Abstract
This research paper examines the stark differences in economic success and standards of living in modern-day Poland and Ukraine. Considering their common experiences shared in the USSR, the author argues that they have evolved differently because of Poland’s quick implementation of shock therapy, the European Union’s support of Poland, and Poland’s ethnic homogeneity. To make this point, this work draws heavily from Swedish economist Anders Åslund’s book *How Capitalism Was Built* along with a number of smaller works.
The collapse of the Soviet Union and the dissolution of the Eastern Bloc shattered one centrally-planned global superpower and its satellite states into twenty-one independent states, suddenly allowing each of these formerly subjugated nations to determine their own policies. Though all of the countries that emerged from the fall of the USSR shared a common experience, in grappling with their new-found independence, they each chose diverse strategies and pursued particular paths to progress. Of the twenty-one countries that once formed the Eastern Bloc, Poland and Ukraine offer a particularly strong dichotomy. Despite being shaped by similar experiences throughout the twentieth century, modern-day Poland boasts a stronger economy and considerably better standards of living than Ukraine because it embraced drastic shock therapy immediately after gaining independence, received significant help from the European Union, and left the Soviet Union with a much stronger sense of national identity than did fragmented Ukraine.

The Comparison of Poland and Ukraine

When reading any comparative politics study, one must always remember that countries are never perfectly parallel. Unlike the hard sciences where researchers have the luxury of numerous trials and pristine laboratory conditions, those studying comparative politics must work with what society has naturally produced. Despite many similarities, Poland and Ukraine are far from identical. The biggest difference is the fact that Poland was a satellite state whereas Ukraine was fully contained within the Soviet Union. This meant that while Ukraine received orders directly from Moscow, Poland ostensibly had an independent government based in Warsaw and an alliance with the Soviet Union. Though at face value it may seem Poland had more freedom and self-determination than Ukraine, the reality of the matter was that the
influence exerted by the Supreme Soviet and the Premier of the Soviet Union on the satellite states far exceeded that of a typical alliance. For all intents and purposes, the satellite states of the Soviet Union had to answer as much to Moscow as did the territories.

Though their legal classifications were not technically identical, there remains a strong case for comparing Ukraine and Poland: they were both ruled under the same ideological framework, with the same style command economies, and by the same superpower. While national identity, history, and social consciousness varied, both countries shared a “hierarchical and bureaucratic communist dictatorship, the socialist economic system, and a closely connected foreign-trade system.”

Additionally, both countries were forcibly annexed into the Soviet Union rather than peacefully joining with it. In terms of poverty and standards of living, one needs only considered the economic state of both countries before the fall of the Soviet Union to see their economic similarities.

A Warning on Soviet Statistics

Locating accurate statistics from within the Soviet Union often proves troublesome. Authoritarian governments are not known for their honesty, and the Soviet Union was no exception. The USSR was an experiment in socialism meant to show the viability of the system and undermine support for the capitalist designs of the West. Though history has shown that the command economies of Eastern Europe failed in almost every regard, the governments controlling these economies naturally did not want this fact to be known. As a result, great quantities of statistics were fabricated, if gathered at all, and government-produced information was largely untrustworthy. Few alternatives existed to official sources, though, because that would have undermined those government efforts. Studies were limited and results repressed. In

1 Åslund, *How Capitalism Was Built*, 12.
some of the most incredible examples, reporting on or officially acknowledging unemployment in the Soviet Union was illegal, with the use of the words “poverty” and “slums” banned in official sources. As a result, the official unemployment numbers for all members of the USSR were all zero.² This, unsurprisingly, was far from the truth.

Luckily for modern scholars, some statistics do exist. As the structure of the USSR slowly crumbled away, its citizens grasped at increasing freedom. Programs such as Glasnost increased transparency and expanded freedom of speech. In response, many academics quickly seized the opportunity to collect meaningful data in areas that had not before been honestly examined. Examples of these efforts include Mervyn Matthews’ *Poverty in the Soviet Union* and Alastair McAuley’s *Economic Welfare in the Soviet Union: Poverty, Living Standards, and Inequality*, both of which are referenced in this paper. Considerable anecdotal evidence of life in the Soviet Union was also smuggled out of the superpower through illegal *samizdat* channels. Thanks to these hard-working individuals, some reasonably-reliable statistics do exist. Still, it is difficult to rely on these numbers and they should primarily be used as guides. All information that came from inside the Soviet Union should be considered with caution.

