Episode 1,143: After Communism, What? Liberty and Statism in Eastern Europe

Guest: Stoyan Panchev

WOODS: I would like to ask you about a whole bunch of things relating to Eastern Europe, but let's start with Bulgaria in particular. My guess is that most Americans (including myself) don't know that much about the history of Bulgaria. We just think of it as being part of Eastern Europe and being at one time behind the Iron Curtain. But I don't know the fundamental story. How is it the same and how is it different from, let's say, countries we might be more familiar with like Poland? Because of the Solidarity movement, we learned an awful lot about that. How was the experience of Bulgaria the same or different from other Eastern Europe communist countries?

PANCHEV: So I would say that what is different is that we were one of the favorites of the USSR. So we would get a lot of concessions from the Union, from the Soviet Union, and we were considered the next republic to join the Union. Actually, I think there were negotiations between our dictator, Todor Zhikov, and Soviet Union leaders to basically have Bulgaria as the next republic to join the Soviet Union. The other thing is that we had better climate, and it was kind of considered the place to go to the seaside if you were part of the Eastern Bloc. So if you want to go to have a holiday and you don't want to travel to Cuba, you should go to Bulgaria. So those are the two things that kind of separate us from the rest, I guess.

WOODS: Do you mind if I ask how old you are?

PANCHEV: I'm almost 30 now. I was born in 1988, so I don't remember much of socialism, but I've seen what happens afterwards. And what is actually different in terms of economics is that we didn't get to change much from the system up until 1998. We didn't privatize up until then. And also, we had a huge hyperinflation crisis in the late '90s as well, so we basically kept a lot of the system intact, and that's why currently Bulgaria is the poorest country in the European Union. We are members of the European Union, but we are the poorest country because we delayed the reforms much longer compared to other Eastern Europe countries.

WOODS: What did the process of privatization consist of?

PANCHEV: Well, it's a messy thing. Privatization doesn't have a good name in Bulgaria right now with a lot of people, especially older people, because there was a lot of involvement from the old communist structures. So you would have people who are high up in the security apparatus, you would have people who were high up in the communist party then using that leverage, using the fact that they were actually kind of prepared for the downfall to grab a lot of this capital when it was tasked from the government to private ownership. So it was a

messy process. There was a lot of fraud, a lot of corruption, so people really don't like this period of time.

And also, in particular in Bulgaria, our privatization came much, much later, so that really didn't benefit the companies or the assets that were sold, because they had more years of degradation and regression into companies that couldn't work on a market, on an actual, living market that isn't the system within the Soviet Union's sphere of influence.

WOODS: You mention that older folks are somewhat unsympathetic to the idea of privatization. Now, maybe it's because it's not a pure privatization and it's had negative consequences, but do you sense any kind of nostalgia for the old days of socialism?

PANCHEV: Oh, there is huge nostalgia. There is huge nostalgia in Bulgaria about the times in the past, particularly about socialism. I think part of it is because people are just nostalgic about their years of youth and all the things they did when they were younger. But one of the things that the communist party was good at was propaganda, you know? And propaganda kind of painted a picture that stuck in people's minds. And later on, I think it was in the '80s that people kind of started realizing that people were having it better elsewhere. I think it's a combination of both. People have that, but again, it's mostly older people.

And it's not all older people, because a lot of Bulgarians still remember the labor camps. They still remember even the murders that happened after the Soviet Union occupied Bulgaria, when that happened after the Second World War was over, and basically Stalin, Roosevelt, and Churchill kind of decided that Bulgaria was going to be part of the Soviet Union sphere of influence. And people remember what happened. People remember how we had killings, we had executions, we had stolen property, and at the end of it in '89, we had an economy that doesn't work, we had people who were desperately poor, and we had a system that basically failed.

WOODS: When you say that Bulgaria was in the Soviet sphere of influence, which it obviously was, what does that mean practically for how much political independence Bulgaria had?

