

The Bread and Butter of Transition:
Agriculture in Bulgaria
1989-1997

An Honors Thesis for the Department of History

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INTRODUCTION

The worst thing about Communism is what comes after.
Adam Michnik

I'm glad we have a chance to meet. We've got to be
certain that we're all telling them the same story.
One American economist to another, 1990¹

In 1944, as the twelfth-hour efforts of Prime Minister Ivan Bagrianov² to wipe clean Bulgaria's half-century alignment with two German Reichs were becoming futile (he was to resign on September 1, and eventually face a People's Court), and the Soviet Union, its Red Army advancing through neighboring Romania, was preparing to declare war, someone in the National Statistical Institute found time to count the tractors: there were 4,500 in the land.

1985: shortly before Mr. Todor Zhivkov – a man of seventy-four years, the last thirty spent as General Secretary of Bulgaria's Communist Party – found himself snubbed in the face by having to wait an entire day before seeing his new Kremlin colleague, the rumored *enfant terrible*, someone back in the Statistical Office of the People's Republic wrote down that, as tractors went, Bulgaria could now boast no fewer than 146,000.

Some fifteen years later, as Simeon of Saxe-Coburg and Gotha (who in 1943, aged six, had begun his political career with a three-year-long spell as King of Bulgaria) was being sworn as Prime Minister, no one whispered to him that, in the upcoming year, his tractor constituency would number no more than 25,000.

What follows is, in some ways, the story of 121,000 missing tractors.³

¹ Schlack, "Going to Market in Bulgaria," 515.

² Transliteration follows the Library of Congress Romanization Table for Bulgarian, to be found at <<http://www.loc.gov/catdir/cpsd/romanization/bulgaria.pdf>>. The letter *ŭ* corresponds roughly to the vowels in 'sir' and 'murmur.' *Zh* is pronounced as the *s* in 'leisure' and 'occasion;' *kh* as the *h* in 'hungry;' *ch* as in 'cherish' or 'charitable.' For citations, source transliteration is retained.

³ For the 1944 and 1985 numbers, refer to Meurs and Spreeuw, "Evolution of Agrarian Institutions," 278. The number of tractors in 2000 is supplied by the World Resources Institute via "Bulgarian Agriculture Statistics," *NationMaster* <<http://www.nationmaster.com/country/bu-bulgaria>>.

There is a somewhat self-explanatory side to the question of why Bulgaria's agriculture took a downturn after 1989. It could not but have done so. As with much of the rest of the 'socialist' society which had been in the works since 1945 – its bustling concert halls, organized seaside vacations and relatively safe streets – the years after 1989 brought home the extent to which what had always been received by Party officials as the bare given of the state's capabilities, to be remedied and improved by prudent reform, had really been the costly, enforced *maximum* of the mammoth's strength. Despite its regularly combed fur and an air of perseverance, the creature had run the last miles of its marathon out of breath, sustained not by the promise of future reward, but by a whip; and shortly before the unexpected finish line, its trunks and hide were whisked away by the same invisible hand that had hitherto held the lash. For all would-be reformers to see, a previously presentable being was revealed, without the violent impetus of the state, to be its own mere shadow.

But while the "Why?" is not so puzzling, "Why so much and for so long?" gives more room for thought. In 1997, when coherent, long-term and constructive economic reforms began, Bulgarians not only exported less agricultural goods than they did in 1989, they also ate, as Table 1 in the Appendix illustrates, less bread, fruit, vegetables, and eggs, drank less milk, and were, in a reversal of 1989's cathartic expectations, a less healthy people.

Indeed, in terms of GDP per capita, the Bulgarian economy first recovered its 1989 level only in 2005.⁴ The relationship between the agricultural sector and the overall economy in Bulgaria is mostly defined in terms of the declining share of the former within the latter – a trend, which, as my brief introduction to the history of Bulgarian agriculture will show, can be traced to the state-orchestrated industrialization of the 1940s and 50s, or, with a broader view and an

⁴ Georgi Angelov, et al., *Anatomiia na Prekhoda...* (2004).

acknowledgment of some ups and downs, all the way to Bulgaria's exit from the economy of the Ottoman Empire in the 1880 and 90s. In other words, the decline of agriculture's share of the economy during the early 1990s is not, in itself, particularly striking, and would, if examined, reveal itself less as a product of 1989 than of 1946 – or 1878. Nor is that decline unique to Bulgaria: the tendency of agriculture in the twentieth century to wane in proportion to industry is almost universal. But the length and intensity of the *absolute* decline of Bulgaria's economy, made tangible in terms of agriculture by lower output, export, and domestic consumption and higher imports, were the by-product of policies instituted shortly before and in the years following 1989. What were these policies, how and why and to what intended effect were they instituted, and how did their being put into practice unfold?

To ask these questions is to make a heavy emphasis on the so-called institutional aspect of history, the limitations whereof are worth mentioning. In terms the present topic, I found it practical to start with policy. The daily business of agriculture starts less often with a piece of paper than with a shovel; but whether or not there is a shovel to pick up is often determined in advance by a piece of paper. Yet in a country such as Bulgaria at a time such as the early 1990s, when a kaleidoscope of parliamentary majorities were each starting anew their hurried apprenticeships in upgrading a lawless society to a democracy, there is only so much 'pure policy' will tell.

It seems sensible to poise the problem of Bulgaria's agricultural decline as a pitched battle between the legislative efforts of progressive reformers and entrenched ex-communists. In its pure form, however, a correlation between reformist policies and higher agricultural output is, if one refers to Graph 1 in the Appendix, difficult to discern. This may be due to a variety of factors, not least variations in the weather, or the time lag between the passing of reactionary laws by ex-Communists and their implementation, or the challenges reformists' policies met 'on the ground.' As this paper will show, to see Bulgaria's agricultural troubles between 1989 and 1997 as stemming from the obstructionism of former Communists is not at all unsound.

Such a view, however, ignores the question of why, if the policies of the Bulgarian Socialist Party (into which the Communist Party renamed itself in January 1990) were so detrimental to agriculture, it was repeatedly sent into Parliament by the votes not of old-school Marxist urbanites, but of those very people who made their livelihood from tilling the land and whose life those policies made more difficult. I have avoided assuming, as many Bulgarian and Western economists did, that the electoral triumphs of the Communist Party were due, on the whole, to habitual loyalty, political naïveté, and tightly knit local politics. Luckily, because of some excellent scholarship, I do not have to, and can confidently point out the methodological inadequacy of explaining away Bulgaria's difficulties with only a good-bad Communist-Reformers approach.

Policy, then, is not the entire story, but it is a stepping stone towards understanding a relationship between laws, society and the economy, which is to my mind dialectical. What I mean by this is simply the mutually reinforcing process, whereby laws tend to generate the conditions of their own amendment, but in which also people are not just inert agents, but via the sum of their individually rational responses shape the imperatives of change. In some societies this process is more discernible than others. In early 1990s Bulgaria it can still be seen, but in a highly accelerated, messy form. In some sense, this paper will reveal how out of its agency over the eight years from 1989 to 1997 there emerged a big, downward trend in agricultural productivity.

In his book *The Socialist System*, the Hungarian economist János Kornai identified five dilemmas faced by latter day Party reformers and their recalcitrant successors. "I find this scheme extremely useful," wrote Iván Szelényi in his introduction to a book on economic transformation in post-communist societies.⁵ "It gives us a check-list of questions to address."

The first dilemma identified by Kornai was the *over-centralization of the economy*, a sign that the centralizing tendencies of the twentieth century, arguably healthy when they were first

⁵ *Privatizing the Land*, 3-5.

forcefully implemented in Bulgaria in 1946, had gone too far. The problem with concentrating too much regulative discretion in a handful of civil servants, as the Austrian economist Friedrich von Hayek convincingly argued, is that the ever increasing demands of gathering knowledge put before this group can never quite be met.⁶ Transmitting information involves losing some of it, if simply by virtue of selecting what is 'important' for the superiors to know and what is not. Decentralizing executive discretion, Kornai and Hayek would argue, thrusts decisions upon those possessing the most available pertinent information. It also, as has been widely noted, gives back – or at any rate gives – a sense of initiative, which in the huge agro-industrial complexes created by the Bulgarian government in the 1970s was all but nonexistent, based as it was on meeting often unrealistic targets-by-decree and the awareness that going bankrupt is illegal, but then again not quite.

It is this lack of initiative which in the years after 1989 was revealed to be the main problem facing previously centralized socialist economies; for while the centralization itself was susceptible to quick legislative remedies, people used to taking exact orders from above about how many potatoes they should produce by next Monday suddenly found themselves short of the enthusiasm or the expertise or indeed the taste for the society of entrepreneurs they were asked, envisioned, and extolled, to become. By the mid-1990s the more troubling caveats of the idea that once the Bulgarian economy was freed, people's capitalist spirit would soon follow, had given rise to two diverging views.

On the one hand, some were ready to be reconciled with the idea that until a new generation, entirely nurtured in a post-communist society, took the reins, little that is substantial or permanent could be achieved, and that it was therefore their task to ensure that such a society was there for the next generation to be nurtured in. Others, many of whom had participated in the legislative process of communist Bulgaria, took up the opportunity to argue that, if reforms did not reflect what the people wanted, they should be enacted slowly, cautiously or not at all. The more

⁶ "The Use of Knowledge in Society" (1945).

the tangible results of ‘capitalism’ failed to live to people’s expectations, the more the latter view spoke, as it still does, to a sense of disillusionment. Of course, capitalism, in any Western-European sense, was hardly given a chance to rear its head in Bulgaria before 1997. Such are the ironies of public discourse.

The second dilemma identified by Kornai was the *rushed industrial growth* initiated by communist governments virtually everywhere. In many communist countries, the agrarian sector was overstrained, overworked, and overtaxed, so that it could subsidize the rapid growth of industry. In Bulgaria, too, rapid industrialization was both a cherished goal and a reality. As Graph 2 in the Appendix shows, while the industrial sector grew in the four decades between 1949 and 1989, even within it manufacturing relying on agrarian goods declined sharply to the benefit of machinery. The 1947 Two-Year Recovery Plan started this trend by proposing 45 per cent investment in industry and only 6 in agriculture, and by advocating large output increases in industries that were practically nonexistent.⁷ Yet, although such policies left the agrarian sector relatively weakened, agricultural production in absolute terms continued to increase throughout the communist period. The problem, at least according to Party officials from the late 1960s onwards was not that agriculture was not growing, but that, like the rest of the economy, its growth began slowing down almost immediately after the initial surge of the 1950s. They engaged with this problem throughout the last third of the century. *Vis-à-vis* Kornai’s framework, it is fair to say that the rushed industrial growth of the Bulgarian economy was not quite rushed, not exclusively industrial, and, by the 1980s, not much of a growth. For reasons of tangled ideology, domestic tranquility, as well as of foreign trade, importance was given to agriculture on its own terms; and post-1989 foodstuff-reformers sometimes felt like they were dealing with the spoiled, rather than deprived, child of the economic family.

