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## **A MANAGEMENT START OF THE INSTITUTIONAL CHANGE OF BULGARIAN ECONOMY IS NEEDED**

The author states that Bulgarian economy cannot be cured of its endemic deficiencies by means of conventional reforming. Radical actions are required to modernize it. A specific analytical instrument is applied – the so called *Socio-matrix scanner*. The main conclusions based on the performed analysis are presented. In addition, the most important changes on the *market* and in the *country* are also set forth whereby modernization should start.

JEL: D02; D04

Keywords: *reforming; modernizing; snowflake; roulette; socio-matrix scanner*

### **What is meant by “economic modernization”? Why and when is it necessary?**

It is well known that economic development is not and cannot be fully manageable as it depends on variables and only some of them are subject to conscientious control. Unavoidably and periodically some negative fluctuations and trends do occur – stagnation, slow growth, recession, depression, unacceptable inequalities, poverty, ecological damages, etc., which, reasonably are unfavourable: initially by some people, then by other people and finally an increasing number of people become discontent. Dissatisfaction grows when urgent changes are not being implemented but put off – due to governance incapacity, conformism and corruption, as well as for the comfort of the stakeholders willing to preserve the status quo.

Thus, the urgency of *reforming* becomes clear, understood as *deliberate impact on the manageable variables in the context of changes, which have occurred in the condition of the unmanageable variables*. There have been taken into account the adaptations of structures, policies, strategies, laws and current practices to newly arisen or newly emerging external and internal conditions, while preserving the formal and informal institutions established over the years. The implementation of these current changes is always necessary. They are an expression of economic dynamism – sustainable or not. In this context the constant reformation efforts constitute an irrevocable obligation of each and every governance – public of private.

And yet, urgent changes are not always within the scope of ability of reforming. Very deep alterations occur also in the circumstances as an effect of developments and trends which permanently aggravate living conditions and endanger the future existence of many people. We face fateful crossroads called “bifurcation points” in the theory of chaos and questions arise like “Where shall we go from here on”? A necessity arises of *institutional changes*, that is, the revision of informal and formal values, norms, stereotypes and traditions regulating imperceptibly and to a large

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extent unflinchingly the relations among people in a given society. Because the reforms within the existing institutions do not provide the expected results. Thus, we enter the zone of *modernization*, where it is not very clear what exactly should be done and how it is possible to do it.

Distinguishing the need for reform and modernization is not only a topic of academic importance. It also has a huge practical meaning as it involves different focus, visions, strategies, resource-intensiveness and scale of management interventions and their implications. In one case, it is a matter of adaptation and improvement, and in the other case - about changing the way. One is short and medium-term oriented, and the other is long-term oriented. One complements, adjusts, upgrades, and essentially stabilizes, and the other - reconstructs, restructures, redirects, and in fact activates the development.

The similarity between reforming and modernizing is the "*dissatisfaction with the status quo and the intention to change it*", and the differences between them reflect the specific features of management intentions and ambitions, taking into account the depth, breadth and drama of dissatisfaction with the existing situation. If those in power implement timely, consistent and coherent reforms, modernization may take place gradually and imperceptibly. Otherwise, problems worsen, discontents accumulate, the expected changes become more radical, and the necessary changes require extreme governance and management efforts

### **Is economic modernization necessary to Bulgaria?**

There are different starting points in the interpretation of economic modernization, some of which have become trivial. For example, the transition from agrarian, through industrial, to digital economy, or the ideology-based concept "feudalism → capitalism → socialism → ...?". Much more meaningful are the meta-sociological characteristics of modernization - a transition from *traditional society* with key values - collectivism, preservation, closeness, hereditary privileges and aristocratic rule to a modern society based on other values - individualism, innovation, progress, openness, free market and democratic governance. This approach is more productive in seeking and finding the answer to the question asked, but it is too abstract, it has too universal claims, and it is not unfamiliar to the unscientific eschatological approach. Today this is becoming obvious!

In order to be confident that modernization and not the ordinary reformation is necessary for Bulgarian economy, we will have to answer the following question: "*Is there a self-sustaining trend towards a stagnation or decline of the economic potential of the country and a retention or reduction of the efficiency coefficient of this potential?*" Thus asked, it is incompatible with deliberate values and ideologically weighted judgments.

