

Bulgaria in the trap of neoliberalism

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In 1989 the Berlin Wall fell and the so-called “transition period” for Central and Eastern Europe began. The goal pursued was a radical change of society at economic, political and social level. In relation to this, Bulgaria endorsed a variety of development programs, which were manipulated by the two supranational institutions – the World Bank and the International Monetary Fund. The country was quickly encompassed by a wide network of non-governmental organizations (NGOs) whose number amounts nowadays to 38,000. The UN agencies, supranational authorities and NGOs organized and coordinated Bulgaria’s transition through the same methods, ideas and language, which were being used for the Third World Countries by that time.

From the “development” to the “democratization” of Eastern Europe

The concept of “development” was born on the 20th of January 1949. It was the day when Harry Truman held before the American Congress his inaugural presidential speech, in which he defined a wide number of countries as “underdeveloped”

and entrusted the “developed” countries with the task to “work on the development”:

Greater production is the key to prosperity and peace ... We must carry out our plans for reducing the barriers to world trade and increasing its volume. Economic recovery and peace itself depend on increased world trade ... More than half the people of the world are living in conditions approaching misery ... Their economic life is primitive and stagnant ... The United States is pre-eminent among nations in the development of industrial and scientific techniques ... In cooperation with other nations, we should foster capital investment in areas needing development.¹

Concealing the American interests behind the mask of benevolence, Truman did not hesitate to announce a program for technical assistance, which “with the cooperation of the American business, private capital, agriculture, and labour in this country, ... can greatly increase the industrial activity in other nations and can raise substantially their standards of living.” The world has vastly changed since then but there was no change in the condition of the developing countries, labelled to this day as “The Third World”.

After the Second World War the supranational twin institutions – the IMF and the World Bank – were born. During the same period were also founded most of the UN’s agencies – FAO (Food and Agriculture Organisation) in 1945, UNESCO (United Nations Educational, Scientific and Cultural Organization) and UNICEF (The United Nations Children’s Fund) in 1946, followed by the United Nations High Commissioner for Refugees in 1951. The United Nations Development Programme (UNDP), which is today’s greatest world network in the sphere of development, was founded in 1966.

The development supporting projects are characterized by a wide range of activities carried out by NGOs. Their propagation is a new phenomenon gaining force in the context of a real boom of the “industry of development”. This evolution began with the change of the policies of the World Bank after 1973 under the leadership of Robert McNamara who raised the credit volume thirty fold and made the bank a real intellectual operator supporting purposive social and cultural projects. During the 1980s the neoliberal economists reorganized the World Bank to become a global agent of the “Washington Consensus” striving to impose policies of deregulation and privatization in the indebted countries. The NGOs number made a headlong increase. They were expected to create their own niche of funds for social investments whose purpose was to soften the immediate consequences of the Struc-

¹ http://www.trumanlibrary.org/whistlestop/50yr_archive/inagural20jan1949.htm.

tural Adjustment Programs (PAS). They were encouraged to become channels for support of the poor people and those facing social exclusion in the context of the new economic policy. Some NGOs were financed by American governmental agencies such as USAID (American Agency for International Development) with the sole purpose of disseminating the neoliberal ideas, thus becoming think tanks. They engaged in analysing the social policies in areas spreading out from social programs to political strategy, from the economy to science and technology, from commercial and industrial policies to military consultation. Since 1989 think tanks have found a new field for development in Eastern Europe where pragmatic experts and romantic intellectuals were attracted by the idea of autonomous citizen society overseeing the actions of governments, aiding the advance of the liberal democracy and protecting against “the return of communism”. Thus the problematic of development coincided to a great extent with that of the democratization and was no more confined to the Third World only but extended also to the Eastern countries and even the whole Western world where lots of think tanks had developed since the end of the 1990s, which were already participating in planning reforms demanding sacrifices such as the ones in pension and health insurance. The social state was sacrificed first.²

There is a great similarity between the two terms – *transition* (used to denote the economic and political changes in Eastern Europe after the fall of the Berlin Wall) and *development*, since both assume export and adaptation of the political and economic models of the Western democracies.

