

Associate Professor Bogomil Manov, PhD

REPRODUCTION OF THE INDIVIDUAL AND THE POPULATION IN BULGARIA AND IN THE EUROPEAN UNION UNDER THE CONTEMPORARY FINANCIAL AND ECONOMIC CRISIS

The article clarifies the essence, the specifics and the dynamics of conditions and factors that influence the reproduction of the individual and the population as a whole in Bulgaria and in the European Union. The study is specified for the current financial and economic crisis. The analyzes and assessments in the study show that Bulgaria has the possibility to improve the financial potential for investments in economic growth and that this objective can be reached without encountering major risks.

JEL: J01; J08

The reproduction of the individual and the population under the financial and economic crisis requires clarification of their essence, dynamics and specifics at the contemporary stage.

Firstly, Reproduction in its essence is inherent funding of the individual's needs for normal development. In view of this fundamental function, it has different characteristics and specific content: its starting points are the scientifically grounded physiological requirements for the human life; it reflects the influence of religious, climatic, traditional – consumer and other interrelated factors. Their significance and dynamics require frequent modifications of the level of satisfied needs. The political factors also play a specific role and influence this level. They can be forecasted and estimated and the more precise they are, the more exactly the level of satisfied needs could be determined. The level of inflation, respectively deflation in economy also have an impact on the satisfied needs. The picture of factors and their interactions would not be realistic, if it is not referred to a specific state of economic development – normal, recession, depression or crisis. In conclusion, as the needs are dynamic values, the nature of their satisfaction is also dynamic.

Secondly, the contemporary financial and economic crisis is characterized by several features: it arises, operates and develops under the conditions of "struggle" and dichotomy of two official "collective" currencies – USD and Euro, being also reserve currencies; the two currencies suffer the influence of countries with outrunning economic growth (China, Brazil, Russia, India, South Africa) intending to create a currency to oppose them. It is going to be a third collective currency of global significance, to change radically the current economic situation all over the world. It is also intending to become a reserve currency. The above countries have accumulated great economic and financial potential and the countries having as collective currency the US Dollar and Euro are forced to comply with it. Bulgaria should also "conform" to this fact and to maneuver among the countries, using the US Dollar, Euro and the new collective currency, which is expected to appear. The reason thereto is obvious – our country is not a factor with major influence on the global economic development. It is a member of EU, but not of the Eurozone. It is interested in developing equal and mutually beneficial trade relation with the European countries, the USA and with all the other countries. Therefore mutually

beneficial joint decisions should be searched without "vassalage" towards experienced and suffered principles and behavior, which are inconsistent with the political and economic interests of the country. Meanwhile the commitments and arrangements with all countries, that have been made must be observed.

In the third place, the current cost of living as a basis for the reproduction of the individual and the population is generated under the financial and economic crisis. The crisis influences the cost of living, predetermining it in general not as a necessary one, but as "actual". It reflects on the parameters and the dynamics of consumption, being characterized as insufficient and negative. Under the crisis conditions the question of the survival of the individual and of the entire population, especially of a country with a low economic potential is considered with priority. Under these conditions the reaction of the individual and the entire population is negative. It results in changes in the parameters of the crisis, increasing its duration and retention of the forthcoming recession for a longer period of time. Negative trends occur and are developing in the financial-credit system, in the sphere of loans, investments, and finally in the consumption of the individual and of the population. Consumption is generated only and mainly with the primary necessities (the sine qua non for cost of living). It is necessary and even inevitable to "synchronize" the cost of living in general (and especially in today's financial and economic crisis) with the parameters and the development of other systems of society and the state. For these reasons it is necessary not to be enslaved to the priorities of other systems at its account, limiting its parameters under the subsistence level– the level, beneath which live more than 20% of the population of Bulgaria and a significant share of the EU population.

Fourth, our country "suffers" the impact of the financial and economic crisis compared to the other countries of the European Union not only because it is in the last place in financial and economic terms, but also in regard to the parameters and dynamics of the cost of living.

Fifth, the main result of the impact of the financial and economic crisis on the cost of living is stable poverty of most of the population, growing problems in the financial system, unbalanced economic growth, high unemployment and low labor productivity. In Bulgaria this is typical due to the high priority of road infrastructure and financial stability at the expense of the cost of living.

