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Cooperative Agricultural Farms in Bulgaria (1890 -1989)

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Abstract: In this paper we have proposed an institutional reconstruction of the Bulgarian agricultural cooperatives' history. The aim was to find the theoretical explanation of the complete deprivation of individuality of the agricultural cooperatives in the years of communism and their rejection respectively during the post-communist period. We consider that a relevant explanation was the accumulation of two institutional processes which were related to the nationalization of the cooperative sector and the cooperative idea. The first one may be referred to as being inertial and related to the specificities of the Bulgarian lagging behind and peripheral capitalism from the beginning of 20th century. That capitalism had a state character. The second institutional process occurred mainly in the wake of WWII. It was related to the large scale and actually mechanical application (despite some nominal specificities) of the Soviet model of agriculture and of the communist ideas of the place of that sector in the planned and all people's economy. It must be underscored that the ideas of the agricultural cooperatives and the organization of agriculture coming from Russia and later from the USSR also played a definite role for shaping up the general understanding of cooperatives in Bulgaria.

Key words: agricultural cooperatives, communism, Soviet agrarian model, Bulgaria, institutional reconstruction

JEL codes: P13, N53.

Introduction

Unlike the developed states cooperative activity in Bulgaria today is stagnant despite the numerous European initiatives and projects in this field. One of the reasons is the failure of the agricultural cooperative in the years of communism when it was completely deprived of individuality

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and character. In this paper we have tried to do a historical and institutional reconstruction of the age-old history of the Bulgarian cooperative in agriculture. We have dwelt in particular on the development of the Labour cooperative agricultural farms in Bulgaria during the socialist period (1944-1989).

The long-term prospect of the agricultural cooperative sector has been regarded as a cumulative and mutually intensifying result of two leading institutional mechanisms resulting in cooperatives' denaturalization and loss of individuality and in their complete subordination to the state. Let us dwell on them in detail.

The first institutional process is the gradual nationalization of the agricultural cooperative practices, which emerged as an original continuation of the deep traditions of the Bulgarians and Slavs of the Balkan region in the pre-capitalist epoch of collective and communal land cultivation (see Laveley, 1888). Having originally appeared as an informal and spontaneous institution in the years of the Ottoman Empire the associations of collective labour in agriculture (*zadruji*) were gradually transformed and formalized by the Ottoman state. The formalization process started during the last decades of the Empire when monetary and market economy penetrated in agriculture. The mutual aid funds emerged at that time (the reform of Midhat Pasha). However, the rapid acceleration of the processes of the state "encompassing" of the spontaneous collective agricultural institutions was associated with the emergence of national capitalism after the Liberation (1877/78). Bulgarian capitalism was peripheral, agrarian and dependent on foreign capital. The state had a crucial role in all efforts to overcome backwardness (stressed by A. Gerschenkroon). Against that background the drawing on the cooperative practices of the developed countries (e.g. the extensive spreading of cooperative and popular banks in Bulgaria during the first decades of the 20th century) was rapidly subordinated to the economic and political interests of the local elites. The key stage of the "denaturalization" of the cooperative sector occurred in the years of depression, in the early 1930s when by means of regulations and state credits the government policy subordinated completely the cooperative sector.

After World War II came the second institutional channel related to the transfer of Soviet agricultural practices and institutions. Those practices were motivated by the communist ideology concerning the cooperative sector's role within the socialist planned economy which found its explanation in the political economy of socialism. Being covert at the beginning, that institutional mechanism of transplanting and imposing external institutions quickly acquired key importance. It

was characterized by the total copying of *kolkhoz*³ and *sovkhоз*⁴ practices (in Bulgaria they became labour cooperative agricultural farms/*trudovo-kooperativni zemedelski stopanstva* and state agricultural farms/*darjanvi zemedelski stopanstva*) respectively. In general, after WWII cooperatives and cooperative ownership in Bulgaria developed under the same economic conditions, regulations and mechanisms as the state enterprises. The authorities imposed heavy regulation and control that deprived them of their social and democratic substance. Many cooperatives and whole cooperative branches were nationalized and the rest were brought under the political and economic governance of the state and municipalities. During the late 1980s at the stage of stagnation and crisis in agriculture again as an imitation of the *perestroika* in the USSR timid attempts were made at liberalizing the cooperative sector.

Therefore, as a result of those two institutional influences – path dependence and institutional transplantation, the character of the agricultural cooperative model was shaped up in Bulgaria in the years since the end of World War II (1944) till the fall of communism (1989). After the collapse of communism, the re-emergence of capitalism was again associated with the state which proved to be the major factor for private capital accumulation. Being an alternative form of capitalism, the cooperative sector was ignored and was often associated with the communist economic inefficiency.

The paper is organised in three parts. The first one is devoted to the development and role of agricultural cooperatives in Bulgaria after the Liberation (1878) until WWII in the period of peripheral capitalism. In the second part we dwell on the understanding of the place and role of the Russian and Soviet cooperative thought on the cooperative ideas and institutions in Bulgaria. The third part explores the history of labour cooperative agricultural farms in Bulgaria as a common result of “cooperative capture” by the state during the capitalist period and later under the communist rule. We discuss some important differences in the Bulgarian agricultural model compared to the other European socialist countries. Finally, we have set forth our reflexions on the general institutional history of agricultural cooperatives in Bulgaria.

1. The Agricultural Cooperative before Communism: from a Spontaneous Institution to Control by the State

³ A kolkhoz was a collective farm in the Soviet Union which emerged after the October Revolution of 1917. Kolkhozes were created by combining small individual farms into a cooperative structure. They existed along with the sovhozes.

⁴ A sovkhоз is a state-owned farm in the Soviet Union established after the October Revolution. Sovkhozes were organized by the state on land confiscated from former large estates.

