

WHERE HAS MARXISM GONE? GAUGING THE IMPACT OF ALTERNATIVE IDEAS IN TRANSITION BULGARIA.

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Introduction

This paper uses an ideas-centered approach to offer an answer to a rarely asked yet interesting question in the context of postcommunist politics: what happened with the set of lived Marxist ideas which once dominated the policy making process? The ideational answer is based on the observation that there are more than one ways for ideas to affect politics and policies. It is true, that ideas are important when a policymaker believes in them – given a set of available options, she will naturally choose the one that most closely corresponds to her ideas. But it is also true that ideas are important when they shape the set of available options itself as well as the possible outcomes. It is precisely this second way for ideas to affect politics which is explored here, and behind the puzzle of Marxism's disappearance an analytical story is found that may lead to better appreciation of the sometimes subtle and subterranean ways in which ideas affect politics.

By the mid-1990s Marxism disappeared completely from the public discourse in Bulgaria. None of its postulates, its main policy recommendations such as central planning, completely administratively controlled prices, obligatory employment, state property, collectivism, proletarian dominance through one-party rule, is left standing. The occasional appearances of the chairman of the tiny Bulgarian Communist Party in pre-election TV spots sound and look so off-beat and aloof, that they only prove the fact that the Marxist discourse has no place whatsoever in the present day Bulgarian public debates.

It has been effectively substituted by a broad range of variants of a market-capitalistic talk, which has come to completely dominate the Bulgarian public space.ⁱ No one questions the necessity of private property and initiative, markets (at least to some extent), different political parties, competition. Debates and differing opinions are strictly within the realm of market democracy, and evolve around the choice of one or another set of institutions and policies which can make this specific system of social organization work best in Bulgaria.

The vanishing act of Marxism in Bulgaria came on the back of more than forty years of complete and unchallenged domination. During socialism in Bulgaria there were no alternatives to the Marxist-communist set of ideas in either public discourse, academic work, or policy formulation and implementation. If there were any internal arguments and oppositions, they were strictly within the ideological realm of the centrally planned, state-owned one-party system of social organization.

The complete dominance of Marxism in Bulgaria for more than forty years up to 1989, and its complete vanishing from the public discourse within several years after 1989 begs the question: is it possible for a rich set of ideas which have been actually practiced and lived for almost half a century by a given society, to disappear without a trace within a fleeting moment? If human societies evolve in a complex path-dependant way along a continuum, such sharp discontinuities should not happen.

The only way to reconcile the seeming contradiction is to notice that the fact that the Marxist views have left the public discourse does not mean that they have left people's minds. It is to be expected that, even if they are no more at the fundament of policy formation and do not explicitly inform the social decision making process, remnants of the previously dominant set of ideas can still be found in the thinking of many representatives of the previously communist society.

The paper illustrates the general argument by outlining the possible significance of one such remnant in one particular country. More precisely, it is an attempt to demonstrate how the survival into postcommunism of one of the pillars of Marxist economic theory can offer a ready and logical explanation to several oddities associated with the process of economic transition and policies in Bulgaria.

The argument developed below rests on two assumptions. The first is that the cognitive process of a person and of societies as a whole involves a complex mapping of perceived facts

on a set of existing adopted explanations, or theories, about reality and about the causal links which exist in it. One of the reasons why the mapping is complex is that it is a two way street – while it is true that facts and observations do affect the set of adopted explanations, it is also true that the a-priori adopted explanations do affect what facts are perceived and how they are perceived, and especially the inferences that are made by the respective agents. The importance of this assumption for the argument in the paper is that the complexity of the social cognitive process means two things. First, severe and prolonged discrepancies between objective developments in a given economy and the perceptions and judgments of economic agents about these developments are entirely possible and can be rational. Second, a good place to look for explanation of such severe and prolonged discrepancies is the starting, or inherited, ideas of the respective economic agents about the world, because they are the other, besides observed facts, major determinant of perceptions.