The correct answer to this question could be found by means of the traditional economic analysis and the available statistics for the economic development of our country during the last 20, 25, 30 or more years. I waive this approach, as it has already been applied more than once. I prefer to take advantage of the opportunities for diagnostics and analysis offered by a new scientific platform, which I have

A management start of the institutional change of Bulgarian economy is needed

developed, the so-called "*Socio-matrix Scanner*".<sup>1</sup> In this particular case, this platform is implemented as a tool for structured intuitive analysis. "Intuitive" because there is no available reporting or statistical information for a quantitative survey, and yet there is an opportunity for conceptualized and visualized modelling and structuring of reality in a non-standard and creative way

The main conclusions made for the system of this analysis are as follows:

*Firstly*, Bulgarian economy from 1980 to 1997 has been declining, as the changes of the end of 1989, despite their fundamental nature, failed to stop it. However, important institutional changes were initiated, the economic effect of which was controversial over that period of time.

*Secondly*, since 1997 the economy has been growing steadily but slowly. This can be interpreted as relatively favourable, compared to the crisis situation in 1997, after over 15 years of continuous decline. During that period the economic potential of the country has suffered great losses, and the extent of its use has collapsed, mainly due to unpreparedness, mimicry and corruption of the government and as a consequence of the perverse (quasi) market. Then the recovery began, but given its sluggish pace, the inconsistency and divergence of reforms, it is not unexpected that our economy has collapsed to the bottom in the EU where we are now. For a large part of Bulgarian population, this path of development is already unacceptable, hence, *institutional modernization of economy* is indispensable.

*Thirdly*, some manifestations of economic dynamics over the past 30 years and the characteristics of our economic status today, such as the potential for investment, technology and production growth, higher productivity and economic efficiency, living standards, etc., outline a long-term adverse trend and pose serious risks, even in the medium term. The opportunities for reforms that have been missed, over the years our chances of achieving economic prosperity have greatly worsened, and today, in my view, *reforming is already powerless without economic re-institutionalization*. If decisive actions in this direction are not launched as soon as possible, a good future may be deemed threatened indeed.

This conclusion is also supported by the increasing external risks faced by our country - the decay of global order after the bipolar model dissipation, economic crises, sluggish and contradictory global economic growth achieved mainly by unorthodox and controversial methods to stimulate spending, incipient scepticism caused by the problems of integration and effectiveness of the overall EU market, by Brexit, by chaotic and unexpected actions of the new US president, by the globally rising populism, by geopolitically motivated hollow external influences, with negative consequences for the country, etc.

There are other interpretations of the "Bulgarian case" presenting the situation in much more favorable light. There are indisputable data as it is known. Their selection

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<sup>1</sup> *Scanner* –  $SxRz(t)$  is a complex model of society elaborated by the author, which comprises 72 interacting components obtained from the mutual penetration of 9 *Roulettes* –  $Rz(t)$ , where  $z=8$  and 8 snowflakes –  $Sx(t)$ , where  $=9$ .

and interpretation, however, can be disputed. This dispute, however, is not a subject in this particular case. And it does not seem to be justified, as there is no justification for the fact that comparisons with other EU member states are shattering to our national dignity, and the nation is fading away and perishing faster than the most pessimistic expectations.

### **"The snowflake"<sup>2</sup> alerts about erosion in the social foundation of our economic development**

The advantage of the *Scanner* as an approach in this case is that it interprets economy not as a separate social subsystem but as a foundation of public life, in the construction, maintenance and development of which all social subjects are obliged to participate as best as possible. The idea that some have to work for the material living conditions and others to find their place "under the sun" as their consumers, distributors, and so on is immoral, defective in socio-political terms and harmful in economic terms.

