CONVERGENT ECONOMY – A CRITICAL REVIEW OF BULGARIA'S INTEGRATION IN THE EU

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Abstract: This article was written on the occasion of the presentation of the book Converging Economy[1] by Prof. Garabed Minasyan, DSc, which was organized by the Union of Economists in Bulgaria with the courtesy of the Prof. Minko Rusenov, PhD Foundation. During the discussions, economists from various universities and scientific institutions presented their views on the role of economic convergence in the modern development of Bulgaria.

Keywords: convergence, economy, economic growth.

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1. What is convergence?

Economic convergence is a fundamental process whereby less developed economies catch up with more developed economies through accelerated economic growth. This process is important both for understanding the dynamics between countries and regions and for formulating policies that promote sustainable and inclusive economic development.

[1] Garabed Minasyan, Convergent Economy, Iztok-Zapad Publishing House, ISBN 978-619-01-1380-5.

Types of convergence

There are two principal types of convergence - absolute and conditional. *Absolute convergence* is the process whereby economies converge to the same standard (or level of income) without taking into account the specific characteristics of each country. *Conditional convergence* is when countries converge to different levels of income that are determined by country-specific characteristics such as technology, politics, institutions, and human capital.

Factors that affect convergence

There are three key factors that affect economic convergence:

- **Technology transfer**, since less-developed countries can benefit from the experience and innovations of the more developed countries.
- **Education and training** as far as they increase labor productivity and the ability of economies to implement new technologies.
- **Political stability and institutional efficiency** are essentially important as well as they ensure the correct implementation of economic policies.

Challenges and criticism

Although the convergence theory is widely accepted, it faces some challenges and criticisms. For example, many countries have difficulty maintaining sustainable growth rates due to political instability, corruption, or insufficient investments in education and healthcare. *Also, the process of globalization has both positive and negative consequences for convergence as it sometimes increases economic inequality.*

Political implications

To promote convergence, governments need to formulate policies that stimulate investment in critical sectors such as education, healthcare and infrastructure. It is also important to create stable and transparent institutions that can support long-term economic growth and manage global economic relationships.

Therefore, convergent economy is key to understanding global economic trends and formulating policies that promote sustainable development. Although significant challenges remain, continued efforts to expand technology exchange, improve educational standards and strengthen institutions can accelerate the convergence process, paving the way for a more balanced and inclusive global economic future.

2. Historical background of convergence theory

The concept of economic convergence became popular in the second half of the 20th century, when many countries intensified their economic development in an attempt to catch up with the developed industrial economies.

The historical context of economic convergence is deeply related to the development of macroeconomic theory and efforts to understand the factors contributing to differences in the economic development of different countries.

Convergence can also be considered by juxtaposing planned and free-market economy concepts. The discussion in this field reveals interesting views on how different economic systems can influence the intensity and characteristics of economic convergence of various countries and regions. This debate was particularly relevant during the Cold War, when the ideological and economic differences between capitalist and socialist states were most acutely pronounced:

- Planned economy

A planned economy is characterized by centralized management and control over production, distribution and pricing which aim to achieve rapid economic growth and social equality through directives and five-year plans. Socialist countries such as the former Soviet Union and Eastern Europe relied on such a system to accelerate their industrialization and "catch up with the West."

- Market economy

A market economy is based on the principles of the free market, where prices and output are determined by the individual decisions of consumers and producers. Capitalist countries applied this model as it theoretically encourages innovation and efficiency through competition and private initiative.

- Economic convergence between the two models

In the 20th century, convergence debates were often focused on whether planned or market economies would prove more effective in achieving rapid economic growth and in reducing the economic inequalities between countries.

