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THE CLASH OF CAPITALS: UKRAINE AS VICTIM NATIONAL AND GLOBAL PROCESSES

The development and transformation of the world-system [1] is characterized by a clash between capitals, which are manifested in mutually contradictory processes of cooperation and competition at all levels (micro-, macro- and global). These processes on the one hand provides the progress of social development, and on the other are the cause of various kinds of disasters in socio-economic life of peoples and Nations from economic crises to local and global armed conflict. First World War is classic example of large-scale military conflict as result of clashing capitals at global level [2, p. 299-426]. A. Buzgalin notes analogy: "clash in Ukraine is a miniature "farcical" copy of the tragic situation prevailing in Europe before the First World War" [3]. It is not allowing increase wealth of Ukraine [4].

The research of this problem is due to her importance to economic, social and geopolitical sides for Ukraine. This confirms a significant number of scientific publications. However, the simultaneous analysis of the role of capital in this process at the global and national level have not been conducted, which led to the choice of research objectives and its novelty.

The aim of this study is to systematize the basic processes of concentration of national capital in Ukraine, evaluation of its role in the global confrontation of capital and their aggregate impact on the crisis. As a theoretical basis for the research used the theory of evolution, and the methodological approach the ascent from the abstract (the interaction of capitals) to specific (the clash of capital directly in Ukraine and around it).

In this article, capital is defined as "self-expanding value," which "can be understood only as motion, not as a thing that dwells alone" [5, p.121]. Capital is constantly striving to reproduce itself and increasing (expansion) at maximum speed. Description priority essential characteristics of capital successfully fits the statement of the famous capitalist C. Rhodes "expansion is everything" [6, p.52].

The principal difference capital from a self-employed entrepreneur is freedom in decision making. Self-employed entrepreneur can operates on their own on the free market, the public or voluntary sector, and at any time to terminate its activity. Individual capital is integral part of the capitalist world-system. One is fully subordinated to the universal rules and can act only according to them. Therefore, the will of the individual, as a representative of big capital, is significant-

ly limited. Generally accepted indicators of business performance (profitability, market share, etc.) and existing rules (qualification requirements for personnel, environmental standards, etc.) prevail over the logic of managerial decision-making representatives of big capital.

According to evolutionary theory of economic transformations the interaction of aggregate capital (and individual firms) is determined according to the rules (1) the behavior of individual capital, (2) interaction of capitals among themselves, (3) the emergence of new capital, (4) leaving the existing system of aggregate capital (by analogy [7, p.13]).

Among the methods of implementation of these rules, you can select a number of essential characteristics. The behavior of individual capital (rule #1) can be described as intensive and extensive way. Intensive way involves the increase of capital due to a more productive use of factors of production. The extensive way is realized due to the absorption or submission of other capital.

Capitals are always interacting as competitors or as partners. A special case is the one desire of capital to subjugate another, or to resist a hostile mergers and acquisitions. Thus the highest form of cooperation can be considered a mutually agreed merger of capital.

Implementation of rule (2) of the interaction of capitals among themselves depends on their size (scale). If the capital "A" significantly more capital "B" and they will interact, the capital "A" will seek to absorb the capital "B". At the same time the capital "B" would oppose a hostile acquisition. If the capital "A" is commensurate with the size of the capital "B", then the interaction will occur without the submission attempts one capital by another and potential for cooperation will be higher.

The emergence of new capital (rule #3) takes place through the isolation (separation) from existing now capital (through privatization; at least – as a result of activities of competition authorities or voluntary fragmentation of capital by decision of the owners or shareholders). An alternative version of the origin of capital is creating it from scratch through the use of redistributed added value in the form of investment or pure cooperation of living labor.

M&A is the main way of leaving of the certain capital from the existing system of capitals. It should be noted that nationalization is a transition under the control of the state capital. The second way out of the

current system of capitals is the actual (physical) elimination of capital, without further productive use of their material or intellectual components.