The second assumption, which is admittedly simplistic, is that in the case of the Bulgarian postcommunist society, there are two basic alternative generalized sets of ideas, which are available to economic agents and respectively shape their perceptions and inferences. The first set consists of ideas inherited from the past, centered around a long intellectual tradition of etatism, collectivism, egalitarianism, dislike of capitalism, and suspicion towards the markets and their outcomes.ⁱⁱ The second set of ideas is the one to which the Bulgarian society was exposed, for the first time in anything resembling a significant degree, after the fall of communism and the beginning of democratic and market reforms. It is ultimately based on the belief that under a proper institutional framework voluntary market interaction between independent individuals with private initiative produces desirable efficient results.

For the purpose of operationalization of the analysis in the paper, this second assumption is simplified even further. The two alternative sets of ideas are boiled down to two

alternative theories of value. The justification of this simplification is that, on the one side, it is ultimately what people consider as valuable which shapes their attitudes, perceptions, and choices, while on the other side the two theories of value are much more narrowly defined and as such much more easy to compare than the much less disciplined notions of “sets of ideas”. Thus the hope is that what is lost in terms of realism due to the simplification is gained in terms of increased analytical discipline.

Besides the two underlying assumptions, the paper is build as a case study of one country – Bulgaria. The reasons for this are two. There are some in-depth data available for this specific case of a postcommunist country, which demonstrate some large discrepancies between reality and perception. Such discrepancies are necessary to infer about the presence of one or another idea in people’s mental models. Second, a single country provides a relatively consistent single context and culture, which is valuable, because if context and culture also change, it becomes extremely difficult to disentangle the relevance of ideas.

As a consequence of this reasoning, the paper is built as follows. First, some significant discrepancies between facts and perceptions, called the “experience gap”, are shown to exist in Bulgaria at the beginning of the 21st century. Second, two different ideas, namely two different theories of value, are presented, and the logic of how they shape perceptions is presented. Third, it is suggested that the presence of the experience gap may help infer about which of these two ideas has a stronger hold on the minds of Bulgarian economic agents, and the inference about which of the two ideas explains the presence of the experience gap is made. Fourth, since the presence of the experience gap is attributed to a specific economic idea, some of the effects of the experience gap can also be viewed as consequences of the continuing life of this idea. Finally, some conclusions are drawn and directions for overcoming the deficiencies of the analysis are offered.

Part I. The Experience Gap in Bulgaria

As of 2004, the Bulgarian transition can easily be split into two approximately equal, but politically and economically very different periods. The period between the end of 1989 and mid-1997 is characterized by political instability – four parliamentary elections, eight governments, none of which completed a full constitutional mandate – and by a severe drop on economic activity (per capita GDP fell by close to 30%) accompanied by repeated financial crises, high inflation, and rising unemployment. The period after mid-1997 is characterized by opposite tendencies – only one parliamentary election in 2001, correspondingly only two governments in power, lively economic recovery (by mid-2004 per capita GDP is back at its 1989 levels), increased incomes of most people and dropping poverty rate, including a distinct tendency for a drop in unemployment over the last four years of the period. In this second period the country applied for membership in EU and NATO, became a member of NATO, opened, conducted and completed negotiations for membership in the EU.

Given the very sharp contrast between the two periods, one would expect to see a sharp contrast in the Bulgarians' attitude towards what is happening in their country in the first period, and in the second. Such contrast, however, is difficult to find. The public opinion about what is happening and what is to be expected continues to be mostly pessimistic, the public trust in government and other institutions continues to be very low and declining, and people are generally not approving the direction in which the country is going.

Obviously as of 2004 in Bulgaria perceptions differ from reality. Within the Bulgarian context, the phenomenon has been demonstrated by studies approaching the issue from different disciplines, such as anthropology, political science, sociology, and economics. The discrepancy will be shown in more detail for three specific indicators, which are to be used later in the analysis.

