



Marcheva, Il. The Policy of Economic Modernisation in Bulgaria during the Cold War. 2016, 640 p.

ABSTRACT

The study of the policy of economic modernisation in Bulgaria during the Cold War shows that it was a relatively successful process. During that period, Bulgaria became industrial and urbanised country with modern agriculture and a vast army of engineers and technicians. These processes were explored through historical approaches on the basis of primary sources and secondary literature. They were placed in the context of the Cold War period, from 1946 until 1989. The author shows that at a time when the world was divided into two warring camps, two simultaneous factors were at work – the internal political factor – the Bulgarian Communist Party, and its foreign policy mentor – the USSR. The resulting symbiosis between the party and the state furthered the implementation of Soviet-modelled industrialisation and modernisation imposed for economic and political reasons. After the end of the Cold War the favourable foreign political and economic conditions for economic modernisation disappeared. Under the new circumstances the country had to adjust to a new paradigm – that of the information era, not of the industrial era, in the conditions of the victory of neoliberalism.

Илияна Марчева. Политиката за стопанска модернизация в България по време на Студената война, изд. Летера, 2016, 640 с.

РЕЗЮМЕ

В монографията за пръв път е представена цялостно политиката за превръщане на България от аграрна в индустриална и урбанизирана страна с всички произтичащи от

това социални последици в условията на Студената война от втората половина на XX век. Това е времето на управление на комунистическата партия, когато България е част от съветския лагер във войната. Тези вътрешно- и външно- политически фактори определят особеностите на политиката за модернизация, разглеждана като политика за индустриализация, за модернизиране на селското стопанство и подготовка на научно-техническата интелигенция. Проследена е връзката между фазите на Студената война и различните социално-икономически проекти на управляващата партия. Специално внимание е отделено както на българо-съветските отношения, така и на опитите за икономически връзки с високоразвитите страни и свързаните с това успехи и проблеми на модернизацията. Разгледана е и противоречивата роля на авторитарния режим на Тодор Живков в изграждането на урбанизираното и индустриализирано общество в България. Разкрити са идеите и личностите, които стоят в основата на различните концепции и опити за реформиране на модела на модернизация. Изведен е изводът, че постигнатото средноевропейско ниво на развитие, разработването на водещи отрасли на индустриализацията и модернизацията не могат да бъдат запазени след края на Студената война, защото те са до голяма степен неин продукт.

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FULL VERSION

The study of the policy of economic modernization in Bulgaria during the Cold war shows that it was relatively successful. At a time when the world was divided into two warring camps, there was a simultaneous functioning of the internal political factor - the Bulgarian Communist Party (BCP) and its foreign policy mentor - the USSR. The resultant symbiosis between the party and the state furthered the implementation of imposed for economic and political reasons industrialization and modernization based on the Soviet model. After the end of the Cold War the favorable foreign political and economic conditions for the development of economic modernization disappeared. Under the new circumstances the country had to adjust to the new paradigm - that of the information, not of the industrial era in the conditions of the victory of neoliberalism. This new paradigm denied the role of the state, which in the economically and financially weak and scarce in resources Bulgaria had always played an important role in sustaining the catch-up modernization.

On the eve of World War II, Bulgaria was a typical state of the European periphery, which was still lagging behind the leading capitalist countries. By the beginning of World War I, it had managed to achieve significant progress in its industrialization and modernization and in the interwar period its efforts were focused on utilization of the internal market. The main factor and the reason for such a direction was the political one represented by the Bulgarian state. Almost until the end of the period the state patronized industrial capital. That policy was not approved by the society at large, because the results did not correspond to the enjoyed privileges - at the expense of the ruin of the small producers was developed mainly small and medium scale food industry which had not reached a manufacturing level. The close political and economic alignment with Nazi Germany tolerated the development of agriculture, but its modernization was never realized because it

took place in wartime when the economy was not ruled by market principles, but by state control and barter transactions. yet, this alignment confirmed the logic of modernization - it can only be carried out as part of a larger economic space.

After the end of the war Bulgaria was a defeated country that was included in the Soviet zone with all the attendant economic and social consequences. It became part of one of the two warring camps in the Cold War that started in 1946- the one formed around the USSR. An important Soviet agent which took control of the political and economic life was the Communist Party. The development of the country became heavily dependent on the characteristics of this new conflict which lasted until 1989 when the Western bloc proved victorious. As becoming a part of the Eastern Bloc, the state and its economy were subjected to the dictates of Stalin, who treated Bulgaria as a defeated country even after the signing of the peace treaty. In 1947 Bulgaria was forced to reject the Marshall Plan and thus to bear the consequences of its isolation from Western Europe in terms of opportunities for trade, receiving technology and development that would correspond best to its natural and geographic features. The embargo on the technology for which purpose in 1949 was created COCOM would be a serious stumbling-block to development of Bulgarian modernization throughout the entire period of the Cold War.