PANCHEV: We had very little independence. Every major decision, we had to go to the Soviet embassy to get any major decision put there. So whatever you want to do on a larger scale, if it's not approved from the representative of the Soviet Union, from the communist party in the Soviet Union, you could not get it through. So very little independence. That's why I told you in the beginning we were considered to be kind of the next republic to join the Union, because we were so, so subservient to the Union.

WOODS: See, if I lived in Bulgaria and I were a Bulgarian patriot, I would shame all these people who are nostalgic for socialism and say: what, you're nostalgic for this, for being a doormat of a larger power? Come on, now, man. Even if it were the case that we were slightly richer, which we weren't, I mean, you're willing to sell your independence for a few extra bucks and a pair of shoes? Come on now. That would be the way I would go about it, but you know, I'm talking to you from half a world away.

PANCHEV: Yeah, but you know, there is a trick here, and that happened not just in Bulgaria but in other places, for example, in Yugoslavia. In the later stages of its demise, the Union shifted the way — not just the Union, but all members of that Soviet space started to

drift away from the pure socialist rhetoric, and they moved very aggressively into nationalistic rhetoric. That's kind of why you got the wars in Yugoslavia; that's one of the reasons in terms of ideology. The same thing happened here. The communist party in the later years of its existence was basically claiming to be protecting Bulgaria, the Bulgarian nation, Bulgarian traditions. So they kind of swiftly moved from this socialist, internationalist ideology into pure nationalism.

WOODS: Ahh.

PANCHEV: And one of the worst things they did as part of this transition was we have this thing called — and it's in quotes — "the Renaissance process," which basically means we have a large Muslim minority in Bulgaria because we were part of the Ottoman Empire, and we have a lot of Muslims, and I think 10 to 15% of the population is Muslim. So what the communist party decided to do in the late '70s again as a major kind of political initiative was to force Muslims to change their names and their religion. So we had this forceful meaning soldiers going into villages and forcing people to change their names and their religion. So if you are Mohammed, you should be Momchil. You should change your name to something that is Christian or at least neutral. And we had a lot of problems with that, and politically, that's still important in Bulgaria. There is a Muslim party in Bulgaria right now which exists mostly because of what people experienced, what Muslim Bulgarians experienced during that time. And that was all part of that nationalistic thing that they tried to do when basically socialism was falling apart and you needed a new ideology. What are you going to do? Oh, let's go to nationalism.

WOODS: Okay, that's all very interesting stuff. Now, here it is 2018, and you are teaching stuff like public choice theory at the university level. Presumably, this would have been borderline unthinkable just one lifetime ago, less than that, in Bulgaria. I don't know what to say about that other than: what kind of examples when illustrating public choice do you draw from the Bulgarian experience? Or do you?

PANCHEV: Well, I do use a lot of Bulgarian examples, and I think that if you go to the history of the communist party, if you go to the history of the transition period that happened afterwards, you have this plethora of options to just show people how, for example, interested parties can use power to enrich themselves without that benefitting other people.

And also, I'm actually very openly libertarian with my students. I teach them economics as well, so when we're done with basic stuff, say we go through the Phillips curve or whatever, we go into discussions of more philosophical questions. For example, is taxation theft? Can we talk about taxation being theft? Can we talk about drug legalization? Can we talk about all these issues that they have their roots in history somewhere, but can we do something about them right now? And I think that's the thing that I'm bringing to the table when it comes to my students.

Of course, I'm assistant professor and my superior is actually the guy who kind of introduced libertarianism into Bulgaria. He had the opportunity to read the stories coming from him, to read Mises in locked libraries — he studied in Leningrad, so there if you want to get to read Mises, the calculation problem debate, for example, you have to get special permission, go to a special library, get a key, go read there, and then get out without the book because it was prohibited. It was one of the prohibited books, and you shouldn't read them unless you're at the level where you wouldn't be "tainted by it." So it's kind of we've moved from that to a

situation where we can openly talk to students what really happened, how socialism can exist now, what are the vestiges of socialism that we have still today. So yeah, it's a great experience.