Sixth, the crisis results in negative quantitative and qualitative changes and trends in the cost of living and poverty in Bulgaria and the European Union. They are characterized (according to the data in the table below) by: a minimum growth based on GDP per capita of less than 1% only for 9 countries; Britain and Bulgaria retain the dynamics at the same level; the rest of the countries "suffer" negative dynamics; for Bulgaria it is typical to overcome the reduction in economic growth. But the trend of decreasing the actual individual consumption per capita (FIP) is reinforced and the increase in poverty, with negative consequences for employment and the economy, now and in the future.

The cost of living of individuals and groups in the society is practically determined by the costs for satisfying their needs for reproduction. The needs for

reproduction are facing growing discrepancy with the necessary expenses. The needs and expenses are dynamic values with positive or negative impact on human reproduction. This dynamics of them has vertical (temporal) as well as horizontal dimension – for certain stages, by separate towns and villages, regions, countries, states and communities.

Besides the quantitative measure (through costs), the cost of living for reproduction gives important information about the quality of life. Based on it can be evaluated the performance of the overall social and economic policy of the state.

The survival of the poor and the individuals in need is of the highest risk. Socially equitable distribution and redistribution of income and adequate consumption are the alternative for effective reproduction of the individual and the population. Its implementation is functionally dependent on the magnitude of reached GDP and the level of its balanced distribution and redistribution.

In practice, the cost of living for the reproduction of the human population is determined by the value of a specified underlying consumer's basket as of a pre-selected statistically justified period. Crucial moment in the construction of the shopping cart is to determine the quantity and the structure of consumption in the initial (baseline) year because frequent current changes will produce inaccurate results and lead to insufficiently justified conclusions. To further determine the cost of living the actual income and expenditure of households should be taken into account. This suggests to choose an indicator that overcomes the impact of inflation and deflation.

The choice of an indicator is an important time for proper valuation of the consumer basket, adequate to the reproduction of the individual and the population. In practice, we have a choice between different indices, which measure inflation, where as the most important of them are: harmonized index of consumer prices, consumer price index, price index Small Basket, index of industrial producer prices and price index of imports and exports.

The harmonized index of consumer prices (HICP) and the consumer price index (CPI) measure the relative change in the overall level of prices of goods and services used by households for final consumption. They express only the "pure price change", i.e. the change in prices in the current and in the base period and do not measure the value of life. HICP is more appropriate than CPI because it is calculated based on the methodology that is harmonized by individual countries. It is a key measure of price stability in the Euro zone. It takes into account the differences in national methods and thus the national CPI is brought on a comparable basis. Both indices are calculated based on the same consumer basket, but different weights are applied, which also gives rise to a preference towards the HICP. The difference in weights appears in two directions:

firstly, different sources of weights are used - for HICP source for the weights are the national accounts, while the sources for CPI weights are the data from the Survey on the budgets of households;

secondly, the different periods that are used as sources of weights - in HICP during year t calculations are made with weights of year $t-3$), while the in national

CPI value for year t is calculated based on weights from year $t-1$). In the first case weights are used from 3 years ago, and in the second- weight from the previous year. Therefore it is more accurate and appropriate to use HICP for calculating inflation.

Another price index is Small Basket (PISB).¹ It consists of 100 socially useful and vital goods and services, being essential to the biological and social existence and survival and reproduction of individuals and households with relatively low incomes. The sample is made for the lowest income 20% individuals and households. This index is used to analyze poverty at the officially registered inflation in the country.

For international comparisons of income and household expenditure and GDP per capita it is preferable to use the indicator of purchasing power standards (PPS),² rather than purchasing power parity. It helps eliminate price differences between countries and allows a "one PPS" to buy the same amount of goods and services in all countries participating in the comparison.