The *snowflake*, as a model of the 9 types of networked interactions between social subjects signals the existence of the following issues:

*Firstly*, the melting population of Bulgaria, mainly due to low birth rates and emigration (on average population decreases by 25,000 individuals every year!), reduces dangerously the human potential of Bulgarian economy. Businesses are reporting a growing shortage of staff - any type of staff, not only highly skilled, everywhere and for everything

*Secondly*, there is limited and declining involvement of specific groups of people in the economic life of the country for various reasons - skills shortages, demoralized motivation, marginalization, stagnation and market underdevelopment, low pay, bad working conditions, poorly functioning social support systems, discrediting the principle of "deservedness", growing bureaucracy, which increasingly hinders innovation and entrepreneurship, etc. The deepening isolation from real life of the true elites is also disturbing, to the advantage of the power and self-interest-driven "policy makers" and the "intellectuals" offering themselves for purposeful use, which aggravates further the altogether not very high quality of everything we do in our country.

This reduces inflows to the economy, but increases its outflows.

*Thirdly*, the natural interactions within the Snowflake are replaced by unnatural unidirectional impacts, as a result of which some subjects arbitrarily dominate over others, and thus the social texture of society is eroded by growing "caverns" (overthrown and sublimating subjects) and "tumors" (hypertrophied and privileged subjects). For instance, *our civil society* is full of non-authentic NGOs, sometimes

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<sup>2</sup> By Snowflake  $S_x(t)$  in this case is meant 9-element (*individuals* -  $i$ , *groups of individuals* -  $\sum i$ , *civil society* -  $F\sum i$ , *organizations* -  $j$ , *groups of organizations* -  $\sum j$ , *market* -  $F\sum j$ , *state* -  $G$ , *a group of states* -  $\sum G$ , *global world* -  $F\sum G$ ) matrix model representing the subjective structure of society (for more explanations see Stavrev, 2016).

A management start of the institutional change of Bulgarian economy is needed

having generous financing, the source and method of which however, is obscure - governmental, corporate, foreign, and so on. The sad situation of Bulgarian media is a well-known fact - hidden owners, dependencies, officiousness to the management, corruption among journalists, etc., which turns them from a means of informing into advertising agencies for those in power, sponsors and "friends" and into bullying clubs for their opponents and rivals. And this does not contribute at all to a healthy economic life, but just the opposite. *Markets*, in turn, are extremely influenced by state and oligarchic patronage of some individuals, and respectively, discrimination against other market players, by illegitimate groups of influences distorting market-driven competitiveness, etc. Thus, in many cases, there is no market competition and market impact on the economic life, and there are interventions by non-market forces generating quasi-monopolies, winners and losers without merit, exhausting, damaging and demeaning the market. Same applies to the *state*, unnaturally "upgraded" by nationally irresponsible forces to the protection of private and/or foreign interests and objectives that are alien to its nature.

*Fourthly*, we do not take sufficient advantage of globalization to expand basic national capabilities, for various reasons - imperceptibility of the state, absence of nationally responsible leaders, leaders and elites, and problematic EU involvement in the economic, political and cultural revival of the country. Suffice to mention the fragile and often dubious usefulness of the billions of euros, favored free of charge by Europe to the country, lavishly embellished with verbose, incomprehensible and bureaucratic reports on the legitimate "absorption" of vast resources compared to our scales. Instead of data for specific results, about return on investments - shameless PR and balancing acts with numbers and words.

### **The roulette<sup>3</sup> identifies blocked or inhibited activities**

*Snowflake* functions successfully when the *Roulettes* of social subjects rotate at normal speed and in synchronized directions (see Stavrev, 2016). *Normal* is that speed, which ensures a sustainable reproduction of mutual benefit for all social subjects. At slower rotation, the respective subject is marginalized and, at a faster speed, he/she "overheats" and needs to be "cooled" to avoid burning. The directions of the subjects' activities are *synchronized* when they are useful not only for themselves, but also to all other subjects included in the *Snowflake*.

The most significant obstacles to achieve economic prosperity identified through the *Roulette* are:

*Firstly*, degraded and continuously degrading motivation for creative activity in society. Basically, this degradation is evident in the cultural and respectively,

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<sup>3</sup> By *Roulette* -  $Rz(t)$  here is understood the motor model of functioning (*motivation* -  $M$ , *potential* -  $P$ , *identity* -  $I$ , *power* -  $Pw$ , *decision making* -  $Dm$ , *activity* -  $A$ , *results* -  $Q$ , *efficiency or satisfaction* -  $Ef$ ), both to society as a whole and to each individual element described in the *Snowflake* (for more details see Stavrev, 2016).

value decline in the subjective choices made in the conditions of democracy. It is about the imperceptibility of the moral limiters against the activity without which the *healthy egoism* (everyone takes care of oneself before seeking help from others!) degenerates into painful greed when everyone sees oneself as the center around which all the rest turn or have to turn. This degeneration is absolutely opposed to the "good life", which is laid at the basis of Snowflake's design.