WOODS: Have you ever met Yuri Maltsev?

PANCHEV: I haven't met him. I know of him, and I've communicated with him a little bit over Facebook. But I know of him. Actually, I'm a huge fan of your show and I'm a fan of the Mises Institute. I like Austrian economics. When I was a student, I was a student activist back in the day, and I started the group — I think it's still on Facebook somewhere. It's called Bulgarians for Ron Paul. And I started that group.

WOODS: Oh, that's tremendous, Bulgarians for Ron Paul. That is —

PANCHEV: Yeah, people should check it out. It's super small, and I was a student in London back then, and I started this kind of Facebook page and I wanted to promote Ron Paul to Bulgarians and to people who would listen to that.

WOODS: Well, look, it may be small, but it's larger than Bulgarians for Mitt Romney.

PANCHEV: Oh, yeah, definitely, definitely.

WOODS: Yeah, so at least there's that. I mentioned Yuri because he says he had a similar experience when reading *The Road to Serfdom*. He had to be taken to a special library, and he had to sign something in which he pledged not to reveal the contents of what he read. Like he could read it for his scholarly purposes, but he was not to go spreading the ideas to people. It's hard to believe.

So you mentioned your time as a student activist. You were involved at one point with European Students for Liberty. Did you have most of your interaction with folks in Eastern Europe, and what was that experience like?

PANCHEV: That was the beginning of my activism life, which continues to this day. We do a lot of stuff with the Bulgarian Libertarian Society now in Bulgaria. But back then, I think it was important in many ways not just for me, but for the movement in Europe. I think that a lot of good things started thanks to European Students for Liberty. I was involved both in Eastern Europe and in Western Europe efforts, and at a certain point I was a chairman of the European branch of Students for Liberty.

And one of the positive things that happened for me — there were many, but one of the positive things was that we got a lot of local organizations that followed people's involvement in ESL. So you would be a student somewhere, most often actually not in your own country. I was a student in London when I joined. But when I was done with my studies, I decided to just go back to Bulgaria, find my own organization, and go and teach at university, do activism, because we do a lot of that right now, and just work for the cause. And that happened to a lot of people. I think there were a lot of people like that from the Czech Republic.

Actually, in many of the Eastern European countries, we found early on that Eastern Europeans — actually that was my experience studying in London, as well — Eastern

Europeans are way more receptive to the ideas of liberty in terms of students than people in Western Europe. In Western Europe, you have all these professors who are communist. You have the media that is left-wing. You are bombarded by statism from everywhere.

Well, in Eastern Europe, we've seen the failure of statism. We've seen the failure of socialism. And now, the debate is over. What are better ideas? How can we get better? And if you just say, well, look what happens with Cuba, look what happens with North Korea and then compare that to what happens to Hong Kong and Singapore, how did they get rich? Because now — and Bulgaria is a poor country compared to many in Europe, and most people would be interested to know how to get rich relatively quickly, in a generation, in 40 years, in 30 years. Because there are ways to do that, and the way the to do that is through the free market or the freest possible market you can get.

And when the debate is open, you can much more easily get people involved. You can much more easily get them to think, even, because as someone just told me, libertarianism or liberty is not much different from common sense, so if you get people to a point where they can use their common sense, you can get them to become more involved in causes like the ones you and I share.

WOODS: I have the sense that in Poland, for example, there is a lot of pro-American sentiment that derives from their continued opposition to communism, but unfortunately, that pro-American sentiment is very crudely translated into just being in favor of the American regime, even sometimes its military adventures. So I'm glad they like free markets; it's just too bad they like Washington, D.C. So my question to you is: what do you see as trends in Eastern Europe that are to be welcomed and celebrated, and what are trends that are causes for concern?