One particularly sharp discrepancy in Bulgaria during the period 1997-2004 is the one between the macroeconomic developments in the country and the public perceptions about the performance of the economy.ⁱⁱⁱ The Bulgarian per capita GDP has recorded seven (between mid-1997 and mid-2004) years of consistent growth at close to 5 % per annum on average.^{iv} Even if we accept all the criticisms of GDP as a measure of economic performance, this result leaves little doubt that the objective data point that the Bulgarian economy is performing very well and the overall economic situation is improving. At the same time the level of optimism about the future (positive answers to the question “Is Bulgaria changing for the better?” in the regular nationally representative sociological surveys of BBSS Gallup International) has gone down from close to 40 % in 1998 to about 19 % in 2003, with the decline being gradual and almost constant. Quite obviously the public perception is that the situation in Bulgaria is deteriorating. Seven years of objectively increasing economic activity have not changed perceptions in a positive direction, on the contrary – the discrepancy is increasing. This is a clear example of an experience gap – positive objective experience is associated with negative changes in perceptions.

The second example of an experience gap in Bulgaria over the recent years is related to the first in that it is also based on the aggregate economic data. Not only the rising real GDP, but also rising real gross value added in most sectors, increased industrial output, sales and productivity, re-monetization of economic activity, and a large positive jump in the levels of foreign direct investment^v all clearly point that value-adding, positive-sum interactions have been prevalent in the Bulgarian economy over the seven years after the crisis of 1996-1997. An indirect indication of this development is the fact that a series of interviews, held in 2003, with Bulgarian entrepreneurs and foreign entrepreneurs working in Bulgaria^{vi} demonstrate that the members of the entrepreneurial elite notice increased opportunities and returns for positive-sum, cooperative interaction since around 1999. Yet three consecutive surveys of

nationally representative samples of respondents, conducted in 2000, 2001 and 2003,^{vii} show that most Bulgarians tend to believe that in the economy someone's gain is always someone else's loss, i.e. that economic interaction is predominantly a zero-sum game. More concretely, the percentage of respondents who definitely or generally agree that "in the economy, the profit for some is always loss for others" has been 55.7, 56.9, and 51.0 percent for the 2000, 2001, and 2003 surveys respectively, while the percentage of respondents generally or definitely disagreeing with this statement has been 18.2, 17.5, and 15.6 percent respectively. In short, the Bulgarian public continues to perceive the world as a zero-sum one even after seven years of clearly positive-sum reality.

The third example of the experience gap in Bulgaria is the discrepancy between corruption reality, on the one hand, and corruption perception and expectations on the other. Corruption began being measured in Bulgaria in 1998 by the international anti-corruption organization Transparency International through its Bulgarian branch Transparency Without Borders, and by a national coalition of non-government organizations for fighting corruption, called Coalition 2000.^{viii} Both organizations have recorded significant improvements for Bulgaria in terms of corruption reality. The Transparency International Corruption Perception Index measures the opinion of members of the business and social elite, who are in a best position to recognize and observe corrupt practices, about the actual spread of such practices. On a scale where 0 means total corruption and 10 means no corruption, the Bulgarian index has gone from 2.9 in 1998 to 4.1 in 2004. This may not seem much, but it still represents one of the largest improvements among the Central and East European countries during the same period. Coalition 2000 measures corruption through a series of nationally representative sociological surveys, and includes questions about corruption pressure (public servants directly or indirectly asking for a bribe) and about corruption practices (paying a bribe). As of the spring of 2004, both measures have decreased significantly compared to the first survey in

1998. Yet, the very same Coalition 2000 surveys contain data that the public's perceptions and expectations about the spread of corruption have stayed at the same relatively high level over the same period, even indicating a slight tendency to increase. Concretely, on a scale where 10 means total corruption and 0 means no corruption, the index of corruption pressure has gone down from 2.1 to 0.8, the index of corruption practices has gone down from 1.0 to 0.3, while the index of the perceived spread of corruption has gone up from 5.9 to 6.3, and the index of corruption expectations has gone up from 5.0 to 5.5. A more formal look at these links shows that the correlation between the corruption reality variables (pressure and practices), and the corruption perception variables (perceived spread and expectations) is zero to negative.^{ix} Thus the Bulgarian public seems convinced that corruption in the country is high and even rising despite the objectively measured, albeit modest, improvements in the actual corruption environment.