⁷ Seton-Watson, *The East European Revolution*, 244.

If untangling the long-term effects of four decades' worth of central planning was a daunting task in 1989, few reformers had time to deal with it *in* 1989, for what became immediately of concern was Kornai's third dilemma, the *disequilibrium of input and output prices* in the agricultural sector. By 'input' I mean prices, at which agricultural cooperatives [hereafter co-ops] could buy necessary machinery and other equipment; by 'output,' those prices, at which co-ops could sell their produce. In Bulgaria's centrally-planned economy, both types of prices were set by the government, which, like practically all its Eastern European counterparts, tended to decree high prices on industrial goods and low prices on agricultural ones, and, when the disparity inevitably resulted in co-ops making losses, to subsidize the problem away. In 1990, in what seemed to the average citizen like an overnight transformation, the Bulgarian government ceased its control on some prices, allowing the effect of supply and demand to kick in. As basic commodities became more expensive than ever in living memory, and later impossible to obtain, it was not surprising that most people did not find equilibrium prices particularly equilibrial.

The, most prolonged and controversial post-communist predicament was the fourth dilemma, identified by Kornai, the *public ownership* of the economy. A separate chapter in this paper will be devoted to its complexities. Here, it is perhaps enough to note that, since the 'state' was the Party, it is the *Party ownership* of the economy that has occupied Eastern European reformers for two decades; and that, for this author, nowhere else were the wrinkled features of the Party face so easily discernible, as when it tried to smile and sell its possessions to its own people. There is, to be sure, a very important caveat to the implications of the last sentence: in the years 1989-1997 a large portion of what had been the 'state's' liquid assets and movable property was collectively taken not just by Party officials, but by most of 'the people' who found themselves in a position to do so. The process of returning immovables (chiefly land) to their rightful owners began with the very question of who, if any, those might be. The process of privatizing the rest became the most spectacular arena for reformer-conservative showdowns.

Which brings us to Kornai's last, and in some sense most general, dilemma – the *Party State*. In Bulgaria's case, this was also the briefest, at least symbolically. The long-standing General Secretary of the BCP was replaced by a Politburo vote on November 10, 1989. By February the following year the Fourteenth and last Extraordinary Congress of the Party had dissolved the Central Committee [hereafter CC] and the Politburo, rescinded Article 1 of the Bulgarian Constitution (which had affirmed the Party's leading role in society), affirmed the separation of Party and State, and agreed on Roundtable Talks with the opposition. Four months later, despite some irregularities, the first post-1989 general election for a new National Assembly was considered, both domestically and abroad, to have been free and fair.⁸

Some, until 1997, kept dismissing Bulgaria's political system as an essentially Party State. Some still do, and there was and is a point to their hyperbole. But it also seems to trivialize the actual Party state, under which my parents grew up. As this paper will show, a lot of the problems of the early 1990s stemmed precisely from a *multi-party* system, and namely (1) its peculiar challenges, and the inability of its participants to make it work; and (2) the new freedoms of such a system, exploited both by the Old Guard-turned-technocrats,⁹ who were in the best position to recognize them, and the average citizen.

Kornai's point in listing these ills was to say that all five should be addressed simultaneously. When he wrote this in 1992, it was an old idea. Already in March 1990, René Höltzchi had written in the *Swiss Review of World Affairs* that “only when all three goals” – he was speaking of “functionally viable” markets, property rights, and monetary reform – “are approached consistently and according to a binding and well-coordinated timetable, is there a chance of truly

⁸ See, for instance, Crampton, “Bulgaria” (1993), 17. The Washington-based International Human Rights Law Group reported that “with relatively minor exceptions, the mechanics of the election, the casting of ballots and the tabulating of results, appear to have been conducted freely and fairly.” See “Bulgaria in Transition: Report on the June 1990 Legislative Election and Discussion of Constitutional Considerations for the Grand Nation Assembly” (Washington, DC: International Human Rights Law Group, 1990), 1, qtd in Creed, “The Politics of Agriculture,” 848.

⁹ I came across this nickname in Szelényi, 10.

changing an economic system.”¹⁰ A month later Marvin Jackson, Director of the Leuven Institute for Central and East European Studies, was writing that “the time when Bulgarians can hope for a better economic life has possibly been put off for more than a year and the intermediate conditions of the transition made unnecessarily difficult.”¹¹ Six months later, the authors of the “Report of the Bulgarian Economic Growth and Transition Project,” supplied by the U.S. National Chamber Foundation to the People’s Republic of Bulgaria, were more cautious and prioritized their task list before demanding its whole-scale implementation.

In hindsight, it well may be that René Höltzchi was right – which would also mean that “truly changing” Bulgaria’s economic system was impossible in 1989. Yet, the examples of Poland and Hungary show that, while a country’s economy cannot be Rubik’s-cubed into a different color with a few gestures, it can be dramatically altered quicker and less painfully than during Bulgaria’s eight-year transition. To engage oneself with this is to ask, as my advisor Professor Dan Mulholland so tersely said, “Why wasn’t Bulgaria Poland?” This question, of course, does not have an answer: it has many. I will attempt to provide some of them.

¹⁰ “The Indivisibility of Economic Reform” (March 1990), 7.

¹¹ “The Dangers of Procrastination,” 1.

CHAPTER 1

Tracing Institutional Legacies:
Growth, Stagnation, and Reform
1945-1989

At the border between the market and the plan ... the reform enthusiasm of “enlightened” party elites faded away.

Martin Ivanov¹²

Plus c’est la même chose, plus ça change.

Isaac Deutscher on the Soviet Union¹³

“The prospects and problems facing the Bulgarian economy during the rest of the twentieth century,” wrote John Lampe, a onetime Foreign Service Officer and Professor of Eastern European History at the University of Maryland, in what is to this day the best-researched book on *The Bulgarian Economy in the Twentieth Century*, “derive principally from the socialist framework put in place by the post-war Communist government.”¹⁴ That he wrote this in 1986, and had in mind the development of Bulgaria’s centrally-planned economy during the rest of the century, does little to diminish his claim. The dissolution of centralized authority was an invitation, for the first time, to engage critically with the mish-mash of reforms and counter-reforms instituted by the Communist government during its forty-year existence.

Reform-mindedness, or at least readiness, was the only way in which Bulgaria – often called the sixteenth Soviet republic – occasionally disturbed its traditional accord with the Kremlin. So outstanding was this tendency that *The Economist* saw fit in January 1984 to say that “Bulgaria’s determination to persevere with the reforms ... [have] made it one the most successful and economically progressive countries in Eastern Europe.” In hindsight the second flattery appears

¹² *Reformation without Reforms: The Political Economy of Bulgarian Communism 1963 – 1989* (2007), 315.

¹³ “The more it stays the same, the more it changes” (Fr.), qtd. by Christopher Hitchens in *Letters to a Young Contrarian* (New York: Basic Books, 2005), 29.

¹⁴ (1986) 223.

more dubious than the first, but both indicate that, despite stagnating growth, the Bulgarian economy was in the early 1980s more a-bubblin' than would meet the eye. No wonder: the establishment of the communist agrarian economy had itself been a radical enterprise, initiated in 1944 when Bulgaria's first wholly communist government began taking possession of the economy. Thereafter, reform never stopped. What this meant, of course, was that for the people who could occasionally peek at the Bulgarian economy's real accounting books, the economy never quite managed to deliver.

Before the Second World War, the latter had been dominated by agriculture and the processing of its goods, which in 1939 accounted for half of all industrial production.¹⁵ In 1911, over 70 per cent of national output, and an equal part of employment, were land-based. Pre-war data for all of Eastern Europe are flimsier than their post-1945 equivalents, posing a myriad of methodological problems in tracing the evolution of, for example, GNP per capita: did it slowly "converge" with that of Western Europe, or decline relative to it? Nonetheless, it is commonly considered fair to assume that in 1946 Bulgarian agriculture was a stagnating and inefficient sector, ripe for the large-scale modernization that was eventually inflicted upon it.

Countering that view, and mindful of the aforementioned methodological challenges, Martin Ivanov and Adam Tooze have argued convincingly that the eager communist industrializers of the 1940s and 50s had been greatly helped by their more modest predecessors in the 20s and 30s. By the end of World War I, extensive growth, whereby production increased each year mainly due to the cultivation of more land, was practically capped: there was no more land to expand into. At the same time, Germany proved quite eager to invest in and buy Bulgarian produce, as well as to sell tools and fertilizers. The resulting intensification of agricultural production was not quite a great leap, but, combined with a great leap in literacy, which in fifty years jumped from occasional to

¹⁵ Meurs and Spreeuw, "Evolution of Agrarian Institutions," 278.

universal, it turned Bulgaria, to borrow Ivanov and Tooze's phrase, "from a nation of peasants into a nation of high-value gardeners."¹⁶

Bulgarian agriculture's communist period began with the establishment, in 1945, of the so-called TKZS [*трудова кооперативно земеделско стопанство*], the full Bulgarian description of which can be translated as a Cooperative Labor Agricultural Farm. Choosing this moment is somewhat arbitrary, but it serves well as a starting point. The TKZS was the first institutional extension of the process of 'nationalization' that began the previous year, when on September 9 the Fatherland Front, a wartime political coalition dominated by the Bulgarian Workers' Party, fought its way into political, and shortly thereafter military, domination. A year later twenty-one cooperative unions were amalgamated into the Central Cooperative Union; two years after that – in 1948 – all TKZSs [hereafter cooperatives or co-ops] were whisked from under its jurisdiction to that of the Ministry of Agriculture. Both the CCU and the MoA were subsequently and at various times abolished and reinstated. Both exist today.