**Poland and Ukraine’s Common Roots in the USSR**

Poland and Ukraine, like all countries in the USSR, shared the experience of widespread poverty during the Soviet period. Matthews, a prominent British Sovietologist, argued in his 1986 book, “Poverty would seem to be too much a part of Soviet reality to be easily effaced.”³ His analysis found that around 40% of the small urban families in the late seventies failed to earn enough income to purchase even a subsistence diet. Additionally, his data suggested that

³ Ibid, 179.
“poverty among larger families, peasants and pensioners was undoubtedly higher.” 4 Not only was poverty commonplace (with estimates ranging from a twenty percent to nearly half of all Soviet citizens living under the poverty line in the mid-eighties),5 anecdotal evidence from inside the Soviet Union tells of incredible shortages of consumer goods. Even individuals who had money could not use it because consumer goods were in such short supply.6 Food was scarce (especially meat and vegetables), durable goods were shoddy, and living conditions were cramped.7 “These difficulties were made less bearable by perceived corruption and the patently unfair distribution of goods by administrative order.”8 Despite an official narrative of prosperity throughout the USSR, closer examination reveals a much starker reality.

Economically, Poland and Ukraine faced very similar problems: “large budget deficits, uncontrolled wage hikes, shortages and inflation, large foreign debt, and in the end both ballooning public expenditures and collapsing public revenues, as well as uncontrolled credit issue.”9 In both countries, citizens were unhappy and ready for change. When change finally came, both were hit not only with the social and political turmoil of a collapsed government, but also with over 100 percent inflation a year.10 At the time of the turmoil, many contended that the transformation of the economically-ruined former-Soviet states into functioning capitalist democracies was impossible in any short amount of time. Twenty-five years later, the success of Poland has proven this assertion false.

5 McAuley, Economic Welfare in the Soviet Union.
6 Matthews, 162; McAuley, 70.
7 Matthews, 177.
8 Matthews, 161-162.
9 Åslund, 24.
10 Åslund, 25.
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**A Modern-Day Comparison**

Modern statistics for wealth distribution and standards of living in Poland and Ukraine are fairly easy to come by. For Poland, its membership in the European Union means that the European Commission’s Eurostat service has produced more data on Poland’s present condition than even the most comprehensive study could utilize. Statistics on Ukraine are slightly more scattered, but thanks to open governments and numerous international organizations, including the World Bank, the International Monetary Fund, the United Nations, the Heritage Foundation, and the United States Central Intelligence Agency, data is plentiful.

Examining contemporary statistics, one might be surprised to learn the extent of Poland’s and Ukraine’s recent shared history. Indeed, GDP alone seems to suggest otherwise. Nominally, Poland’s 2013 GDP was more than double that of Ukraine’s. Though their population sizes are comparable, on a per-capita basis Poland marked almost three-times as much income per citizen that year. In terms of health, Ukrainian women are over six times more likely to die during childbirth than Polish women. Even more astonishing, the number of annual deaths attributed to HIV and AIDs is nine thousand percent higher in Ukraine.$^{12}$ Beyond this, Ukraine ranks 78th out of 187 countries on the Human Development Index and 155th out of 178 countries on the Heritage Foundation’s 2014 Index of Economic Freedom (earning the rank of “repressed”).

$^{11}$ Matthews; McAuley.
$^{12}$ Central Intelligence Agency, "The World Factbook."
Poland, on the other hand, ranks 39th out of 187 on the HDI and 50th out of 178 on the Index of Economic Freedom (earning the rank of “moderately free”). Poland’s average life expectancy is also nearly a decade longer than Ukraine’s. Finally, Poland is a member of the North Atlantic Treaty Organization, the European Union, and the Development Assistance Committee within the Organization for Economic Co-operation and Development. Ukraine, conversely, is not a member of any of these selective organizations and actually receives support from the OECD, with twelve million dollars having gone directly from Poland to Ukraine in aid development in 2012.