The agricultural credit cooperatives were the most widely spread popular cooperatives in Bulgaria after the Liberation until WWII. Their emergence was spontaneous, related to the mutual aid and solidarity among the Bulgarians from the period of the Ottoman Empire until the Liberation. During that period, the oldest known associations (*zadruga*) of collective labour in agriculture appeared spontaneously and spread in many Balkan territories⁵. The agricultural cooperatives emerged primarily as credit and saving associations in villages, but in the course of time developed as multiservice cooperatives as the supplies of consumer goods and machines to farmers added to their activities. The cooperatives were also engaged in cultural, educational and supplementary activities among the rural population. The backwardness of the Bulgarian villages, poverty, misery and the cruel exploitation of farmers provided conditions for the expansion of agricultural cooperatives and their transformation into multiservice ones. Cooperatives provided farmers with comprehensive support in the fight against usury, tradesmen and rich people (*chorbadjii*). A typical example in this regard was the “*Oralo*” saving and credit agricultural cooperative established in the village of Mirkovo in 1890. It was the first agricultural credit cooperative in Bulgaria based on the principles of Raiffeisen saving and credit associations. The cooperative was characterized by voluntary membership, equal rights and obligations of its members, autonomous governance. The capital belonged to its members. It provided cheap and accessible credit to its members (CCU 1986; Pavlov 1970). The experience of the first agricultural cooperative was further used in establishing similar rural saving and credit associations at the end of the 19th and the beginning of the 20th century.

After the Liberation the Bulgarian authorities acknowledged the important role of the agricultural credit cooperatives and kept the main functions of the existing credit funds of public utility transforming them into agricultural funds (*zemedelski kasi*)⁶. That was associated with the development of monetary and market economy. The state interference in the agricultural cooperatives' activities gradually increased through the loans the funds granted to them. In 1903 the Bulgarian Agricultural Bank was established as the only state-owned bank institution granting farmers cheap and accessible credits based on the market principles through the local support of cooperatives. The bank also had the right to lend money to the state⁷.

⁵ See Bucher 1901, Iorga 1929, Lavaleye 1888, Novakovich 1905, Todorova 2010.

⁶ The agricultural funds were the successors of the credit funds of public utility created by Midhat Pasha in the Danube *vilayet* in the period of the Ottoman Empire (See Atanasov 2017, Pamuk 2016 and Bakardjieva 2009). Those funds became the leading credit and saving institutions on a local level from the 1860s to the Liberation (1878).

⁷ See Marinova, Nenovsky, 2017, 2017a.

The adoption of the first Cooperative Law (1907) and the setting up of the General Union of the Bulgarian Agricultural Cooperatives contributed to the boom of the cooperative movement in the country⁸. The agricultural cooperatives represented the main part of cooperatives after the Liberation. Their number grew after 1907 and the process accelerated after the end of WWI until the Great Depression. The same trend was observed as regards the number of cooperative members due to political and economic reasons.

In the political context, in the 1919-1923 period, Bulgaria was ruled by the Bulgarian Peasants' Party (*Bulgarski zemedelski naroden sauз*), which was strongly in favour of the cooperative movement especially in the countryside. The cooperatives were an integral part of the statist theory of Prime Minister Alexander Stamboliiski who declared himself in favour of the statist struggle (*suslovna borba*) and aimed at bringing peasants into full power in the country (Bell 1977). According to Stamboliiski cooperatives were the solution to all peasants' problems and means of agricultural development (Stamboliiski, 1909). The cornerstone of the party's agrarian policy was the concept of "property based on one's own labour" (*trudova sobstvenost*)⁹. Only its owners directly used this property to meet their family needs. The Law on Property based on one's own labour provided land to those who cultivated it (to the landless people and small farmers). The government aimed at uniting all Bulgarian farmers in a national cooperative network. During that period, the three state banks (the Bulgarian National Bank (BNB), the Bulgarian Agricultural Bank (BAB and the Bulgarian Central Cooperative Bank (BCCB)) eased the terms and conditions for granting loans to cooperatives. The state established a national cooperative for grain sale - the Consortium for crops export. The purchase of crops from producers became the exclusive right of agricultural cooperatives. The consortium was established in 1919 as an autonomous state-run enterprise financed by the BNB and BAB. In 1920, it became a state-run cooperative monopoly¹⁰. Despite the carrying out of the agricultural reform, there were no significant changes as regards the concentration of land in Bulgaria. Small farms dominated in the country and 34% of them owned between 5 and 10 ha in 1926 (Berov, 1989).

After 1923 the state governance was based on the idea of the guided and administered economy (*rakovodeno stopanstvo*) in which the economic policy was aimed at stimulating

⁸ See Palazov, [1935], 2005.

⁹ Developed by Raiko Daskalov, one of the leaders of the Peasants' Party.

¹⁰ See Deyanova, 1935.

production and armament¹¹. The greatest defender of state control was the leading Bulgarian economist and Prime Minister Alexander Tsankov who believed that the state should act as a manager and ruler and participate in the establishment and creation of a new social order (Tsankov 1942). In the administered economy the cooperative was a form of enterprise whose purpose was to bring greater social justice in the capitalist economic system. The governments of both Tsankov and Andrey Liyapchev (1926-1931) focused on the promotion of the domestic industry. Liyapchev initiated the establishment of the BCCB. He was one of the founders of the Union of Rural Cooperatives and member of the Governing Council of the General Union of Agricultural Cooperatives. Liyapchev was also Chairman of the Union of popular banks during the 1923-1926 period.

In the economic context, one of the most important prerequisites for the development of cooperatives was the stabilization of the Bulgarian currency in 1926/1928 under the control of the League of Nations¹². During the crisis many cooperatives went bankrupt because of the deflation and insolvency of many farmers. During the 1929-1934 period the government constantly intervened in domestic trade through the pricing policy as regards grain and some staple consumer goods, etc. In domestic trade the state monopoly on most farm produce was introduced by the setting up of the Food Export Directorate (*Hranoiznos*). The primary goal of the directorate was to establish subsidised prices for cereals at a level significantly higher than the average world prices.

In 1932 the Law on the Protection of Farmers was passed which introduced concessions on the debts of most farmers. A Repayment fund was established as a state-owned credit institution to play the role of an intermediary between private creditors and debtors. In 1934 the BAB and BCCB merged into the new state-owned bank (the Bulgarian Agricultural and Cooperative Bank, BACB). By this act the state gained the exclusive right to manage the cooperatives' resources and capital. By its establishment the state became the only institution which disposed of the cooperative resources and capital thus depriving cooperatives of their autonomy and democratic nature just before the outbreak of WWII¹³.

The period of the “personal reign” of Tzar Boris III (1934-1941) was characterized by the strict regulation of the economy. The cooperative sector was severely restricted by the authorities. In April 1938, the National Assembly passed the Law on the State Supervision of Companies and

¹¹ See Nenovsky, 2012, Penchev, 2017.