- *Theory and implementation*: On a theoretical level, planned economies can mobilize resources more quickly to achieve specific economic goals, which should theoretically facilitate rapid convergence. In practice, however, many planned economies have faced problems such as inefficiency, corruption and lack of innovation.
- *Sustainability and quality of growth*: Market economies, on the other hand, may suffer from cycles of economic boom and bust but often offer more sustainable and quality growth in the long run due to greater innovation and adaptability.
- *Economic and political transitions*: After the end of the Cold War, virtually all former socialist countries transitioned to a market economy, which provided a unique opportunity to observe convergence directly. These transitions revealed significant challenges such as the need to create effective market institutions and address the social costs of the transition.

The debate on the convergence between planned and market economies emphasizes that economic success and sustainability are determined not only by the chosen economic model, but also by the ability of societies to adapt and optimize their institutional frameworks, policies and governance in response to internal and external challenges.

Key economists and theories

- Robert Solow – Solow developed the economic growth model, which showed that poorer countries could theoretically catch up with richer ones thanks to higher returns on new capital. This model became fundamental for studying absolute convergence.
- Robert Lucas – Lucas expanded the understanding of convergence by introducing the importance of human capital. He argues that differences in human capital between countries can explain why some countries catch up faster than others, which leads to the concept of conditional convergence.
- Mancur Olson – Olson emphasized the influence of institutions and political stability on economic growth. He argues that "stagnant" interests and inefficient institutions can hold back economic development and hinder convergence.
- Danny Roderick – Roderick investigated the impact of macroeconomic policies and globalization on developing economies. He analysed how inadequate policy frameworks and global economic conditions can affect economic convergence.

During the Cold War period, the topic of economic convergence was explored by various authors, who wanted to determine how the economic systems of the capitalist West and the socialist East could converge or diverge over time. Below are some of the most significant authors working on convergence issues in the period from the end of World War II to the beginning of the 1990s.

- Eugene Steele – Steele is known for his work on economic convergence and development. During the Cold War he investigated the various economic models of development and their application in different political and economic systems.
- Walter Galenson – Galenson analysed the Soviet economy and its strategies to catch up with and overtake the West. He discussed how the Soviet planned economy sought technological and industrial convergence with the West.
- Abram Bergson – Bergson is known for his studies on comparative economics especially between the USA and the USSR. He examined the economic efficiency and productivity of the Soviet economy compared to the economy of the US.

- Alexander Gerschenkron – Gerschenkron developed the concept of economic development in the absence of preconditions. Although he was not directly concerned with the Cold War alone, his ideas about the "backwardness" and industrialization of the less developed countries were also applicable in the context of the economic strategies of the Eastern Bloc countries.
- Paul Baran – Baran is known for his radical views on economic development and imperialism. He examines the economic differences between industrialized (developed) and developing countries, which are also relevant in the context of geopolitical confrontations during the Cold War.
- Michal Kalecki – Although his popularity is not directly related to the topic of convergence during the Cold War, Kalecki was extremely influential in the fields of macroeconomics and economic theory. He develops models that examine the functioning of national and international economies and have applications in the analysis of economic transitions.
- Oscar Lange – Lange is known for his theories in the field of socialist economics and is engaged in issues related to the optimal planning and management of the economy. Although he worked before and during the Cold War, his ideas continue to influence theoretical debates on economic systems.
- Leszek Balcerowicz – Balcerowicz was a key figure in Poland's transition from a planned to a market economy after the fall of communism. He was a Minister of Finance and the author of an economic liberalization plan known as the Balcerowicz Plan. His work is particularly relevant to understanding the convergence of post-communist countries towards market-oriented economies.

The above scholars played an important role in the development of economic theories and practices that were used to formulate approaches to economic convergence and reforms in various periods, particularly in the context of significant political and economic change in Eastern Europe.

After World War II, many countries, especially in Europe and East Asia, managed to achieve significant economic growth. These "economic miracles" in countries such as Japan, South Korea and Germany are often cited as examples of successful convergence. Studies of these cases contributed to the development of the concept of absolute and conditional convergence. Later research introduced advanced statistical methods for analysing convergence, including the use of panel data and regression analysis to examine growth dynamics across countries and regions. These methods help economists refine their understanding of how and why economies converge or diverge.