*Cultural regression* is manifested in the enormous manifestations of: moral carelessness and permeability, resignation to what is disliked, negligence in fulfilling personal and collective obligations, dominance of low taste and material values over higher values and spirituality, lack of socialization and indifference to others, ignorance of the "common cause," etc. The economic consequences of this are undoubtedly negative - the irrational of economic point of view "zero-sum game" (the profits of some people equal the losses of others and the total remains the same) unfolds unhindered to the ugly of the same point of view "negative sum game" (losses exceed profits and the total decreases), and the two of them displace with their aggression of mental primitivity "the positive sum game" (profits exceed losses and the whole grows). The lack of ideals and mutual trust extends the territory of mediocrity that overwhelms us everywhere. Negligence in performance is perfectly complemented by irresponsibility for the results of subjective actions. The state is rumbling unscrupulously in the pockets of people and the underprivileged businesses, and they also respond appropriately.

All this is so counterproductive for the economy that the necessity of its decisive modernization is beyond any doubt.

*Secondly*, there is a persistent retention of the development and even reduction of subjective potentials - groups of people, market-oriented organizations, non-commercial, public and non-governmental organizations, central and local government institutions, civil society and markets. For example:

- Both the state and sometimes large private businessmen make economically unjustified investments, the losses of which are covered by the entire society;
- One of the quality-of-life guaranteeing groups of people with higher qualifications, intellect and morality - the elites, have been pushed away for decades from the center of society to the periphery - where they belong. This is the most barbaric attitude towards the human factor in the economy and anywhere else;
- Some minority groups have a constantly decreasing working capacity and social efficiency and are "convicted" to their individual brutalization, which is detrimental to all;
- Dangerously great number of people prefer to live on social benefits, on bank transfers from immigrants, on temporary and illegal employment here and there, as well as on crime rather than honest work;
- The activity of other people - with weak, unsupervised and neglected professional qualifications, causes more harm than benefits;
- It is depressing to see dilapidated buildings, facilities, roads and other infrastructure systems, some of which recently built, closed down and abandoned

A management start of the institutional change of Bulgarian economy is needed

"former" industries, deserted farm lands, cut down forests, ruthlessly building up of natural landmarks and protected areas; etc.

- The human potential in Bulgarian corporations, in the healthcare system, in the education system and in the state institutions, resigns because of disinterest, dishonest management, laziness, low qualification, lack of integrity, intelligence and rigor in the work, etc.

- Public and private financial means are being wiped out - through general corruption, robbery, nonchalance, tax fraud, smuggling, deliberately provoked bank and non-bank insolvency, public procurement, and public-private partnerships "in the dark", opaque selection of projects and redirection of growing parts of the proceeds to hidden addresses, etc.

These are methods to reduce the potential as well as to decrease dangerously the value of the utilization rate of the residual subjective potential. Therefore, economic modernization is indispensable from this point of view as well.

*Thirdly*, the most difficult is the decision-making situation or the self-management of social subjects. Probably the global "governance crisis" (see Stavrev, 2013), has ruthlessly conquered the territory of our country and has not left unaffected any places in it. In fact, we did not expect the crisis to come to Bulgaria from the outside at all. We began to get used to our inner absurdities long before that. It is about cascades of wrong decisions, the synergy between which accumulates uninduced objectively enormous damages and losses. They are not caused by natural disasters, cosmic or military damage. They are not caused by our "enemies" – deliberately or not. All this is our merit, to all those who live in Bulgaria: the ruling leaders (statesmen, businessmen, managers, leaders) but also the ruled, in front of whose eyes and with the complicity of whom a genuine theatre of absurdity has been played out for decades on end.

