

## Socialist industrialization and Infant industry argument

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**Abstract:** *Insofar as the issue of reindustrialization, or “reshoring”, becomes more and more relevant for advanced economies, Bulgaria is not only unable to devise a serious long-term national economic model, but it also appears unable to find domestic consensus even on its evaluation of certain questions relating to its own recent economic history. However, time is running out, and the country needs to prepare itself for this possible next phase in its development and its reindustrialization alongside other European countries.*

*First, however, it might be better to start from national economic interests i.e. from the reconciliation of issues, such as those of the Socialist industrialization, and from the subsequent transition to a market economy, with a special focus on how this transition has taken place in pure economic terms. Indeed, one might ask if it would have been better to “consult” an economist such as Friedrich List, rather than leave everything to the “mercy” of democratic euphoria, the “invisible hands” and political divisions. Perhaps, a golden opportunity to deploy the different assets of the country’s actual industrial sector has been lost.*

*That being said, this paper does not aim to enter into issues of evaluation or defense, nor even less to evoke nostalgia for the Communist regime. Forcing a connection between Socialist industrialization and the “infant industry argument” would be stretching things theoretically, and perhaps even “politically incorrect”, too. That being said, maybe such an economic doctrine could have been at least “been asked for” when engaging the “heavy” industrial legacy of the Communist regime in Bulgaria.*

**Key words:** *Friedrich List, Socialist Industrialization, Infant industry argument, Reindustrialization, Reshoring, Bulgarian Transition, Economic Nationalism*

**JEL codes:** *A14, B15, B31, F52, L52, N13, N14, O25, P11, P21, P31*

## Premise

### **It was a neutral ground, but...**

Under the Communist regime, Bulgaria transformed from being a predominately post-World War II agricultural country into an industrialized one, though given its economic similarity to the USSR of the twenties and thirties, it was better positioned to exploit the Stalinist model than the other countries of Central and Eastern Europe, despite the obvious inherent flaws in the model itself.<sup>1</sup>

In April 2013, a meeting was held at the Department of Political Science of “Roma Tre” University in Italy on the occasion of Armando Pitassio’s latest publication *The History of Contemporary Bulgaria*. I couldn’t help but notice that there were only three Bulgarians present, one of whom was a professor from the same university and acting moderator on that day. Furthermore, the total absence of any formal or institutional presence on behalf of Bulgaria may also have raised an eye-brow or two. In any case, at a certain point in the proceedings, an Italian scholar in the history of Central and Eastern Europe, put forward his firm conviction that the industrialization carried out under Communism had been the worst thing that had ever happened to the Bulgarian people. The Bulgarian professor (and moderator) replied that had most certainly “not been the case” and admonished quite openly on the fact that the history, as is recounted in books, may have very little to do with how people actually lived that history “on their own shoulders”. Such strikingly polarized and subjective viewpoints were, for me, a rather unexpected occurrence in an otherwise “neutral” and academic setting that is “Roma Tre” University in Italy.

### **From a centrally planned economy to the free market: It’s hard to be positive!**

Today Bulgaria is a democratic state, inserted into the logic of the market economy, and an EC and NATO member. However, despite all this, after more than a quarter of a century, the wounds of the Bulgarian soul have not only not healed, but at times, they seem to have become more profound. Questions regarding its industrialization under Socialism are being evaluated in an ever more negative and radicalized fashion. In a nutshell, there is deep disagreement and two mutually incompatible beliefs. The only possible neutral position, so as not to be targeted by one or other of the two hostile camps, is that of apathy. And it is precisely this stance that may be the most problematic, as it presupposes the adoption of a position of passive indifference where one may lose even basic orientation of what has been,

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<sup>1</sup> Guida F., Biagini A., *Mezzo secolo di socialismo reale*, G. Giappichelli Editore, Torino, 2 ed., 1997, p. 68, (author’s translation).

or what will be, or where one was, and where one may yet go. Indeed, going from the disinterested to the defeatist is just one short step away and renouncing objective evaluation of the past also precludes a proactive attitude towards the present, and towards the future, too, neither of which may be in the best interests of generations to come.

An even bigger problem, however, is that these same issues could, and should, have been tackled more forcibly in the advent of the country's democratization more than 25 years ago. Indeed, in that important historical moment, Bulgaria, despite the great efforts towards integration with the civil-democratic world it had already made, had not been lucky enough to find the leadership capable of laying the foundations for serious post-traumatic growth. Furthermore, still from a psycho-sociological point of view, it is difficult to ascertain how exactly Bulgaria affronted this changeover, or to define its approach as being primarily *functional* or *dysfunctional* and, of course, to evaluate the ensuing stress that *coping* with this may have brought. In addition, the question of Socialist industrialization in Bulgaria is not only complex but it is also quite controversial, in part because some of the processes are still under way, and in part, because some of the main protagonists are still alive.

Of course, while creating an objective historical framework requires a certain temporal distancing from events, objectivity also needs to be created and fostered through the ideological and experiential neutrality of who is recounting and evaluating the events. In my own case, research figures would seem to confirm that my personal experience may afford me such a neutrality, as I was not directly involved in the “building of Communism” (for obvious age reasons), though I did witness it second hand and the euphoria surrounding its downfall, too. Furthermore, while I have also earnestly followed the ensuing difficulties “building Democracy” has brought to Bulgarian society, I have done so from a certain distance, as I have been permanently living in Italy. In short, not having lived these experiences completely first hand may confer on me a certain objectivity and just neutrality, because being completely neutral, without having a piece of history “lived on the own shoulders”, would perhaps not have been very useful.

### **Why Socialist industrialization and Infant industry argument?**

Perhaps it is time to objectively evaluate the whole question of the period of industrialization under Socialism. This is not only important from the point of view of history itself but also in the light of current debate among the developed economies on shifting towards a more production based economy i.e. re-industrialization. My basic hypothesis is that the industrialization of the Socialist period could have been seen in the general light of an infant industry argument, in order to approach the market paradigm in a more purposeful and

economic way. That being said, I would like to stress at this point that the purpose of this paper is not to get into issues of generalised evaluation, defense, and even still less to evoke nostalgia for the Communist regime. Rather, it aims at researching an approach centered on a purely objective evaluation of the economic legacy of that regime, namely that of Socialist industrialization. Hence my thesis proposes that if there was something positive about the Socialist industrialization, it would not be economic to deny this, in the technical sense of the word, nor to leave it to the “mercy” of mere political euphoria and its implications and evaluations.

