), 25% of coal production, 97% of coal combines, 52.3% of freight wagons, 33.2% of turbines, 24.7% of tractors, etc. However, despite some achievements, many problems remained, including the problem of the quality of industrial products. In the second half of the decade, the pace of development of the socialist Ukrainian economy slowed down, which intensified the economic crisis. The slowdown in economic growth and the decline in production efficiency required a change in the direction of economic policy. The average annual growth rate of gross domestic product in the period 1986–1990 compared to the years 1981–1985 decreased from 3.4% to 1.9%; gross national product – from 3.4%

to 2.4%, respectively; production of industrial products – from 3.4% to 3% (Smol'nyts'ka, 2011).

Gorbachev's reforms, though hasty and tinged with improvisation, led to a tremendous revitalization of society. It turned out that the "Soviet people" were no longer willing to tolerate the dictatorship of the Communist Party. Decision-makers, especially those overseeing the resurgence among the nations within the Soviet Union, felt the impact of this particularly harshly. Their activity had a detrimental effect on the durability of the communist empire, even though decentralization processes did not immediately manifest themselves. As a result of the subsequent restructuring process known as the "parade of sovereignties", the Soviet Socialist Republics dissolved in December 1991, giving rise to 15 independent and sovereign states on its ruins.

After the collapse of the Union of Soviet Socialist Republics, there was an economic collapse in the countries of the former USSR, including Ukraine. It lasted for many years. The fall of communism forced radical changes in the political, socio-economic system and property relations. Socio-economic changes resulted in the emergence of a new layer in society, i.e., owners. Fundamental changes occurred in the system of division of labor, and social and economic mobility increased.

Summary

The activities presented in the article aimed at reforming the economic structure of the Soviet Union and socialist Ukraine revealed an unchanging trend, which was the industrialization of the country. Hopes were associated with it for economic development, the elimination of open and hidden unemployment, the improvement of economic conditions, and the improvement of living conditions. The industrialization process was supported by agricultural reform – the "collectivization" of agriculture, which was the largest undertaking of the Stalinist authorities in the Ukrainian countryside. The agricultural reform was supposed to lead to a change in the principles of the state's agricultural system and increase food production. The post-war reconstruction of industry had a negative impact on the development of other sectors and departments of the economy. The inequalities were deepened by industrialization based on Stalinist economic canons, favoring production sectors related to the arms industry. This was also caused by the emphasis on the development of new industries, mainly heavy and machinery, and the neglect of areas such as the consumer industry, transport, and services. The economic structure formed in the 1950s did not consider, aside from the arms sector, contemporary trends in

the global economy influenced by the scientific and technological revolution. It only minimally met the consumption needs of society. After Nikita Khrushchev took power, tendencies to re-focus attention on the machinery and metallurgical industries took over. The acceleration of industrialization again had a negative impact on the non-production sphere, agriculture, and the consumer industry. The development of capital-intensive arms sectors systematically diminished management efficiency.

Throughout the 1950s and the first half of the 1960s, the fundamental principles and structure of the Ukrainian economic system remained unchanged, as evidenced by the failure of economic reforms. The unfavorable economic phenomena persisting towards the end of the 1960s, along with escalating political unrest in the Eastern Bloc countries, compelled the Soviet leadership to seriously contemplate the political trajectory of the USSR and to announce reforms. Attempts to rebuild it in the 1970s ended in failure. The failed attempts had the same source: the desire to maintain the communist economic system at all costs, combined with disregard for the needs and social moods.

The economic reforms of the 1980s not only failed to bring about a comprehensive reconstruction of the USSR's national economic system but also triggered a chain reaction that led to its collapse at an unexpectedly rapid pace. It is to the credit of Gorbachev's team that the entire reform process unfolded in a peaceful atmosphere (Khomutovs'ka, 2021). Speaking of "perestroika" in Ukraine, it can be said that the leadership of the Communist Party at the time made every effort to maintain the status quo. The "perestroika" reform in the Ukrainian SSR followed the general Soviet pattern. The implementation of the "perestroika" reform, which was multifaceted and multi-stage, involved both the center and the republics: acceleration of economic development without altering the essence of the Soviet socialist system, 1985–1986; attempt to reform the system, 1987–1990; and uncontrolled processes accompanied by the intensification of crisis phenomena and the collapse of the Soviet Union, 1990–1991 (Gidadhubli, 1987).

The opposition to Gorbachev's policies by the majority of the party nomenclature, including in Ukraine, weakened the position of its initiator and had a detrimental impact on the overall socio-economic development. By the end of the 1980s, the USSR was severely weakened, and the crisis state of the Soviet economy was acknowledged. The unimplemented reforms of "perestroika" exacerbated the crisis in many spheres of social life, ultimately leading to the dissolution of the CPSU and the collapse of the USSR.

The article attempts to answer the question: what was the process of implementing economic reforms in the Soviet Union and their impact on economic growth and development of the economy of Ukraine. Analysis of change indicators

shows systematic progress in the development of economic conditions in Ukraine. However, it is worth noting that the lack of changes in the political direction did not allow more radical economic options to be implemented and, as a result, there is less progress in the liberalization of the Ukrainian economy. The Ukrainian economy held an important position in the economy of the USSR. Economic reforms carried out in the Soviet Union were primarily at reforming industry.

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