Other examples of the experience gap can easily be found in present day Bulgaria, and not only in the sphere of the economy, but also in politics, security, crime. The three particular realizations of the experience gap in Bulgaria just described in more detail, however, allow for a comparison between the relevance of two specific economic ideas in terms of ability to explain the experience gap through their presence in the Bulgarian society.

Part II. Two competing theories of value

As already mentioned in the introduction, one of the simplifying assumptions of the present paper is that there are two possible candidates for a theory of value to which the present day Bulgarians may subscribe, and these two candidates are directly related two sets of ideas about the economy – one to the previously dominant Marxist views, and the other to the post-communist dominant market democracy paradigm. Inasmuch as these particular “theories” of value constitute easily explicable propositions through which people approach

political phenomena, they are considered to fit the notion of “ideas”, and the two terms are used interchangeably throughout the rest of the paper.

The first theory of value, associated with Marxism, is the labor theory of value. It is very important to mention here that the Marxist labor theory of value is taken as a representative of the set of actually lived ideas in Bulgaria during the communist period. While it is true that Marx himself and many Marxist economies in the centrally planned economies developed complex and inventive extensions of this theory of value, which ultimately became quite sophisticated, what is of interest here is the general public’s view about value formed during life under communism. This view is quite naturally relatively simplistic and dogmatic. Below, it is presented exactly the way it was presented to the author in a course on Marxist political economy for law students in the 1980s.

In short, the labor theory of value described here does not pretend to correspond to the sophisticated Marxist theoretical volumes, but to the way the idea was actually lived during communist Bulgaria. Its basic conjecture is that the value of things is due solely to the labor input in their production. Nothing outside labor adds value to anything, and one can readily measure the value of any good by calculating the amount of labor which went into its production and delivery to the final consumer. Accordingly, everyone should be rewarded according to their labor input.

The labor theory of value requires a bit of explanation. In fact, it is not immanently Marxist. It was simply the dominant among economists theory of value during the first half of the 19th century, which Marx basically took for granted. In fact, well known economists such as Adam Smith, David Ricardo, John Stuart Mill also accepted the labor theory of value. The difference between them and Marx was in their attitude towards the idea. The labor theory of value emerged as a concept in response to other theories of value over the several centuries before Adam Smith – most notably the physiocrats with their claim that only land creates

value and all the value in the economy comes from land. The labor theory of value was an intellectual answer to that claim, but it had the same weaknesses as the land theory of value, and most classical economists were well aware of that. They recognized the limitations of the theory and only used it as the best available instrument for furthering economic analysis. This instrument was to be abolished the very moment something better emerged, as indeed it did only several decades after Marx's writings. Marx, however, took the labor theory of value to represent the final and ultimate truth. For him it was not an imperfect but necessary instrument, it became the central idea around which a whole ideology was developed.

To show how central the labor theory of value is for Marxist analytical results and policy prescriptions, it suffices to look at the link between the labor theory of value and the Marxist attitude towards capital, property, exploitation and the role of the proletariat. If only labor adds value, then people who do not work should be able to obtain goods only if people who work give them some voluntarily. If there is no such voluntary donation, and still someone who doesn't work gets income and is able to consume goods, he must be stealing from the workers. Capitalists and landowners do not work, they just own means of production – but it is not the means of production that add value, it is only the labor. Ownership of means of production should not entitle the owners to an income stream, because means of production do not add value, yet owners of means of production do get income, and quite large at that. Thus the only reasonable explanation of ownership is that through it people who do not work are able to appropriate the value created by the workers. Ownership is theft. This theft is forced on the workers through exploitation – the forceful taking of value created by their labor. The only way to remedy the situation is to ban private property over means of production, because it immediately follows from the labor theory of value that private property over means of production is always and only an unproductive instrument for predation. Such a ban cannot be easily imposed, because the class of exploiters has resources

to resist, and is not shy about using violence for the purpose, therefore the solution is that the working class enforces the ban on private property through taking over power and using force in the form of dictatorship of the proletariat. Approximately the same logic goes for the price system – prices, like private property, under the labor theory of value can be explained only as an instrument for theft and exploitation, and should also be abolished in favor of an administrative, under the supervision of the proletariat, system of counting and calculating labor, so that during socialism “everyone receives according to their labor”.