In the first chapter, the main aspects of the doctrine of Friedrich List – the father of infant industry argument – will be presented, where I will attempt to clarify some misunderstandings that surround it. The approach taken is hermeneutically descriptive, while empirical support is mainly taken from List’s volume *The National System of Political Economy* and other related secondary sources. In the second chapter, some of the features of the Bulgarian Socialist industrial model will be highlighted, which will include some statistical data, too. In the Conclusions, some possible connections between List’s doctrine and Bulgarian industrial history will be explored, using the aforementioned neutral position (where possible) of the researcher as a basic guideline.

Therefore, as the objective of this paper is the theory of Friedrich List in relation to the Bulgarian industrialization under Socialism, the paper itself thus becomes an exploration of the History of Economic Thought and Economic History, with a special focus on List’s volume *The National System of Political Economy*<sup>1</sup>, where the goal will be to demonstrate how List’s ideas would have been more than pertinent at the beginning of the transition from centrally planned economy to market economy in Bulgaria and that a golden opportunity to exploit the different assets of the country’s industrial sector were lost as a result

## **1. List’s Infant Industry Argument**

### **1.1. Preliminary Considerations**

The infant industry argument rational has been proposed as a kind of twofold response to both the theory of international trade as exchange values (Adam Smith), and the theory of comparative advantage (David Ricardo). For the supporters of infant industry argument, the first one was too optimistically universalist, while the second – although it did not exclude a certain dynamism – was tendentially rather conservative on questions regarding long-term development. It is very interesting that infant industry argument was first codified in the

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<sup>1</sup> List F., *National System of Political Economy* (1841), translated by Matile G. A., Philadelphia, J.B. Lippincott and Co., 1856.

United States and its “natural fathers” were economists like Alexander Hamilton, Henry Carey, Henry Clay and Daniel Raymond. “The modern protectionist school of thought was actually born in the United States”, and “it was also the mother country and the bastion of modern protectionism”<sup>1</sup>. Thanks to the time lived in the United States (1825-1830) and aforementioned influence of the American economists, List transformed his beliefs about protection from “retaliatory” towards infant industry protection<sup>2</sup>. His elaboration of the infant industry argument is best articulated in the volume *The National System of Political Economy*, where he “offered his readers much more than a repetition of the familiar argument put forward by [other] writers”.<sup>3</sup>

### **1.2. How would industrialization elevate civilization?**

According to List, economic progress is closely related to the progress in civilization. However, for List, it was industrial production rather than foreign trade which was to have the foremost civilizing effect and this went contrary to what was proposed by the mainstream economists. Indeed, if one were to replace the term “industrial production” with “real economy”, as in the previous sentence, one realizes just how contemporary the scholar’s thoughts actually are, even at a distance of more than a century and a half. “The popular school has attributed this civilising power to foreign trade, but in that it has confounded the mere exchanger with the originator.”<sup>4</sup>

For List, countries pass through five stages of consecutive development: the savage; the pastoral; the agricultural; the agricultural and manufacturing; and finally, the agricultural, manufacturing and commercial stage. In order to develop economically, countries must industrialize, surpassing the purely agricultural stage, though this does not happen naturally or automatically through some “invisible hand”. The only way to develop economically, would be to activate the infant industry protection, because otherwise the developing domestic industries would be crushed by foreign ones before they ever get off the ground. “They may be compared to a youth, struggling with a full-grown man – aggression is impossible, and resistance hopeless. The manufactures of the chief industrial and commercial power possess a thousand advantages over those of other nations just coming into existence or not arrived at full growth.”<sup>5</sup> However, the adoption of such a commercial protection

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<sup>1</sup> Bairoch P., *Economic and World History*, Brighton, Wheatsheaf, 1993, p. 23-30.

<sup>2</sup> See Henderson W., *Friedrich List*, London, Frank Cass., 1983, p. 144-145.

<sup>3</sup> *Ibid.*, p. 158.

<sup>4</sup> List F., *The National System of Political Economy*, (1841), translated by Sampson S. Lloyd, Longmans, Green, and Co., London, New York, Bombay, and Calcutta, 1909, p. 115.

<sup>5</sup> List F., *National System of Political Economy, Introduction*, (1841), translated by Matile G. A., Philadelphia, J.B. Lippincott and Co., 1856, p. 378.

policy, need also be consider in the light of both the particular situation of the country-nation in question, and the current international situation, too. Protection should be limited to selected manufacturing industries while taking into account the inconvenience caused by duties on the importation of raw materials or intermediate goods, in addition to excluding the idea of “mere” agriculture, which instead should be “raised to a skilled industry, an art, a science”<sup>1</sup>. Protection should be temporary, operating only until the industry in question matures. Eventually, the protection should also be weighted so as not to completely remove the possibility of domestic industries competing with foreign ones. “Duties upon imports so high as to absolutely exclude foreign competition are prejudicial to the country which adopts them; for they suppress all rivalry between domestic and foreign manufacturers, and encourage indolence among the former.”<sup>2</sup> The gradual removal of protection would also be a decisively important issue. According to List, as an intermediate measure, domestic competition could also be introduced, with the implicit hints of the economies of scale: “new manufactures suitably protected, however imperfect and costly their products in the beginning, may, by the aid of experience and the stimulus of domestic competition, rival in all respects the products of older factories in foreign countries”<sup>3</sup>. In this sense, List’s regulatory system was fairly sophisticated, and by no means *naïve*. He was fully aware of the possible distortions and inefficiencies that the creation of a monopoly through protectionism could cause and for this reason, he proposed, at the same time, a selective protection outside, and a liberalization inside countries. “The competition at home, and protection against overwhelming competition from abroad, have worked wonders, of which the School [Classical economists] is ignorant. It is not true then, as has been pretended by the School, that protection enhances the price of domestic products by the amount of the protective duty. Duties may cause a temporary increase of price, but in any country prepared for manufacturing, home competition soon reduces the prices below the rates at which they would have remained under the operation of free trade.”<sup>4</sup> List, however, also warned of the danger of another kind of monopoly – the “monopoly” of the more powerful nation – as a result of an abrupt and premature shift towards deregulation and free trade by the less developed country.

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<sup>1</sup> List F., *The National System of Political Economy*, (1841), translated by Sampson S. Lloyd, Longmans, Green, and Co., London, New York, Bombay, and Calcutta, 1909, p. 162.

<sup>2</sup> *Ibid.*, p. 79.

<sup>3</sup> *Ibid.*, p. 113.