In 1946-1953, during the most acute phase of the confrontation between the two blocs Bulgaria went through Stalinization of the economy - structural changes, nationalization and cooperation and building of sectors of the heavy industry at the expense of agriculture, as was the Soviet recipe in the 1930s. Along with the forced industrialization and cooperation, in the country was pursued a policy aimed to create educational infrastructure and a scientific and technical intelligentsia of its own that was to be both competent and loyal. But generally speaking it was dominated by professionals with a college education. The students were selected along political and social line - the future engineers, agricultural experts and economists were to come from the working class. Very typical were the students from the so called *rabfak* or workers faculty, because they were a true incarnation of the desired feature of the economic cadres - ideologically devoted and of working class origin, which was considered to be a sure sign of loyalty to the government.

The Cold War justified the political purge among the economic elite of the ruling Communist Party, besides that was to include not only local activists, but also political immigrants from the USSR. The aim was to concentrate the power in the hands of a dedicated personnel ready to follow the instructions of the Kremlin and Stalin's recipe for modernization - industrialization at the expense of agriculture, development of the heavy industry sectors, for which the country had neither capital nor resources. For that purpose were signed the first long-term credit transactions with the USSR that would turn to be a very heavy financial burden for the economy. The Soviet advisers who were sent to Bulgaria also played their role in the adoption of this new approach in the relationship between Bulgaria and the Soviet Union. They directed the repressions against the economic elite (1949-1952). As a result, with the establishment of a de facto monopoly government of the Communist Party, the ministers were no longer political figures, as was the case during the coalition-government of the Patriotic Front (1944-1947), but merely speakers of the views of BCP only, even when they were representatives of the second ruling party - the Agrarian Union, which had given up its program and agreed to participate in building socialism. In the economic management entered young cadres, who had graduated university before the war, but who were appointed as party activists. That could be easily explained - influence was exerted on the society mainly through moral incentives or through repression. The structures of the party-state were created and the party bodies were entrusted with the care and control of economic development. The party-state was born, which in this early period was closest to the definition of a totalitarian state

with all the attendant socio-economic consequences, including the possibility to combine voluntary labor of the brigades' members with the forced labor of those declared "enemies of the people" opponents of its regime.

Things did not change in the conditions of the first wave of "de-Stalinization" of the system in 1953-1956. The power was taken by the party activist Todor Zhivkov, who firmly adhered to the USSR and the Soviet model of modernizing the country. The attempt to develop light industry for which the conditions in the country were the most favorable by relying on the Comecon market had failed during the "New course" (1953-1955) in the entire Eastern Bloc. One of the reasons for that was the consolidation of Western Europe in various economic organizations and in the military-political organization NATO. That brought to consolidation in the Eastern bloc too. After the death of Stalin, N. Khrushchev insisted the Comecon countries to specialize according to natural resources and to renounce Stalin's prescription. Bulgaria was driven to become a showcase of the successful and effective collectivization of the land, and to develop light industry. However, when Germany joined NATO in 1955 the Soviet leadership to agree with the acceleration of Bulgaria's industrialization as a means of maintaining its combat capability. Bulgarian communist elite made great efforts to fulfill this aim and used every opportunity in that direction. The new leader Todor Zhivkov acted not only dogmatically, but also tried to resolve the problems of unemployment that has emerged in the mid-1950s, when the pace of industrial development in Bulgaria was reduced because of the revoked the "New course". The building of industrial society was also necessary in order to carry out social engineering - the creation of the working class as the main social base of BCP.

For that reason the certain easing of international tensions had as a result Bulgaria's admission to the UN in 1955, but no change in the policy of the party-state was observed. It continued to follow Stalin's strategy of development towards modernization mainly by means of industrialization. At its 7th Congress held in 1958 the BCP declared that the Soviet path was the only way to transform a backward agrarian country like Bulgaria into an industrial-agrarian one. To realize this objective it relied mostly on Soviet credit, raw materials, technologies and markets. It relied also on the Eastern Bloc countries. The Iron Curtain was still thick, trade between the states of its two sides was hindered because of the imposed restrictions, and upon the Bulgarian economy in particular weighed heavy the old financial credit liabilities to the developed European countries and the weak export resources. It was also burdened by the ambition of the Bulgarian Communists to catch up with the reach the industrialized countries. Therefore, they relied not only on the USSR but also on the economic organization of the Eastern Bloc. From the very beginning of its establishment in 1949 until the end of its existence in 1991 in the minds of the Bulgarian elite the Comecon was seen as a peculiar organization that was supposed to function not on the market principle, but on the principle of mutual assistance, seen mostly as aid to the less developed countries like Bulgaria.

From the late 1950s the Bulgarian leader adopted the policy of accelerated economic development that would allow the country to achieve the industrial development of the Eastern Bloc countries. That was facilitated by the integrationist efforts of the Soviet leader to make all the states from the bloc pass to "communism" at one and the same time.

As a result of the undertaken yet another acceleration which reminded of the Chinese "big leap," in 1960 industry provided 58 % of GDP and 48 % of the national income. The proportion between the production of means of production and consumer goods was almost leveled. Agriculture accounted for 22 % of GDP and 27 % of the national income. But then a negative trade balance of 7071.5 million leva (according to prices for 1960) was recorded. This means that the achieved structure of the economy could not be realized on the

international market, even on the politically guaranteed market of the Comecon. It this way ended the initial stage of the industrialization of the country, which could be defined as "industrial-agrarian."