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<th>Poland-Ukraine Contemporary Statistics</th>
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<tr>
<td>Population 16</td>
<td>38,383,809</td>
<td>44,573,205</td>
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<tr>
<td>GDP (PPP) 17</td>
<td>$814 billion [22 of 229]</td>
<td>$337.4 billion [42 of 229]</td>
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<td>GDP Per-Capita (PPP) 18</td>
<td>$21,100 [69 of 229]</td>
<td>$7,400 [129 of 229]</td>
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<td>HDI Rank 19</td>
<td>39 of 187</td>
<td>78 of 187</td>
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<td>2014 Index of Economic Freedom 20</td>
<td>50 of 178</td>
<td>155 of 178</td>
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<tr>
<td>Life Expectancy 21</td>
<td>76.3 years</td>
<td>68.8</td>
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<tr>
<td>Maternal Mortality Rate 22</td>
<td>5 deaths/ 100,000 live births</td>
<td>32 deaths / 100,000 live births</td>
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<tr>
<td>HIV/AIDS Deaths 23</td>
<td>Fewer than 200 [114 of 154]</td>
<td>18,100 [18 of 154]</td>
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Factors Not Significantly Contributing to Divergent Development

Before examining the differences that allowed Poland to succeed where Ukraine failed, it is worth noting some of the factors that did not play a significant role. While the success or failure of major economic and political transformations cannot simply be attributed to one or two

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14 United Nations Development Programme.
15 Organization for Economic Co-operation and Development, "Poland."
16 Central Intelligence Agency.
17 Ibid.
18 Ibid.
19 United Nations Development Programme.
20 The Heritage Foundation.
21 United Nations Development Programme.
22 Ibid.
23 Ibid.
causes, neither should every difference between Poland and Ukraine be marked as a justification for their wildly divergent outcomes. The most prominent false justification is the variance in resource distribution between the two states. Of course while resources have the potential to either help or hinder development by boosting competitive advantage or condemning a nation to "the resource curse,” in the case of post-Soviet countries, resource distribution was not a significant factor. If one considers all post-Soviet nations, this becomes evidently clear as some of the most successful post-Soviet countries had comparatively few natural resources (like Estonia, Latvia, and Lithuania), while others had massive stores of natural gas and oil (like Turkmenistan and Uzbekistan) and failed utterly to develop, modernize, and reform.24 While resource reserves do invariably influence development, they are not in this situation a key component in explaining the difference between Poland and Ukraine.

In a similar vein, though infrastructure influences how a state can advance, in the case of Poland and Ukraine, it was not a significant factor. Despite the fact that under the Soviet Union specialties and development varied, all shared common characteristics: too little investment spread across too many projects, a completely centralized decision making process, and massive-scale industries. Even the countries that began to reform slightly before the fall of the Soviet Union (like Poland) still shared the same socialist ideologies and the infrastructural legacy of a half of a century of total state control.

As for other possible explanations, the states share a sizeable border and have comparable climate, discrediting a geographic argument. Neither country was energy independent under the Soviet Union and both still rely on large energy imports today. Before the fall of the USSR, both countries used the Russian language for official matters and after the fall, both switched to their respective local languages for official matters. Culturally, the two nations are comparable both

24 Central Intelligence Agency.
because of their geographic proximity and the fact that they were both forcibly annexed into the
Soviet Union and repressed until the reign of Stalin. Though reliable GDP estimates do not exist
for either nation before the fall of the Soviet Union, both contributed a great deal of their sparse
revenues to the central government in Moscow. Both nations were also similarly integrated in
world trade, and thus neither had a head start in international economic relations. Health and
education as well were of comparable socialist designs. None of these reasons can explain the
difference in the two nations’ success. Rather, Ukraine’s ethnic complexity, the help the
European Union offered Poland, and the rapid economic reforms Poland instituted explain the
divergence.