<sup>4</sup> List F., *The National System of Political Economy*, (1841), translated by Sampson S. Lloyd, Longmans, Green, and Co., London, New York, Bombay, and Calcutta, 1909, p. 160.

If one were to set out a compact list of List's factors-instruments for the development of the "productive power", one would undoubtedly mention: political and religious freedom through the promotion of general and individual freedom of thought and action; security, stability and morality as pillars of society; legal regulations towards social progress; promotion of investment and the development of education, science, research oriented towards the technological progress; stimulation and improvement of communications and transports infrastructures; efficient and impartial administrations; promotion of the entrepreneurial and innovative spirit; and a solid agricultural sector as a premise of industrialization.

While for Smith and his disciples, the universal interests would be the sum of individual interests, because each individual, in pursuing their own interests, pursues the interests of the whole society; for List, the nations would be more interested in increasing their economic well-being, and in the expansion of their productive forces, rather than in the prosperity of all humanity. "I would indicate, as the distinguishing characteristic of my system, *nationality*. On the nature of *nationality*, as the intermediate interest between those of *individualism* and of *entire humanity*, my whole structure is based."<sup>1</sup> In this sense, the central place in the scholar beliefs occupies the "theory of productive power" (in place of the "theory of exchange values"), where economic development is tied to the destiny of the Nation state in an implicit dirigist spanner. "Individuals would be in vain laborious, economical, ingenious, enterprising, intelligent, and moral, without a national unity; without a division of labor and a co-operation of productive power. A nation cannot otherwise attain to a high degree of prosperity and power, nor maintain itself in the permanent possession of its intellectual, social, and material riches."<sup>2</sup>

Therefore, the main economic entity would be the Nation state defined as "productive power". Central to the "productive power" theory is the conception of "immaterial economic capital"<sup>3</sup> (well rooted in the German Historical tradition of economics<sup>4</sup>) tightly oriented to social progress. List often declares the importance of: experience, practice, adaptation, industrial training-education and productive synergy between economic sectors or the

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<sup>1</sup> List F., *The National System of Political Economy*, (1841), translated by Sampson S. Lloyd, Longmans, Green, and Co., London, New York, Bombay, and Calcutta, 1909, Author's Preface to the First edition, p. xliii.

<sup>2</sup> List F., *National System of Political Economy, Introduction*, (1841), translated by Matile G. A., Philadelphia, J.B. Lippincott and Co., 1856, p. 74.

<sup>3</sup> See List F., *The National System of Political Economy*, (1841), translated by Sampson S. Lloyd, Longmans, Green, and Co., London, New York, Bombay, and Calcutta, 1909, p. 113.

<sup>4</sup> It refers to both individual, social and collective capacities, as well as both actual and historically accumulated immaterial capital, *Wikipedia*, (URL= [https://en.wikipedia.org/wiki/Mental\\_capital](https://en.wikipedia.org/wiki/Mental_capital)).



industry's branches; alluding to current economic notions such as: human capital, scale economies and even externalities caused by industrialization-protection. "Manufacturing industry is concerned with so many branches of science and art, it implies so much experience, practice, and, adaptation, that the industrial training and education of a country can only proceed but slowly. All excessive or premature protection is expiated by a diminution of national prosperity."<sup>1</sup> According to the level of "productive power", the Nations should adopt different strategies on the international economic scene. "A country like England which is far in advance of all its competitors cannot better maintain and extend its manufacturing and commercial industry than by a trade as free as possible from all restrictions. For such a country, the cosmopolitan and the national principle are one and the same thing."<sup>2</sup> The least developed countries instead, should not adopt the logic of free trade before the industrialization and should strengthen their "productive power" through the protection of their infant industries. In List's State-centric view, free trade would be appropriate and beneficial only for those countries at the same level of industrialization and economic development.

The notion of freedom guaranteed by legal order deserves special attention, as the strong role played by the Nation-state, as invoked by List, is often associated with political and social restrictions. According to the scholar, religious and political freedom and industrialization were intertwined. "It has been the experience of all ages and of all countries that freedom and industrial progress are like Siamese twins [...] The spirit of enterprise, economic progress, technical knowledge, and artistic skill develops only in countries enriched by political and religious freedom."<sup>3</sup> Furthermore, List emphasized the two way nature of the relationship, pointing out that industrialization (and urbanization) was a means for the individual's social and spiritual development. Therefore, the State was strong and based on stability, security and protection, but at the same time it was conceived as profoundly democratic, liberal and as a defender of civil rights. The State was the guarantor of the universality of law, and the freedom of expression; the coordinator between the bureaucratic and industrial sectors in rendering their functioning efficient and harmonious, as well as the promoter of the entrepreneurial spirit and communication-innovation.

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<sup>1</sup> List F., *National System of Political Economy, Introduction*, (1841), translated by Matile G. A., Philadelphia, J.B. Lippincott and Co., 1856, p. 78.

<sup>2</sup> *Ibid.*, p. 79.

<sup>3</sup> List F., *The Natural System of Political Economy*, (1837), ed. W. H. Henderson, reprinted, Totowa, NJ, Frank, Cass. 1983, p. 153, 164.



Crucial to the productivity of labor, according to List, was the integration-combination of division of labor and the union or confederation or co-operation of labor. That was a vital prerequisite for the organic and harmonious functioning of the national economic system. “The whole social state of a nation will be chiefly *determined by the principle of the variety and division of occupations and the cooperation of its productive powers.* [...] the whole nation depend on the exertions of all individuals standing in proper relation to one another. We call this relation the *balance* or the *harmony of the productive powers.*”<sup>1</sup>

Current and relevant to the argument of this paper would be List’s criticism addressing short-sightedness in economic affairs. He identifies examples in history where some states – England, Holland, US – acted against their own long-term interests, and that could have been avoided by means of appropriate regulatory policies and information-education activities.

### **1.3. Main criticisms and misinterpretations about List**

Some of the biggest misunderstandings of List’s convictions can be found in questions regarding free trade. To begin with, he was not a fierce opponent of free trade, as has often been accused nor, in my opinion, was he “a greater free trader than his main adversary Adam Smith”<sup>2</sup>, as some of his contemporaries supporters might claim. After all, for List, both free trade and protection were simply a means to an end, namely the development of “productive power”.