3. Relevance of the topic of convergence

Undoubtedly, the topic of convergence has been researched since the middle of the last century. For a certain period during the Cold War, it also included the search for common points between market and planned economies, but this investigation was abandoned after the fall of the Berlin Wall. However, the topic of convergence remains extremely relevant even now, especially in the context of the ever-changing global economic landscape. In particular, there are several key factors that contribute to the continued interest in convergence:

Globalization and trade flows

Globalization has greatly increased trade and capital flows between countries, which should theoretically lead to faster convergence as poorer countries gain access to markets, capital, technology and know-how. *However, practice shows that globalization can also increase inequalities both between and within countries, especially if strong local policies and institutions are not in place to manage its effects.*

Global economic recovery

Following the crises related to the global financial crisis and the COVID-19 pandemic, convergence issues have become particularly important as countries seek to rebuild and stabilize their economies. Interest is focused on how less-developed economies can catch up with faster-developing and developed economies.

Technological changes

The accelerated spread of digital technologies and innovations provides opportunities for technological “leapfrogging”, which can accelerate the convergence process for many developing countries. The ability to quickly introduce new technologies can significantly affect the economic prospects of such countries.

The digital revolution and the rapid spread of information and communication technologies (ICT) provide opportunities for rapid technology transfer. This can accelerate convergence by allowing poorer countries to "skip" certain stages of technological development. But success in this regard depends on countries' ability to adapt these technologies to their context.

Sustainability and green economy

The transition to sustainable development and a green economy is also stirring convergence discussions. Countries are looking for ways to integrate sustainable practices that support both economic growth and environmental goals, which can lead to new forms of economic convergence. The growing focus on environmental sustainability is changing the way countries view economic growth and convergence. Developing countries face the challenge of

balancing economic development with environmental protection, which requires new approaches and technologies for sustainable growth.

Institutional and political change

Economic convergence is closely related to the quality of institutions and political stability. Countries that manage to improve their institutional frameworks and political resilience can accelerate their economic growth and catch up with the more developed economies. Contemporary research has increasingly emphasized the role of institutions and politics in economic convergence. Strong and effective institutions that promote good governance and the rule of law are critical to sustainable economic growth. Political stability is also an important factor, as political crises and conflicts can undermine economic efforts and hinder convergence.

In general, convergence issues continue to be at the core of macroeconomic debate and are discussed not only within the traditional framework of economic growth, but also in the broader context of technological change, sustainability and global economic interaction. Contemporary aspects of convergence theory have developed in the context of globalization, technological advancement, and increasing international economic integration. New research in this area often focuses on inequality, institutional factors and the opportunities that digital technologies provide to accelerate convergence.

4. Current challenges to convergence

Economic convergence, despite its theoretical merits and practical advantages, faces a number of contemporary challenges. These obstacles can hamper the efforts of less-developed economies to catch up with their more developed counterparts and can affect global economic stability. Let's look at some of the key contemporary challenges:

- Globalization and protectionism

Globalization cuts both ends regarding convergence. On the one hand, it facilitates technology transfer and international trade, which are key to accelerating economic growth. On the other hand, growing protectionism and trade conflicts could undermine these benefits and limit the access to markets and technology for developing countries.

- Technological differences

The technological divide between developed and developing economies keeps widening. Despite opportunities for technological “leapfrogging”, many countries still lag behind in implementing new technologies and innovations, which limits their potential for growth and convergence.

- Climatic change

Climate changes pose a significant challenge to convergence as thay disproportionately affect developing countries, which are often more vulnerable to negative effects such as extreme weather conditions and changes that affect their agriculture. They can hold back economic development and increase regional economic disparities.

- Demographic changes

Aging populations in developed countries and high birth rates in developing countries also pose challenges to convergence. Aging can lead to labour shortages and increased social costs in developed countries, while young populations in developing countries require significant investment in education and employment.

