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THE TRANSITION TO A MARKET ECONOMY (BACKGROUND, REFERENCE MODELS AND POLICIES)

Defined is the concept of transition. Reasoned is the thesis that the transition is neither accidental nor is due to subjective management mistakes. It is objectively determined by the fact that the socialist experiment as a “diversion” from the civilization development doomed to delay the countries from Central and Eastern Europe comparing not only to the economically most developed countries, but to the world. The change is determined also by the forming in the world “new economy” – eco-socially-market, from tertiary-information type, capable to integrate in the world networks.

Drawn are the constituting principles and referent models of the newly emerged market economies. They explain why the transition looks like a “conservative revolution”. Made is comparison between the principles, on which the Anglo-Saxon and German-Japanese model lay.

Presented is a generalized estimation of the growth of the countries in transition and is outlined the place of the countries (incl. Bulgaria) in the transformation process. Pointed are the reasons for divergence of the countries in transition and is analyzed the significance of the type of the economic policy. Reasoned is the conclusion that our choice should be undoubtedly towards liberalism, combined with the strategic role of the state.

Defended is the thesis about the transition as a dualistic process, i. e. about its dirigible and spontaneous character. The both sides provoke conflict of the emerging market logic with the quasi oligarchy way of the change, set in the nature of the transition. Interpreted are some criteria for finalization of the transition.

JEL: O12; P52

The “Fall of the Berlin Wall” - a metaphor for the failure of socialism - set the beginning of a transition to democracy and market economy in more than 25 countries in the world. In its deep substance every transition is an adaptation of society to the imperatives of time. It happens by means of a qualitative change of the institutions, regulations and mechanisms of society and more specifically - of the economy.¹

I will focus my attention to a number of questions: Why do we do a transition at all? Where do we go - on the basis of what constituent principles and reference models? In what way do we carry out the transition? Is it spontaneous or is it managed?

I will not state overconfidently that I will answer these questions. I will only try to argument my position: in favor of liberalism - against etatism.

¹ See another definition of transition in: “Преходът”, editors P. Аврамов, В. Антонов. S., 1994, p. 5.

1. Background of the Transition

I think that the basic changes in society are always objectively justified. It is naïve, when it is a question of deep contradictions, to explain matters with subjective managerial mistakes and outside pressure.² Simply the world has changed. The change is internally and externally justified.

Internal Justification of the Transition: from Malfunctioning of the Centrally Planned Economies (CPE) to Transformation of Society

From the middle of the 70-ies on the world economy entered the descending phase of the Cycle of Kondratieff.³ It leads definitely to a deep and continuous structural crisis in the economy and to hard social perturbations. As all other countries, the ex-socialist had also had an ascending phase (1950 - 1973). And like them, did not manage to avoid the descending one. Because of built in drawbacks, the economy of the countries of Central and Eastern Europe (CEE) received the hardest blows although “socialist destruction” has started to be moved away by “capitalist construction” in most countries still before 1989.⁴ The end result was the “tender revolution” – the state was attacked but it refused to defend itself.

What was happening in the world? Here are some data (see Table 1).

Table 1

Average Annual Rate of Increase of per capita GDP for the Periods
1950-1973 and 1973-1992 (in %)

Regions	1950-1973	1973-1992
Asia and Oceania	3.8	3.2
West Europe	3.9	1.8
South Europe	4.9	1.7
North America, Australia and New Zealand	2.4	1.4
Latin America	2.5	0.5
Africa	2.6	-0.1
<i>Eastern Europe</i>	3.5	-1.1
The world average	2.9	1.2

Source. OECD, 1995.

Three facts engage attention:

1) During the period 1950-1973 the countries of CEE have developed faster than the average for the world and slowly than Asia and Europe;

² See Проданов, В. Глобалните промени и съдбата на България. Изд. “Хр. Ботев”. С., 1999, pp. 374-375.

³ See Scandella, L. Le cycle Kondartieff dans tons ses etats. - Problemes economiques, 1999, N 2599.

⁴ Улюкаев, А. “Переход”. - Вопросы экономики, 1999, N 10, p. 10.

The Transition to a Market Economy...

2) During the period 1973-1992 if we do not count the almost nil increase of Africa, CEE is the only region of the world that had a negative rate of GDP increase;

3) The countries with market economy have more easily adapted to the descending phase of Kondratieff's Cycle.

Let us check these facts for a longer period and in a more concrete aspect (Table 2).