The main indicators which directly reflect the status of individual consumption and GDP are actual individual consumption per capita (AIC). In 2010 the country with the highest actual consumption per person, expressed in PPS is Luxembourg - 50% above average, followed by the UK - 21%, Germany - 17%, the Netherlands and Austria - 16%, Denmark and Sweden - 14%, France 13% and more. At the same time, GDP per capita above the average for the European Union for the same year was 71% for Luxembourg, only 12% for the UK, 18% in Germany, 33% in the Netherlands and 26% in Austria, 27% and 23% in Denmark and Sweden and 8% in France. For the period 2008 - 2010 with a relatively significant reduction in AIC are Ireland and the three Baltic states. Unfortunately, Bulgaria counts last-place among the EU Member States on both ratios.

In international comparisons of physical volume, AIC is often preferred indicator because it is not affected by the organization of procurement with vital services such as healthcare, which could vary significantly across countries³. The Table gives an overview on AIC and GDP per capita on a comparable basis in PPS (EU27 = 100). The data in the table for the period 2010 - 2008 show the following trends: slight increase in FIP (over 1% for 10 countries); retaining the same level only for Denmark, a slight decrease (over 0.900%) for the majority of countries, greater reduction (less than 0.900%) for Latvia, Lithuania and Estonia. Bulgaria is among the countries with a slight decrease (0.933%).

The figures for these years of financial and economic crisis are indicative about the ineffective economic development and reproduction of the human population in recent years and the inability to lead the country out of the non prestigious final place, the country is in the EU.

¹ National Statistics Institute (NSI). Price index if the small basket (Methodology). Sofia, 2011, www.nsi.bg

² NSI. GDP per capita in EU, measured is purchasing power standards. Sofia, 2011, p. 6, www.nsi.bg

³ http://www.nsi.bg/EPDOCS/ECP_GDP-PPP_2010.pdf

Table

Countries	GDP per capita			AIC* per capita			Tendencies	
	2008	2009	2010	2008	2009	2010	AIC	GDP
Luxembourg	279	266	271	151	153	150	0.993	0.971
Netherlands	134	132	133	119	118	116	0.974	0.992
Ireland	133	128	128	109	103	102	0.995	0.982
Denmark	125	123	127	114	113	114	1.000	1.016
Austria	124	125	126	113	115	116	1.026	1.016
Sweden	124	119	123	115	115	114	0.991	0.991
Belgium	116	118	119	108	109	110	1.018	1.025
Germany	116	116	118	113	116	117	1.035	1.017
Finland	119	115	115	110	110	111	1.009	0.996
Great Britain	112	111	112	124	121	121	0.975	1.000
France	107	108	108	111	113	113	1.110	1.009
Italy	104	104	101	103	103	102	0.990	0.971
Spain	104	103	100	99	95	95	0.959	0.961
Cyprus	99	100	99	108	101	103	0.953	1.000
Greece	92	94	90	104	104	101	0.971	0.978
Slovenia	91	87	85	82	82	80	0.975	0.934
Malta	79	82	83	81	85	83	1.024	1.050
Portugal	78	80	80	83	84	84	1.012	1.025
Czech Republic	81	82	80	69	72	71	1.028	0.987
Slovak Republic	73	73	74	70	72	71	1.014	1.013
Hungary	64	65	65	62	62	60	0.967	1.015
Estonia	69	64	64	64	58	57	0.890	0.927
Poland	56	61	63	61	64	66	1.081	1.125
Lithuania	61	55	57	70	63	61	0.871	0.934
Latvia	56	51	51	59	50	50	0.840	0.910
Romania	47	47	46	49	46	45	0.918	0.978
Bulgaria	44	44	44	45	43	42	0.933	1.000

* AIC - Actual Individual Consumption

Source. www.nsi.bg

Income and living conditions of the EU Member States can be traced through the annually provided data on a harmonized income methodology.⁴ It includes two key indicators - threshold of "at-risk-of-poverty" level and of "at-risk-of-poverty" level. Index level "at-risk-of-poverty" is further defined in detail by the following features: age, sex, activity status, incl. for employees and distribution around the threshold "at risk of poverty."

