

**Remarks for a Meeting on The Ukrainian Independence War and the Future of the World,
Organized by the Kyiv School of Economics, at the New York Harvard Club, 17 Sept 2022**

by Roger Myerson

I greatly appreciate the privilege of speaking at this celebration of Ukraine and the Kyiv School of Economics, which have become very important to me since Tymofiy Mylovanov first brought me to Ukraine in 2014. I would like to talk now about a few key aspects of the situation in Ukraine that have perhaps been underappreciated.

The deep resolve of people in every part of Ukraine to defend their national independence is the most important fundamental factor in this war. We have seen people throughout Ukraine rallying to defend their country, accepting great personal cost and sacrifice to maintain their freedom from the Kremlin's rule.

We should recognize, however, that the breadth of this patriotic consensus represents a significant change in Ukraine during the past 8 years. Things looked quite different in April 2014, when a handful of separatists faced almost no resistance to their subversion of local governments in Donetsk and Luhansk. In the aftermath of the 2014 Maidan Revolution of Dignity, patriots were very active in many parts of Ukraine, but there were other regions, particularly in the east, where people's commitment to Ukraine seemed terribly weak.

This growth of Ukrainian national resolve has been the result of many factors, but it is worth some effort to understand. In February 2022, Vladimir Putin did not understand or even recognize this change, even though it could be clearly seen, for example, in the results of Ukraine's 2019 elections. Perhaps Putin's spy agencies, having specialized in spreading disinformation, became so detached from the truth that they did not feel any need to report unpleasant facts to their boss. But Putin's own actions may have contributed to this spread of Ukrainian patriotism, as the continual violence of his "frozen conflict" in Donbas turned more people against Russia's aggression. Putin had to fear that successful democracy in Ukraine would make it harder for him to rule Russia as an autocrat. But he should have understood that one country's use of force can stimulate contrary political reactions in other nations.

We should not give Putin all the credit, however. The Revolution of Dignity began a wave of reforms to improve the performance of government in Ukraine. I will not try to estimate which of these reforms may have contributed most to improving people's lives in Ukraine, but I

would suggest that the broad willingness to fight for Ukraine has been most significantly increased by the local-government reforms since 2014.

People are more willing to take personal risks to defend their state against insurgency or invasion when they expect that such service can earn respect and honor in their community. Such an expectation is more compelling when people see a connection between service to the state and leadership in their community.

In 2014, however, power over local-government budgets and administration in Ukraine was constitutionally centralized under national leaders in the capital. Elected local councils generally lacked resources or authority to serve their communities. So even with national democracy, people in many regions of Ukraine could expect that their local government would be controlled by officials who were elected by majorities from other parts of the country. In such regions, even prominent local leaders could feel alienated from a state that had no use for them. But then who would organize their communities to defend the state, even against a motley band of insurgents?

Decentralization reforms in 2015 created a new system of local governments throughout Ukraine, establishing about 1400 territorial communities (*hromadas*) in the country by 2020. These locally elected community governments were given a significant share of local taxes to provide local public services which had formerly been the responsibility of nationally-appointed district governors. The results have included measurable improvements in local public spending.¹

Thus, since 2015, democratic decentralization has guaranteed that every part of Ukraine has some popularly elected local leaders with real power and thus with a real stake in Ukraine's government, which has made them willing and able to lead in organizing its local defense. And indeed, this year, there have been regular reports of mayors leading their communities in resistance against the Russian invaders. As Tymofii Brik and Jennifer Murtazashvili (2022) have observed, citizens have rallied, not just in support of Zelensky in Kyiv, but also to defend their locally elected mayors and community councils.²

The vital role of local government has important implications for the planning of postwar reconstruction assistance in Ukraine. A basic lesson from the 1948 Marshall Plan for postwar