Table 2

Changes of per capita GDP in Some Countries for the Period 1913 – 1998*

Groups of countries	Change of GDP		Change of GDP in % to the average world level = 0.0	Share of GDP From the US GDP in 1998 (%)
	Average annual rate of increase (%)	Absolute increase (times)		
<i>I Group</i>				
Japan	3.24	14.98	262.8	76.2
Norway	2.71	9.71	238.4	84.2
Greece	2.33	7.10	95.9	43.9
Turkey	2.11	5.90	37.4	22.0
Germany	1.93	5.09	92.5	74.5
USA	1.90	4.94	113.6	100.0
Egypt	1.83	4.67	18.2	19.3
<i>II Group</i>				
Check R.	1.75	4.38	24.6	36.1
Hungary	1.39	3.24	-17.5	25.9
BULGARIA	1.16	2.66	-27.6	15.2
Russia	1.10	2.54	-30.6	14.4
Yugoslavia	1.09	2.51	-21.6	9.9
North Korea	0.74	1.87	-30.7	6.7
Cuba	0.38	1.38	-72.9	9.4
<i>World average</i>	1.56	3.71	0.0	21.8

*Computed by the Institute for Economic Analysis, Moscow (see Вопросы экономики, 2000, N1).

For the 85-year period the development of the countries from II group is considerably lower than the one for the countries from I group, including Greece, Turkey and Egypt. Most troubling is the fact that we are also behind the world average level. Greece is exceeding it almost twice, Turkey - with around 37%, Egypt - with 18%, and Bulgaria stays below the world average level of per capita GDP with minus 27.6%.

The question is: is the national gene type the reason for this? Does it allow us to achieve results the way Anglo-Saxon and Confutizian type do? Or the reasons are other - for example the type of economy and its management? Here is the empirical answer to this important question (see Table 3 and Fig. 1).

Table 3

Factual and "Missed" per capita GDP (in USD, PCP) for a Number of Countries in Transition

Indicators	Check R.	Hungary	Poland	Bulgaria	Romania
1. Per capita GDP, 1937	2,882	2,543	1,915	1,566	1,130
2. Hypothetical average annual rate of increase (1937-1992)	5.44	5.28	5.42	4.92	5.47
3. Hypothetical per capita GDP 1992	15,845	15,448	14,584	14,000	13,102
4. Factual per capita GDP 1992	6,845	5,638	4,726	4,054	2,565
5. "Missed" per capita GDP 1992	9,000	9,810	9,858	9,946	10,537
6. "Missed years"	15	20	21	26	31

Source. OECD, FMI (After Problemes economiques, N 2638-2639, pp. 78-79).

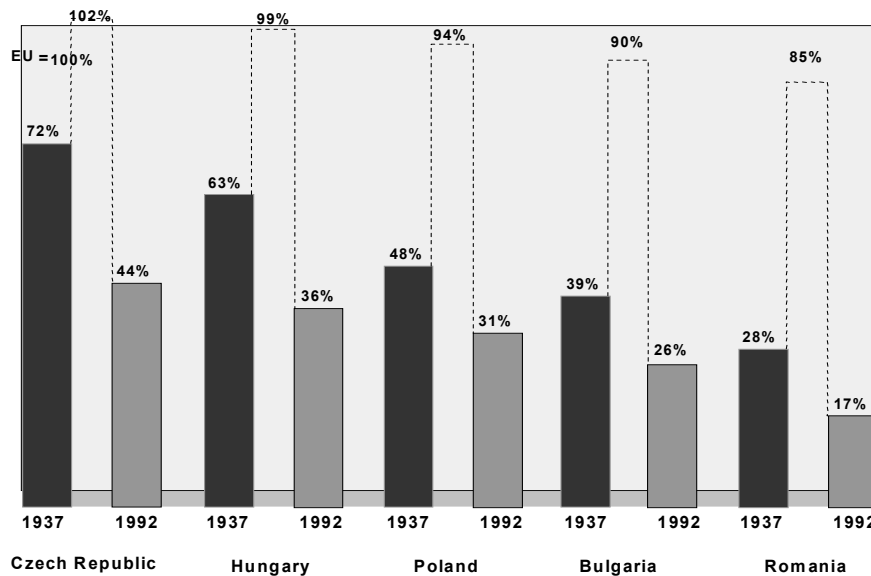


Figure 1. Relative Share of per capita GDP from EC per capita GDP for 5 Countries in Transition (in %, factual - 1937, hypothetical - 1992, and factual - 1992)

Source. EBRD Transition Report, 1998.

In 1937 the per capita GDP in Bulgaria has been 37.0 % and in 1992 - only 26.0% from the average for Western Europe. The other CEE countries are also behind. The backwardness is best understood when comparing the factual GDP for 1992 with the "hypothetical" one. If we had developed during this period with an average annual rate like Italy for example, we would have had per capita GDP comparable to the one of Western Europe - by PPP around 14,000 USD per capita. In fact it is only 4,054 USD. The "missed" GDP (9,946 USD) is equal to 26 years, i.e. the labor life span of one generation. The conclusion is *that the national gene type is not the reason or at least is not a serious reason for our lagging behind* as is sometimes speculated.⁵ *The main factor is the type of the economy.*

The Challenge of the "New Economy" or External Justification

There are major changes of the world economy. They lead to the formation of economy of a new type. There are at least five structural indicators for this.

