

PUBLIC OPINION AND BULGARIAN BUSINESS ELITE ON PRIVATIZATION, 1992

○ INTRODUCTION

One of the presently most widely discussed problems - privatization - is increasingly emerging out of the sphere of projections and becoming a reality. As indicated by the data from the latest survey conducted by the Center for the Study of Democracy on the problems of privatization, its preparation is at an advanced stage: 13% of the state-owned enterprises are currently being valuated, analysis of the legal state of the property is under way at 22.5% of these enterprises, and 10.2% have been included in privatization programs.

Similarly to restitution, the returning of the land, the setting up of a new banking system, etc., privatization is an unprecedented phenomenon in the economic and political life of post-socialist Bulgaria. The expectations for a rapid sweeping denationalization proved illusory, just as it proved impossible to achieve the rapid returning of the land, the rapid creation of new market structures, the rapid democratization, etc.

The Center for the Study of Democracy began conducting its surveys on the economic reforms and privatization in 1991, when opinions were largely dominated by attitudes "for" or "against" any changes of society and the economy at all, and the share of those having no opinion on the fundamental questions of the economy was extremely high.

The present paper is an attempt to summarize the basic results of the surveys conducted up to now and, above all, those of the Privatization and Economic Reforms Survey - April-May 1993, sponsored by the Privatization Agency. It should be noted that the information from the surveys is not always clear and straightforward and certain dissimilarities, and even occasional contradictions, may therefore appear in the interpretation of the data. This is due to differences in the views of the individual authors, which were deliberately not suppressed in the editing process.

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- **Part 1**

ECONOMIC REFORMS AND PRIVATIZATION

1. Methodology and General Characteristics of the Surveys

The present report is based on four representative of Bulgaria surveys focusing exclusively on the privatization process. The specific characteristics of each of the surveys are the following:

A. Privatization and Development of Small Business in Bulgaria. The survey was conducted in March 1992. It is representative of the population in the whole country. The sample includes 167 persons aged over 18. The model used for the survey is two-stage cluster sampling with preliminary stratification of the clusters. The voting lists of the last parliamentary elections (October 1991) served as the basis of the sample. The electoral sections constitute the clusters which have been stratified into six groups according to the technical principle "number of voters per electoral section", i.e. according to the size of the clusters. At the first stage the clusters from each group have been selected randomly. Their number is proportional to the relative share of

the number of units from each group with respect to the whole number of units in the totality (all voters). The total number of clusters in the survey is 300. In the second phase, 7 persons have been randomly selected from each of the clusters included in the sample, or in other words, the planned size of the sample is 2100.

B. The Business Elite and the Prospects of Privatization. The survey was conducted in November 1992. The total size of the sample was 1304, out of whom 638 were managers of state-owned enterprises, and 666 were managers of private companies. Quota sampling was used, with the following indicators being controlled in the process of sample formation: type of ownership; location - region, district, town, village; economic branch.

C. The Economic Reforms and Privatization. The survey follows up on the one conducted in 1992 and is also representative of the population of the country (aged over 18). The planned size of the sample was 2100 and the actual size was 1827 persons. The same sample model was used - two-stage cluster sampling with preliminary stratification of the clusters. The survey was sponsored by CIPE and the Privatization Agency.

D. The Business Elite on Economic Reforms and Privatization. The survey is quota-based, with the same indicators under control as in the one conducted in 1992. The size of the sample was 1242, of whom 505 were state-owned company managers, and 736 - private businessmen. The survey was sponsored by ICEG, CIPE, and Standart newspaper. The principle objective of all these surveys was to examine the subjective attitude of the public and the representatives of the business elite to the economic reforms under way in the country. Special attention was devoted to certain specific problems of privatization. The following consequential points should be born in mind in the interpretation of the obtained results:

- **In the first place, the communicated estimates represent subjective views.** They have been shaped, apart from all other influences, under the combined impact of several crucial factors: the objective situation, the individual ideologies, the models for interpretation of the economic process advocated by the political forces and other agents on the social arena, and the specific interests of the individual respondent. In this sense, the presented data do not actually show the process of economic reforms in the country, but rather, what people think about it.
- **Secondly, the respondents themselves** (within the frames of the population surveys) assess their own competence in economic matters as quite inadequate. One immediate implication of this is that ideological constructs and personal subjectivism probably predominate within the system of evaluation. This, however, should by no means lead to the underestimation of these evaluations. In fact, it is the subjective interpretation of a given situation that determines the behavior of each individual.
- **Thirdly,** it should be born in mind that a person is able to make meaningful judgements on things which are an immediate part of his or her empirical experience. In this respect the present objective economic situation is quite contradictory and naturally generates inherently contradictory evaluations.

