

ECONOMIC DETERMINANTS OF UKRAINIAN POLITICS

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A **determinant** is a defining feature of an object – such as an event, phenomenon, or characteristic – that has a direct impact on, and/or determines, another event or phenomenon. Economic and social status have the most significant impact on the political life of a society. The **purpose** of this investigation is to determine the economic reasons behind the implementation of certain domestic and foreign policies in Ukraine. The **relevance** of this article lies in examining how Ukraine's economic conditions function as both a constraint and a motivator in its political sphere, influencing everything from domestic policy priorities to international alliances. A **descriptive method** is used in this paper to analyze the impact of economic determinants on Ukrainian politics.

The interconnection between politics and the economy is seen as an obvious fact, as they are key areas of social relations. This idea was most fully developed by K. Marx within the Marxist paradigm. The theoretical concept of '**base and superstructure**' defines the base as a combination of all economic relations within a society, while the superstructure refers to the other relationships and ideas in society that are not directly related to production, including its political views and decisions. Therefore, the economic basis of society determines the political superstructure, and the influence of the base is predominant. Therefore, the economic basis of society determines the political superstructure processes, and base's influence is predominant (Козюк, 2015). However, the influence of the economic system on the formation of the political process has been emphasized by representatives of almost all approaches. The determination by the economy was especially studied in the theories of modernization by S. Lipset and in the theory of transit by A. Przeworski (Тымовс, 2011).

Economic instability increases the need for social support for the population, especially in the context of the current situation in Ukraine: a large number of

internally displaced people, a growing elderly population, high unemployment, and low incomes. State policy in Ukraine aims to support socially vulnerable groups, which, in turn, affects the state budget and obliges the government to increase spending on social programs. For example, a new program that gives a thousand hryvnias to every citizen in Ukraine. The Prime Minister of Ukraine, Denys Shmyhal, stated that the program was introduced to support vulnerable families during the winter and to stimulate demand for Ukrainian goods and services. The money will be credited to a new national cashback card, which was also created to boost demand for domestic products (Артемчук, 2024).

Stimulating demand for Ukrainian products is another key determinant of government decisions. For 2024, the budget allocates a record 45 billion UAH for business support programs, the development of new production facilities, and demand stimulation (Свириденко, 2024). By purchasing products from Ukrainian manufacturers, we are not only directly supporting the country's economy but also directly paying salaries to workers, which helps support the army (since almost all taxes during the invasion are directed to this purpose) as well as the functioning of hospitals and public services (Офіційний портал КМДА).

In October, the Verkhovna Rada approved a bill for a historic tax increase. According to the Prime Minister, the money is needed to cover the funding shortfall for the army and additional mobilization. At the same time, it is known that military spending this year alone is at least 500 billion hryvnias short. The Prime Minister emphasized the lack of funds from international partners for the Ukrainian army, which is why Ukraine finances it using domestic resources, including taxes (Денисова, 2024).

Since the beginning of the full-scale invasion, the dollar has risen significantly, primarily due to the deterioration of the overall economic situation. As a result, the NBU had to fix the exchange rate, and in October 2023, the central bank switched to a managed floating regime. Currently, the Ukrainian government is forced to pursue policies aimed at controlling inflation and stabilizing the national currency (Національний банк України). The NBU is compelled to manage the hryvnia by

selling foreign currency to prevent a sharp rise in the exchange rate. This is important for preserving the purchasing power of the population and ensuring price stability, as excessive short-term volatility erodes market confidence and impacts both the financial and real goods markets.

As for international politics, the influence of international economic organizations should be noted. They have always played, and continue to play, a key role in the financial stabilization of not only Ukraine but many Eastern European countries in general, often acting as an independent force in the domestic political arena, supporting or condemning the government's actions. The policies implemented by economic organizations such as the IBRD, EBRD, IMF, and WTO in relation to the countries of this region have often influenced domestic political development, ethnic and national policies, and election results (Тумовс, 2011).

When referring to Ukraine's foreign policy, it is impossible not to mention integration with the European Union. Since the signing of the Association Agreement between the European Union and Ukraine, relations between the two sides have developed based on the principles of political association and economic integration. To join the EU, Ukraine needs to implement a range of European integration reforms across almost all spheres of economic life and beyond. Some of these have already been carried out, such as the reorientation of foreign trade from Russia to the EU. For further cooperation and eventual membership, Ukraine must continue its trade relations with the European Union and deepen sectoral integration into the EU Internal Market. Additionally, it is essential to ensure the functioning of a market economy capable of withstanding competition in the EU market (European integration portal).

In conclusion, as we have seen by examining recent changes in domestic policy, economic determinants largely shape political decisions in Ukraine. We have analyzed this in the context of recent changes in the tax system, an increase in currency interventions, social aid, and the stimulation of demand for domestic goods. Economic determinants also shape the direction of Ukraine's foreign policy, orienting it toward European integration, market diversification, and strengthening economic

security. When the authorities introduce a new demographic strategy or pension reforms in the future, due to the significant ageing of the population, low birth rate, and outflow of migrants from Ukraine, it will also be possible to explore the economic determinants of these future decisions.

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