Shock Therapy

The collapse of the Soviet Union was unlike any prior event in history. The sudden
dissolution of the second-most-powerful country on the globe had no precedent, and as a result,
no one knew exactly how to respond: the previously-highly-regulated countries generally lacked
direction or a clear idea where to go. The old models of social and economic transition did little
to guide the process at work and, as a result, national leaders struggled to find a direction. Not
only did these leaders have to solve the crises that had resulted from gross mismanagement of
their countries’ governments under Soviet rule, they also had to overcome all of the
institutionalized safeguards implemented by previous communist rulers designed to prevent a
capitalist system from succeeding. These checks on development included the comprehensive
nationalization of property, the annihilation of civil society, the elimination of markets, and the
suppression of law. Because of complete lack of useful precedent and the ever-changing nature

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25 Åslund, 322.
of the information these leaders did have, the data being produced at the time was effectively useless. Lacking hard data on which to base decisions, leaders had to follow political and ideological guidelines, both domestic and foreign, risking significant leaps of faith in order to save their countries.\textsuperscript{27} The first major decision each leader had to make was how quickly to transition their country’s economy. As it turned out, this decision proved arguably the most significant of the entire process.

Transitioning from a command economy to a free-market capitalist system is no small task. Privatization, currency floatation, and competition can quickly produce rapid inflation and massive shortages. Without these changes, however, there was no hope for these economies to recover. Poland led the way in 1988 with large-scale privatization during the first truly free-market economic reform of an Eastern European nation.\textsuperscript{28} The individuals running Poland at this time feared the potential for reversal if they pursued a slow-reform path and thus decided to enact change as quickly as possible.\textsuperscript{29} Though in the beginning this produced economic turbulence, the countries who relied on more extreme shock therapy programs saw quicker results: “The two extremes were the neighbors Poland, which returned to growth in its third year of transition, and Ukraine, which experienced ten years of economic decline. Radical reformers soon returned to growth, whereas partial and non-reformers experienced a long period of contraction.”\textsuperscript{30} Though quick changes initially led to painful economic realities, these realities soon gave way to growth and helped to build a strong economy in the long run. Beyond the practical changes shock therapy forced, there were also ideological benefits: “in Central Europe and the Baltics, quick and comprehensive systemic reforms soon changed the intellectual

\textsuperscript{27} Ibid, 43.
\textsuperscript{28} Ibid, 39.
\textsuperscript{29} Ibid.
\textsuperscript{30} Ibid, 65.
paradigm, whereas slower reforms kept rather parochial economic idea alive in the post-Soviet countries.”31 Rapid action allowed Poland to shed the cumbersome baggage of its communist past and instead embrace the reality of its capitalistic future.

While Poland was rapidly forcing itself to adapt, Ukraine adopted a contrary plan and planned for more gradual reform. Unfortunately, “Ukraine staked out ideological positions against radical reforms, only to arrive in 1993 at much deeper crises than their neighbors.”32 Ukraine tried slow and steady reform and failed. Had it engaged in shock therapy right away, it would have done considerably better.

Poland’s success demonstrates that shock therapy was a workable solution. It is worth noting that Poland did have some advantage in making its decision because it tried gradual reform in the eighties and failed.33 With a strong fear of renewed failure, proponents of gradual reform in Poland were few. Nevertheless, Ukrainian strategists could still have learned from the failure of Gorbachev’s gradual reform in the USSR in the eighties (or even Poland’s failed attempt) and known better than to pursue the same plan again. It is hard to understand why the leaders of Ukraine would have failed to heed the lessons of the past until one considers their ulterior motives.

As it turns out, economic turmoil can be used for incredible financial gain if manipulated in the right way. A number of individuals in power in Ukraine in the nineties recognized this and seized the opportunity. Naturally, the opportunity could last only as long as the turmoil, however, and thus those in power were incentivized to pursue gradual reform not because it had the most potential for success, but because it provided the largest window for personal wealth gain. Speedy reform reduced these risks, while gradual change allowed for arbitrage between

31 Ibid, 43.
33 Ibid, 122.
regulated prices and free-market prices.\textsuperscript{34} In Ukraine, rent-seekers sought to make as much money as possible by taking advantage of transitional markets. This led to “a great misallocation of resources and slumping output. Their hunger for state subsidies and subsidized credits boosted inflation, disorganizing the whole economy.”\textsuperscript{35} The longer a post-Soviet country took to reform, the more opportunity opportunities rent-seekers had to ravage the economies and “the greater was the destruction of both physical and human capital.”\textsuperscript{36} Ukraine’s economy suffered as a result of this greedy rent-seeking, while Poland prospered as a result of its choices. The disparity produced by rapid versus gradual reform is stark: “Poland is an outstanding success, more than doubling its welfare from 1990 to 2010.” Ukraine, on the other hand, “actually had lower output per capita in 2010 than in 1990.”\textsuperscript{37}

\textbf{European Integration}

While Poland’s quick implantation of shock therapy played a significant role in its eventual success, it was not the only factor. In fact, Poland owes a significant portion of its current economic success to the help given by the European Union.

