

Debate transcript: Free market capitalism has failed the former Soviet states

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This is a full transcript of the debate 'Free market capitalism has failed the former Soviet states', a Foundation of Effective Governance event (with IQ² as technical partner) which took place in Kiev on June 15th 2010 and was broadcast on BBC World.

Full video of this debate is [now available](#) for our Premium members.

An accompanying [written debate](#) is also available.

ZEINAB BADAWI

I'm Zeinab Badawi. Welcome to the Ivan Franko National Theatre in Kiev for this Intelligence Squared debate brought to you in association with the Foundation for Effective Governance, which is a non-political organisation set up to improve public policy here in Ukraine. We're debating whether 'Free Market Capitalism has failed the former Soviet States'. Arguing for the motion; David Aaronovitch, British broadcaster and journalist, Irina Khakamada, Russian economist. And arguing against the motion Andriy Shevchenko, a member of the Ukrainian Parliament, and the former first lady of the Ukraine, Katerina Yushenko. That's our panel, welcome to you all. Well without further ado let's hear our panellists make their opening arguments. And first of all, David Aaronovitch, the award-winning, often controversial broadcaster and columnist for The Times of London and a former communist leaning leader of the National students' Union in Britain. David Aaronovitch, your time starts now.

DAVID AARONOVITCH

Good evening everybody. I'm extraordinarily nervous to be here in this magnificent theatre, in front of so many people when I actually know you least well of anybody here and probably know the arguments less well than any of you in the audience. It was very difficult for me to prepare for this discussion so I took the liberty of putting into Google, the words 'Ukrainian' and 'debate' in order to help me prepare for this, which is why I've brought this, I gather that you need this, I gather that this comes useful in the Ukrainian Parliament when you have matters to discuss.

I don't think I'm going to be quite as controversial, I certainly hope Zeinab has a better time than your speaker did that day. The motion is that 'Free Market Capitalism has failed the former Soviet States', of which Ukraine is obviously one. Now, it isn't the argument of those of us who are proposing this motion, that there is some magic other system than capitalism. There is no such thing as a socialist system, you tried it. The only countries that currently operate under what is known as a socialist system today, are North Korea and Cuba and countries like this. I've been to Cuba, I've never been allowed into North Korea and I can assure you, you don't want to be like either of them. But you know that. But, the point about Capitalism is that it is what we might describe as Protean – it has many, many different forms. There isn't only one kind of Capitalism there are dozens of forms of Capitalism. And Capitalism, in its history, has taken dozens of forms, even in the most developed, in fact especially in the most developed Capitalist States. And our argument on this side of the motion, is that the particular forms of Capitalism that were adopted by the former Soviet States were wrong for you and have turned out badly, worse than they could have been had more care been taken and better judgements made. That is our argument. If you agree with that, then you will want to support the motion.

The form of Capitalism that you adopted bore many more relations, let's say, to the Capitalism of the United States in the 1880's when there were incredible monopolies, where there was a defective rule and an interlacing between politics and hugely rich and powerful men – always, almost always men – who not only ran the economy, but therefore ran democratic politics. It was only because of a massive effort at the end of the 19th Century by democratic forces, and by people who sought a new and renewed form of Capitalism, that it was changed.

So, how do we find ourselves here? Let me just give you the perspective of a Londoner. Do you know what the most expensive house in London is? And it's not Buckingham Palace as owned by the Queen. And do you know who bought the world's most expensive home in London? It was a Ukrainian. The world's most expensive home cost eighty million pounds sterling. It was a five storey, detached house in Kensington which is where all the embassies are in Britain. It was a Victorian villa. Once bought, it was refurbished for an estimated ten million pounds. Eighteen months building work happened and they installed an underground swimming pool, a gym, a sauna and a cinema into this house. Developers spent ten million pounds on the pool etcetera. However, neighbours did complain about the amount of work. As one of the news reports said at the time, 'The work is said to have upset neighbours, who include that Mayor of Moscow and his wife'.

This is an odd situation is it not ladies and gentlemen? Whereby you have people in this country who are so wealthy that they buy the most expensive houses in London, not the most expensive houses in Kiev – maybe they already have that - but in London. And that the next door neighbour who gets upset about it is the Mayor of Moscow. Because, as you know, the person who bought this house was Ms Elena Franchuk. We are used to oligarchs in London now. Roman Abramovich has spent seven hundred million pounds, not on the people of Russia or Moscow – he may have done that as well – but on Chelsea football team. A football team he could never have seen as a boy and never have supported. Seven hundred million pounds just on one football team. And I have to say, as a supporter of a rival football team, Tottenham Hotspur, I wish he hadn't done it.

I know that another Andrei Shevchenko played for them, you have a lot of Andrei Shevchenko and it's confusing for us. But that doesn't make it right.

We know that the Pinchuks, the family which is so important here in Ukraine, are also connoisseurs of the arts. Damien Hurst, our own Brit artist, sold to them a piece – very appropriately called 'The Golden Calf', a bull pickled in Formaldehyde and topped with an 18 gold carat disc – which cost ten point three million pounds. I had the immense pleasure of travelling in to Ukraine on your rail system, I can assure you that ten point three million pounds could very usefully be spent on dealing with the border situation as you come in by train from Warsaw. And in many other places as well, beautiful though this capital is. Now did this money, was this money amassed, at the expense largely of the Ukrainian people, by somebody who was an Einstein, in other words who had the business genius that Einstein had for science or that Shakespeare had for literature or that Andrei Shevchenko – the other one – had for football? Or was there some other process at work that created these immensely wealthy, and not just wealthy, but

incredibly powerful families? No, as I understand it, Mr Pinchuk got a lot of his money because he benefited of State sales of assets when Leonid Kuchma was President. And there is something remarkable there is, there is something to me, utterly remarkable about his wife Elena Franchuk describing herself as a philanthropist because she gives some money to AIDS, when so much money has been got by that family from Ukraine. It is a little bit like somebody stealing your wallet and everything in it and then giving you ten dollars back and saying I'm a philanthropist.

But the problem is not individuals, even though the 50% of the economy which is owned by relatively few oligarchs is bad enough. It is also its influence upon the political system. The New York Times 2006, outside the Ukrainian Parliament, "When in session", it says, "the area resembles an open air luxury car exhibition. All the latest four wheel drives from BMW, Mercedes, Porsche and Lexus are parked on the sidewalks and in the street. Their tinted windows are so thick and dark that no one can look inside to see the state of the art GPS navigation consoles. All have drivers, mostly dressed in black leather jackets. When asked who owned the cars the drivers either refused to answer or simply say a parliamentary deputy." This New York Times reporter who'd been here for some time said, "They have used Parliament as a forum to protect their interests, these include campaigning for tax breaks, retaining customs fees to protect their companies against import and ensuring a weak, poorly paid judiciary that has allowed sales of State-owned enterprises at well below market prices." In other words, you as citizens got nothing like the rate that you should have done from the sale of these State assets.

But why? Why did this happen? First was a desire to move to privatisation with incredible speed, reckless speed, speed beyond anything that was actually required. The second was a belief, somehow other, that if you were rich that was a virtue in itself. That just being rich conferred upon you superior status as a human being, you must somehow know more than everybody else and be better than everybody else. This is a lesson that the mature Capitalist countries had to learn the hard way. Capitalism itself is neither pro nor anti the public interest, it does what it does unless it is regulated by a State and by citizens to act in their benefit. A Capitalist does not act on the public benefit merely out of charity but usually because the system is constructed so that there happens. And there has to be the clearest separation between private capital on the one hand, and the public interest and the State on the other, the clearest separation.