The first one is the fast spreading of the new information-communication technologies (*NICT*). They are fundamental of every restructuring. This is the reason for the mass investment in informational technologies and communications. Do we do this?

The second indicator is *globalization*. It increases the interdependence and interrelation of the national economies according to the "tile like way" (principle of imbrication). Our inclusion in the international networks according to the principle of imbrication should be viewed as mandatory condition for success.

The third structural indicator of the "new economy" is the *tertiarisation*. More and more needs are fulfilled by services of different kind, including at international level and in direct connection to NICT and to globalization. By us the service sector already creates around half of the GDP. This – parallel with the increasing private sector and the developing market are the most serious structural change.

The fourth sign is *ecologisation* of the activities and products. Not accounting for this characteristics means loss of competitiveness.

The fifth characteristics of the "new economy" is the *humanization* of the relations and processes. This means that the market economizes social relations, but also the opposite is true – the economy is filled with a social element.

The structural indicators of the "new economy" which is in the process of formation are obliging us to view the transition exactly in that way. It should be clear to us that here it is meant a transition to an *Eco-social-market economy from an informational-servicing type, able to integrate itself into the world imbrication networks*. Only in this way we can rise up to the orbit of a

⁵ See another viewpoint in: *Проданов, В. Българската менталност и българският преход.* – In: *Общества в преход.* В. Търново, Изд. "ПАН", 1998, p. 36 and on.

transition of a superior type which has already been passed by the civilized world.

This is the way the question of the internal and external justification of the transition. *The easy access to information at world level forms human demands according to world standards.* Fulfillment of these demands will be performed only according to the national capabilities. This contradiction determines the changes.⁶

I will end this question with the words of F. Brodel: "Decisive is the overall movement of the world".⁷ And according to A. Maiminas "Not to go in the direction in which the whole world goes means to go nowhere".⁸

2. Constituting Principles and Reference Models of the Emerging Market Economies

The scientific thought has two lines of interpretation for economy: first as consciously settled and centrally managed on the basis of definite objectives, and secondly as a market economy which spontaneously builds itself and serves as a basis for society. Here we are interested in the market economy.

General Constituting Principals and Structural Indicators of the Market Economy

Market economy can be defined generally as a type where the relation between production and consumption is realized by the market and the decisions are taken by private independent economic agents on the basis of market information and rules defined by the state. Its constituting principles are:

1. Priority of the individual to the community. Freedom and spontaneity are higher principles of economic and social order, and it is their limit;
2. Private property, resting on unambiguous rights and ensuring "freedom from dominance", sovereignty of economic decisions, free contracting, effectiveness of the activities and social responsibility of the economic subjects;

⁶ When explaining the transition, the French scientist Richet makes an association with the J. Schumpeter's model for the balance and unbalance. The blows from outside destroy balance. An unbalance settles but it prepares the condition for a new balance and so on. Richet calls on the so called two situations: according to Paretho and not according to Paretho. The change is according to Paretho when it favors someone without being for the sake of others. In our country the transition can be characterized as one being not according to Paretho because certain social groups are favored for the sake of others who lose, which by the way is the case with every birth of capitalism. (See *Richet, H.* Comment les theoriciens analysent-ils la transition en 1990? - *Problemes economiques*, 1999, N 2638-2639.

⁷ *Бродел, Ф.* Динамика капитализма. Смоленск, 1993, p. 68.

⁸ *Майминас, Е.* Российский социально-экономический генотип. - *Вопросы экономики*, 1996, N 7, p. 141.

3. Formation of markets for exchange of goods by means of buying and selling, free market price formation and distribution of resources in a competitive environment;

4. Equality of the market subjects when deciding questions what, how and for whom to produce in view of minimizing risks and maximizing revenues. Relations are settled on the principle "dialogue-agreement". Individual acts are coordinated by the market;

5. The economy is open to the world and the state does not interfere in other way than by settling the rules of behavior;

6. Stability of the value of money so as to insure normal functioning of the market mechanisms, competition and establishing effectiveness of the economy.⁹

When completed, the pointed out principles turn into structural principles of the market economy. I will point out definitely that it only emerges from the unity of these principles. The policy of liberalization and financial stabilization, of privatization and restructuring in our country has as its aim the achievement of these structural indicators of the economy.

Reference Models

The market economy orientation is defined by the fact that we can not develop successfully outside the world tendencies. This is neither a formational nor a cultural-pluralistic choice, but it is a value- civilization necessity. The national characteristics are accounted by the model of the market economy itself. In different conditions similar models give different results and different models may have similar results.