The situation in Bulgaria in 1989

When on the 10th of November 1989 the evening news announced Todor Zhivkov’s resignation from the country’s leadership, the Bulgarian people were sincerely surprised. Although the Berlin Wall had fallen the day before, the Wind of Change had not yet been felt in Bulgaria. But the news evoked great hopes within people – perhaps the moment for democracy had finally come. Soon the Union of the newborn Democratic Parties was proclaimed and the date for the first free elections was set.

Hopes concerned mostly the political freedom. Until that day it was practically impossible to express any right-wing ideas in Bulgaria since capitalism was branded as an unjust and exploiting system. The ownership of the means of production in industry was entirely in the hands of the state. Only the agricultural cooperatives and the craftsmen were independent but their sole client was again the state. Those who would insist on private ownership of the means of production were persecuted. Only a handful of people dared to openly claim such thing. The only

² Dostena Lavergne, *The Experts of the Transition*, 2010.

exception were the dissidents, collaborating with forbidden in Bulgaria Western media. One such media was radio “Free Europe” financed since 1950 by the US Congress through CIA with the official purpose of “popularizing the democratic institutions and values by propagation of information and ideas.”³ One of the most exploited arguments of the radio supporting the capitalistic way of production was the so-called “poverty” in the Socialist countries which were being compared to the Western countries and foremost to the US. That is why it is necessary to take a look at the available data in order to better understand the economic condition of Bulgaria on the eve of the transition.

Most appropriate for the purpose are the World Bank’s and FAO’s statistics for 1989:

Population of 8.878 million people with GDP (Gross Domestic Product) of 2449 dollars per capita.⁴ A positive trade balance of + 877.1 million dollars. The hospital beds were 970.2 per each 100 thousand citizens, which surpassed substantially the average of the European Union with 15 member countries which was 777.4 per each 100 thousand citizens.

Manufacture was industrialized and over 80% (per cent) of the production came from industry. Only 10% of the whole production came from the so-called traditional economy – agriculture.⁵ While according to the West the main reason for poverty in the Third World countries was the lack of industrialization, the same was not true for Bulgaria. However it did not stop the supranational institutions from demanding from the country the same reforms which they had been imposing on the developing countries for decades.

Structural Adjustment Programs (PAS)

The four key reforms required by the neoliberal doctrine and encouraged by the World Bank, the IMF, the UNDP and the think tanks were privatization, liberalization, deregulation (regulations removal) and dramatic cut-offs of the government spending. These reforms were already imposed on the developing countries in the 1980s through the so-called Structural Adjustment Programs. These are a series of macroeconomic measures proclaimed as necessary so that these countries could gain the trust of the private investors. The main goal of the structural adjustment programs was to make all the world’s economies capitalistic ones, thus placing them into a common system controlled by the international capital.

During the 1950s, 1960s and 1970s it was widely assumed that the economies of the poor countries were structurally different from those of the advanced industrial

3 https://it.wikipedia.org/wiki/Radio_Free_Europe.

4 <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD?page=5>

5 http://www.omda.bg/public/biblioteka/dimitar_ivanov/ot_9_do_10_statistika_b.htm.

ones because they had been victims too long of the colonization from the Western imperialistic states. In order to get rid of poverty the economically underdeveloped countries needed to get modernized through a transition from the traditional agriculture based economy to industrialization – the so-called Modernization Theory. At that time it was commonly assumed that in order to achieve such a result it was imperative to follow policies of Keynesian type which were applied in all Western countries during that period. “The Development Economics” was considered a “special” instance of Keynesian economics where the main role for the social and economic modernization had been entrusted to the state.