This means that your system has to be well regulated and anti-monopoly. And that leads me to my last point. My last point is this: of all the things that words that were important during the beginning of the end of the old Soviet Union, the word that seemed to mean least to people was the word that was most important. Glasnost was the most important word. It was the word that was forgotten. You swapped unaccountable State power for unaccountable market power and for oligarch power. But the key word was Glasnost – you know what they're doing and you demand the right to know, you say what they should do and you have the right to demand a say and to be built into the system. Knowledge should be with the people and when knowledge is with the people and they have the capacity to run it, you will begin to formulate a Capitalist system that is not the so called 'Free Market' Capitalist system with which you have been saddled. I ask you vote for this motion.

ZEINAB BADAWI

Well, David Aaronovitch, thank you very much indeed for your arguments. Our next speaker is Katerina Yushenko, former first lady of Ukraine. She's an American trained economist and chairman of Ukraine 3000 which promotes citizen involvement here in Ukraine. Katerina Yushenko, your time starts now.

KATERINA YUSHENKO

Good evening. I really appreciate this opportunity to argue a case about which I feel very passionately. I moved to Ukraine in 1991 in order to help the country of my ancestors finally build the democracy, freedom, rule of law and prosperous economy about which they had dreamed for centuries. In these almost 20 years I have been thrilled by the positive developments that I have seen in democracy, in national consciousness and in economic development. I was moved by the strength and the will of my people during the Orange Revolution. But I have been disappointed that Ukraine has not been able to reach its full economic and political potential. That it did not enact immediately and decisively those Free Market and legal reforms that would have made it a prosperous and stable nation today. That would have made its citizens feel that they had a greater stake in the prosperity and the future of our nation.

Today I will argue against the proposition that Free Markets and Capitalism failed the former Soviet Union. First, I maintain that in those countries and sectors of the Soviet Bloc where quick and comprehensive market reforms were implemented, results were immediate and impressive. They brought economic growth, better standards of living and greater opportunities for the people. Second, I will argue that the economic failures were not the result of Capitalism, but rather when vested interests, profiting from government transfers and market distortions, obstructed reform and the establishment of the set of rules and laws by which Capitalism functions most effectively thus I will argue against David because I do not feel that what we see here today is true Capitalism, it's not a market.

First let's define what is a Free Market. It's private property protected by rule of law. It's private production based on a profit incentive and free competition. It's Free Market pricing mechanisms where prices are determined by supply and demand, that is by the consumer and the producer and not the State. Those countries which quickly and comprehensively moved toward these goals – the Baltic countries, Poland, the Czech Republic – were most successful and now are democracies with efficient market economies, private ownership, relatively high growth, high standards of living and minimal corruption.

Those countries that took a gradualist approach ended up with higher rates of inflation, greater and longer decline in output, more income disparity, more corruption and less democracy. Ukraine, unfortunately, was one of the last to adopt serious market reform. Those reforms that Ukraine did adopt, however, yielded quite impressive results. For example, in '93 when Ukraine Central Bank adopted a strong monetary policy to bring down an inflation rate that had skyrocketed to more than 10,000%, inflation fell to 10% by '97 and the National Bank was able to introduce a new stable currency, the Hryvnia. In '94 Ukraine liberalised some trade and prices and conducted mass privatisation, though this re-reform was brief and it was piecemeal, it led to a reduced budget deficit and the share of Ukraine's GDP coming from the private sector rose from 15% in '93 to 55% in '97.

But Ukraine's economy really turned the curve in 2000, when a new government, headed by Prime Minister Yushenko, initiated an intense 100 day reform program that balanced the budget, eliminated subsidies, tax loopholes and barter, privatised land, de-regulated small and medium sized businesses and streamlined the bureaucracy. These radical reforms led to Ukraine's first period of growth, 6% in the first year and a high and steady economic growth of seven and a half per cent a year until the worldwide economic downturn of 2008.

Of course, interest fought against it and each time these different reforms were accepted strong interest removed the people the market reformers that were trying to make these changes. President Yushenko initiated a major market reform in 2005 and, despite an opposition Parliament and a highly charged populous environment, Ukraine doubled its GDP, average monthly wages, budget revenues and exports. It quadrupled foreign investment, which grew from eight point four to thirty six and a half billion dollars. Ukraine got WTO membership and it was recognised as a Free Market Economy by the EU and the US.

But, and this is my second argument, communists, old enterprise managers, bureaucrats and the newly rich banded together and fought Free Market and democratic reform. They assured the population that they did not need Capitalism, that Ukraine needed its own, so-called, 'Third way'. As they said, quote, "A State regulated transition to a Social Market Economy." And they created market distortions, they created subsidised credits, trade quotas, licences, price controls etcetera. And they put in laws to entrench themselves. And they established huge and populist Social programs, where the benefits go mostly to the wealthy and the privileged. And a large bureaucracy, miring the economy in red tape and corruption. For example, in the mid-nineties, the

average manager spent of third of his or her time dealing with government regulators. For every tax-paying enterprise in the country there were seven tax inspectors. They delayed privatisation of land, and they still outlaw land sales. Instead of allowing millions of Ukrainian farmers to utilise their land as active capital members of Parliament cynically lease it for 49 years and they exploit it cheaply. They conduct corrupt insider sales of State enterprises, so instead of serving as an honest broker, a referee, who establishes and oversees clear and transparent privatisation procedures, that is, creating a level playing field, politicians sold these government enterprises to themselves and to their friends at pennies on the dollar. It's like a football game where the referee keeps running in, kicking the ball and then announcing the score at the end. The problem was not Free Markets and Capitalism, but the post-Soviet politicians and the distortions, uncertainties and populism that they created.

There's three brief points I'd also like to add. First, in '91, and today, there was, and there is, no alternative to adopting Free Markets, which have been proven worldwide to provide the greatest economic growth and highest standards of living. Authoritarianism breeds corruption and corruption breeds Authoritarianism. Economic freedom is a pre-requisite of political freedom.

Second, I find the claim that the people of the former Soviet Union are not ready for Free Market reforms and democracy to be a condescending one. Our citizens, young and old, long for freedom and economic prosperity. They're entrepreneurial and talented, and when they've been given a chance, either at home or abroad, they have been quite successful.

Finally, it is incorrect to lump the entire former Soviet Empire into a single category. The Soviet Bloc was made up of many different nations, with various mentalities, cultures and histories. They made very different economic and political decisions, and thus, had very different results. Thus you have high-income, liberal Estonia, with very little corruption and you have central Asian States that are harsh dictatorships with no market economy and practically no economic growth.

And I'd like to end with a quote from George Mason University Professor Peter Boettke "If you bound the arms and legs of gold medal swimmer Michael Phelps, weighed him down with chains, threw him in a pool and he sank, you wouldn't call it a failure of swimming. So when Markets have been weighted down by inept and excessive regulation why call this a failure of Capitalism?" Thank you.

ZEINAB BADAWI

Katerina Yushenko, thank you very much indeed. So, now arguing for the motion that 'Free Market Capitalism has failed the former Soviet States', we have Irina Khakamada. And she is a trained economist who ran in the Russian Presidential election, twice been elected to the Russian Parliament. And a leading critic of the Russian Prime Minister Vladimir Putin. So Irina Khakamada, this means your time starts now.

IRINA KHAKAMADA

Thank you very much Zeinab, it is great honour to have some words here, in the, with the, we're discussing this problem with a very great audience. I have been in high politics for many years and I have been trying to be the liberal society in Russia for 13 years, I've now decided to quit it, that's why now I'm trying to be absolutely objective that's why I want to make some points about this topic.

There are two very popular points in Russia in public opinion. The first one; people are not ready for democracy and to build real Free Market Capitalism. The opinion number two; Capitalism is not fair, society is not fair system that is why we have to build something absolutely progressive, very fair, something absolutely new.