None of these conclusions and policy prescriptions can hold if the labor theory of value is dropped, or at least recognized as limited and imperfect. Over the century and a half after Marx the economic science has developed and offered another theory of value, which dominates the labor theory of value on two fronts. First, it is able to incorporate the input of not only labor, but also of other factors of production, in the creation of value and the satisfaction of human needs. These other factors are land, capital, and (depending on the school of thought) entrepreneurship. All of them add value, and the contribution of each is important and cannot be neglected if the theory of value is to be coherent. The second front on which the present day theory of value dominates the labor theory of value, is that it takes into consideration the demand side of economic transactions, which is completely ignored by Marxism. Who wants what, what human needs get satisfied, how much the final consumers subjectively value what is offered to them, is important, and cannot be ignored if the theory of value is to be coherent. This present day theory of value, which makes a valiant attempt to hold account of both the contribution of every factor of production and the size of the human need that is being satisfied by a given good, is the market price theory of value. It claims that the only coherent theory of value is the market price, and that the market price, obtained under conditions of competition and private property, is the only relatively decent approximation of the true value of things. Of course, this theory is well known to have

limitations of its own, and the conditions necessary for market prices to be a good approximation of the true value do not always hold. But by and large, the market price theory of value is accepted today by the economic profession as a useful tool for analysis and for policy prescriptions. And, contrary to Marxism, these policy prescriptions definitely demand the existence of private property (with the corresponding efficiency incentives) and of markets where prices are formed in free and voluntary interaction between many suppliers and many demanders.

In conclusion, it is easy to see that the labor theory of value and the market price theory of value lead to very different, even completely opposite, policy prescriptions. What is supposed to be abolished, banned, and prosecuted under the first idea, is to be actively built, grown, and fostered under the second. From the point of view of this paper, one and the same reality is likely to be evaluated in a radically different way by people who subscribe, even if not openly, to the first idea, and by people who accept the second. Accordingly, the discrepancies between reality and personal subjective evaluations of this reality in Bulgaria, described above, can offer a good way to make inferences about which of the two competing ideas is more likely to inform the perceptions of the Bulgarians. If one of the ideas is able to explain the experience gaps, while the other has difficulties explaining them, it is the first idea to which may be a majority of Bulgarians subscribe.

Part III. Which theory explains the Bulgarian experience gaps better?

The central question of this part of the paper is whether we can make an inference about the degree to which the two theories of value, described in Part II, can help explain the three experience gaps in Bulgaria, described in Part I, and whether we can compare this degree. This is done by looking at each experience gap in turn.

The gap between the Bulgarian economic growth since 1997 and the increasing social pessimism about the direction, in which the country is going, cannot be explained in very simple terms due to the different sources of pessimism. However, the level of pessimism is only to some extent attributable to the responses of people who have objective reasons to believe that their lives are not going to improve – mostly the elderly and the respondents with very low education. The true dominance of the pessimistic outlook can be attributed^x to people who are improving their personal well-being over the last years, but still believe the country is in collapse. These respondents provide a relatively clear picture of what they would count as a “valid” evidence for economic development in the country. More or less it boils down to “industry, plants, and smokestacks”. The economic development model in the minds of these respondents is one of large scale heavy industrialization, especially in sectors of massive production involving huge investments such as chemicals, machine-building, etc. Yet the Bulgarian GDP growth is not generated by these sectors, and over most of the period 1997-2004 these sectors have been in decline. The sectors that have ignited and maintained growth are mostly in the services (tourism, telecommunications, financial services) and light industry (textiles, apparel, furniture, footwear). Obviously in the minds of the respondents, these sectors, even if providing growth for now, cannot sustain it, they are not seen as worthy causes of longer term economic development. Hence the pessimism in the face of growth.