- Political and economic instability

Political instability and weak institutions can undermine economic reforms and development, making convergence processes difficult. Corruption, lack of rule of law and unpredictable political decisions can deter foreign investment and limit economic growth.

- Financial crises and volatility

Global financial crises and currency volatility can have a devastating impact on economies, especially in developing countries. These factors can make sustainable economic planning difficult and impose additional obstacles to economic convergence.

Contemporary challenges require concerted international efforts and innovative policies to maintain and promote economic convergence. Addressing these issues requires a commitment from both governments and the international community to ensure that all countries can benefit from global economic development and reduce global economic inequalities.

5. Convergent economy: An analysis of the phenomenon and its significance in the contemporary world

The concept of convergent economy is central to modern macroeconomic research and discussion. It is based on the idea that the economies of less developed countries can catch up with those of more developed ones through accelerated growth. This process not only promotes economic convergence between countries, but also influences global economic relations and policies.

Theoretical foundations of convergence

As mentioned above, the concept of convergence in economics is derived from the Solow-Swan model, which suggests that with lower levels of capital, poorer countries will achieve higher levels of growth compared to more

developed countries, where capital levels are already high. This process, known as absolute convergence, assumes that all economies will converge to the same standard under identical conditions.

In addition, the concept of conditional convergence recognizes that countries with similar economic and institutional conditions are more likely to converge than with those that differ significantly on these parameters. Scholars such as Barro and Sala-i-Martin developed these ideas by adding the influence of human capital, technology and policies into the growth equation.

Economic convergence is a concept that examines the conditions and mechanisms by which the economies of poorer countries can catch up with those of more developed ones. The theoretical foundations of convergence are based on several key economic models and theories examined and developed over the years. Here are some of the main theoretical frameworks:

- The Solow-Swan model (1956)

Robert Solow and Trevor Swan independently developed a model of economic growth that became famous for its ability to explain how differences in capital stocks between countries could lead to differences in growth rates. According to the model, poorer countries have a lower level of capital per worker, which leads to higher returns on capital invested and faster growth. Solow suggests that in the absence of technological change and with a constant population, economies will converge to steady growth determined by capital accumulation.

- Conditional convergence theory

Developed in the 1990s, this theory examines the conditions under which economies with similar characteristics (such as savings rates, investment rates, educational standards, and institutional structure) converge to similar levels of GDP per capita. This understanding expands the notion of convergence, accepting that different countries may have different "growth paths" that are conditioned by their unique economic and social structures.

- Endogenous growth theory

Developed by Paul Romer and Robert Lucas in the late 1980s and early 1990s, the endogenous growth theory suggests that growth results from internal factors in the economy rather than just external influences such as technological change. This theory emphasizes the role of human capital, innovation and knowledge that can be integrated into the production process, thus stimulating economic growth from within.

- Geographical economics and new economic geography

Developed by Paul Krugman et al., the new economic geography examines how economic activity is distributed across space and how this affects economic convergence. It analyses the role of location and labour migration in the context of regional convergence and divergence.

The theoretical foundations of convergence economics provide various tools for analysing the rates of economic growth and convergence between countries and regions. Despite the variety of approaches and models, the general conclusion is that *multiple factors, including investment in capital, human resources, technology and institutional innovation, play a critical role in the convergence process. By understanding these processes, policymakers can formulate strategies to promote economic equalization and sustainable development.*

Practical manifestations of convergence

In practice, economic convergence can be observed in the processes of European integration, where the structural and cohesion funds of the EU support the development of less developed member states. Such an example is the situation in countries such as Bulgaria and Romania, which use European funding to improve their infrastructure and increase their economic potential.

Convergence processes are also visible on a global scale, where East Asian countries such as China and South Korea have demonstrated significant economic growth, bringing them closer to the economic performance of the Western industrial economies.