Since each country has its own specificity, if we have only this in mind, we can state that there are as much models as there are countries in the world. A superficial view can lead to such a conclusion. But under the national specificity one can find four basic models (types) of organization and functioning of the economy: of *consistent etatism* (Marxist logic); of *moderate etatism*, combined with market principles (intervening logic); of *moderate liberalism*, coordinated with social principles (socio-liberal logic); of *consistent liberalism* (conservative logic).¹⁰

For long time it was considered that fast economic development might be achieved only by concentrating the resources into the hands of the state. Etatized economies met failure as historical 20-th century experience showed. The strategy for catching up the developed countries succeeded only there where market was used as a foundation supported by the strategic role of the state. Such is the experience of Japan, Republic of

⁹ See for comparison: *Ойкенр Вл.* Основные принципы экономической политики. Пер. с немецкого. М., "Прогресс" 1995, p. 335 and on.

¹⁰ See another standpoint in *Проданов, В.* Op. cit., p. 358 and on.

Korea, Taiwan and others. Proof is also China, which at the end of the 70-ties revised its authentic etatist model and took up a quiet evolution towards a market economy.

During the 80-ties and 90-ties the countries of Southeast Asia met serious difficulties and implemented: privatization of whole sectors of production, strong liberalization, did away with subsidies, open the markets, financial stabilization, strategy of quality, increasing the human role. These measures were introduced in Latin America as well. Chile and Mexico openly turned to consistent liberalism.

Processes of drawing near exist also between models of European regulativism and American liberalism – for example in the Netherlands and Germany.¹¹ As M. Alber claims even the “Swedish model” was rejected and that is by the very social-democratic government itself.¹²

Nevertheless one should not think that the world goes in the direction of a one pole economic order the way Fr. Fukuyama¹³ wants to suggest. Life is not an ideology but a diversified practice. The clash between the Anglo-Saxon and German-Japanese capitalism is continuing.¹⁴

Here is the scheme of the differences between them:

Anglo-Saxon Model	German-Japanese Model
Economy of the shareholders, aiming at short-term revenue, centered on competition, inclination towards risks and individual responsibility for the future.	Economy of associates, aiming at long-term growth, centered on harmonization of interests, inclination towards security and solidarity in guaranteeing the future. ¹⁵

The differences do not eliminate the common between the two models. In both cases the market coordinates the decisions of the million households and companies and forces adapting. Both models carry the stamp of the transformation of capitalism on the way to regulation and humanization.

Such are the reference models of the market economy, which are valid during the transition. They are not an ideal which has to be achieved but are a method for estimating our own progress forward.

3. General Estimate of the Transition Process. Importance of the Type of the Economic Policy

¹¹ *Pays-Bas*. Les veritables raisons du succes. - Problemes economiques, 1999, N 2643; Brodersen, H. L'economie social demarche est-elle depassee? - Problemes economiques, 2000, N 2649, pp. 7-15.

¹² Альбер, М. Капитализм против капитализм. Пер. с французского. Санкт-Петербург, 1998, р. 17. See also Хейлбронер, Р. Капитализмът на 21 век. С., 1997, р. 102.

¹³ Фукуяма, Ф. Краят на историята и последният човек. С., 1993.

¹⁴ Альбер, М. Op. cit., p. 27.

¹⁵ Problemes economiques, 1999, N 2643, p. 1.

I will try to give a general estimation of the transition and to connect this problem with the type of the economic policy.

General Estimate of the Progress. The Place of Bulgaria

The countries in which socialism has not been enforced totally and market traditions were still alive have a better success now during the transition. However, in our country all structural elements of market economy were eliminated¹⁶ and in third place settled the state paternalism.¹⁷ Since the market has an imperative character, "in our whole history – as R. Avramov writes – there is a drive ... to go round it. Socialism is topmost in this respect...but at the end the market returns and presents the bill"¹⁸ The universal way for this is the crisis. As far as it is structural – it stultifies the institutions, and as an economic – it devaluates the funds. The economy goes into a prolonged transformation decline (see Table 4).

Table 4

Dynamics of GDP (in % to the previous year)

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Poland	-11.3	-7.6	3.0	3.8	4.5	4.5	6.0	6.9	4.8
Hungary	-3.3	-11.9	-4.5	-2.3	3.0	0.5	1.3	4.6	5.1
Check R.	-1.2	-14.2	-7.1	-0.3	2.6	5.0	3.9	1.0	-2.7
Slovakia	-2.5	-14.5	-7.0	-4.1	4.8	5.0	6.6	6.5	4.4
Bulgaria	-9.1	-11.7	-7.7	-4.2	0.0	4.0	-10.1	-6.9	3.5
Romania	-8.2	-13.7	-15.4	1.3	3.4	3.0	3.9	-6.9	-7.3
Russia	-2.0	-12.9	-18.5	-12.1	-15.0	-4.0	-3.5	0.8	-4.6

Source. UN Publication, 1999. Economic Survey of Europe, 1999 N 2.