Taking into account the above aspects of the evaluation of the economic processes, the surveys incorporated certain indicators covering several problematic spheres:

- 1) Those of the characteristics of the personality and the way of thinking of respondents which have a direct bearing on the views they express;
- 2) The respondents' general evaluation of the nature and direction of the economic changes;

3) Evaluations of certain essential elements of the economic reforms and the way of carrying out the privatization.

- - **2. General Evaluations of the Economic Changes**

The survey of March 1992 was one of the first to focus on the problems of privatization in the country. It was conducted at a time when the Privatization Law was still under discussion at the National Assembly. As a consequence, the obtained evaluations were related to hypothetical situations of which a large part of the respondents had neither "theoretical" nor practical experience. The second population survey was conducted in May 1993, in a changed, but by no means radically different situation (at least with respect to privatization processes).

Part of the questions were identically formulated in both surveys, allowing for certain comparisons. In this respect the general conclusion is that little seems to have changed in popular attitudes. Both in May 1992, and in May 1993, about 60% of the respondents defined the pace of the economic changes in the country as too slow. In 1993, however, certain noteworthy changes can be observed in evaluations of whether "the ongoing changes are moving in the right direction". The relative share of those who estimate the changes as "right" fell from 15.1% (1992) to 6.1% (1993); the relative shares of negative evaluations increased by 2-3 points, and the relative share of people having no firm opinion declined from 18.1% to 13.1%. On the whole, unfavorable evaluations of the course and the direction of economic reforms have become more pronounced. The decrease in the share of people approving the direction of the reforms is largely accounted for by the supporters of the Union of Democratic Forces (UDF), who disapprove of the present government and its policy.

The search for indicators which significantly differentiate people's evaluations led to identifying two basic types of variables: stratifying (differentiating), and variables of "homogeneity". The former reflect the principle differentiating points in economic thinking and attitudes of the public. The second group are based on commonly held views on aspects of economic life, views on which there is general consensus.

The more significant stratifying (differentiating) variables are:

- the grouping of respondents according to their evaluation of the changes in their individual economic status, i.e. the groups of the economic pessimists, optimists, and the economically neutral;
- political preferences;
- education;
- social and class self-identification (according to the categories "*upper*", "*middle*", and "*working*" class).

In a sense the division "*optimists/pessimists*" integrates within itself the operation of these stratifying variables. The category of the "optimists" is marked by predominance of younger people (aged under 50), the higher educated and more familiar with the economic processes (according to self-assessment), people whose occupations/professions are closely related to the

market. The "pessimists" typically have lower education, higher average age; the people from this group to a much higher degree pertain to the economically inactive, etc.

The comparison between the two surveys reveals that the above-mentioned stratifying variables on the whole operate in a similar way. Thus for instance, the distribution of the answers to the question *"What effects do you expect privatization to have on your personal situation?"* in 1992 and in 1993 is the following:

March 1992 Table 1

| | Optimists | Neutral | Pessimists |
|---------------|-----------|---------|------------|
| Positive | 43.8 | 19.7 | 6.5 |
| No effect | 36.2 | 49.0 | 43.2 |
| Negative | 5.0 | 14.7 | 26.3 |
| Cannot decide | 15.0 | 16.6 | 24.0 |
| | 100.0 | 100.0 | 100.0 |

May 1993 Table 2

| | Optimists | Neutral | Pessimists |
|-------------------|-----------|---------|------------|
| Positive | 35.5 | 11.1 | 6.5 |
| No effect | 43.9 | 56.2 | 39.9 |
| Negative | 9.4 | 20.8 | 25.4 |
| No answer/Refusal | * | * | * |
| | 98.2 | 98.7 | 96.7 |

- - The total sum is below 100.0% due to the non-inclusion of the category "No answer/Refusal".

The optimists with respect to economic reforms are also optimists as regards privatization. In other words, respondents tend to view privatization within the general context of economic reforms. Bulgarians still know little about privatization, which probably accounts for their optimism in most cases. Although the group of the optimists, who estimate that privatization will affect them personally in a favorable way has decreased with about 7% in the one-year period between the surveys, 59.3% of the managers of state-owned enterprises believe privatization will have a positive effect on the enterprises, 18% - that it will have no effect, and 2% - that it will have adverse effects.

