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Global trends and the future of liberal democracy in Bulgaria

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Abstract: There is lack of shared understanding among Bulgarians about the essence of the Transition from a totalitarian state to liberal democracy. What is it? Has it been completed? What does it require to be completed?

The article analyzes the Transition characteristics and inhibiting factors for Bulgaria to become a full-fledged democracy through the historic prism and global trends of social and political development.

Keywords: liberal democracy, capitalism, market economy, economic development, rule of law, political system, oligarchy, social reforms, global trends, EU

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For 35 years, there has been no common understanding among Bulgarians of what the so-called Transition is, as the process of social transformation after 10 November 1989 is usually referred to, and whether it is completed or when it will be. For some, the Transition itself is a transformation of socialism into capitalism; for a second group – of totalitarianism into democracy; for a third group – of state economy into market economy; and for others – of Soviet dictatorship into a European lawful state. Consequently, even today, Bulgarian citizens do not have a shared understanding and appreciation of the essence of the Transition. Is it completed, or what state does Bulgaria need to reach for it to be completed? For example, people who assumed that the Transition ended with EU membership now often blame EU for their misfortunes, and some of them even call for an exit.

The political failure to formulate a common national goal after joining the EU inhibited the necessary reforms for Bulgaria to become a developed European country. Moreover, for a long time it condemned their protagonists to an insignificant role in Bulgarian politics, as, without a clear and generally accepted national goal, the changes could not receive broad public support.

Concept clarification – in lieu of an introduction

It seems there is no common understanding by Bulgarians of what kind of society they live in, and most people assign different content to concepts or use different concepts for the same thing. Consider, for instance, “market economy” and “capitalism.” Or “democracy” and the “rule of law.” According to the IMF’s definition,¹ capitalism is an economic system, and democracy is a political system.² The market is only a mechanism to exchange goods for money and it has existed since ancient times. However, being the sole measure of value under capitalism, it has given the name to the economy itself. However, capitalism itself can undergo different metamorphoses depending on the extent of government intervention in the market.

Democracy has existed since ancient times in the meaning of political decisions made by majority vote. However, in the most developed democracies, decisions are made not simply by majority vote but based on the principle of the rule of law and the division of legislative, executive,

¹ Source: IMF, [What Is Capitalism?](#)

² Source: “Democracy,” Max Roser, Our World in Data, <https://ourworldindata.org/democracy>

and judicial powers. Such democracy in political science is called “liberal” because it allows representation of all groups in society without restrictions based on social status, gender, race, ethnicity, religion, and age.

For better orientation in the complex tangle of concepts and the links between them, it is important to note three things. First, liberal democracy became possible only with the maturing of liberal or democratic capitalism in the 19th century, based on free markets. Second, even in modern times, various forms of matching between capitalism and democracy exist. For example, capitalism in the US, Sweden, and Russia differs dramatically according to the role of the government in the economy. At the same time, many countries around the world consider themselves democratic because they hold elections, regardless of whether these lead to a change of power. And third, to be sustainable, liberal democracy must have as its foundation market-competitive (interchangeably also called liberal or democratic) capitalism and vice versa. With a concentration of economic interests in the form of oligopolies and monopolies, the separation of powers gradually stops functioning. And when a small number of people make decisions in politics, a concentration of economic power follows.

What does history teach us?

For millennia, the world economy has been growing at a rate between 0% and 1%. In these conditions, there was no way to get rich quickly without redistributing already existing wealth. As early as ancient Greece, there have been three main strata in every society: the rich, with control over political power; a middle class of craftsmen and artisans, who, with their hands and minds, created new products; and the poor – wage laborers with limited rights. The middle class relied on the state, through the means of law, to guarantee favorable conditions for the production and protection of the created products. Societal tensions arose mostly in connection with the redistribution of the products by the state. In such conflicts, political power came into play to preserve the privileges of the rich or to give the poor greater access to them. In other words, the game between rich and poor was fundamentally a zero-sum game – someone’s winning meant another’s losing.