¹² The stabilization of the Bulgarian lev was accomplished during the 1926-1928 period. (See Nenovsky, 2006).

¹³ See Marinova, Nenovsky, 2017, 2017a.

Associations which limited the cooperatives' autonomy in the country. The powers of the BACB proved the strong interference of the state in the establishment, management, control and development of cooperative banks. The practice of state surveillance and control of cooperatives was later on used by the communist party to subordinate the sector and to liquidate it.

One of the main explanations of the nationalisation of the cooperative sector and its resources refers to the need to mobilize them for paying the country's foreign debt and later for stabilizing and maintaining the exchange rate, the peripheral capitalism in the Balkans that was underscored in the past (Lampe, 1986)¹⁴. Depression subsequently resulted in the rapid growth of debt of farmers and cooperatives and the only mechanism for rescuing them again proved to be the state (Dimitrov, 2014)¹⁵.

Table 1 Cooperative movement in Bulgaria during the 1899-1939 period

	1899	1907	1910	1918	1923	1929	1934	1939
Total number of cooperatives	....	.....	670	994	1812	5882	4891	3502
Total number of cooperative members	....	.....	....	.....	434,954	726,826	836,697	995,805
Agricultural credit cooperatives	4	238	576	738	998	1890	1654	1961
Number of cooperative members in the agricultural cooperatives	236	20,000	39,561	41,971	104,966	152,615	135,343	161,484

Source: Palazov [1935] 2005, p. 256; 329; Central Cooperative Union, vol. 1 and 2, 1986, p. 148, 149.

State cooperative banks played a major role in granting loans to farms in the country. Almost every second farm was financed by those banks during the Interwar period and there was a significant increase in the average loan size per farm. The BAB (later BACB) became the biggest creditor of the rural population and one of the most important banks in the country. That fact resulted in increasing the state interference in the cooperative sector. For example, the loans granted by BAB (later BACB) during the 1922-1929 period were as follows: 42% of the farms were credited with an average loan size per farm of 7,815 BGN (in 1930-1934 the figure were respectively 44% and 10,615 and in 1935-1938, 32,9% and 13,123) (Kurklisiiski, 1962,96.). Moreover, during the 1919-1930

¹⁴ As regards the role of the monetary regime, debt and foreign capital within the frameworks of peripheral and dependent capitalism in the Balkans see Mihailova and Nenovsky (2015) and Magnin and Nenovsky (2016).

¹⁵ See also Nenovsky, 2012.

period the BAB developed as a real bank. The BAB continuously recorded profit reaching nearly 20% of its equity in 1921 and 1925. The equity increased more than eight times during the Interwar period and that gave a strong impetus to its expansive credit policy.

The leading role of the cooperative banks in the economic development is evidenced by data about the share of the agriculture in the GDP. The agriculture marked a continuous upward trend before and during the Interwar period¹⁶. The cheap and accessible rural credit should be considered as one of the main reasons for the twofold increase of agricultural production as well as for the significant rise in the GDP per capita in the country¹⁷.

As a whole, during the 1880-1934 period 80% of the active Bulgarian population was employed in agriculture and the sector's average share in the national income was estimated at 56%. An extensive research has been devoted to the sources of growth in Bulgaria's agriculture in the 1887-1939 period. Contrary to widespread views the study has proved that during the Interwar period Bulgarian peasants did cross the threshold to modern growth and contributed substantially to the modernization of Bulgaria's economy and society. The cooperative and agricultural movements were prone to 'spontaneous sociability' that stimulated many of the positive developments in Bulgarian society and the economy in the 1930s at least regarding agricultural transformation, accelerated land productivity growth and economic and demographic flexibility (Kopsidis, Ivanov, 2015). Those achievements of the Bulgarian agricultural sector should be considered in the context of the "extremely adverse economic conditions of the Interwar" period (Aldcroft, 2006).

After the mid-1930s the influence of the Soviet *kolkhoz* movement on the Bulgarian agricultural cooperatives made its mark for the first time. The Bulgarian communist party (the Party) spurred on its activities among the cooperatives and directed its efforts to the collective management of the land. The Party initially utilized the rural multiservice cooperatives, their experience, resources and long-standing traditions among the population. The first production department for cooperative rice growing was set up in 1937 within the framework of a multiservice cooperative in the village of Tervel. Ten years earlier (1927) the "*Nachalo*" first agricultural production cooperative was established in the village of Straldja which was considered the pioneer in the cooperative management of the land (Syulemezov, 1967).

¹⁶ See Zagoroff, 1955.

¹⁷ See Ivanov, 2012

By 1944 just before the communists took power there were the following cooperatives in Bulgaria: 2,232 agricultural cooperatives; 432 production, processing and sales cooperatives; 36 urban consumer cooperatives; 6 construction; 220 forest and 51 artisan cooperatives; 7 mutual aid funds; 117 popular banks and 29 independent agricultural production cooperatives and departments for collective cultivation of the land in the agricultural cooperatives.

2 The Role of the Communist Ideology and Soviet Agricultural Policy

Russian economic thought and Russian literature were very popular and very influential in Bulgaria especially among the intelligentsia and the left oriented economists in general. The same applies for the Russian cooperative and agricultural ideas.

The cooperative thought in Russia developed within the frameworks of European socialism. Since the 19th century cooperative ideas had developed within the frameworks of its two main branches - the "state socialism" and "cooperative socialism"¹⁸.

Before WWI Russian cooperative ideas¹⁹ were popular in Bulgaria and in the Balkans in general especially those of Mihail Tugan-Baranovsky (1865-1919) and Vahan Totomianz (1875-1964). Tugan and Totomianz, one of the most prominent representatives of cooperative socialism²⁰ were translated in Bulgaria and had a large audience²¹. Tugan-Baranovsky and Totomianz²² shared the ideas and principles of Charles Gide about cooperatives. Highly appreciating Proudhon, Tugan-Baranovsky studied the theoretical basis and history of the cooperative movement in Russia as well as the cooperative forms in Western Europe²³. He believed in the "cooperative ideal" which combined efficiency and moral principles. According to him, the cooperative form of organization made it possible to surmount the dichotomy between capitalism and socialism in seeking new forms of liberal, self-organizing, spontaneous and free socialism²⁴. Tugan-Baranovsky defined the cooperative as an economic enterprise of several voluntarily united people whose aim was not to make the biggest profit possible but to increase their revenue and diminish their consumer costs

¹⁸ See Halévy, 1974. The cooperative socialism was developed by Robert Owen, Charles Fourier, Pierre Proudhon and later Charles Gide (1905, 1922).