Political preferences are one of the powerfully stratifying factors. As a rule the supporters of the Bulgarian Socialist Party (BSP) have a more pronounced negative attitude to the pace and direction of the reforms. They are likewise more reserved in their attitude to private property and

more favorably inclined to state intervention in the economy. It should be noted, however, as indicated by a comparison between the data of 1992 and 1993, that the influence of this factor is steadily declining. While in March 1992 the relative share of the people estimating that the direction of the changes is "*quite right*" among the supporters of the BSP was 4.1%, and among the supporters of the UDF - 29.2%, in May 1993 these shares are respectively 5.6% (BSP) and 10.4% (UDF).

The slightly higher level of approval among supporters of BSP and the fact that it has decreased nearly three times among supporters of the UDF is due above all to the changes which have occurred on the political scene. The dissatisfaction of the UDF electorate with the constitution of the government is probably of decisive importance for the deterioration of all evaluations regarding the economic reform in the current year as compared to last one. The second reason is public disappointment and withdrawal from politics. And thirdly - the stronger immediate impact of purely economic factors (rather than their political interpretation) on individual economic behavior.

The surveys indicate that the share of those who do not know or have no opinion on the questions related to the economic reform is still substantial, varying between 30 and 43% of all respondents. Their share is considerably smaller among the business elite and the higher educated. The latter groups characteristically express much more decided opinions. Thus for instance, in their evaluation of whether "the ongoing changes are moving in the right direction", 3.8% of the respondents with higher education choose the "cannot decide" option. The respective relative share in the group of "*elementary [eight grade] or lower education*" is 25.5%. The higher education level obviously contributes to a better understanding of economic processes as well as to the acceptance of "*objective prerequisites*" related to the building up of the structures of market economy.

The surveys registered the following contradictions in the views on economic reforms:

- **Firstly - the so-called "double standards"**. They represent a non-contradictory (to the respondents) combination of values of the "old" and the "new" economic model. A situation is emerging where the behavior strategies conditioned by the "old" values are becoming irrelevant, while new behavior strategies have still not been worked out. This "conflict" finds expression in the double standards employed in evaluations and behavior. The conflict varies in form within the different social groups but basically produces the same results. The data indicate that for the supporters of the UDF there is a clash between general ideas for economic reform and the adverse changes in the individual economic situation. As for the BSP supporters, there is a conflict between general ideological orientation and the obvious need for radical changes in the structure of the economy. The dominating attitude of most people presupposes massive state intervention in economic life (salary and price control, subsidies to loss-making enterprises, state commissions, etc.), along with free development of entrepreneurship and private property. The survey of May 1993 revealed quite extensive expectations from the budget: it is the predominant opinion that practically all spheres ought to have more funding.
- **Secondly - the legitimacy of the economic environment**. The prevalent opinion of the public both in 1992 and 1993 is that there exist a number of quite salient phenomena, which have adverse effects on the economy (corruption, money laundering, covert privatization, etc.). Moreover, it should be noted that according to public opinion a number of groups which, as a rule, are negatively defined ("*mafia*", "*speculators*", etc.*),

occupy prominent positions in the hierarchy of economic power and influence. In this sense, in the eyes of the public private property and the related economic differentiation do not acquire positive legitimacy, but rather retain their old negative definition. Thus, the public trust that private property should enjoy has been undermined in the very process of its formation.

- **Thirdly - egalitarian attitudes.** The data from the conducted opinion polls (as well as from some other specialized surveys) indicate that Bulgarians are particularly sensitive to the problems of inequality in terms of property and income. This is partly accounted for by the fact that wealth is perceived as illegitimate. Another part of the explanation is in the way of dealing with the problems of the just redistribution of public assets. The fact is, however, that the public largely believes that a great many of the expected parameters of the future economic environment are quite sufficient grounds for delaying or interrupting the process of privatization.

The persisting etatist economic orientation also encompasses the problems of privatization. Even as many as half of the interviewed private businessmen believe that with proper management a state enterprise can be as effective as a private one. Moreover, according to 49.8% of all interviewed businessmen the state should control prices, and 81.2% believe it is the state's responsibility to create new jobs. Answers to the question "*Would it be necessary to delay or interrupt privatization under the following circumstances*" are quite revealing. The affirmative answers are distributed as follows: 50.9% - in case of impossibility to control foreign investments; 56% - impossibility to control the export of capital from the country; 53.6% - impossibility to control the origin of the funds; 57.2% - high incidence of corruption. Such attitudes among executives in the context of the country's poor economic situation indicate dominant dependence on greater state participation in the economy and weak popularity of neoliberal economic conceptions.

