

REFERENCES

THE ECONOMIC REFORM IN THE YEARS OF TRANSITION

The book of Associate Professor Vasil Manov, Ph.D.* from the University of National and World Economy appeared on the market.

The author is well known among the science-economist stratum for the particular precision and consistence of his scientific research. Because of this the high quality of his work is not surprising at all.

This is a multifaceted survey of the transition process in Bulgarian economy. The survey is product from the decade-long research of the author. In its nature it represents a developed theory for transition to market economy in Bulgaria or more precisely a strategy for future reforms, development, and restructuring. The survey is creatively outlined and executed, and is compiled in an interesting and untraditional way.

Because the topic corresponds and directly involves the philosophy of transition and economic policy so far, the task is extremely extensive, difficult, and responsible. So the courage of the author to commence such a project should be explicitly mentioned.

Another substantial accomplishment of the book is the provocatively stated and supported with arguments theses. Here are just a few examples: there is no need of revolutions (violent or velvet) or reforms (shock or evolutionary) if they do not lead to positive change in the living standard of the people; the property is not the major problem of market economy in the end on the 20th century; the planning (it is meant national planning) – resulting from market development; Bulgaria desperately needs market economy, but not market fundamentalism; the transition form legal to real human freedom – the contents and the reason for transformational processes in economy; free enterprise is not “sacred cow” for a long time now; the orthodox liberal doctrine should be learned as theory and history, but should be followed only to the extend, which the actual circumstances allow; the outer investments – an absolute bounty, but also a pernicious trap for the economy.

Especially prevalent and interesting is the analysis of the convictions, required for governance of the economic system at the current stage and especially in the future. The point is about justification of *the transition from unsystematic to systematic thinking and systematic approach*; about the formulation regarding the relation “or” and the relation “and” in economy; about the damages inflicted when the economic processes are subjected to relation “or”, where in deed between them exists a relation of type “and”. Later is formulated the conception for *the knew role of the objectives as a generator for development opportunities*, the conception for the diverse character of the relationships in accommodation of the economic system, for the independent and dependant variables in it.

For excerpting and declaring more precisely and independently the merits of this works, it should be mentioned:

This is the correct and bold conclusion for the inherited conditions and for the opportunities, which arise for future development of the economy. The contribution of the author is the division into periods. The accustomed model of reforms was inconsistent with the inherited conditions and with the determinants of the philosophy of transition set by those conditions. And because of that occurred a process of aggravating the crisis in the period of transition.

The predominant result from the transition so far is escalation of violence and corruption. It is approved that the major reason for this is the philosophy of the implied

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reform. Regularly and consistently it lead to escalation of violence and this result has been inevitable from the very beginning of the transition.

Of special interest itself is the idea of making conclusions for the failed transition and for what had happened to Bulgarian economy in the past 55 years, as well the realization of this idea. The most important theoretical synopses and conclusions of the book are represented in the following:

The basic purpose of the transformational processes in economy is leading to positive change in the living standard of the people. Sustaining the poverty is a guarantee for success of the reforms.

Explaining the importance of the real objective of transformation processes and the role of the state in governing the economy. It gives a definition for contemporary market economy.

It is emphasized on emergent need for immediate *abolition of prejudices* and need of behaving reasonable when performing the transition. Each modern and conscious of its responsibilities state cannot allow to be in the role of "state – night guard" once more.

In Bulgaria for a long time now we have lived with the notion that market economy is something preliminary clear and widely known. We equated it to privatization, private property, drawing the state out of the economy, to opportunities for trade intermediation and accumulation of capital, etc. Not only good intentions are required for successful transition to modern economy. These are its natural features. The author cites a classical formulation of Ezhby about the infinite number of variables, which can characterize a subject. The main point in this case is to correctly define those variables (or variable), which can characterize the nature of the subjects or the processes going on in it or in which it is involved. If the most idiosyncratic characteristics of the contemporary market economy are not correctly stated, it is inevitable to fall in the traps of market fundamentalism.

Based on the mentioned formulation, V. Manov defines a required and sufficient condition for the presence of market economy. *On first place*, is there a functioning competitiveness presented; is the stratification of the society a result from the individuals' contribution to its progress. The foremost required thing is knowledge of that, to which the contemporary market economy should normally lead, *because it is most explicitly characterized by the accomplished results, and not by the presence of private property or state intervention.*

The contemporary market economy is build upon functioning competition between the economic subjects. The prime objective of the state is to create conditions for achieving such competitiveness, for realization of the innate human zeal for self-assertion, for abundance – material and spiritual. When this zeal, the logic of development, is implemented in the reform processes their success is inevitable. Due to its special importance the functioning competition between the economic subjects is regarded as a criterion, as *lacmus* for recognizing the contemporary market economy. Where the functioning competition is presented, justice and economic productivity is also inevitably presented. Because of that the objective of the economic structure policy is *to create conditions* for the private initiative, the creativity, the flexibility, the innovation, and the investments, or in other words *all inner-driving forces of growth and employment* to develop optimally. Namely this is the way to crate prepositions for meaningful and effective application of the rest instruments of the economic policy.

In the contemporary market economy the state concentrates its attention on what will secure the natural prepositions for life and economic activity.