The convergence of economies in practice can be observed through various economic, social and political initiatives. These manifestations are particularly noticeable in the context of regional integration such as the European Union, as well as in the efforts of developing countries to catch up with more developed economies. Some key aspects of the practical manifesttations of economic convergence are:

- European structural and investment funds

One of the most significant instruments for achieving convergence within the EU is its structural and investment funds. These funds are aimed at improving infrastructure, increasing employment, improving the education system and strengthening local administration in the less developed regions of the EU. They aim to reduce economic and social disparities between regions and promote sustainable development.

- Developing economies and catch-up growth

Many developing countries have demonstrated rapid economic growth using a variety of catch-up growth strategies. For example, China and India have used a combination of economic liberalization, investment in education and technology, and active industrial policy to boost their economic growth and catch up with more developed economies.

- Technology transfer and innovations

Technology transfer plays a key role in convergent economy. Developing countries often adopt and adapt technologies and innovations from more developed countries and thus improve their productivity and economic

potential. An example of such transfer is the spread of digital technologies and automation in manufacturing and services.

- Regional integration and multilateral cooperation

Regional economic communities such as ASEAN, MERCOSUR and the African Union also contribute to convergence among their members. By facilitating trade, investment and labour mobility, these communities promote economic convergence and cooperation between countries.

- Political and institutional reforms

Effective policy and institutional reforms are critical for sustainable convergence. Countries that manage to improve their governance structures, strengthen their legal system and create a favourable business environment often achieve faster economic growth and a better quality of life for their citizens.

The practical manifestations of economic convergence are diverse and affect various aspects of economic and social development. Countries use specific combinations of policies, investments and international cooperation to reduce disparities and achieve more balanced and inclusive global economic development.

6. Manifestations of convergence in Bulgaria

Convergence in Bulgaria can be examined in several main aspects considering the processes of approximation to the average levels of economic development in the EU. Some of the key aspects of economic convergence in Bulgaria can be summarized as follows:

- Economic growth

Since its accession to the EU, Bulgaria has experienced periods of economic growth that have led to improved living standards and incomes of the population. However, GDP per capita remains significantly lower than that of developed countries.

- Structural and institutional reforms

Convergence in Bulgaria has been accompanied by a series of structural and institutional reforms, including the strengthening of the legal framework, anticorruption measures, improvements in administrative efficiency and reforms in the judicial system. These reforms are aimed at improving the business environment and increasing the attractiveness of the country for foreign investors.

- EU's cohesion policy

Bulgaria benefits from significant financial resources from the EU Structural and Cohesion Funds, which aim to promote economic and social

convergence through investments in infrastructure, education, healthcare and other key sectors.

- Integration into the single European market

Bulgaria's integration into the EU's single market has helped to increase trade and allowed free movement of goods, services, capital and labour. This has contributed to greater economic integration and opening of the Bulgarian economy to competition and innovation.

- Demographic challenges

Bulgaria faces serious demographic challenges, including population decline and aging. These factors can make economic convergence difficult as they put pressure on social systems and the labour market.

- Economic imbalances

Despite some positive trends, Bulgaria continues to face a number of economic imbalances, including low labour productivity, dependence on certain industries, as well as regional differences in economic development.

Overall, economic convergence in Bulgaria is a multi-layered process that includes both successes and ongoing challenges. Sustainable convergence requires continued efforts for economic reforms, investment in human capital and infrastructure, and effective management of European funds.

7. Prof. Minasyan's book

The author does not deal with the theoretical foundations of convergence and its various forms and manifestations. The book is much more pragmatic and essentially represents a snapshot of Bulgaria's economic development over the past 15 years (from 2008 to 2015). This period is interesting because it coincides with Bulgaria's accession to the EU, which was followed by the global financial crisis and then the pandemic. In fact, it is precisely these events that make the analysis quite difficult. There are already several studies that seek the answer to the question of what actually happened after Bulgaria's accession to the EU. The results are not unequivocal - there are studies that are written by NGOs and are more like a word of praise for the EU. There are also some highly critical studies indicating that Bulgaria has actually lost a large part of its industrial capacity and competitiveness. The Economic Institute at the BAS also conducted a number of studies which confirm the opinion that such assessment is not and cannot be unambiguous. Here we must be extremely clear and distinguish the political and strategic decisions to join a large economic and political union, to which there is generally a consensus in our society, with the way in which this integration was carried out and how and to what extent our national interests

were protected. It is precisely in this regard that Prof. Minasyan's book offers many opportunities for reflection.