* Whether such groups actually exist and to what extent they have been correctly defined is not essential in this case. What matters is that ordinary people do believe they exist, and forge their own, personal criteria according to which the various people they meet are being referred to the above groups.

* "Old", insofar as they used to be unwanted "by definition" by the formerly dominating ideology. In the new situation wealth is associated with illegality.

- - **3. The Position of Privatization in Economic Reforms**

Ever since the very outset of the reforms privatization has been viewed as an indispensable element of the economic reform and the fundament of market economy. This view is supported by the business elite. Both in November 1992, and in June 1993, private businessmen and the managers of state-owned enterprises rank privatization as the second most important priority of the Bulgarian economy, the top priority being the revival of production. 91% of the surveyed representatives of the business elite believe the state should speed up privatization. Merely 5% hold the opposite view. In this respect the business elite differs from the general public where the prevalent opinion is that "*privatization should not be rushed*".

Public opinion is characterized by a specific model of "'double' thinking". The data of 1992 and 1993 indicate that on the whole this model, integrating the structures of market economy and those structures of socialist economy which are perceived as positive, predominates in the

thinking of most Bulgarians. In this sense, the majority would accept privatization and economic reforms, provided:

- that nobody gets too rich, i.e., if this is not related to drastic economic differentiation;
- that privatization is not accompanied by mounting inflation and unemployment;
- that the groups which are perceived negatively by public opinion (mafia, nomenklatura, speculators, etc.) do not benefit from privatization;
- that privatization does not lead to the intensification of certain negative phenomena, such as export of capital, corruption, control over the Bulgarian economy on the part of foreign capital, and others.

It should be mentioned that Bulgarians do not expect much from privatization, and the expected positive effects are primarily in the sphere of general parameters, such as *"the economy as a whole"*, *"labor discipline"*, and *"attracting foreign investments"*. This, however, does not affect the immediate interests of the population, but rather, the general conditions of hired labor. In this sense, popular reservations about privatization can be detected in the considerable relative shares of negative evaluations on issues such as *"employment"*, *"the prices of consumer goods"*, *"personal income"*, *"job opportunities"*.

The *"reserved attitude"* to privatization is exemplified by the fact that 11% of respondents believe it is not necessary at all, and another 46.6% state that privatization is necessary, but should not be rushed.

In principle the public evaluates positively the motivating potential of private property, i.e. its economic viability, its ability to mobilize resources swiftly, to deliver quality output, etc. On the whole, however (most probably as a consequence of the ideological indoctrination in the course of the past decades), the attitude to private property is reserved. It is generally estimated that a private owner is likely to resolve conflicts between private (personal) and common (national) interest to his benefit but to the detriment of the public. A considerable number of respondents therefore limit the private sector within certain branches only, while the priority branches of the economy should, according to the majority of respondents, remain within the public sector: power engineering, heavy industry, health service, defense industry, and others. In other words, the population does not favor total privatization.

- - **4. Conclusions**

1) In the empirical experience of a considerable part of the population the concept of privatization remains rather vague. Most people do not have an adequate idea of the economic prerequisites of privatization and the market economy in general.

2) Popularly held views are loaded with numerous logical contradictions. Against the background of the general dissatisfaction with the changes there also exist strong apprehensions of the actual occurrence of the changes themselves (e.g. the logical consequences of the changes on a specific level).

3) A considerable part of the expressed opinions are still directly related to specific ideological postulates, and to a much lesser extent, to an understanding of the actual structures of the economy. In practice, whenever the economic situation implies unfavorable changes at an individual level, people are more inclined to seek the reasons on an ideological level (blame, responsibility, lawbreaking), rather than in the objective logic of economic processes. This accounts for the susceptibility of a large part of the population to various manipulations and harbors a great many potential sources of tension and disappointments. There is reason to expect that with the evolution of the economic situation, e.g. with the accumulation of empirical experience and knowledge of the market economy mechanisms, these views will undergo serious changes. Comparative data from 1992 and 1993 indicate, however, that such changes are occurring at a very slow rate.