My position is a little bit different. I don't agree with the statement about the negative nature of Capitalism. I believe that Capitalism is neither good nor bad. It has fundamental points like, Free Market, private property and competition first of all economic. But, besides all that Capitalism has been transforming for a hundred years and it's transforming now just after the recent crisis. But the only one thing I can say that it is most competitive system which can report modern challenges considering peculiarities of different countries. Disappointment of post-Soviet societies is not global Capitalism problem. I used to analyse inside problems without putting the responsibility on the Western countries.

I guess that the main reason why Capitalism has failed neither elite nor people's expectation in former Soviet States is that the expectations were overrated. Liberalists suppose that the that the development of Capitalism could rapidly build ignorant people economic interest. Having come out of the age of equality and poverty and un-freedom people decided that Capitalism was freedom plus equal rights and wealth. People weren't ready psychologically to come under the disparity and absence of State paternalism. We can't blame we can't blame them for it. There was not any tradition to take the responsibility, personal responsibility for their life. Only elite, after being elected should take this kind of responsibility. That is main point of the representative democracy. What do we have now?

Post-Soviet, elite irresponsibly built bureaucratic Capitalism with enormous corruption level. As a result of that people start associating Capitalism with negative notion. So what is the reason why a lead was found so irresponsible? The reason is that the poor came to power, they don't care about political culture and State's interest. For them power means money first of all. Just all money, can't think, can't think about national interests and State's future, not about their stomach. That is why Azerbaijan's and Kazakhstan's State Capitalism looks more balanced in this case, bureaucracy more integrated into money. As a result there are less disappointments and the level of stability is higher. I am not talking about people-all people in power. Some of them can be absolutely brilliant and honest but they need a lot of executives. Power is a system which requires the huge amount of people in the armies, security services, federal and regional governments, in courts, mass media and this system was overwhelmed with thirst of profit.

A change of generations in authority and elite is necessary. Satisfied children and grandchildren of rich should replace the nouveau-rich, but for now we should keep the balance somehow and implement the elements of responsibility and political elite step by step. Also we should keep fundamental values of Free Market Capitalism and democracy. That is question our responsibility, maybe, maybe it doesn't sound so great, maybe it doesn't sound so tough or charismatic because, in this case, we need a very big passion. But, in our history we dreamt we had so many dreams and so many attempts to build the Sun City and this pro-this idea finished by the road to the hell. Thank you very much.

ZEINAB BADAWI

Irina Khakamada, thank you very much indeed. And our final speaker on the panel is Andriy Shevchenko, the former journalist and broadcaster, now a member of the Ukrainian Parliament and he is a supporter of the Bloc of the former Prime Minister here Yulia Tymoshenko. Andriy Shevchenko, your time starts now.

ANDRIY SHEVCHENKO

Well my fellow panellists almost convinced me that we shouldn't have started reforms 20 years ago. Well I think that in order to get the big picture we should think about the dynamics. And let's qualify the subject of the discussion. We're talking about the 15 post-Soviet nations which have been going through a major transition from the planned economy to, to a Free Market Economy. And I would like to talk about yesterday, today and tomorrow.

Let's start with the past. In 1990 I was 14 years old and I was a schoolboy in a school in a school one block away from this wonderful theatre and I remember the life at that time quite well. If we went to a grocery, we would probably see empty shelves and

long lines in order to get literally everything – food, drinks, soap, shampoo, toothpaste, all of that was hard to get. And even if you had money sometimes it would not solve the problem. If you had a house outside of Kiev and your walls were 1.5 brick w- bricks wide instead of 1 brick, you would get suspicious looks from your neighbours. Some families were forced to go through a fake divorce in order to get another apartment for their grown up child because the rules of the game were that a family could not own two apartments at the same time.

I would say that, at that time, there was no other choice but to change from that system of the Soviet Planned Economy to the Free Market Economy. We're talking not about a political collapse and an institutional collapse of the Soviet Union, I'm quite sure that the next stage would be the physical collapse of the system. And probably this major change from the Planned Economy to Free Market Economy saved this and the Soviet Union from becoming another North Korea, where the physical survival of a person sometime-sometimes is at stake.

Let's keep the conversation about this ill Soviet Planned Economy, which heavily depended on the oil prices, which over exploited the initial resources. I'm just stating that that system was morally wrong, it was ill and I'm quite sure it was very alien to the very human nature. There was no choice for that system but to change.

Moreover, in every field where the State took its hands away we saw major progress. More jobs, more money. Retail, tourism, housing, construction, you name it. There's a long list of fields where the State has taken its hands away.

Now speaking of today. I would like to talk about the people and I would like to say that, at this moment, we can see the people with a quite different mindset comparing to the people that we used to see twenty years ago. Free competition, the spirit of entrepreneurship, individual rights and freedoms. Those are the core values of the people in the audience, of the people who are walking down the streets of Kiev and I would say of Moscow too. It's a very different nation which has gone through major transformation. You know what the definition of transformation is? It's an irreversible change. That is it. You can see it in our country and in many countries around. I have the recent poll data from the Razumkov centre of Ukraine. The people had a chance to choose one of the two statements. Statement number one 'There should be no rich and poor, people should be equal in terms of their prosperity', 26% of support. Statement number two, 'People should be equal in terms of rights but their prosperity should depend on what skills they have and how hard they work', 71% of support.

Do you remember what Socialism was about? There should be no rich, no poor and the State will take care of that. So these people think different now. And er, and if you - if you think of the way they make decisions you will see the people who rely on themselves, who demand much more from the State, from the government, who are capable of standing for their rights and for their freedoms – exactly like we saw in the year of 2004 during the Orange Revolution which, at that time, took place just a couple of blocks away from this wonderful hall.

That is probably the best, the most wonderful result of this dramatic transformation that this nation has been coming through.

Now finally, speaking about the future. Let's think which way we are going. I am quite sure that, in the years to come we'll see more privatisation in this country. I hope we'll see a much better environment for business, for individual initiative. And I hope we'll see much more good results to come. Just like we have already seen in many post-Soviet countries.

Let's think about the Baltic States, who now have a chance to enjoy all the benefits of the EU membership. Or, let's think about the Georgians, who for many years had no light, had no heat, had no national gas and now most of them have it. And it happened in just a couple of years for one simple reason, because there was a government which was really committed to major liberal Free Market reforms in their country.

So, of course, of course in our region there are some countries which have done this position better or worse and it's really hard to compare the life in, let's say, Tallin and Minsk or even in Almaty and Bishkek. At the same time, knowing all the difficulties we have seen in Ukraine or in Russia let's not make all those things- let's not all those things make us blind on wonderful success stories throughout the region and also in our countries.

And, I have been thinking about Ernesto Che Guevara, who would be probably in another debate sitting on your side, David and Irina. Once, he said, "If I lose, it will not mean that the revolution was wrong." So, I would say the following. Of course, in many countries of our region the Free Market Economy, or Capitalism, has not brought all the good things we have expected of that. But, we know that Free Market Economy and Capitalism inspired our nations throughout the region, we know that it has brought many wonderful benefits to the people, and those things were unthinkable during the Soviet times, under the Soviet Socialist Planned Economy. And I'm quite sure, I absolutely believe that more good things and more good benefits are to come. Thank you.

ZEINAB BADAWI

Andriy Shevchenko, thank you very much. Well there you have it, the opening arguments from our four panel members and they've all put their arguments very enthusiastically and strenuously. Now, what I should say is that as our audience were coming in today, before the debate, they were actually asked to vote on where they stand on the motion 'Free Market Capitalism has failed the former Soviet States'. And I'm going to tell you now how our audience here in Kiev have voted.