In the early 1960s these achievements gave ground to formulate a 20-year program *"to complete the construction of socialism and build communism."* Behind this definition lied the ambition to complete the industrial-factory stage of industrialization and to adjust to the new realities of the Comecon and the world that were closely related to the transformation of science into a productive force. An active role in this regard was played by the political and state leader Todor Zhivkov. His 33-year leadership at the head of the party-state is a certain record in the Eastern Bloc. It has left its mark on the policies to modernize the country, as Zhivkov gradually grew as a politician who had a taste and interest in the development of the economy - it was not accidental that he liked himself most in the role of a "businessman". For that role he spoke in the mid 1980s to the British journalist Robert Maxwell. According to the classic scenario, the main direction of the economic management was to guarantee Soviet credit, raw materials and markets, transforming the Soviet Union into "a kind of colony" for the industrialization of Bulgarian economy. This policy, recognized by the Bulgarian party and state leader was conducted fairly successfully almost throughout his entire government. An evidence of that are Bulgarian-Soviet economic relations of that time: despite the opposition of the Soviet experts, Sofia was oriented towards the development of mechanical engineering, construction of large facilities such as the Factory in Radomir, and absorption of Japanese technology.

That became possible because Todor Zhivkov was to realize early the importance of the relations with the Soviet leaders, not only in terms of gaining a firm foothold for his own power, but also for implementing the policy of modernization. Initially he was more dogmatic in following the Soviet model of development and the impulses coming from the Kremlin, whereas later on he started to apply the tactics of personal contacts, which were particularly warm with Leonid Brezhnev and when his power was strengthened enough, Zhivkov was ready to maneuver between the Kremlin and Western European countries. For such behavior, which was most typical during the period of "perestroika", Zhivkov was encouraged by his long experience at the head of the party - state, and also from the established authoritarian style of government. It allowed him to diminish his complexes related to the lack of higher education by favoring certain scientists and technical personnel who were entrusted with the development of the industry and the economy, appointing them to state and party positions and removing them from there, whenever a change was needed. From the 1960s onwards he turned his attention to the scientific and technical intelligentsia, from whose milieu was recruited the staff for leading government positions, determining the industrialization and modernization of the economy. While in the 1940s and 1950s senior business executives had graduated and were formed before September 9, 1944, such as Tano Tsolov, Zh. Zhivkov and some like St. Todorov had even failed to complete their higher education, but had entered the state economic leadership from the party structures in, in the following decades the career movement of the managers would take place more in the opposite direction - from industry and science to the senior party structures. Such was the path of advancement of the next generation of economic ministers such as Ognyan Doynov, Stoyan Markov, Toncho Chakarov, Stanish Bonev, Pencho Danchev and others. That became possible because of the existence of a formed loyal engineering and technical intelligentsia. However, it was now much more open to the West, and not so dogmatically fascinated by Soviet technologies that had turned to be obsolete in the information age.

Development and access to higher education are among the important indicators of modernization. In fact higher technical education was created after September 9, 1944, when

there was only one technical faculty, while in 1989 ten out of thirty universities prepared technical staff. With a view to ensuring industrial development of great importance was the formation higher engineering and technical education of its own, which was received by about 40% of the university graduates.

Typical for the 1940s - 1950s was the creation of opportunities for immediate nurturing of the production with cadres, who were constantly increasing their level of development, both executive staff and management - with the opening of evening schools, technical colleges, introducing part-time and evening courses at the universities, through the system of "rabfak". In accordance with the policies aimed to create intelligentsia "of its own" were applied restrictions with regard to the young people of bourgeois origin and relieved intake of students from workers and rural milieus. The entire student youth, including the technical one, was subjected to ideological and political indoctrination with the introduction of ideological disciplines and periodic inspections for "correct" social background. The newly created technical intelligentsia was largely of working class and peasant origin, ideologically faithful. However, a constant problem in the policy regarding this intelligentsia, was to make sure that it really entered production. Having changed their social status, most of its members sought for a career in government, science, and not in immediate production. For that reason from 1948 to late 1989, the government applied mandatory three-year distribution of senior executives, thus maintaining good technical level in the immediate production. But that system which was perceived as coercion would encounter increasingly strong resistance, expressed in search for illegal means to avoid mandatory distribution.

The 1960s were marked by improvement in the international climate, especially in the old continent, the controversial "peaceful coexistence." They were also marked by the conducted in two waves de-Stalinization in the Eastern Bloc, Bulgaria included. Inside each of the two opposing blocs ran processes of integration. Especially typical were they in the first half of the decade. In the second half of the decade greater importance was already attributed to bilateral economic and political relations between countries on both sides of the Iron Curtain. Particularly important in this respect was the Eastern policy of the French President Charles de Gaulle, which since the mid-1960s blocked the integration processes in Western Europe at the expense of the shift to Eastern Europe.

