

Prospects the Democracy in Ukraine

- Based on Changes in Economic Conditions Since the Russian Invasion

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Abstract: The article aims to clarify the deep relevance and dependence of economic basis and democracy level, which includes how does the former play a role in the formation, the maintenance and the future development of the latter. Economic prosperity, the leader of production activities, power of the middle class, diversification of Economic sector and trade liberalization is the object focus on in this study. It will focus on noteworthy one—Ukraine. The aggression from Russia has caused huge macroeconomic changes in Ukraine. Therefore, this article examines the current economic influence of such drastic external factors as a military invasion. This paper will combine the theory of how the economic situation affects the level of democracy with specific economic data and practical research in Ukraine. Then look at the positive and negative aspects, some changes can improve the level of democracy, while others will harm the level of democracy in Ukraine.

Keywords: Ukraine, Russian, Democracy, Economic development.

1. Introduction

Since became independent form Soviet Union, Ukraine is establishing its democratic institutions. From its earliest attempting, the level of democratic politics in Ukraine has grown considerably, especially in the former Soviet Union and satellite states [1]. The reasons include political participation of citizens, competition of diversity political parties and the relatively strong constitution. Despite Ukraine experienced some setbacks and obstacles, the Orange Revolution and the Maidan Uprising have protected their democratic. Before being invaded, the new government was focusing on constitutional amendments and anti-corruption measures. These show that the current level of democracy in Ukraine is not perfect but is superior and more valuable to protect [2].

However, the level of democracy is not a mercury thermometer. It can not only rise, but also fall. Even the most successful democracies have to constantly care about the possibility of degeneration. It shows that many cases of the falling of democracy in the world, Liberia, Afghanistan, Iran, Hungary, and so on.

Now the democracy achievement in Ukraine is facing enormous challenges external. After February 24, 2022, since Russia launched a large-scale military invasion, Ukraine has defended an authoritarian state's aggression for two years. But at the same time, it must be noted that the threat to democracy brought by war does not only come from the outside, but also inside. Because External events bring about internal changes. Always, war can bring enormous, or even irreversible effects on

natural resources, productive capacity, industry types, class composition and foreign trade. Changes in the economy will change the dominant consciousness and thinking in the country, and eventually have an impact on politics.

As it focusses on the future of democracy in Ukraine, this sight cannot be ignored. Therefore, in this article, when it hopes to make some observations and predictions on politics, it goes back to the basis of political change - the economic situation. the future democracy level in Ukraine can be taking an outlook on a predictable basis based on the concrete reality of economic changes.

2. Theoretical Analyzable of the Economic Situation to the Level of Democracy

The influence of the economy on the political system is a long-standing view in political circles, and it can still play an important guiding role in research today. In this article, it will mainly discuss how economic conditions affect the level of democracy in a country. They are free market economy, power of middle class, diversity of interest groups and liberate of foreign trade

2.1. Free Market Economy

Economic freedom can promote national prosperity through market mechanisms by giving the right to businesses to freely make decision in economic activities, which includes free engaging and exiting, free competition, supply and demand matching and undisturbed market exchange.

In order to secure a free economy, laws of protecting private property that can be obeyed, a government that defends excessive changes in economic policy, and participation in markets through normal competition among goods rather than the use of special positions that depend on the government are all important.

In a free economy, governments are less likely to manipulate markets to gain wealth and power. The independence and unpredictability of economic activity makes it difficult for the government to maintain total control of the economy through direct intervention. Interest groups in authoritarian governments often enjoy economic privileges and monopolies to maintain governing and luxury living. These groups may preserve existing economic privileges by government influencing policy. Economic freedom can diminish these privileges and promotes less participation in national politics for economic reasons. More importantly, most of the state-owned industries maintained by the government are also inefficient because of bureaucratic problems and a lack of competitors, which hold back the economy. When the economy is liberalized, people's creativity and enthusiasm are promoted, and the economy also develops.

2.2. Power of Middle Class

Since Lipset published his article, the role of the middle class in democracy has been increasingly valued [3]. The middle class is the most important force in democratization and is also the most important guarantee in maintaining democracy.

After the advent of the post-industrial era, with the specialization of production and management , the middle class has remarkably grown. This means a class with a higher level of education, a higher ability to get jobs.