Why 'nationalization' with inverted commas? It is easy to imagine, given the history of the Soviet Union, that agricultural collectivization necessarily entails nationalization of land, but technically – if not practically – land was never nationalized in Bulgaria. To be sure, this difference with the Soviet experience is not as "remarkable" as Bulgarian historians sometimes make it out to be.¹⁷ As the American University economist Mieke Meurs observed in a paper written in 1998 with Simeon Diankov, currently Bulgaria's Finance Minister, "from 1944 to 1989, Bulgarian agriculture was among the most completely collectivized in the world."¹⁸ Farm tenants in the late 1940s did not all, as was later insisted, join a cooperative with communitarian fervor.

In 1989, however, it was possible to exploit the legal implications of the fact that the collectivization of land forty years prior had been *de jure* voluntary. As late as 1950, when half of all

¹⁶ "Convergence or Decline on Europe's Southeastern Periphery? Agriculture, Population, and GNP in Bulgaria, 1892-1945," 695.

¹⁷ See, for instance, Petkov and Dichev, 8.

¹⁸ "The Alchemy of Reform," 43.

cultivated land already belonged to agricultural co-ops, the property laws of pre-war Bulgaria were still, at least on paper, largely intact.¹⁹ Land remained the property of co-op members, who were even, until 1968, paid yearly rent.²⁰ In practice, of course, co-op members never had much autonomy over their production, even if they continued owning the land, and their ownership was overlooked in the early 1970s when state-owned farms and member-owned co-ops were coalesced into gargantuan agro-industrial complexes.

It is with the creation of these AICs that the second of what can, for the sake of brevity, be condensed into three phases of pre-1989 agricultural reform, began. The first phase – that of collectivization and centralization in the late 1940s and 50s – was by all accounts initially successful in sustaining gross output growth, which in the decade between 1960 and 69 averaged 3 per cent, “impressive” – Diankov and Meurs wrote – “by both East and West European standards.”²¹ By the end of that decade, however, it had become apparent that the two driving forces behind that growth, farm consolidation and technological improvement, were reaching their limit. On the horizon, policy makers began to see an economic lull.

From the vantage point of 1989, their subsequent assessment of the socialist economy seems strikingly ‘capitalist’ when weighted against the ideology that sustained their project. It was surmised – and voiced by the General Secretary – that the ills of the agricultural sector were due primarily to the lack of a profit motive. In 1966 a CC Plenum approved decentralizing legislation, designed to introduce such a motive by, for instance, allowing enterprises to store excess production. More breathing space was given to local managers, and more voice to workers. A spring of reforms seemed to unfold. But as the Prague Spring withered in 1968, whereafter ‘reform’ acquired distinctly punitive connotations, so did Bulgaria’s brief experiment with decentralization.

¹⁹ Giordano and Kostova, “The Unexpected Effects of the Land Reform in Post-socialist Bulgaria,” 8.

²⁰ Crampton, *Bulgaria*, 360.

²¹ “The Alchemy of Reform,” 43.

In the same year, the residual property rights of co-op owners were curbed and the annual ground-rent abolished, with workers retaining some autonomy over their plots.²²

Indeed, a complete U-turn in policy was made, and Bulgarian agriculture entered its period of highest centralization. This process began near the northwestern city of Vratsa, where seven co-ops were grouped into a 38,700-ha federation.²³ Soon thereafter, the process was repeated throughout the country, thousands of TKZSs quickly coalescing to form AICs. Regulatory discretion was drawn in by centripetal forces, as the direction of small co-ops, which had been overwhelmingly managed from the local village, gave way to the administration of district-sized farms by the central government. By 1976, nearly nine tenths of all agricultural land belonged to only 146 AICs with an average size of 24,300 hectares and 5,836 workers.²⁴

The reasoning behind this integrative exertion was three-fold. On the one hand, large-scale consolidation helped address a labor shortage in the early 1970s.²⁵ On another, it streamlined the distribution of capital. The new AICs were encouraged to specialize, each complex ideally growing no more than 3 types of crops. Where possible, agro-dependant factories were incorporated into the complexes, hence the Industrial in AIC. That this reflected rather more nicely the idea of a socialist society than what had hitherto been a sacrosanct tendency of dividing the labor force into farmers and industrial workers, and privileging the latter, was seen as an added benefit. Another touchy subject, the distinction between state farms and co-ops – if ‘the people’ themselves owned the latter in small groups, and ‘the state’ owned the former, who exactly was the state? – was also subsumed into the AIC. Indeed, directly state-owned farms practically ceased to exist, until they suddenly reappeared in 1989.

The acceleration in growth brought about by the AIC was satisfying at first. A new redistributive capacity allowed a typical AIC to produce more crops with less people. The capital

²² Crampton, *Bulgaria*, 360.

²³ *Ibid*, 361.

²⁴ Meurs and Diankov, “The Alchemy of Reform,” 45.

²⁵ Federal Research Division, LoC, *Bulgaria: A Country Study* (1992).

intensity – mainly the amount of tools and machinery relative to the labor employed – rose a full 77 per cent over the six years after 1970.²⁶ As long as unnecessary equipment was not ordered and left to lie around, the more an AIC produced, the less it spent per unit of produce. By thus decreasing production costs while increasing output the large AICs achieved, as Michael Boyd pointed out in 1991, the fleeting benefits of what is known as economies of scale.²⁷ At constant prices, gross output growth rose to 5 per cent over the years 1970-2. By 1975, however, the average growth for the previous five years had slumped to 0.3 per cent. It was to recover to a more reasonable level, but, as had become apparent in the early sixties, the initial spur of centralization was soon offset by the informational – and motivational – problems it created.

In the late 1970s, the answer to these problems, the realization of which would occupy the Party for most of their last decade in power, became the so-called New Economic Mechanism, or NEM. Driven partly by the disappointing output of the AICs, partly by Soviet reevaluation of the Union's generous energy supply policy after the post-Iranian Revolution oil shock, and partly by the unnerving rumblings of *polonaise* coming from the north, in March 1979 a CC Plenum approved the trial implementation of a set of comprehensive reforms. As usual, the agricultural sector – whose share of gross investment in fixed capital had, despite amalgamation, sunk to 1950s levels²⁸ – was chosen as the playground for experimentation. Richard J. Crampton, Emeritus Fellow at St. Edmund Hall, Oxford University, wrote in 1988 what is today the most detailed analysis of NEM in English, and described his efforts to do so as “an attempt to pick a path through the thicket” of the bulky, frequently-amended legislation. At its core, Crampton found, lay decentralization, and the familiar effort to make the communist worker want to work more.

A lot was deemed acceptable to this end. Economic ministries lost power to directly oversee enterprises, and were accordingly trimmed down. Those institutions that caused economic damage

²⁶ Meurs and Diankov, “The Alchemy of Reform,” 45.

²⁷ *Organization, Performance, and System Choice: East European Agricultural Development* (1991).

²⁸ FRD, LoC, *Bulgaria: A Country Study* (1992).

to their subordinate enterprises were thenceforward obliged to pay it out from their own wage funds. Some trade monopolies were abolished. 'Guidelines' replaced quotas, to be fulfilled not at the discretion of a central ministry but based on the collective judgment of the higher officials of an enterprise, all of whom were now to be elected. Some AICs were broken down into so-called brigades, the surplus profits of which could now be retained for reinvestment or local redistribution. Perhaps most importantly – at least from the point of view of motivation – government subsidies for enterprises were severely curtailed, their maximum length before reevaluation reduced to two years, and enterprises and brigades were encouraged to 'compete' for investment funds and equipment.²⁹ Central overseeing was also streamlined, the Ministry of Food Production merging with that of Agriculture into a National Agro-Industrial Union [*Национален агропромишлен съюз*], the nine regional branches whereof were to send out those new and slenderer guidelines to local AICs.³⁰

Given how impressive the NEM reforms sound, it is surprising how little practical effect they had on output levels, or indeed on any economic indicator. The drum roll of reform was followed by a curious economic yawn. The lesson to be learned, as Meurs and Diankov suggest, was that, for all their good intentions, Party officials who thought they were moving forward kept dancing in a circle as long as they held a few core principles as untouchable:

Legislation failed to liberalize prices, decentralize credit, allow firms to change specialization, or create institutions for reallocating unneeded machines or labor. With so many factors still outside the control of farm managers and workers, self-financing and the linking of pay to performance could foster at most marginal adjustments in effort or input use and would be politically difficult to enforce.

In other words, a lot of the NEM regulation was the equivalent of making one's clothes smaller in order to lose weight – expressing a desire for reform rather than a readiness to see it through. Far from proving a profit motive, the NEM reforms occasioned a restatement of the old principle of planned economies: we pretend to be motivated and you pretend to give us profit. Of course, as was

²⁹ Crampton, "Stumbling and Dusting Off."

³⁰ Meurs and Diankov, "The Alchemy of Reform" 49.

to become clear soon enough, true economic reform entailed true political reform; but in 1979 – or in 1982, when the NEM was extended from agriculture to the rest of the economy, and when some price liberalization had already been introduced in Hungary – that was still *hors de question*.

In describing gross agricultural output, I have been taking averages over various year periods, which can be misleading. Graph 3A in the Appendix is perhaps more helpful, in that it represents gross output, year by year, between 1960 and the end of the centrally-planned economy in 1989. Perhaps the main point to be taken away from it is that, despite its ups and downs, the growth line moves slowly up until the early 1980s. For all its setbacks – in 1977 Zhivkov said Bulgarian agriculture was “in a nice pickle” – the sector was inching upwards. The rapid slump of the post-1989 decade, illustrated in Graph 3B, was not a result of inertia.

What was of rather more pressing concern to the Party’s policy makers than the long-term growth curve was often the immediate change in growth from the previous year – or, as per the timeframe set by five-year-plans [*петилетки*], which form the base time unit of Graph 4, of the previous half-decade. For our purposes, perhaps Graph 5, which presents the *yearly* growth change, is most informative. It becomes easy to see that economic experimentation was frequent and its results inconsistent. It also becomes evident that after the mid-1970s reform became more violent, and by the 1980s a big downward bend and a rapid recovery mark (in hindsight) the beginning of the Party’s end. In 1985 two consecutive and severe summer droughts – the second one the worst in a century³¹ – led to the net yearly import of 1.8 million tons of grain.³² Yet, while this immediate shortage of grain was relatively quickly remedied by the Party’s economic policies, its political ones made prolonged scarcity unavoidable.

