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Growth without Development: The Post-WWI Period in the Lower Danube. Perspectives and Problems of Romania and Bulgaria

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ABSTRACT

This article examines the reaction of the Romanian and Bulgarian ruling classes to the great transformations in South-East Europe in the aftermath of World War I. The conflict had revealed the intrinsic weakness of the economic and social structures of all the Balkan nation-states, victors and vanquished alike. This awareness prompted politicians in Romania and Bulgaria to seek massive industrialization accompanied by some social reforms (agrarian reform, education, etc.) with a view to decisive modernization. A strong industrial base supported by the state through protective policies and public orders seemed the fastest and safest way to transform the economic structure of the two countries, which until then had been predominantly agrarian. This economic action was accompanied by a lively scientific and cultural debate fueled by Bulgarian and Romanian economists convinced that industrialization was the only way to achieve emancipation from underdevelopment and subjection to the Western powers. On the whole, however, this policy approach, artificially supported by the state and inadequately powered by a modest internal market, did not prove capable of reversing the trend of Bulgarian and Romanian development. On the contrary, it had the effect of shifting precious resources away from the countryside, which remained mired in severe technical and human underdevelopment.

1. Introduction

The end of World War I left South-East Europe completely transformed. "For all countries in the region, the winners as well

as the losers, the war created new development and new beginnings, as well as lasting traumas."¹ The consequence was that the ruling classes shared a pressing need: for the rapid and profound strengthening of their respective states' economic and social structures. Especially those of South-East Europe, one of the deepest peripheries of the old continent, which had failed to industrialize during the first decades of the nineteenth century² and were very frustrated "by laissez-faire systems [and so] began to rely on State regulations and protection."³

In fact, in 1914 these states were endowed with a complex and quite well-defined institutional and administrative architecture, paired with an economic structure that was probably less developed than it had been in the middle of the previous century. Agriculture was the basis of that economy, and policy had not been able to catch up with Western Europe's general and social development.⁴

According to John Connelly, the years after World War I witnessed the most momentous encounter between the New and Old Worlds since the fifteenth century. "[S]timulated by the French and German Enlightenment, but also by native concerns about subjugation by foreign powers, a series of national movements had emerged [...] all which had one basic message: each nation should determine its own fate."⁵

The severe experience of the war and the direct and indirect confrontation with the industrial powers had revealed the weakness of

¹ O. Anastasakis, D. Madden, E. Roberts, "Introduction: The Past is Never Dead...", in Id. (eds.), *Balkan Legacies of the Great War*, London, Palgrave Macmillan, 2016, p. 10.

² Cfr. J.R. Lampe, "Imperial Borderlands or Capitalist Periphery? Redefining Balkan Backwardness, 1500-1914", in D. Chirot (ed.), *The Origins of Backwardness in Eastern Europe. Economics and Politics from the Middle Ages until the Early Twentieth Century*, Berkeley, Los Angeles, London, University of California Press, 1989, pp. 177-209.

³ I.T. Berend, "Economic Nationalism: Historical Roots," in H. Schulz, E. Kubû (eds.), *History and Culture of Economic Nationalism in East-Central Europe*, Berlin, BWV Berliner Wissenschafts, Verlag, 2006, p. 34.

⁴ Cfr. M. Palairot, *The Balkan Economies. Evolution without Development 1800-1914*, Cambridge-New York, Cambridge University Press, 1997, pp. 1-3.

⁵ J. Connelly, *From Peoples to Nations. A History of Eastern Europe*, Princeton, London, Princeton University Press, 2020, p. 359.

the industrial sector in the Balkan nations.⁶ Generalized poverty prevailed, with only small-scale infrastructures and modern industrial sectors,⁷ poor urbanization, the general backwardness of those agrarian societies, dominated by a rigid class structure.⁸ Such a situation resulted in poor quality military equipment, poor troop training, and consequent frictions among soldiers on a daily basis. In fact, the huge losses registered by the Balkan armies were among the greatest of all the forces involved in the War.⁹

The difficulties encountered in the post-war period – marked by

⁶ With the exception of Bulgaria, all the Balkan countries were subjected to a regime of enemy military occupation aimed not only at controlling the territory but also at exploiting it economically. The occupation by the Central Powers in Romania was particularly harsh: practically all the country's agricultural and mining resources were diverted to support the war effort and the civilian population in Germany first of all but in part also in the other Central Powers. A report of a special committee by the German administration said that the purpose of the German army was: "the fullest exploitation of the occupied part of Rumania in order to secure and export as quickly as possible everything that could be useful for war purposes and for provisioning for the allied countries." D. Mitrany, *The Effect of the War in Southeastern Europe*, New Haven, Yale University Press, 1936, p. 141.

⁷ Despite some progress around the turn of the century, it was really only after World War I that the Balkan countries were able to effect sweeping structural change in the economy. For example, around 1910 the employment rate in industry was 7% in Serbia and around 10% in Romania and Bulgaria. It was a bit higher in Croatia (which in those years was still an Austro-Hungarian province) at 13% of total workforce. Cfr. J.R. Lampe, *op. cit.*, in D. Chirot (ed.), *op. cit.*, pp. 195-202; M. Palairat, *op. cit.*, pp. 203-340.

⁸ The Romanian Principalities were characterized by large agrarian estates, and in the rest of Balkans, especially at the turn of the 20th century, the traditional village communities (the *zadruga* for example) were disintegrating and a sort of primitive capitalism emerged, while lack of financial credit pushed the smaller agrarian estates into debt. According to Ivan T. Berend "[...] a rich peasant-merchant elite exploited this situation and lent money at usurious rates of interest [...] this peasant-merchant stratum was one of the elements forming a new native bourgeois elite [...] the independent state authorities determined and controlled activities, and the powerful people rallying around them formed the core of a developing upper social stratum [...]" I.T. Berend, *Decades of Crisis. Central and Eastern Europe before World War II*, Berkley, Los Angeles, London, University of California Press, 1998, pp. 41-42.

⁹ Between 1915 and 1918 Bulgaria lost 101,248 soldiers, Romania 335,706, Serbia 127,535, Greece 28,000 and Montenegro 3,000. If we add the losses suffered by the Balkan armies during the two Balkan Wars (October 1912 - July 1913) losses come to the impressive total of 710,000. See R.H. Hall, *The Modern Balkans. A History*, London, Reaktion Books, 2011, p. 127.

famines, cold, generalized economic difficulty (inflation, for example),¹⁰ ethnic conflicts in the contested borderlands – and the threat of Bolshevik Revolution first in Russia and then in Hungary (March-August 1919) accelerated – as much as possible – a series of processes of transformation.¹¹ To alleviate misery in the countryside and curb the spread of revolutionary Bolshevik-inspired sentiments, governments enacted profound agricultural reforms, reducing latifundia and other legacies of feudalism.¹²

Here we focus on two cases – Romania (which emerged from the war as a victor) and Bulgaria (the prime loser in South-East Europe) – and a series of characteristics common to both. It is no coincidence that Nicolas Spulber grouped these two countries (together with Yugoslavia) in the category of “[...] food producing and food exporting countries” with extremely weak industrial structures.¹³ Developments in the post-war years can help us understand how, albeit with a few strident contradictions, those ruling classes tried to achieve radical change in their countries internal structure.