So, for the motion, 40% were for the motion, 42% against the motion and the rest undecided, the don't knows were 18%. So panel, there's all to play for on this, this is a very, very close match here. So you're going to have to get your thinking caps on, and I'm going to ask the audience here to test your arguments to see if you can convince them either way.

WOMAN 1 IN AUDIENCE

Thank you very much to all of the panellists for their wonderful arguments. My question is for the against section of the panellists. On the one hand, the Ukraine has one of the lowest GDPs per capita in the world, on the other hand, by various public sources, we understand that there are more than ten multi-billionaires in Ukraine in Europe. And many of these individuals are directly involved in the government and our chief, chief spy is one of the most vivid examples of that. My question is, in that regard, understanding that the State budget revenues in 2010 would be less than 30 billion Euro, is it true that Ukraine has become a classical oligarchy and if that is so, how does it serve the interests of the people? Thank you very much.

MAN 1 IN AUDIENCE

I am a Professor of Management, founder of the International Institute of Management, consultant to some big multi-nationals, advisor to some countries. I think that both sides are right in some way, yet my question is, do you not think that if it was, let's say, the Swedish version of Capitalism that would have been introduced, there would not have been as much disappointment and possibly brought more success and by that I mean even during the 40 years in government by Socialists they accept that Capitalism in this form, yes of course private property is the best generator of wealth. Free Market is the best allocator of resources to the most effective use of resources for production of wealth. But Free Market has no social conscience, which means in order to ascertain some social justice that's the role of the government in order to actually assure that there's some distributed justice. And yet another point, that of course it's all right to have rich people what is not all right is to have poor people but you have to have both and this is the question...

MAN 2 IN AUDIENCE

Good evening, I'm advisor to the Minister of economy of Ukraine and my question is to Irina Khakamada. As you said, there is a

form of Capitalism called State Capitalism. Well, with the so called Socialist Market Economy like in China or maybe-maybe in Russia also and this system of State Capitalism, where the government officially support and promote the interest of national corporations, or even own them using nationalisation, could be applied for post-Soviet countries in order to economic increase? Thank you.

ZEINAB BADAWI

Thank you. The last two questions were, in a way, linked. It's not just Capitalism. I'll go to this side first. It's not just Capitalism, it's the model of Capitalism and, one question there that the Swedish model might have been better than that rampant, extreme form adopted in the former Soviet Union. And also, I'll come to you on the question of State Capitalism. But, maybe a better model could've been adopted.

KATERINA YUSHENKO

First of all, the first question where, the lady said the Ukraine is one of the poorest countries. In fact, Ukraine is a middle-income country. And the problems that we face today, in terms of politics, in terms of instability, in terms of the judiciary, in terms of being not very fair, in terms of the press not always being fair – it's very, very much characteristic of a middle income country. Too often we compare ourselves to a high income country and so I think that we should understand that it takes time. Where it took the United States a hundred years, for example, and it may have taken Poland ten years and it took Hungary ten months and it took Czechoslovak twenty four days. But...

ZEINAB BADAWI

But her question, her question was is Ukraine close to becoming an oligarchy? What's your answer to that?

KATERINA YUSHENKO

If it does not put in a rule of law system that allows people to take part, to use their capital then it will become one- it will stay one. But we need to bring in Free Market reforms. Regarding the Swedish...

ZEINAB BADAWI

So it could be one, it could be one?

KATERINA YUSHENKO

If the people themselves do not change the system. Just very quickly on Sweden. You know it's, it's easier to distribute wealth when you've already generated it. I want to say that unless we have a Free Market system that generates wealth, we will not have any wealth to distribute, such as the Scandinavian countries have.

ZEINAB BADAWI

Okay. I'll just ask you then, Andriy Shevchenko. On this first question that we had, is Ukraine close to becoming an oligarchy? We all know about the Russian oligarchs and all their activities and the pursuit of luxury abroad and so on that David Aaronovitch talked about. Is Ukraine the same?

ANDRIY SHEVCHENKO

I hope we're not. And I think Free Market, the way we want it to be, is the best cure against that. And, speaking of these like different models of Capitalism. For the benefit of our debate, let's clarify this choice, we're choosing between Planned Economy and Free Market Economy and I would like to play 'old-style' in that sense. There's a very clear distinction between the two things. When you're talking about Planned Economy it means State ownership and means the State is deciding who is benefitting out of that. And if we're talking about Free Market Economy it means private ownership and means, it also means private entrepreneurship. And, of course, in every- in every Capitalist country, there is no 100% Capitalist country in the world. In all of those countries the State imposes some regulations and some limits on those or o-other fields of the economy. But that distinction is very clear. Planned Economy with State ownership and private and Free Market Economy Capitalism with private ownership and so on.

ZEINAB BADAWI

David Aaronovitch, Andriy Shevchenko's made it quite clear. I mean, are you arguing for a return to the good old days of how things were done in the Soviet Union.

DAVID AARONOVITCH

I must admit, when I was listening to Andriy Shevchenko's absolutely excellent address, I thought I was listening to a future Prime Minister of Ukraine.

ZEINAB BADAWI

Well there you are. You're supposed to be on the other side David Aaronovitch, not on his side!

DAVID AARONOVITCH

I am on the other side because I thought his position was presentationally brilliant, but I also thought it was brilliant for another reason which is, his argument took absolutely no account of our argument. It was hermetically sealed. He seemed to argue as if we thought Cuba was the kind of model Ukraine should follow - we don't! And as for, as for Che Guevara sitting on this side, Che Guevara must have been hoping for the, exactly the implosion of Capitalism that the oligarchy that you are so quiet about Andriy, you are very quiet about this.

ZEINAB BADAWI

They've just admitted though, to be fair they're on the verge of that.

DAVID AARONOVITCH

I think one side of the panel does, if you notice the distinction...

ANDRIY SHEVCHENKO

There are not many things to add about the oligarchs after what you said about it!

DAVID AARONOVITCH

No, no, no but listen. Notice the distinction, note the distinction between the opposition side is between one that says, yes the current system has failed Ukraine, but it's not Market Capitalism, and the other side of that argument that seems to be saying, whatever you call it, the Market Capitalism in Ukraine has not failed, this is your position. So you actually have very, very different views between you, and you can decide to support, I think, one half of that view by voting for the motion, I think. It would it would, it would, it would help you to do it.

We are not arguing for State Socialism. What we are arguing for is the fact that, actually let's put it this way; Glasnost, and the attitudes towards Glasnost and democracy and absolute accountability and transparency have to come first. It's not the other way round. It is not change the economy first, then the system.

ZEINAB BADAWI

David and Irina, the questions from the floor, the questions from the floor were, quite specifically, you rubbished all of Capitalism

and what they're saying is there are some models of Capitalism, call it State Capitalism, call it the Swedish model that actually have some merit. And you seem to be lumping them all in the same dustbin.

IRINA KHAKAMADA

Swedish Capitalism is a very good thing and a very great dream. Yes.

ZEINAB BADAWI

For who? They've got it.

IRINA KHAKAMADA

For all post-Soviet countries, because it's so good to combine Socialism and Capitalism, but, I think no chance in the future and now. Because to build Swedish Capitalism, Social Capitalism is a very difficult thing. In this case, we have to pass from very unfair Free Market Capitalism. Because in China we have a just very good effective model of State Capitalism, because State. At the same time having a very high level of corruption, at the same time simulate very fussy, and very straight medium, small and medium size enterprises in south and the north.

ZEINAB BADAWI

But aren't they doing that now in Russia with the re-nationalisation of the State corporations?

IRINA KHAKAMADA

Under Mr Putin's Presidency and Mr Medvedev will have the same game. Big corruption and big, big enterprises. Similar State, similar private sometime they want to give it, sometime they want to take it, but the result is the same.