Firstly, more education gives them more thinking ability and political awareness, which increases their participation in promoting democratization. Secondly, better job security and a higher ability to get a job give them more time and energy to participate in political activities. Third, the middle class's life is easiest to go bad from the decline of democracy. Because under authoritarian regimes, less international trade and more homogeneous production raise their unemployment rates, blockades state ownership economies reduce their quality of life, and the lack of freedom of speech and the cult of personality also make them disagree with the government.

However, this important foundation is very fragile. The middle class is based on their higher sustainable income from work and their estate and savings. Thus, the rapid declination in the demand for jobs and incomes in recession, the insecurity that may threat of real estate, and the massive inflation that has destroyed all past savings are the triggers for the rapid impoverishment of the middle class. In addition, the middle class is the easiest group to run off. Their work skills allow them to adapt to work abroad, they can afford the cost of leaving their country, and their property at home is not enough to make them reluctant to leave if they lose confidence.

Therefore, maintaining stable and sustained economic growth, preventing the exacerbation of social inequality, guaranteeing the preservation and security of the movable and immovable property of the middle class, and giving them confidence, can guarantee the long-term stable existence of this democratic base population.

2.3. Diversity of Interest Groups

For a country with a weak democratic system, any industry can easily become an economic and politic clique, including capitalists, politicians and their supporters—the middle class and working class, is difficult to avoid. If there is more than one major industry in a country, then there will be some groups of different industries.

In Robert Dahl's theory, democracy requires a competitive regime, which can be sustained only if both the opposition and the government cannot fully control over both violent and non-violent resources [4]. Only a state that maintains competition from multiple conflicting interest groups can maintain democracy in this balance, and a state with a single industry is prone to being dominated by representatives of one group or its party and is rapidly becoming authoritarian. If the country had natural resources that develop to a huge industry before democratization. Then it is likely to become a one industry centered state, which means that politicians representing the oligarchy will be in power for a long time. If, for a variety of reasons, other industries in a country decline, the demise of competitive interest groups can also lead to the dominance of one group. Therefore, maintaining a country's industrial diversification and maintaining balanced competition among conflicting interest groups can preserve a democratic society. Liberty of foreign trade.

2.4. Liberty of Foreign Trade

Democracy always seems to be associated with openness. The authoritarian groups tend to oppose their country from engaging in free trade. Because under the conditions of free trade, it is unrealistic whether through the tariff barriers and non-tariff barriers to protect the trade of their industry. Also, they cannot seek rent from domestic enterprises or monopolize the production and sales of some domestic products, which means that there are few abnormal gains that governments can make from trade. As a result, they will fail to make them obtain high profits to sustain their ruling, which is why it is difficult for governments to become powerful enough in free trading country or why authoritarian groups are less willing to build their own authority.

What's more, this means that there are few abnormal gains that governments can make from trade, which is why it is difficult for governments to become powerful enough or why authoritarian groups are less willing to build their own authority. It should also be noted that free trade means more foreigners coming in and going out of the country, which is bad for governments trying to control the public opinion environment, because access to outside media helps democracy develop.

From the study through the collecting data and quantitative analysis of Xue Peng Liu and Emanuel Ornelas, trade with democracies plays a significant role in promoting democratic values and fostering political change in less democratic countries. It enhances citizens' attitudes towards democracy because not only does economic integration with democratic partners fosters growth but also this let

them know more about democracy. The flow of democratic capital from more democratic nations to less democratic ones can also change the number of people working for businesses from democratic countries. Another pathway is that such integration can accelerate democratic transitions by increasing public demand for democratic reforms. Furthermore, democratic trade partners may exert pressure on less democratic countries to adopt democratic reforms, influencing citizens' beliefs and pushing for political change [5].

Additionally, trade with democracy country tends to build a benefit group that are more inclined to support democracy because they have benefit in trading with democracy country, enabling them to mobilize resources that promote democratization efforts.

In conclusion, trade with democracies not only drives economic development but also serves as a catalyst for political transformation, helping to spread democratic values and institutions to less democratic countries. This multi-faceted process underscores the powerful role that economic integration with democracies can play in advancing global democratization.

2.5. Conclusion of Theoretical View

These are the four closely related economic factors that it should pay attention to when studying the level of democracy in a country, and they will also affect each other. A free economy increases the middle class by promoting economic prosperity and tends to form more diversified industries, and the liberalization of foreign trade also has a great impact on a free economy. Only if these four conditions are maintained at a good level can the democracy of the country be well protected, and if it is changed due to external reasons, it will also affect the democratic level of the country to a certain extent.