Another criticism levied at the infant industry argument in its reduction to protectionism is understood solely in terms of duties and subsidies. In reality, however List’s theory appears much more detailed, complex and extended, even to the point of wondering why the scholar is almost always associated with protectionism and infant industry argument, when the focal point of his doctrine is about the “productive power of nations”, structured as a real theory of economic development. The scholar states that: “The productive power of nations is not solely dependent on the labor, the saving, the morality, and the intelligence of individuals, or on the possession of natural advantage and material capital; it is dependent also upon institutions and laws, social, political, and civil, but, above all, on the securities of their duration, their independence, and their power as nations.”<sup>3</sup>

The criticism that the infant industry argument does not appear to work well for small countries is quite meaningful, enough to have been perceived by the same List. He indicates

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<sup>1</sup> List F., *The National System of Political Economy*, (1841), translated by Sampson S. Lloyd, Longmans, Green, and Co., London, New York, Bombay, and Calcutta, 1909, p. 129-130.

<sup>2</sup> See Daastøl A. M., *Friedrich List the ultimate globalist*, essay-collection on Free Trade and the Nation State, edited by Jürgen G. Backhaus, as an outcome of The 1997 Heilbronn conferences on the German tradition in economics.

<sup>3</sup> *Ibid.*, p. 74.

some remedies to widen the market of small nations, among which is the promotion of regional associations of countries. In my opinion, the size of the countries and relativity of their markets, do not in any case compromise List's theory, because efficient industries do not have to be large. In addition, there are also industry sectors, such as the consumer goods industries, that may be in position to exploit a fairly extensive domestic demand.

#### 1.4. Some points for contemporary reflection

I would like to propose an extract of some of List's thoughts that, besides being pertinent to today's economic debate, might also help to explain the "why" of the adversity and the "snobbery" towards his ideas by so-called mainstream economists.

...commerce must be regulated according to the interests and wants of agriculture and manufactures, not vice versa. [...] 'Laissez faire, laissez passer,' an expression which sounds no less agreeably to robbers, cheats, and thieves than to the merchant, and is on that account rather doubtful as a maxim. This perversity of surrendering the interests of manufactures and agriculture to the demands of commerce, without reservation, is a natural consequence of that theory which everywhere merely takes into consideration present values, but nowhere the powers that produce them, and regards the whole world as but one indivisible republic of merchants. The school does not discern that the merchant may be accomplishing his purpose (viz. gain of values by exchange) at the expense of the agriculturists and manufacturers, at the expense of the nation's productive powers, and indeed of its independence. [...] It is therefore evident that the interest of individual merchants and the interest of the commerce of a whole nation are radically different things...<sup>1</sup>

In any case, this does not mean that List was contrary to the category of merchants: "It is the nature of things that he [the merchant] must buy in the cheapest markets and sell in the dearest."<sup>2</sup> This does not even mean, an aversion to the market or some preference for economic autarky: "International trade by rousing activity and energy, by the new wants it creates, by the propagation among nations of new ideas and discoveries, and by the diffusion of power, is one of the mightiest instruments of civilization, and one of the most powerful

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<sup>1</sup> List F., *The National System of Political Economy*, (1841), translated by Sampson S. Lloyd, Longmans, Green, and Co., London, New York, Bombay, and Calcutta, 1909, p. 208-209.

<sup>2</sup> List F., *The Natural System of Political Economy*, (1837), ed. W. H. Henderson, reprinted, Totowa, NJ, Frank, Cass. 1983, p. 99.

agencies in promoting national prosperity.”<sup>1</sup> For the scholar, the role of the State is especially important in the promotion of an efficient national economy and as a defender-regulator of collective interests.

In this order of thought the next quote would be equally interesting. “The establishment of a universal republic will be much more likely if all the civilized countries in the world - followed in due course by countries which are at present relatively backward - were making uniform economic progress. This would be much better than a situation in which one country dominated all others in industrial and commercial power, because in that case a world trading monopoly and a universal despotism would have been established.”<sup>2</sup> Still in 1841, List warned of the risks involved in opening up to international financial markets and to deregulated free trade, especially for small and underdeveloped countries: “...as long as separate national interests exist, a wise State policy will advise every great nation to guard itself by its commercial system against extraordinary monetary fluctuations and revolutions in prices which overturn its whole internal economy...”<sup>3</sup>.

Another interesting point of List’s doctrine, which merits further consideration is the statement of having extrapolated his theory from events in the history (not by case, List begins his book with the story of the main trade policy of some countries), while the Classical school (according to him) relies for its convictions on a theory that stems from mere conjectural interest. “It [Classical school] avails itself of the advantages of internal free trade, to prove that nations can attain the highest state of prosperity and power only by absolute freedom of international trade, whilst history proves positively the contrary.”<sup>4</sup>

Again from a historical viewpoint, the infant industry argument is very often associated with the failure of the recent strategy – *import substitution industrialization* – adopted by Latin American countries. To even things up, List’s supporters responded with another recent example of the successful industrial policies of so-called “Asian Tigers”, pointing out that the industrial policy of the Latin American countries had not been born from a serious economic project, but rather from a balance of payment’s problems. In my view, apart from not being “magic”, List’s formula is simply too elastic and sophisticated to be applied in a purely

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<sup>1</sup> List F., *The National System of Political Economy*, (1841), translated by Sampson S. Lloyd, Longmans, Green, and Co., London, New York, Bombay, and Calcutta, 1909, p. 70-71.

<sup>2</sup> List F. *The Natural System of Political Economy*, (1837), ed. W. H. Henderson, reprinted, Totowa, NJ, Frank, Cass. 1983, p. 188.

<sup>3</sup> List F., *The National System of Political Economy*, (1841), translated by Sampson S. Lloyd, Longmans, Green, and Co., London, New York, Bombay, and Calcutta, 1909, p. 227.

