

2. Economy in transition

2.1. UKRAINE'S ECONOMY TODAY

Critical conditions

Current developments in various countries of the former Soviet Union show that the transition from a centrally planned, command economy to a market economy is not **pain free**. All of them are experiencing **declines** in output and living standards, as well as increases in inflation and unemployment. As a result of these processes, Ukraine has been **set back** between 20 and 25 years in its development. The continuation of the present rate of decline may result in a halt to the progress toward democratization or even the loss of statehood itself.

Seven decades of Soviet economic development ground to a **halt** in Ukraine. The **deterioration** of economic performance in the USSR had already become **evident** during the last two decades of this period. This decline was a result of the gradual **depletion of national resources**, the inability to **utilize** them extensively and the crisis of a centralized national planning system. An intensified search for an alternative economic system began in Ukraine with its declaration of political and economic independence in August 1991. This was reflected in sometimes **contradictory** decisions that resulted from the lack of an exhaustive and **consistent** program supported by the entire population. The situation was **exacerbated** by political instability and a **ruthless** struggle for power conducted by dozens of political parties.

<i>Indicator</i>	<i>Decreased</i>
National output	57%
Industrial output	47%
Agricultural output	26%
Consumer goods output	54%
Food products	53%
Nonpassenger transportation:	
Railroads	61%
Automobile	77%
Consumer services	53%
Housing	59%

The consequences of this development is an unprecedented fall in the population's standard of living. In real terms, the average income of the population was halved during this period.

Inflation **adversely** has effected external relations as well. It has led to a continuous decrease in the value of the domestic currency. Such **depreciation** stimulates exports

and should have a positive effect on the balance of payment. In view of the lack of legal or economic mechanisms which would guarantee a share of foreign earnings