The above mentioned highlights of the seventh decade also determined the modernization policy of Bulgaria. At first the country adopted "a twenty-year program for building communism" but essentially it included tasks on the implementation of the factory-industrial phase of the industrial revolution and outlining the contours of the next one - that of complex automation and robotization in industry. The undertaken policy was related to an effort to catch up with the more developed East European countries that would allow Bulgaria to participate in the division of labor in the Comecon, not as an agricultural supplier but as an industrial state with opportunities to specialize in leading engineering industries. To convince its partners in the Comecon, Bulgarian political leadership adopted a policy aimed to establish privileged economic relations with the Soviet Union in return for its political loyalty. It showed a willingness to renounce national sovereignty, later called policy of the "16th republic", but actually it had little choice. Without Soviet markets and favorable credit, as well as scientific and technical assistance, Bulgaria could not convince its partners, even those in the Comecon to participate in the specialization and cooperation of modern industries.

In the basis of the industrial policy in the 1960s was the electrical engineer, who had graduated in France, with experience in organizing production and innovation abroad, one of the founders of higher education in engineering Prof. Ivan Popov. As head of the State Committee for Science and Technical Progress and a member of the Politburo of BCP Central Committee he set the development of mechanical engineering with a view to the

modern tendencies at that time and the limited resources of the country, namely in the field of electrical goods industry, computing machinery and load handling activities. Along with other leading scientists in economic management such as Acad. Lyubomir Iliev, Prof. Popov was among the promoters of the policy of scientific and technological progress as a means of intensification of the economy, linking the needs of industry with the development of the most advanced tendencies of technology - electronics. All that still took place by way of Soviet science and technology, but the fact that the USSR was lagging behind the leading Western tendencies of creating a "post-industrial society" was increasingly getting clear.

The USSR also set the reform momentum in the economy. Throughout the Eastern Bloc was experimented with using market mechanisms to stimulate and motivate manufacturers towards the intensification of labor, as it was realized that extensive methods of development were exhausted or were running low. The "Marketists" - people who were trained or had specialized in the USSR during the first half of the 1950s such as Emil Hristov, David Davidov, Grisha Filipov were at the heart of the Bulgarian version of economic reforms. Without denying the foundations of socialist economy - state ownership and leadership of the Communist Party, as well as their management tool - the plan, a number of market elements were introduced - self-support, self-funding, profit. To make these components function was conducted decentralization, rights were delegated to the workforces and the large groups - DSO in the field of production, planning and distribution, including those abroad, and also in self-funding of a number of social activities of the workforces. But the elevation of the role of the market, of the realization of production questioned the leading role of the party, and within the Comecon - of its center - the USSR. In the context of the Cold War, a similar trend was highly undesirable for the power centers in the Eastern Bloc, Bulgaria included. The government received an additional argument against the introduction of market principles from their application in agriculture and the services - there were found a number of frauds, evasion of profit tax payment, improperly used state facilities or materials from state enterprises. The experimenting with market principles showed also the possibilities of draining the state and that was seen most clearly in the case with TEXIM. The company showed excellent results, not because it worked according to the logic of the market, but because it enjoyed the privileges and the highest protections, while the other units could not work under these rules. The showcase enterprises were like the showcase shops or the hard-currency stores "Corecom" that served Western tourists or Bulgarians who had managed to get rich by working in the Third World, for whom the luxurious items were unavailable in Bulgaria in the ordinary retail network. The allowance of market mechanisms, the focus on the material incentive as an important factor in motivating the builders of "communism" gave rise to socialist consumerism, selfishness and desire for consumption, which could not be satisfied without the use of illegal connections. Heavy industry continued to be a leading direction of the economic policy and therefore there was a deficit in the provision of the increased consumer demand. Moreover, it was not about actual shortage, but shortage of artifacts in the field of luxury, such as cars, color TVs, washing machines, telephones and other symbols of modernization, which at the time had become widely available in the West. With the granting of market incentives was endangered the social stability of power, which had previously been guaranteed by the maintenance of "equality in poverty". This peculiarity of modernization was observed in all East European members of the Soviet bloc, especially in the more backward ones such as Bulgaria. All these effects of the new economic reform brought to a search for other ways to intensify production through concentration and specialization in industry, agriculture and foreign trade, which would be implemented over the next decade.

In 1970, the industry provided 65% of GDP and 55% of the national income, and agriculture - respectively - 9% and 17%. The foreign trade balance was already positive and reached 202.2 million leva (according to prices of the respective year)¹. The government sustained the building sectors in heavy industry, including the most advanced high technology ones, such as nuclear energy and electronics. In 1966-1970 the flow-conveyor organization of the production of Bulgarian cars "Bulgarrenault" 8, 10, "Bulgaralpine", "Pirin-Fiat" and "Moskvich" was already a fact.

In support of these trends the higher education of engineering- technical and managerial intelligentsia continued to expand. Higher technical institutes were established in the different cities with a profile suited to local production. The achievements in establishing the industry-factory stage of development of the second industrial revolution and the awareness of the need for the third one, however, were still realized within the Comecon. Even in the Third World the export of agricultural products was predominant. In the late 1960s the enhanced centripetal forces in the Western and in the Eastern Bloc strengthened the conduct of this type of modernization - industrialization of the real economy, closely linked with the USSR.

In the conditions of detente for most of the 1970s to the country were open bright prospects of modernization. Building communism was replaced by the more realistic aim - to build a highly developed "socialist society". In any case, the main trend in modernization was the further development of real economy and above all heavy industry. In economic terms, that meant concentration of the production and transformation of science into a direct productive force, providing comprehensive mechanization and automation of manufacturing processes and management. These trends were similar to the processes taking place in the advanced capitalist countries in the 1960s that were called third industrial revolution. Bulgaria relied on centrally-planned economy and the large forms of production, both in industry and agriculture, to carry out technological breakthrough in its modernization. It embarked on policy of integrated, automated and robotic production and management.