Poland is implementing the most radical approach. As a result it has growth for 8 consecutive years. In Bulgaria and Romania the growth is uncertain because of inconsistency of the reform policies. The reason for this is the confusion of the social view on human values. Before an unconditional domination of market mentality is reached, the reforms will be slipping. Nevertheless one can claim with certainty that our economy is already a market one although far from Western standards. The private sector is dominating, prices are free and the markets – open. There exists free choice and competition.

Here is how the progress of the transformation process looks like as of 1998 – in general and by main characteristics of the transition (see Table 5).

¹⁶ See Предупреждения срещу одържавяването още от миналия век. *Спенсър, Х. Човекът срещу държавата*. С., "З. Стоянов", 1999.

¹⁷ See details in: *Хайек, Ф. Фаталната самонадеяност. Грешките на социализма*. С., "Отворено общество", 1997.

¹⁸ *Сера*, 19 February 2000.

Table 5

Degree of Economy Transformation for 25 Countries in Transition (in %, 1998)

Groups of Countries	Basic Characteristics				
	General Progress	Legislative Reform	Liberalization	Privatization	Private Sector (% of GDP)
Central Europe					
Hungary	86.0	89.0	85.0	89.0	80.0
Poland	82.0	89.0	85.0	81.0	65.0
Check R.	80.0	89.0	78.0	85.0	75.0
Slovenia	71.0	68.0	78.0	78.0	75.0
Slovakia	70.0	56.0	70.0	81.0	75.0
Croatia	69.0	78.0	67.0	74.0	55.0
Baltic					
Estonia	77.0	78.0	70.0	85.0	70.0
Lithuania	70.0	78.0	70.0	70.0	70.0
Latvia	66.0	61.0	70.0	70.0	60.0
South Eastern Europe					
Bulgaria	68.0	89.0	67.0	63.0	60.0
Romania	66.0	89.0	67.0	59.0	60.0
Moldavia	64.0	78.0	67.0	63.0	55.0
Macedonian	63.0	78.0	59.0	67.0	55.0
Albania	54.0	44.0	67.0	59.0	75.0
Caucasus					
Armenia	63.0	78.0	67.0	59.0	60.0
Georgia	62.0	67.0	67.0	70.0	60.0
Azerbaijan	50.0	56.0	52.0	52.0	45.0
Eastern Europe					
Russia	59.0	67.0	56.0	70.0	70.0
Ukraine	52.0	44.0	56.0	59.0	55.0
Belarus	33.0	44.0	37.0	30.0	20.0
Central Asia					
Kirgistan	61.0	56.0	67.0	67.0	60.0
Kazackstan	60.0	50.0	67.0	67.0	55.0
Uzbekistan	47.0	50.0	41.0	56.0	45.0
Tadjikistan	43.0	56.0	58.0	44.0	30.0
Turkmenistan	31.0	-	30.0	37.0	25.0

Source. EBRD Transition Report, 1998.