Beginning in 1984-5, the Bulgarian government, for a variety of still-debated reasons, but probably mostly as a response to growing political uncertainty, began a process of forceful

³¹ Crampton, *Bulgaria*, 374.

³² FDR, LoC, *Bulgaria: A Country Study* (1992).

“assimilation” of those Bulgarian citizens – approximately 9.5% of the population – who were, and identified themselves as, ethnic Turks. The Party’s precious premise was that these Turkish speakers were in fact ethnic Bulgarians, Turkified during Bulgarians’ half-millennial history as Ottoman subjects. Their Bulgarian identity was now to be ‘revived,’ by banning the use of Turkish in public, the wearing of traditional Turkish garments, and the performance of ritual circumcision, by short-listing old mosques for demolition, and, perhaps most humiliatingly, by forcing many Turks to change their names to ‘Christian’ ones.

Of those who protested, many were arrested, and uncooperative Islamic clerics, who like all religious figures were state employees, were sacked.³³ On October 14, 1986, an official at the Bulgarian embassy in Bonn found himself admitting to Amnesty International that “security forces” had killed three ethnic Turks “during a demonstration against the name-changing when a crowd apparently attacked the town hall” of Ivañlovgrad.³⁴ The precise number of deaths among both ethnic Turks and ethnic Bulgarians related to state-sanctioned violence in the years 1984-9 is difficult to ascertain, but it is almost certainly over a hundred.

As the enforcement of this cultural renaissance dragged on, so did the three-year Review Meeting of the Conference on Security and Cooperation in Europe. Its end results were the so-called Vienna Accords, a reaffirmation of the Helsinki Act of 1975, in which Bulgaria promised, among other things, to ease the ability of its citizens to travel. Caught in a May 1989 debate on what this could be made to mean, the Politburo made a singular decision: in light of the social unrest caused by the government’s anti-Turkish policies, if Bulgaria’s Turks were unhappy with the country’s mature and existing socialism, they were free to go ahead and leave prior to the September 1 deadline, when some travel restrictions were to be lifted for everyone. Probably a bluff, or perhaps simply a sign of carelessness, this end-of-the-month announcement caused the largest Balkan

³³ Poulton, “Bulgaria’s Ethnic Turks: Forced Assimilation from 1984 to 1989,” in *The Balkans: Minorities and States in Conflict* (1991).

³⁴ Amnesty International, “Bulgaria: Continuing Human Rights Abuses against Ethnic Turks” (July 1987), 5.

migration since the end of World War II. In the space of three months, before the overwhelmed Turkish government instructed its border officials to require visas, no less than 370,000 Turks had managed to leave – as the Bulgarian government confidently described their exodus to baffled outsiders – “on vacation.”

The immediate effect to the agricultural sector was devastating. Bulgaria’s southern regions, which were much more densely settled with Turkish speakers, produced more agriculture than the north. Less socially mobile than their Bulgarian co-citizens in the undeclared hierarchies of Bulgarian communism, Turks thus contributed disproportionately to agriculture, and their mass departure, although harmful to all professions, was doubly so for those that depended on the land. In July, the Economic Minister Ovcharov estimated that as a result of their departure production levels had fallen by 5-8 per cent of the country’s 1988 net material product. By mid-June, too, 400-450 million leva had been withdrawn from the country’s savings accounts by Bulgarian Turks, who, it suddenly turned out, had been on average more frugal than their fellow citizens. Technically, exporting the lev was illegal, so food and consumer goods were also brought along, which was used by some newspapers to explain government-instituted food rationing.³⁵

Perhaps as many as forty per cent of the Turks who emigrated in 1989 would return by the mid-1990s. Then, however, as R. J. Crampton has pointed out, they were largely received not as revitalizers of agriculture, but as additional mouths to feed in a severely depressed economy.

As they were crossing the Turkish-Bulgarian border in mid-1989, Bulgaria’s Turks were leaving behind a country which was not, in anything but name, Communist. Although its General Secretary would continue to rule until November 10, and although its Party would continue to have a constitutionally inscribed leading role until January the following year, its economy was already in a process of rapid transformation and, in some sectors, quasi-disintegration. All of this had been

³⁵ Jackson, “A Crucial Phase in Bulgarian Economic Reforms,” 10-11.

quite literally decreed from above. It marks the beginning of Bulgaria's post-communist history, and this story's next chapter.

Two more points, however, need to be made about pre-1989 agriculture before its post-1989 history can be properly understood. Firstly, as all other communist countries, Bulgaria too had a so-called second economy in addition to what was overseen and controlled by the state. A ruling Communist Party tends to see its economic power as that of *distribution*, and, as Katherine Verdery, Gerald Creed's colleague at CUNY's Ph.D. Program in Anthropology, perceptively described in 1991,

petty efforts to obtain goods operate at odds with the center's accumulation of resources and with its effort to fortify its allocative capacity by *disabling* resources. As a result, the center in each socialist country normally persecuted such second economies (more so in some countries and periods than in others). To suppress them completely, however, was not wholly advisable, since consumers who could not acquire what they needed for livelihood were difficult to motivate and to control.³⁶

This was recognized early on in Bulgaria, and real efforts to eliminate what has been called 'personal' agricultural production were never made, despite, or perhaps because, such production was not at all trivial. In 1970, for instance, co-ops and their amalgamations – by far the biggest agricultural producer – accounted for 68 per cent of agricultural production, employed 58.7 per cent of agricultural workers, owned 56.7 per cent of the sector's productive assets, and delivered 62.6 per cent of the country's gross agricultural product. The state purchased four-fifths of their grain, half of their meat, and three-fifths of their milk.³⁷ A portion of the rest was produced by state farms, before they were incorporated into AICs. Discounting some minor modes of production in the agricultural economy, all else was called personal production.

What did that mean in a communist economy? Different things, at different times; but, overall, personal production became progressively more private as time went on. About 5 per cent of arable land, overwhelmingly in the mountainous regions, was never collectivized and saw small-scale farming, a leftover from pre-war Bulgaria, where close to 70 per cent of all land holdings had

³⁶ Verdery, 423.

³⁷ Gardner and Lerman, "Agricultural Cooperative Enterprise in the Transition from Socialist Collective Farming," 6.

been under 5 ha in size.³⁸ Good as the state was at pretending things did not exist, it wisely chose to acknowledge personal production and gradually incorporated what it called ‘personal industrial farms’ [*лични промишлени стопанства*, or, as transliterated from Bulgarian, LPSs³⁹] into its price-controlled distribution system. As Verdery might have put it, the Party tried to extend its allocative function to private production while gradually conceding its inability to disable it.

The culmination of that effort was the so-called ‘accord’ [lit. *акорд*] system, according to which individual families essentially became sub-contractors to the state, selling it their produce while using tractors and other machinery at what has been described as reasonable prices. The road to this arrangement began in 1971, when the number of personal plots per household – personal plots being those leased by a co-op to its members, who retained the profits of their work – was raised, various income taxes on private production were reduced, and credit, as well as fertilizers and machinery, for private production were made more readily accessible. Three years later, the same boundaries were expanded further, so that by 1974 almost everyone could legally make profit by cultivating an LPS. In 1986, 94 per cent of village dwellers, 76 per cent of those living in small towns, 50 per cent of those in regional urban centers and even 35 per cent of those in Sofia, did so, and the state was buying about a third of their production through the accord system. The rest was held for private consumption, or sold at local intra-co-op markets – a second economy indeed – where price controls tended to be more relaxed than at the state level.⁴⁰

The second point to make is that, despite the Party’s ideologically driven emphasis on industry at the expense of agriculture, the latter remained crucial for export, and was thus sometimes actually given more priority. Bulgarian agricultural goods were deemed better than its industrial ones by both the Comecon and the Western markets, though the former were more or less bound to accept both. In the late 1980s Bulgaria’s tobacco exports averaged 65 per cent of

³⁸ Meurs and Spreeuw, “Evolution of Agrarian Institutions in Bulgaria,” 278-9.

³⁹ Often incorrectly but sensibly translated as ‘personal auxiliary farms.’ While there was nothing industrial about them, they supplemented farmers’ work at cooperative and state-owned farms.

⁴⁰ Meurs and Diankov, “The Alchemy of Reform,” 52.

Eastern Europe's total, and its apples, grapes, tomatoes, sugar beets, potatoes, sunflower seeds, and soybeans also sold well.⁴¹ A great many of these were canned (in Kazakhstan a roasted pepper is stilled called Bulgarian) and, in a great example of specialization, Bulgaria was also the world's largest producer of the rose oil used for perfumes. Perhaps more importantly, in 1989 close to a third of all exports to *non-Comecon* markets (mainly to West Germany) came from agriculture. Indeed, when the NEM project came to require large imports of Western machinery and expertise, it was above all from the agricultural sector that the Party demanded increased exports in order to obtain hard currency.⁴²

Selling grain for dollars would, incidentally, once again happen in the mid-1990s under the auspices of the similarly cash-strapped Bulgarian Socialist Party, BCP's post-89 successor. But this, too, belongs to another chapter.

⁴¹ Crampton, *Bulgaria*, 373.

⁴² Creed provides a good illustration of the importance of agriculture: "It was the export value of Bulgarian grapes ... that ensured the availability of industrial brigades for the grape harvest. In the northwestern village of Zamfirovo, strawberries took pride of place for a similar reason; refrigerated trailers from northern Europe parked in the village while the berries were picked, washed, put in barrels and loaded directly for export. The hard currency received and the limited processing involved ensured a relatively high return for the state, some of which was passed on to village administrators and producers. This, in turn, ensured that the strawberry harvests received higher priority than the daily routine of industrial and non-agricultural labor." See "The Politics of Agriculture: Identity and Socialist Sentiment in Bulgaria," 851.

CHAPTER 2

Putting Out the Lights:
The Political Background of Production Decline
January 1989 – December 1990

The real problem is that Bulgaria's economic reforms, on paper at least, go far beyond those in the Soviet Union. In fact, a country hardly could be busier in the production of new reform decrees and documents[,] so rapid that it considerably outraces the extent to which any one legal decision is effectuated.

Marvin Jackson, September 1989⁴³

The responsibility lies with the Socialist (ex-Communist) Party holding a majority in Parliament, but public opinion also accuses the democratic opposition for being unable to force the communist government to take the public interest into account.