¹⁹ On Russian cooperative ideas see Korelin 2009.

²⁰ See Allisson, 2014 and Allisson 2015.

²¹ The books of Tugan-Baranovsky were translated in 1922, 1925, 1928. Totomianz was translated into Bulgarian in 1915, 1923, 1924 and 1934.

²² See Totomianz, 1919; 1922, 1961.

²³ See Tugan-Baranovsky, 1915 and the biography of Proudhon (Tugan-Baranovsky, 2014 [1891]).

²⁴ See Nenovsky, 2009.

because of common management. The cooperative enterprise was neither a charity association nor a formation for propaganda purposes. Furthermore, it was not a political organization or a workers' union. According to Tugan-Baranovsky, cooperatives were unstable forms that could not exist without public enterprises and a specific legal framework. Under socialism cooperatives developed along with the state enterprises, the market and through keeping the market mechanism. The power of cooperatives stemmed from the solidarity of interests (common and private). One of the most renowned classifications of cooperatives based on "labour" was elaborated by Tugan-Baranovsky. Cooperatives were divided into cooperative forms of manufacture, labour and consumption.

The Russian agrarian liberalism was developed by Boris Brutzkus (1874-1938)²⁵ and Lev Litoshenko (1886-1936), also well known in Bulgaria (Nenovsky and Penchev, 2018)²⁶. The "agrarian socialism" (popular in Bulgaria), was based on the Russian rural collective community (*obshchina*). The most ardent adherents of agrarian socialism were Alexander Chayanov (1888-1937)²⁷ and Nikolai Kondratiev (1892-1938). Chayanov developed the concept of the "rural family economy" in which only the labour of the whole family was used. The aim of those enterprises was to provide funds for the family's subsistence in utilizing the available means of production and family labour force. The maximization of the national income could be achieved through the family enterprises because the biggest part of the workforce was engaged in the cultivation of the land²⁸. In Chayanov's view the rural family economy was based on the decentralized rural agriculture rather than on the forced collectivization. The cooperation represented the alternative of collectivization and of the *kulak*²⁹ farms. In the family economy the income depended on the number of workers in the family, their productivity and the number of working hours as well as on the market conditions, the distance from the market, the quality of the land and the availability of the means of production. Chayanov suggested that the agricultural reform should be completed through the creation of land communes in which land distribution depended on the family size. In 1929 Chayanov presented a peasant utopia where he foresaw the failure of the nationalization in the agricultural sector and the establishment of the Soviet Peasant Republic where the state was relieved from almost all social and economic functions by the various associations, cooperatives, congresses, leagues, academics and

²⁵ See Penchev 2014

²⁶ See Rogalina 1998, Kojima 2014.

²⁷ Although Chaynov was not translated into Bulgarian his ideas were known to many Bulgarian economists at that time.

²⁸ See Halévy 1974.

²⁹ The kulaks were a category of affluent peasants in the later Russian Empire and early Soviet Union, particularly Soviet Russia and Azerbaijan. After the October Revolution the kulaks opposed collectivization of the land and were regarded as enemies and large numbers of them were arrested, exiled and killed by Stalin in the 1930s.

clubs. The cooperation of small peasant farms provided their members with all the benefits of large enterprises³⁰.

Finally, the *Bolsheviks*³¹ (V. Lenin, N. Meshcheryakov) exerted a strong influence on the cooperative movement in Russia after 1917³² and on the Bulgarian Marxists (Dimitar Blagoev, Vassil Kolarov, Georgi Dimitrov, Hristo Kabakchiev, Georgi Bakalov, etc.)³³. Their ideas developed in the context of establishing the socialist society and economy. Lenin's cooperative plan played a central role in that process. He defined the socialist system as a “system of civilized cooperative members in the presence of social ownership of the means of production given the class victory of the proletariat over the bourgeoisie”³⁴. According to Lenin the social nature of cooperatives was determined by the social conditions in which they developed. He also upheld the leading role of cooperation among every small peasant in building the socialist economy. The plan envisaged the transition from scattered individual farming to large-scale production units (collective farms). It also recognized the need for state support and privileges for the cooperatives thus putting them under the control of the authorities. Later the cooperative plan became part of the NEP that gave back, though partially, the freedom and self-governance of the Russian cooperatives³⁵.

Later, under socialism, the so called “the all people's ownership” (de facto state property) prevailed. The cooperative ownership had a secondary (subordinate) role in the economy. The cooperative and collective agricultural ownership encompassed the collective farms and cooperative unions and their land, livestock, buildings, tools and production. A certain part of the means of production remained the private property of the households participating in the collective farms (individual subsidiary plots).

The existence of “market relations”, or as they were referred to in the political economy of socialism – “commodity-money relations (CMR)”, and of “the Law of value” was also explained by the existence of the cooperative form of ownership³⁶. Within the frameworks of that explanation, which was included in the first textbook of Political Economy, published in the USSR in 1954 (PE, 1954, Batyrev, 1961), the cooperative (*kolkhoz*) ownership existed alongside “the whole people's

³⁰ See Barnett, Zweynert, 2008.

³¹ Bolsheviks were members of a wing of the Russian Social-Democratic Workers' Party, which, led by Vladimir Lenin, seized control of the government in Russia (October 1917) and became the dominant political power.

³² See Meshcheryakov, 1920.

³³ See Nenovsky, 2012

³⁴ Lenin “On Cooperation”, Selected Works, 1950, English edition, vol. II.

³⁵ See Bukharin, Preobrazhensky, 1969 [1922] and Bukharin, 1979.

³⁶ For a survey see Arroyo, 1983, 1986.

ownership" whereas the CMR and the market were needed to serve as a link between the two sectors. Later the CMR were justified by other arguments including: (1) the need for labour distribution at the first stage of communism, when there was no distribution according to the needs, (2) differences in the labour qualifications especially between intellectual and physical labour and in the late Soviet years - (3) the establishment of enterprises as independent organisational entities (Arroyo, 1986, Bogomazov, 1988, Kan, 1988). However, the cooperative (*kolkhoz*) sector remained a key argument for the existence of the market and market relations.