Structurally, the book is divided into four relatively distinct parts. The first part investigates the economic dynamics in Bulgaria (e.g. GDP, investments, prices, labour costs, etc.) Prof. Minasyan's findings are far from encouraging. It is obvious that even the widely heralded growth in industrial production over the past two or three years stems from the military industry sector, which makes this growth cyclical and unlikely to maintain these rates in the future. Another question is to what extent the increase in production and trade in special products has a positive impact on the economy outside the regions where it takes place. The picture is even more grim in terms of investment (both public and private), where the lag behind the other new member states is serious and tends to deepen.

Prof. Minasyan has been a whistleblower regarding the export of national capital for a long time. This topic was also addressed in this book and the data related to what the author calls a "capital paradox" is really startling since it turns out that over the period under consideration, the capital outflows were almost two times greater than the capital inflows, and this trend was particularly obvious after the pandemic. The reasons for this situation that are put forward out in the book are several:

- The existence of a currency board (the fixing of the BGN to the EUR and its actual overvaluation);
- The lack of favourable climate in the country;
- The aggregation of shady capitals that are willing to leave the economy.

In fact, as the author notes, capital flight is only one side of the coin – the other is the lack of capital inflows and especially the dramatic decline in FDI.

Regarding price dynamics, the author dwells above all on the delayed price convergence in the country, which remains at the bottom of the price level in Europe. Linked to price levels and inflation is the problem of unit labour costs, where our performance is also unconvincing (here we rank at the top), which leads to the well-known problems of labour productivity, competitiveness and stagnant exports that cannot sustainably become a factor of economic growth. It has already become a tradition that internal growth factors are predominant, but due to the low cost of labour in Bulgaria, they are limited, and as a result the economic growth rate is low and far from what our economy needs to catch up.

The first part of the book concludes with an analysis of the conflict between real and nominal convergence in the context of EU integration and especially of our accession to the Eurozone. Here, Prof. Minasyan takes a rather

cautious and conservative position, which differs greatly from the optimistic statements of the government, and his main concern is related to the increase in incomes which exceeds inflation in the long run due to the weak real convergence and capital outflows. I do not share (at least not at this stage) these fears and I think that, considering Bulgaria's specifics (i.e. the currency board), *a real convergence is also possible with the adoption of the Euro*.

The second part, entitled *Monetary Effects*, is devoted to the financial system. The author reviews the monetary board rules and the foreign exchange policy as well as the problems related to the management of gross foreign exchange reserves. I and Prof. Minasyan have an old dispute on this topic, as he continues to recommend that the level of foreign exchange reserves should be for about 3 to 4 months while the level maintained in Bulgaria is for about 8 to 9 months. In fact, the recommended level of about 3 months is for countries with a floating exchange rate, while for those with fixed exchange rates it should be for at least 6 months. I generally agree that such a level of the foreign exchange reserve (and in our case it is about BGN 67 billion, i.e. 35% of our GDP!) is unfavourable for the economy, but a distinction must be made between countries with fixed and floating exchange rates. Regarding the management of the reserves, the most telling figure is the contribution of nearly BGN 350 million, which, provided that the reserves are constantly increasing, has practically disappeared in recent years, and the yield has become negative. Of course, a large part of the problem of low (and sometimes negative) yields is due to the highly restrictive rules for the management of foreign reserves, especially in the post-crisis environment of zero interest rates. However, this does not negate the big problem that, in essence, BNB withdraws a huge resource from the banking system, and it is logical to expect that the greater part of it should be returned back to the public sector. As this is not happening (which is clearly seen in the figure on page 33) for whatever reason, there is a problem that needs to be addressed.