Vladimir Kostov, 1990⁴⁴

The opposition was completely disarmed because the party had conceded most of its major demands before it had even had time to articulate them.⁴⁵

Misha Glenny, 1993

The endpoint of the Communist régime in Bulgaria lies, according to custom, somewhere in the week leading to November 10, 1989, the day when a CC Plenum approved the resignation of the Party's seventy-eight-year-old General Secretary Todor Zhivkov, much to the latter's dismay.⁴⁶ This timing feels neat. That week, after all, was a turning point throughout Eastern Europe. It is reassuring to think that, as the Wall was coming down on November 9, a Politburo meeting in Sofia was simultaneously, and unanimously, rejecting Zhivkov's attempts to stay in power or designate a successor.

⁴³ "A Crucial Phase in Bulgarian Economic Reforms," 1.

⁴⁴ "Bulgarie: Les changements manquent de souffle" [Bulgaria: Changes Lacking Breath], 122. Author's translation.

⁴⁵ "Bulgaria: The Delicate Flower," 172.

⁴⁶ For a spot of Schadenfreude, one can ascertain Zhivkov's incredulity during that Plenum on YouTube.

As is the wont of historical events, however, Zhivkov's resignation appears less momentous on second thought. No doubt it was a great symbolic gesture. On the same day, a professor in Sofia University's largest lecture hall wrote on the board that "as of 2 p.m. today there will be no lectures, because national holidays are meant not for study, but for celebration."⁴⁷ Such an act belonged to an altogether different historical epoch. There had never been much of an opposition in Bulgaria – no Catholic Church, *Solidarność*, West Germany, or Swedish TV – so the palace coup of November 10 served an important permissive function. For many, it signaled the frailty of the régime, and made it far less intimidating.

But both its political and economic ramifications were from the outset profoundly unclear. That it was an internal Party affair there is no doubt. It was done according to the laws of the old régime. Its institutional credibility went back to July 1988 and the last "extensive round of sackings at the top level of the party" to occur under Zhivkov's auspices.⁴⁸ Shortly after firing those he perceived to be obvious contenders, Zhivkov submitted his resignation to the Politburo in an attempt to identify those he did not. In one voice, the Politburo members refused to accept it. Scarcely a year and a half later, this same resignation was pulled out of the drawer and presented to Zhivkov affirmatively.⁴⁹

By that time, he was already aware of the Politburo's position: the day before, on November 8, he had been visited by two of its members, Dimitŭr Stanishev, a Central Committee Secretary, whose son Sergeï would, incidentally, become Bulgaria's Prime Minister in 2005; and Dobri Dzhurov, the Minister for National Defense and a lifelong friend, with whom Zhivkov had been in the same partisan brigade in the 1940s. They conveyed to the General Secretary the necessity of

⁴⁷ Kancheva Tanya, "Remembering Bulgaria's 'Palace Revolution,'" *Radio Free Europe* (November 9, 2009).

⁴⁸ Indicative of Kremlin's skepticism towards Zhivkov, many of those whom he sacked – among them hitherto possible successors – continued to enjoy the company of the Soviet ambassador. See Brown, *Surge to Freedom*, 190.

⁴⁹ Lévesque, "Bulgaria: The Most Faithful Ally," 169.

submitting his resignation at the next available CC Plenum, a special session on November 10 planned to address the problems of agriculture.⁵⁰

That these events were motivated by internal rivalries rather than outside pressure is suggested by the fact that they sit awkwardly in any trajectory of political or economic reform. Political change had started in July 1987, when Zhivkov answered the developments of the Soviet Union with a momentous speech. The time, he said, had come for a change from “power in the name of the people to power by means of the people,” for a “self-managing society,” for “other forms of expression – associations, clubs, forums, movements and so on.”⁵¹ This so-called July Concept – a “shambling, incoherent document [written with] amateurish pretentiousness” according to J. F. Brown, in 1991 a senior staff member at the RAND Corporation; a “mesmerizingly wordy Bulgarian version of *perestroika*” according to the BBC reporter Misha Glenny⁵² – was accompanied by legislation which massively reorganized the state. More than thirty thousand officials and with them entire ministries, including, effectively, the Council of Ministers, Bulgaria’s Cabinet, were dismissed, and the country’s twenty-eight administrative regions were consolidated into eight.⁵³ The election of Party and state officials was made more democratic, setting up “a system of self-management,” in the words of Brown, “perilously close to the Yugoslav.”⁵⁴

Following Zhivkov’s benediction of dissent the first Bulgarian quasi-dissident organization, *The Discussion Group for the Support of Glasnost and Perestroika*, was established in Sofia University. It was filled with Party members, and thus did not represent an attempt to question the régime’s legitimacy, but it was a sign of discontent. As elsewhere in Eastern Europe, dissatisfaction with the Party leadership was soon channeled into protest against the environmental damage wrought by

⁵⁰ The most detailed account of these events is provided by Jacques Lévesque, a political scientist at the University of Quebec in Montreal, who has interviewed many of the participants involved, and by Evgeniia Kalinova and Iskra Baeva, who have sieved through the stenographic record.

⁵¹ Quote assembled from Choi, “Comparison of Economic Changes in Czechoslovakia and Bulgaria,” and Crampton, “The Intelligentsia, the Ecology and the Opposition in Bulgaria,” 23.

⁵² “Bulgaria: The Delicate Flower” (1993), 170.

⁵³ Lévesque, 167.

⁵⁴ *Surge to Freedom*, 187.

industrialization. Much of it came from within the Party itself, and was catalyzed in December 1987 by a Party-organized exhibit entitled “Ecology Ruse 87,” which made public the fact that the incidence of lung cancer in the northeastern town of Ruse had between the years 1975 and 85 increased eighteenfold. Located on the Danube, Ruse had on at least sixty days every year been poisoned by discharges of chlorine gas from a malfunctioning Romanian metallurgical plant across the river.

It was above all the decade-long silence of officials in the know that galvanized the public: was this the mature socialist society Zhivkov waxed lyrical about? Party-sponsored newspapers were surprisingly merciless, one of them printing the profoundly un-communist description of a population “suffering from depression, and a feeling of hopelessness.”⁵⁵ A roll-call of “associations, clubs, forums, movements and so on” indeed began springing up, including the *Independent Society for Human Rights* – which, formed in January 1988, soon became vocal in its opposition to the government’s anti-Turkish policies – and the *Civil Committee for the Ecological Defense of Ruse*, which was eventually transformed into *Ecoglasnost*, Bulgaria’s first dissident organization proper. Both of these would eventually become part of the post-1989 political opposition.

None of this, however, was accompanied by true political reform, which remained, in the words of *The Economist* “all bustle and no purpose.”⁵⁶ In 1989 Zhivkov still spoke of being in power in the year 2000, a thing too Brezhnevite to say in the time of Gorbymania. He met with intellectuals, and welcomed “socialist pluralism” and “protest democracy” but was skeptical of democratization in a society used to a planned economy. “Real conditions” were required, he told the CC, under which people would “start comprehending what they are actually producing and what they are getting in return.” True enough. Yet by the time he said this in 1989 the conditions of the Bulgarian economy had become evident enough.

⁵⁵ Crampton, “The Intelligentsia,” 24.

⁵⁶ “As Eastern Europe Cuts Free,” (January 28, 1989), 16.

The Party's reformist agenda had been radical by Soviet standards for quite a while. Already in 1987 Vadim Medvedev, the last head of the Soviet Union's Department for Liaison with Ruling Communist Parties, was telling Zhivkov that the socio-economic tensions his reforms were bringing about could "discredit *perestroika* itself."⁵⁷ In retrospect, it appears that little note was made of that, for in January 1988 the Party went on with its most radical reform yet by approving Decree Number 56.

Although it was probably not perceived in quite this way at the time, this piece of legislation effectively rang the death knell of what had hitherto at least appeared to be a communist economy. Decree 56's 126 articles comprised a new trade code, one that established the "firm" – an "autonomous, in terms of property, as well as socially and organizationally, participant in economic activity" – as the "fundamental unit of carrying [such] activity,"⁵⁸ which could thenceforward belong to the state, a municipality, a cooperative, a civil organization, a joint-stock company [*дружество*], or an individual citizen. Everyone was now entitled to the "initiative" for creating a firm, although they could perform economic activity without doing so.⁵⁹ Individual private property was almost back.

The word 'private' itself, on the other hand, was not, and was left unmentioned in the decree. Instead, one is confronted with article five, according to which "economic activity is to be conducted by combining the state's planning and regulatory functions ... with the autonomy of firms, with the workings of market mechanisms, and with accordance to the law." Barring plain stupidity, how may one explain such legislative incoherence?

On the one hand, it seems the old idea of blending a planned economy with "the workings of market mechanisms" – "people's desire to work under capitalism" with "the equality of socialism,"

⁵⁷ Medvedev, Vadim A., *Raspad: kak on nazreval v mirovoï sisteme sotsializma* [The Breakdown: How It Came to Fruition in the "World Socialist System"], 67-9, qtd. by Lévesque, 167-8.

⁵⁸ Art. 2, § 1, art. 10, § 1. See *Decree 56 on Economic Activity*.

⁵⁹ Art. 10, § 1, art. 11, § 1, art. 2, § 3.

in the words of one senior Party official⁶⁰ – was to be dragged along for a little while more. Underpinning it, of course, was the equally old – and equally counterproductive – desire to circumscribe economic reform within politically safe limits, which helps explain the discrepancy between the Party’s reformist words and its conservative deeds. The 1987 July Concept, for instance, had promised that prices of basic goods would not be increased without “prior consultation” with the people, yet, whatever that phrase meant, it was completely sidelined two months later when the prices of sugar and coffee were sharply raised.⁶¹ Similarly, Decree 56 seemed to promise private economic activity, yet putting it into effect saw little lessening of Party control of the economy.

As touched upon in the previous chapter, shortly before the reforms, a bimodal agricultural economy existed, made up of Agro-Industrial Complexes on the one hand (269 of them in 1989 covering 86 per cent of cultivated land) and private plots on the other (1.6 million of them occupying the rest).⁶² Now that the firm was the main unit of production, the AICs had to be converted back into state firms and co-ops. Were these new firms and co-ops all, mostly, or at all the same state firms that had existed before the AICs were consolidated in the 1970s? The answer, like the process of conversion of state into private firms, covers at least four years, and, sidestepping the passages that follow, reaches into the next chapter.