The collectivization of agriculture in the USSR proceeded through different stages of development characterized by the dominance of various forms of cooperation. The initial stage of cooperation among peasants aimed at selling agricultural produce and at the supply of industrial goods to the countryside and at obtaining credits. The second stage included the system of contracts based on agreements where the state placed orders with the cooperative producers and the individual farms for the production of definite amounts of agricultural produce, supplied them with seeds and implements of production. The state purchased their output to supply food for the population and raw materials for industry. The highest form of peasant cooperation was the organization of collective undertakings - collective farms during the third stage of collectivization. The collective farms were voluntary production cooperative unions of peasants based on public ownership of the means of production and collective labour.

In the 1920s just before the large-scale collectivization, the associations for joint cultivation of the land (T.O.Z) were the predominant type of collective farms. The land and labour were socialized and the cattle and equipment remained peasants' private property. The agricultural communes, the next basic type of collective farms, were the predecessors of the agricultural artel (*kolkhoz*). The agricultural artel was based on the socialization of the main means of production of peasants and their collective labour while the collective farmers retained the right on their individual property. The leading role in the collectivization belonged to the machine and tractor stations (MTS). Those were state-owned enterprises and had a park of tractors, harvesters, other machines which were supplied to the collective farms on a contractual basis. They were the main link between industrial production and agriculture.

In November 1929 the accelerated collectivization was introduced by the establishment of *kolkhozes* and *sovkhозes*. The first state farms (*sovkhозes*) were set up immediately after the socialist revolution in 1917. The *sovkhозes* were large-scale socialist agricultural enterprises in which the

means of production and commodities belonged to the state. They were established by the state on the land expropriated by the former large farms (*kulaks farms*) and employed poor and landless peasants.

The agricultural artels (*kolkhozes*) were set up by the unification of small individual farms in a cooperative unit. The amount of revenue of each cooperative member depended on the degree of involvement in the socialized labour (number of working days), productivity and the degree of development of the collective farm. The revenue was distributed in cash and in kind.

In 1940 the process of collectivization in agriculture in Russia came to an end. The collective farms encompassed almost 80% of the arable land in the country. The first large-scale socialist collective farms were established (PE, 1954, Kunin, 1977).

3. Agricultural Model in Bulgaria during Communism: Path Dependence and Ideology

The rise to power of the Bulgarian Communist party at the end of 1944 led to profound changes in the cooperative movement. In the 1944-1960 period the implementation of the Soviet socialist model in the Bulgarian agriculture developed in two directions. The first one was related to obtaining agricultural resources and their use for the industrialization of the country, and the second one was related to the modernization of the agrarian sector³⁷.

The restructuring of the Bulgarian agriculture started with the adoption of the Law on the Labour Cooperative Agricultural Farms (LCAF) in 1945. The main purpose of the LCAF, similar to the Soviet *kolkhozes*, was to implement the collective cultivation of the cooperative members' land. Pursuant to the law the small fragmented pieces of land had to be merged in large plots through collective labour and use of the means of production and land, the implementation of science and modern technology. Each Bulgarian citizen who owned land in the area of the LCAF or who worked as a farmer could become a member. The members had to bring their own cultivated land, cattle and equipment in the LCAF. During the initial years of the implementation of the law the members kept their ownership of the land but later the private ownership of the land was completely abolished. It was possible for each member of the LCAF to retain about 0,2-0,5 ha of the land for his own needs

³⁷ An extensive survey on Bulgarian agricultural sector during communism is featured in the books of Vladimir Migev (1995, 1998) and Mihail Gruev (2009).

and that land became part of his individual farm³⁸. All the activities of the LCAF were performed through the individual labour of its members and that of their households' members.

During the 1947-1949 period the state nationalized the industry, the banks and the agricultural machines. Formally the private ownership of the land was preserved but actually the most essential attributes of the private property were not in force any longer: each member became a joint owner of the LCAF's land; the members did not have the right to sell, exchange, give away or rent their former land as well as the farm's land. The right of using the land was transferred to the LCAF. The land was subject to inheritance just in cases when the heir was or would become a member of the LCAF. The state introduced a system of compulsory purchase of part of the farm produce at administered prices and the rest of it was at the free disposal of farmers who sold them at free prices. After 1948, the state began to impose progressive taxation on the land owners and determined larger amounts of the compulsory state supplies.

After a few years of a slight demur, the cooperatives began their development under state socialism by the adoption of the Cooperatives Law in 1948. It was one of the first and most important measures taken by the state authorities aimed at obtaining full control on them. The law stipulated that

“The cooperative is a public economic organization based on the voluntary membership of unlimited number of working people having equal rights and duties. The cooperative has an unrestricted share capital and is aimed at supporting the national economy and satisfying the economic and cultural needs of its members through mutual, self-aid and collective labour” (State Gazette, 282/1948).

The cooperatives developed as collective forms of economic activity and took an active part in the building of the socialist economy. Their activities were determined by the state economic plan. The state divided the cooperatives into multiservice, production, consumer, credit and housing cooperatives. Under the new Cooperatives Law in 1953 the cooperatives functioned on the self-supporting principle and financed their activities by their own funds (State Gazette, 13/ 1953). The state had the right to supervise them.

³⁸ They were granted the right to own only draught animals and use small agricultural equipment. The LCAF decided on the enlargement and limitation of the activities of the individual farm. The state supplied them with the means of production and fertilizers and purchased the produce. The volume of production in those farms reached 20.9% of the total in agriculture in 1960 and rose to 27% of it in 1980 (See Popov, 1990).

The socialist period was characterized by transplantation of the Soviet cooperative model in the Bulgarian agriculture with the so-called socialist economic laws being in force³⁹. The socialist production was regulated by the state plan. Labour in the state and cooperative sectors of the economy was regarded as community service and the market mechanism was replaced by the state planning in the production of commodities and the administration of prices. The cooperative sector was turned into an appendage to the state sector and ultimately the former became part of the latter. The socialist state functioned on the principle of the public ownership of the means of production that predetermined the complete dependence and unity between the state and the cooperative sectors⁴⁰. That was the main reason for depriving the cooperatives of their autonomy, self-governance and democratic nature.