The new technocrats of the generation of the engineer and also manager Ognyan Doynov defined that policy. Its highlights were the development of electronics, including development of the first Bulgarian PC "Pravets" in 1979, the three giants of heavy industry - in Rousse, Haskovo and Radomir and putting into operation 1st and 2nd block of Kozloduy NPP. During the 1970s took place a process of industrialization of agriculture based on industrial-agrarian (PAK) and agro-industrial complexes (APK), the construction of large stock-breeding complexes. In 1980 industry provided 66% of GDP and 51% of the national income, and agriculture - 13% and 19% respectively. The country had a positive trade balance of over 600 million leva (according to prices for 1980). In the middle of the eighth decade Bulgaria was among the moderately advanced European countries in terms of GDP per capita, namely - 53 on an average for Europe equal to 100².

The scientific and technical direction of industrialization and modernization of Bulgaria became possible thanks to the opening to international experience. In science policy the tendency to develop mainly applied research became dominant. The more open access to Western technology, which came as a result of the energy crisis in 1973 that had made Western nations more willing to export industries and technologies to the Eastern Bloc and the Third World played an important role in the establishment of such an approach. The policy of detente between the two blocs facilitated the technological modernization of the Bulgarian economy, as it allowed industrial and commercial and economic cooperation with

¹От Девети до Десети, с.750, 753.

²От Девети до Десети, с. 750, с.753; Рангелова, Р., *България в Европа. Икономически растеж през XX век*, Акад.изд. „Проф. Марин Дринов“, С.,2006, с.117, таблицаII.18.

leading capitalist states like Germany, Austria, Finland and others. But what contributed most for that were the excellent economic, political and cultural relations with Japan, a model of high technological development. The Japanese relationship was of primary importance for the development of scientific and technical policy of the country during this period.

The established industrial cooperation with the Western states was normally intended for domestic consumption or for peripheral to the Western counterparts markets. Bulgaria, unlike the other socialist countries refused Western companies the right to own its assets. This explains the country's lagging behind in the industrial cooperation with the developed countries and its close alignment with Soviet economy.

Bulgaria continued to take advantage of the special Bulgarian-Soviet relations, which was essential during the sharp rise in the oil prices at the beginning and at the end of the decade. In 1973 Bulgaria still provided itself with additional quantities of oil in return for the policy of wide-ranging rapprochement between the two countries. However, at that time in connection with the construction of the high-tech Kozloduy NPP emerged also the first trade and economic contradictions between the them. That was followed by the introduction in 1975 of "sliding" prices in the Comecon, which introduced more directly the international prices in the economic relations of the socialist countries and disrupted the implementation of their five-year foreign trade agreements. Socialist economic integration was losing attractiveness. Centrifugal forces in the Eastern Bloc were getting stronger, at a time when the Western countries were consolidating themselves in various political groupings such as G-7 and the Trilateral Commission. The European Community was expanding and was turning into center of attraction for the less prosperous countries of the continent.

With the application of new scientific and technological innovation and expansion of international trade and economic activity aimed at further industrialization Bulgaria ran into debt to the Western states. The industrial output did not provide the necessary hard currency returns because it was not competitive on international markets. Bulgaria was buying for convertible currency and selling for non-convertible because it realized its latest production mainly on the Comecon market, especially that of the USSR. The following contradiction was observed: the more modernization of the economy was synchronized with the leading Western trends, the more remaining in the Eastern Bloc created problems and obstacles. That became clearly evident in the late 1970s, on the eve of the new confrontation between the two blocs, when the country was faced with a serious debt crisis. It was resolved by restrictive measures in consumption, but mostly - with the help of the USSR. The USSR agreed to ease the debt burden to the Western countries primarily because of foreign policy considerations. Bulgaria managed to get direct financing of Bulgarian agricultural production, which was sold on the Soviet market. Then as a temporary measure, which actually continued to be applied in the first half of the 1980s, the USSR started to pay directly to Bulgaria 400 million currency rubles per year for the imported agricultural products.

"Bulgarian" solutions to the debt problem were also sought. Contacts with Western business circles and capital were expanded with the adoption of a new decree on the establishment of joint ventures which allowed for attracting foreign capital in the country. About 500 boutique small and medium enterprises were developed, in which it was easier to implement the most recent technological inventions with the hope they could be sold not so much on the Comecon markets, but also in third countries. Agricultural products were sold at a knock-out price.

Economic reforms were also carried put, which without breaking the monopoly of state property and the authority of the Communist Party in the government and the economy, transferred the care of efficient production on the immediate producers. Administrative methods were used to solve the debt problem by creating hard-currency commissions at a

central and local level. Increase of prices was made but for the sake of social peace that was done without eliminating government control over pricing.