Generalization for implementations of the rules is presented in Table 1.

Table 1

The main ways of implementation of the rules of interaction of capitals

<i>Rule</i>	<i>The main ways of implementation of the rules</i>
(1) the behavior of individual capital	- extensive expansion - intensive expansion
(2) interaction of capitals among themselves	- competition (for resources, for markets, etc.) - co-operation within the value chain; advocacy of common interests, etc.) - absorption (M&A) - counteraction to the acquisitions
(3) the emergence of new capital	- the isolation (separation) from existing now capital - creating capital from scratch
(4) leaving the existing system of aggregate capital	- acquisition - liquidation (bankruptcy without further use of the material or intellectual component)

The behavior of individual capital causes the rules of its interaction with other capitals. So intense method of expansion of capital leads to cooperation with other capitals; extensive - to clash with other capitals on the inside or outside of the arena.

According to described logic below is an analysis of the interaction of capitals inside Ukraine (inclusive Donbass) and on the international level.

Clash of the national capitals in Ukraine

The transformation of Ukraine's economy from a socialist to a capitalist model in the beginning of 90-s of the 20th century was accompanied by an attempt civilized concentration of capitals by means of "vouchers". This reform failed. The accumulation of capital began to pass beyond the right field. As a result, the formation and interaction of capital was related to the overall economic situation of the country and the dynamics of its changes (Fig.1)

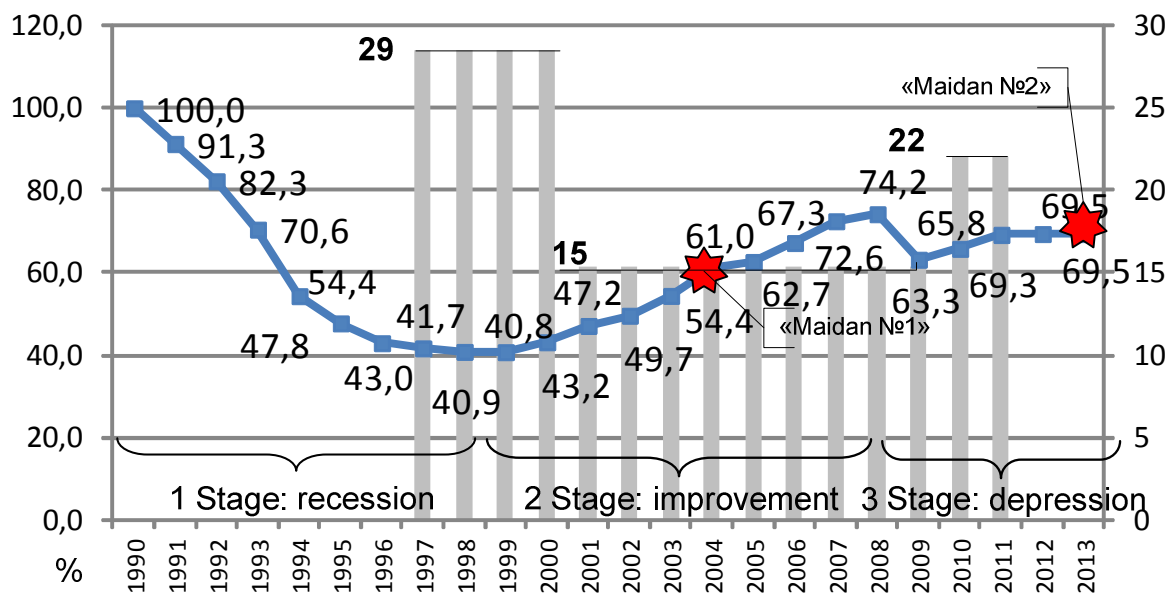


Fig. 1. Dynamics of Ukraine's GDP 1991-2013 in % to 1990 [8] and the average number of ordered assassinations in Ukraine in 1997-2011 [9]

Acute phase uncivilized (criminal) capital acquisitions each other was passed in 1995-1996 [10] for a couple of years to a peak of falling of economy of Ukraine (1998-1999). The transition to conditionally

legal way interaction of capital became one of the factors for future economic growth.