The third part of the book deals with fiscal turbulence. In it, the author continues the analyses he has done before. Once again, the effects of the flat tax rate are subjected to a critical analysis leading the general conclusion that the effects are rather negative. Even the IMF has finally realized the unfairness of a flat tax rate and is now pushing for a change rather than just recommending it. We hope that such a change will include a comprehensive review of the tax system rather than the mere introduction of some progressive rates. Most recently, the leader of the largest political party stated that Bulgaria should prepare for higher taxes at the insistence of the IMF. This, of course, is not true - progressivity can be introduced even if the fiscal result is neutral. Another question is that the economy may indeed need higher tax rates *but not before*

everything possible is done to raise the level of collectability, which has been declining for the past three years.

The author is also very critical regarding the budget expenditures part and emphasizes the non-rhythmic nature of spending and the use of capital expenditure as a buffer for achieving the fiscal deficit rather than an instrument for conducting economic policy. In the same critical way, the author examines the general objective of our fiscal policy, which is only the compliance with the Maastricht criterion, but it turns out (and Prof. Minasyan explains that very well with a specific example) that in the conditions of a monetary union (and Bulgaria de facto participates in such a union insofar as it does not have its own monetary policy) the blind compliance with the rules, especially when others ignore them, is not an optimal policy. It is an altogether different question (which has not been addressed in this study) what the fiscal policy of a country with a catch-up economy should be. Fixation on not running deficits is hardly the best solution.

Considering the state of Bulgaria's economy in recent years, perhaps the most interesting part of the book is the last one, where institutional irrationality is discussed. Once again, Prof. Minasyan expresses strong dissatisfaction with Bulgaria's "lagging position" and asks the question: Where are we going? Thankfully, Prof. Minasyan once again reminds us of something about which the government officials are shyly silent about – that ***economics is a political theory***! Or, to put it even more bluntly, that the mechanisms of macroeconomics are political, and all economic sciences are first of all political. What the author writes further about the political morality and the price of political loyalty in Bulgaria may sound startling but is unfortunately true. I will allow myself only one quote: "*The redistribution capacity of the state budget is becoming insufficient for the swelling mass of greedy lobby-fodders. The covert illegitimate redistribution of national resources is expanding in the form of endless economic parliamentary regulativism, unregulated lobbying and deliberate adoption of shoddy legislation intended to meet individual and group interests*." This sounds very unflattering for an EU member state that wants to enter as quickly as possible both the Schengen area and the Eurozone. However, hardly anyone will object to this conclusion, except those who directly exercise and enjoy the benefits of power. Corruption is as much an economic as a political problem - it is not even quite clear which is predominant and Prof. Minasyan has clearly indicated this with the graphs showing the corruption index and economic prosperity, measured by the GDP per capita indicator (p.170).

Further, the author tackles the problems of education departing from the understanding that dominates since the time of Kant that education is well-being in the most general sense. Most of us are directly associated with the system of education and hardly anyone will bother to dispute the fact that education in our

country lags behind and does not meet the needs, which is another obstacle to accelerating our economic development.

After such a gloomy picture, the optimistic reader would expect some kind of Hollywood happy-ending, in which the author offers a detailed recipe on how to make things right. Fortunately or not, the conclusion of the book does not offer such an ending nor promises any miracles. Rather, it restates the conclusions of the individual chapters:

- The effects of the extended operation of the monetary board and the actually overvalued currency;
- Excessively large foreign exchange reserves and the problems with their management;
- Adherence to a non-deficit radicalism;
- Inefficient tax system;
- Adherence to provenly futile liberal-fundamentalist schemes;
- Underestimated role of the state, and so on.

Overall, Prof. Minasyan's book is a sobering assessment of our present, and I only hope that it will not prove to be an assessment of our future as well as it depends on us. Convergence, considered in its broadest sense, is the way in which the economy should develop in order to emerge from the deep slumber into which it has fallen.

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