<sup>4</sup> List F., *National System of Political Economy*, (1841), translated by Matile G. A., Philadelphia, J.B. Lippincott and Co., 1856, p. 394.

mechanical fashion. He states that one must start from the particular conditions of the country in question, then orientate in the context of an international economic situation but most especially one must lay the foundations of the infant industry argument on an non-material (“immaterial”) assets such as human capital, strong institutional structure and social cohesion. “Every nation must follow its own course in developing its productive powers; or, in other words, every nation has its particular Political Economy.”<sup>1</sup>

Finally, List’s affirmation, which goes against the common speculation that investors avoid countries with protectionist policies, is indeed very interesting. The scholar believes that it is quite the contrary and perhaps the examples of long-term industrial development like those of Korea, Taiwan and China would might him prove him right. “People are attracted to a country [England] which safeguards its industries by the policy of protection because they wish to share in the advantages provided by tariffs.”<sup>2</sup>

## **2. Bulgarian Socialist industrialization**

### **2.1. Is it the issue of industrialization still relevant today?**

At the time of writing (September 2016), speaking of industrialization is not as anachronistic as it might appear at first sight. Currently, the voices returning to the so-called “real economy” are becoming increasingly insistent. The reason for the crisis of recent years (in the advanced countries) is often detected in the implemented deindustrialization of the past twenty years. “In recent years we have seen progressive offshoring of manufacturing from Europe to third countries and progressive deindustrialization leading to a decline in its share of European GDP, which has fallen from 20 % to 15 % in just a few short years. In the EU 3,5 million jobs have been lost in the manufacturing industry since 2008.”<sup>3</sup> The free movement of goods and capital and the relocation of production to low-labor cost countries, explained by the theory of a natural progression of the advanced capitalist economy towards a tertiary structure, is being increasingly challenged.

For some years now the United States is actively engaged in the reindustrialisation, or for the return of some its manufacturing base from Asian countries to the national territory (“re-shoring” in place of “off-shoring”). “Reshoring is a factor in all manufacturing companies’ decisions. As companies start to carry out more comprehensive total cost analysis, they are discovering that the rise in the cost of labour along with the hidden costs of

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<sup>1</sup> List F., *Outlines of American Political Economy*, Printed by Samuel Parker, Philadelphia, 1827, p. 24.

<sup>2</sup> List F. *The Natural System of Political Economy*, (1837), ed. W. H. Henderson, reprinted, Totowa, NJ, Frank, Cass. 1983, p. 79.

<sup>3</sup> Official Journal of the European Union, *Opinion of the European Economic and Social Committee on the “Reshoring of EU industries in the framework of reindustrialisation”*, (2014/C 311/03), 12.9.2014, p. 19.

offshoring have often outweighed the competitive advantage. There is a movement involving the United States government and various associations in creating the new *Made in America, Again* label, aiming to persuade customers to buy American products and equipment. *Reshore now* is another initiative at national level aimed at reshoring companies to US soil.”<sup>1</sup> In Europe, such a debate is already carried out even in official programmatic documents as those of the European Economic and Social Committee on the *Reshoring of EU industries in the framework of reindustrialisation* where the key word is *reshoring*. “The EESC is convinced that in order to halt the EU’s economic decline, new impetus must be given to industry, and manufacturing in particular, one of the strong points of the production system. [...] The Committee supports the plan [...] to develop a reindustrialisation policy for the EU, bringing industry’s share of EU GDP back up to at least 20 % from the current 15,1 % [...] The manufacturing industry is still the main driver for economic growth: in regions where manufacturing has increased its relative share, GDP has risen more. This is explained by the fact that product and process innovation in the manufacturing sector generates increased productivity in other sectors too [...]”<sup>2</sup> Therefore, the question of industrialization would seem to be anything but anachronistic, exhausted or absent in today’s economic and political landscape.

## **2.2. Some aspects of Bulgarian “industrial” transition**

After more than 25 years since the beginning of the profound reforms in the Bulgarian society, related to the transition from Socialist central planning to market economy, it could be safely said that this transformation has been very difficult and has had high social costs. The main problem is the impossibility of reaching a consensus both on the Socialist economic legacy and on the future planning of a national long-term economic development strategy. Today’s economic debate is focused mainly on budgetary matters and on immediate conjuncture issues, while the national economy rotates around “known stratagems” such as direct and foreign portfolio investment, European aids, financing loans for consumption etc.

A large part of the foreign investment is concentrated in speculative, bubble-risk sectors, such as the real estate. In addition about, two very worrying general trends for Bulgaria should also be noted. The first is the return of some productions to national soil (“reshoring”), evidenced in the previous paragraph. The second is the shift of industries that are currently located in post-communist countries, where labor costs continue to rise, towards countries where labor cost are continually diminishing – a kind of “race to the

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<sup>1</sup> *Ibid.*, p.22.

<sup>2</sup> *Ibid.*, p. 1, 15, 20.

bottom”, as it were. Moreover, financial institutions tend to accumulate capital without investing it back into the real or manufacturing economy.

Today, in Bulgaria, industry is principally focused on labor-intensive products. High-tech products account for only 3% of exports. More than 70% of industrial employees perform low technology content activities, principally related to the processing of raw materials. The current Bulgarian industry is characterized by a low added value and does not possess known productions for international markets.<sup>1</sup> The political and economic course after the crisis of 1996-1997, and the subsequent introduction of the Currency board, has led to a certain stability from a macroeconomic and financial point of view, as well as to a discrete acceleration in economic growth. However, this level of economic growth has not allowed Bulgaria to bridge the gap between its average and the general average of the Member States as a whole. Indeed, Bulgaria remains the second least developed country in Europe. This is particularly worrying in that Bulgaria is behind even those countries who has recently acceded to the EU. In 2016, Bulgaria occupies the 50<sup>th</sup> place in the ranking of countries according to the economic competitiveness, behind countries such as Romania, Kazakhstan and Chile<sup>2</sup>; and staunchly keeps its 59<sup>th</sup> place in the ranking list of the Human Development Index according to the Reports of the United Nations Development Programme, coming after countries such as Barbados, Belarus, Russian Federation and others<sup>3</sup>. Particularly striking also is the Bulgarian attitude to the transition in the first place. In fact, after more than 25 years since the start of democratic reform, statistical sociological research data on this gave back a general negative rating, a rating that appeared very similar to one found in the 10<sup>th</sup> year since the reforms had started.<sup>4</sup>

The Socialist revolution [...] tried to develop a kind of middle class as well as universally accessible social services (education, health care, employment). In fact, as oppressive as it was, the Socialist regime was widely perceived by the general public as a version of the western welfare state, particularly after the fall of the regime. The post-Socialist transformation initiated a decline of state provided social services, and

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<sup>1</sup> See Financebg.com, *White Paper on a new high-tech industrialization 2015-2020*, in Bulgarian, Atlas Finans AD, March 2014, p. 4, 19.