During the 1980s with the ascent of the neoliberal theory also changed the ideas concerning the methods for accomplishing economic development. The approach still remained Euro-centered but this time it was about following the decrees of the neoliberal economic theory which was already making its way into the Western countries. The international institutions were lending loans to the developing countries through the Structural Adjustment Programs under strict conditions. In case the country did not abide to the conditions it had signed up for, the financing was cut off. The World Bank in 2005 and the IMF in 2002 proclaimed the beginning of a process of revising the method of loan lending. In spite of this, to this day every signed agreement still goes with up to 67 economic requirements to the indebted countries concerning privatization and liberalization of sensitive sectors such as the key spheres of education, health services and aquatic resources management.

Bulgaria applied for its first loan from the World Bank in 1990 starting off from a totally different economic position compared to the developing countries – it was broadly industrialized with developed infrastructures along its whole territory. In addition to that the country had built stable health, pension and educational systems functioning excellently and had a positive trade balance of almost 900 million dollars.⁶ In spite of the big differences from the Third World countries, the loan lenders imposed on the country the same conditions that were imposed on the poorest of the countries: Bulgaria had to quickly start the process of privatization of most of its economic sectors including the banking sector. In addition to that the country had to liberalize all the prices and liberalize and deregulate its markets. The officially stated goal was to increase the Gross National Product – the index adopted as the measure for economic development. In 1991 Bulgaria signed with the World Bank its first loan requiring structural reforms. Since then were signed 17 agreements with the World Bank⁷ and 13 agreements with the International Monetary Fund⁸ -

6 http://www.omda.bg/public/biblioteka/dimitar_ivanov/ot_9_do_10_statistika_b.htm.

7 <https://finances.worldbank.org/Loan-and-Credit-Administration/IBRD-Statement-of-Loans-Latest-Available-Snapshot/sfv5-tf7p?#column-menu>.

8 <http://www.bnb.bg/AboutUs/AUAboutBNB/AUInternationalRelations/AUIRInternFinInstitutions/index.htm>.

all of them with conditions for reforms. Both institutions did not ask themselves the question how to keep the positive results achieved in the country's economy and social sphere until 1989. If anyone still thinks that today's economic condition is caused by the short-sighted Bulgarian politicians led by wrong policies, it would be better to get rid of this conviction. All reforms carried out during the last 25 years were worked out, imposed and approved by the two mightiest global institutions.

What kind of improvement? GDP is losing calories

Too much and for too long, we seemed to have surrendered personal excellence and community values in the mere accumulation of material things ... Gross National Product counts air pollution and cigarette advertising, and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for the people who break them. It counts the destruction of the redwood and the loss of our natural wonder in chaotic sprawl. It counts napalm and counts nuclear warheads and armored cars for the police to fight the riots in our cities ... and the television programs which glorify violence in order to sell toys to our children ... it measures everything in short, except that which makes life worthwhile.

Robert Kennedy

The adopted index measuring development is the Gross Domestic Product (GDP) – the market value of the produced end products and services in a country in the course of one year. But the GDP has never been able to describe the real prosperity of a certain society. Many researches show that economic growth is not lastingly accompanied by an improvement of the people's well-being.

GDP was adopted by the World Bank and the International Monetary Fund in 1990 replacing the index Gross National Product (GNP). The difference between the two indexes is important and explains the reason for the substitution: GDP measures what was produced within a country's territory, while GNP measures the income considering the **citizenship** to a certain country. When a privatization is carried out, the production is being performed on a country's territory (and thus is being reported as GDP) but a great part of the profit from this production is being exported abroad thanks to the movement of the capital. For example, if a foreign citizen buys the rights to exploitation of a mine, he will pay only a small fee to the state (in Bulgaria the Canadian company Dundee Precious Metals pays only 1% royalties), exporting abroad a big part of the profit. When the mine's profits increase, the GDP is going to rise, while GNP will show a drop in the state's income because the company is Canadian. The Bulgarian national product is decreasing while at the same time Canada's GNP is increasing.