When Ukraine's economy entered the recovery phase (2000-2008), the number of assassinations is

dramatically reduced. Capitals begin to prefer to resolve disputes in the courts and through the growing influence of the Central authorities and local self-government. The most common formula for the increment of capital becomes "Money", "Power" - "the Money plus". Each capital seeks to invest in elections and lobby for the appointment of the necessary officials for the proper conduct of privatization tenders and public procurement.

Therefore, in the framework of natural selection entrenched scheme "investment in strengthening political influence" - "privatization of state-owned asset below market value" - "borrowings, secured previously privatized asset" - "using the main part of the funds in the privatization of a new asset, and the remaining part on the modernization of previously privatized asset". Moreover, privatization is always the first place, because the profitability of capital investment and the rate of increment are higher.

A consequence of this interaction was the formation of financial-industrial groups and the desire of capital to vertical integration to ensure independence from other capitals and reduce the potential for re-privatization through the transfer of non-productive functions of the management company (e.g., accounting, procurement, sales, recruiting, etc.).

According to the results of the power struggle all major Ukrainian capital at each moment of time is divided into "Pro-government" and "opposition". The political cycle of elections synchronized with the aggravation of confrontation between these groups of capital. Thus, only in the context of economic growth was made possible bloodless transfer of power according to the results of the "Maidan #1".

Such a behavioral model of capital in Ukraine led to the fixation technologically outdated structure of the economy that limited the possibilities to ensure its social orientation [11]. This is clearly seen in the comparative analysis of the contribution of different technological paradigms in the structure of Ukraine's economy and major national economies, who are selling their interests in Ukraine (table 2).

Table 2

Waves of technological innovations in the structure of the economy [12, p.26]

Country	The wave of technological innovations, % in the economy of the country			
	III	IV	V	VI
USA	10	20	60-65	5-7
Russia	25-30	55-60	15-20	1,5
China	30-35	40-45	30-35	3
Ukraine	55-60	30-35	5-7	0,1

In Ukraine dominates the third technological wave, the core of which includes the production and rolled of steel, the export of which is the main source

of foreign exchange earnings of the country. And it's basis of the formation of the leading financial-industrial groups.

A typical illustration of the focus on freezing the current structure of the economy can be considered to be developed by consulting company Monitor group (under the auspices of the SCM group) on the threshold of the crisis of 2008 strategy for the development of the Donbass region until 2025 ("The Donbass 2025: strategy for the future"). According to this strategy the main directions of economic development of the Donetsk region must be become metallurgical and agro-industrial clusters, which is fully consistent with the interests of the financial-industrial group SCM and APK-invest, but did not improve the manufacturability of the economy of the region and the country. As noted by the incumbent at that time the head of the Donetsk regional state administration V. Logvinenko "selected key clusters, in fact, a "conservation" the existing structure of the regional economy" [13].

Thus, it can be argued that the Ukrainian capital is not able to respond constructively to the challenges of modernity on ensuring the structural transformations and the fact has exacerbated the crisis, because the outdated structure of the economy has reduced the opportunities for the intensive use of capital and contributed to its aspirations for extensive expansion.

As a result of transformation of economy of Ukraine during the 1st and 2nd stage 1991-2008 there's a certain profile for major Ukrainian capital (table 3), which differs significantly from the profile of a typical large-scale capital into other countries with its focus on the use of the state for internal expansion instead external one.