What are the reasons for this large-scale intellectual and moral degradation of "self-governance"? The "objective" reason for this is the impossible to recognize in full and irresistible influence of the surrounding environment, which undermines the trust in the rationality of elections. There are also some others however, including:

a) subjective irrationalization of elections. This may be explained by "the unprofitability to be reasonable", by "the access to leadership positions of people who do not have the ability and habits to think when they decide", by "the profitability of actions that are described in textbooks and books as erroneous or unacceptable", by the "ejection of elites from the public and corporate elections" etc.;

b) Irrationalization is becoming a tradition. The trouble is that the current unpunished follies pave the way to the future ones, and so on. They, in turn, infect all the guilty and all the victims, and thus socialization promotes irrationality as an institutional specificity of our lives - "that's the way it is in our country"!?

c) When reason is driven out of choice, its place is occupied by the thirst for power, self-interest, envy, enmity, stubbornness and imitation

d) When the irrationality of the ruled is added to the irrationality of the rulers, which is a condition for their survival, then society degenerates into a cell where the

"prisoners" have no other choice but to fight against everyone else or escape (emigrate).

The need for modernization just screams!

*Fourthly*, in such "decision making" there is no way for the following components of the Roulette - Activity, Activity Results and Activity Efficiency to escape the prevalence of *negative productivity*.

There is indeed a *self-regenerating trend towards stagnation and even a reduction in economic potential, as well as a low and decreasing degree of proper use of this potential*, that is, we urgently need *institutional modernization!*

In societies, there are always both plenty of those who are content for whom in our case "the transition is already completed", and also those who are discontent that "it has not yet begun". The evaluation of our surrounding reality also depends on the cultural identity of the evaluator - on what he considers to be admissible or not, acceptable or not, as well as on his personal skills - tolerance or intolerance, criticality or conformism, etc. The predictions of the future on the other hand, however many scientific methods we can harness in them, are also subject to our emotional attitude to the facts and their changes over time. Thus, optimistic or pessimistic forecasts emerge, which are objectively incomparable.

### **Basics of the national programme for institutional modernisation**

Societies have their immune system that protects from self-destruction, somehow unconsciously. Our society probably also has one. Despite the apparent apathy, indifference, energy dissipation, egocentrism and widespread resigning attitudes, personal and group aggression towards development-generating differences, lacking leadership and the will for collective revival. There are however, well-trained and responsible professionals in many areas of life, there are genuine businessmen and entrepreneurs. There are also honest politicians, magistrates, policemen, clerks, and so on. Talented and honest Bulgarians are constantly being born, waiting for their chance. The most important thing, however, is not to "wait," but to roll up sleeves. Now and here!

Modernization of economy contains a whole range of radical changes in laws, justice, fight against corruption, innovation in management, finance, commerce and a number of other macroeconomic components. It also means an entire multitude of changes in industry, information technology, staffing, and other structures of the national economic system. It also refers to changes in other public subsystems - education, healthcare, etc. Realism requires that I should limit myself in the design previously outlined of this text - the implementation of the Scanner, and the Snowflake in particular, and especially within the necessary system corrections in 2 out of all 9 social actors reflected therein - *the market* and *the state*.

#### *Stabilization of markets*

The need for this is undoubted for anyone who sees, feels, understands, etc., the following market distortions in Bulgaria: conceived "in vitro" and specially

A management start of the institutional change of Bulgarian economy is needed

patronized further large-scale businessmen (oligarchs); government-manipulated and publicly funded transactions protected by absurd confidentiality; illogical market transactions with a legitimate real but "invisible" social sense; government orders for "the right people", corrupt and inefficient European funding, covert raid, etc.

*1. Releasing the markets from suppressive and anti-competitive external interventions when conducting market transactions:*

- An unconditional retreat from the practice of state protection of state, private, foreign, mixed market players. Any state aid, whether direct or indirect, in accordance with the commitments made by Bulgaria to the EU, should be subject to a rapid appeal procedure in court, and, pending its ruling, the execution of the relevant state decisions should be suspended. The consequent damages shall be owed to those wronged by those who have caused them;

- Uncompromising battle with economic crimes of any kind, damaging the market and growing illegitimate and socially dangerous inequalities - theft of property, smuggling, extortion, racketeering, tax and other documentary and cyber frauds, open or hidden cartels, etc. - by investigating as soon as possible and increasing the level of sanctions for the perpetrators. The resulting economic losses from these and similar actions should be transformed into financial obligations of the culprits, not to be settled by society and the state;