¹ See Anna Harus and Oleh Nivyeveskyi, "In Unity There Is Strength: The Effect of the Decentralization Reform on Local Budgets in Ukraine," *Vox Ukraine* (6 Aug 2020), <https://voxukraine.org/en/in-unity-there-is-strength-the-effect-of-the-decentralization-reform-on-local-budgets-in-ukraine/>

² See Tymofii Brik and Jennifer Murtazashvili, "The Source of Ukraine's Resilience: How Decentralized Governance Brought the Country Together," *Foreign Affairs* (28 June 2022), <https://www.foreignaffairs.com/articles/ukraine/2022-06-28/source-ukraines-resilience>

reconstruction in Europe was that foreign reconstruction assistance is more valuable when it facilitates reforms that are essential for future economic development.³ Postwar development of Ukraine will depend both on strengthening ties with Europe and on increasing the capacity of local governments. A recent CEPR report (with contributors from KSE) has argued that, to strengthen ties with Europe, foreign reconstruction assistance should be managed by an agency of the European Union.⁴ Then to develop the capacity of local governments, a substantial share of reconstruction assistance could be decentralized to local governments, with EU aid officers working in each district with a local reconstruction-planning board that includes the local mayors.

Beyond this, as we think about the challenges of building a better future after the war, we should also remember the lesson that Putin forgot: that one country's use of force can stimulate contrary political reactions in other nations.

Ukraine's forceful resistance has taught Russians that their aggression in Ukraine cannot bring them the cheap victories that their leaders dreamed of, only costly defeats. We may hope that, in reaction to these defeats, people in Russia may now see that it would be better to start building good relations with a free and independent Ukraine. Indeed, as the United States has been a better country for having Canada as an independent neighbor, and Great Britain is a better country for accepting the Republic of Ireland as an independent neighbor, so Russians may someday have a country that is better for accepting Ukraine as a free and independent nation.

But some in Russia will advocate a very different reaction. To maintain their power in a regime that has embarrassed itself by launching a disastrous war against Ukraine, they will argue for investing in even greater efforts to destroy Ukraine. To convince the Russian people of the need for such militarization of their country, they will try to portray Ukraine as a part of a vast international plot to destroy Russia itself. This is a Big Lie, but its advocates can claim to find evidence for it whenever Russia's investments in military forces stimulate Western nations to help Ukraine in strengthening its capability to resist these forces.

This is a Big Lie because nobody has actually threatened Russia. Throughout this terrible war, Ukraine has been careful not to launch any attacks that could harm any civilians in Russian

³ See Harry Bayard Price, *The Marshall Plan and Its Meaning* (Ithaca: Cornell University Press, 1955); and J. Bradford De Long and Barry Eichengreen "The Marshall Plan: History's Most Successful Structural Adjustment Program," National Bureau of Economic Research working paper 3899 (1991), <http://www.nber.org/papers/w3899> .

⁴ Torbjörn Becker, Barry Eichengreen, Yuriy Gorodnichenko, Sergei Guriev, Simon Johnson, Tymofiy Mylovanov, Kenneth Rogoff, and Beatrice Weder di Mauro, "A Blueprint for the Reconstruction of Ukraine" (Centre for Economic Policy Research, 2022) <https://voxeu.org/system/files/epublication/BlueprintReconstructionUkraine.pdf>

territory, even as Russia has casually launched missiles to kill people throughout Ukraine. Ukraine's has accepted such restraint to avoid giving Putin anything that could help him convince Russians to make greater sacrifices for his War.

Now, as our hopes grow that the tide may have finally turned on the fields of battle, it becomes even more important for leaders both in the West and in Ukraine to emphasize that a victory for Ukraine does not have to mean a defeat for the people of Russia. After all, Putin's real reason for this war was to prevent Ukraine from becoming an example of democracy for Russia, which could actually benefit most Russians outside the ruling elite. The Kremlin's dreams of controlling Ukraine must be utterly defeated, and we should all hope that Ukraine's successful defense of its independence may also signify a broader global defeat for the whole idea of powerful nations expanding their domain by military conquest. But a durable peace will ultimately depend on assuring people in Russia that they can also be protected by international norms against invasion and conquest, and that an independent Ukraine will never be a threat to Russian security.