Similar to the Soviet *kolkhoz*, the Law on Labour Agricultural Cooperative Farms stipulated the implementation of state planning in the economic activities of the LCAF. The produce became the property of the LCAF. The LCAF operated on the principle “one cooperative member - one vote” and on the principle of electing the managing bodies but that did not make them real cooperatives at all. The main reason was the strong state intervention through planning and given privileges (lower interest rates on loans granted by the Bulgarian National Bank, exemption from direct taxes for five years, etc.).

In 1948 the system of remuneration in the LCAF was changed. The main production unit became the established crop-raising brigades each consisting of 40-60 people. Each brigade was provided with land, cattle and equipment. It was divided into smaller units (eight-ten people) provided with technical, vegetable and trench areas. The distribution of the farm's revenue depended on the crop gained by each brigade and its subunits. The labour of the head of the cooperative was calculated according to the number of working days and according to the amount of the area under crops and the number of draught animals of the LCAF.

The 1950-1956 period was characterized by the en masse collectivization of small peasant farms into large labour cooperative farms. The rent was continuously diminishing. The LCAF were set apart of the agricultural cooperatives and became separate agricultural production cooperatives.

³⁹ See Arroyo 1983, 1986. It should be mentioned that his views were regarded as „radical“. He considered the law of value as the most important one in the socialist economy.

⁴⁰ See Velikov 1977.

The April plenum of the Bulgarian Communist Party in 1956⁴¹ adopted a decision to increase the purchasing prices of commodities sold as state supplies and to raise the prices of those offered freely by farmers after paying in kind the MTS. The LCAF was granted the right to sell their produce on the free market.

In 1957 the land in cooperatives accounted for 86.5% of the total arable land in the country and the number of the households in cooperatives reached 982,000. Furthermore, the compulsory supplies from individual farms were abolished in 1957. The LCAF in the mountain and hilly areas were exempted from the obligatory delivery of grain to the state.

The structure of the national income underwent a significant change in terms of the form of ownership during the 1948-1958 period. The share of the state enterprises increased almost twofold (from 28% to 54%) and that of the cooperative sector almost sixfold (from 6% to 29%). The LCAF accounted for about 21% of it and that of the private farms was just 3% in 1958 (Popov 1978).

Since 1959 the state implemented a common system of contracted purchase of agricultural produce while introducing common purchasing prices of farm produce.

By 1959, the measure used to assess the labour and income distribution among cooperative members was the “day of work” (*trudoden*). The payment in kind was widely used.

The land owned by a LCAF increased more than fourfold during the 1956-1960 period and the number of its members more than threefold. The same trend was observed in the amount of the output that rose more than fivefold. The consolidation of the LCAF strengthened the state's planning role which put them under its full control.

At the end of the 1950s over 50% of Bulgarian peasants were already members of the cooperative farms. At the same time there were many spontaneous uprisings in some parts of the country against the establishment of the state-cooperative system⁴². The private ownership of the land and the rent were abandoned by 1960. The farms members' income was allocated according to the quality and quantity of their labour.

By the beginning of the 1960s, the remuneration of the farms' members was set according to one of the following principles: when the members were paid a definite rent for the land, then 80% of the farm's revenue were distributed among them; when the rent was part of the revenue (at the beginning 40% of total income), then 70% of it were allocated among the members.

⁴¹ The April Plenum gave impetus to some „democratic“ changes in the party and marked the consolidation of Todor Zhivkov's power. The changes had some similarities to those initiated by Nikita Khrushchev in the Soviet Union.

⁴² See Znepolsky (Ed.), 2011

In 1963 the Ministry of Agriculture established the State-Cooperative Fund for the payment of a guaranteed minimum of work to the cooperative members. The funds were raised by all the LCAFs which deposited 2% of their total income and the shortage was provided by the state. The income tax depended on the net income and varied as regards different farms, depending on the achievable rate of profitability. The LCAF with profitability rate of up to 5% were exempt from tax.

In the early 1960s the state introduced direct lending (state subsidies) for the LCAF by the BNB for all production needs and wages.

Table 2. Consolidation of the LCAF

Indicators	Unit of account	1956	1957	1958	1959	1960
Number of LCAF		3100	3202	3290	972	932
Average cultivated land per LCAF	Ha	103	106	115	418	426
Main funds	Thousand BGN	2378	2469	2799	10 279	11 986
Members	number	533	528	551	1910	1736
Relative share of the revenue	%	9.3	5.8	1.9	0.1	0.00
Total production	Thousand BGN	2,333	2,843	2,949	12, 385	13,843

Source: Central Cooperative Union, vol.3, 1989, p. 207.

Parallel to the establishment of the LCAFs the government set up state agricultural farms (SAF) and MTS. The SAF, like the Soviet *sovkhозes*, became the successors of the state agricultural organizations which existed under capitalism and after 1945, the State Land Fund increased significantly its lands because of the inclusion of the big landowners. The main task of MTS was to carry out production and technical maintenance of the LCAF and the personal subsidiary farms. The MTS emerged initially as branches of sales cooperatives which provided machines for the agricultural production, but later they were nationalized. The services of the MTS were originally paid in cash, and then in agricultural produce. By the adoption of the Act on the Purchase of Agricultural Machines in 1948 the machines of large *kulak* farms were purchased and transferred to the Ministry of Agriculture and Forestry, which provided them against payment to the MTS, LCAF and SAF. In 1959, most of the MTS were purchased by the LCAF and the rest were liquidated. The economic links between the LCAF and the MTS were implemented through the establishment of inter-cooperative farms for the output of certain type of agricultural produce. The LCAF developed direct relations with the consumer cooperatives in the country which purchased their produce thereby stimulating the output of numerous agricultural produce (Syulemezov, 1975).

We could illustrate some of the basic differences between the agricultural cooperatives under capitalism and the LCAF under socialism (according to socialist economic ideology) in Table 3.