- A rigorous reform of justice, guaranteeing legality for all and uncompromising fight against crime, polluting and distorting the competitive market environment, which has not been allowed for so many years by partisan, corporate and criminogenic lobbyists entrenched in the law enforcement system. It would be unforgivable to continue with the missing culprits, the missing convictions, the missing financial and administrative penalties, etc.;

- Involving civil society and its delegated representatives in the battle to heal markets as business and government partners - in actual, transparent and effective manner, not formally, invisibly and inefficiently as it has been the case so far;

- Cancellation of the ban on access to information concerning contracts involving the state as an investor, contracting authority and other statuses implying the spending of public resources. How and for what public funds are spent by "nameless" functionaries should not be subject to state and/or corporate secrecy, and the laws of the country must ensure that the public interest is respected;

- Prohibition for the state to conclude any transactions with offshore companies - public procurement, public-private partnerships, investments, privatization, euro-financing, concessions, etc. Exceptions may only be made under the guaranteed disclosure of actual owners and prompt informing of the state on any subsequent changes in the ownership of the offshore counterparty;

*2. Deregulation and regulatory upgrading:*

- Cancellation of a large part of the current permits, prohibitions and other administrative regimes, which unnecessarily hamper or even stop many entrepreneurs

and investments, that is, prevent private goods from growing without simultaneously increasing the quantity or quality of public goods and services;

- Countering by new legal and administrative means against the monopolization of markets - stimulating competition and painful sanctioning of artificially created monopolies, encouraging alternative imports and facilitating penetration of competitors for goods and services concentrated in large producers and suppliers, including guaranteed access to warehouses, storage, infrastructure, communications;

- Introducing new marketplace dictatorship rules for artificial trading and brokering chains, constraining transactions with unnecessary and harmful intruders through the goods or service from manufacturer to consumer, not adding and but devouring a large part of the value and burdening the end prices with the allowance for parasitic intermediaries;

- Implementing the possible mechanisms for overcoming or at least sharply reducing the mutual indebtedness of the market, including severe sanctioning of any guilty breach of investment, production, commercial, credit, and other contracts including those with the state being a party thereto; rapid proceedings for corporate and individual bankruptcy; clearing of bank portfolios by selling "tough" assets, reducing corporate debt through debt-to-equity swaps; strict control over formal corporate restructuring aimed at secret debt transfer, disguise of real property and responsibilities, participation in money laundering schemes, etc.;

- Expansion of market potential - capital, energy, innovation, tourism, logistics, education, labor, etc. through active regional public policies, with emphasis on the Balkans and Europe - relieved trade, production integration, stock consolidation, outsourcing, franchising, industrial co-operation, investment interaction; incorporation into regulated markets of the so-called "shared economy" etc.;

- Liberating the market from any social and political functions imputed for populist and ideological reasons and the assumption of those which are important for public health, the state and civil society, etc.;

- Introduction of new rules for income distribution at a micro-level with a view to achieving a balance between the interests of the state (fiscal) shareholders (capital) dividend, management (salary + bonuses) employed staff/salaries and on that basis, new legitimating of the inequalities now perceived as unfair - income that is unjustifiably high for a few and unacceptably low for many. Now some businesses circumvent market competition, while others pay the price for it with their quasi-market ostracizing. And labor is increasingly marginalized as a basic type of sociality, alongside the shocking out-of-market enrichment of some who are neither innovators nor businessmen, nor highly qualified experts, nor successful artists, athletes, and so on. Tax instruments in identifying subjective contributions and matching incentives are only post factum corrections of market defects, and it is more reasonable, through appropriate market regulation, to minimize these defects before reaching taxation.

#### *State stabilization*

It should be made clear from the beginning: the state is not an economic entity, it does not create but it redistributes income. It spends some of what is produced, and

A management start of the institutional change of Bulgarian economy is needed

therefore we are all interested in making this spending useful to everyone and in no case to just some. There is, therefore, the division of goods into *private*, for which the markets are mainly taking care of, and *public*, whose provision is assigned by definition to the state. When some advocate for more social responsibilities to the state, this means only more public goods. They however, do not "fall from the sky", but have to be envisaged, planned, provided financially, produced, allocated in certain ways (equally to all or just to some, but which, how), etc. Transaction costs for public goods are higher than private goods due to the need for additional administration, which makes them relatively more expensive than private goods, although they seem free to consumers. And the absence of an interested and personified owner who is actually, rather than "politically" responsible for the efficiency in the public sphere opens the doors to corruption more widely and closes those to seek responsibility.