Table 3

Profile of major Ukrainian capital

Way of implementation of evolutionary rule	The dominant characteristic
(1) Way of expansion capital	Extensive extension
(2) Way of the interaction of capitals	Absorption of other capitals inside the country
(3) Way of emergence of new capital	Separation from existing capital (usually it's separation from state capital)
(4) Way of leaving the existing system of capitals	Hostile takeover

At the end of 2008 the economy of Ukraine enters a phase of recession. As a consequence, the ability of capitals to agree among themselves is decreasing. The voltage between the capital increases. Against this background, President Viktor Yanukovich from 2010 begins to form his own major business, and that led to the main difference between the "Maidan #1 (2004)

and "Maidan #2" (2013). If first Maidan in 2004 pursued as a goal the change of roles between the capital that has the maximum impact on power and capital in the "opposition". Maidan #2 had additional goal in the form of the elimination of immature player. And the "opposition" and "Pro-government" capital resisted the formation of a new oligarchic group i.e. the transformation of power in the money in the personal interests of President Viktor Yanukovich, and not capital, which brought him to power. As a result, "pro-government" capitals as at the end of 2013, took a neutral position relatively events on the Maidan #2", as evidenced by the information policy of controlled them media.

Thus, it can be argued that the hard clash of capitals in Ukraine is a natural event in the framework of an evolutionary theory of economic transformations. However, the extension of the conflict to the scale of military confrontation in Donbass was caused by clash of capitals on global level in the same time.

The role of global capitals in the development of the crisis in Ukraine

Given the minor role of the Ukrainian economy in the world (by PPP GDP of Ukraine is 0.39% of global GDP) the global level largely determines the socio-economic processes in Ukraine.

Currently on the territory of Ukraine are actively implementing their interests, the representatives of the three poles of concentration of capital: the USA, the

EU (primarily capitals' of German and French), Russia. Although the Chinese's capital is not actively lobbying for its interests in Ukraine, however, playing an important role at the global level and so it should be considered. The strength of capital of these countries can be assessed as a share of GDP at purchasing power parity in the global economy. The share of US is 16.45%, China - 15.84%, Germany – 3.45%, Russia – 3.43%. Consequently, the amount of the Ukraine's capital inferior to the amount of capital U.S. in 43 times, China – 41, Germany and Russia – in 9 times. We have the proportion: capital of U.S.: capital of China : capital of Germany : capital of Russia : capital of Ukraine= 43 : 41 : 9 : 9 : 1. Thus, the Ukrainian's capital interacts and is opposed to global capitals, each of which are significantly greater in scope (Fig. 2). Moreover, the importance of trade cooperation between the global capitals is above interaction with the Ukrainian's capital. For instance, the volume of trade of Russia and the Ukraine less than Russia and Germany more than 2 times.

The relationship between capitals should be considered from the perspective of benefits and costs for each of them. This allows characterizing the motivation of the individual capitals. As a measure of influence of one national capital to another one selected ratio of trade (imports plus exports) to GDP PPP international dollars. Thus, the relationship of larger and smaller capital is characterized by a more significant influence of the first on the second, and accordingly, the less significant the influence of the second to the first.