2. The cases of Romania and Bulgaria

To get an idea of the radical change in the Lower Danube territories in the aftermath of the conflict, let us rehearse some key de-

¹⁰ According to a French economic expert dispatched to Bulgaria by the government, immediately after the war, in 1918, the cereal crop yielded about 1,195,000 tons, compared with an average of 2,286,178 tons in 1903-1912. In November 1918, of the country's 469 railway locomotives, 122 were damaged and 212 were assigned exclusively to military use. See B. Lory, *La situation économique de la Bulgarie au sortir de la première guerre mondiale*, in Idem (dir.), *Les Balkans: de la transition post-ottomane à la transition post-communiste*, Istanbul, Isis Press, 2005, pp. 254-256.

¹¹ For a survey of the political, economic and social situation in South-East Europe after the Great War, see A. Basciani, *L'illusione della modernità. Il Sud-est dell'Europa tra le due guerre mondiali*, Soveria Mannelli, Rubbettino, 2016, pp. 35-82.

¹² Cfr. M-J. Calic, *The Great Cauldron. A History of Southeastern Europe*, Cambridge (MA), London, Harvard University Press, 2019, p. 423.

¹³ See N. Spulber, *The State and Economic Development in Eastern Europe*, Bloomington, New York, Indiana University Press, Random House, 1966, pp. 18-19.

velopments. Romania (the new *România Mare* - Greater Romania) annexed Transylvania, Banat, Bessarabia and Bukovina and so expanded its land area from 138,000 sq. km. in 1914 to over 304,000 in 1919, increasing the population from scarcely 7 million to over 17.5 million in 1921. Meanwhile Bulgaria, on the south side of the Danube, saw its territory shrink from over 111,000 sq. km. in 1914 to 103,000 in 1919, although the population rose from 4.7 million in 1914 to 4.9 million in 1921.¹⁴ Considering the losses caused by the war and taking territorial adjustments into account, the data confirm that starting from 1919-20 the Balkans experienced major demographic growth (probably the sharpest in Europe), but in a context marked by a crisis in agricultural output, with serious repercussions on the balance of trade.¹⁵ Although Bulgaria and Romania started from similar situations and solutions, they now chose different paths towards the same goal, i.e. modernizing the economy and society.

In Romania the project was extremely complex and ambitious: the most radical agrarian reform ever attempted in Eastern Europe up to that point. Certainly the Romanian ruling class wanted to seize the opportunity to weaken the large ethnic minorities that the extended Kingdom had brought within its borders¹⁶ and discourage the poorest

¹⁴ On the post-war period in Romania and Bulgaria see respectively: F. Țurcanu, "Roumanie, 1917-1920: les ambiguïtés d'une sortie de guerre", in S.A. Rouzeau, C. Prochasson (eds.), *Sortir de la Grande Guerre. Le monde et l'après-1918*, Paris, Tallandier, 2008, pp. 238-259; D. Cain, "An Unforgettable Autumn: Bulgaria and its Withdrawal from the First World War", in A. Basciani (ed.), *Dopo la Grande guerra. Violenza, Stati e società tra Adriatico orientale e Balcani - After the Great War. Violence, States and Societies between Eastern Adriatic and the Balkans*, in "QualeStoria. Rivista di Storia contemporanea", 1, 2020, pp. 54-70.

¹⁵ This demographic pattern was most likely due to an increase in the birth rate and a decrease in mortality (including infant mortality): in a few years the population gaps created by the war were overcome. Cfr. D. Kirk, *Europe's Population in the Interwar Years*, Princeton, League of Nations, 1946, pp. 10-24.

¹⁶ According to the census of 1923, Romania hosted 1,412,442 Hungarians, 1,093,191 Jews, 717,683 Germans and, finally, 981,844 other people of non-Romanian nationality (Russians, Ukrainians, Bulgarians, Serbs, Turks, Armenians, etc.). In none of the historical Romanian provinces did minorities constitute an absolute majority of the population, except for some districts of Transylvania, Bucovina, Bessarabia and Southern

peasant masses from the temptation to embrace the Russian Revolutionary way to satisfy their land hunger.¹⁷ Nevertheless, beyond these political intentions, in the course of the 1920s, through complex and cumbersome legislative and administrative mechanisms Romanians saw the expropriation of about 6.0 million hectares of land by their own government – the disappearance of latifundia and the distribution of 3.8 million hectares to 1.4 million families. This created a significant class of small and medium-sized landowners.¹⁸

Bulgaria had no latifundia to be expropriated, so the most important event was strictly political in nature.¹⁹ The disastrous outcome of the war favoured the rise of the Bulgarian Agrarian National Union (BANU - Bulgarski Zemedelski Narodni Suyuz) and its charismatic leader: Aleksandar Stamboliiski (1879-1923), the only Bulgarian politician who could claim open, uncompromising opposition to the adventurism of Tsar Ferdinand I during the Balkan Wars and in 1915 when Bulgaria entered the Great War as an ally of the Central Powers. His political stance helped him gain political leadership in the difficult aftermath of the war. On 27 November 1919 Stamboliiski signed the punitive Treaty of Neuilly, which sanctioned the Bulgarian defeat in the War with harsh territorial amputations (for example the fertile territory of South Dobroudja) and some serious limitations on national sovereignty, such as a five-year prohi-

Dobrudja. According to the 1930 census Romanians constituted 71.9% of the local population. Cfr. L. Boia, *România țara de frontieră a Europei*, Bucharest, Humanitas, 2001, p. 97.

¹⁷ See D. Mitrany, *Il marxismo e i contadini*, Florence, La Nuova Italia, 1954, p. 132.

¹⁸ See H.L. Roberts, *Rumania. Political Problems of an Agrarian State*, Hamden, Archon Books, 1969, pp. 22-32.