Industrial enterprises, for their part, were transformed by Decree 56 into shareholding firms, yet a large portion of their assets – ranging from 100 per cent for key branches to a fifth for the service industry – were left untouched, so that the state would continue to be – a precious Party explanation – ‘proportionally’ represented on them. A quota of shares were reserved for Party members in, to quote Zhivkov, “appropriate positions,” which indeed made some sense, given the fact that, as Stephan Nikolov eloquently put it in 1998, “the only people who knew how to manage a

⁶⁰ Kalinova and Baeva, *Bûlgarskite Prekhodi*.

⁶¹ Crampton, “The Intelligentsia,” 23.

⁶² Davidova and Buckwell, “Agricultural Reform,” 8.

laboratory, a farm or a factory – who had experience of international trade or of running a large institution – and who knew how to get things done were the Party’s own people: the intelligentsia, the bureaucracy and the *nomenklatura*.”⁶³

There is also evidence that some Party members saw Decree 56 as nothing more than a legislative maneuver. The Bulgarian journalist Martin Ivanov quotes the head of the Party’s Central Commission for Revision and Control [*Централна контролно-ревизионна комисия*], who described the shareholding mechanism as a means to convince people to relax the hold on their purses, so that “we would be able to take, say, 20 or 30 per cent of the money that is currently stashed away.”⁶⁴

Perhaps this indicates that the shrewd far-sightedness, often ascribed to the makers of Decree 56 by latter-day observers, is an exaggeration; for the Decree was above all an avenue for opportunism. It allowed declaring bankruptcy, the conversion of state enterprises into shareholding firms, the distribution of their shares to Party officials and employees, the redistribution of property, “without compensation,” from one state firm to another by the Council of Ministers, the creation, reorganization and termination by firms of “daughter firms,” the voluntary conversion of independent firms into “daughters” of other firms, and the autonomous control by firms of their “institutes, factories, stores, departments and other sub-units.”⁶⁵ All of this was now possible in a state which had no bankruptcy laws, no independent judiciary or banking and financial services, and a large segment of the population quite oblivious to the legislative process.

Passed in January 1988, Decree 56 came almost two years before Bulgaria’s first non-communist government took over the reins of the economy.

⁶³ “Bulgaria: A Quasi-Elite.”

⁶⁴ “Ukaz 56: kraiat na edna sistema” [Degree 56: The End of a System], in *Business Magazine* (8 April 2008).

⁶⁵ Articles 12-17.

It is difficult to say conclusively to what extent the economic reforms of 1987-9 were intentionally opportunistic. No doubt some of them were, but almost all of them were at least somewhat ambitious in addressing chronic problems. Such a balance largely disappears after November 1989, and it becomes much more difficult to find anything constructive in the laws passed by the Party.

The reasons for this may shortly appear self-apparent. The same CC Plenum which retired Zhivkov appointed Petûr Mladenov – who in the previous months had publicly spearheaded the Party’s internal opposition – as his successor.⁶⁶ Exactly four days later, the Union of Democratic Forces [hereafter UDF] was formed in the basement of Sofia University’s Department of Sociology⁶⁷ out of seventeen parties and interests groups,⁶⁸ among them the Worker’s Social Democratic Party, the Bulgarian Agrarian National Union Nikola Petkov (to be distinguished from the BANU *sans* Nikola Petkov, which had discredited itself by a forty-year-long coalition with the Party), the Club of Victims of post-1945 Repressions, the Independent Association for the Protection of Human Rights, *Ecoglanost*, the Independent Labor Federation *Podpreka* [lit. Support, a *Solidarność*-inspired “independent trade union of intellectuals, artists, writers and scientists” established in February that same year by Konstantin Trenchev in order to “defend the interests of intellectual labor”⁶⁹], the *Glasnost and Democracy* Club, the Civic Initiative Movement, the Committee for the Defense of Religious Rights, Freedom of Conscience, and Spiritual Values, the Independent Student Societies, and the Radical Democratic Party.

The above enumeration hints at the intra-party rivalries and lack of consensus that were to plague UDF for much of its existence. Yet, for a student of post-Communist Bulgaria, the list is in fact all too short. The response of the Turkish community in Bulgaria to the Regenerative process had

⁶⁶ For Mladenov’s own account of his role in Zhivkov’s deposition, see Lévesque.

⁶⁷ Nikolov, “Bulgaria: A Quasi-Elite,” 219.

⁶⁸ Crampton, “Bulgaria,” 26.

⁶⁹ U.S. Helsinki Watch Committee, “Destroying Ethnic Identity: The Expulsion of the Bulgarian Turks,” Helsinki Watch Report (October 1989).

not been confined to emigration alone, and assumed both political and violent ramifications, which in the second half of the 1980s were embodied in the Turkish National Freedom Movement [*Türk Millî Kurtuluş Hareketi*]. After Mladenov rescinded anti-Turkish legislation in late 1989, this underground organization was dissolved and its leaders gained legitimacy within the new multi-party system by forming, on January 4, 1990, the Movement for Rights and Freedoms [*Движение за права и свобода*, hereafter MRF]. In their first sign of unpreparedness for the pitfalls of multi-party politics, the UDF founders responded to what they perceived was a noticeable anti-Turkish feeling among the larger population – Mladenov’s decision had been met with hostilities – by announcing that they would not accept ethnically- or religious-based parties into their Union. This same sentiment would become law in 1991, when such parties were declared illegal in the country’s new constitution.

In the meantime, by late 1989 it was quickly becoming plain that the rules of political participation had changed. On November 22 a Party daily had expressed the expectation that “the party courageously take responsibility for all mistakes and failures in the social development and for the historical possibilities that have been missed.”⁷⁰ On December 14, while Parliament was in session, outside its steps a student protest against the lack of university independence grew into the most massive demonstration in post-war Bulgaria, with protesters demanding the removal of Article 1 of the Constitution and, with it, the Party’s leading role in society. As Mladenov entered Parliament after being led through the nighttime crowd, a cameraman caught him remarking sarcastically that it might be best if the tanks were brought in. This was to cost him his post as Party head.

Exercising quality control over public *faux pas*, however, did not yet amount to proper political accountability on the Party’s behalf. Indeed, by a curious twist of events, the Party soon found itself for the first time the sole occupant of Parliament, after the leaders of BANU, who had

⁷⁰ “BCP Daily Publishes News on Needed Changes,” FBIS, quoting BTA (22 November 1989).

stuck by the BCP thus far, prudently decided to distance themselves and leave the coalition. This happened on the same Party Congress which saw Mladenov out and, dissolving the Bulgarian Communist Party, simultaneously inaugurated the Bulgarian Socialist Party, which now formed a single-party government headed by Andreï Lukanov, the former minister for 'Foreign Economic Relations.' As there was now effectively no BCP, Article 1 was removed and it was announced, by the executive, that Zhivkov was to be tried for "embezzlement, abuse of power and incitement of racial hatred."⁷¹

Andreï Lukanov – next to Mladenov, a key figure in Zhivkov's resignation – had helped organize Bulgaria's Roundtable Talks in January that same year, when he had privately met with UDF members.⁷² At first, the Talks assumed the format of 'consultations' between BCP and UDF.⁷³ A week later these became 'preliminary meetings.' As the aforementioned last BCP Plenum effectively took care of many opposition demands, the ultimate task became to agree on, and see through, parliamentary elections. This goal was stalled by bickering over, for instance, whether BANU should be allowed as a 'third side' to the Talks. Luckily, disagreement never grew into politically sponsored violence during Bulgaria's transition. On March 12 the second session of the Talks took off with an agreement on the "Peaceful Development of the Transition to a Democratic Political System." It was signed by virtually everyone who mattered, except the uninvited MRF. Neatly, the signature from the representative of the Independent Society for Human Rights is followed by that of his colleague from the Union of Fighters against Fascism and Capitalism.

The date of the first elections presented a curious dilemma to the UDF. During the Talks the Communist Party was pressured to actively depoliticize the army and the public institutions by abolishing the so-called professional party clubs that existed in many workplaces. Shortly before

⁷¹ Crampton, *Bulgaria*, 391.

⁷² Kolarova and Dimitrov, "The Roundtable Talks in Bulgaria," 185-6.

⁷³ Happily, Petko Simeonov, one of UDF's founding members, has uploaded online in Bulgarian the entire stenographic record from, as well as the documents adopted by, the Roundtable Talks, under http://www.omda.bg/bulg/k_masa/content.html.

dissolving itself, the Politburo had indeed conciliatorily banned such party cells;⁷⁴ but the Party still wielded much of the country's finances and information networks. It therefore profited from ambiguous wording: in May, when ahead of the upcoming elections the Council of Ministers released six million leva as subsidies for parties' political campaigns, it stipulated that its allocation would proceed on no set principle but "based on the understanding attained with the leadership of the parties."⁷⁵ The Party would also greatly profit from elections sooner rather than later, no later, in fact, than June 1990, as it insisted during the Talks. Ironically, it was the UDF leaders who found themselves arguing for postponement until at least September, and for a proportional electoral system as opposed to the first-past-the-post one favored by the BCP. In the end, half of the four hundred seats offered were chosen proportionally, and the other half – by the largest share of the vote in each district.

The elections, held in two rounds on 10-17 June, 1990, resulted in a majority victory for BSP, accepted, with some reservations, by everyone. BSP entered Parliament with UDF, BANU, and MRF as its main opponents, and a number of other smaller parties drawn from over eighty candidates. Uniquely for Eastern European countries in the 1990s, the country's new constitution was to be accepted by this Grand National Assembly [hereafter GNA], rather than an unelected council: no doubt a democratic move, but one also that gave the former communist party more influence in shaping the document than its counterparts in Hungary or Poland had had.

In the end, BSP overplayed its influence. It could neither command the two-thirds majority required to change a new constitution, nor find a partner for a coalition, and was therefore cautious and resorted to back-room dealing, which angered both the population and non-socialist MPs, thirty-nine of whom boycotted Parliament in November 1990. By that time thousands of protesters were on the streets daily, eventually erecting a 'tent city of truth' in downtown Sofia. The economic conditions had been deteriorating for much of the year, and the new constitution, to be approved in

⁷⁴ Crampton, "Bulgaria," 23.

⁷⁵ *Dŭrzhaven Vestnik* [State Gazette], 40/90, CoM Statute 44/90.