Threshold "at-risk-of-poverty". Threshold at-risk-of-poverty rate is set at 60% of the national average (median) equivalent disposable income. Threshold "at-risk-of-poverty". Threshold at-risk-of-poverty rate is set at 60% of the national average (median) equivalent disposable income. Known also as poverty line. Poverty line in Bulgaria for 2009 monthly average was 295 BGN. At this rate of poverty line below the poverty have lived 1 564 800 individuals, representing 20.7% of the population. Bulgaria is among the

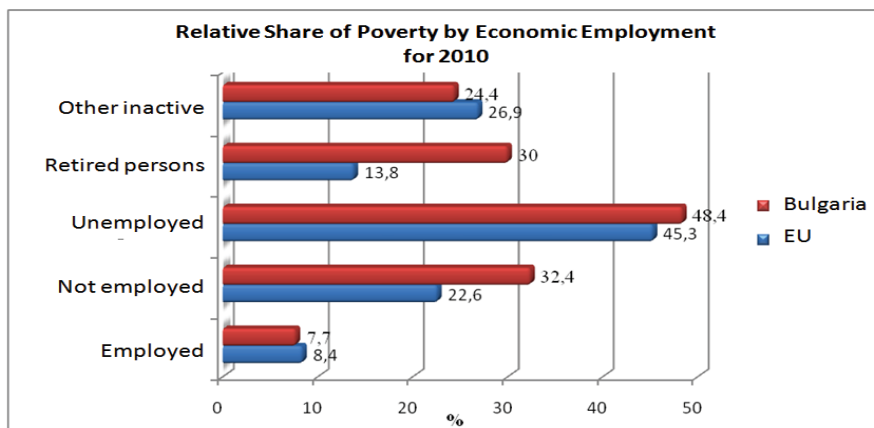
⁴ http://epp.eurostat.ec.europa.eu/portal/page/portal/income_social_inclusion_living_conditions/methodology

countries with the highest percentage of poverty in the EU, together with Latvia - 21.3%, Romania - 21.1%, Greece - 20.1%, Lithuania - 20.2% and Spain 20.7%.⁵

Level "at-risk-of-poverty", by gender and selected age groups. This indicator gives the percentage of general population and a differentiation by age and sex, for the total population or in the respective age or gender subgroup, with equivalent disposable income, which is lower than the threshold of "at-risk-of poverty." In Bulgaria 28.3% of the population has an income below 70% of the national median equivalent disposable income. For the EU, this indicator is 24.2%. The only EU country with the higher share of poor people on this indicator in Latvia - 29.3%. The lowest value of this index is the Czech Republic - 15.5%, which is about ten percentage points lower than the EU average.⁶

Specific risk groups to fall in poverty are the unemployed. Statistics confirm this finding. They provide information on different aspects, but most studies are made for the following features: employed, not employed, unemployed, retired and other inactive. Most affected population groups reflected in the data of Figure 1 are the pensioners, not employed and the unemployed.

Figure 1



Source. Eurostat. At-risk-of poverty rate by most frequent activity status.

In order to be able to measure the disparity of income we are using the S80/S20 ratio.⁷

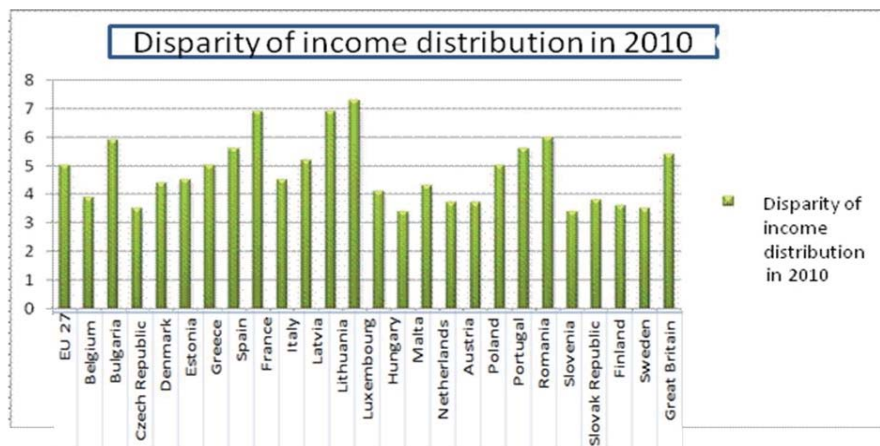
In Bulgaria, the gap between the rich and the poor according to the data in Figure 2 is 5.9 times, while the EU average is 5.0 times.