- - **Part 2 THE INSTITUTIONS AND THE PARTICIPANTS IN PRIVATIZATION**

- - **1. The business elite and public opinion on the state institutions implementing privatization.**

The representative sociological surveys conducted by the Center for the Study of Democracy among the population and the business elite outline a rather negative attitude to the principal institutions designated to carry out the privatization in the country. Moreover, unlike other questions related to privatization, where there appear substantial differences between the business elite and the population as a whole, the opinions about the institutions are unanimously negative. The data from the general survey among the adult population outline the overall evaluation of their activity. The negative evaluations of the work of the three major institutions - the Privatization Agency, the Council of Ministers, and the National Assembly - prevail constituting respectively, 38.1%, 41.8%, and 54.6% (*Table 7*).

Public opinion on how various state and governmental institutions are coping with their

* privatization obligations (%) – 1993*

- - *Table 1*

| | Very well | Satisfactorily | Poorly | Do not know | No answer |
|-------------------------|-----------|----------------|--------|-------------|-----------|
| National Assembly | 3.1 | 21.0 | 54.6 | 18.4 | 3.0 |
| Council of Ministers | 4.1 | 28.7 | 41.8 | 22.3 | 3.2 |
| Privatization Agency | 3.8 | 21.4 | 38.1 | 32.8 | 3.8 |
| Ministry of Finance | 3.8 | 25.3 | 36.8 | 30.5 | 3.5 |
| Ministry of Industry | 2.1 | 19.7 | 41.7 | 33.0 | 3.6 |
| Ministry of Trade | 5.9 | 25.4 | 32.7 | 32.4 | 3.5 |
| Ministry of Agriculture | 3.2 | 19.7 | 44.0 | 29.3 | 3.8 |

| | | | | | |
|----------------------|-----|------|------|------|-----|
| The other ministries | 1.2 | 15.8 | 38.6 | 40.4 | 4.1 |
| Municipal Councils | 2.6 | 19.9 | 42.4 | 31.4 | 3.6 |

* Opinions of people aged over 18

As is evident from the table, public opinion is most critical of the National Assembly, which in practice has the most limited responsibilities in the immediate realization of the privatization process itself. In this respect evaluations are to a great extent dominated by general dissatisfaction with the work of parliament, rather than the activities related to privatization. This fact suggests that the population is unfamiliar with the specific functions of the various institutions involved in privatization. On the other hand, the negative evaluation of the National Assembly suggests that certain stereotyped opinions are already taking shape, which tend to be rather rigid and difficult to change, moreover, in a positive direction.

Most categorical in their negativism regarding institutions are private businessmen, specialists with higher education, and highly qualified workers, e.g. the people with high qualification, who are generally better acquainted with the legislation and the nature of the ongoing processes.

The survey among the business elite confirms these data to an even greater degree. 59% of private and state company managers believe that the Privatization Agency is coping unsatisfactorily with its obligations, 58.6% support this view regarding the work of the Council of Ministers, and 71.1% - for the activity of the National Assembly. Private businessmen tend to be more radical in their evaluations, with their negative evaluations of the Privatization Agency, the Council of Ministers, and the National Assembly being respectively, 61.4%, 63.6%, and 75.1%.

Similar evaluations are made on what has so far been accomplished by the various ministries. Disapproval ranges from 54.2% for the trade ministry to 61.5% for the Ministry of Industry, which is assessed as the most ineffective one (*Table 2*). In the context of overall dissatisfaction with the work of the ministries, the data point out the Ministry of Trade as the least criticized. A positive evaluation of its work is made by approximately twice as many businessmen than for any other ministry. The active efforts of this Ministry to further privatization, regardless of the unsuccessful outcome of some of the organized auctions, indicates that society is most tolerant to those institutions which visibly spare no efforts in their attempts to forward privatization. On the contrary, delays and hesitancy, regardless of the reasons, are subject to criticism. The fairly differentiated opinions of the business elite (particularly from the private sector) suggest that the activation of the process of privatization is of great importance to businessmen.

The business elite's evaluation of how various state and governmental institutions are coping with their privatization obligations (%) - 1993

| | Very well | Satisfactorily | Poorly | Do not know | No answer |
|----------------------|-----------|----------------|--------|-------------|-----------|
| National Assembly | 1.5 | 23.4 | 71.1 | 2.6 | 1.2 |
| Council of Ministers | of 1.6 | 35.7 | 58.6 | 2.6 | 1.4 |
| Privatization Agency | 2.4 | 30.0 | 59.0 | 6.8 | 1.6 |

| | | | | | |
|-------------------------|--------|------|------|------|-----|
| Ministry of Finances | of 1.9 | 28.8 | 56.8 | 10.4 | 2.0 |
| Ministry of Industry | of 1.4 | 23.8 | 61.5 | 11.0 | 2.2 |
| Ministry of Trade | 3.3 | 27.2 | 54.2 | 12.8 | 2.3 |
| Ministry of Agriculture | of 2.0 | 21.5 | 60.1 | 14.2 | 2.7 |
| The other ministries | 0.3 | 12.6 | 59.2 | 25.0 | 2.7 |
| Municipal Councils | 1.8 | 20.0 | 63.7 | 11.9 | 2.4 |

(N=1242)

The overall negative evaluation of the institutions realizing privatization is equally valid for the local government authorities. Thus for instance, the work of the municipal councils in this field is characterized as unsatisfactory by 42.4% of the population and 63.7% of the representatives of the business elite (67.1% of private businessmen).