There are lots of other problems with the acceptance of the economic growth

as a measure of prosperity. For example, GDP includes expenses made because of natural and human caused catastrophes which in turn are considered to be good for the economy while in fact these catastrophes are tragic for the society. An example of this could be the ecological catastrophe in the Mexican Gulf in 2010 when 11 people died in the ocean and over a billion liters of petrol were poured into the sea: this raised the GDP with tens of millions of dollars. Each flood in Bulgaria during the last years has led to expenses for rescuing and restoration activities, which make the GDP rise. This might sound unbelievable but each natural catastrophe is highly welcome for the economic growth. The same way the increase of illnesses among the population leads to more expenses for drugs and hospital services which is again registered as economic growth.

The way GDP is being calculated is also debatable. Since 1953 countries adopt the methods recommended by the SNA⁹ – The System for National Accounts adopted by the United Nations Statistical Commission. By the end of the 1980s only the end products produced in the real economy were measured. In 1987 Italy was the first European country that followed the new recommendations by the SNA and included in its GDP the estimated production of the grey sector and thus registering a raise of 18% literally for a day. Since then other countries gradually include in their calculations the “estimates” of the undeclared activity. To what extent are they real, no one could say. It is a real scandal that from September 2014 the European Union started registering even the black sector activity. Drugs, contraband, prostitution and corruption officially became part of the measure for economic growth and hence for the “development”. Until then the weapons production was considered an “intermediate product” while since September 2014 it became an “investment”. It is a rhetorical question whether these activities really create welfare for the society.

I would like to complete my critic at the index for economic growth and development by emphasizing that it does not show in any way how the wealth is being distributed within the society and how it is being used. A country with a strong social inequality may register the same GDP as another country in which wealth is distributed more uniformly.

In 1989 the wealth in Bulgaria was distributed comparatively uniformly – there were no proprietors of big capital and poverty was practically non-existent. But since many services were free of charge (public health, education, textbooks, transportation of students and pensioners) and other services and goods were sold at state-fixed prices which sometimes did not exceed the costs for their production (groceries, transportation, electricity, water-supply and so on), the GDP was comparatively low then. After the privatization and price liberalization they increased

⁹ SNA <http://unstats.un.org/unsd/nationalaccount/sna2008.asp>.

beyond measure thus increasing the GDP as well. That is why GDP is hardly the measure helping us depict correctly the condition of any economy.

The witnesses to the economic catastrophe in Bulgaria, observing the spreading poverty stifling the country, are probably deeply confused by the claims of the economists of development according to whom the life in Bulgaria is nowadays much better than that in 1989 because the GDP has almost tripled (from 2449 dollars to 7498 dollars per capita)¹⁰.

But which index could be used in order to make a correct comparison between the economic condition of the people in 1989 and the one today? While examining the international statistics we come upon one very interesting index used by FAO for decades – the consumption of groceries per capita, measured in kilocalories per day. This seems a very appropriate measure especially having in mind that no one could consume kilocalories greatly exceeding the daily consumption because of the simple physiological restriction itself. From the FAO data we can see that in 1989 in Bulgaria were consumed 3623 kilocalories per capita daily and the country was fourth in the world before all the Western countries (France was 8th, Italy – 9th, Austria – 11th, USA – 14th, and the average daily consumption of the world was 2635 kilocalories per capita). FAO's last available data are from 2011, from which is seen that **Bulgaria has fallen from 4th to the 81st position** with an average daily consumption of 2877 – which is 25% less (the survival minimum is 2400 kilocalories). In comparison, Ghana is on 65th position.¹¹

The rhetoric

Although the supranational institutions of development declare as their fundamental purpose “the struggle against poverty”, they keep on demanding economic reforms which have proved to be totally inefficient. The leading assumption is that only the free market and strongly restricted government intervention are able to guarantee prosperity. Instead of nations to be allowed to act at their own discretion in order to increase the welfare of their people, they are forced to adopt neoliberal policies. After that no one measures whether the life conditions have improved, but only to what extent the recommended policies have been implemented.