Table 3. Comparison between the agricultural cooperatives and LCAF

Criteria	Agricultural cooperatives	LCAF
Membership	Voluntary	Initially voluntary and later the state imposed constraints through legislative changes.
Governance	Autonomous (by adopted statute); democratic decision-making - each member - one vote, election of the managing bodies.	The statute elaborated and adopted by the state; each cooperative member - one vote in the management body; election of the managing bodies.
Basic principles and values	Self-help, self-responsibility, equality, democracy and solidarity.	Abolition of inequality, collectivism
Ownership of the means of production	Preservation of the private ownership of the land, cattle and equipment of each cooperative member.	Members brought the land, livestock and equipment in the farm; the ownership of the land was transferred to the cooperative and became public.
Funds	Share contributions of its members and loans from the BAB.	The farm's revenue came from the produce and loans granted by the BNB.
Remuneration of the cooperative members and income distribution	Members were not paid for their work in the cooperative; they used their own labour and that of their families; Proportionate distribution of the income gained by the cooperative	Initially a rent was paid and part of the income was distributed among the farmers. Later farmers were paid according to the number of days of work.
Termination of membership	At any time and the invested capital was paid back.	A cooperative member had to be a member of the farm for a minimum of three years
Activities	Provision of a short term social credit; attraction of savings; supply of industrial goods to its members; manufacturing and sale of agricultural produce; involvement in cultural and educational activities in the villages.	Collective cultivation of the land; supply of produce to the state at administered prices; sale of part of the produce on the market; the activities were subject to state planning.

Source: Authors compilation

Due to the institutional transformation during socialism, the cooperatives practically became “forms without substance”⁴³. The table clearly shows the major distinctions and discrepancies between the cooperatives as real social institutions and the LCAF. A concrete example was the first saving and credit cooperative in Mirkovo. After 1944 the agricultural cooperative embarked on a new path of development. It was transformed into a consumer cooperative whose entire economic activity was subordinated to the execution of the tasks determined by the party and the government.

⁴³ On the debate on forms without substance see Daskalov, Mishkova 2014.

After the consolidation process was completed in the early 1970s and in line with the ongoing process of industrialization, the state began to establish agro-industrial complexes (AIC). The means of production were owned by the members of the cooperative agricultural enterprise. The AICs were widespread agricultural organizations managing large areas of land and carrying out industrial activity for the processing of agricultural produce. They included large independent units for agricultural work and industrial enterprises, for repair and sometimes for transportation activities. They merged agricultural and industrial activity. The AIC being a major economic agricultural organization with a high degree of concentration of production and in-depth sector specialization included all categories of agricultural enterprises of a definite sub region: LFAC, SAF, MTS. The LCAFs members of the AIC retained their legal, organizational and economic independence until 1975, when it was suspended. The AIC was managed by the Ministry of Agriculture and Food Industry. At the end of 1972 there were 172 AIC including 679,158 LCAFs and SAFs, covering 94.7% of the arable land (except the land for personal use). The property of the AIC was divided into three types: fully cooperative (collective), based on the LCAFs model, state-owned involving only SAFs; mixed, including LCAFs and SAFs. Over 80% of the established AICs were cooperative. The LCAFs managed and carried out the production activities, fulfilled the plan, and the AIC aimed at ensuring the introduction of scientific and technical achievements, industrial technologies and methods in agricultural production.

As a next step, the government established the National Agro-Industrial Complex (NAIC) in 1979. The large part of facilities and the purchasing right of the LCAFs were transferred to the NAIC. It included the sectors which were technologically, productively and economically interrelated and which took part in the production, manufacturing and sale of produce and its delivery to consumers as well as in its distribution. The most specific feature of this complex was the vertical integration between the agricultural sector and industry on a national level. It operated on the “land-product” principle. The NAIC was comprised of several groups of economic sectors: the first group included the branches that produced means of production in agriculture and the food industry (agricultural machinery and food industry machinery; production of mineral fertilizers, chemical industry fertilizers; construction of buildings and facilities); the second group: fodder industry; material and technical supply; machine and tractor facilities; transport; storage refrigerators; the third one: the agricultural sector; the fourth one: the food and light industry and the fifth one: domestic and foreign trade.

The NAIC was an economic and social organization engaged in governing, planning, economic and regulatory functions. It carried out economic and social activities through its branches in the country. The NAIC accomplished several activities related to the state policy stemming from international agreements, conventions, etc. (Lutsov, 1976). In the middle of the 1980s the share of the cultivated land in the public sector (SAF) reached nearly 100%. There were twenty-four SAF in the country.

4. Elements of Comparison with the Other Former Communist Countries

According to Bulgarian (Marxists and even other) historians despite the continuous lagging behind of the Bulgarian agriculture in comparison to other socialist countries some positive trends and achievements were recorded in the 1960s and 1970s. They were to be found in the increased average production of several crops (cereals, tobacco, maize, barley), the accelerated process of mechanization and the rise of the productivity of livestock (cows, sheep, hens). In the 1965-1975 period the biggest rise in the average annual production was registered for cereals (133%) and barley (27%). The productivity of cows, sheep and hens increased by 133%, 68% respectively during 1957-1977. The total amount of productive funds grew by more than 70% and individual funds by 74% in the 1970-1978 period ⁴⁴. According to Migev (1998, 213, 214), mechanisation of agriculture increased rapidly during this period, while in 1950 there were 8,657 tractors and 13 harvesters, in 1978 they increased to 148,500 and 23,545 respectively.

Bulgaria became the only socialist country in Europe where the private ownership of the land was de facto abolished by the mid-1980s. In the USSR, for example, the creation of a large state sector in agriculture might be explained by the prevailing large-scale land ownership and the poor attachment of peasants to private land ownership. Conversely, in countries where peasants tended to strive for private ownership, as it was the case in other socialist countries (notably Poland) only a small part of the land became public.

Table 4. Agricultural development in the socialist countries (in %)

Country	1970			1980			1986		
	State sector	Cooperative sector	Private sector	State sector	Cooperative sector	Private sector	State sector	Cooperative sector	Private sector
Bulgaria ⁴⁵	10.9	79.7	9.2	86.5	-	12.8	96.4	-	3.6
Hungary ⁴⁶	19.3	48.6	32.1	30.8	63.7	1.4	27.4	71.5	3.5

⁴⁴ See Sazdov (Ed), 2005.

⁴⁵ Including the lands which were a part of the personal farms.

⁴⁶ Personal plots are calculated in the cooperative sector.