PANCHEV: Well, right now I think one of the positive trends is that we are part of — almost all of the Eastern European countries except for Russia, Belarus, and Ukraine, we are all part of the EU. And I think inside the EU, within the EU, there is a very important struggle going on, and the struggle is for and against fertilization. And fertilization in our case, in the EU case, is not the good thing that it means in the States. Fertilization in the European Union means more centralization of power. And most of the Eastern European countries are opposed to that, are not happy with Brussels and Berlin, basically, the two centers of power in the Union, trying to basically create a new super state that is going to be Europe. So there is this resistance going on. That's the positive trend.

The negative trend is, again, related to the EU. We've had this transfer of money that comes from the European Union. It's called cohesion funds. They are supposed to — it's basically richer countries like Germany and the Netherlands giving Eastern Europeans money to catch up, which of course you probably already know doesn't work. And most of this money — it's a lot of money. It's like 3-4% of GDP. And most of this money is used for rent-seeking purposes, so the oligarchs, the friends of the current prime minister or president, they get a lot of it.

And also the second use of this money is to buy votes through projects that people like, for example, building a stadium. And this money is used by politicians around Eastern Europe, and through this money, they maintain power longer. And with this maintenance of power comes very, very porous. That happens in Bulgaria; that happens in some ways, for example, in Romania; that happens in Poland now, in Hungary in a big way, in Slovakia. So you get this EU money, and because of that, politicians stay in power longer, they start doing bad policy,

worse than before, because now they feel empowered. They feel more stable. They get to exercise their worst kind of instincts.

WOODS: How is it that a young person like you in Bulgaria came to know about all the ideas that you're teaching? I mean, I know I'm not alone among the folks who listen to the show in being interested in these kinds of origin stories.

PANCHEV: Origin stories. So mine is complicated, but I had a very good professor at university. I did my bachelor's degree in Sofia at Sofia University, so then I got a very good professor teaching me. He was a free-marketer who actually is now way more hardcore than I thought, later on. But yeah, I had that initially. Then basically the Internet, because through the Internet, I learned about Ron Paul, about the Mises Institute, about all the things that exist out there. And I just started reading, reading and reading, getting more interested.

Then I moved to London to do my master's degree, and there I got involved in the activist movement. I started that club at my university, a student club. And I was actually doing work at a very, very leftist school. It's called the School of African and Oriental Studies at the University of London. And I was there because I wanted to do my master's thesis on Hong Kong. But it turned out that SAOS is extremely leftist. It's the worst SJW, eco-communist things you can think of. It was very bad. And I started the libertarian society there. And then I went to a couple of similar events at the university; I joined Students for Liberty; I was really involved with Students for Liberty for a couple of years.

Then I came back home with the firm decision that whatever I'm going to do, I'm going to be doing most of my work related to the liberty movement. And I wanted to establish an activist grassroots organization that also has a community. So my idea was to build a libertarian community here in Bulgaria. And that began in 2013, and now we are kind of four or five years old, and we keep going; we're still going.

WOODS: Can you share with us your thoughts on the controversy throughout Europe surrounding migrant populations?

PANCHEV: It's a difficult topic.

WOODS: Yeah, it is, and I'm not trying to get you fired; I just want to know what's going on.

PANCHEV: No, no, you can't get me fired, because I work for my own organization, so that's not happening.

WOODS: Okay, that's even better.

PANCHEV: Yeah, so because it's a difficult topic, so first of all, I don't know what Westerners — because maybe we should establish this. We consider people from Western Europe and the States as Westerners. So that is the West; we are the East. It's not the Far East that is the East; it's us that is the East. It's a kind of an interesting distinction. So I don't know what people know of Eastern Europe, Bulgaria, Russia, etc. I actually speak Russian, so I'm kind of familiar with Russia as well.