The advertising of the reforms imposed outside is a job of the think tanks, hiding behind the disguise of NGOs. Their projects are being financed by big development agencies among which the American USAID stands out. The foundation representing USAID in the country is “America for Bulgaria”. Think tanks use the same rhetoric they have been using until now in the Third World countries. They

10 http://data.worldbank.org/indicator/NY.GDP.MKTP.CD?order=wbapi_data_value_1990%20wbapi_data_value%20wbapi_data_value-first&sort=asc.

11 <http://www.fao.org/statistics/en/>.

speak about democracy, reforms, good governance, citizenship formation, freedom, development and so on. The loans imposing the above listed “reforms” are being called “aid”. The World Bank and other agencies are being described as “donors” and every political idea in the interest of the population is being straightforwardly qualified as “populism”. The goal is to manipulate the public opinion using the methods described by Pierre Bourdieu:

The one reproducing the official knows how to produce, i.e. to manufacture, making theatre (in the etymological sense of the term **producere**, which means bring to the light), something which does not exist (in the sense of sensory, visible), and speak for it. He has to produce that in which name he has the right to produce. There is no way that he does not make theatre, create forms, perform miracles. The most ordinary miracle for a speech artist is the verbal miracle, the rhetorical success. He has to present that what justifies his words, that is, the authority for which he has the right to speak.¹²

An important example of the rhetoric used is the book “The Bottom Billion” by the director of the Development Research Group of the World Bank Paul Collier.¹³ Collier is a typical neoliberal economist totally devoted to the policies of the development agencies from the last decades. He encourages the “shock therapies” using in his book the usual language of “freedom, democratization, aids, transition, struggle against poverty” and proclaims the politicians who dared to impose these policies as “brave reformers”. Everyone who dares to follow a different economic path and use the available funds for building state social services is being branded as “dictator”, while the adversaries of these reforms are called “politically motivated” and “Marxists”. For example, he praises the neoliberal policies of Blaize Compaore:

“For more than a decade the governments of Uganda and Burkina Faso have demonstrated satisfactory development rates partially fixing the damages caused my their horrible predecessors.” The “horrible predecessor” in this case is Thomas Sankara who implemented policies of Keynesian type and was eliminated in 1987 by Blaize Compaore with a coup aided by France, the USA and Liberian militaries.¹⁴

Besides, Collier claims that economic growth is the means to reduce poverty, but he fails to mention the fact that the profits of this growth are being exported beyond the state borders (remember the convenient swap of GNP with GDP) and

¹² <http://bg.mondediplo.com/article848.html>.

¹³ Paul Collier was the director of the Development Research Group from 1998 to 2003. Nowadays he is the director of the International Growth Centre.

¹⁴ See Silvestro Montanaro’s documentary “... e quel giorno uccisero la felicità” <https://www.youtube.com/watch?v=GPCNq-T7yDY>.

he also dodges the question about the way the remaining in the country income is being distributed among its population. The same two omissions are being made by all neoliberal economists and think tanks in Bulgaria. Collier even comes to deny reality by claiming that neoliberal policies have reduced poverty. And in those cases when the denial of their failure is impossible, he attributes the blame to bad luck: “Nigeria’s best phase of economic policy was the reform phase of the late 1980s, but the benefits of these reforms were completely swamped by the coincident crash in the world price of oil.”¹⁵ Collier supports the most radical “reformist” line of action, calling for a total and instantaneous acceptance of the packet of neoliberal prescriptions (“necessary albeit very painful at times”), which are very well depicted by Naomi Klein in her book *The Shock Doctrine. The Rise of Disaster Capitalism*.

Collier never stops praising the American interventions in Africa, calling them “truly magnificent”. From him we also learn that “spread of democracy is an explicit agenda – indeed even the overarching agenda of the United States in the Middle East”. It is hard to find any connection between democracy and the US support for the brutal regimes in Saudi Arabia, Egypt, Qatar or Bahrain. Having made the argument that the US and Britain are “morally compelled” to intervene in countries of the “bottom billion,” he notes that peacekeeping also provides “reformers” with a vital opportunity:

There is the odd looking result that reform is more likely after civil war... How can these two seemingly contradictory results be reconciled? I think that they are telling us that post conflict situations are highly fluid... This suggests that our policy interventions to help failing states need to differentiate between types of situations, treating post conflict situations as major opportunities.