#### 1. *Strict control over government spending:*

- Legal regulation for the period of the programmed modernization of the ratio between "private" (market-satisfied) "public" (satisfied through the state) "mixed" (satisfied with complementary market) state interaction goods.

It must be absolutely clear that there is no, and in the foreseeable future, there could not exist a state able to guarantee its citizens "free of charge" the satisfaction of their needs, and there is no economy that is able to survive sustainably today and tomorrow, at the so-called "mandatory basic income for all", providing without any employment obligations, a minimum standard of living for every citizen. Someone - the people (through a referendum) or the state (through their discretionary power) should normalize these ratios, through the mediation of the honest and responsible expertise of those having the necessary knowledge.

When this happens, it will clarify the obligations of the state which it assumes under a "social pact", in respect of its citizens, as well as the relations between the market and the state, being responsible for securing private and public goods.

- Unwavering continuation and even stricter compliance with strict monetary and fiscal policies - a currency board with a natural evolution towards Eurozone entry, a zero or a minimum budget deficit, adherence to EU rules for a tolerable level of government debt, etc. And yet, it has already become clear restrictions are only reasonable limits to the economic activity of the state, but they are not a factor for development of economy. Without re-institutionalization and the accompanying radical reform, there can be no sustainable financial stability.

- Prohibition of debt financing of purely government investments and state co-financing of investments with EU funds or other grant support, with exceptions allowed only for programs that have received nationally significant status. For example, for energy stabilization, for resolving state-owned and municipal enterprises, for "Roma inclusion", for compulsory education of poor children and for qualification adaptation of the unemployed in underdeveloped areas, etc.

- Replacement of the systems currently operating in economically harmful way: (a) public procurement; (b) allocation and directing of EU funds; (c) implementation of other state-funded grant schemes by new systems developed within an open

procedure and subject to the due expertise to stop theft, corruption, useless or harmful government policies, and to regain the lost over the years public trust in the state;

- Annual report by the state on the contracts concluded in connection with government procurement, financed by EU funds projects, concessions, privatizations, PPP, etc., specifying the names of the companies - contracting parties to the state, the agreed price, annexes, etc. Data allowing for public control over the spending of public funds and the protection of personal data.

## 2. *Public management upgrading:*

- Transition from resource allocation budgeting to target strategy elaboration. The current model of state governance does not differ significantly from the socialist model-the state commands public life and the national economy in particular, for which more and more public resources are needed, which it spends annually "on budget" and "as appropriate". Although formally Bulgaria is a parliamentary republic, real planners and budget-makers are not in the parliament and the government, but somewhere behind the scenes. Criteria for evaluation are the absorption of funds - state, European, loan, grant, etc. and acceptance of the formal reports. And what are the real results, what is their cost for the taxpayer, what is their quality, and so on, are matters of secondary importance.

- Target strategy elaboration means: (a) strategic horizon of the public management not shorter than 4 years; (b) state strategy (or strategies) to ensure (deep) restructuring (modernization) of the economy, tailored to the achievement of clear and quantifiable targets; (c) integration of the strategies into the annual budgets of the state; (d) legal guarantees for the mandatory effect of state strategies for each current government and (e) a legal way of completing the work on a strategy, as well as a legal mechanism for nationally necessary strategic changes in the course of their implementation.