Heavy industrialization with massive and huge investments is precisely one of the prescriptions of socialism, based on the labor theory of value. The more means of production there are, the more labor can be applied to them and the more value created. In this theory, means of production are treated as “past labor” – the bigger the industrial complexes, the larger this store of past labor, waiting for some fresh labor to produce final goods and higher standard of living. In fact, the whole “communist” nirvana can be described in these terms – communism is actually a state of affairs when so much past labor has been “piled-up” into

productive capacity, that next to no new fresh labor is needed for this productive capacity to produce enough goods to satisfy everyone's needs. And huge industrial complexes are the embodiment of past labor accumulation. Ergo, if we do not see huge industrial complexes being built, the growth of the past seven years can be viewed as an insignificant anomaly and the country will imminently collapse, the only question being when. The labor theory of value can explain the Bulgarian pessimism in the midst of economic growth.

The market price theory cannot. According to the market price theory of value, while investment is important for the long term growth prospects, it is definitely not required to be in large and easy to see piles of past labor, and is also definitely not required to be in specific, a-priori defined sectors. Resources should flow towards the spheres of economic activity which market prices indicate as most profitable, i.e. as satisfying the most human needs with the least resource use. If this turns out to be small hotels on the sea side or sneakers, so be it. The important thing is the growth to be based on increased factor productivity and not to rely on unsustainable deficits. This is precisely what has been happening in the Bulgarian economy over the seven years in question – there have been growth sectors, resources are flowing into them, and there have been no unsustainable deficits. All the data have been clear on this point. So no one who believes in the market price theory of value has reasons to believe that the Bulgarian economy is doomed to collapse.

The two theories of value compared here are also clearly distinct with respect to beliefs about whether economic interaction is a zero-sum or a positive-sum game. Under the market price theory of value, positive-sum, as well as negative-sum, interactions are entirely possible depending on the institutional setting of the market exchange and on the incentive structure at a particular place at a particular moment between specific economic agents. What value is created depends on total factor productivity and on what human needs are satisfied, and these

change through time. So, people who believe in the market price theory of value should recognize positive-sum interaction when they see it.

This is not the case with people who believe in the labor theory of value. This is a consequence of the fact that value is completely defined by the amount of labor, and the amount of labor is exogenously (demographically) given, regardless of whether it is past labor embodied in some means of production, or raw labor ready to be applied to these means of production. If labor is exogenously given, so is value, and the only question is how much of the exogenously given value goes to whom. This is a clear case of a zero-sum interaction. For people who believe in the labor theory of value, a decreasing economic activity is almost unacceptable as a notion – if their incomes are dropping, it is because someone is stealing from them, and stealing much more than before. And if economic growth is reported while employment is either dropping or having negligibly small increases, it is most likely because someone is “cooking” the numbers. Indeed, beliefs and stories about how in the early 1990s the Bulgarian “riches” were “stolen” by a select few, and how the National Statistic has been “misreporting” the Bulgarian macroeconomic data are easy to find and seem to be convincing for a significantly large number of people. The labor theory of value has no problems with zero-sum perceptions, on the contrary – it causes them, and makes them resilient to contradicting signals from the actual world.

Finally, the two theories of value have very different explanatory power with respect to the corruption experience gap as well. One of the explanations for this gap^{xi} is the relationship between the definition of corruption, which people actually subscribe to, and the nature of the transition process. More concretely, people define corruption as the very nature of exercising of power, and the exercise of power during transition includes privatization and opening of space for private initiative. This is the reason why the Bulgarian Privatization Agency is considered by the public at large, which has never dealt with the Agency personally in any

significant way, as one of the most corrupt entities in the country, while the businesspeople who have had dealings with the Agency, regardless of whether these dealings were successful for the businesspeople or not, tend to think that the Agency is far less corrupt.

In the Bulgarians' minds, the exercise of power is stealing from the people through the state, and the ultimate embodiment of this stealing is privatization. When they give their opinion about the present and future spread of corruption, they do not think about how many times someone asked for a bribe or how many times they offered a bribe, but about the fact that the state is privatizing its assets, and what was previously "ours" is becoming, and will continue to become "someone else's". This view has no conflict whatsoever with the notion that private property is theft. On the contrary, if someone believes in the labor theory of value, then privatization (not only of economic entities, but of the whole process of decision making in the society) is corruption (stealing through the state) by definition. The more this process goes on, the broader the spread of corruption.

