

Economic Prosperity- Is It Possible for One of Soviet Union's Former Satellites?

I have missed the years of communism in Bulgaria. I was only three years old when about one million people went out in the streets to protest against the sluggish, corruptive and oppressive political and economic system that led the country to enormous external debts and a disastrous economic situation. They say my generation and those born in the following years are those who will bring the change, because we have not lived our conscious lives during communism and therefore we are completely free from its psychological impacts.

I believe in this statement as fully as I can. Coming from a former Soviet block satellite enables me to appreciate the power of political and economic freedom for the development of a country. Prosperity is possible only in the atmosphere of freedom of political and economic development, because freedom brings the incentive for social achievement.

In 1989, when people went out in the streets, everyone believed prosperity would come quickly and communism would be only a bad memory. However, half a century of continuous oppression cannot suddenly become a bad dream. It leaves its impacts on people's minds, behaviors and desires. This can be seen from the way older citizens of my country think. Many of them remember "the good times of communism", when everything was cheap and everyone had a job. What they miss in their evaluation is the cost of these privileges to the economy. Enormous external debts became visible right after the end of communism, and everybody understood where the money for sustaining the "fantastical" prosperity came from. Lack of specialization had led to the construction of plants which produced goods for which Bulgaria didn't have any comparative advantage in the market. The ideal "equality" of people led to everyone receiving the same salary and the disappearance of the incentive to work at

all. Since everyone was paid equally for unequal quantity of work, why should anyone bother to work more?

However, change has been arriving faster and faster in the past years. Despite two economic crises, one right after the end of communism and one in 1996-97, Bulgaria managed to make its way to prosperity. It is all due to free economy and the benefits it offers to the citizens. A free economy forces competition, which is the main cause for prosperity. A free economy and political situation assure entrepreneurs that their property and profit will remain for themselves, because the government no longer has the right to interfere in private affairs. Consequently, this fosters development through competition, and in 2003 Bulgaria was officially recognized as an active market economy by the European Union. The country is going to become a member of the EU in January, 2007, or at latest, 2008, which is perhaps its greatest political and economic achievement since the fall of communism. After 1995, when Bulgaria submitted its application for membership in the EU, until now, it has been one of the fastest developing economies on the continent. Rapid economic growth was interrupted in 1996 because of the huge economic crisis, and Bulgaria fell to the 103rd place according to Economic Freedom Index (EFI). However, since then, due to government reforms designed to foster competition and the development of the market system, Bulgaria has been paving its way ahead and according to the same index in 2003 it was on 70th place in economic freedom.

According to European Commission's last report on Bulgaria's progress (October 2005), economic areas such as free movement of capital and payment, and competition policy are non-problematic. "Concerning the economic requirements for membership, Bulgaria continues to be a functioning market economy. The continuation of the current pace of its reform path should enable Bulgaria to cope with competitive pressure and market forces within the Union" (*Bulgaria, Comprehensive Monitoring Report, 2005, p.3*). The same report

states also that Bulgaria has maintained a high degree of macro-economic stability and economic growth, relatively low inflation and falling unemployment.

Several years ago, a scandalous Bulgarian series came out on TV. “The Danube Bridge” was the first series produced after the fall of communism and shocked the audience with its uncompromising treatment of the contemporary social and economic problems of Bulgaria. The Danube Bridge, the only connection between Bulgaria and Romania over the Danube River on Bulgaria’s northern border, was used not as a commercial link into Bulgaria, but as the way to escape the country into Western Europe. The series dealt with the painful problem of the huge emigration wave which left Bulgaria with more than a million people less since the end of communism (for comparison, the population is 8 million). However, the time of endless emigration has finished. As one of the main characters in the series said, “If it is for the dishes, I can wash them at home in Bulgaria, too”. Now the most dangerous part of the emigration process is affecting the country: only the highly qualified and intelligent people are leaving to find jobs outside, which deprives the economy of its most skillful labor force. There is only one decent system remaining from of the communist order- a perfect education system, which leads students to the major places in almost every competition and area internationally. However, this is also what enables many to leave the country. An interesting statistics, however, shows that about 1 billion levs (about \$650 million) come to Bulgarian economy simply from these emigrants. According to the Bulgarian Economic Chamber, the actual amount is three times more. And, finally, the intriguing tendency is for many people to come back. Their number is still small, but it is increasing. A free economy offers them now possibilities they couldn’t find 15 years ago.

One industry remained relatively untouched by the economic crises. Tourism is 100% private in Bulgaria and has expanded an enormous extent since the fall of communism. This is possible because of the free market in which it operates. Before, there were tourists only

from the former Soviet Union countries and Eastern Germany. It was cheaper for them to come to the Black Sea beaches and also there was no competition for the services the resorts offered. Thus, the government didn't have any incentive to develop the resorts further. On the other hand, Western tourists wouldn't want to come to a country that didn't offer them the conditions they were used to living in. Now, through competition, much better tourist services are developed. Resorts have achieved greater efficiency and there is still room for expansion. Bulgaria has not lost the Russian tourists, but has been attracting many more Western tourists. The overall circulation of foreign tourists per year is already as big as the country's population. Now Bulgaria is a major destination for German tourists; it is becoming a powerful player in the British tourist market. It has also a traditional strong following of Scandinavian tourists. Tourism constituted 11% of the GDP in 2004 and is expected to reach 11.5% in 2005 (Bulgarian Association of Travel Agents- BATA). Bulgarians are more and more traveling abroad as tourists, a sign that their economic situation is changing to the better. Tourism is undoubtedly one of the strongest aspects of Bulgarian economy. On a small territory, Bulgaria offers extremely large variety of resorts and historic sites due to natural abundance and old history. This is an industry that, if developed to its maximum extent, can contribute immensely to the prosperity of the country.

There is, of course, much more that you would want from a country to be prosperous. But after half a century of communism, one cannot expect prosperity to come overnight. Gradual change to the better can already be seen, despite the economic obstacles. You can see it in the millions of tourists on Black Sea's golden beaches or in the mountains' ski paths. You can see it in the streets in people's faces and in the way they dress. You can see it in the way they think, because now they think of finding a way to be better off, richer, and happier, something they would not think of under communism.

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Resources Used:

The Economic Freedom Index (EFI) of Bulgaria- from www.freetheworld.com

The Bulgarian Association of Travel Agents (BATA)- www.batabg.com

The Comprehensive Monitoring Report on Bulgaria 2005 is taken from the Bulgarian Ministry of Foreign Affairs' web site- www.mfa.government.bg