3. Ukraine's Actual Economic Changes And its Theoretical Correspondence

When it has completed the study of the great influence of economic conditions on the rise, maintenance and decline of a country's democratic level at the theoretical level, it can move to perspective away from theory and back to reality. Ukraine is an object of great concern. This is not only because Ukraine still has some democratic gains among the former Soviet states. but also, because its economic situation has changed most in the world in the past two years. Some changes are positive for democracy, such as the shift to trade; but more are negative, such as the loss of the middle class. For the future of Ukrainian democracy, it will have a lot of space to develop, and our research must be valuable.

3.1. Colossal Losses in Macroeconomic

The invasion in Ukraine from Russia has had a huge impact on Ukraine's macro economy. According to the State Statistics Service, the war led to a 15.1% declination in its GDP compared to the first quarter of 2021 and the number up to 60% of GDP in region covered by the battle from the beginning of the war. GDP may fall by 40–45% annually then. The Ukrainian economy lost almost 100 billion USD according to forecasts of the National Bank of Ukraine [6].

Evaluating the war's impact on industry involves examining changes in production volume and the actual state of industrial output in Ukraine. Specifically, all two-digit manufacturing industries experienced varying levels of impact. The production of basic metals, coke, and refined petroleum, as well as non-metallic materials, saw a significant reduction of over 60% in 2022 compared to the average output from 2019 to 2021. Among manufacturing sectors, the production of wearing apparel had the smallest decrease at 10.8%, followed by other manufacturing industries at 21.9%. Food product manufacturing experienced a decline of 22.7% [7].

The destruction of productive assets, the cessation of production and a decrease in demand leads to financial imbalances that increase the possibility of systematic risk and limit access to capital in the domestic market. The average annual interest rates on new loans for enterprises almost doubled, from 9.7% to 16.5% per year. And monetization of Ukraine's GDP increased from 38.0% to 48.2%, indicating a reduction in the speed of money circulation due to a decrease in nominal GDP [8].

Taking into Lipset's theory, the direct influence of democracy, whether it is the middle class, quality education, or social stability, is based on the overall foundation of economic development, and the economic decline caused by the Russian invasion will partially undermine the economic development of Ukraine's current democracy [9].

3.2. Decline of Middle Class

The decline of the middle class is mainly composed of three parts: emigration, joining the army, and impoverishment.

Last updated 19 August 2024, Number of refugees from Ukraine recorded in Europe is 6,168,100, and refugees from Ukraine recorded globally is 6,739,400[10]. Because men between the ages of 18 and 60 are restricted from leaving the country, the majority of refugees in Ukraine are also women and children. Although there is no clear data on the proportion of the original middle class, immigrants need enough economic support and certain life skills to determine that there must be a large number of middle classes. Most of the refugees left Ukraine completely and chose to settle in European countries. Even if some of them return to Ukraine in the future, their property will hardly be preserved in the social chaos caused by lack of security and war damage, and they will lose the property and identity matching with the middle class after returning home.

Highly valuable resources can become liabilities when exposed to harm, and the best way to cope with external threats may be to exit. So, the threat of war has led many businesses to leave Ukraine [11]. Prolonged state of war also has made it impossible for Ukraine to effectively implement an economic recovery plan. So, the demand for labor recovered sluggishly, the supply significantly exceeded the demand. Most of the enterprises were unable to pay salaries at the pre-war level [12]. Since the beginning of the full-scale invasion, according to a study by the sociological group Rating, an average of 53% of the country's working-age population became unemployed because of the armed conflict, rising to 74% in the eastern part of the country. The more conservative data suggest that the unemployment rate in the country reached 35% because of the full-scale war according to the National Bank of Ukraine [13]. Large numbers of the middle class have lost a steady income. What's more, Ukraine's alarmingly high inflation rate since the start, especially in mid-2022, has greatly eroded the financial savings of the middle class and caused their property to depreciate rapidly. The shrinkage of the food and clothing industries has raised the prices of both, forcing the middle class to spend more of their income on necessities. In short, job losses, depreciating property and rising expenses have combined to shrink Ukraine's middle class.

In addition, many men from middle class joined the army to defend their country. The main source of income for some middle-class families became veterans and disabled soldiers, and even with the help of the state and the United Nations, it was difficult to recover the pre-war economic situation. According to the Ministry of Veterans Affairs of Ukraine, by May 2023, the number of veterans had grown to 770,000. The projected number of people who will need support in the post-war period is estimated at between 3 million and 5 million (10-15 per cent of the total population of Ukraine), which includes persons with disabilities resulting from the war, family members and families of fallen soldiers [14].