<sup>2</sup> See, *IMD World Competitiveness Yearbook 2016 Results*, (URL=<http://www.imd.org/uupload/imd.website/wcc/scoreboard.pdf>)

<sup>3</sup> See Table 2: *Trends in the Human Development Index*, (URL=<http://hdr.undp.org/en/composite/trends>)

<sup>4</sup> See also EUREQUAL, Project ID:28920, Funded under:FP6-CITIZENS, *Social Inequality and Why It Matters for the Economic and Democratic Development of Europe and Its Citizens. Post-Communist Central and Eastern Europe in Comparative Perspective*, Deliverable 2 Desk Research Bulgaria, Scientific consultant: Todor Hristov, CORDIS, Managed by the EU Publications Office, (URL=<http://eurequal.politics.ox.ac.uk/papers/eurequal%20desk%20research%20bulgaria.pdf>)



particularly in its earlier phase, before 1997, led the country into deep economic crises with soaring rates of unemployment and inflation. After 1997 the economy has stabilized and to an extent prospered, yet the period witnessed further increase of income and wealth inequality, pauperization of the Socialist middle class, emergence of another tightly intertwined economic and political elite, as well as social groups of transformation losers (pensioners, unemployed, families with children, ethnic minorities).<sup>1</sup>

Ultimately, the Bulgarian transition was characterized by a period of massive de-industrialization of the national economy, with the consequent change in the territorial and demographic structure and in the social development of the country with the appearance and aggravation of phenomena such as unemployment, depopulation (especially in medium and small sized industrial areas), immigration, impoverishment and so on.

### **2.3. Some aspects of Bulgarian Socialist industry**

As has already been mentioned several times, there is no conformity in how the Socialist industrialization in Bulgaria is to be evaluated. Opinions are extremely radicalized and even involve divergent statistical evidence. The present paper does not intend to avail of the opinions proposed by any of the “armies” in this field, but rather it searches for a hypothetical reasonableness in its evaluation of the industrial inheritance handed down by the regime; and it especially examines what might have been a more purposeful attitude to adopt at the beginning of the transformation in Bulgaria and during its subsequent transition to a market economy?

The most problematic aspect of this work is to find the evidence that in the Socialist industry not everything was to be “thrown out”, as it is often claimed by some of the radicalized exponents of the liberalization which occurred in Bulgaria, but, in the perspective of the next economic and political openness, certain valid elements could nevertheless have been found. The biggest problem, however, is that researching something potentially purposeful in the Socialist industry is often mistakenly seen as taking a stand in that field, next to the “comrades with the left fist raised”. By the way, to calm everyone down, it would be very interesting to provide some data, directly from the document *The Bulgarian Economic and Transition Project*, as it is so hated by the supporters of the “myth” of the Socialist industry and considered it as the main guideline of the neo-liberal policy in Bulgaria. Indeed, the extrapolated data concerns one of the industrial sectors with a very high

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<sup>1</sup> *Ibid.*, p. 48.



technological content. These sectors are generally related to innovation, which are extremely underrepresented in Bulgarian industry at present, yet they can boast of the extremely dynamic development in recent decades, as demonstrated by the data on economic competitiveness. It is precisely this type of innovation which was defined as a primary goal during a recent European Union address (the *Strategy Europe 2020*). Therefore according to the already cited document, *The Bulgarian Economic and Transition Project*, since the early 70's, Bulgaria has made “substantial capital investments” (both in national and in convertible currency) in the electronics industry, “that has led to the establishment of impressive production facilities and research-development units”; electronics and telecommunications represented more than 20% of the Bulgarian national industrial production; in that industry approximately 130 thousand people were employed, about 8 thousand of which were highly qualified engineers; since the early 60's there has been a specialization in the projection and manufacturing of hardware for computers; a “diversified and stable” electronic and computer industry has also been developed and over the last twenty years “ample opportunity for research, development and production” has been implemented in microelectronics, in big-size computer systems, in parallel architectures with outstanding performance for scientific purposes, in minicomputer systems, in microprocessors, in peripheral systems with disk and tape, in displays, in optoelectronics etc. The electronics industry had the technological capability to project and produce 80-85% of the components and assemblies necessary for the manufacturing of finished products. “Our estimate is that between 70% and 80% of the main structure is modern, with regard to the technology.” According to the official statistics for the year 1989, all entities within the electronics industry were profitable.<sup>1</sup>

Therefore, with the help of the data extrapolated from a clearly inspired neo-liberal document, it could be said that Bulgarian Socialist industry not only existed, but in some cases it could even pass as being modern and advanced. In any case, it will be impossible to examine all the assets of the Socialist industrial production in one paper and even less to pass judgment on which of these were virtuous or not. We can only add that a considerable investment in many industrial sectors was made, with the purchasing of licenses, authorizations and machinery from the world's leading Western companies, and as a consequence the domestic products were considered as relatively advanced.<sup>2</sup> Definitively, in 1989 there were 2593 industrial enterprises, where 1.58 million people were employed, the

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<sup>1</sup> See Rahn R. W., Utt R. D., *The Bulgarian Economic and Transition Project*, Graves A. G. and Seybold C. G., Chapter Electronics in Bulgarian language, 1990, p. 388-90, (author's translation in the quotation marks).

<sup>2</sup> See Financebg.com, *White Paper on a new high-tech industrialization 2015-2020*, in Bulgarian, Atlas Finans AD, March 2014, p. 29.

volume of exports amounted to 16.2 billion US dollars and more than 50% of exports consisted of engineering and electronics products.<sup>1</sup>

Among the biggest problems for the transition from Socialist industry to free market economy, was the pre-eminence of the large production heavy industry facilities and as a consequence their difficult in restructuring. Although this seems a widely accepted and indisputable assertion, there is no shortage of influential voices contrary to the fact “it should have been easier to proceed with restructuring for countries like China, Vietnam, Mongolia, Cuba, Hungary, Bulgaria, Poland, some former Yugoslav republics, where enterprises with less than 500 employees accounted for 25% or more of total industrial employment”<sup>2</sup>. Bulgarian industrial assets were also inserted in a complex division of labor system both inside the country and according to the logic of COMECON’s Socialist integration. This logic, conditioned the Bulgarian industry on guidelines, volumes, investment and above all, it guaranteed a market for this production. As a general consequence, the safe and guaranteed market didn’t favored product quality. In addition, the structural industry base was often not modernized. Generally, the low competitiveness of Bulgarian production and the disintegration of the COMECON are defined as some of the main causes for the loss of markets during the transition and the subsequent de-industrialization of the country.

### **Conclusions: List’s argument and Bulgarian Socialist industrialization**

It is quite obvious that issues on the infant industry argument and the Socialist industrialization are too complex to be addressed in one paper. For this reason, narrowing the field of investigation is more than necessary. Therefore, the main focus has been put on general trends and tendencies instead of entering into an excessive elaboration of arguments, statistical data or historical facts.