Poland	11.5	1.3	87.2	19.3	5.0	68.4	18.5	3.6	77.9
GDR	8.0	72.8	19.2	8.5	82.5	9.0	12.4	82.6	5.0
USSR ⁴⁷	42.2	56.4	1.4	67.3	30.9	1.8	67.9	30.4	1.7
Czechoslovak Republic ⁴⁸	19.5	66.4	9.1	30.5	64.0	4.2	30.0	67.2	2.1
Romania	29.4	50.2	20.4	30.0	60.6	9.4	29.7	60.8	9.5

Source: Popov 1990, p. 404, 405.

Various types of production cooperatives of peasants existed in the socialist countries. The most common form of agricultural production cooperative (permanent and temporary groups for joint farming) spread mostly in Poland and Hungary though they had their own specific features. They were collective farms that fully preserved the farmers' status of independent and private owners of the land (Popov, 1990).

The second type of agricultural cooperatives had the characteristics of both private and state ownership of the means of production. That represented a transitional form of agricultural production cooperative and spread mostly in Bulgaria (1947-1960), Romania and the Czechoslovak Republic. The cooperative members retained the right to the personal use of the yards which they brought in the cooperative whereas the size of the land they were granted was determined by each state. They were given rent and remuneration depending on the working days as well as according to the amount of the area under crops and the number of draught animals of the cooperative.

The third type of agricultural production cooperatives was characterized by the land and the means of production which became cooperative (*de facto* state) ownership. Only the means of production necessary for maintaining the personal subsidiary farms remained private property. The income was distributed only in the form of farmers' remuneration. Similarly to the second type all members were obliged to work in the cooperatives. Those cooperatives were widely spread in the USSR, Bulgaria (since 1960), Romania and East Germany. In Poland, where the private sector played a crucial role in agriculture, they did not exist. The reasons for the public sector not being widely spread and for the failure to complete the collectivization were related primarily to the understanding of the need of a very gradual transition from private to public agriculture. The situation in Yugoslavia was quite similar (Popov, 1990).

As regards private farms in Romania, the Czechoslovak Republic and Bulgaria they emerged mainly in the mountain regions because there the implementation of the socialist agricultural model

⁴⁷ Personal plots are calculated in the cooperative sector.

⁴⁸ Personal plots are not calculated.

was considered ineffective. The private farms did not use hired labour and they were marked by all the peculiarities of the small-scale private sector economy under capitalism (Popov, 1990).

Forms of economic activity associated with leasing emerged in the mid-1980s in the Soviet Union and *kolkhozes* obtained the right to lease land as soon as Gorbachev rose to power and the “*perestroika*” began⁴⁹. Farmers and their families were able to work independently on public land allocated to them for a fixed term. They were entitled to be owners not only of cattle but also of farm equipment and buildings (Gorbachev, 1988). Thus, collective farms were able to “get away” from the strong dependence on and link to the state and to approach the private initiative. Similar practice developed in Bulgaria as well by the adoption of the so-called “New Economic Mechanism” (Angelov, 1987). The “family accord” represented private activity in agriculture. It was used primarily in tobacco and some vegetable growing⁵⁰.

Concluding Remarks

One of the best summaries of the communist policy in agriculture was provided by Peter Mladenov who succeeded Todor Zhivkov as a party leader in late 1989. According to him:

“We cannot assess the nationalization of the cooperative sector and the destruction of the Labour Cooperative Agricultural Farms otherwise but as a manifestation of a gross thoughtlessness and lack of responsibility— an act which had irreversible consequences. The establishment of the Agricultural Industrial Complexes in the early 1970s actually resulted in the liquidation of the cooperative order in villages. [...] From a traditional exporter Bulgaria became an annual importer of beans, cabbage, onions, fodder and other farm produce for hundreds of millions of dollars.” (quoted according to Kostov, 2018, 111)

In this paper we have proposed an institutional reconstruction of the Bulgarian agricultural cooperatives’ history. The aim was to find the theoretical explanation of the complete deprivation of individuality of the agricultural cooperatives in the years of communism and their rejection respectively during the post-communist period.

We consider that a relevant explanation was the accumulation of two institutional processes which were related to the nationalization of the cooperative sector and the cooperative idea. The first one may be referred to as being inertial and related to the specificities of the Bulgarian lagging

⁴⁹ In the economic area “*the perestroika*” ensured greater autonomy of enterprises and cooperatives in order to plan their output, to sell it directly on the market, to use the profit as well as it granted greater freedom to small-scale private business.

⁵⁰ See Popov 1990.

behind and peripheral capitalism. That capitalism had a state character (Avramov, 2007). The trends of subordinating the cooperative sector to the state and to the budget started long before the communist period. They intensified above all between the two world wars when the state usurped and distributed the cooperative funds and succeeded in strengthening their control and governance. The second institutional process occurred mainly in the wake of WWII. It was related to the large scale and actually mechanical application (despite some nominal specificities) of the Soviet model of agriculture and of the communist ideas of the place of that sector in the planned and all people's economy.

In contrast to the Central European socialist countries, the land and the means of production in Bulgaria became entirely state-owned and private property did not actually exist. The LCAF were established and functioned according to the Soviet model to fulfil the state purposes and policy in agriculture as well as to meet the economic and financial needs of the government and the aspirations for building the socialist society and economy.

After the fall of communism in 1989, the state engaged in the quick enforcing of the principles of the capitalist market economy and private property through the liberalization of prices and privatization⁵¹. After the socialist government resigned in 1989, a radical restructuring in the agricultural sector took place. All collective farms were officially disbanded (in 1991) and property rights on the land were returned to the families which held them prior to collectivization. The cooperatives were no longer regarded as an economic alternative. They were still related to the communist past of the country and were considered incompatible with the market and capitalist economy. This tendency became even more pronounced after 1996/1997 crisis, followed by orthodox monetary and conservative budget policy under the functioning of the Currency board. The policy of the EU and the trends in the other EU member countries notwithstanding the place of the cooperative sector as a whole and particularly in agriculture was insignificant and its future was vague.

Our study can develop along various lines in future. A comparative prospect with the other Balkan countries, for instance with Serbia, a country with century-long traditions in the cooperative movement and especially in agricultural cooperatives would be interesting. The same is valid for Romania where both capitalism and socialism had their specificities (e.g. the big agricultural ownership till the beginning of the 20th century). Or for Greece where there was no communist

⁵¹ On the Bulgarian version of crony transition see Nenovsky and Mihailova-Borissova, 2015

agriculture. Another task would be a profound theoretical and technical study of processes with the instruments of institutional economics.

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