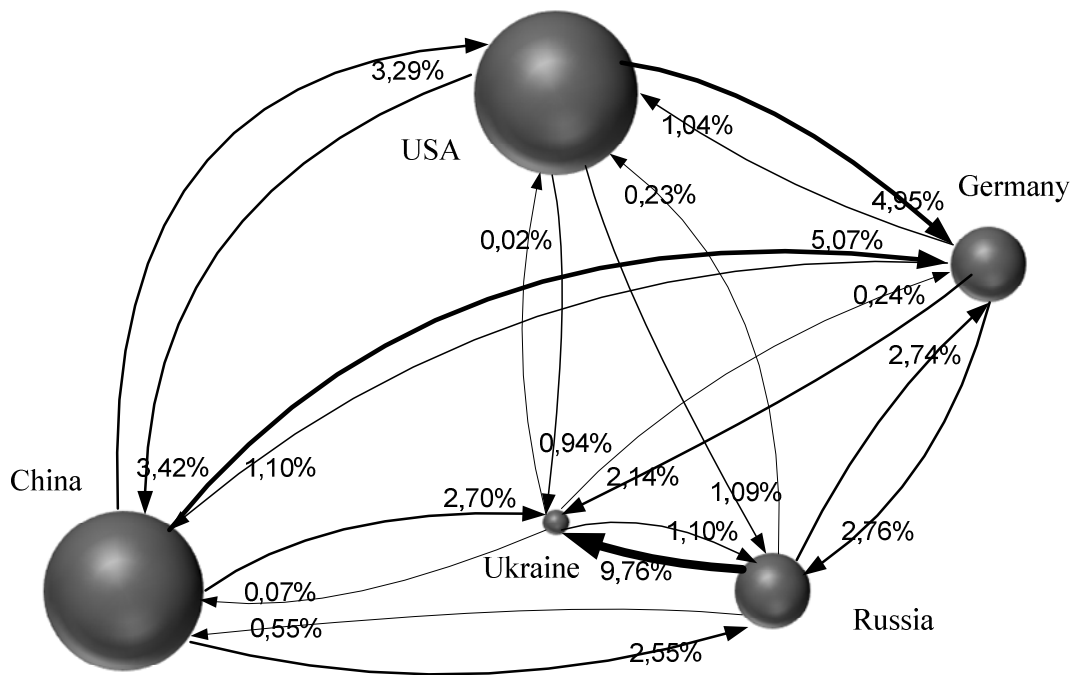


Fig. 2. The mutual influence of capital on a global level¹

¹ Figure compiled by the author as a result of generalization of the following sources of information: [14-17].

Dominant position in the world is the U.S. capital through its management of global financial capital. The main purpose of the capital of the U.S. is at least to maintain the status quo in the world. It's assumes continued use of the US dollar as the main reserve currency and means of international trade settlements and related financial infrastructure, including rating agencies, stock exchanges, insurance institutions, etc. At the same time a it's searching for opportunities to expand the use of capital. Trading relations of US are essential for Germany. Its trade with the United States is about 5% of GDP. The effect on equity of China is more than 3% of GDP, and Russia and Ukraine about 1% of GDP. The capital of the USA is substantially dependent only from China, and to some extent from Germany. At the same time, the trade links capital of the USA with the Russian capital is minimally (0.23% of GDP), and from the Ukrainian capital is negligible (0.02% of GDP). This situation allows USA capital is using sanctions against smaller capitals without painless for yourself.

The realization of these aspirations necessitates: 1) leave in a subordinate position (at least normatively) Chinese, European and Russian capitals; 2) minimization of cooperation between the German (European) and Russian capitals; 3) creating a Transatlantic Free Trade Area (TAFTA) with the EU. Все три пункта взаимно зависимы. Disintegration of German and Russian capitals, which can be implemented at the expense of military-political conflict in Ukraine, increases the probability of creating a transatlantic free trade area and as a consequence strengthening the leading position of capital of the USA in the world.

Foreign trade relations of Germany heavily depend on China and the United States. The importance of trade relations with Russia is twice lower. The role of the Ukrainian's capital is not significant for Germany.

In the framework of the described linkages the German's capital has the following priority interests:

- 1) to limit the growing influence of the USA's capital through braking formation of TAFTA, the creation of which is being postponed;
- 2) to gain profit from cooperation with Chinese and Russian capitals;
- 3) to subjugate the Ukrainian's capital and commodity market.

Russian capital, on the one hand, wants to weaken the control of the financial capital of the USA, continue the cooperation with German and Chinese capital and to deepen it, and subjugate the Ukrainian capital based on existing significant impact on trade (9.76% of Ukraine's GDP).

Russian capital gains from moderate military and political instability in Ukraine, because in this case decreases the probability of the inflow of Western capital into this territory and the risk of a significant reduction in cooperation between Russian and Western capital remains insignificant.