⁵ Updated national strategy for the demographic development of population of Republic of Bulgaria (2012 - 2030), p. 57.

⁶ Eurostat. Dispersion around the at-risk-of-poverty threshold

⁷ It is the ratio of the sum of the equivalent disposable income received by the 20 percent of the population who have the highest disposable income (top quintile interval) to that of the 20 percent who received the lowest disposable income (the quintile lower level).

Figure 2

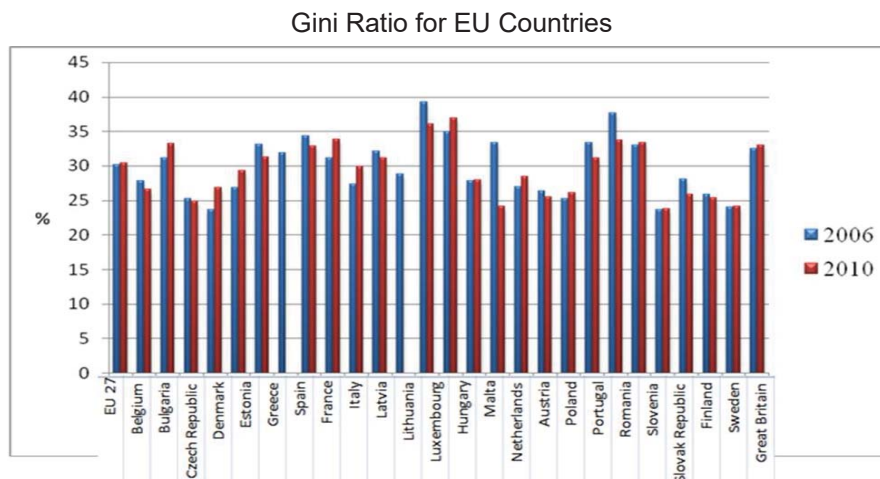


Source. Eurostat. Inequality of income distribution.

The largest difference in the relationship between income of the rich 20% and the poor 20% households is in Lithuania - 7.3 times, Spain - 6.9 times, Latvia - 6.9 times and Romania - 6 times. The lowest income inequality among these groups of households is in Hungary - 3.4 times, Slovenia - 3.4 times, Sweden - 3.5 times, Czech Republic - 3.5 times.

Inequality of income distribution can be also measured by using the Gini coefficient (Figure 3).

Figure 3



Source. Eurostat. Gini Coefficient.

Notably, in the period from 2006 to 2010, it has declining trend - from 35.3% in 2006 down to 33.2% in 2010. For the EU, its rates are ranging from 30.2% for 2006 to 30.4% for 2010.

The analysis of income and poverty differentiation justifies a recommendation to remove the flat tax and to introduce differentiated taxation. This will reduce the differentiation of their income from labor, and thus the level of poverty among the working poor. For them, it is appropriate to introduce the non-taxable minimum threshold. Thus the negative consequences of the crisis will be borne more easily by individual groups. Serious Reserves exist also through the allocation mechanism in two directions - one is in increase of the state quota GDP (for 2012 is planned at the rate of 36.6%), which is below the average for the EU planned⁸ for the same year and the other - in shaping the seized funds towards generating of employment and fields to the spheres, which bear the technical progress, inclusive the education sector.

Issues related to the reproduction of the individual and the population in Bulgaria in today's financial and economic crisis two main trends are outlined: first, it is implemented under the conditions of increasing poverty; second, it happens in the poorest EU Member state. Overcoming of the negative trends requires reassessment of economic and social policy now and in the near future. Some aspects and trends in this area require certain immediate changes. Policy in general is a synchronization of the elements of a system and it is an irrevocable requirement for the economy, society, population and social sphere; In this synchronization priority requirements can occur for the development of the individual components of the system - construction, technological, structural, reproduction etc, having certain limits. They should not be violated, because it would result in disturbing the necessary parameters of the other elements of the system. Otherwise negative trends arise in their development and in the entire socio-economic system of the country. Therefore, priorities cannot grow beyond what is necessary for all elements of the system. If there are insufficient resources for the necessary parameters for development, reduced development of the whole system is perceived, including priority elements. In the reality of the financial and economic crisis the development proportion between the infrastructure and financial system stability and the reproduction of population is disturbed; The retention of human reproduction gives rise not only to low standard of living but it determines in the near term unqualified human resources. The elimination of this negative trend requires synchronization of the financial stability and of the infrastructure system with the systems of human reproduction, the educational and technological systems, which are the basis of knowledge; which are crucial for effective development and which are prerequisites for the release from the "trap" of being in the last place in the EU.