The market price theory of value cannot fill the corruption experience gap even half as well as the labor theory of value. Postcommunist privatization, under this theory, is *sine qua non* for economic development and rising living standards, and it cannot be regarded, in itself, as damaging or undesirable. At the same time, economic development also requires institutional organization of the market interaction, and corruption can be viewed as a weakness of the institutional framework. People who subscribe to the market price theory of value should tend to adopt an institutional definition of corruption, and should look for measures of institutional performance to judge the present and future spread of corruption, rather than assume an existentialist definition of corruption as the very nature of exercise of power in postcommunism. Therefore believers in the market price theory of value should not preserve and even rise their perceived level of the spread of corruption when at the same time they encounter less corruption pressure, and are forced into fewer corrupt acts.

All three examples lead to a definite conclusion. The labor theory of value can easily explain all three experience gaps in Bulgaria described here, while the market price theory of value cannot be seen as having any explanatory power. The experience gaps cannot be “filled” if we accept that most Bulgarians adopt the market price theory of value. They are readily “filled” if we allow for the labor theory of value to continue occupying the minds of a significantly large number of Bulgarians.

Part IV. The importance of the experience gap

The fact that one of the two theories explains the experience gap better than the other would not have much significance if the experience gap was just an observational oddity in Bulgaria and did not have consequences for the country’s development. However, it does. An in-depth analysis of the policy challenges facing Bulgaria, as well as other postcommunist countries in Southeastern Europe^{xiii} indicates that the experience gap affects public support for implementation and deepening of further economic reforms, which are a necessary condition for the long-run sustainability of economic growth in the whole region. Since Bulgaria is one of the reform leaders of the region, its experience is all the more relevant and important.

The presence of the experience gap involves two major risks. First, it causes pessimism, which in turn affects individual agents’ decisions about the future, especially their decisions how much to save. Inasmuch as domestic saving is a major determinant of long term investment, capital accumulation, productivity and from there standard of living, the experience gap can be expected to affect long term growth. Second, the experience gap leads to falling public support for reformist governments, because the public does not perceive the fruits of the implemented reforms. Thus liberalization, privatization, and the institutional building of the framework necessary for the respective economy to sustain its growth increasingly depends only on foreign conditionality, which makes it unstable and possibly

unsustainable. An especially damaging side effect is alienation from democracy and a certain level of de-socialization. Thus the presence of the experience gap endangers both economic and political opening and streamlining of the respective postcommunist society. It becomes a policy concern and affects the lives of people.

Ultimately, the conjecture is that at the beginning of the 21st century in Bulgaria there is a significant experience gap between real developments in society and the economy and people's perceptions about these developments. The existence of this gap can easily be explained with the continuous presence of one of the pillars of Marxist ideology, namely the labor theory of value, in the minds of a sufficiently large number of people. At the same time, the experience gap affects the set of choices facing both individuals and social decision makers in Bulgaria, and thus shapes their present and future lives and opportunities. In short, even though the once dominant Marxist set of ideas itself has long ago completely left the domain of the Bulgaria public discourse, through the continuous life of the labor theory of value Marxism continues to play a role in present day Bulgaria and to be a presence to be reckoned with.

Conclusion

The present paper gives a negative answer to the question whether Marxism has indeed abruptly and completely disappeared from Bulgaria over the first several years of its postcommunist transition, as its vanishing from the policy discourse would tend to indicate. While no one would suggest any policies resting on the postulates and policy prescriptions of Marxism and this particular set of ideas has definitely left the public discussions in Bulgaria, the Marxist labor theory of value continues to live in people's minds and still shapes today's Bulgarian reality. This is not the result of resilient fanatics preserving an idea, neither the consequence of a grand postcommunist conspiracy. It is a simple effect of the fact that

societies are inertial systems, and that ideas which have been taught and have dominated for at least two generations of a given society cannot simply vanish without a trace and at least some of them are bound to continue living, modified and transformed by the complex human mind, despite anybody's will, plan, or action.