3.3. Diversion of Trade

Although relations had long deteriorated since the beginning of the war, Ukraine's trade with Russia and Belarus, two authoritarian states, still accounted for a significant share of the country's trade. As a result, Russia has always played an important role in Ukraine's economic structure. There are many people with strong economic ties to Russia who support the professional and diplomatic orientation of Ukraine to Russia, just as there were supporters of the Russian puppet Yanukovich, because they are themselves the beneficiaries of goodwill and trade with Russia. The main source of fuel supply in Ukraine is dependent on import from Russia and Belarus, such as 42% of gasoline and 63% of diesel. Only 46% demanding on gasoline and 14% of diesel can be satisfied by Ukrainian domestic oil refining plants. About 20% of the consumption of light oil products in Ukraine is LPG which includes 45% supplied by Russia and Belarus [15].

Russian invasion to Ukraine makes it impossible to continue these supplies. Ukraine needs alternative sources of fuel supplies from EU. In many other ways, too, Ukraine has turned more toward both import and export economic activities with the European Union. When examining Ukraine's exports by EU and non-EU countries. While its exports to the EU increased by 30%, non-EU exports decreased by 51%. Ukraine's imports from the EU increased by 1%, while imports from non-EU countries fell by 24%. The promotion of trade and economic exchanges with European democracies has completely surpassed Russia's economic influence in Ukraine. For Ukraine, Russia's invasion was also the most complete farewell to Russia in the country. As trade shifts more to European countries, the power of democracy and its supporters - both the interest groups that have benefited from trade with democracies and the people who have witnessed democratic prosperity and embraced democratic ideas - will see a new phase of rapid growth.

3.4. New Industrial Structure

The war affected all manufacturing sectors, but not equally, because many industries in Ukraine were not evenly distributed. Sectors operating on a large scale and dependent on continuous cycles, as well as those with production concentrated in front line regions, experienced more substantial losses. Conversely, industries with more evenly distributed production across the country and those crucial for reconstruction and war efforts, like apparel, textiles, food, and wood, saw production increases. What's more, some industries have been irreparable. The main coal reserves and industries in Ukraine are located in the Russian-occupied areas, and given how long ago these areas were recovered, the coal industry has been almost destroyed, and Ukraine's steel production has fallen by 60 to 70 percent. The manufacture of tobacco products sector experienced the most significant decline, with a decrease of 53%. Manufacture of machinery and equipment N.E.C. is 38%, manufacture of other non-metallic mineral products is 34%, and basic metals is 29% [16].

Post-war reconstruction will also affect the economic pattern between industries. In February 2024, the Rapid Damage and Needs Assessment (RDNA) estimates that the cost of rebuild and recovery stands at \$486 billion over the next decade. The highest estimated needs are in housing (17%), the is transport (15%), commerce and industry (14%), agriculture (12%), energy (10%), social protection and livelihoods (9%), and explosive hazard management (7%) [17].

As a result, Ukraine's industrial landscape will inevitably be reorganized, with some of the old interest groups disappearing, and their remaining resources and supporters being distributed among the survivors, forming a new pattern of multiple interest groups. If this pattern still maintains the balance between the various groups, democracy need not worry about this, but if it becomes too dependent on one industry, it needs to be wary.

3.5. Conclusion of Empirical View

Based on these realistic reports and data, it can be found that some changes are good and may lead to the improvement of the level of democracy in Ukraine. But there are also the inevitable adverse effects of war that have already taken place, notably the decline of the middle class, which should be considered as Ukraine rebuilds after the war.

4. Conclusions

At the theoretical level, it can be found that the economic situation has an important effect on the level of democracy. This includes economic prosperity, the strength of the middle class, the diversification of industries, and the liberalization of foreign trade. These findings were then linked to the dramatic changes that have taken place economically in Ukraine since the start of the war. It can be seen that macroeconomic depression and the decline of the power of the middle class can have adverse effects on the level of democracy, the shift in trade can have favourable effects, and the change in industrial structure is uncertain. Ukraine needs to realize that the economic situation has changed, continue the positive changes in the level of democracy and try to repair those negative changes, in order to ensure that the level of democracy is maintained and improved in the post-war reconstruction.

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