ZEINAB BADAWI

Okay, so they don't have State Capitalism?

IRINA KHAKAMADA

Nothing about small and medium business, nothing about Free Market and real competition.

ZEINAB BADAWI

Okay. Has that answered your questions? Yeah, okay, let's take some more questions from the floor.

MAN 3 IN AUDIENCE

My name is Alexander, I'm a commercial director of a Ukrainian company which produces high tech products. My first question is to Katerina and Andriy. I travelled a lot on business to former USSR countries and saw the life level in different countries. So, why, in former USSR is the most successful countries with high life level are non-democratic or Capitalistic countries as Belarus or Kazakhstan? And democratic and Capitalistic Georgia with very progressive President and Government lives very poor? I saw it with my own eyes.

MAN 4 IN AUDIENCE

Hello, my name is Alexander and I'm also a business development executive in a high tech start-up. And I have a question about the definition of Capitalism. I've seen both sides who are trying to define the Capitalism and basically this definition went through the definition of Free Market and so on. Myself, as a small comment, I see the Capitalism as a definition of many things related with government regulations, the culture and the history of the country itself. We can see worldwide the Capitalism of United States, of European Union, of Japan, of China and some, many other countries. Do you think maybe, when we can speak about the definition of the Capitalism of Ukraine, then maybe we can define that Ukraine is a Free Market and it is mature for the definition of Capitalism at all. Thank you.

ZEINAB BADAWI

Not sure we understood that question. So what's your question exactly? Can Ukraine have its own Ukrainian Capitalism?

MAN 4 IN AUDIENCE

Yeah, the question is can we – yeah, if we, if we cannot say that Ukraine is defined as Ukrainian Capitalism, or there is definition of Ukrainian Capitalism, then we cannot define the Capitalism that happened in Ukraine at all.

MAN 5 IN AUDIENCE

Good evening, I want to ask a short question. Part of this audience consists of students that's why my question is what kind of relationship must be between Capital and education? You know, it's very important to all experts this question. Thank you (20:10:13).

WOMAN 2 IN AUDIENCE

Oh, thank you very much for 'young lady', actually I'm a lawyer with 25 years of practice. My name is Olga, two of my questions are mainly to Mrs Yushenko and to Andriy Shevchenko. Starting with Andriy. You were saying that you were so hilariously happy about people answering that they believe that there not be everyone equal but for skills and talents you should get equally remuneration. Do you really believe that in our country currently the system, economic and political system, gives equal opportunities? As a component of a Free Market. And another thing. One of the speakers, it seems to me it was Katerina Yushenko, mentioned that one of the components of Capitalism is a rule of law. As a lawyer, I'm asking you, do you believe that there is a rule of law in this country? Do you believe in equal opportunities in defining pre-property interests in courts? Don't you know about the vicious circle of corruption starting from school and then up to very top politicians? Really briefly. I don't agree that this is right, that poor took power and that's why it failed. It's because it was stolen party money which formed the basic initial capital. And the mentality didn't change since then and the same people are running the show. And that's one of the core reasons why it failed.

ZEINAB BADAWI

Okay. Let me just let me paraphrase your question, we'll start with this last speaker first. Talking about the failure of political leadership, in delivering a fairer system where you have benefits for all of society, better education for students and so on. Since they were addressed to you, Katerina Yushenko, please address those points.

KATERINA YUSHENKO

Well, first I, first of all, on the last question. When we talked about the rule of law, if you listened to me carefully I said we absolutely do not yet have a rule of law. And the reason is because we did not adopt those measures very quickly, by adopting a gradual form of Capitalism we let people, what is called an economics 'rent seekers', people who are trying to take advantage of the system, trying to use money transfers to take the system. If we had gone as quickly as the Czech Republic, as the Baltic countries had, as Poland those people would have not been able to capture that system and prevent us from having that rule of law. So my answer to you is, yes, we do not yet have a rule of - the rule of law that we should have. But it's not because Capitalism is wrong, it is because we did not adopt those reforms. We adopted something much different.

ZEINAB BADAWI

Okay. So you have inadequate systems for regulation and so on.

Andriy Shevchenko though, there was a specific question to you. Which is essentially, Free Market Capitalism has delivered inequalities in societies in the countries that have adopted it.

ANDRIY SHEVCHENKO

Not just about Ukraine. Let's talk about the whole region. And I have the data from the 'doing business index' by the World Bank. And it says 'Estonia, the Post-Soviet country of Estonia, for many years has been staying in the top twenty around the world'. It's doing business index. Unbelievably, but Georgia rocketed from number 112 in 2006 up to number 18 in 2008. Azerbaijan 97 in 2008 and 38 in 2009. That shows that it works when the government stays committed to reforms. It's something that this country has not seen yet, but I'm quite sure it's going to see it sooner or later.

ZEINAB BADAWI

You didn't give the figure for Ukraine. 142 out of 183 in that World Bank study about countries to do business. So Ukraine does pretty badly.

ANDRIY SHEVCHENKO

Well, in some positions, but you can also talk about some other positions.

ZEINAB BADAWI

Come back to you David Aaronovitch. The point that Katerina Yushenko made which is yes, you didn't have adequate systems for regulation to ensure that Free Market Capitalism when it was brought in was going to be robust. You didn't have the systems of checks, balances, collecting taxes, that kind of thing.

DAVID AARONOVITCH

I like a lot of the audience, I was immensely impressed by what the lady down here said, the lawyer of 25 years standing. And, the clarity with which she said it. I thought, and incidentally as a backdrop to the fact that we are having this debate at all, I thought it was immensely encouraging that she said it and that you applauded to it, and applaud it, and even those of you maybe who disagree with it took it on board because this is actually where we have to go with this. I was listening, when the gentleman at the back was talking about Belarus and Georgia, without knowing the figures I thought to myself a very simple thing. Where would I rather live? Belarus or Georgia? Give me Georgia any day? Give me Georgia.

Give me Georgia because journalists can work freely in Georgia and ultimately and eventually my belief is that as a result of that, partly as a result of it, things will turn out better for the Georgians than they will for people in Belarus. And they will do because those in power and exercising power will be scrutinised, and those people who are voting and so on will see themselves in some sense sharing in power. Now this isn't what we call in English a Pollyanna view. A kind of view of somebody who believes that the sky is always blue, and the trees are always green, and the little lambs spring in the field and so on. This is I think a progression which we see, without those degrees of freedom and involvement it is incredibly difficult to build a society which is one of the reasons why I agree, with actually with most of what everybody has said about the need to continue change. But the bedrock of...

ZEINAB BADAWI

But the key question though David, the key question is, you're criticising Free Market Capitalism and this side are saying it's not the system that's wrong it's the fact it's not been properly managed because you lack the institutions, the structures in order to deliver it effectively.

DAVID AARONOVITCH

No no no, it's absolutely fabulous isn't it how people want to separate these two off and say oh well that's not Capitalism this system without all the kind of laws. The best form of Capitalism has it. I've already said, and we've been, and Irina's said as well, Capitalism is morally neutral. It's what you surround it with which is important. You have taken the decision collectively to go helter skelter for a particular form of economic system which hasn't worked for you. Why has it not worked? Not just because it's not Capitalistic enough, not just that, but because it didn't embed the moral social and political values, and freedom and free values which you need to carry on in order to make sure Capitalism works.

ZEINAB BADAWI

Do you....Yeah OK.

DAVID AARONOVITCH

We know Russia's wealthiest 50 oligarchs account for 35% of the country's GDP...

ZEINAB BADAWI

We've had the oligarchs, we've had the oligarchs.

DAVID AARONOVITCH

...You know compared with 85% in Ukraine. That's because nobody's said don't do it! Stop. Sometimes it warrants it.