¹⁹ In Bulgaria, after the end of the Turkish domination and the expropriation of the great properties of the Ottoman feudal lords, the new state allowed the continuation of an agricultural property system based on small and medium-sized properties. The new lands made available by the departure of thousands of Turkish families from Bulgarian territories made it possible to sustain an increased peasant population even without substantial improvements in the quantity and quality of agricultural production. Cfr. R.J. Crampton, *Bulgaria: 1878-1918: a History*, New York, Columbia University Press, 1983. In fact interwar Bulgaria was a perfect example of direct-land exploitation. Cfr. S.D. Zagoroff, J. Végh, A.D. Bilimovich, *The Agricultural Economy of the Danubian Countries 1935-45*, Stanford, Stanford University Press, 1955, p. 52.

bition on signing independent trade agreements.²⁰ The peace treaty imposed a steep reparations bill of 2.25 billion gold francs and the payment of occupation fees.²¹ But in 1920, thanks to the diplomatic efforts of Stamboliiski himself, Bulgaria was the first of the defeated powers to join the League of Nations.²² He also managed to obtain a substantial loan from international institutions to cope with the refugees who had come to Bulgaria after the war.²³

Europe had never seen an agrarian political force – putting the countryside at the center of a general project for social reorganization and rethinking the state – come to power by a democratic process.²⁴ This represented a revolutionary change in the Bulgarian elite. The traditional Western-inspired political parties, and in some ways the forces of the left as well, understood the progress of the Bulgarian nation as a process of rapid industrialization, infrastructural network construction and urbanization.²⁵ But the agrarians brought a radical

²⁰ See D. Mitraný, *The Effect of the War*, cit., p. 190.

²¹ In February 1921, when the Bulgarian government failed to pay the first reparation instalment, an Allied Reparation Commission was constituted in Sofia. Cfr. M. Ivanov, A. Tooze, “Disciplining a ‘black sheep of the Balkans’: Financial Supervision and Sovereignty in Bulgaria, 1902-38”, in *Economic Historic Review*, 64, 1, 2001, pp. 37-38.

²² See J.D. Bell, *Peasants in Power. Alexander Stamboliski and the Bulgarian Agrarian National Union, 1899-1923*, Princeton, Princeton University Press, 1977, pp. 85-153.

²³ Cfr. D. Vachkov, “Macedonian Refugees and Their Accommodation in Bulgaria - Financial and Economic Aspects of the Problem (from 1878 to the 30s of XX Century)”, in *Makedonskij Pregled*, 1, 2016, pp. 24-30.

²⁴ A most interesting analysis of Bulgaria in the decade after the War is that of a French expert assigned by the League of Nations to check on Bulgarian compliance with the economic clauses of the Treaty of Neuilly. Cfr. H. Prost, *La Bulgarie de 1912 à 1930. Contribution à l'histoire économique et financière de la guerre et de ses conséquences*, Paris, Éditions Pierre Roger, 1932.

²⁵ On the achievements and the many contradictions of Bulgarian economic development between Liberation and the Balkan Wars, see: M. Ivanov, “Indipendenza politica contro declino economico: l'esperienza bulgara, 1880-1910. Un'ipotesi di 'sviluppo senza liberazione'”, in M. Dogo (ed.), *Schegge d'impero, pezzi d'Europa. Balcani e Turchia fra continuità e mutamento 1804-1923*, Trieste, LEG, 2006, pp. 149-170. Western influence had been very strong throughout the region since the seventeenth century, and the birth of national states did not erode this influence, even in the nineteenth century. According to Leften Stavrianos, starting at that time Western Europe influenced the Balkans in the realm of finance as well as demography. Especially important was railway building, which had enormous impact throughout the Balkan lands: “[...] the money spent in the

change to the country's perspective: a less than modern nation mainly aiming to subsist through agriculture would now be putting the countryside, its needs and values, at the core of national reconstruction.²⁶ According to Roumen Daskalov, "[...] agriculture is given priority over industry, as the major path to development [...] peasantism typically allows for certain type of industry, especially for processing agricultural products [...] but is decisively against industrial protectionism, which fosters "artificial" industries at the expense of agriculture."²⁷

3. Agriculture or Industry?

The appearances notwithstanding, in the view of George Jackson, while anti-Bolshevism certainly played an important role in starting the agrarian reforms "[...] the other considerations [...] had very little relation to the peasants' real problems [...]."²⁸ The exploita-

process of construction undermined the traditional self-sufficient economy [...] also the railways made possible the importation of large quantities of cheap foreign machine-made goods [...] at the same time [Western] European demands for Balkan agricultural products such as Rumanian grains, Serbian livestock, and Greek currants and tobacco increased [...]" Cfr. L.S. Stavrianos, "The Influence of the West on the Balkans", in C. and B. Jelavich (eds.), *The Balkans in Transition. Essays on the Development of Balkan Life and Politics since the Eighteenth Century*, New York, Archon Books, 1974, pp. 196-204.

²⁶ The rise to power in Bulgaria represented the most resounding success ever achieved by an agrarian political force in Europe, but it came in the context of a broad-based emergence of rural-inspired political forces throughout Eastern Europe. In fact, the Bulgarian case was not isolated; even in Czechoslovakia (the most industrialized country in Eastern Europe), as well as Romania and the SHS Kingdom, peasant forces gained so much electoral support that the Italian scholar Bianca Valota could speak of a "green wave". See B. Valota Cavallotti, *L'ondata verde*, Milan, Centro Italo-Romeno di Studi Storici, 1984. According to Hatzopoulos, agrarian parties, especially in Bulgaria, introduced original political concepts, above all that of the estate and estatist organization, which formed the backbone a radical political ideology. The violent reaction of the traditional and nationalistic forces was almost inevitable. Cfr. P. Hatzopoulos, *The Balkans beyond Nationalism and Identity. International Relations and Ideology*, London, I. B. Tauris, 2008, p. 151.

²⁷ R. Daskalov, "Agrarian Ideologies and Peasant Movements in the Balkans", in R. Daskalov, D. Mishkova (eds.), *Entangled Histories of the Balkans*, Vol. Two, *Transfers of Political Ideologies and Institutions*, Leiden-Boston, Brill, 2014, p. 282.

²⁸ G.D. Jackson, *Comintern and Peasant in East Europe 1919-1930*, New York-London, Columbia University Press, 1966, p. 8.

tion of the agrarian economy was now a privileged tool to procure the resources for industrial development; radical restructuring and the modernization of the entire economic apparatus became the refrain of the new phase of economic transformation in South-East Europe. The countryside was now exploited as symbol of the nation as well as reservoir of economic resources.²⁹

Once the emergencies of the immediate post-war period were overcome, agriculture became the best instrument for promoting exports, hopefully increasing internal accumulation of capital to promote industrial growth. Moreover, the taxation system had an important role both directly and indirectly: the proceeds of the various state monopolies (tobacco, salt, oil, etc.) were invested in economic and social activities that had nothing to do with the promotion and development of the countryside, even though the peasants were the main contributors.³⁰ The State was somehow guarantor of this operation by imposing high protective tariffs for the relevant industrial sectors. In the Balkans protectionism was enforced in two ways: tariff protection and direct support to national industrial production. A series of financial and commercial measures limited industrial imports and helped to restrict national markets to domestic products. Those measures in Bulgaria and Romania played an important role in their internal-driven industrial policies.³¹

In the early 1920s in Romania a special Institute for Industrial Credit was established with 60% of the capital contributed by the State, and in 1927 the Romanian government implemented one of the highest tariff barriers in Europe.³² The 1927 Law on Customs Tar-

²⁹ See A.M. Köll, "Agrarianism and Ethnicity - an East Central European Survey", in H. Schulz, E. Kubû (eds.), *op. cit.*, pp. 142-143.

