



## **PROBLEMS OF THE MODERNIZATION OF THE ECONOMY OF BULGARIA**

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***Abstract:** Innovation and modernization of the economy "We do not like the traditions - Henry Ford said - we want to live now and the only history that means something - this is what we are doing at that moment." For the creator of one of the largest markets in the world, man and businessman who lived in the time of the birth of the " American miracle " was easily and naturally to ignore the history. Today there are no such individuals nor in America or the world. In many countries facing the dilemma of restructuring the economy , debate on economic policy lead to the question , how to build a competitive economic structure , i.e. how structural adjustment to be bound to external economic exchange in order to form comparative advantages.*

***Key words:** modernization , economy, competitiveness, international market, mobility*

### **Introduction**

Innovation and modernization of the economy

"We do not like the traditions - Henry Ford said - we want to live now and the only history that means something - this is what we are doing at that moment." For the creator of one of the largest markets in the world, man and businessman who lived in the time of the birth of the " American miracle " was easily and naturally to ignore the history. Today there are no such individuals nor in America or the world.

In many countries facing the dilemma of restructuring the economy , debate on economic policy lead to the question , how to build a competitive economic structure , i.e. how structural adjustment to be bound to external economic exchange in order to form comparative advantages.

### **Exhibition**

The main directions in which each country strives to create a comparative advantage , increasing their competitiveness in the international market are the structural adjustment of accelerated deployment of new technologies and the

increasing of the share of high-tech industries. For many countries , the transformation of economic growth leads to new priorities. (V. Savov , p.190)

Particularly importance for comparative advantages acquire the mobility of production factors, technological superiority and the ability of the national economy to adapt to the peculiarities of economic growth in its modern forms and directions .

Policy formation of comparative advantage has its macro and micro aspects . At macro level it includes government measures to encourage savings, research and experimental development expertise, including universities, quality control, maintenance of competitiveness on the international market, the improvement of relations between labor and capital . At micro level it contains measures that firms implement in order to provide technology that will be needed in 10-15 years period, by targeting investment and research activities to their directions and goals through the implementation of which will provide the expected effect of unit capital.

Evg . Mateev states that " under conditions of free competition ( in terms of new technologies and new types of products , including - the means of production ) spreads quickly - while the differential gain of the manufacturer reaches the average gain. Monopolistic competition brings significant changes in the mechanism of innovation , which is one of the factors increasing the volume of output ( $x_i$ ) at a given numerical value of profit per unit of output ( $q_i$ ) and raise of  $q_i$  with a given numerical value of  $x_i$  as from the two these values innovation is a powerful tool for maximizing profit mass ( $Q_i$ ) . Unlike former petty capitalists modern large companies have the opportunity to have a wide bureaucracy ( foreign capital , "free gain" ) including a highly educated and prestigious staff - hence increased demand for " production " of universities; have the opportunity (because " free profit " ) are concerned (due to the continuing monopoly positions ) and are forced ( due to competition ) to build a strategy of scientific and technical innovation with a distant target - hence the establishment of strong research centers (such as" Nokia ") which increasingly become a major stopper of monopoly or increased demand for the production of commercial research corporations when they reach their own forces . ( Evg. Mateev , p 238-239 ).

During the 80 years the health of the U.S. economy was based on large capital inflows, which was related to the powerful economic reform of R. Reagan and two major innovations – Information revolution and related globalization. Reagan reforms help provide favorable conditions for the disposal of capital , but the main driver was the dream of creating a global and rapidly changing market. Money is plowed with pleasure in information technology, telecommunications in emerging markets in everything behind which stood the image of the new economic order in which the smooth flow of information allows you to make money in any location on the globe, without changing

physical location. This dream has come true , since last two decades has been a global market. Most powerful corporations in the European Union, the USA and Japan have become transnational . They gave a simple production with low value added in developing countries , the most active of the last managed even to enter the global markets. Unfortunately, Bulgaria was not among them. All this was backed by the strength of the U.S. capital and U.S. dollars . At the same time began tendency to reduction of the productivity of the American capital, which creates problems for both the U.S. and the global economy. To ensure balance of supply and demand for U.S. dollars on the world currency market , the U.S. should enter daily foreign capital for about a billion dollars. Any restrictions on the flow of capital in the U.S. is not only the fall of quotations of securities, but also leads to a fall of the dollar . And any decrease in the dollar entails slackening of interest of foreign investors in U.S. securities. Further impairment and depreciation of the dollar leads to rise of commodity prices , increased inflation rates , low consumption and rising interest rates , as inevitably affects the development of modernization worldwide. ( A. Pramov , 12 pages ).

The state of the trade balances of developing countries and their financial debt in their balance of payments on the one hand and the government budget deficit of the U.S. and the reduction in the dollar on the other hand , are related to the "quality" of their economic growth , reflecting on its performance. There are complex monetary link between export- import flows , trade and balance of payments , exchange rates , interest rates and growth performance . For example, in the short term small budget deficit may match a lower interest rate and more units for modernization by reducing the dollar creates conditions for increasing export earnings .

In passive BOP important problem arises in maximum external indebtedness and the maximum volume of passive balance. Surpassing the maximum limit of indebtedness , amounting to 20-25 % of annual GDP leads to the following negative consequences. First, during the period of repayment of loans from abroad, together with interest - used GDP is significantly smaller than the elaborated, which could lead to an absolute reduction of fund accumulation and is limiting economic growth, but can also be limiter and raising living standards .

In economic theory and practice, it is estimated that the level of savings, which are of the approximate level of 15% and lower are insufficient to provide modern and affordable modernization economic growth. Second, the repayment of debts to foreign countries , especially those related to the activities of private businesses suggests increasing at a faster rate of exchange of exports compared to the rates of exchange of import. Foreign debt interactions are directly related to the nature of the ongoing financial obligations abroad can stimulate the modernization of production, but

can also become a burden and hard to overcome obstacle to economic growth. The issue of forecasting and scheduling of development of the national economy should not be underestimated by macroeconomic management . This issue is very important in connection with the formation of the structure of the national economy and its modernization. The economy must be programmed (including plans ) not only with economic but also with political, legislative and administrative measures. (V. Leontiev , 22 pages).

Investment process associated with modernization is under the influence of changes etc. investment thresholds. For each type of production exists an investment threshold below which should not go down as deteriorating satisfactory standard . The introduction of robotic flexible automated production systems ( FMS ) and computerization , significantly increases the investment threshold. As a kind of barrier for small investment is the increased share of high-tech production .

It was found that investments classified as governmental and private, exist in a higher level as a relationship between GDP growth and private monopolistic investment, which largely explains the structure of the government , particularly during the period when , except for infrastructure construction we add military production . (V. Savov , 150 pages)

## **Conclusion**

Dynamics of investment for modernization depends very much on the inter-imperialist rivalry in knowledge-intensive industries and high technology. The position of the various countries show the trend of leveling their levels to that of developed countries such as USA , Germany, Japan , etc. This applies to several most significant markets for knowledge-intensive products ( EIM and office equipment , communications equipment, aviation equipment , laboratory equipment , nanotechnology , etc.). Trend towards rapid development of high-tech industries will continue to be the engine of economic growth and monopolistic competition in the global market will be a very strong factor in the development of the investment process associated with the modernization of the economies .

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