This is a pragmatic example of a “shock doctrine”, depicted by Naomi Klein as follows:

The shock doctrine, like all doctrines, is a philosophy of power. It’s a philosophy about how to achieve your political and economic goals. And this is a philosophy that holds that the best way, the best time, to push through radical free-market ideas is in the aftermath of a major shock. Now, that shock could be an economic meltdown. It could be a natural disaster. It could be a terrorist attack. It could be a war. ... These crises, these disasters, these shocks soften up whole societies. They discombobulate them. People lose their bearings. And a window opens up, just like the window in the interrogation chamber. And in that window, you can push through what economists call “economic shock therapy.” That’s sort of extreme country makeovers. It’s everything all at once. It’s not, you know, one re-

¹⁵ Paul Collier, *The Bottom Billion*, 2007.

form here, one reform there, but the kind of radical change that we saw in Russia in the 1990s, that Paul Bremer tried to push through in Iraq after the invasion.¹⁶

From Collier's book we can understand that behind all the rhetoric for liberalization, democratization and struggle against poverty there lies the only intent to implement the neoliberal policies of the free market in all countries, using all the necessary methods, one of which is military force, considered to be totally justifiable.

The results

“Growth for the sake of growth is the ideology of the cancer cell.”

Edward Abbey, *Desert Solitaire*

For 25 years of democratization the Bulgarian population has melted by over 1,600,000 – in 2013 the population was 7,245,677 people. Most capable of working citizens leave the country looking for jobs abroad. One of the biggest problems the country is facing is the brain drain – lots of university graduates emigrate to the West. Despite the strong emigration there are still 433,200 unemployed in Bulgaria – 13% according to the official data from 2013.

In 2013 the trade balance was negative by 4,794,578 dollars¹⁷, as it has been negative through all the years since 1991. Yet, GDP has tripled reaching 7498 dollars per capita.¹⁸

The number of hospital beds decreases, reaching 606.9 per 100,000 citizens. The restructuring of the health and education systems, carried out according to the conditions of the loans from the World Bank and the IMF, depicts extremely well the negative effect of the “aid” of the financial institutions on the social sector and the human resources working there. Even if we accept that they have been in the need to be improved and modernized, the radical changes in these sectors have totally devastated all the positive results achieved by that moment. In addition, the personnel in these sectors consisting of 70-80% women was drastically reduced. In this case as well as in many other cases of restructuring and privatization, the reforms have had an extremely negative effect mostly on women. The international institutions and the national governments do not take into consideration the influence of the reforms on the human aspect. In the years of the transition since 1989 the health status of the Bulgarian population has been worsening, the death rate has been increasing (especially among capable of working men because of cardiovascu-

16 http://www.democracynow.org/2007/9/17/the_shock_doctrine_naomi_klein_on.

17 http://www.trademap.org/Product_SelCountry_TS.aspx.

18 <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>.

lar diseases), the demographic growth has been diminishing (and now is negative, -0.8) and the social inequality has been deepening.¹⁹

It is obvious that the neoliberal measures, imposed on the developing countries with catastrophic results, achieve the same effect of impoverishment in the countries of the former Socialist Block. But in this case it is impossible to put in motion the usual excuses for lacking industrialization, having in mind that it was very well developed in Bulgaria at the dawn of transition. In Bulgaria's case we are not talking about some "inherent" poverty, which the policies of development were unable to eradicate. We are talking here about a full dismantling of well functioning industry and social structures. Hunger and poverty have been brought by those neoliberal policies "of development" and now we should ask ourselves: Is it not high time to get rid of them already? And if so, what economic policies do we have to undertake?

¹⁹ http://www.publichealthreviews.eu/upload/pdf_files/9/Georgieva.pdf.