ZEINAB BADAWI

Just let... a brief response from this side to what David Aaronovitch has just said there.

KATERINA YUSHENKO

Well first of all, I found it very strange that the person would talk about Belarus and Kazakhstan because in fact those two countries are among the slowest growing and among the less politically free and, I think if you have to compare us to someone, it would be better to compare us to the Baltic countries or to some of our neighbours.

ZEINAB BADAWI

But the point that David was making about the Ukrainian, or rather one of our questions about culture and values and having something that's peculiarly Ukrainian which is what you want. That kind of special Ukrainian Capitalism. You don't have that.

KATERINA YUSHENKO

The problem is that we've been trying to have a third way. A Ukrainian way and that is why it has not worked. There really is only one way to build a market system and it's quickly to get rid of the distortions in the market system which we have never done. The longer. It's as they say when you try to jump over a cliff a few steps at a time rather than one time, and when you do it that way you will ensure higher inflation, lower growth, and most importantly corruption.

ZEINAB BADAWI

All right. Quick point from you Irina and then I'll come back to the audience.

IRINA KHAKAMADA

I think it is very important that to start to build here Free Market Capitalism without oligarchy capital. That is main point. If you can do it absolutely independently maybe based on the small and medium business, you will have a very short road to the real national model of Capitalism. If you just in the start-up involve big capitals unified with political power, the road will be very long with so many difficulties.

ZEINAB BADAWI

Okay, very briefly and then the audience.

ANDRIY SHEVCHENKO

For Ukraine, Capitalism is a very natural choice, I'm absolutely sure about that, it's something that the Communists have been trying to wipe out of this land, did not work. And I think it was one of the key reasons why this country eventually became independent. This is the land of private initiative, individual rights and it's land of Free Market Economy. It's the natural choice for this land.

ZEINAB BADAWI

Still making your arguments. Okay, let's go to the audience. The lady at the back, and if you give the microphones to here and there. But we'll start with you. Yes, your question.

WOMAN 3 IN AUDIENCE

Dear speakers, thank you for coming to Ukraine. I'm a student from the Kiev National Economics University and I have a question to Mr David Aaronovitch because you are a representative of the very successful country, big country Great Britain. And I have such question. We know what we have the some experience with shock therapy in Ukraine, 90 years and we know why it has failed, because in other Eastern European countries it worked. Because it was the institutional problem. And so my question is that, how we the post-Soviet Union nations can change our chiefs heads of our countries, our institutional problem. This is, I think, the main thing because all other agreements for Free Market Economy it's good when it's real Free Market Economy and the main problem is that. Thank you.

MAN 6 IN AUDIENCE

I'm a journalist and I have some comment maybe on because main difference main difference between the Market Capitalism in Europe and our country is that we do know about properties of our oligarchs when they buy something in London, David said I remember. And the main difference is transparency and maybe responsibility for the promises of the politicians and we have had, we have heard different promises to build fairer society, to build democracy 5 years ago during the Orange Revolution and maybe all of these promises were broken and nobody is responsible for this. Maybe Andriy, you remember what you have said about 'doing business index' and what positions we have in this index five years ago and now? And what position we have in transparency and national corruption level five years ago and what position we have now.

MAN 7 IN AUDIENCE

Good evening. Good evening speakers, good evening guests. I have a question to Andriy and to David. I'm talking about flexibility. Successful system is flexible system. When we're talking about Soviet system, Planned Economic, modern Russian system it's not flexible system. That's why this system crashed or died. And what can you tell about this flexibility. Is it true that Capitalism's a flexible system? And one very short brief question Andriy, what about all Ukrainian growing of all Ukrainian culture, of mutual respect and trust? I think it's a really great problem of Ukraine, we don't, we don't respect and we don't trust in Ukraine, in the power of Ukraine. Thank you.

WOMAN 4 IN AUDIENCE

Good evening Zeinab, welcome to Ukraine. I am representer of young generation of Ukraine. I graduated from school with the award hope and the proud of Ukraine and I decided to continue my studying in Shevshenko University on department of journalism. But, on the test, I saw two girls who were painting their nails and I was decided my test, in fact, the empty test list, were correct, and my full answer wasn't the correct and I didn't become a student. So, my question to Mr Andriy, can our Ukrainian Capitalism guarantee to us to work of mass media to have a clear and free career on television, radio, newspapers and so on?

ZEINAB BADAWI

Was that a question or a job application? Okay.

WOMAN 4 IN AUDIENCE

Thank you very much.

MAN 8 IN AUDIENCE

I am, Alexander, from the Ministry of Original Development and Building. I have a question for Mrs Yushenko, people here who don't have the interest and are not involved in public policy, say that Capitalism has failed, but people who are some way connected with government says that all is ok and it is strong improvement of the failure.

MAN 9 IN AUDIENCE

Yes, Miss Badawierm, when I watch the BBC I often wonder whether it's to watch you or listen to the text, I think it's both. In any case, I would like to make two observations. First and foremost, I've been here about 15 or 20 years, I'm a Canadian and I think I know enough to be dangerous, having worked here in a variety of senior capacities in the government and between the governments and IFIs. But one of the key observations that has been noted by all panellists is that, following the collapse of the Soviet Union, the institutional capacity as well as the regulatory and legal framework were absent. And they were absent and not cultivated to adapt to a new market economy or Capitalism, simply because the mindset was still reflecting the old stereotypes.

And unfortunately, in those early days the IFIs, who had come in ostensibly to help, er development and the introduction of democracy, Capitalism and so on, er very often ignored the fact that this legal regulatory infrastructure, the capacity, institutional capacity was absent. And therefore we have what we have today.

One final observation. Because it was very telling that at the- at the-at the outset of this debate, you had read the results of how the audience reacted, and to me it reflects how this society has behaved improperly because they have not yet decided what they want. Is it really a true market-oriented economy with all the benefits, or whether they're still trying to find a third way.

MAN 10 IN AUDIENCE

Ah well, my question, is to Irina Khakamada. I am the Vice-President of the International Chamber of Commerce, Ukrainian National Committee. I don't you think that, in a modern world of Capitalism, which with powerful transnational corporations which are uniting hundreds of thousands of people in such a business empires all over the world, which are owned by their shareholders and the government by corporate bureaucracy. We are going in the distant future to a to a mod-model something like former Soviet Union. With the only difference initially we'll have for this companies owned- this economy owned by a number, small number of persons but not the peoples. I don't think so.

MAN 11 IN AUDIENCE

I am a former MP. And my question is, what can we say about any expectation or fails as and if we can, so who expected? Former- the Soviet authority? Ordinary people? Or maybe teenagers like Andriy was at the time? Thank you.

MAN 12 IN AUDIENCE

Yes, a question for Andriy Shechenko. My name is Andy Kuzitch, I'm from KPMG Ukraine. I'm from England but I've been working here for a number of years, I have a very short question. You mentioned that Georgia has rocketed in the ratings of the World Bank for ease of doing business, compared to Ukraine. I have a question, what are the Georgians doing? Why is the Georgian model working better than Ukrainian model? And I'm going to ask a specific question. Do you think it's possibly because President

Saakashvili, as an example of his approach, fired the entire traffic police force of Georgia, 16,000 for taking bribes and can we learn something from this in Ukraine?

WOMAN 5 IN AUDIENCE

Thank you, my name is Jillian, I represent British Education Centre, which is commercial organisation and involved in sending and helping children entering the best, top UK institutions. So my question is, to the panel, supporting the motion and the question is, what is your answer to the fact that, if Ukraine failed with Capitalism, how would the normal, middle-class send and support sending their children's to the best, top UK institutions? And this is the statistics.