People decide on their own what they want and what they do not. The state must guarantee freedom to the individual, such that would allow him to independently realize his initiatives. It should only determine the limiting conditions, which would prevent the citizens from obvious failures. This role of the state is big enough and with it its responsibilities terminate.

The most significant thing about the mechanism of contemporary market economy is the adequate concept for the human and for his preliminary aspirations. In this mechanism is implemented the logic for human development from lower to higher stages of civilization. Meanwhile the contemporary social market economy is a system in which individual volatility is minimized. This is a system which everyday peacefully resolves thousands of conflicts of interests and in the same time protects human dignity. The modern market economy is an open system, which allows different goals and values to manifest without aiming to terminate social and economical processes. The vigor of the system is guaranteed by its ability to constantly develop and refine itself according to continuously changing circumstances (conditions), by its ability to perform daily the necessary referendums in the society.

If the transition does not lead to such system, if it produces the unjust and degenerative leveling, if it does not create the natural prepositions for life and economic activity, it can not hope for success and support from the single sovereign – the people.

The contribution for clarifying the *typology* of contemporary market economy is undisputable. According to the author it is not enough to say that reforms in Bulgaria should lead to market economy. There is a need for identifying its typology, which could and should be created in the country. The correct formulation of that question is an absolute prerequisite for successful reforms. The notion about evolution in the nature, the character and the role of the base elements in market economy is made clear. *The freedom of choice, the strategic course and priorities for development and equality of the economic agents are stated as basic content and characteristics of the typology of modern market economy.*

The question about the role of national planning in this typology is profoundly analyzed. It acts as an instrument for designing strategic course and priorities for development; *it is a device for managing the phenomenon complexity and for applying the systematic approach in the exploration and supervision of this phenomenon.* It is reached to the conclusion that *planning is a natural descendant and major result* from the development of the market and the transformation of national economy into a complex economic system. The question “*what is*” and “*what is not*” national planning is answered. National planning is understood and regarded as a great creative, cognitive, and researching process. Its extraordinary and liberating mission is mentioned.

Without the presence of national strategy for development and restructuring, expedient and successful reforms cannot exist. The major condition for a process of changes to be qualified as reform is the presence of national strategy. There could not be a random exit from the destruction. In economy there are neither easy, nor magical solutions. There could not be a successful disentangling (breaking) of the chains of transition problems without a complete and internally synchronized economic policy.

The research over the subject (national economy) is held in its natural environment. Symbolically, there is a difference made between the visible and invisible, between the iceberg and the deepness. And from here comes the significant conclusion that the governance of a system is unambiguously predefined by the terms of its anatomy and physiology, by the depths of its structure. Each sick economy needs specific therapy. The reforms require painful thinking process rather than improvisations. Without cautious and caring attitude toward the heritage we could not have successful reforms and development.

The economic reality in Bulgaria *is tired of the implementation* of one or another schemes. The submission to foreign formulas is dangerous. The change in political friendship and patronage should yield to the eternity of state's interests.

Without economic growth there could not be a successful transformation process of the Bulgarian economy. The growth is presented and explored as an expression of the logic of human development toward the higher stages of civilization. The type of economic growth in the developed countries in the end of 20th century is characterized. There is mentioned a correspondence with the factors for growth in Bulgaria and with the theses for development of the economy from the end of 20th century.

In the context of enthusiasm and credulity that accompany the discussions about using foreign savings, a sober statement is made about the kind of conditions required for them to turn into a factor of growth. Excessively worthy are the analyses and conclusions about "when they are incontestable wealth" and "*when they are the most confident way to loss of national sovereignty*".

Privatization is not panacea. What is its potential as a factor of growth? The author regards the privatization only as a mean of increasing the productivity of national economy.

Without science and scientific research there can be neither design, not realization of the required national strategy for development and restructuring of the economy. The author has stated the role of science and technical progress in society development. *The presence of national science is essential for development*. The author analyzes the objective tendencies in technological and structural reorganization of the economy in the developed countries on the base of science and technological innovations. This is an important indicator for setting the direction for structural reorganization of Bulgarian economy. He makes the conclusion that financing science and scientific research is expensive for each country, but not financing them is times more expensive. The relationship power-science is impartially analyzed as a factor of economic growth.

It is necessary to mention that some of the stated and supported theses are familiar to the experts. In the past nearly 10-year period, despite the extremely insufficient and difficult financial and informational support, associate professor Manov was among the few professors who engaged themselves persistently and systematically with scientific research.

There is no other way but to admit the fact that the book was first published by the most eminent economical Russian publisher – "Economy". In the last few years most of its authors are leading, world-famous authorities (incl. Nobel laureates) of the economic science.

The discussed problems and the attested conclusions about the transformational processes in the Bulgarian economy are as well valid for the rest of Central and Eastern European countries and would be interesting and valuable for their science stratum and their future governance.

Probably in this work Prof. Manov presents the core, the quintessence of his not harsh, but rather consistent and systematic efforts and scientific surveys. He does not pretend to have created universal formulas or to have given the single correct answer. Due to the complexity of the surveyed problems his objective is to inspire comments and discussions in broader social stratum. This is one of the indisputable virtues of the criticized book.

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