It will not be easy to communicate this message over the lies of Russian State media, but surely it cannot be more difficult than the great breakthroughs that Ukrainian forces have already achieved on the battlefields. So the resolute valor and ingenuity of the Ukrainian people should inspire hopes of success, not only in fighting this war, but also in building a better peace to follow it.

This text is available at <https://home.uchicago.edu/~rmyerson/ukraine2022sept.pdf> .
See also <https://kse.ua/> or <https://kse.ua/support/donation/> .

Op-ed essay for Forbes Ukraine based on an abridged version of the above Remarks of 17 Sept 2022:

Ukraine's resilience in resisting and repelling the Russian invasion may have surprised many in the world. Indeed, the most important fundamental factor in the war this year has been the great determination of Ukrainians in every part of Ukraine to defend their homeland. But things looked different in April 2014, when a handful of separatists faced little resistance to their subversion of local governments in Donetsk and Luhansk. We need to think more about what caused this vital growth of Ukrainian national consciousness in the past 8 years.

A long sequence of aggressive Russian actions since 2014 certainly played some role in turning Ukrainians against Russia and hardening Ukrainians' resolve to defend their independence. Whatever Putin may say, his aggression against Ukraine has always been driven by his fears that successful democracy in Ukraine would make it harder for him to rule Russia as an autocrat. When he launched the invasion in February 2022, however, Putin did not understand how much the breadth of patriotic resolve in Ukrainian society had grown since 2014. Perhaps Putin's intelligence agencies, which have regularly engaged in spreading disinformation, were so detached from reality that they did not feel the need to inform their boss about such unpleasant facts.

What changed Ukrainians? Their patriotism must ultimately depend on confidence in the ability of their political system to serve their vital interests, and we should note that such confidence has been improved by many reforms in Ukraine's government since the Revolution of Dignity. Among these reforms, I would argue that reforms of local self-government have done the most to increase willingness of people in Ukraine to fight for their country.

Citizens are willing to risk their lives to defend their country against insurgency or invasion when they see a connection between serving the state and leadership in their own community. But in 2014, when Russia first invaded Ukraine, local authorities and governance in Ukraine were constitutionally centralized and dependent on the state's national leadership in the capital. Accordingly, even under national democracy, people in some regions might understand that their local government was controlled by politicians who were elected by voters from other parts of the country. In such regions, even the most talented local leaders could feel alienated from the state which had no use for them. Who would then organize their communities to defend the state?

Decentralization reforms since 2015 have created a new system of local governments, however. Newly elected community governments received a significant share of local taxes to provide relevant local public services. As a result, the public spending system has improved. Thus, since 2015, democratic decentralization has ensured the emergence of elected local leaders with real power to organize and maintain local defense. Since the invasion began, there have been regular reports of mayors leading their communities in resisting the Russian invaders.

This crucial role of local self-government should be recognized in the planning of Ukraine's post-war recovery. A basic lesson from the Marshall Plan (1948) was that foreign reconstruction assistance can be much more effective when it helps to promote reforms that will be fundamental for successful future development. Ukraine's post-war development will depend on both strengthening ties with Europe and increasing the capacity of local governments to serve their communities.

A recent report from the Center for Economic Policy has argued that, to strengthen Ukraine's ties with Europe, foreign reconstruction assistance should be managed by an agency of the European Union. But then, to help strengthen the administrative capacity of local governments in Ukraine, a significant share of foreign recovery aid should be set aside for use by local governments. In each district (rayon), an official of the European assistance agency could work with a local reconstruction board, which should include the local mayors, to develop and implement a plan for allocating their district's share of foreign aid for local reconstruction. Such a plan could do much to fulfill people's hopes for a better future in an independent post-war Ukraine, which have been so vital for winning the war this year.