But first of all, in some ways, Bulgarians and Eastern Europeans are not very accepting to foreigners. Let's put it this way: I wouldn't say xenophobic, but the mood in Eastern Europe is no foreigners, especially foreigners from Muslim countries or from somewhere else in Asia. It's just the way it is. It might be controversial for an American audience, but that's a fact. People here don't like immigrants, at all.

So it's impossible if you're a politician in Eastern Europe to run on a platform that is going to allow immigration from Muslim countries to come in. Actually, if you try to right people's fears — because there are a lot of I would say irrational fears when it comes to foreigners from Muslim countries. But if you are a politician using that as kind of your platform, you can win a lot of support. Case in point: Mr. Orbán in Hungary. But also everywhere else in Eastern Europe. You just cannot allow immigrants to come to Eastern Europe.

And here comes the caveat: they don't want to stay in Eastern Europe. If you're an immigrant coming from Syria, from Afghanistan, from anywhere else, you don't want to stay in Bulgaria. Actually, one of your major tasks when crossing the border into the territory going into Western Europe is to try and avoid being registered here, because then if you get caught in Germany or in Sweden, they'll transfer you back to Bulgaria, and Bulgaria is not a coveted destination, let's put it this way.

WOODS: But on the other hand, as you say, it has an existing Muslim population of longstanding. That wouldn't hold any appeal for migrants?

PANCHEV: Well, I would say that — I'm not that familiar with what all Muslims think about immigrants, but I would bet money that they don't want them either. So it's just different cultures. I think that it's kind of a — a leftist would say it's racist, but I think that people don't understand that Muslims differ a lot. So if you're a Syrian Muslim, you wouldn't just say: oh, this guy is also Muslim from Afghanistan, so I'll be very happy to live with him. So Muslims also differ, and sometimes they don't want to mix either, so I don't think that our Muslim population would say: yeah, let's bring them.

But to stress the point, the most important reason why we are avoided, Eastern European countries, especially Bulgaria, why we are avoided by immigrants is that it's a poor country, poorer than Germany, and we do not have a welfare system that is going to support them. And yeah, basically you have to come here, people are not going to be immediately welcoming, and you also have to work really hard because the welfare system is kind of not in existence in reality.

WOODS: If I were just reading the news and listening to what Bulgarian politicians were saying, what reasons would I discover for why Bulgaria is a poor country? Coming from a politician's mouth, I mean.

PANCHEV: Okay, well, the left — so the communist party in Bulgaria never dissolved. It changed its form into the socialist party, basically changed its name. It was the communist party; now it's the socialist party. And it still exists and it's the second-largest party right now. And they did have prime ministers and governments in the years following the fall of the system. So they still exist, and their narrative is that, you know, something happened, the Americans tricked Gorbachev to basically dissolve the Soviet Union, the system, and now why we are so poor is because we didn't keep the government into the economy. We shouldn't

have privatized the factories. We should have kept government involved in every aspect of our lives. So that's their story.

The majority of the other politicians just say: the previous politicians were very bad, and they were fraudsters, they stole money, they were corrupt. I am not going to be corrupt, so pick me. It's not a very sophisticated message, but it's basically what they say. We are poor because the previous politician was very corrupt. And it's just this cycle of trying to fight corruption with more government that actually creates more corruption.

And one of the messages we are trying to push through is that if you want to get rid of corruption, you should get rid of government. If you don't have a government bureaucrat or a politician gatekeeping something, a license or a regulatory agency that comes and asks you for money, you wouldn't have corruption at all. If you would have the market regulating industry, if you would have systems different from welfare, for example, mutual aid, etc., you wouldn't have people using welfare systems to gain votes. So basically, if you want to get rid of corruption, you should get rid of government.

WOODS: Yeah, well, that's what we'd like them to start thinking about of course, but it always winds up being: I'll be different from the previous guy, like the problem is the guy and not the system. Given your experience with European Students for Liberty, what would you say in your opinion are the strengths and weaknesses of the current generation of European libertarians? Now, of course, saying "European libertarians" is a ridiculous generalization, because I'm sure Polish libertarians and French libertarians are quite different, so maybe that is part of your answer.