It is noteworthy that economic reforms in the late 1970s were not experimented first in industry, but in industrialized agriculture. It continued to be the main source of convertible currency. Moreover, as a result of industrialization villagers were already hired workers, they were decreasing in number and could more easily adjust to the introduction of market mechanisms without fatal consequences for the government. They could actually be offered vent - the private sector working for the market was tolerated again. However, modernization had formed certain attitudes, moreover, it had created economic and social channels for their realization. As a result, migration from the countryside to the cities continued to dominate in the migration processes in the 1980s. Negative attitude towards manual labor was formed, and also an outflow of low-paid and non-prestigious jobs in services was observed. At the end of the period depopulation of many villages was a fact. The attempt to conduct social and territorial engineering through the settlement systems further accelerated the withering away of a number of villages.

The preparation of engineering-technical cadres in late 1970s also proved to be subordinated to economic mechanisms. The leading importance of science turned into immediate productive force resulted in another increase in the number of students in the fields of engineering and economics, which at the end of the period was reported as ineffective and unjustified because it produced narrow specialists. The government applied pragmatic solutions to shorten the period of training, through changes in the "workers' faculties" it aimed to create local cadres and through the training and production centers - conditions for labor-production practice that had to be cared for by the consumers of cadres. These solutions were in the mainstream of the withdrawal of the state from higher technical education in the preparation of cadres for economic modernization and transfer of the care on the individual, and especially on the consumers of cadres.

The social results of industrialization as urbanization and the creation of scientific and technical intelligentsia of its own in Bulgaria are impressive. But like in the model, along with the modernization of production and the society in the country were retained the patriarchal structures through unofficial ties along party, familial, common regional, and generally clientelistic lines.

Modernization did not put an end to small owners' attitudes among the public. To that contributed the reform waves of the government, in which periodically - both in the 1960s and in the late 1970s and the second half of the 1980s was allowed private initiative, but not the private property of farmers, doctors, designers, in the sphere of tourism and public utilities. Therefore in the second half of the twentieth century modernization in Bulgaria can also be described as conservative modernization.

For such characteristic contributed also the contrast between the rapid pace of urbanization and the deformed consumer market. In the 1970s urbanization was a fact - more than half of the country's population already lived in cities. In 1985 ten Bulgarian cities had more than 100,000 inhabitants and three - over 200,000 inhabitants. The provision of housing became a major problem, as in the large urban centers, and especially in Sofia the housing needs were increasing faster than the opportunities for their satisfaction. Centrally-planned economy could also not meet the aspirations of the new citizens for objects - symbols both of prestige in consumption such as private car, appliances, televisions and other similar items, and related to the modernization of the living standards. The social and political restrictions in consumption, the lack of housing market added to the necessity of informal relations, based on dependencies, including patriarchal-common regional ones. But the big city inevitably lead to atomization of the citizen, inability to control his mind and individual aspirations. Those

aspirations, being a result of the catch-up nature of East European modernization were largely characterized by the pursuit of higher standards of living which the West offered. An important role in getting acquainted with it was played by the ever-expanding information, the access to which was facilitated by detente and the use of new means of transmitting information - television and computers. The power of the image as a result of the information revolution coming from the western side of the Iron Curtain would amplify the challenges facing the party-state in modernizing the economy and society in the 1980s.

The "Second Cold War" had a very bad effect on the Bulgarian efforts for modernization development. In connection with the "Bulgarian trace" in the assassination attempt against the Pope, Bulgaria was accused of sponsoring terrorism and was therefore subject to certain sanctions in its contacts with Western companies. And they became urgent in view of the revolutionary changes and the shift of global development towards the post-industrialization, information phase. In general, by the end of the decade Bulgaria, unlike the other Eastern Bloc countries showed positive growth. The comparison of the share participation of the main sectors in GDP and the national income in 1948, when industry provided respectively 32% and 23%, agriculture 49% and 58%, construction 6% and 4%, transport and services - 2% 10%, and the data for 1989 shows significant progress in the development of an industrial, modern economy. In 1989, the industry accounted for 70% of GDP and 59% of the national income and the other sectors respectively: agriculture - 10% and 11%, construction - 8% and 10%, trade and communications - 12% and 18 %. The trade balance in 1989 was positive - 887.1 million leva (according to current prices). It remained positive, although it was reduced by over 600 million leva and in 1990 was 244.6 million leva³.

The new branches like automation, biotechnology, electronics also showed fairly good results. That was a result of the fact that substantial resources were allotted for research and development activities and economic incentives were provided for inventors and adopters of innovative scientific achievements. The third industrial revolution was underway in Bulgaria too.

In the conditions of embargo and a "Second Cold War", however, all Bulgarian innovations were intended for the Comecon markets and this created deceptive comfort but did not provide enough hard currency, nor other markets. Moreover, rivalries between the states for the development of the latest trends of innovation in microelectronics and PCs started to be observed. Unlike Western Europe, in Bulgaria in the 1980s science and technology policy continued to serve the industrialization of the country, rather than individual consumption. Only at the end of the period - in 1988 would be raised the question of meeting that demand, yet not by including the country in world trade, but again - by creating specialized small and medium enterprises. Thus once again there was modernization of the economy for the sake of modernization itself.