An indirect evaluation of the overall results achieved by the major state institutions in the sphere of privatization is to be found in the answers to the question *"Would you say that privatization, or the preparations for privatization, have in some way affected you up to now?"*. Barely 21.2% of respondents believe real changes have occurred, while 58.9% claim not to have been affected at all.

One of the reasons for the negative evaluation of the institutions is that people are unfamiliar with their activity. In view of the characteristically strong social and political involvement of Bulgarians, the fact is quite eloquent, that about 1/5 of respondents do not know or are not familiar with the activities of parliament and the government in the sphere of privatization. For the national privatization agency the figure reaches 32.8%, and for the different ministries it varies between 29.3 and 40.4 per cent. It is equally revealing that twice as many private businessmen (6.5%) reply they are not familiar with the activity of the Privatization Agency compared to that of the Council of Ministers (3.0%) and the National Assembly (3.2%). These data suggest that in fact the prevailing disapproval of the institutions is not only determined by the evaluation of their work. In this respect public opinion is also influenced by the lack of clear and accurate information. Moreover, the mass media form incomplete and contradictory, and frequently politically biased, views of the institutions. There is an urgent need to fill the existing information vacuum - among the population as a whole, as well as among businessmen. A wide information campaign on the activities of the institutions, as well as the major problems of denationalization could only be to the benefit of privatization.

In addition there exist a number of problems stemming from the instability of the political and economic institutions supervising and realizing the processes of privatization. These are money laundering, corruption, tax evasion, politically motivated staff changes, etc. It would seem that, set against widespread corruption, money laundering, and illegal transactions, the covert privatization tends to be overlooked as a negative phenomenon by the population as a whole. For the business elite, however, the covert privatization has come out into the open. 75.1% of the respondents believe there is a covert privatization going on. The existing doubts about negative phenomena -corruption, illegal transactions, etc. - restrict the prospects for a swift and just

privatization, and to a great extent steer the process towards informal structures and mechanisms. This tendency could discredit privatization and impede its progress.

It is extremely important to stress that according to public opinion, privatization is exclusively the responsibility of the institutions authorized to carry it out. With the exception of one group of about 10% of the population, the rest have no intention to assume any responsibilities (still less, financial ones) for the realization of privatization and regard themselves as uncommitted "spectators" with respect to privatization. The involvement of larger sections of the population will encounter serious obstacles. It is only immediate and guaranteed financial benefit that could possibly motivate part of the population to take a more active part in privatization. Bulgarians do not wish to participate in privatization, they want to benefit from privatization.

It is essential to note that the institutions designated to carry out privatization do not enjoy the required public trust. The problem of corruption is felt as particularly acute. Asked "*Under what conditions should privatization be delayed or interrupted?*", the representatives of the business elite set "*high incidence of corruption*" at the first place (57.2% answer in the affirmative). A similar opinion in case of "*rising inflation*" is held by 27.0%, by 24% in case of "*drastic social differentiation into rich and poor*", and by 25% - in case of "*considerable rise of unemployment*". Clearly, social problems are accepted as more or less inevitable elements of the changes, while corruption (as an attempt to take advantage of the changes to one's personal benefit) could actually make the business elite take a negative attitude towards privatization.

The business elite's negative evaluation of the institutions carrying out the privatization is also due to the deficiencies of the existing legislation, the revision of which is within the competence of the above institutions. According to 3/4 of the representatives of this group, the existing economic legislation restricts the operations of the managers of state and private enterprises. According to businessmen, the major difficulties with the now acting legislation are:

- lack of reliable information on the state of the denationalized enterprises;
- existence of speculations and illegal transactions;
- difficulties in the valuation of the enterprises to be privatized;
- lack of buyers.