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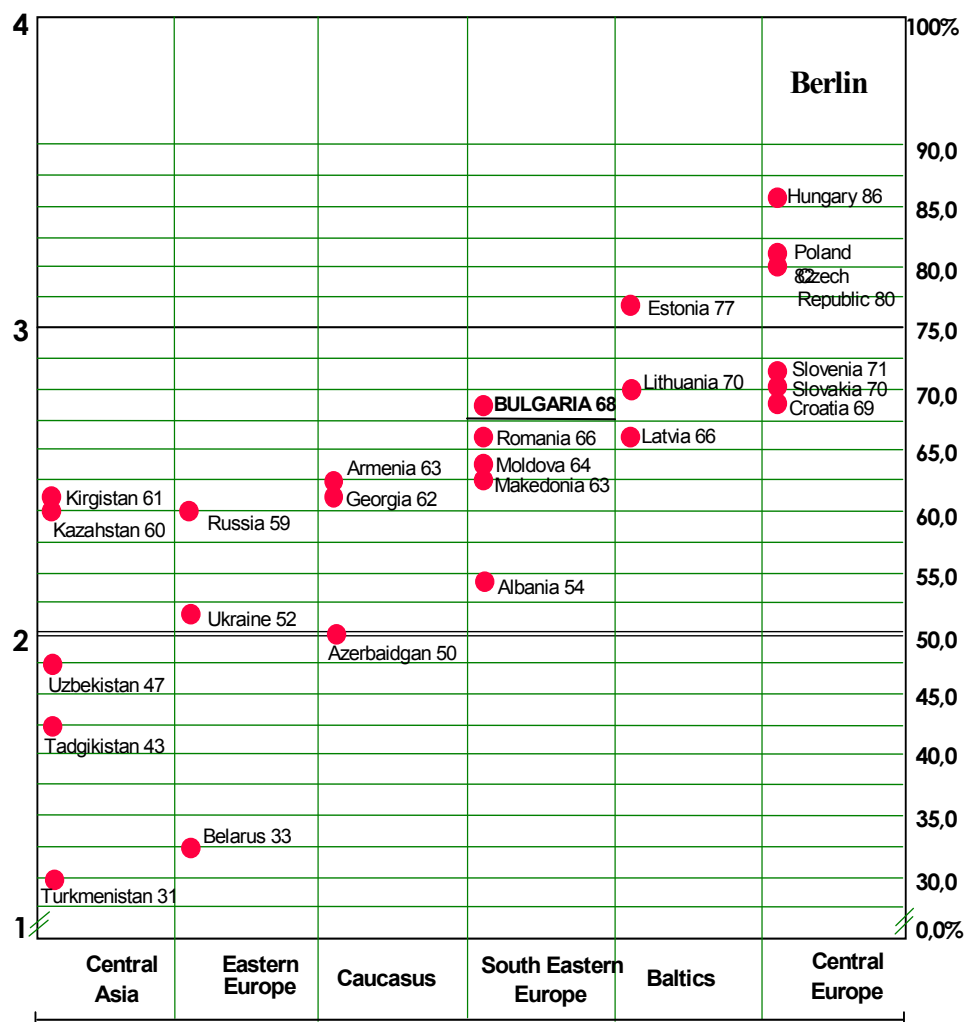


Figure 2. Place of the Countries in the Transformation Process at the End of 1998 (% of coverage of the generalizing indicator)

Source. EBRD Transition Report, 1998.

The data from column 2 of Table 5 are depicted on Figure 2. It clearly depicts the place of each country – including Bulgaria – in the overall transformation process. On the vertical the degree of progress is depicted, and on the horizontal – the groups of countries. Bulgaria is behind Hungary, Poland, Check Republic, Estonia and Slovenia and is at the same level as Slovakia,

Croatia and Lithuania and is in front of the other countries in transition. During 1999 we marked an even more outstanding progress for all the main elements of the transformation process. Here are some data (see Table 6). They do not need many commentaries. The positive tendencies are obvious excluding the problem with unemployment.

Table 6

Main Indicators of the Bulgarian Economy (%)

	1997	1998	1999	2000*
Real GDP Growth	-6.9	3.5	2.4	4.0
Rate of Inflation	578.5	1.0	6.2	3.5
Basic Interest Rate	5.0	7.0	5.2	4.6
Credits for the Private Sector	-56.0	5.3	3.4	11.3
Rate of Unemployment	13.7	12.2	16.0	---
Public Debt (in % to GDP)	110.4	80.2	87.7	79.4

* IMF forecast.

Source: Bulgarian National Bank (BNB), Ministry of Finance (MF).

This is according to me the state of the problem of the overall estimate of the transition process. Now I will turn the attention to the question of the importance of the economic policy.

Importance of the Type of Economic Policy

The way the economy model should not contradict to the world tendencies, the economic policy should result from the chosen model of the economy. As long as it supports, strengthens and develops the chosen model of the economy, it is constituting. As long as it supports its functioning – it is current policy. The divergence of the countries in transition comes, besides everything else, from the implemented model of the economy as well as from the contents and consistency of the constituting and current policy.

In conformity with the model (type) of the economy, there exist several types of economic policy. It can be *consistently liberal*, which is the example of the USA, Switzerland, Japan, and Taiwan. It can be *moderately liberal*, such as in Canada, Spain, and Portugal. It can also be a *mixed type* i.e. to allow market and to contain intervention (the way it is I suppose in Egypt). At the end the economic policy may be *and populist* as it is in Cuba and North Korea. This rating is conditional, but the facts obtained from the experience of these countries show directly the tendencies of the development (see Table 7).

Table 7

The Influence of the Type of the Economic Policy on the per Capita GDP for the Period 1913 – 1998*

Countries and Types of Economic Policy	GDP per Capita		Increase of GDP per Capita During 1913 - 1998		
	In 1998 in USD, PPP and Prices in 1993	In % of the Average World Level =100,0		Average Annual Rate (%)	For the Period (times)
		1913	1998		
Consistently Liberal • Taiwan	17,907	51,6	290,4	3,64	20,91
Moderately Liberal • Portugal	14,174	88,0	229,9	2,71	9,71
Moderate Interventionalism • Egypt • Bulgaria	5,458 4,301	70,4 97,3	88,5 69,7	1,83 1,16	4,67 2,66
Consistently Etatistic • Cuba	2,663	116,1	43,2	0,38	1,38

*According to data of the Institute for Economic Analysis, Moscow (Илларионов, А. Как Россия потеряла XX столетие. - Вопросы экономики, 2000, N 1).