All that prompted the party-state leadership to start searching for more opportunities to increase the effectiveness of the applied policy. On the one hand these were administrative and organizational changes - program councils, unified strategic plan, temporary and new program research teams. On the other hand, it relied on economic incentives for research and development activities without recognizing intellectual property. Thus again were mixed the market incentives with the role of the subjective factor in the evaluation and implementation without clearly defined proprietary relations on the scientific product. All that would create tension among producers and scientists and it is not surprising that they would show most opposition against the authorities during the permitted democratization in the late 1980s.

³От Девети до Десети, с. 750, с.753

For such attitudes would also play its role the policy of applying market principles in higher education. In the early 1980s was observed oversaturation with cadres from technical and economic disciplines that was paralleled by steady decline of interest towards higher agricultural institutes. For that reason the reform of higher education was aimed at establishing a more flexible three-stage structure that was to bind more closely education with the needs of production, while transferring the allowance for the third stage from the state to the users of cadres. The third degree was planned to be realized in the production centers of the users of cadres and the universities. But because there was no interest in maintaining these centers by the pointed structures, soon was launched the idea the universities to become science-production complexes, technological complexes and even to be created Technological University, as such was at that time the practice in the US and Japan. At the same time the system of the "rabfac" was changed, now it had to prepare local staff for the needs of the party and local government. The competitive examination was complicated and the intake of students was decreased. These changes caused discontent among the public, which regarded such a policy as an attempt to limit the possibilities for preserving the social status of civil servants and the urban residents.

During the second half of the 1980s retired in large numbers the engineering-technical personnel created in the 1940s and 1950s which was most loyal to the authorities. They had a good reason for being such because thanks to the policy of industrialization and modernization of the Communist Party they had changed their social status. Not accidentally, in the 1960s and over the 1970s and 1980s the senior government personnel was recruited from their ranks. The training of the next generation of engineering-technical personnel in the second half of the 1980s took place in the new conditions of system restructuring which included democratization of higher education, but also self-funding of the universities. Although at the end of the decade was marked a record in the intake of students and an increase in the network of high schools, the interest was no longer directed towards engineering disciplines but to fundamental sciences and humanities. The engineers who had studied and graduated by that time had received the most quality education because they have passed through regular training and also because computerization and the new technologies have already introduced in the education. But the recruitment of managerial personnel from this contingent of specialists was for quite a short time, due to the new conditions of transition to market economy. These specialists supported the change of the system with the belief that in the new conditions of information technologies they were the best prepared but actually they were deceived. After 1989, their experience turned to be futile, because the directions of development in the economy became different - the powerful support of the state for the most progressive industries disappeared, as well as the guaranteed markets and joint productions and de-industrialization was to come soon.

It was prepared by the last reform wave in the Soviet bloc, the "perestroika" and the "new political thinking" coming from the Kremlin. They marked the end of the followed until then modernization development of the country, because the strong Soviet relationship had come to an end. Closing the "Soviet umbrella" over Bulgarian modernization brought to a change in the strategy and tactics of the Bulgarian leader. He refused to acknowledge the fact that there were stagnant phenomena in Bulgaria and continued to adhere to the objective of *"building of developed socialist society"* with the help of the scientific and technical progress and by undertaking reforms that were actually an attempt by the Communist Party at conducting orchestrated transition to a market economy. It was subtly outlined in the July Concept of 1987, where the promises of reforms were presented with communist phraseology. The transition was to start with handing over the management of the enterprises to the workforces, allowing private manufacturing and commercial activities in the form of lease. In

this way the party-state was trying to transfer the care for the survival of the state property to the immediate producers, to free itself from the role of major factor in the economy and to create new, mainly small producers. Through the changes that were undertaken in 1988-1989 the party and economic nomenclature that was at the head of the party-state pyramid had left for itself the possibility to become a new class - of real big owners - oligarchs.

The centrifugal tendencies in the Eastern Bloc facilitated those most radical attempts to modernize the system of the centrally-planned economy with a view to adjust to the new trends of the information, post-industrial revolution. Of primary importance, however, was the refusal of the USSR to be a raw material supplier of its satellites, when the *"new political thinking"* opened to it the opportunity to become such for Western Europe for hard currency and with the hope that it would be accepted into the club of the "rich". The strong US pressure and Ronald Reagan's strategy of total war against the USSR, declared to be the *"empire of evil"* also played a role for such reorientation.