#### **A real guide for Bulgarian transition**

This is the approach that has been adopted right from the beginning of this paper, with a special focus on the legacy of Friedrich List – the founder of a school of thought – who still continues to generate very valid disciples. In this sense, it would have been even more challenging to take a contemporary scholar like Ha-Joon Chang<sup>3</sup> as a reference for the present

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<sup>1</sup> *Ibid.*, p. 27.

<sup>2</sup> Popov V., *Shock Therapy Versus Gradualism: The End of The Debate (explaining the magnitude of transformational recession)*, Comparative Economic Studies, 2000, vol. 42, issue 1, p. 18.

<sup>3</sup> Ha-Joon Chang (Hangul: born 7 October 1963) is a South Korean institutional economist specialising in development economics. Currently a reader in the Political Economy of Development at the University of Cambridge, Chang is the author of several widely discussed policy books, most notably *Kicking Away the Ladder: Development Strategy in Historical Perspective* (2002). In 2013 *Prospect* magazine ranked Chang as one of the top 20 World Thinkers, *Wikipedia*, (URL= [https://en.wikipedia.org/wiki/Ha-Joon\\_Chang](https://en.wikipedia.org/wiki/Ha-Joon_Chang)).

work, but this has not been done for reasons of excessive complexity and because it is not yet a mature choice. Instead, List – apart from being “a founder” of a school – is an evergreen and still relevant author; he worked before the events of Socialist industrialization and the following transition from a planned to market economy in Bulgaria. In addition, it would have been more than appropriate to consult (at least) the main figures in the history of economic thought, when Bulgaria was heading towards free trade, deregulation and universalist economy. In my view, the doctrine of List had all the qualities to be the cornerstone of departure and to be a kind of guide for those processes. Moreover, it seems that the current debate on the direction of the Bulgarian economy is far from exhausted. It presents itself as extremely radicalized on several issues, both historical and long-term development. For this reason, a return to authors such as List and Smith means going back somehow to the base, to look for a more neutral ground in order to make evaluations and reasonable choices of the past and the future.

After a critical review of List’s main ideas in this paper, it can be said that his theory is quite different from what certain critics might lead us to believe. List particularly emphasizes the role of industry as a vehicle of progress and oddly, 175 years later, this appears very timely. Recently in the advanced countries, there is not only a discussion on this, but also the current elaboration of plans to return some industries to the national soil (“reshoring”). The question of industrialization was very important for Bulgaria at the beginning of its path towards the market economy and it is equally important today after a transition characterized by the de-industrialization of the country.

### **The “national productive power”**

List’s approach to economic affairs was from a political and perhaps even a geopolitical point of view. He placed emphasis on the national interest and therefore on the development of the “national productive power”. Indeed, List elaborated a true doctrine for economic development and his most famous concepts (protective and nationalist economic policy, railroad construction) were only a sort of corollary.

According to the scholar, if the international world is composed of countries which are in different stages of economic development, in order to progress, nations should activate the infant industry protection, otherwise the nascent domestic industries will be crushed by foreign ones. Here, as in the first chapter of this paper, it must be clearly stressed that List was not a fierce opponent of free trade as it is often held up by his critics, but he fully understood the positive elements of a hypothetical globalized world. For List, both free trade and protection were simply a means to the attainment of a goal, i.e. the development of

“productive power”. The least developed countries should not adopt the logic of free trade before industrializing and strengthening their own industries. According to the State-centric perspective of List, the free trade would be appropriate and beneficial only for countries which are at the same level of industrialization and economic development. List did not provide dogmatic formulations, but general and flexible guidelines, because the implementation of the protection (or trade policy) was supposed to be dependent on the particular situation of the nation-country in question, and the international situation need to be considered, too. The protection had to be: limited to selected industries only; temporary, i.e. maintained until the mature growth of the industry in question; moderate, so as not to completely remove the possibility for domestic industries to compete with foreign ones; and then gradually it would be removed. Concerning the last condition, List firmly advised against a sudden and premature shift towards deregulation and free trade. List’s limited protection may be seen even as contributing more to efficiency and competition than to the immediate introduction free trade; it may be seen as a “remedy to correct market imperfections where some actors have the upper hand”<sup>1</sup>. Ignoring the political aspects, because Communist Bulgaria was far from List’s conception of State, also the same Socialist industrialization could be seen, by means of a certain academic-instrumental stretch, as a kind of infant industry argument, and this was mainly due to the opening and development towards industrialization precisely in that period. A more interesting question is, however, another. As far back as 1841, Friedrich List had already provided the solution for the Bulgarian industrial situation of 1989: first of all by focusing on national interests; then selecting the priority industries for protection and development; followed by a directing of their growth according to the criterion of competitiveness and finally to open them gradually to the international market. Bulgaria has done the exact opposite, and the results are obvious: a “miraculous” adaptation was expected, through an “invisible hand”, to the harsh introduction of market’s logic following the liberalization of economic activities and the retreat of the State from economy. Besides the fact that such an adjustment does not yet seem to have been fully implemented, the country was thrown into a terrible recession with absurd social repercussions. The central planning institutions were dismantled before having built and consolidated the market institutions, causing a general state of “disorganization”<sup>2</sup>. By the

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<sup>1</sup> See Daastøl A. M., *Friedrich List the ultimate globalist*, essay-collection on Free Trade and the Nation State, edited by Jürgen G. Backhaus, as an outcome of The 1997 Heilbronn conferences on the German tradition in economics.

<sup>2</sup> See Blanchard O., *The Economics of Post-Communist Transition*, Clarendon Press, Oxford, 1997, and Blanchard O., Kremer M., *Disorganization*, Quarterly Journal of Economics 112(4): 1091-1126, 1997.

way, even one of the supporters of “rapid transition to “normal” capitalism”<sup>1</sup> Jeffrey Sachs writes, “While the dismantling of central planning can be done literally in days or months, the building up of new institutions requires years”<sup>2</sup>. In addition, there are also the not so isolated voices that say “today a bitter worldwide reconsideration of the hyper-liberal doctrine is ongoing”<sup>3</sup> and that “if the transition had taken place twenty years later, the post-Socialism would definitely have arrived at a very different model from the hyper-orthodox liberalism.”<sup>4</sup>