Chinese capital tries to go out from the subordination of the financial capital of the USA and strengthen

its cooperation with the EU, including through the revival of the new Silk Road, part of which is Ukraine. This will allow him to claim a place the U.S. in the global economy.

Thus, global players in varying degrees, have certain interests in Ukraine and defend them to the best of my ability, disregarding the interests of Ukraine itself, which is not have possible to actively oppose them.

Conclusions

In the framework of an evolutionary theory of economic change, the national capitals of the individual countries have an attraction to a certain profile. Profile of the national capital in Ukraine differs from the profile of the national capital in Germany, China, Russia and USA. Ukrainian major business tends to extensive expansion and is considering the state "Ukraine" as a tool for the acquisition of capital within the country. The capitals of Germany, China, Russia and the United States see their national government as a tool to protect their interests at the global level.

Profile of the national capital led to the outdated structure of the economy of Ukraine, which reduced opportunities for economic progress and is caused constant social tension. Minor global scale Ukrainian capital and fragmentation at the national level deprived itself subjectivity in international confrontation of capitals.

Transformation of the "opposition" capital into "pro-government" in 2013-2014 has been the trigger socio-political crisis in Ukraine, which on the background of a global clash of the capitals acquired the scale of armed conflict.

In the coming years, given the profile of the national capital in Ukraine, we can expect further confrontation inside the new "pro-government" capital, and between "pro-government" and "the opposition" capitals. Opportunities for concentration of capital in the framework of the nation state most likely are lost and the Ukrainian capital will be subordinated to European capital or Russian capital, or them simultaneously.

Optimistic for Ukraine can be considered a scenario under which the United national capital will be able to change your profile and become an independent player on the global scale. This involves the simultaneous reduction of dependence on Western capital and strengthening opposition of Russian capital (the return of the property rights abroad; payment of debts to the IMF and the completion of cooperation; the concentration of the national capital within Ukraine; not entering into nor in the Customs Union of the Eurasian Economic Union, nor in the Free Trade Zone with the EU). The possibility of realization of such a scenario is extremely unlikely.

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Вишневський О. С. Зіткнення капіталів: Україна як жертва національних і глобальних процесів

У статті розглянуто формування профілю великого національного капіталу в Україні згідно еволюційної теорії економічних трансформацій. В якості ключової характеристики виявлено його спрямованість на експансію і боротьбу всередині країни, що підриває стійкість держави особливо в період кризи. Також показано, що зіткнення капіталів на глобальному рівні зумовило можливість переростання соціальної нестабільності в збройний конфлікт в Україні у 2013-2014 рр.

Ключові слова: зіткнення капіталів, еволюційна теорія економічних трансформацій, профіль українського капіталу.

Вишневский А. С. Столкновение капиталов: Украина как жертва национальных и глобальных процессов

В статье рассмотрено формирование профиля крупного национального капитала в Украине согласно эволюционной теории экономических трансформаций. В качестве ключевой особенности выявлено его нацеленность на экспансию и борьбу страны, что подрывает устойчивость государства особенно в период кризиса. Также показано, что столкновение капиталов на глобальном уровне обусловило возможность перерастания социальной нестабильности в вооруженный конфликт на Украине в 2013-2014 гг.

Ключевые слова: столкновение капиталов, эволюционная теория экономических трансформаций, профиль украинского капитала.

Vishnevsky O. S. The Clash of Capitals: Ukraine as Victim National and Global Processes

The article considers the formation of a profile of major national capital in Ukraine according to evolutionary theory of economic transformation. The Ukraine capital focuses on expansion and the clash into the country. It's undermining stability of the state especially in times of crisis. It is also shown that the clash of capital at the global level led to the possibility of escalating social unrest into the armed conflict in Ukraine in 2013-2014.

Keywords: clash of capitals, an evolutionary theory of economic transformations the profile of the Ukrainian capital.

Received by the editors: 26.11.2014
and final form 23.12.2014