⁸ European Commission. Public finances in EMU – 2011. Commission services ' Spring 2011 Economic Forecast.

The period after 2010 (2011 and June 2012) continues the negative impact of the financial and economic crisis on the reproduction of the individual and of the population in Bulgaria and the EU. The main risky proportions are preserved: financial stability - rising unemployment, slower economic growth, reduced consumption and high percentage of population with poverty-based living standard. The most important parameter characteristics are: *First*, the financial stability was prompted by declining financial potential, and reserve. *Second*, unemployment runs over 10% and gravitates to 12-13% with young people's and post-graduates' unemployment forming the "center of gravity" with more than 25%. *Third*, economic growth falls below 2 to 1.5% and EU warns of 0.5% rate. *Fourth*, retention and consumption reduction, as a fundamental condition for economic and social advancement, accompanied by a high percentage of food costs and limited costs for acquisition of knowledge. *Fifth*, poverty provokes labor, social and public activity. A large part of the long-term unemployed (more than 50 thousands) are disillusioned and have not registered themselves as unemployed.

What are the options for reducing the negative trends? Positive roles are playing the positions and activity towards: financial stability; priority development of roads and other infrastructure is also necessary; their intensive development is also necessary. The priority development in general and in these areas is economically, socially, financially and in perspective related to the other areas of community development, which could provoke a negative influence on their development. These are: the reproduction of the individual and of the population; consumption as a realization of the reproduction of the individual and of the population and the conditions for future financial stability; science as an opportunity to reveal the objective possibilities for more effective development; culture, as a condition for a richer and more meaningful development of individual in general and as well as a labor factor; education, as a foundation of knowledge and more.

Which are the requirements and the conditions for reduction of the existing shortcomings and contradictions? *First*, to detect the parameters of the socio-economic system structure. *Second*, justification of priority development of its specific subsystems and the parameters of this development. *Third*, delimitation of the objective conditions for the remaining subsystems development, under which they begin negative development. *Fourth*, identification and substantiation of the ratio of priority development.

Therefore, it is objectively necessary to comply with the conditions and requirements for balanced, consistent development of the socio-economic and social systems at a given stage of development. Policies, practices and strategies towards reduction of the financial and economic crisis genitive impact on the economic and social development of the EU and Bulgaria and on the reproduction of the individual as a fundamental objective of the society eventually emerge in the following areas:

First, a trend is formed towards reduction of the contradiction and of the tension in the relationship financial stability - poverty – reproduction of the

individual and of the population. For the first time in recent years the detention of pensions and wages is being "defrosted in several directions: their increase is intended; systems are developed for their tying to the results of the production, the economy and the financial stability. Measures and methods are recommended to lower costs by staff reduction. Options and models are developed for increase of the retirement age, mainly smoothly with 4 months per year. Strict control is implemented to overcome the false disability. The period for gaining eligibility to retire is increased. Options are developed to improve the pension insurance through removing the maximum limit of 2000 BGN, within which contributions from the wages and income are made. The issue of additional compulsory and voluntary pension insurance models is being seriously discussed. Serious discussions on the investment potential of the funds of these types of pension insurance and its market usage and sale. The silver Fund is also subject to a vigorous discussion about its market use and implementation. Strengthened control over the actually received salaries and other income as a factor for funding the pension and social security, the real factor for the reproduction of the individual and the population.

Second, unemployment, illness, accidents, holidays, absenteeism, etc as sources of increasing the financial and investment potential of production and the economy are increasing more than in the EU and this fact continuously keeps Bulgaria on the non-prestigious 27th place. Unemployment exceeds 12% whereas it is under 10% for the EU. Labor accidents exceed the EU average; highest number of bank holidays in the whole EU and diseases result in loss of working days on one hand and require additional funding on the other hand. An attempt is made to strengthen the control over the unscrupulous rising of unemployment, illness, labor accidents, etc., but the effectiveness of its application is still insufficient. The results of utilizing EU funds are still insufficient. The employment and internship programs for young people and specialists, which are hired by owners and managers of commercial and other entities, are now developing well. This helps reduce unemployment among young specialists including higher education graduates, which gravitates to 20-25%. Very serious negative impact is the young professionals, which are leaving the country. The underlying reasons in this respect are the lower wages than the EU wages.