Of course, the analysis offered here is necessarily limited. It tells the story of only one country, and can hardly serve for sweeping generalizations, but it can hopefully inspire other such context-rich careful looks at other postcommunist countries. It also rests on the assumption that only two sets of ideas "compete" for the minds of the Bulgarian people after the fall of communism. This is not necessarily so, as the adamant struggles of many Bulgarian thinkers and policy makers in the early 1990s to find a "third" way between pure socialism and what was deemed as market fundamentalism. These thinkers and policy makers, however, never produced an alternative theory nearly as coherent as Marxism or the theory behind market democracy, so valid disciplined comparisons are next to impossible. This analytical weakness can be overcome by more carefully defining realistic alternatives and more precisely defining hypotheses in this more complicated analytical environment.

Finally, the fact that the labor theory of value can explain the Bulgarian experience gaps so much better than the market price theory of value can be a pure coincidence. However, if we accept that reality is shaped by ideas, and that there is a role of ideas at all in society, the experience gap has to be explained through the workings, however deep under the surface, of some idea or set of ideas. So far for the case of Bulgaria, Marxism, through the labor theory of value, is a very good candidate.

ⁱ The phrase “market-capitalistic talk” is intentionally loose. It tries to convey that this talk, while vaguely based on the belief that markets and incentives are important for economic well-being, is often undisciplined and inconsistent. Using a more disciplined and well defined term, such as “neo-liberal”, or “Washington consensus”, for the case of Bulgaria in this period would be highly inappropriate.

ⁱⁱ In the case of Bulgaria, this set of ideas cannot and should not be attributed only to communism and Marxism. These ideas were dominant in the Bulgarian economic thinking long before the communist takeover, and provided a hospitable environment for its intellectual flourishing. See Roumen Avramov, “Notes on economic science in Bulgaria,” in Petya Kabakchieva and Roumen Avramov, eds., *“East”-“West” cultural encounters. Entrepreneurship, governance, economic knowledge* (Sofia: Iztok Zapad, 2004) 311-360, and the numerous references cited therein.

ⁱⁱⁱ See Association Global Bulgaria Initiative, *Optimistic theory about the pessimism of the transition* (Sofia, 2003-2004), Graph on p. 1. Downloadable at: http://www.cls-sofia.org/publications/papers/Optimistic_Theory_about_the_Pessimism_of_the_Transition-EN.pdf

^{iv} Source: National Statistical Institute of the Republic of Bulgaria (www.nsi.bg).

^v The relevant data can be found at National Statistical Institute (www.nsi.bg), the Bulgarian National Bank (www.bnb.bg), and the Bulgarian Investment Agency (www.investbg.government.bg).

^{vi} See Georgy Ganey, “Entrepreneurial attitudes and responses to EU accession in Bulgaria: two possible scenarios”, in Petya Kabakchieva and Roumen Avramov, eds., *“East”-“West” cultural encounters. Entrepreneurship, governance, economic knowledge* (Sofia: Iztok Zapad, 2004) 135.

^{vii} The surveys have been conducted for various projects of the Centre for liberal strategies in Sofia, and have been financially supported by the Civic Education Project and the German Marshall Fund (2000 and 2001 surveys), and by the European Commission (grant No. CT-2002-00131, project: “Functional Borders and Sustainable Security: Integrating the Balkans in the European Union (IBEU), 2003 survey).

^{viii} More on these organizations can be found at www.transparency.org and www.anticorruption.bg respectively. These sites also contain the data quoted here.

^{ix} See Ivan Krastev and Georgy Ganey, “The missing incentive: corruption, anticorruption, and reelection”, in Janos Kornai and Susan Rose-Ackerman, eds., *Building a Trustworthy State in Post-Socialist Transition* (New York: Palgrave Macmillan, 2004) 162, Table 8.2.

^x See Association Global Bulgaria Initiative, *Optimistic theory*, 22-25, esp. Table on 23-24.

^{xi} See Krastev and Ganev, *The missing incentive*, 165-168.

^{xii} Center for Policy Studies, Central European University, *In search of responsive government. State building and economic growth in the Balkans* (Budapest, 2004) final paper of the “Blue bird – agenda for civil society in Southeast Europe” project: www.ceu.hu/cps/bluebird/pap/pub_polstud_bluebird.pdf