December, was seen as profoundly unsatisfying. By this time, too, Lukanov – whose election as Prime Minister at the Party's last conference had been confirmed by the newly-elected GNA – had effectively no moves left, and resigned. A new government, headed by the judge Dimităr Popov, widely regarded as a non-partisan figure, took over and led the country until the elections in October the following year.

If these developments are difficult to follow in one retrospective breath, they were even more so for those who were living through them. One can, however, draw the line under them with the following remark: for one year, from January to December 1990, a government made up entirely of members of the (former) BCP, and headed by Andreĭ Lukanov, was in charge of the economy. During this time the country had neither an effective constitution, nor any of the mutually regulatory accoutrements of a parliamentary democracy, nor, for that matter, the modicum of long-term legislative conscientiousness that the Party itself – now, after all, deprived of its self-awareness as having a 'leading role' – had once paid some homage to. Indeed, the insouciance with which lower-level Party officials could wield their executive power in mid-1990 would have been their own envy but half a year earlier, when the dictatorial grip of Zhivkov had at least insured a conformity of direction. Instead, in 1990 an authoritarian governmental apparatus found itself under no authority.

That this was allowed by the delays in trying to institute a democratic process indicates the cautiousness and discord of Bulgaria's nascent opposition. Many of its leaders, both early and late, have subsequently been discredited as former agents of State Security [*Държавна сигурност*, hereafter DS]. This process was for a long time associated with leaks of secret documents and thus became suspect and less cathartic than it might have been. Since its creation in early 2007, however, the parliamentary *Committee on Disclosure of Documents and Announcing Affiliation of Bulgarian Citizens to the State Security and the Intelligence Services* has been quite effective in identifying living public figures of all stripes – former BSP leaders, such as Bulgaria's current

President Georgi Pûrvanov, as well as former UDF leaders, such as the former Finance and Prime Minister Ivan Kostov, a man sometimes described as Bulgaria's Leszek Balcerowicz or even Ludwig Erhard – as former DS employees. For the purposes of this paper, one should perhaps leave it that, and add that the revelations of such employment do not necessarily put in question the opposition leaders' intentions to reform the economy in 1990. These intentions were clearly there, and would materialize given the chance, as demonstrated by the actions of Popov's government in 1991 – and Kostov's in 1997. In 1990, they were checked by the results of the first free elections. In 1991, they were eventually checked by their own unpopular implementation.

Andreï Lukanov's government – by which is somewhat inaccurately meant not only the Council of Ministers, which in 1990 was a shifty business, or the ministries themselves, but the huge executive apparatus of the state, which at that time was essentially the same as it had been under Zhivkov – was inaugurated with an acute awareness of its limited life-span. A government facing audit may choose to cook its books. One facing an audit and the guillotine burns them.

Some disinformation, of course, had been part of the Party state's modus operandi for over forty years. This was most starkly exemplified by Bulgaria's Central Statistical Administration [à la russe *Централно статистическо управление*, hereafter CSA], which published its *Statistical Yearbook* every year and functioned, to quote Marvin Jackson, much like “an arm of the department for external propaganda.”

Some of CSA's data suffered from little more than ideological constraints. Instead of Gross Domestic Product, for instance, the CSA had to use the Marxist concept of Net Material Product, which differed from GDP as defined in the UN System of National Accounts by discounting much of the service industry. Efforts to publish statistics on the purchasing power of the lev or to effectively compare living standards among different social groups – which required the awkward recognition

that such groups did indeed exist – began only in September 1989.⁷⁶ Other important indices, such as real gross investment in fixed capital (the state’s actual investment, in other words, in physical assets, such as barns, sheds, and tractors), remained unavailable until after the metamorphosis of the CSA into the National Statistical Institute [hereafter NSI] in 1991.

While these ideological constraints hampered the effective distribution of information, the daily incentives of Bulgaria’s planned economy contributed to *active* disinformation. In 1988, the Bulgarian economist Ivan Angelov – who would later advise Lukanov and another socialist Prime Minister, Zhan Videnov, – complained in an official journal that “never in the past ten years or so has there been more than a 55 to 60 per cent fulfillment of the physical indicators set by the State Planning Committee. But in value terms, according to the official statistical reports, the plans are always fulfilled and overfulfilled. It is not difficult for a knowledgeable economist to draw the appropriate conclusions.” As is the fashion in communist countries, managers lied about production, ministries either lied about inflation and employment or tweaked prices to much the same effect, and the statistical office reported the lies.⁷⁷

What transpired after November 1989, however, went beyond the disinformation of the previous years. Whereas before certain governmental institutions had been engaged in falsifying and deleting data, under Lukanov’s government the institutions themselves began disappearing. Venelin Ganev, probably the most rigorous scholar to research how this happened in Bulgaria, called the process “deinstitutionalization of information.” Data, he meant by this, were being drained out from the communist state’s collapsing institutions into the anonymous hands of officials, ministers, and managers. It was the first and the quickest commodity to be privatized.

The process whereby this was done was frustratingly ‘legal,’ and would thus escape the earnest efforts of subsequent officials, deprived of the facts and figures they needed to do their jobs, to seek judicial retribution. Information and other assets were transferred from the authority of

⁷⁶ “Criticism on Lack of Statistics Answered,” FBIS Report, quoting BTA (24 August 1989).

⁷⁷ Jackson, “A Crucial Phase in Bulgarian Economic Reforms,” 2-3, 13, 16-17.

communist-era institutions to that of the Council of Ministers [hereafter CoM] by legislation which began being issued immediately after Zhivkov's departure. In November 1989 the Council issued "Order [*разпореждане*] on the Closing Down of Associations," where by "associations" were meant the industrial conglomerates that made up a big chunk of the Bulgarian economy. Among them were the National Agrarian-Industrial Union, the Forests and Timber Industry, and the Transportation, Agricultural, and Construction Technologies. Their tangible assets – machinery, sheds, land – were transferred to several different ministries. Their intangible ones – audits, statistics, archives – were left unmentioned in the official Order, but were brought to the CoM and were lost soon thereafter.⁷⁸

Similarly, the Institute of Social Governance, which had hitherto been supervised by the Party's Central Committee, was renamed the Institute for State and Economic Management of the Council of Ministers, and handed over to the CoM.⁷⁹ It had been one of the two most important state repositories of data, of "sociological surveys, opinion polls, model testing, as well as the largest social science library in the country."⁸⁰ The other crucial repository, the Center for Information Technologies and Automated Systems, stored data on the "computerization of governance" [*компютризация на управлението*] and thus on much of the overall economy. Its assets, too, including "the buildings, spaces and the therein situated machines and equipment" were transferred to the CoM four months later.⁸¹ We do not know what happened to the stored archives of these two institutions; we do know that when Popov's ministers, who replaced Lukanov's in late 1990, inquired about them, they were nowhere to be found.

Here, too, what was until 1990 Bulgaria's State Security Agency is said to have played an important role. It is likely that much of the information thus lost for the public was privately retained by many former DS employees. In 2009 Martin Dimitrov, Assistant Professor of

⁷⁸ See *Dŭzhaven Vestnik* [State Gazette], 92/89 and Ganev, *Preying on the State*, 53-4.

⁷⁹ *Dŭzhaven Vestnik* [State Gazette], 9/90, CoM Order 2/90.

⁸⁰ Ganev, *Preying on the State*, 52.

⁸¹ *Dŭzhaven Vestnik* [State Gazette], 32/90, CoM Order 21/90.

Government at Dartmouth University, showed that of the twenty-three richest men and women in Bulgaria, at least twenty had documented familial and professional ties to the former DS apparatus – an apparatus, which had since the early 1960s included Party-approved networks in foreign countries engaged in smuggling, exports and economic counterintelligence.⁸² It was in the early 1960s, in fact, that the Bulgarian ‘overseas company’ Texim broke through the French naval blockade of the Algerian coast and started supplying the *Front de Libération Nationale* with Bulgarian-made arms and ammunitions.

The most recent as well as the most thoroughly researched book on these companies was completed in 2008 by the Bulgarian journalist-turned-historian Khristo Khristov, who has had unparalleled access to archives from all important state institutions, including one hundred volumes supplied by the National Intelligence Service only after Mr. Khristov won a case for their release with the Bulgarian Supreme Court.⁸³ The history of these enterprises is accordingly immense and deserves more than a passing mention, but it is still being written: in 1989, Khristov says, the relatively tiny Soviet satellite of Bulgaria had more than 450 overseas companies in more than 70 countries around the world. In 1992, a parliamentary subcommittee established to “determine the reasons for the economic crisis under communism” listed them at 395.⁸⁴ Some of them were led by DS and engaged in illegal trade, both into and out of foreign countries, and their actions – such as supplying groups in Latin America, Turkey, and South Africa with money gained from drug trafficking – prompted the US government in 1982 to place Bulgaria on its list of states engaged in state-sponsored terrorism.⁸⁵ Most of the overseas companies however, were the instruments whereby Bulgaria exported and imported to and from non-Comecon markets. Others

⁸² “From Spies to Oligarchs,” 11, 35.

⁸³ *The Empire of the Communist Foreign Companies: Establishment, Activity and Financial Drain of the Foreign Companies with Bulgarian Share 1961-2007* (Sofia, Institute for Studies of the Recent Past: Siela).

⁸⁴ *Ibid*, 12.

⁸⁵ Crampton, *Bulgaria*, 367.

still were results of buy-outs of bankrupt Western firms and as such were engaged in actual production outside the borders of Bulgaria.

All of them were neither reconcilable with official communist ideology nor legal under Bulgaria's internal commercial code before 1989. They were also, in the long term, a money-wasting venture, and not because the firms themselves were loss-making. The main funds lost by the Bulgarian state to the overseas companies, Khristov found out, are neither the money spent on their establishment, nor those spent to subsidize their losses, but rather the profits of these companies that were never transferred to the state – a sum, which according to a 1991 report of the National Service for the Protection of the Constitution (named after the West German *Bundesamt für Verfassungsschutz*, it was the predecessor of the National Intelligence Service) amounted to about one billion dollars.⁸⁶

In 1990 Lukanov's government was engaged in detaching these overseas enterprises, including those that engaged in agricultural exports, from the state. Given the fact that they had never officially been there, this must not have been particularly difficult, but it meant that future governments could not effectively demand the payment of said billion dollars. It should perhaps be noted that Andreï Lukanov himself, in addition to being head of the tellingly named Ministry for Foreign Economic Relations, had in 1985 taken Zhivkov's post as chairman of the Hard Currency Commission of the BCP, and thus "oversaw all currency transactions in the country, including borrowing from foreign banks and the spending of large sums of foreign currency" during the régime's last four years.⁸⁷ His tenure saw a vast increase in Bulgarian foreign debt, from under one to fifteen billion dollars with interest.⁸⁸ To some extent, this was inevitable: the Soviet Union had rapidly become far less generous in supplying Bulgaria with cheap oil, which the latter, like Romania, had been selling for hard currency. During Lukanov's tenure, too, large expenditures were

⁸⁶ Khristov, *The Empire of Communist Foreign Companies*, 12-13.