Third, the negative effect of the a.m. factors to the priority of financial stability and insufficient funding of the reproduction of the individual and of the population is typically excused with funding shortages and this is the reason why the focus goes to cost savings rather than to revenue sources and this is how a "vicious circle" of long-term discrepancy is fallen into. The solution of the issue requires: detection of the dialectics between unity and contradiction - "expenses - income" or vice versa. In order to have expenses in place, there must be incomes - and this should become a priority in policy and practice - financial stability - reproduction of the individual and of the population. A key direction for resolving that conflict is the investment for economic growth. In this regard, the debt (public, private and corporate) should be "liberated", currently detained at the level of 20 to

25% compared to 80-85% in the EU, because at the current state, as debt is kept at an ineffective level, it becomes a negative factor instead of a positive factor for the investment in production, the economy and the reproduction. The same goes for the deficit stopped at well below 3 percent of GDP, instead of using the EU 3% limit; f) thus GDP growth is detained and it depends on demand - internal (private, public, investment) and external, this way economic growth is restrained as well as the investment in the reproduction of the individual, which is a factor for the economic growth. The decreasing demand becomes factor for reduced consumption, which in turn limits the expansion of production and investment, because ultimately consumption is realization of the produced goods and if it is shrinking, production cannot be expanded and cannot finance stability and effective reproduction of the individual and of the population.

Fourth, discussions, interpretations and publications are created over the covered issues of financial stability and human consumption as a factor for human reproduction by many experts in the field of economics, finance, philosophers, sociologists and others. Most impressive and up-to-date are the publications of Prof. Corresponding member Ivan Angelov.⁹ He basically summarizes current problems in these areas. We share his overall analytical assessments, recommendations and guidelines for dealing with contemporary conflict between modern financial economic crisis, financial stability and consumption, as factors in the reproduction of the individual and the population in the EU and Bulgaria.

The main findings, conclusions, and recommendations for measures to reduce the negative impact of the crisis are: the assessment of the previous major global crises especially for the left shift of the intellectuals; the current crisis "... has not led to any results"¹⁰; "residing in power, the Left parties in Eastern Europe were directly or indirectly complicit in the crime restoration of bandit capitalism";¹¹ d) Party of European Socialists (PES) should not miss their historical chance to show to European citizens and mankind the path towards a humane society and outline its main characteristics "¹²; "Peace or war out of this economic crisis"¹³, with an assessment that the measures for going out of the crisis used at that time by President Roosevelt did not work out and the exit was World War II. According to Ivan Angelov the measures for peaceful exit of the current crisis of the U.S., Europe and Japan do not give conclusive results"¹⁴; g) "GDP growth, used as a core, strong and simple criteria for exit from the crisis is very rude and unreliable measure of progress and prosperity of nations"¹⁵; In his assessment of GDP

⁹ Angelov, I. Alternative economic strategy and policy of PES. - "Duma" newspaper, March, 6th 2012.

¹⁰ Ibid.

¹¹ Ibid.

¹² Ibid.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Ibid.

growth in the pre-crisis year in the U.S. fell 3.8 percent in the crisis year 2009 and 3.5% in 2010 and increased by 3% in 2011 falling to 1.6%, and for 2012 predicted to 1.3 percent; h) EU GDP grew on annual average 2.5 to 3.2% in the pre-crisis years, grew by 4.3 percent in the crisis year 2009, 2.0% in 2010, and 1.5% in 2011, and the unemployment rate was 6.7% in early 2008, after 9.9% in 2011; k) in the current debt crisis and brutal restrictive policy Europe faces a decade of economic stagnation, high unemployment, declining real incomes and increasing social polarization.¹⁶

We share as a whole the proposed 37 specific and actual measures to alleviate the effects of the crisis¹⁷ summarized in three more specific tasks: firstly, encouragement of the consumption of the poor and middle class who buy mainly domestically produced products and services; secondly, europeanization of the tax system towards fairer tax burden; thirdly, increase in investment in infrastructure and high-tech and export-oriented industries and more effective use of EU Structural Funds.