WOMAN 6 IN AUDIENCE

Hello my name is Marina, I'm a graduator of the Kiev International University with Master degree in International Relations. And, my question is to Mr Aaronovitch. And regarding your short report I would like to say that there are big disproportion in every country and in every society and as far as I remember there is a theory about gold bullion that anyway there will be rich people, there will be rich oligarchs. So my question is, if we won't be able to escape this split in the society maybe we should somehow make the split between the commerce and between the authority. And maybe my question is a little bit more practical, what are the steps Ukraine should follow now and maybe if the Planned Economy failed and now the Capital Economy also is going to fail so what should we do? Maybe we should follow the theory of Smith and let the invisible hand of the market to will solve all our problems? Thank you.

ZEINAB BADAWI

Well Adam Smith never said he wanted the market to be completely free, but anyway. Well, David Aaronovitch, are you equipped to tell Ukraine what to do in order to make things work?

DAVID AARONOVITCH

I mean one of the things that any outsider should do is to treat another country with respect and my argument is not that somehow or other we have magiced away all problems in Great Britain. Clearly we haven't and actually the last speaker made some very good points about that. It is true that continuously, also within a country like Britain, you deal with the problem of the over-influence of the wealthy. It is a problem that wealth is quite easily translated into political power, and yet of course, despite the fact that you can have philanthropic wealthy people, their tendency will be to want to get things that suit them and not the country itself. And so we have enormous checks and balances inside the British system to prevent that from happening. We continuously discuss it and debate it. But the bedrock, the absolute bedrock, underneath it all is to have a free and vibrant press, and press and media and debate. One of the things you have to worry about, it maybe that you'll get there, is the tendency that oligarchs or very large businessmen can to own large sections of the press and media in order to try and influence them. You don't want to go down the Italian road or the Russian road.

ZEINAB BADAWI

Well, we've got press barons in the United Kingdom haven't we David Aaronovitch? Rupert Murdoch, so come on! Yep, and you work for one, exactly!

DAVID AARONOVITCH

We do, we do, and I work for one of the press barons. And his role is continuously being discussed. Every time he even meets the government it's a matter of debate and discussion and people criticise it.

ZEINAB BADAWI

Irena, there were a couple of yep about flexibility also and this theme of how you have to have political leadership in order to develop the institutions and lack of corruption and so on.

IRINA KHAKAMADA

Yeah, I absolutely agree with flexibility of Capitalism in the main points. Private property, Free Market and competition, the political and economic competition. It is guarantee of flexibility, but it depends on the leads, on level of corruption, on the responsibility of the government and so on, any of the standard variables. That's why the main point is that corruption is a great and main problem of post-Soviet Capitalism in transition countries.

ZEINAB BADAWI

And that's why it's not worked? And that's why you don't mind Capitalism. It's just that it's not worked properly? So you don't mind it?

IRINA KHAKAMADA

Yes, all Capitalism in Russia, in Ukraine, that is not Capitalism.

ZEINAB BADAWI

But you don't mind it if it worked properly?

IRINA KHAKAMADA

It is only imitation, that's why. Don't speak about the negative nature of Capitalism - you don't know what the real Capitalism is.

ZEINAB BADAWI

And then you like the real Capitalism?

IRINA KHAKAMADA

But I like it so much! Buy books.

ZEINAB BADAWI

Okay, Andriy and Katerina. I mean, what is clear, what is clear from the...

ANDRIY SHEVCHENKO

That brings us much closer together

ZEINAB BADAWI

That's true, some of the questions that we've had from the floor though – talking about flexible systems... and I always put this...

ANDRIY SHEVCHENKO

The must involve democracy.

ANDRIY SHEVCHENKO

Well, one year ago, Vice President Joe Biden from America came here and he said a very simple thing. Democracy does not necessarily mean good government and this is the answer. And if we look around the region we can see very different examples. Speaking of Georgia, they were so successful because they were extremely tough on corruption. And because they invested so much into this reshuffle in public service.

ZEINAB BADAWI

And you've not been tough enough on corruption in Ukraine?

ANDRIY SHEVCHENKO

Unfortunately not yet. Not yet.

ZEINAB BADAWI

You're working on it in the Duma, in the Parliament?

ANDRIY SHEVCHENKO

And, and finally, since I'm, I do not own one of those luxury cars that David, talked about. If we look at the Economists current report we see that when it comes to consumption, deficits, mobile phones subscribers, telephone mainlines, cars, we compare the numbers to Eastern European countries we see the numbers are the same, or we are slightly lower.

We are very close. That's the result of that choice which was done 20 years ago.

ZEINAB BADAWI

And the final point to you, that's come out as well Katerina Yushenko, is that you need the flexibility in the system. You've argued very passionately for Free Market Capitalism but I think somebody put the point, or maybe you did, that actually even in the West they don't have Free Market Capitalism, they have their systems of subsidies, and tariffs, so you're arguing for a pure form of Free Market Capitalism, or are you accepting there could be a kind of Ukrainian model that has some flexibility?.

KATERINA YUSHENKO

I'm arguing for us to choose a path that will maximise our growth rates, our wealth, minimise our inflation. And then it's up to every citizen to make the choices, how much he wants to redistribute the wealth, it's up to every citizen to take a role in trying to build er, build the market economy and the democracy that they want. What disappoints me here is that everybody seems to be wanting to choose a third way rather than just learning from examples of what actually exists and what is best. I'd like you to recall that in 1990, Ukraine was richer, considered richer in GDP than Poland was. But, within 10 years, we had one seventh their GDP, and where we had fallen by 61% they had gone up by 22%. My argument is let's not try to constantly reinvent flexibility and so on, let's learn from good examples.

ZEINAB BADAWI

So, we've had questions from the floor, we've had responses from our panel, now I'm going to ask our audience here in, in Kiev to vote again now that they've heard some arguments. Maybe they're going to change their minds. And audience, let me just remind you how to vote. You have your pouch. If you are for the motion 'Free Market Capitalism has failed the former Soviet States' take the green counter and put it in the glass box. If you are against the motion take the red counter and put it in the red box. And if after all this you still can't decide, and you don't know, then put the yellow one in the box. And while you're doing that I'm going to be asking our, our panellists to make their closing arguments and they're going to be incorporating some of the points raised from the floor. And I should remind you of course that if you want to, download a free briefing on the issues being debated here go to www.intelligencesquared.com or www.debaty.org so you can get a free download on all these issues.

So, if you can keep, if you can keep your voices down please while you're voting. If you can keep your voices down because while you're voting our panel are going to make one final attempt to try to persuade you to go with their arguments. I'm going to ask our panel to make their closing arguments in reverse order. Please stay sitting in your seats panel to do that. So we will start with Andriy Shevchenko for his closing arguments to try and persuade you. Audience please keep the volume down. Ushers as well. Please encourage the audience to keep quiet. Andriy Shevchenko, your closing arguments.

ANDRIY SHEVCHENKO

We can talk a lot about numbers and about some other boring things, but something which inspires me much more is to talk about the people. And I think the key result of this wonderful transformation that we are part of is the change that we can see inside of the people, in their hearts and in their mind. And I think that this is the major change, we can see people who rely on themselves, who demand much more of the government and who are ready to stand for their individual rights and freedoms. This is exactly the country that I would like to live in. It was the right choice and expect more benefits, more good fruits to come in the future.

ZEINAB BADAWI

Thank you. Okay, arguing for the motion, your closing arguments, Irina Khakamada

IRINA KHAKAMADA

I'm very positive about our discussion because I'm sure absolutely you're very optimistic about Ukraine future, post-Soviet countries Free Market, democracy and so on. I wanted to say only one thing, it is not very positive thing to, to want something in absolutely perfect form. If you will dream about perfect Capitalism, perfect democracy we can't do something just now just here. That's why step by step, is step by step because this is to be disappointed is not very positive feeling.