### **The Nation State**

As has already been said, List’s vision on the State is very often misunderstood. The State for him was strong, founded on stability, security and protection but at the same time it was conceived as profoundly democratic, and liberal. The State was the Guarantor for universality of law and freedom of expression, the Coordinator between the bureaucratic and industrial sectors on their efficient and harmonious functioning, as well as the Promoter of entrepreneurship and communication-innovation. The integration-combination of division of labour and union-confederation or co-operation of labour was of fundamental importance for productivity. That State, intended as “harmony of the productive powers”, was a vital precondition for the organic and harmonious functioning of the national economic system. Therefore, it also seems that List’s vision on the State could be seen as a good guide at the beginning of the reforms in Bulgaria in 1989, although the size of the country and consequently the size of its market could have been quite problematic for the implementation of the infant industry argument. According to List, the promotion of regional unions of countries could have been a valid remedy for enlargement of small national markets. Indeed, after the disintegration of the COMECON, the obstacles to establish new commercial relations with other countries were further decreased, and other countries such as those belonging to the Visegrad Group, immediately went in that direction. Thus Bulgaria, as well as its industries losing markets, has not been a “constructive player” either. In addition, during the privatization of hundreds of Bulgarian factories, it seems that even the leading international companies, on which Bulgarian production licenses depended, and in which

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<sup>1</sup> Wikipedia, (URL= [https://en.wikipedia.org/wiki/Jeffrey\\_Sachs](https://en.wikipedia.org/wiki/Jeffrey_Sachs)).

<sup>2</sup> Sachs J., *Shock Therapy in Poland: Perspectives of Five Years*, The Tanner Lectures on Human Values, Delivered at University of Utah, April 6 and 7, 1994.

<sup>3</sup> Nuti D. M., *Venti anni dopo: ragioni, processi, risultati della transizione post-socialista*, Saggio preparato per la AISSEC XVIIth Scientific Conference “Growth and Development Patterns: The Role of Institutions in a Comparative Perspective”, Università di Perugia, 25-27 giugno 2009, p. 14, (author’s translation in the quotation marks).

<sup>4</sup> *Ivi.*

supply systems participated, were not called upon, contrary to what had been done by countries in the Visegrad Group.

In addition, List's idea for a strong State, seems far from being absent to contemporary scholars: "there is enough evidence that differing performance during transition, after factoring in initial conditions and external environment, depends mostly on the strength of institutions and not so much on the progress in liberalization *per se*"<sup>1</sup>. "To put it differently, Gorbachev reforms of 1985-91 failed not because they were gradual, but due to the weakening of the state's institutional capacity, which lead to the inability of the government to control the flow of events."<sup>2</sup>

### **"Immaterial economic capital", historical approach and short-sightedness in economic affairs**

Therefore, the main economic subject for List would be the Nation state defined as "productive power". A central place in the theory of "productive power" is occupied by the conception of "immaterial economic capital" – human capital, innovation, entrepreneurial spirit – amalgamated into a solid socially cohesive institutional structure. Another important fact is that List's conjectures were not purely theoretical and hypothetical, but rather based on empirical methodology and data. Elaborating his doctrine on historical examples, he provided a concrete historical evidence on short-sightedness in economic affairs. The ideas about "immaterial capital" and short-sightedness are equally relevant for the Bulgarian industrial history. In the light of the second chapter of this paper, where even with the help of an example from the clearly inspired by neo-liberal doctrine, as well the most hated document by Bulgarian left wing<sup>3</sup> (*The Bulgarian Economic and Transition Project*), has proved that productive assets of highly technological and innovative content could be found in the Bulgarian Socialist industry. Then some questions come spontaneously: What happened to those industries after more than 25 years?; Although they were the legacy of a evil and hated regime, were they treated with appropriate economic criterion?; Is this perhaps one of the cases of shortsightedness in economic affairs, neglecting the long-term national interest, with which to integrate the examples given by List almost two centuries ago?

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<sup>1</sup> Popov V., *Shock Therapy Versus Gradualism: The End of The Debate (explaining the magnitude of transformational recession)*, Comparative Economic Studies, 2000, vol. 42, issue 1, p. 33.

<sup>2</sup> *Ivi.*

<sup>3</sup> "The plan Ran-Utt in essence aimed at turning Bulgaria into a neocolony." (*Social Economic and Political Development of Bulgaria From 1944 to Our Days*, Bulgarian Left Youth Group, "23rd of September", Sofia/April 2006, p. 2).



### **Foreign investors**

List believed that foreign investors do not avoid countries with protectionist policies (as claimed by the Classical School), but they are even willing to invest in those countries, because their investments would be even more secure. In this sense, one of the reasons to completely open up Bulgaria to free trade had been explained with the intention of attracting foreign investment. Here too, one must wonder who was right, List or the “gurus” of free trade. In Bulgaria after 25 years since it opened to free trade, a good part of the foreign investments, in addition to the “moody” financial sector, is still mainly concentrated in areas inclined to speculative bubbles (such as real estate) and in industrial activities involving the generation of a low added value. In addition, two worrying and current trends are noticed: the returning of some production to the domestic soil (“reshoring”) and the shifting to countries with even lower labor costs, i.e. the strategy “race to the bottom”. Therefore, there is a serious risk that tomorrow, even those few foreign investors will leave Bulgaria for one or another reason.

### **Concluding remarks**

This paper has tried to bring the radicalized debate about the recent Bulgarian economic history on a more neutral ground. Friedrich List’s economic doctrine does not provide concrete recipes and could not be applied automatically. It offered an alternative paradigm to embrace the “heavy” (both literally and metaphorically) industrial legacy of the Socialist period and it still offers a way to look at the future of the ancient Bulgarian nation. List himself states, that there is a need to start from the particular conditions of the country in question, to understand the international situation and above all: “Every nation must follow its own course in developing its productive powers; or, in other words, every nation has its particular Political Economy.”<sup>1</sup> Consequently in order to build-direct its own economic development, the Bulgarian economic model should have been, and should be conceived, on the historical experience of the country, taking into account the natural resources, the other available “immaterial” existing resources and the international political-economic situation. Finally, in perfect accordance with our age of the “simple and instant message”, I would conclude this paper with one of the most famous quotes of the scholar Friedrich List: “Industry entirely left to itself, would soon fall to ruin, and a nation letting everything alone would commit suicide.”<sup>2</sup>

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<sup>1</sup> List F., *Outlines of American Political Economy*, Printed by Samuel Parker, Philadelphia, 1827, p. 24.

<sup>2</sup> List F., *Outlines of American Political Economy*, 1827 a, Letter 6, p.87, Cf. 1841, pp.166.



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