The adopted legislative approach according to which privatization is carried out on several levels and by different institutions, corresponds to the established forms of management of state and municipal property. But instead of securing the balance of interests, it has led to lack of coordination and internal disagreements between the institutions, which contributed to the delay of privatization. If the present model of distribution of functions in denationalization is retained, the dynamization of the process would require: coordination of the process; elaboration of practical methodological guides, and systems for training of decision-makers and staff. Study visits and exchange of information with the other Central and East European countries which have achieved great progress in privatization would be particularly useful. The Privatization Agency could initiate the clarification and uncovering of the whole process, so that it could become intelligible to ordinary people. This could help clear certain doubts and allegations that on the whole the institutions are acting in accordance primarily with backstage political, economic, group, etc., interests and corruption.

- - **2. Participants in privatization**

The social subject in the privatization processes can be defined through three major categories: supporters, opponents, and sceptics (neutral).

The category of the firm and most ardent supporters of privatization is largely constituted by private businessmen and professionals (specialists with higher education), immediately followed by highly qualified workers and specialists without university education. These are the most highly qualified and educated people who are the first to realize the need for radical changes. Most of them work for state enterprises and institutions, and live in the capital and the larger cities. These are mostly young people (aged 29-40), predominantly male and UDF supporters. Among those stating that privatization is indispensable and should be carried out within the shortest possible delays, nearly 50% have university education and 40% have secondary specialized education. 51% are supporters of the UDF (twice as many as those of the BSP).

The above-mentioned three subdivisions of the "*supporters*" category predominate among those determined to do anything in their power to participate in privatization. The same groups account for the most significant share of the respondents expecting privatization to affect their personal situation favorably.

The results of the survey indicate that the opponents of privatization are mostly pensioners, farm workers, and unemployed. These are relatively lower educated people, of higher age (occupying the higher range of the age scale), living chiefly in the smaller towns and villages, predominantly women, largely unemployed and therefore with low living standards. Their unstable economic situation generates a negative disposition to any more radical changes, including privatization. Most of them are supporters of the BSP. It is once again mostly pensioners, people living in the countryside, the lower educated, and those who in general oppose economic reforms, who believe that privatization will have an adverse effect on their personal situation.

The intermediate position of the "*sceptics*" (the neutral) is held mainly by white-collar workers, students, and semi-skilled and unskilled workers (outside agriculture). They generally maintain a more moderate, sceptical, or neutral position. In demographic terms, the representatives of this group are characteristically of middle age, with secondary education, politically wavering. They typically agree with the need for privatization and would take part in it, but on certain conditions, and without hastiness. Most of them work in state enterprises and institutions. Politically, there is a slight preponderance of supporters of the BSP, with a rather significant share of supporters of the Movement for Rights and Freedoms (MRF) and the Bulgarian National Agrarian Union (BNAU). The members of this category could be viewed as a source of support for privatization, but provided new approaches are adopted and the necessary preconditions are created to encourage participation in the process of denationalization. The success of privatization will to a large extent depend on the involvement of this group, which proves to be the most numerous and has grown over the past year at the expense of the undecided and those who reject privatization altogether.

- - **3. Private business and privatization**

Private business will be the most active participant in privatization, according to the data from the surveys. In this respect, the share of private business owners affirming their intention to

participate in the privatization has grown considerably between the two surveys, from 24.7% in 1992, to 33.8% in 1993. The participation of the business elite in privatization depends on providing favorable conditions. In this respect the position of the business elite is quite categorical - 94% of all respondents believe it is the state's obligation to create the proper conditions for the development of private business.

Compared to last year the share of businessmen who estimate that it is more profitable to expand their business through participation in privatization has grown to 59%. Nevertheless for the time being barely one third actually intend to participate, and 35.3% have no such specific plans.

Among the factors most likely to deter private businessmen from participating in the privatization of state and municipal enterprises, the crucial one is the lack of sufficient means (41.1%), and the directly related to that disadvantageous credit conditions (40%). Only about 23 per cent of the private businessmen could count on obtaining credits from Bulgarian or foreign banks if they should participate in privatization, whereas 58.9% would rely on their own funds and on association with Bulgarian or foreign partners. On the whole, the restrictive credit conditions appear as the most critical obstacle to the participation of the business elite in privatization. The high interest rates, as well as the considerable guarantees required for allowing credits, erect a serious barrier to the dynamic development of the private sector.

The lack of sufficient trust in the institutions is the second most important deterring factor - for 30 per cent of the private businessmen. Greatly simplified, clear and open forms of privatization would to a much larger degree draw support from the business elite. On the contrary, complicated procedures with strong institutionalization and great influence of the decision-makers would impede privatization by further reinforcing the mistrust towards the process.