What tipped the scales was the emergence of market-competitive capitalism with the Industrial Revolution in England and its rise as a maritime empire. Wealth accumulation by

manufacturers and merchants strengthened the middle class of the time, and it, in an evolutionary way, gave impetus to changes in the political system. This is how modern liberal democracy was born with an ever-expanding political representation of the various strata in society. It is noteworthy that during almost the entire 19th century there was not a single large-scale war – from Waterloo all the way to WWI. The irony is that, at that time, the world reached the highest level of globalization on an individual level – there were no distinct borders between empires, and people could move freely, without passports, all over the world.

The decline of democracy and the seizure of political power by communist and fascist parties after the end of WWI had its deep roots in the downfall of middle-class living standards. The impoverishment of large strata of the middle class gave life and force to totalitarianism, which in various forms promised quick and easy solutions to the new poor, united against their designated internal enemy – liberals and minorities, and their external enemy – Anglo-Saxon/Anglo-French capital, not coincidentally associated with the oldest democracies. The game again became a win-lose with a zero score.

Thus, the game continued until the end of WWII, when the golden age of the middle class commenced. Thanks to the new role of the state and trade unions in the competition for a more social society with the communist bloc, Western countries succeeded in dramatically improving the living standards of the “little man,” expanding the middle class, and thus making democracy an attractive alternative to totalitarian societies. For this reason, first fascism by the end of WWII, and then communism by the end of the Cold War in 1989, lost their appeal to such extent that a book about the end of history appeared, in which liberalism had finally won.

The global financial crisis – the Great Recession of 2008 – showed that when the regulators of market capitalism were not efficient, it degenerated into oligopoly, and democracy, into oligarchy. Great wealth for a few came with great inequality between the rich and the poor. The major driver of this societal division was the so-called process of offshoring since the early '90s, which marked the third wave of globalization – the transfer of production capital from the West to the East, mainly Asia. This process dramatically impoverished the industrial working force in the western countries, especially in the USA and the UK. Thus, the middle class shrank as tens of millions of people were forced to join the poor in democratic societies, undermining their stability. It was no coincidence that the same people saw a political alternative in the new social populists,

whose nationalist and even quasi-fascist ideology began to impress them with easy and quick solutions to difficult problems. Again, liberals and ethnic, racial, and sexual minorities became the enemy, as they used to be a century ago. Once again, the world witnessed, but in reverse order, a major economic crisis, a pandemic, and a war in Europe within just two decades. Once again, the authoritarians joined forces against democracies – Germany, Italy, and Japan from a century ago, and now, China, Russia, and Iran.

The reason is the same as a century ago – when democracies cannot ensure a win-win for everyone, the game becomes a zero-sum game. Many poor and few rich in the expanding oligarchy team against the shrinking middle-class team. And most probably, there will be no turn around until the oldest and largest democracies – the USA, Great Britain, France, and now Germany – find a way to resurrect a strong middle class, and thus, turn back the appeal to the standards of liberal democracy in their societies, in the fashion that Scandinavian countries still manage to do so.

The Transition Definition in the Bulgarian Context

The Bulgarian Transition began without a goal and direction, due to the vast discrepancies in the understanding, attitudes, and communism-imposed stereotypes of voters and politicians. However, in the context of the considered concepts of “capitalism” and “democracy,” we can clearly distinguish three stages of the Transition from 1985 to 2021.

Stage 1: The Political Transition (1989–1996)

With Gorbachev coming to power, a gradual transition from planned to market economy began in the USSR and the socialist bloc, though within the framework of the communists’ political monopoly over the state. In 1989, Decree 56 was adopted in Bulgaria, allowing private initiative. The last years of communism in Bulgaria saw the foreign debt skyrocketing from around USD two billion to USD twelve billion. The communist government used much of this debt to set up foreign-trade companies, which were illegally privatized after the fall of the communist regime in 1989. Their capital was subsequently used to create private financial and business structures in the country, which politically supported the former communist, now socialist party. Positioned at the

entrance and exit of state-owned companies, the party-related private companies drained them to bankruptcy. Consequently, seventeen commercial banks went bankrupt, and hyperinflation raged. In early 1997, the attempt at state capitalism and controlled democracy ended. The peaceful *political transition* from totalitarianism to democracy was completed with the repeated loss of power by the former communist party.