Though costly and difficult, entrance into the EU offered numerous benefits to Poland. First, EU accession meant access to both the labor and the goods markets of all of the members of the European Union. Second, as Poland made progress toward joining the EU, it received both considerable financial assistance and enormous professional advice, two advantages Ukraine did not enjoy.\textsuperscript{38} Third, EU membership entailed strong military ties, freeing Poland from worrying about its national security and allowing it instead to focus more on domestic growth rather than

\begin{footnotesize}
\textsuperscript{34} Åslund, 43.
\textsuperscript{35} Ibid, 2.
\textsuperscript{36} Ibid, 9.
\textsuperscript{37} Ibid, 70.
\textsuperscript{38} Åslund, 10.
\end{footnotesize}
personal protection. Finally, the accession process itself had a very positive influence on Poland.

Entrance into the EU is no easy task. To even be considered for membership, an applicant country must fulfill all of the requirements of the Copenhagen Criteria, which includes political, economic, and social dimensions. These guidelines helped to guide Poland and keep it on a path of positive reform. In joining the EU, Poland was provided with the framework and building blocks to successfully secure rule of law, establish democracy, and protect human rights.40

Beyond direct benefits, EU membership also brought a certain sense of pride and prestige. After decades of authoritarian rule, the promised of free movement, honest government, and increased participation in the West was enticing to Polish citizens: “the idea that one could cross borders without standing in lines, presenting loads of documents, or explaining in detail the purpose of one’s travel had a great appeal to Poles and other East Europeans, even if during the first post-1989 decade it appeared to be virtually a fantasy.”41 In addition to providing concrete financial, political, structural, and military incentives, EU accession gave Polish citizens a morale boost, helping to motivate and encourage the country during the great struggles of transition.

Ukraine did not find the same Western acceptance that Poland did after the collapse of the USSR for two main reasons. First, many Western leaders actually did not want to encourage the complete dissolution of the USSR because they feared such a dramatic change would result in extreme instability and threaten their security. It is for this reason that George H. W. Bush gave his famous “Chicken Kiev” speech in August of 1991 advising Ukraine to remain a territory of Russia. In a similar vein, Margret Thatcher was quoted at the time as saying that she

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39 Europa, “Accession Criteria.”
40 Some scholar might contest this argument, citing the notable costs of EU membership, including the secession of control over its monetary policy and its sudden subjection to foreign market fluctuations. While these factors are significant, the political benefits of the accession outweigh the economic costs.
41 Szmagalska-Follis, “Are the European Union’s New Boundaries.”
could no more open an embassy in Kiev than she could in San Francisco.\footnote{O’Clery, \textit{Moscow, December 25}, 225.} Though hindsight makes these quotes appear ridiculous, few at the time would have reasonably predicated that such a peaceful and calm transfer of power from a nuclear-armed superpower to twenty-one separate nations was possible.

The second reason many Western leaders were hesitant to help out the new post-Soviet countries was simple protectionism. Ukraine produced great quantities of agricultural produce and steel. Many feared that if Eastern Europe was allowed to trade freely with Western nations, the Western markets would be drowned in cheap foreign supply. This prompted anti-dumping policies that greatly hurt Ukraine’s ability to transform its economy.\footnote{Åslund, 308.} To understand how significant an impact these trade restrictions had on Ukraine, one must consider that a full “two-thirds of the exports of Ukraine, consisting of metals, agricultural produce, chemicals, and textiles, [were] deemed ‘sensitive’ by the EU” and had trade restrictions placed upon them.\footnote{Ibid, 322.} Unable to rely on help from the West, the post-Soviet countries “had nowhere to turn but to one another and weak states make weak partners.”\footnote{Ibid, 318.} Ukraine tried to utilize the Commonwealth of Independent States (a weaker version of the Soviet Union’s customs union) for economic development, but the group was comprised entirely of weakened post-Soviet states and eventually failed. Lacking the markets, investment, and advice that Poland received from the European Union, Ukraine spent much more time struggling with reform. Amidst this effort, the population of Ukraine was also striving to establish a national identity.