The third place is occupied by lack of suitable objects for privatization (11%). The reasons for that are on the one hand, the generally poor economic situation of most Bulgarian enterprises, and on the other - the selection of unsuitable and unappealing to investors sites. Nearly the same share of private businessmen (10.9%) are uncertain of the future of private business in Bulgaria in general.

- **Part 3**
 - **THE PRIVATIZATION TECHNIQUES**

The importance and the position of public opinion on the privatization techniques are determined by several key reasons:

First, different techniques imply different modes of redistribution of national assets, to the advantage of some sections of the population over others. The readiness and the determination of the more privileged groups to make the most of their starting positions and the willingness of the other groups to accept their more disadvantageous position determine the chances of success of the various privatization techniques. They should be acceptable and tolerable for the greater part of society.

Second, part of the population - and particularly businessmen - are potential participants in privatization, which in turn is but one of the available options for capital investment along with

bank deposits, buying of shares in private companies, foreign currency, real estate, green-field investment, etc. The attitude towards privatization techniques may serve as an indicator for the likely financial support and popular commitment to privatization.

Third, the choice of an appropriate privatization technique also depends on the force and intensity of the opposition from the hired work force of the enterprises about to be privatized. An estimate of the scope of the expected opposition could be of great help in selecting privatization techniques comprising mechanisms for overcoming resistance and enlisting the support of the employees for privatization.

The following privatization techniques were put up for public evaluation in the sociological survey:

- public sale of interests and shares in enterprises against money or privatization vouchers;
- public auctioning;
- publicly invited tender;
- buying out by the employees;
- managerial buy-out;
- renting with a buy-out clause;
- direct sale upon negotiations with potential buyers. The selection of the proposed privatization techniques was motivated by the following considerations:
- adequacy of the Bulgarian legislative basis for privatization;
- comparability with similar sociological surveys conducted in other countries undergoing transition to market economy;
- need to determine the dynamics of public opinion regarding privatization techniques and the development of ideas for improving the planned and the employed techniques;
- taking into account generally established classifications of the most widely employed privatization techniques.

For the purposes of the analysis, the tested privatization techniques are grouped according to several features - degree of transparency and accessibility of the sale procedure (sale of interests and shares, public auctioning); scope and beneficiary of preferences (hired workers, managers, renters); possibilities for setting preliminary conditions upon selling (tendering, direct sale).

- - 1. Attitude of the population to privatization techniques

The general public expresses a marked preference for the "transparent" privatization techniques -sale of interests and shares - 15.6% in 1992 and 18.7% in 1993; public auctioning respectively,

8.3% and 7.6% (cf. *Table 7*). Privatization methods allowing direct negotiations and setting of certain conditions prior to the sale prove to have the poorest rating among the population. Tenders draw about 3% from respondents in both polls, and direct sale is even more unpopular, obtaining about 2-3%.

As is evident from *Table 7*, nearly half of the respondents do not have an opinion regarding the privatization methods. In this sense all conclusions made hereafter should be taken as merely marking out certain general guiding points. The profile of those who have not answered the question on the privatization alternatives (41% of the population) shows that these are typically people with a more "passive" attitude towards privatization and above all, those with lower education (77% of those who have no education at all fall into this category). These are mainly the nonworking groups (62% of the pensioners, 60% of housewives, 52% of the unemployed).

The support for the privatization techniques providing preferential buy-out terms is polarized depending on the beneficiary. The most popular of all privatization techniques is the buying of the enterprise by its employees - 19.3% in 1992, with a slight increase in 1993 when 22.3% favor this option. Managerial buy-out, along with renting with a buy-out clause are among the lowest rating alternatives - respectively 2.3% and 1.2% for the former, and under 3% for the latter.

- - **Distribution and dynamics of the attitude of the population to privatization techniques**

Table 1

| Privatization techniques | March 1992 | April 1993 |
|---------------------------------|------------|------------|
| 1. Sale of interests and shares | 15.6 | 18.7 |
| 2. Public auctioning | 8.3 | 7.6 |
| 3. Tender | 3.6 | 3.1 |
| 4. Buying out by employees | 19.3 | 22.3 |
| 5. Managerial buy-out | 2.3 | 1.2 |
| 6. Direct sale | 2.2 | 3.1 |
| 7. Renting with buy-out clause | 2.9 | 2.8 |
| 8. No answer | 45.8 | 40.8 |

- - 2. Attitude of the bus