³⁰ Cfr. H. Seton-Watson, "The Modernization of Eastern Europe (1918-1941)", in S. Fischer-Galati (ed.), *Man, State, and Society in East European History*, London, Pall Mall Press, 1970, p. 256.

³¹ Cfr. M. Georgieva, "Industry and protectionism in South-Eastern Europe during the Interwar period: a Path to Modernization?", in T. David, J. Batou (eds.), *Le développement inégal in Europe. L'essor contrarié du pays agricoles*, Paris, Librairie Droz, 1998, pp. 282-283.

³² See D. Aldcroft, *Europe's Third World. The European Periphery in the Interwar Years*, London, Ashgate, 2006, p. 89.

iffs made the protection and growth of national industry the absolute priority for Romania.³³ Bulgaria – despite its agrarian government – was among the countries that embraced protective tariffs most decisively, and customs tariffs were raised by between 100 and 300 percent from their 1914 levels.³⁴ Stamboliiski considered industrialization only as a process for modernizing, not a means for rearming the state to back an aggressive foreign policy, which would have had a depressing effect on rural living standards.³⁵

In the quest for modernization in Bulgaria, the agrarian regime rejected the Soviet model in favour of the Danish: promoting cooperatives to increase exports of consumer goods. In 1921 the government extended the pre-war legislation to promote industrial development for another 10 years; according to John Lampe, these decisions confirm Stamboliiski's intention to favour industrial development tied to domestic agricultural inputs.³⁶ Later, under the bourgeois government headed by Andrey Lyapchev, customs duties were twice raised significantly, in 1926 and 1928, as noted at the time by Professor Konstantyn Bobchev.³⁷

The same thing happened in Romania, where to a lesser degree high duties were set on imports of machinery and tools. These high duties were one of Romania's levers of financial stabilization, given the lack of foreign currency reserves to back the money supply and of gold reserves, confiscated by the Bolsheviks in 1917. Minister Nicolae Titulescu instituted the policy of protectionism in 1921.³⁸

³³ See B. Blancheton, N. Nenovsky, *op. cit.*, p. 6.

³⁴ See I.T. Berend, G. Ránki, *Lo sviluppo economico nell'Europa centro-orientale nel XIX e XX secolo*, Bologna, il Mulino, 1974, p. 201.

³⁵ See J.D. Bell, *op. cit.*, pp. 72-73.

³⁶ J.R. Lampe, *The Bulgarian Economy in the Twentieth Century*, London-Sydney, Croom Helm, 1986, pp. 71-72.

³⁷ See B. Blancheton, N. Nenovsky, *op. cit.*, p. 8. Konstantin Bobchev was the most important Bulgarian proponent of the theory of the international market and protectionism. Over the years he had direct contact with his Romanian colleague Mihail Manoilescu, who in 1933 invited him to hold the aforementioned conference in Sofia at the Bulgarian Academy of Sciences.

³⁸ Ivi, p. 6.

Just like the rest of Eastern Europe, the Romanian and Bulgarian states too became entrepreneurs. Romania now owned several industrially strategic production plants. According to 1936 data, State enterprises' assets were valued at 131 billion Lei (the Romanian currency) compared with 317 billion Lei invested in agriculture, of which 247 billion represented just the assessed value of the land.³⁹ In Bulgaria the state controlled metallurgical, military and steel production and owned important mines, including the strategic Pernik coal mines and metallurgical industries in the western territories.⁴⁰ In short, in Romania and Bulgaria in the 1920s the State was unquestionably the prime actor in economic life. Industries, banks, infrastructures (especially transportation) and trade were subject to the State. Under the slogan of "nostrification" aimed against national minorities (especially in Romania), nationalist leaders cut off many valuable contacts with the financial institutions of Central Europe; but, most of all "[...] the slogan 'nostrification' discouraged foreign capital at the very moment when foreign investors were ready and willing to invest."⁴¹ Of all these cases, Romania is emblematic: the political-economic-financial scene was dominated by the so-called "liberal oligarchy," headed by the strong and prestigious Brătianu family, who controlled countless enterprises and banks; at the same time the family also headed the National-Liberal Party that dominated the Romanian political scene practically throughout the 1920s. According to Angela Harre "[...] the Bratianus' economic policy, which was summarised by their slogan 'On our Own' (prin noi înșine), demanded a profound state intervention in economic affairs and financial support, especially for high import tariffs [...] it means exclusion of foreign interference, the exclusion of foreign capital and nationalisation of industries and raw material [...]" but the State did not become owner. Rather, it "[...] reserved property rights for pri-

³⁹ See N. Spulber, *op. cit.*, p. 37.

⁴⁰ *Ibidem.*

⁴¹ N. Spulber, "Changes in the Economic Structures of the Balkans 1860-1960", in C. and B. Jelavich (eds.), *op. cit.*, pp. 356-357.

vate Romanian beneficiaries. Of course, there were few citizens with the financial power to make over businesses [...] At the same time those citizens were all ethnically Romanian."⁴² In fact, already in the mid-twenties the operation of "nostrification" of the liberals showed problems owing to the party's controversial relations with the oil trusts, bad relations with foreign financial institutions and, finally, the disappointing grain exports of 1925. The criticism of liberal action united all the various components of the Romanian economic world, from the liberalists to the co-corporativists.⁴³

In Romania and Bulgaria, a sort of union between part of the political institutions and part of the academic world appears to have come into being. Both in Sofia and in Bucharest the debate on the character of national development engaged politicians, economists and intellectuals. Already in the last decades of the nineteenth century Romania and Bulgaria were among the countries where the economic theories of Friedrich List (1789-1846)⁴⁴ had become widespread and where economic nationalism, understood as "master in one's own house," developed into industrialism.⁴⁵ This theory was interpreted as calling not only for economic but also for political independence.⁴⁶ The new Eastern European economic theorists, starting in the late 19th century, focused on unequal economic exchange between industrial and agrarian economies; free imports of industrial products made it impossible for an agrarian state to develop its own industry and so ensured the persistence of unequal relations and backwardness. From their perspective, they accused the developed Western economies of manipulating the market to

⁴² A. Harre, *Economic Nationalism in Romania*, in H. Schulz, E. Kubû (eds.), *op. cit.*, pp. 257-258.

⁴³ See B. Murgescu, *România și Europa. Acumularea decalajelor economice (150-2010)*, Bucharest, Polirom, 2010, pp. 253-254.

⁴⁴ On Friedrich List, see E. Wendler, *Friederich List. A Visionary Economist with Social Responsibility*, Reutlingen, Springer, 2015.

⁴⁵ H. Schulz, "Introduction", in H. Schulz, E. Kubû (eds.), *op. cit.*, p. 15.