The first victory of this strategy could be seen in 1985, when M. Gorbachev announced in Sofia his new policy *"Friendship is friendship, but cheese costs money."* Therefore, before the old Bulgarian leader stood the task to survive politically by seeking greater economic contacts with Western countries and by undertaking reforms in the economic sphere. There was even a conflict with Gorbachev, who accused him that he wanted to turn the country into mini-Japan and mini-FRG and impinged on the role and place of the Communist Party. This conflict that had taken place in the summer and autumn of 1987 showed that the USSR wanted to put the relations with its most loyal satellite on an economic base, but to keep it in the Soviet political orbit. That made Zhivkov more cautious in his maneuvering between the USSR and the West, but did not make him give up the transformation of the system. In 1988 was declared a change from the policy for development of heavy industry towards the production of consumer goods. Foreign loans started to be accumulated again with the aim to repeat the experience of Japan and the Asian tigers - rapid implementation of the latest innovative technologies. Having reached 10 billion USD in 1989, they would serve as a proof of the falsity of the previous policy of modernization. The country started negotiations for signing a trade and economic agreement with the EU, after establishing diplomatic relations with it in 1988. In Plovdiv was established the first "free trade zone". However, nearly until the end of the system the reforms were carried out under the sign of *"more socialism"* and only in December 1988 Zhivkov dared to announce that the built until then socialism was *a prematurely born child* and therefore society and the economy should be modeled on a market basis. The withdrawal of the party not only from the economy but also from the symbiosis with the state under the new market conditions would be stated at various forums in 1988. That would become much clearer in 1989 with the adoption of Decree No. 56 and Decree No. 929, which introduced in industry, the services and agriculture lease and corporate organization and its transformation into a shareholders. In an attempt to keep hold of power Todor Zhivkov was ready to give up the position of Secretary General of the Communist Party, but to retain his position as head of state as Chairman of the State Council. But the prepared part of the nomenclature around the reformers of Andrey Lukanov could not allow that. There was an ongoing scenario for getting out Bulgaria from the camp of the defeated in the Cold War and its incorporation to the winners camp, in which a part of the former power holders hoped to find their political and socio-economic future again as an elite by renouncing the existent policy of modernization and the man who embodied it. One day after the fall of the Berlin Wall which symbolized the end of the Cold War, Todor Zhivkov was ousted from power by an internal party coup. In that way began the transition to a market economy and parliamentary democracy, which in its essence turned to

be just another catching up with the leading core of highly developed countries in the conditions of triumph of neoliberalism.

At the request of the Bulgarian Communist Prime Minister Andrey Lukanov a group of American economists under the leadership of Dr. Richard Rahn and Dr. Ronald Utt worked out a program for such transition that was called "Report on the Bulgarian Economic Growth & Transition Project" prepared by the US National Chamber Foundation for the People's Republic of Bulgaria. Under way was a successful and long implemented scheme for catch-up modernization - tight alignment with the leader of the winners and closely following his instructions.

The history of Bulgarian economic modernization in 1944-1989 shows particularly that. It managed to achieve significant and rapid socio-economic results, where engineering, electro-technical and electronic industries increased their share in the total industrial output from 7.3 % in 1948 to 32.2 % in 1989, while for the same period food industry reduced its share from 41.4 % to 21.9 %. Moreover, quite significant was the change in the foreign trade of the country: if in 1957 the export of items and raw materials for consumption accounted for 48.6 %, in 1989 it dropped to 23.6 %. At the same time, the export of industrial goods and raw materials increased from 51.4% to 76.4 %, while only that of machines and equipment - made respectively 7.1 % in 1957, and 52.2 % in 1989. Yet, these changes in the structure of the economy, which show that the country had successfully implemented its industrialization, including the phase of automation, were made in view of the large economic area of the Comecon: in 1950 there was realized 88.7% of the turnover of the country, and in 1989 - 79.9%. At the same time was increased the share of the developing countries: in 1950 it was 1.0 % and in 1989 - 6.7 %. Much less was the increase in the turnover with the developed countries - from 10.3% to 12.0%, and also with the countries of the EEC - from 5.2 % to 7.7 %⁴.

It is evident that the policy of economic modernization had been successful in the era. The international context was favorable for it - the Cold War between the USSR and the US and the formation of the Eastern Bloc in the course of that war. The rivalry and the blocking of the normal development of trade between the two blocs contributed to the adoption of the Soviet model of development. Bulgaria had become a communist party-state with a command economy. All that was achieved in the economy and social structure was based on Soviet investments, markets, raw materials. The Bulgarian leader Todor Zhivkov tried to sell his political loyalty in the most profitable way, even by committing a national treason with the proposals for a more tight rapprochement between the USSR and the People's Republic of Bulgaria, turning political humiliation into economic dividends. Subsequently, when the USSR refused to continue subsidizing Bulgarian and Eastern European economy by introducing market relations with them, the created industrial facilities degraded and lost lose their structural importance for the economy. Thus the share of exports of machinery and equipment and apparatus as the most synthetic expression of the achieved during the industrialization dropped from 51 % in 1989 to 12.5 % in 2001. Just opposite was the ratio of the export of services (transport and tourism). From 2.4 % in 1991 they would reach 32.2 % in 2001. There was also a sharp change in the major foreign trade partners of the country - in 2001 in the EEC member states was already exported 54.8 % of the manufactured goods in Bulgaria, and in Eastern Europe - 17.8 %. Even more dramatic was the reduction of trade with the Soviet Union/the Russian Federation: in 2001 it accounted for 2.5 % of the total exports, while it imported 20% of all imports. That resulted it tremendous passive balance for the country.

⁴НРБългария`89, Кратък статистически справочник, ЦСУ, София,1990, с. 25, 56, 58.

Having drawn the lesson from its historical experience, Bulgarian society sought to join the new economic and political space - the European Union. That is why the new political elites, using the power of the state subjected the economy to reforms aimed at liberalization from above, deregulation and privatization with the consequent socio-economic outcomes - deindustrialization, de-agrarisation, unemployment, uneven development. Becoming in 2007 a part of the European Union, the country fitted into the new reality, where the importance of the nation state was already dying out at the expense of the regional groupings.