Following a policy of liberalism, Taiwan increased its GDP per capita 21 times for the period 1913 to 1998. Cuba, leading a policy of a consistent etatism managed only a 0.38% average annual rate of increase and did not even manage to double its GDP. Bulgaria's results are near to these. A better success is registered by moderate interventionism (Egypt), and more by moderate liberalism (Portugal) and the highest results are achieved by consistent liberalism (Taiwan). As a result of a policy of etatism Bulgaria and even more – Cuba fell under the average world level. Portugal and Taiwan, following a policy of a moderate and consistent liberalism have managed to exceed it 2-3 times although in 1914 they have been far from it.

This is the influence of the type of economic policy. *Our choice should be unambiguously in the direction of liberalism*, as is the spirit of the economic policy in Europe, South East Asia and America.

On the basis of detailed analysis of facts from a great number of countries (from 76 to 140 for different indicators) for a 20-year period (1975-1995) it was definitely proven in the literature, in which countries the rate of growth is high, and in which it is low. It is high for countries in which:

- The growth of the monetary mass is narrowly exceeding the growth of the GDP per head of the population;
- The annual average rate of inflation is under 5.0%;

- State entrepreneurship is minimal (up to 7% of the GDP)
- The limitations of the external economic relations are minimal.

And the opposite, in countries where the monetary mass increases a lot faster than the GDP and inflation is high, the public sector creates a considerable part of the GDP and state consumption exceeds 20-30% of the GDP and the external economic relations are very limited, in these countries the rate of economic growth is very low.¹⁹ These facts *refute the delusion of the 20-th century that the strategy for catching up the developed countries should lie in the concentration of the resources in the hands of the state. The winning strategy is liberalism.* This approach is verified also by the experience of the countries in transition themselves. Those of them that lead a consistent liberal policy, passed through a relatively short transformation decrease and rapidly reached impressive economic growth which can be compared with the one of South East Asia and Ireland. Such is the example of Poland. The opposite, the countries which stick to the etatist model (Russia, Ukraine and mostly the former Soviet republics of Middle Asia) are still at the starting point of the transition. Countries which demonstrate inconsistency, such as Bulgaria and Romania, have an irresolute growth. Of course besides principles in life there are also circumstances: traditions, national gene type, environment, etc. However the line should be clear and should be followed consistently.

If we use the metaphor of J. Schtigitz – this is the way. The car and the driver can be changed.

4. Manageability and Spontaneity of the Transition. Criteria for Completeness

Manageability and Spontaneity of the Economic Development

Besides everything else the transition has two inherent characteristics: 1) it is a mandatory historical process and 2) it is a dualistic process, i.e. with two basic principles – managerial and spontaneous.

The experience in managing the transformation process gives it characteristics of a conscious objective choice, initiated with a strategy “from the top”. As a spontaneous process it is impulsive, initiated “from below”, from the individuals. If the managerial ideas are adopted publicly and become a norm of social behavior, the transition will be soon over. If however the mass awareness is chaotic, the administration meets a lot of difficulties and the transition is criminalized.

In practice the transition can not be only administered process, or only a spontaneous one. The political factor tries by managing the processes to cope with the problems and solve them “from above” so as to avoid chaos. But politics is still

¹⁹ See *Иларионов, А. Модели экономического развития и Россия. - Вопросы экономики, 1996, N 7.*

not action. The real transition process is performed by people, by their spontaneous actions. Here are some manifestations of the spontaneity of the transition:

- Disintegration of the planning and administrative mechanisms of the central governing institutions;
- Rapid formation of personal egoistic interests and of new private economic units – in a legal way and by the way of the “hidden privatization”;
- Formation of a considerable shadow economy;
- Legal and illegal international traffic, especially with “embargo” countries;
- Formation of a new mentality and a new mode of thought of people – a strive for acquiring personal wealth.

“In transformation, estimated from the view point of its objective results – writes with reason At. Leonidov – the prevailing significance has the spontaneous development of the processes, despite the conscious acts of the governments.”²⁰

Why did it happen like this? The probable reason is the growing together of party and economic interests. Such was our experience with socialism and was inherited by the transition period and even got a new scope because of the very contents of the transition – redistribution of the national assets and their changeover to private hands. A key to the personal and to the party economic success became the position of power so as to create economic foundation of the power itself. This political and oligarchic approach became the fundamental mechanism of the transition in all countries. We were not able to avoid it too.