⁴⁶ I.T. Berend, *History Derailed: Central and Eastern Europe in the Long Nineteenth Century*, Berkeley, University of California Press, 2003, p. 140.

preserve their dominant position; essentially, they rejected free trade and instead put forward a protectionist programme combining the concepts of nation-building and industrialization.⁴⁷

In Romania, the best-known supporter of state-powered, forced industrialization was the economist Mihail Manoilescu (1851-1950). His works linked industrialism, protectionism and corporatism in a unique system of economic nationalism.⁴⁸ According to Manoilescu, only rapid industrial development throughout the country would fuel and promote the overall modernization of Romania and prevent economic and civic regression. For a nation, he argued, shifting from agricultural to industrial occupations is a sign of embracing modernity; therefore, the exodus of the population from the countryside is absolutely desirable, indeed is the natural outcome of social progress.⁴⁹ Progress along this path of economic independence would also favour the growth of trade, competition within the financial system and, ultimately, a more balanced relationship between the developed and the developing countries of the continent. Nevertheless, Manoilescu's theory was still flawed by some ideological elements: from his point of view, a purely liberal approach to economic growth would inexorably make mere profit the core parameter, whereas more nationalistically oriented industrialization led by the State would serve the more general interests of the community and the well-being of the populace. According to Daniel Chirot, in Manoilescu's theories "[...] the future ideal society would be based partly on economic specialties, that is, various branches of the economy would form corporations."⁵⁰ Every branch of society

⁴⁷ See B. Trencsényi, M. Janowski, M. Baár, M. Falina, M. Kopcek, *A History of Modern Political Thought in East Central Europe*, Vol. I, Negotiating Modernity in the "Long Nineteenth Century", Oxford-New York, Oxford University Press, 2016, p. 351.

⁴⁸ H. Schulz, *op. cit.*, p. 15. Manoilescu's works enjoyed considerable diffusion abroad. In 1931 a work of his was translated into Italian as *La teoria del protezionismo e dello scambio internazionale*, Milan, Treves, 1931.

⁴⁹ I. Pohotata, "Mihail Manoilescu - Inspirational Even when He Is not Right", in *Theoretical and Applied Economics*, 7 (512), 2007, pp. 4-5.

⁵⁰ D. Chirot, "The Corporatist Model and Socialism. Notes on Romanian Development", in *Theory and Society*, Vol. 9, N. 2, 1980, p. 364.

should be developed in a corporative sense, and its primary interest should be the nation itself, and in this sense corporations would be totalitarian.⁵¹ At the same time, in order to prosper, the national economy needed to minimize exchange with the world market.⁵² According to Jan Kofman, the popularity of Manoilescu's concept in the Balkan countries and, more in general, in the underdeveloped countries is not surprising. His theories offered theoretical support for a policy of "economic egoism."⁵³

During World War I the Bulgarian government, in a much more coercive manner than the Romanian, sought to institute a committee on the problems of the economy and social supply that would in practice give the State almost total control of the productive apparatus (Committee for Public Welfare, KZOP). The State intervened by militarizing production for the armed forces and requisitioning raw materials. By setting up first a Committee and then in 1917 a Directorate of Economic Problems and Social Security, the State organized production, collection and imports of raw materials. This experience was continued for some time after the end of hostilities.⁵⁴ Based on this experience, Aleksandar Tsankov published his book *Posledstviata ot voinata* (The consequences of the war) in Sofia in 1919. Tsankov (1879-1959) was an economist at the University of Sofia (he taught political economy and was the most prominent Bulgarian representative of the German Economic School) and in the years to come he would play a role of extreme importance in the Bulgarian political arena. By the mid-1930s Professor Tsankov was the leader of an ultra-right political movement, but his economic thought was powerfully influenced by Marxism and by Bolshevik

⁵¹ Ivi, p. 365.

⁵² J. Kofman, "How to Define Economic Nationalism? A Critical Review of Some Old and New Standpoints", in H. Szlajfer (ed.), *Economic Nationalism in East Central Europe and South America 1918-1939 - Le Nationalisme économique en Europe du Centre-Est et en Amérique du Sud*, Geneva, Droz, 1990, pp. 28-29.

⁵³ Ivi, p. 30.

⁵⁴ See G.T. Danailow, *Les effets de la guerre en Bulgarie*, Paris-New Haven, Presses Universitaires de France, Yale University Press, 1932, pp. 130-137.

revolutionary action; his theories combined social democracy with conservative and nationalist political views.⁵⁵ On 5 November 1933 Manoilescu gave a lecture in Sofia, at the Bulgarian Academy of Science, entitled "Economic inequality across nations". He told the attentive Bulgarian public: "[...] the huge disparity between agriculture and industry is obvious [...] this difference in productivity between industry and agriculture creates vast inequality between industrial and agricultural countries [...] the aspiration of agricultural countries for industrialisation is actually their desire to eliminate or at least reduce this inequality. This is a socialism of nations which is even more essential and revolutionary than that of classes."⁵⁶

In his writings, Tsankov maintained that the war had overturned the old economic system and that the years of conflict had allowed the State to take on the role of controller and regulator of the entire economy. Considering the current state of affairs, he contended, it would be difficult indeed to turn back.⁵⁷ The new internal and international situation made it imperative for the State to serve as the main regulating factor of the national economy, in order to promote a through-going process of modernization based on industrialization and some – never actually well specified – social solidarity.⁵⁸ Tsankov came to focus his effort on the social and economic systems forged by Fascism and Bolshevism: both systems had to be applied creatively to produce an original national-socialist system suitable to Bulgaria's economic, social and political situation.⁵⁹ Notwithstanding the country's military defeat and diplomatic isolation, this

⁵⁵ See P.D. Penchev, "The 'Alternative' Socialism of Professor Aleksander Tsankov", in *Economic Alternative*, 2, 2014, pp. 61-75.

⁵⁶ Quoted in B. Blancheton, N. Nenovsky, "Protectionism and protectionists. Theories in the Balkans in the Interwar Period", in *Cahiers du GREThA*, 2, 2013, p. 3.

⁵⁷ See A. Tsankov, *Posledstvijata ot voinata*, Sofija, Pridvorna Nechatnitsa, 1919, p. 98.

⁵⁸ See S. Grancharov, "Il pensiero economico in Bulgaria (1915-1944)", in R. Tolomeo (ed.), *Tra speranze e delusioni. La Bulgaria a Versailles*, Rome, Lithos, 2002, pp. 156-158.