- New regional policies within the country to ensure a more gradual development of the country's economy, accompanied by new administrative division and working financing mechanisms, within the limits of the desired economic growth without increasing the debt burden;

- Government investments should be financed mainly through EU funds and inter-state agreements (mainly) and budget (complementary), through state-owned companies via market mechanism (joint venture, lending, brokerage, etc.) and to comply with the rules of strategic public and corporate management. The aim should be to restructure seriously sick sectors of the economy with a strong state presence - energy, transport, education, health and pension insurance;

- New management of state property in the economy, including: (a) privatization (where possible and acceptable); (b) rescue of the "sick" enterprises with majority state ownership for several years (mainly through EU-funded restructuring projects); (c) transferring the management of state-owned companies through public competitions conducted by private companies; (d) disclosure of management contracts and periodic financial statements for public control of the operating results;

A management start of the institutional change of Bulgarian economy is needed

- Establishment of a public company for the management of the minority state shares in the ownership and assignment and management also to a private company selected through a transparent competition, with public disclosure of the management contract, any annexes thereto and the periodical financial operating results;

- Participation of the state in investment and commercial activities should be allowed only after unambiguous identification at the previous public and state-corporate elections, the archiving of the information on personal participation in government decision-making on investments with guaranteed access to the archives. Otherwise, seeking responsibility by the spenders of government expenditure will remain impracticable, and the fight against corruption will continue in words only;

- Legalizing bringing to justice of all specific persons who have taken part or have cooperated in public decision-making, resulting in loss of public funds, beyond those admissible due to an unpredictable deterioration of the market situation, as established by a power-independent expert opinion;

- A ruthless combat against corruption and money laundering, decomposing the markets and a country from the inside, and allowing the submission of public authority to private interests incompatible with those of the state. Nothing of the so-far theater-like "combat" should remain. New laws, new courts, new authorities, and new people in them are required.

- Removal from the state power - central and local, of all persons who have or have had their own business, including all related persons, during the period in which they have occupied state positions. Same applies to prosecution, courts of justice, state-owned companies, the media, health care institutions, the administration. The removal should be activated immediately and after improper or morally convictable performance of their professional and job duties as established in a "non-governmental" manner.

### *3. Modernization of state administration*

- Radical administrative reform, abolishing old and grown resistant to "soft" reforming defects such as - making huge volumes of useless work, assigning the same work to different bodies, concealing the futility behind complicated bureaucratic procedures, appointments of inappropriate people on the grounds of a party affiliation, kinship, clan, mafia, and on other similar grounds, duplication of functions, as well as corruption-motivated sabotage of business-entrepreneurship, defective systems for "additional material stimulation", etc.;

- Privatization or outsourcing of a number of administrative services, which are now paid as well by those who need them, as the state should guarantee, under appropriate conditions, access for newly emerging companies providing administrative services to information and "e-government". The saved funds should be used to increase the pay of the post-reform administration, enhance their qualifications and improve their working conditions;

- Placing on new track the work on developing the "e-government", where so far huge resources have sunk, with no or almost no real results and no responsibility for the waste of public and donor funds. This should be done by way of:

- a) centralizing of the management and ending the work on useless and even harmful, costly partial developments;

- b) managing projects in this area by proven leaders, administrators, and industry specialists to prepare design assignments to IT specialists as contractors;

- c) providing information on the part of the state structures to civil society for control and prevention of arbitrariness and corruption;

- d) the managers assigning the developments should accept the finished projects prior to implementation and should bear full responsibility for the practical benefits or damages of their implementation.

Each change, not to mention the radical ones that would guarantee the modernization of economy, affects inevitably the positions, interests and shared values of many influential forces in society such as authority, party, administrative, corporate, criminal forces. Their resistance in our country, as it is now, will most likely be "a matter of life or death." Similar are the reasons for rejection or permanent postponement of the reforms by the government, not only in our country. As a prominent European - Jean-Claude Juncker, in a fit of sincerity, said something like, "We all know what to do, we just don't know how to get re-elected after we've done it..." (If he were a Bulgarian, he would probably adjust the second part of the sentence as follows: "... only we know that they will not leave us in power then").

Necessary changes require proper management that may be *theoretically* carried out in one of the following ways:

- Gradually, rather slowly, consensually, inconsistently, with frequent interruptions and with backslides, and with the help of tedious monitoring, control and support by the EU or

- With the unexpected but theoretically possible coming to power in our country of a determined, responsible, honest, radical reformist and sacrificial political force, enjoying broad electoral support or

- With some form of "democratic vacation" for relatively rapid radical reform and restoration of the normal political process in a few years.

The chances of success of the identified alternative models of economic modernization management in Bulgaria seem to be inversely proportional to the likelihood of their implementation.

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16.II.2017