

# Bulgaria's October 5th Elections: A Flashback at the Economic Records

Oct 04, 2014

By Steve H. Hanke

Bulgarians will go to the polls on October 5th to elect new members of its parliament and thus a new government. Before casting their votes, voters should reflect on the economic records of Bulgaria's governments since 1995.

Every country aims to lower inflation, unemployment, and lending rates, while increasing gross domestic product (GDP) per capita. Through a simple sum of the former three rates, minus year-on-year per capita GDP growth, I constructed a misery index for each of Bulgaria's six governments since 1995 (see the accompanying table).

Changes in Bulgarian Misery Index and Components by Prime Minister

President	Change in Annual Inflation Rate	Change in Unemployment	Change in Lending Rate	Change in Y/Y GDP Per Capita Growth	Misery Index at Beginning of Term	Misery Index at End of Term	Change in Misery Index	%Change in Misery Index
Zhan Videnov (1995-1997)	516.3	2.7	133.6	-4.5	124.3	781.3	657.0	529%
Ivan Kostov (1997-2001)	-544.4	3.5	-201.9	12.7	781.3	25.9	-755.5	-97%
Simeon Saksoburggotski (2001-2005)	2.6	-7.3	-2.4	-0.6	25.9	19.3	-6.6	-25%
Sergei Stanishev (2005-2009)	-5.8	-3.3	2.6	-11.9	19.3	24.8	5.5	28%
Boyko Borisov (2009-2013)	-2.5	6.2	-2.2	6.4	24.8	19.8	-5.0	-20%
Plamen Oresharski (2013-2014)	1.4	-0.5	-0.5	0.6	19.8	19.5	-0.3	-2%

Sources: International Monetary Fund, The Economist Intelligence Unit, and calculations by Prof. Steve H. Hanke, The Johns Hopkins University.

Methodology: Misery Index = Inflation Rate (End of Year) + Bank Lending Interest Rates + Unemployment Rate - Actual % Change in GDP per capita;  
Change (Inflation, Unemployment, Lending Rate, Misery, GDP per capita growth) = (Value of Last Year - Value of First Year)

Note: The actual change in the Misery Index may differ from the calculated result from the formula due to rounding.

The first government documented in the table is that of Zhan Videnov's socialist government. It was a disaster. Hyperinflation occurred on Videnov's watch, with the monthly inflation rate

reaching 242% in February 1997. The misery index soared by 529% during Videnov's short-lived reign.

Bulgaria clearly lacked an "economic constitution"—one that would provide fiscal discipline and monetary stability. So in the midst of the turmoil of the 1996–97 hyperinflation episode, Bulgaria took an important first step toward what would become an economic constitution.

As an adviser to President Stoyanov, I played a role in ending Bulgaria's hyperinflation nightmare. Six short months after I presented my blueprint for a Bulgarian currency board to the president, the currency board was born (July 1997). With the currency board in place, Bulgaria's misery index fell like a stone, falling by 97% during the conservative Kostov government's tenure. Fiscal discipline and monetary stability were finally established.

Since the Kostov years, Bulgaria has had four governments and the misery index has fluctuated around a reading of 20. The currency board has clearly given Bulgaria fiscal discipline and monetary stability. The misery index readings in the table attest to that fact. The other thing that the misery index readings make clear is that the socialist-led governments in Bulgaria have delivered misery (Videnov 1995–97, Stanishev 2005–09, and Oresharski 2013–14).

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