The party and oligarchy model of the transition forced the “pragmatic layer” of those who did not own, to corrupt the ruling class so as to create for themselves advantageous business conditions. The “credit millionaires”, the firms at the “entrance” and “exit” of the state enterprises, the “party entrepreneurship”, the coalition of different representatives of the higher administration with representatives of the judicial system, custom officers, with criminal elements and others is the most telling facts of the corruption element of the spontaneous transition mechanism.

It is clear that a strong state is a necessary corrector of the spontaneous manifestations of the transformation process.

Criteria for Completeness of the Transition

This is an important question in view of the social intentions and expectations. Since the transition is all-embracing, its end has political, social and economic criteria. Now we can only speak about a relative completeness of the transformation process. Because the transition has different meaning: 1) as a process of laying the foundations only of a market economy; 2) as a general restructuring of the economy and society and 3) as a convergence with the EU.

²⁰ Леонидов, Ат. Трансформационният процес: основни аспекти и елементи. - Народнопопански архив, 1999, N 2, p. 6.

I will focus my attention only on three criterion for completeness of the processes: 1) on overcoming the party and oligarchy corruption mechanism; 2) of market behavior of the economic agents and 3) on the ability of the economy to cope with external shocks and internal tensions.

A political criteria for completeness of the transition is the normalization of the social relations. A condition for this is to overcome *the party and oligarchy corruption mechanism of the transition*. This supposes:

1. Rapid completion of the privatization process and concentration of economic power into private hands;
2. Division of the political and economic power, of the political elite from the economic one, a new system for party financing, international experience of the party archives, etc.
3. Denationalization of the unlawfully accumulated assets is utopia and is a way to nowhere, but from the view point of the people's psychology it is extremely necessary to conclude in short time the necessary judicial cases of the biggest and well known mafia
4. Considering our integration in EU it is convenient to adapt international control over the customs activity;
5. The transition to ultimate transparency in the privatization of the big subjects with decisive importance for the economy, as well as in all succeeding privatization trades;
6. New firmer regulations for the funds, etc. are required;
7. A wider civil control over the administrative centers.

I believe, that this will lead to a clearer categorical domination of the public opinion, that supports the democratic changes and the market transformation of the economy.

The second criterion for completeness of the transition is the presence of *market behavior* of the economic subjects, and more precisely:

- the economy should function on the principal "negotiation – agreement", including the freedom of vote, and equal rights for producers and consumers;
- commercializing all the objects of property and turning them into business factors in the conditions of normal resource markets – labor capital, land, intellectual property;
- loyalty of competition, which is incompatible with any manifestation of monopoly, intrusion of contracts, concealing of incomes, etc.;
- social responsibility of the business, because stable economic development can exist only in conditions of social equilibrium, and vice versa – social hegemony exists only when the economy flourishes.

The conditions needed to accomplish all the above are already presented. The institutional and organizational-functional vacuum that emerged after the collapse of the socialistic system is beginning to be filled in by the new political, social, and economic relations. The integration of the national economy in the European economical environment is in progress.

The third quality criterion for the completeness of the transition is the ability of the acquired economic competency to resist outer convulsion, as well as inner pressure of any kind. A confirmation for this is the challenge, to which our country was subjected in 1999 when affected by the Asian and Russian financial crisis, the Kosovo crisis, the crisis in the trade balance, the collapse of the Euro in respect of US dollar, and from here the enlargement of the debt burden and the present corruption disturbances.

Of course, we should have in mind, that in Bulgaria still:

- the processes are dialectical: the amplification of the state system is regarded as “manacles for the business”; the economic liberalism increases the social insecurity; the consistency in the politics of the transition is regarded as “market fundamentalism”. This ambivalence is not an evidence for maturity;

- the private sector is impotent. It does not accomplish the market opportunities, arising from the closed state companies. Old stereotypes for behavior are presented, as for example – waiting for a decision from “above”, do not undertaking risky tasks, making “economy in shadow”, etc.;

- the weighted GDP is the lowest (with the exception of Romania) among the countries applying for membership in EU. The unemployment is inconveniently high and with the growth of 3-4% can resolve neither the question for total employment, nor the one about the low incomes;

- the relatively high fiscal (taxation and insurance) burden, the not so high credit rating of the country and the opaqueness of the function of the state administration are responsible for the forming of destabilizing factors.

- These points do not create, but rather deprive the society from energy, constrain to social tiredness and cross-personal aggression. The sense of social solidarity is missing.

Despite all this the crucial point of the transition is already surpassed. However, as the proverb says, the end adorns the enterprise. An the end is forthcoming: the accomplishment of stable growth, of abundance and the accession to EU.