⁵⁹ See N. Nenovsky, P.D. Penchev, "The Evolution of the German Historical School in Bulgaria (1878-1944)", in International Center for Economic Research Working paper N. 8/2013, p. 17.

phase of the post-war period was characterized by considerable academic fervour and efforts to activate broader scientific cooperation, especially with neighbouring states.⁶⁰ During the interwar years economists came to realize more clearly that the Bulgarian economy was integrally connected with European economic life and that economic problems even in small countries could have major consequences internationally.⁶¹ At a conference in Geneva in May 1927 the Bulgarian economist Georgi Danailov said that the study of the Bulgarian economy “[...] could be useful for Europeans because it showed that institutions and practices that had proved feasible in the United States should not be mechanically transferred to Europe”.⁶² Contacts and exchanges between Bulgarian and foreign scholars increased considerably. According to Nenovsky and Penchev, the number of Bulgarian economists studying in Germany was growing, but they were under the influence of the mainstream economists, in general from Western countries, especially Britain and France and above all the Austrian school.⁶³

Actually, between 1919 and 1924 both Romania and Bulgaria experienced their first period of strong industrial growth, based not only on reconstruction and reconversion to non-military production but also on steady growth of new industrial initiatives.⁶⁴ This was unprecedented, given that both countries – albeit for different reasons – had rather limited appeal for foreign financiers.⁶⁵ In Romania,

⁶⁰ I. Ristic, “Scientific, Cultural and Educational Cooperation Between The Kingdom of Serbs, Croats and Slovenes and Bulgaria in the 1920s”, in *Facta Universitatis Series: Philosophy, Sociology, Psychology and History*, Vol. 17, No 2, 2018, pp. 149-158.

⁶¹ N. Nenovsky, P.D. Penchev, “Between Enthusiasm and Skepticism: Bulgarian Economists and Europe (1878-1944)”, in *History of Economic Thought and Policy*, 1, 2018, p. 43.

⁶² Ivi, p. 44.

⁶³ N. Nenovsky, P.D. Penchev, “The Austrian School in Bulgaria: a History”, in *Russian Journal of Economics*, 4, 2018, p. 50.

⁶⁴ A. Teichova, “Industry”, in M.C. Kaser, E.A. Radice (eds.), *The Economic History of Eastern Europe 1919-1975*, Oxford, Clarendon Press, 1985, p. 233.

⁶⁵ In fact, the decade of the 1920s, with a series of ups and downs, saw an overall expansion of credit and the inflow of loans to Eastern Europe. The problem was that Bulgaria used the capital to pay interest and dividends. Romania used the international loans above all to cover budget deficits and stabilize the currency. Cfr. R. Nötel, “Inter-

between 1921 and 1924 new industries (in textiles, for example) grew by 40%, and production expanded constantly until 1929/1930. In Bulgaria, with the end of the war and the imposition of reparations, industry had to be demilitarized, which hampered existing industries and slowed industrialization. The State organized the supply of raw materials for industry and the realization of products, retaining its protection of larger companies.⁶⁶ By 1921 industrial output surpassed that of 1911 – the last year before the Balkan Wars – and Bulgaria’s industrial growth was the highest in the Balkans. In 1929, on the eve of the Depression, industrial investment was 22% above pre-war levels.⁶⁷ Crucially, moreover, the data make it unquestionably clear that until 1923, the year of the violent fall of the agrarian regime, Bulgarian industrial investment grew constantly. In Romania, in 1920 and 1921 a law already in force in the Old Kingdom to favour local industries was extended to the entire country, working a change of enormous impact. For example, State-protected industries could acquire public land at particularly favourable prices, import industrial machinery (needed for new factories) with no increased tariff duties, and pay lower transport costs for their products. One of the effects would come to be extremely important in the Romanian scenario: the emergence of cartels. Cartels in the manufacture of such everyday necessities as paper, sugar, and so on, were formed in 1918. In 1924 a special law nationalized all subsoil resources and cartelized domestic oil sales; in 1926 the Socomet cartel embraced, de facto, all Romanian iron and steel manufacture.⁶⁸

In Bulgaria, following the bloody overthrow of the Stamboliiski regime, Professor Tsankov became prime minister in the coalition government that succeeded the Democratic Sgovor (Democratic Al-

national Capital Movements and Finance in Eastern Europe 1919-1949”, in *VSWG: Vierteljahrschrift für Sozial und Wirtschaftsgeschichte*, 61, Bd. H1, 1974, pp. 79-83.

⁶⁶ R. Andreev, “Aspects of Bulgarian Economy Policy and Development During and After the First World War (1914-1929)”, in *Economic Alternatives*, 2, 2016, p. 183.

⁶⁷ A. Teichova, *op. cit.*, pp. 233-234.

⁶⁸ D. Turnock, *The Romanian Economy in the Twentieth Century*, London-Sydney, Croom Helm, 1986, p. 87.

liance). Shelving the most liberal demands to cut back State intervention drastically, Tsankov sought to realize the broadly accepted idea that “[...] capital should work only for the profit of society as a whole and under the supervision of the State.” As Premier, Tsankov reiterated his intention to limit, at least partially, the freedom of capitalists, hindering the freedom of action of the bourgeoisie both in cities and in the countryside, and to act in favour of proletarians and peasants.⁶⁹ A series of legislative acts – the State therefore acting as protagonist – regulated Bulgarian economic life, with direct State management of most of foreign trade and domestic commerce as well. In 1928, at the height of a hot debate over the proper nature of State intervention, new legislation along the lines of a 1909 law sought to meet the needs of Bulgarian industry and protect it from foreign competition. As John Lampe pointed out, the new import tariffs “[...] laid down the sharpest set of increases recorded among 13 states of continental Europe during 1920s.”⁷⁰ For some products, such as foodstuffs, maximum levels tripled between 1913 and 1927; for manufactures, they quadrupled: “[...] these were genuinely protectionist levels.”⁷¹

4. A Turning Point: The Great Depression

This, then, was the context in which the Balkans and all of Eastern Europe were struck by the devastating effects of the New York Stock Exchange crash late in 1929. The Depression hit the agrarian economies later than the industrial countries, but the consequences were more severe and longer-lasting. In fact the Western industrial countries erected tariff barriers against cheap imports, so the agrarian states of Eastern Europe lost access to fundamental markets.⁷² In Eastern Europe in general and in the Balkans in particular, the dras-

⁶⁹ S. Grancharov, *op. cit.*, p. 160.

⁷⁰ J. Lampe, *op. cit.*, p. 72.