\footnote{O’Clery, \textit{Moscow, December 25}, 225.} \footnote{Åslund, 308.} \footnote{Ibid, 322.} \footnote{Ibid, 318.}
Ethnic Homogeneity

By the time it broke free of the USSR, Poland had already seen years of internal unrest that had helped to prepare it for nationhood. It fostered much of the early unrest that contributed to the eventually collapse of the Soviet Union, including four major worker uprisings; when the collapse came, it was one of the first countries to declare independence. Ukraine, on the other hand, was a stable cornerstone of the communist superpower, largely supporting the socialist identity. These differences meant that when the Berlin Wall fell, Poland already had a burgeoning sense of nationalism prevalent within its border while Ukraine meanwhile lost its primary unifying identity.

The Solidarity movement in Poland before the collapse of the USSR helped to cement the Polish national identity and instill a sense of nationalism in the newly-liberated Polish citizens. Ukraine, on the other hand, boasted a broad mixture of ethnicities and identities and faced great internal turmoil when the state was formed. According to the 1989 Ukrainian census, Ukraine was only 72.2% ethnic Ukrainian, but over a fifth Russian. The ethnic diversity stretched across the country, with Crimean Tatars, Belarusians, Greeks, Jews, Poles, Gypsies, Hungarians, Romanians, Bulgarians, Moldavians, and Gagauzians all making up at least one percent of one of Ukraine’s administrative districts. Poland, conversely, was shown in its 2011 census data to be 98.1% ethnic Polish: less than 1.8% of Poland’s nearly forty million citizens identified as an ethnic minority.

Though this census data comes over two decades after that of Ukraine’s, Poland’s population changed less than one percent between 1989 and 2010. This remarkable stability

47 State. Statistics Committee of Ukraine.
48 GŁÓWNY, 15.
49 Åslund, 226.
occurred despite the extreme immigration liberalization that occurred as a result of both the fall of the Soviet Union and Poland’s accession into the European Union. During the same time span, Ukraine lost between 15% and 20% of its population to emigration.\(^5^0\) This turbulence further explains how Ukraine’s ethnic heterogeneity prevented stable and consistent economic development. While Poland was able to unite under its ethnic identity and move forward with reforms, Ukraine fell victim to disagreements and infighting. In fact, it took until 1999—eight years are the collapse of the Soviet Union—for even Ukraine’s borders to be finalized.\(^5^1\) Even today, strong divides are prevalent, evident in debates and protests in recent years concerning the relationship between Ukraine, Russia, and the EU. While 96% of individuals living in Poland consider Polish their primary language, only 67% of those living in Ukraine consider Ukrainian their principle means of communication.\(^5^2\) This divided populace was in no shape to organize itself effectively and achieve what Poland did. Ukraine needed the extra time to establish itself as a nation.

**Conclusion**

While Poland has experienced considerable success economically and Ukraine is only beginning to catch up today, it is important to note that there are many different dimensions of reform and the collapse of the USSR forced the affected countries to consider nearly every detail of their state's and society's design. This paper primarily focused on economic reform, and though economic reform is important, it is not the only dimension that had to be considered. Overall, the “building of democracy and establishment of the rule of law have been much less successful. Frequent complaints are that too much attention and resources were devoted to

\(^5^0\) Ibid.
\(^5^1\) Givental, "A Tale of Two Cities," 65.
\(^5^2\) Central Intelligence Agency.
economic reform and too little to political and legal reforms.” Indeed, corruption is commonplace in the Ukrainian government and not unheard of in its Polish counterpart. Quick, dramatic reform, aid from the West, and a united populace helped Poland pull itself from the post-communist turmoil and develop into a strong, modern, capitalist power. Ukraine, on the other hand, fell victim to rent seekers and poor planning and is only now establishing itself on the world stage. These two cases, when considered properly, offer a stark contrast of success and failure in the opportunity created by the fall of the Soviet Union.

53 Åslund, 3.
Bibliography