The main priorities, fixed when setting up the budget in Bulgaria and the EU are: creating condition for sound development of the economy, finance, social infrastructure and reproduction of the individual and of the population; providing resources for this development; the effective use of all the available resources.

These factors and conditions are elements of the system of public-economic and social development - budget. When the factors for their mutual influence, their parameters and their trends are revealed and justified scientifically and implemented as policy, then balanced development is realized. When the budget reflects in qualitative and quantitative direction the above mutual influence, then it acquires the content of a balanced budget. However, if there are disturbances and abnormal development of individual or multiple items, they "provoke" the normal execution of the budget and require adjustments in it. In case of a permanent and significant departure a crisis arises in the budget performance and disturbances appear in the social-economic and social development, inclusive in the reproduction of the individual of the population and in the financial stability. In this regard there is a ground for the evaluation by Prof. Ivan Angelov that having a balanced budget during crisis is a bloomer.¹⁸

Every crisis distorts the development of the elements of the budget system and of course makes impossible its normal compiling and development to correspond to its elements. This requires re-balancing of the budget or if a new one is prepared it should reflect the impact of the financial and economic crisis. It should be taken into account which are the elements; their parameters; are changes positive or negative; which elements of the budget system are affected and the parameters of this impact; how much and how to reflect this influence

¹⁶ Angelov, I. Op. cit.

¹⁷ Angelov, I. "Duma" newspaper, 20 January 2012.

¹⁸ Angelov, I. "Duma" newspaper, 12 April 2012.

without going beyond the boundary of the objective necessary amendments of the affected elements; this is generally essential for the reproduction of the individually and especially as a labor subject, because it affects its current or future effect over the efficiency of the economy.

Therefore, balancing of the budgets can and should be done in a given period or dynamically, in dependence of the development of the economy, society, the state of financial stability and the reproduction of the individual and of the society as a factor, base and the meaning of human development in general.

The European Union also operates on a broader basis in the conditions of financial - economic crisis. In the field of social economic development GDP is seen as a major factor for financial stability and reproduction in general and for the individual and the population. It is evaluated against EU economic growth and stability and against the role of the Euro in the terms of financial and economic crisis and its future is being discussed. Analyzes are carried out and its position is systematically followed in relation to the dollar and the currencies of other countries with high potential and development of their international market relations. Adjusting parameters have been provided, which are critical to the development and financial stability of the EU and its 27 Member States. It is perceived that financial stability is present if the indicator Share of public debt in GDP is not more than 60% (taking into account both the public and the average debt): for January 2012 their values were 82.5% of GDP in the EU and 15.2% in Bulgaria.

For Bulgaria this percentage is bound positively with financial stability, but limits the investment potential and economic growth, which is estimated at and over 2%, but EU warns that it could fall to 0.5%. This impacts negatively the unemployment, wages, pensions and social spending and orients the reproduction of the individual and the population towards the minimum limits of its funding and reduces the participation of the labor factor in the economic development and growth.

The EU also sets a deficit limit - 3% GDP to avoid a crisis in the financial potential of the state to maintain out-of-crisis development in the economy, in the finance and especially in the funding of social and other infrastructure. The budget deficit for Bulgaria is kept below the aforementioned 3% in view of the financial stability, but it is considered that it can be reached closer and thus improve its financial potential in regard to the revenue and expenditure for 2012 and 2013 and the following years in terms of the ongoing financial and economic crisis. In 2012 in comparison to 2011, this potential increases for the revenues with 1.059%, whereas the expenses form budgetary balance – 1 556 725.3 BGN. Therefore, an increase of the budget deficit to 3% has its economic and social grounds.

Analyzes and evaluations show that, even preserving its financial stability, Bulgaria is able to improve the financial potential for investment in economic growth and in social development, without major risks in the ongoing financial crisis and that it is able to emerge from the non-prestigious last 27th place in the EU

8.V.2012