⁷¹ *Ibidem.*

⁷² M-J. Calic, *op. cit.*, p. 425.

tic economic downturn strengthened the tendencies toward autarky: more protectionism and more legislation to protect domestic industry. Especially in the Balkans the results were not positive. As Nicolas Spulber noted, the South-eastern governments “snagged their own drives, however, with erroneous fiscal, monetary and lending policies.”⁷³ In fact in Romania, as in many other countries with a similar economic structure, protectionist economics remained very strong despite vehement attacks against these theories by many Western economists starting in the mid-thirties. In Romania, Manoilescu’s theses were questioned by Gheorghe Tașcă, rector of the Academy of Commercial and Industrial Studies in Bucharest, who pointed out that Manoilescu’s nationalist credentials, hence his economic analysis, began with the concession

[...] that his opponent might be right that a Romanian peasant gave ten days’ labour for one day’s labour embodied in the output of a manufacturing industry only one-fourth as productive as competing foreign industries; [this implied that] under a closely controlled economy the same Romanian peasant would have to give forty days’ labour instead of ten, to acquire the same industrial product.⁷⁴

In Bulgaria, in broad outline, there were two main interpretative models of the crisis. One saw it as a natural part of the development of the market (initially agricultural) and as a cyclical and transitory phenomenon, with no need for outside (State) interference in market mechanisms or forms of private property. The other interpreted the Depression as a fundamental, structural break leading to irreversible long-term change. Both interpretations were purely technological and couched in terms of mechanisms of economic coordination. According to Nikolay Nenovsky, “[...] the change in the perception of

⁷³ N. Spulber, *op. cit.*, pp. 72-73.

⁷⁴ J.L. Love, “The Roots of Unequal Exchange: Mihail Manoilescu and the Debate of the 1930s”, in R. Kattel, J.A. Kregel, E.S. Reinert (eds.), *Ragnar Nurske (1907-2007) Classical Development and its Relevance for Today*, London, New York, Delhi, Anthem Press, 2011, p. 118-119.

crises was gradual and involved certain twists and turns, as Bulgarian economists (i.e. professor Todor Kalinov) had to take clear positions with regard to Marxist assertions on the abolition of private property and the construction of socialism.⁷⁵ According to Rumén Andreev, in Bulgaria, as elsewhere, protectionism intensified during the 1930s, taking various forms. The policy was backed almost unanimously by the Bulgarian economists during the Depression. For even though in principle protectionism would ordinarily not produce desirable results, it was necessary temporarily to stabilize the economy in a time of crisis. The effects of protectionism in Bulgaria did not differ significantly from those observed in the other Balkan countries, and while it did not resolve structural problems, it was a way to save the Bulgarian economy during the crisis.⁷⁶

According to Maria Georgieva, “[...] when we investigate the achievements of industrial development with the aid of protectionism, the unfavourable relation between the direct results and the sum of losses to society in the name of industrialization, [...] the consumer losses caused by higher prices of domestic industrial products, [...] the unpaid taxes of the subsidized industrial enterprises etc., one cannot fail to mention the ratio of gains to losses, which has been calculated at 1:2.3 or 1:3.”⁷⁷ Most scholars agree on the failure, in practice, of the industrial policies and modernization programmes of the Balkan Countries, especially the Danubian countries, in the 1920s. These efforts failed to work a lasting, thoroughgoing transformation of either the Romanian or the Bulgarian socio-economic structure. Agricultural production far below the high efficiency and productivity desired by the Romanian land reformers, or Stamboliiski’s mirage of turning Bulgaria from a Balkan Prussia into a Balkan Denmark, did not allow for even the most modest internal accumu-

⁷⁵ N. Nenovsky, “Theoretical Debates in Bulgaria during the Great Depression”, in *OEconomia. History - Methodology - Philosophy*, 2-1, 2012, pp. 77-78.

⁷⁶ R. Andreev, “Protectionism in Bulgaria during the Great Depression: Theory and Practice”, in *Journal of Economics and Business*, Vol. XVI, 2, 2013, p. 82.

⁷⁷ M. Georgieva, *op. cit.*, p. 289.

lation of capital. Yet farm output remained crucial for foreign trade, though its role in economic growth was certainly smaller than in the years before World War I. Nevertheless, in both countries the proportion of population working in agriculture was roughly the same in 1939 as it had been in 1910.⁷⁸

In short, even once the industrialization drive had gotten under way, it was unable to keep pace with the changing technical conditions for modern production standards. As Berend and Ránki pointed out, the Balkans, like the rest of Eastern Europe, did not escape their status as subaltern to the more highly developed Western economies; in the end, the boom of the 1920s was really no more than a gradual recovery from the disasters of the war, not a new stage of development. The agrarian reforms, while socially and politically urgent, failed to produce any substantial increase in agricultural output or, consequently, in the accumulation of capital. By the eve of the great crisis, industrial production had expanded by about 40% in both Romania and Bulgaria, but this was not enough to transform their economies.⁷⁹ In any case, the growth rate in the two countries remained lower than in the pre-war years. "The leap forward of the Twenties did not have enough momentum to make them progress far beyond the initial stage."⁸⁰

John Lampe had already made it clear that, in Bulgaria, only a few of the industrial firms that had arisen in these years managed to approach the quality standards of the West in terms of technological innovation and profitability. In short, most of Bulgarian production had not been blessed by substantial progress, foreign markets remained inaccessible, and the domestic market was unable to guarantee any actual development. In general, Bulgarian industrial products were of poorer quality than those of the West, and technical and organizational standards continued to be underdeveloped. In 1930 most industrial output consisted in textiles and food products (66%),

⁷⁸ I.T. Berend, "Agriculture", in M.C. Kaser, E.A. Radice (eds.), *op. cit.*, pp. 206-208.

⁷⁹ I.T. Berend, G. Ránki, *op. cit.*, pp. 281-285.

⁸⁰ Ivi, p. 285.

while metalworking accounted for just 8% of industrial production.⁸¹ Bulgaria, even at the height of this ephemeral phase of expansion, remained a country dominated by the agricultural economy and relatively unurbanized. The spectacular increase in the population of Sofia (230,000 in 1926) was due essentially to the arrival of Thracian, Drobrugiot and Macedonian refugees.⁸²

Industrial development faced many critical points in Romania as well. The growth indexes of the 1920s – spectacular in appearance – actually did little more than regain the overall level of output in 1913. The years 1921-1926 were spent in recovering from wartime destruction.⁸³ And the traditional structure of the labour force was hardly affected by the “progress” of the 1920s; until World War II more than half the workforce was employed principally in the processing of raw materials for export. Nor can it be overlooked that in spite of the importance of protectionist tariffs, as late as 1935 only 16% of the machines and engines required by the domestic market were Romanian-produced; the rest were imported. At the same time, according to Roberts, the growth of the capital goods industries failed to match the development of a strong domestic market. Romanian petroleum and Romanian wood were destined to exports, while the growth of metallurgy was due to State demand for armaments, especially in the mid-1930s.⁸⁴ Just as in Bulgaria, Romanian industry could not absorb the workforce generated by agricultural overpopulation. According to the economist Virgil Madgearu, from 1929 to 1938 the industrial workforce grew by between 10,000 and 90,000 yearly, but the excess in agriculture was estimated at between

⁸¹ Cfr. J. Lampe, *op. cit.*, pp. 68-71.

⁸² More than 250,000 of the 10 million European refugees in the interwar years were in Bulgaria. The impact of this mass of refugees on the economy, society and politics of a country like Bulgaria of just over 5 million inhabitants in the early 1920s was enormous. See T. Dragostinova, “Competing Priorities, Ambiguous Loyalties: Challenges of Socioeconomic Adaptation and National Inclusion of the Interwar Bulgarian Refugees”, in *Nationalities Papers*, 34, 5, 2006, pp. 549-574.