ZEINAB BADAWI

Okay, Irina Khakamada, thank you. Katerina Yushenko, your turn to make you final pitch to the audience.

KATERINA YUSHENKO

I don't think it's accurate to say that Ukraine rushed to adopt Capitalism, or establish Free Market systems as quickly as possible. Instead, we created a political structure characterised by corruption, red tape, populism, where the people in power do everything to entrench themselves. Our reforms were slow, partial, they did not create a rule of law in legal property infrastructure to ensure the inclusion of all citizens. When we did have Free Market reformers who tried to change the system, they were pushed aside. I want to stress again that we need to learn from the countries that have passed the barrier, that are now un-corrpt, liberal, wealthy countries with growth rates that we would like to see. We have had, over the years, many, many reform programs, thousands of pages of reform programs. In the Czech Republic they had a single page, with four steps. And it was a very- and one of the points was, you have to be flexible because a market is flexible, only a State-run system is not flexible. But, it was interesting because Klaus at that time said that 'if you do not adopt a reform system like this you will come into a reform trap' where he predicted everything, back in '93, that we are experiencing now. Where you'll have a vicious circle of incomplete to incorrect reform measures, increasing inflation, unemployment, public b-budget deficits, indebtedness, political troubles, worse outcomes and eventually more and more political problems. So, we need to learn from the countries where it did work, follow their steps - which are not difficult - we do not need to constantly, constantly try to create something that's completely Ukrainian, instead of learning from good experiences. I want to make one quick point on State Capitalism. I think it's a very, very dangerous thing, because that is when authoritarian governments use the wealth that's created in the way they see fit, and usually the way they see fit is to perpetuate themselves in power and to spend it on themselves. So we have to be very worried about State Capitalism as opposed to Free Market Capitalism, as opposed to small, medium and large sized businesses. And in conclusion, all I'd like to say is that, I'm very optimistic about the future of our country because when you look at the developments in every country we see it's taken a different amount of time. For each country it's a process. The amount of time it takes is how, depends on how willing the people are to push for the kind of reforms they want, rather than to sit and wait for someone from above to come and tell them what those reforms should be. And as soon as Ukraine, as soon as the other countries in the former Soviet Union that have not done as well, start demanding the changes in the rule of law, in the political system that they want - that's when we will see the kind changes that we want. And, I believe, that's when we will have the kind of Free Market Capitalism that will

bring us wealth.

ZEINAB BADAWI

Avoiding my eyes there weren't you Katerina Yushenko!

Wasn't looking at me because I was going to cut you! And, final word from you David Aaronovitch.

DAVID AARONOVITCH

Well, you've all voted now so nothing that I can say can have any influence on what you're vote is, so, let me try, let me talk about something different. When, Tsar Alexander II in 1860 abolished serfdom as an economic system, he didn't abolish serfdom as a way of thinking and as a way of being. That, you still have to do. I was travelling here in a car with somebody, he was talking about Russia, and he was talking about that attitude of mind that values security above liberalism and above freedom. If you're going to be successful democratically, economically and in every way as a society you'll have to begin to value freedom and truth above security and yes, sometimes even that prospect of a tiny bit of extra wealth. You need to build up in your colleges, your universities, your schools, your press institutions, your civic institutions, an attitude of mind where the greatest duty you have to anything and anybody is to the truth.

ZEINAB BADAWI

Right, thank you. Well, you know what audience? I haven't got a result for you yet. So you're very lucky I can ask for a couple more questions from the floor. And do stay, and audience please, nobody must go until we release you because, even when I give the results, okay. So, I'm waiting for the results to be counted. As we speak now then, our panel have made their closing arguments but we still don't have a result and as those votes are being counted let's get some more contributions from the floor. Microphones please to the, to the audience. Okay. Gentleman there, with the suit.

MAN 13 IN AUDIENCE

My name is David, my comment is this. That we all seem to agree that really the, the danger in any system is unregulated self-interest. And I believe that the point that is coming through here, particularly when those who argue for the motion give the examples of failed Capitalism that are really examples that come from people who are holdovers from the Soviet Union that the lesson here is that it is far more dangerous to have self-interest inside of a Socialistic State that is unregulated than it is to have self-interest inside of a private market system.

MAN 14 IN AUDIENCE

Yes, thank you. I am a director, National Bank of Ukraine. And, just a few observations about our debate. First about our democracy, without our democracy, we never have such kind of debates in Ukraine, is first. Second, if we speak about Capitalism, I prefer to have more economic experts from executive power, from logistical power, from opposition, and then we have debate from a different side about economic side of Capitalism or not Capitalism in the country. Then debate will be about whether or not Capitalism is about bad governance. So no management, introducing any kind of rules of Capitalism in this country so it will be soon, because example of Georgia – Saakashvili, he recruited the best managers. Young generation to introduce all the rules of Capitalism that's why he's successful. I hope it will be the same.

MAN 15 IN AUDIENCE

My question is to Andriy Shevchenko, I don't know maybe you will clarify, how did you come to the idea that Socialism is some kind of evil, because Ukraine previously didn't have any kind of Socialism? As we know, Socialism is a kind of system when society controls all production tools. And seems like the democracy you are waiting for will finally lead to the- some kind of Socialism. So, it seems like in your head there is two ideas, Free Market and Socialism.

MAN 15 IN AUDIENCE

Good evening. My name is Lucas, I'm a member of 'Save Ukraine'. And, I was going to ask a brief question, but probably I have to make a comment, on David Aaronovitch's opening actually remarks. And he's brought some very important ethical issues, but on the other hand, in the, in the countries with, you might say, perfect Capitalism, functioning, we have heard recently about fat cat bankers and obviously everybody remembers Bernie Madoff. So, basically, what I was trying to say that we will have to find a balance and to build actually on ethical Capitalism and only ethical Capitalists could succeed. Thank you.

DAVID AARONOVITCH

Zeinab, I want to say one word. Where, however, is Bernie Madoff now?

ZEINAB BADAWI

In prison.

DAVID AARONOVITCH

He's in prison. That's the difference.

MAN 15 IN AUDIENCE

What about fat cat bankers?

ZEINAB BADAWI

And, Andriy Shevchenko – Socialism, why a failure? It wasn't practised properly, just as you saying Capitalism isn't a failure because it's not being practised properly? I think that was the question?

ANDRIY SHEVCHENKO

I will just say that probably we have not experienced the proper Socialism, but we have experienced the Planned Economy and I would not like to go back to that. That's the point.

ZEINAB BADAWI

Okay. Irina Khakamada, you want to say anything? No? I thought very briefly on that point but...

KATERINA YUSHENKO

I was just speaking about the Georgia example. I would like to say that Georgia had something that Ukraine has never had, and that is at the same time to have a President, a Parliament and a Prime Minister who were all going in the same direction toward market reform.

ANDRIY SHEVCHENKO

We have it now...

ZEINAB BADAWI

So, we've heard the closing arguments from our four panellists, our audience have voted again. Let me remind you how they voted when they came in, before the debate started. For the motion 'Free Market Capitalism has failed the former Soviet States', 40%, against the motion, 42%, don't know 18%. That's how the audience voted before the debate. After they heard our speakers make their arguments and put their own questions; for the motion 41% - an increase of 1% - against the motion 50%, and the undecided, still sitting on the fence, 9%. So, congratulations to the winners, commiserations to the losers.

Our thanks to all the speakers and of course to the Foundation for Effective Governance, here in Kiev, that has made this important debate possible. I thank our audience here at the Ivan Franko National Theatre, to you also at home for watching, wherever you are. From me, Zeinab Badawi, and the rest of the team, goodbye from Kiev, the capital of Ukraine.

A test1

B test2