Stage 2: The Economic Transition (1997–2008)

The danger of state bankruptcy led the new reformist government in 1997 to accept the two key conditions for IMF financing: (1) the introduction of a currency board, and (2) the privatization of profitable state-owned enterprises and the liquidation of loss-making ones. Thus, within about two years, Bulgaria privatized about 2/3 of its state assets, completed market reforms, and received an invitation to start negotiations for EU membership. By 2005, negotiations were completed, and Bulgaria was recognized as a functioning market economy – the Copenhagen criteria for EU membership. Thus ended the *economic transition* from a state-planned to a private-market economy.

However, Bulgaria was admitted conditionally to the EU since it did not meet another key Copenhagen criterion for membership – *the rule of law*. To carry out the necessary reforms and become a state governed by the rule of law (as per Art. 4 (1) of Bulgarian Constitution), the EU imposed a Cooperation and Verification Mechanism (CVM). Disregarding this very important fact, many Bulgarians deemed EU membership to mark the end of the Transition – even though Bulgaria did not qualify as a state governed by the rule of law and a full-fledged liberal democracy.

Stage 3: The Failed Transition to the Rule of Law (2009–2021)

The global financial crisis since 2008 and the powerful shift of economic layers in Bulgaria and around the world gave another direction to the Transition process. The change in the model of economic growth, the withdrawal of Western capital from Bulgaria and its replacement with native and Russian capital led to closer interlinking of politics and the economy. The intertwining of political and economic power led to the oligarchizing of the political system in Bulgaria, which

became quite evident with the spectacular rise of the Corporate Trade Bank and its fall after Putin's invasion of Crimea.

The imitation of the needed judicial reforms became a cover for the concentration of all political, judicial, and media power in the hands of a very small group of politicians and oligarchs. Against the background of a global pandemic, the accumulated social and economic conflicts sharply increased political tensions in the country. The eruption of powerful protests revealed the weaknesses of the oligarchic political-economic model, and, after a series of elections, Bulgaria plunged into a crisis of parliamentary democracy. The Transition had lost its meaning altogether, it seemed.

Stage 4: A New Attempt to Transition to the Rule of Law (2021–?)

By early 2022, corruption and the glaring need for effective justice seemed to be the only and most significant dividing line in society. However, Putin's war in Ukraine introduced a new, even more significant, dividing line – the geopolitical choice of Bulgaria. It turned out that the western consensus among political parties from the beginning of the century was only apparent. Civilizational rifts in society gaped regarding issues fundamental to national security and the survival of Bulgarian democracy: NATO, oil and gas supplies, military aid to Ukraine, the rearmament of the Bulgarian army, and the Soviet cultural heritage. They reformatted the political space and created a rotating cabinet with a Euro-Atlantic platform, which survived for a few months before it was torn apart by conflicts of interests between anticorruption and pro-corruption parties in the coalition. Yet Bulgaria was accepted into the Schengen area at the end of 2024. The government is preparing the country to enter the Eurozone in 2025 and thus to complete the EU integration. Meanwhile, the social budget policies introduced the aim to reduce the deep gap between the rich and the poor, as Bulgaria tops the EU inequality ranking. Thus, Bulgaria is striving to strengthen the middle class – the backbone of democracy.

Yet despite the expectation of the completion of EU integration, the severe problems related to the lack of rule of law persevere and cast doubt on Bulgaria's status as a liberal democracy. As always before in Bulgarian history, it is geopolitics that will shape the coming years: the war in Ukraine, the actions of Trump's US administration, and the ambitions of Putin to push NATO to

its pre-1997 borders will undoubtedly mark the direction of the political process in Bulgaria and the future of its democracy.

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