⁸³ H.L. Roberts, *op. cit.*, p. 68.

⁸⁴ Ivi, p. 69.

100,000 and 200,000.⁸⁵ According to David Turnock, industrial progress was by no means insignificant. There was definitely a continuity of effort with “[...] consolidation and expansion along the lines laid down this time. At this stage, however, the range of manufacturing was still narrow and [...] although capital did not now exert the same overwhelming influence, the main developments were restricted to a ‘central axis’ running from Bucharest to Banat, that left extensive backward areas in the North, South and East of the country.”⁸⁶ According to Bogdan Murgescu, Greater Romania, with its much larger territory than the Old Kingdom, exported less grain than in the years before World War I. And the statistical series show that when world market prices were high, Romania exported only relatively small amounts of agricultural products, and when they fell these exports increased.⁸⁷

5. Conclusion

Most scholars agree that the policies for industrial growth and modernization of the Balkan countries in the 1920s, and those of Romania and Bulgaria in particular, proved a virtual failure. For many of the peripheral economies of Europe, the interwar period was a time of considerable growth, but South-Eastern Europe was a notable exception. In general, the Balkan countries showed an average annual growth rate of just 0.6%. This poor result was determined chiefly by Bulgaria and Romania: both countries stagnated, and forced industrialization encountered serious problems. In Bulgaria, for instance, the contribution of industry to GDP remained at 10%, more or less the same as before 1913.⁸⁸ In conclusion, the observa-

⁸⁵ V. Madgeauru, *Rumania's New Economic Policy*, London, P.S. King&Sons, 1930, p. 32

⁸⁶ D. Turnock, “The Pattern of Industrialization in Romania”, in *Annals of the Association of American Geographers*, 60, 3, 1970, p. 546.

⁸⁷ B. Murgescu, *op. cit.*, pp. 234-239.

⁸⁸ M. Morys, “South-Eastern European Growth Experience in European Perspective, 19th and 20th centuries”, in R. Avramov, S. Pamuk (eds.), *Monetary and Fiscal Policies in*

tions set forth in a famous essay by Alexander Gerschenkron on Bulgarian industrialization certainly apply to Romania as well: the final result was not absolute absence of development but rather the lack of a real, deep-going structural transformation capable of involving the whole of society.⁸⁹

Nor would these efforts produce stable, profound modernization of socio-economic arrangements in the two countries, to say nothing of their chronically underdeveloped infrastructural network, even with respect to the needs of countries which, as we have seen, were only very partially urbanized and lacked an efficient and reliable industrial framework. Their infrastructures, urbanization, literacy, infant mortality, and socially originated chronic disease (tuberculosis, alcoholism, pellagra, etc.) remained among the worst if not the worst in Europe, while the resources allocated to industrial activities severely hampered concrete investment in agriculture. Despite the efforts made, Bulgaria and Romania were still among the least diversified agricultural economies of Europe. It was impossible for them to engage in the kind of radical restructuring that could increase efficiency, modernization, mechanization, the use of chemical fertilizers, and improved methods of livestock breeding. In Bulgaria, for example, the proportion of cropland dedicated to grain remained very high, almost two thirds, about the same amount as the land left fallow: in both cases the highest proportion in all of Eastern Europe.⁹⁰ In Romania too, agriculture suffered from low productivity, owing to very poor use of fertilizers and machines, a primitive system of crop rotation, and poor quality livestock. The main problem, in any case, was certainly the failure to adapt the crop structure. Until World War II Romanian agriculture was dominated by grain: wheat and maize accounted for two thirds of the total harvest, and during the interwar years the cereal market could hardly be called buoyant.⁹¹

South-East Europe. Historical and Comparative Perspective, Bulgarian National Bank Series, Finance and Banking History, Sofia, 2006, p. 35.

⁸⁹ A. Gerschenkron, "Aspetti dell'industrializzazione in Bulgaria. 1878-1939", in *Ibid.*, *Il problema storico dell'arretratezza economica*, Turin, Einaudi reprints, 1974, p. 202.

⁹⁰ D.H. Aldcroft, *op. cit.*, p. 74.

⁹¹ Ivi, p. 88.

Overall, these weaknesses left the two countries, and the Balkans in general, more highly exposed to international crisis. Meanwhile, the lack of economic complementarity and the presence of political suspicions prevented them from even trying to work together in coping with the most devastating effects of the Depression. In fact, not even the highly significant political and cultural novelty of the Balkan Conferences (1930-1933) – the prerequisite for the Balkan Pact (October 1934) – could trigger true, profound economic collaboration among the countries of South-Eastern Europe. These meetings of politicians, journalists and members of civil society from Romania, Bulgaria, Yugoslavia, Greece and Turkey did help to allay mistrust and mutual suspicion, but they were unable to change the trade situation or engender greater interdependence between the economies of the region. True, at the conferences the delegates did discuss the idea of strong economic cooperation, including a possible customs union and the development of common infrastructures and monetary and banking integration.⁹² However, when the treaty that marked the birth of the Balkan Pact was signed in 1934, neither Bulgaria nor Albania joined. In any case, the international climate was now decidedly unfavourable to Balkan cooperation, which was extremely difficult from the political standpoint and practically non-existent in economic terms.⁹³

The economic and geopolitical consequences were not long in emerging when, starting in 1933, the Third Reich appeared on the Eastern European scene with all the might of the German economy

⁹² N. Nenovsky, P.D. Penchev, "Between Enthusiasm and Skepticism...", cit., p. 45. During the Balkan Conferences it was mainly the Turkish and Yugoslav delegations that raised economic and financial issues. Cfr. T. Diourdiévitch, *Toward a Balkan Monetary Union*, Belgrade, Printing House Radenkovic, 1936.

⁹³ On the Balkan Conferences see M. Türkes, "The Balkan Pact and its Immediate Implications for the Balkan States, 1930-1934", in *Middle Eastern Studies*, Vol. 30, 1, 1994, pp. 123-144. See also the classical study by R.J. Kerner, H.N. Howard, *The Balkan Conferences and the Balkan Entente 1930-1935. A Study in the Recent History of the Balkan and Near Eastern Peoples*, Berkeley, University of California Press, 1935; T. Geshkoff, *Balkan Union. A Road to Peace in Southeastern Europe*, New York, Columbia University Press, 1940.

and tools of pressure as innovative as they were dangerous. Germany was determined to make the natural resources of those countries a fundamental strategic resource for the ambitions of expansion that would later lead Germany to conquer all of Eastern Europe.⁹⁴

⁹⁴ See P.N. Hehn, *A Low Dishonest Decade. The Great Powers, Eastern Europe, and the Economic Origins of World War II, 1930-1941*, London-New York, Continuum, 2005, pp. 99-117.