PANCHEV: Well, I would say that one of the big issues I think in the movement in general — I wouldn't say just European — is that we are not trying enough to go outside. And what I mean by "go outside" is to stop producing policy papers all the time or maybe just writing articles, but to go out, meet people, if you want, do protests — we do them in Bulgaria for libertarian causes — meet people face to face, try to build communities, organizations that are based on people actually having communication with each other.

And I've seen many attempts at this fail in the past, especially in Western Europe, but I think this is the moral that we should follow up when we have — I think we have kind of a vibrant European-wide student movement, but then what happens is that we kind of lose the next step. We don't have a grown-up organization to join. You don't have a place where, even if you don't want to be a full-time activist or a politician, you can go and just be part of this libertarian community that fights for policies, has conferences, or someday prepares your country or your city or your town for the time when Blue Frontiers or some seasteading or private city comes in and they want to do something very interesting there — have a community to defend an idea when the local politicians decide to overtake it or stop it from happening.

So basically, my thoughts on that, we are focusing way too much on this high-level policymaking part, although I think we still need to do it, but do it differently, do it in a way that would put us in a situation where we can expand in numbers and in building organizations that — I don't like saying it, but kind of mimic what the left is doing in other places. The left is not afraid to go out and speak its mind. The left is not afraid to go out and protest, bother politicians, build their own communities, build their own communes, if you

will. A lot of libertarians around the world are kind of afraid of that. I think Brazilians, for example, are a good example of how we can achieve that.

WOODS: Yeah.

PANCHEV: The Brazilian movement is very strong because it has a powerful grassroots component in it.

WOODS: Well, I suppose then that the Bulgarian Libertarian Society that you founded was intended in good measure to fill this gap that you identified, where I graduate from college and I had a libertarian group then, but then there's nothing to graduate to. There is no successor organization for adults.

PANCHEV: Exactly. Although we also have — we do both. We do both university and after university, so it's the same organization. So if you find us at school, you can be with us up until you retire, so we basically do it all. But it's because in Bulgaria, we didn't have the previous organizations. Elsewhere, I think that this model can be copied, and that's one of the important things I wanted to say to you today. This model is totally copiable. It's nothing that — there are special things that help us in Bulgaria, but there are other circumstances that kind of prevent us from doing a better job. It all depends.

But I think that the model itself is very much copiable, and one of the important things is to avoid making it into a political thing, because as I've heard on your podcast, for example, the Libertarian Party in the U.S. struggles to do that as well. So you don't want to get into the Libertarian Party problem that you have in the States, for example.

WOODS: Is any of the stuff that you're doing something that you could link an English-speaking audience to? I fear not.

PANCHEV: Very little. Actually, we got a lot of help from another American organization when we started this specially. It's called the Atlas Network, and I would promote them on your show for sure, because they do an especially good job in Europe and in Eastern Europe. So there you have a couple of things. If you go to the Atlas Network and search for the Bulgarian Libertarian Society, they have a couple of articles on our stuff. For example, we recently had a big fight with the government in the war on cash. They wanted to limit the threshold for cash transactions. We had a huge public scuffle with the government, and we won, and they didn't lower the threshold. And it's a very detailed kind of an expose of that on the Atlas site. But most of our stuff unfortunately is in Bulgarian, but I would be very happy to talk to people and explain and tell them what happens here in Bulgaria. But yeah, if you want to read something, go to the Atlas Network website.

WOODS: Okay, we'll do that. Well, Stoyan, I appreciate your time today. It's great to find out what's going on in other parts of the world, and it's also great to talk to somebody as young as you are who's out there teaching and in the midst of the fight. It's great to hear you're doing such good work. Thanks so much.

PANCHEV: Thank you for having me. I'm a huge fan of your show, so this is kind of a dream come true.

WOODS: That's very kind of you. Thanks so much.