⁸⁷ Dimitrov, "From Spies to Oligarchs," 19.

⁸⁸ Crampton, *Bulgaria*, 389.

made on second-hand Western equipment, and exports suffered from informal embargoes aimed at the government's anti-Turkish policies.

Whether some of that money was siphoned off by Lukanov and other officials, well aware of the ship's imminent meeting with an iceberg, has to this day been open to debate. In Bulgaria, a positive answer is considered common knowledge, and assumed in many scholarly publications. Elsewhere, it is mostly found in journalistic accounts,⁸⁹ and scholars are reluctant to rely on what cannot be proven or else to appear politically incorrect. For my part, I would leave the reader with the following consideration: if some billions were, indeed, added to the state's foreign debt for the personal benefit of enterprising officials in the last years of Zhivkov's régime, this had comparatively little effect on what transpired thereafter. Poland and Hungary, too, had enormous foreign debt in 1989, but – having joined the IMF in 1986 and 1981 respectively – they were not only better prepared to receive the support of the Fund, the World Bank and the EEC in getting bridging loans or debt relief, but, having elected non-communist governments in 1990, were also more inclined to implement the wide-ranging austerity measures required by their creditors.⁹⁰

Lukanov's government, conversely, after requesting debt rescheduling from Bulgaria's mostly private creditors and new money from the IMF and World Bank – while at the same time negotiating its IMF membership, which it gained in September 1990 – declared in March that same year a moratorium on all payments of Bulgaria's foreign debt. Overnight Bulgaria's credit ratings plummeted and multilateral institutions refused to provide bridging loans until Popov's more austerity-prone government took over and agreed on a supervised adjustment program. Private creditors, mindful of the political instability in the country, remained reluctant to invest money and the bulk of short-term loans had to come from official donor countries, who, as two *Bundesbank*

⁸⁹ For instance, Glenny's *McMafia*, or Dimiter Kenarov's article in *The Nation*, "Chronicle of a Death Foretold: Georgi Stoev's Gangster Pulp" (18 May 2009).

⁹⁰ See Glenny, "Bulgaria: The Delicate Flower," 177 and Brainard, "Overview of East Europe's Debt" (1990).

officials put it late 1991, are reasonably inclined to, indeed should, donate “only for a limited period and in limited amounts.”⁹¹

Thus, between November 1989 and December 1990, to the background of momentous political changes in the country, the Party kept its monopoly on power. Decree 56 authorizing private firms and limited privatization of state assets was passed, and archives and other data were deinstitutionalized by the Council of Ministers. To quote Ganev, “many of the lights of the old regime were turned off, and the economy sank into a semidarkness that future rulers found extremely hard to penetrate.”⁹²

How did this semidarkness affect the production of agriculture?

⁹¹ Karl-Heinz and Thien, “The Role of the IMF and the World Bank in the former Eastern Bloc Countries,” 21.

⁹² *Preying on the State*, 54.

CHAPTER 3

The Carousel of Reform:
Land Restitution and the Privatization of Agriculture
January 1991 – March 1997

The Bulgarian experience quite clearly shows that in practice there is no such thing as state property: there are the empirically ascertainable rights of control and management of elected or appointed bureaucrats.

Krasen Stanchev, 2009⁹³

Yet to the dismay of free market proselytizers, and perhaps earlier iconographers, the Bulgarian reform seems to be evolving in a manner that may avoid slavish imitations of its Western progenitors – whether by design, by ineptitude, or by design feigning ineptitude, it is difficult to say.

Robert Schlack, 1993⁹⁴

How to understand the many changes in the Bulgarian land law? How to understand the results of Bulgarian property reform regarding land and agricultural assets?

Markus Hanisch, 2000⁹⁵

We last left the agricultural sector in 1989, when, at least according to official statistics, it accounted for 11 per cent of Bulgaria's Net Material Product, 8 per cent of the country's fixed investment, close to a fifth of its workforce, and – if manufactured food, beverages and tobacco are included – about 15.5 per cent of its exports, including close to a third of those to non-communist countries.⁹⁶ Splendid, the reader might say. Is that good?

⁹³ "Khristo Khristov i razbiraneto na ikonomikata na prekhoda" [Khristo Khristov and the Understanding of the Economics of Transition], in *Dnevnik* (6 November 2009). Author's translation. Krasen Stanchev is Chair of the Administrative Council of the Bulgarian Institute for Market Economics.

⁹⁴ "Going to Market in Bulgaria: Uphill on a Knife Edge," 516.

⁹⁵ "Property Reform and Social Conflict: the Analysis of Agricultural Ownership Transformations in Post Communist Bulgaria," 35.

⁹⁶ NSI, and Begg, Robert, and Mieke Meurs, "Writing a New Song: State Policy and Path Dependence in Bulgarian Agriculture" (unpublished manuscript), 22, qtd. by Creed in "The Politics of Agriculture: Identity and Socialist Sentiment in Bulgaria," 850-1.

In May 1989 – half a year, that is, before Zhivkov’s resignation – a CC Plenum on Agriculture said no. Zhivkov himself was joined by Party Secretary for Agriculture Vasil Tsanov in an oral jeremiad on the state of Bulgarian agriculture, thereafter swiftly printed in *Rabotnichesko Delo* [*Worker’s Deed, Bulgaria’s Pravda*]. Investment in agriculture was decreasing, Zhivkov and Tsanov lamented, and so were the terms of trade (and thereby imports bought for the same amount of agricultural exports), the effectiveness of village infrastructure, and the desire of young people to till the land. The standards of agricultural “experts” and their education were “catastrophic.” Central crop planning was a failure. The huge Agro-Industrial Complexes, too, were a failure. Production costs were high. “Timidity” in applying the Party’s reform decrees was high. Support from other economic sectors was low. Four-fifths of all land was threatened by erosion. Close to a sixth of cultivated soil was becoming dangerously acidic.⁹⁷

Bulgarian agriculture in 1989 was, in other words, no ripe plum, but a fruit going rather bad, with which the departing Party decided to do what any sensible housekeeper would ahead of winter: make jam.

As discussed earlier, Decree 56 effectively provided for the conversion of state enterprises into joint-stock companies, limited liability companies [hereafter LLCs], single-member or cooperatively owned ‘citizens’ firms,’ and joint ventures with foreign majority participation.⁹⁸ Two American economists, Derek Jones and Chares Rock, showed in a 1994 paper that in Bulgaria “some instances of wild privatization” occurred shortly after Decree 56 was passed and “were helped by other minor laws facilitating asset transfer during 1989.”⁹⁹ By wild privatization Jones and Rock meant what in 1991, in light of the Soviet Union’s experience, had been identified by Simon Johnson at the World Institute for Development Economics Research in Helsinki as “spontaneous privatization,” “through which managers and other individuals are effectively obtaining property

⁹⁷ See *Rabotnichesko Delo* (6 and 7 May 1989) and FBIS, quoting BTA (6 July 1989), qtd. by Jackson in “A Crucial Phase in Bulgaria’s Economic Reform,” 13.

⁹⁸ Brown, *Surge to Freedom*, 193.

⁹⁹ “Privatization in Bulgaria,” 322, note 3.

rights which previously belonged to ministries, planners and the Communist Party.” The first permissive factor of such privatization in Bulgaria were exactly Decree 56’s regulations on new property forms, which, Johnson added, “represent both a means to change firms’ contractual arrangements and an opportunity for managers and some bureaucrats to obtain property rights.”¹⁰⁰ Decree 56 came into effect in January 1989. By February 1990 there were 15,500 registered private firms, albeit a very small fraction of them agricultural enterprises or cooperatives.¹⁰¹

The political conditions in 1990 provided ample ground for such privatization. It is important to note that, on the whole, the character of this privatization was decentralized. To look at the process of privatization as Party members “preying on the state” – as one prominent Bulgarian author entitled his book¹⁰² – or of the state acting in consort with “those whom it trusted: the employees of the secret police” to give them access to “the most desirable state assets” – as another put it¹⁰³ – is undoubtedly fruitful. Yet, in picturing ‘the state’ as either a helpless victim or a knowing accomplice, and by concentrating on a handful of overnight oligarchs and Party leaders, this outlook seems to me to miss the forest for the trees. ‘The state’ in 1990 Bulgaria was not just the top one per cent of the population who effectively controlled the legislative and executive process. Although the word *nomenklatura* is often used to describe just that one per cent, in 1990 there were thousands upon thousands of people who could call themselves a ‘cadre’ [номенклатурен кадър].

The afterword to the second edition of *The Big Transformation*,¹⁰⁴ a book by Petko Simeonov, who between 1989 and 1996 managed to be a supporter of both UDF and BSP, and to sign Bulgaria’s new Constitution as an MP of the former, is particularly helpful in this regard. The basis of determining who belonged to the *nomenklatura*, Mr. Simeonov reminds us, is usually one of

¹⁰⁰ “Spontaneous Privatization,” iii.

¹⁰¹ Meurs and Jones, “On Entry of New Firms in Socialist Economies: Evidence from Bulgaria,” 321.

¹⁰² Ganev (Ithaca: Cornell University Press, 2007).

¹⁰³ Dimitrov, “From Spies to Oligarchs,” 3-4.

¹⁰⁴ *Goliamata Promiana* (Sofia: Otechestvo, 1996).

supervision: the higher ranks answered to the Politburo and the Secretariat of the Central Committee, the lower – to the various departments of the CC. If one looks just at agriculture, the list of individuals thus defined – among them the directors of AICs, the “secretaries of the Party committees and the therein constituted Party organizations in the ministries and in the committees, and of the Party organizations in the state economic unions,” the head secretaries and the deputy secretaries of industrial-agrarian unions, the directors of ministerial and committee “directories,” the main directors, deputy directors, “rectors,” and chairpersons of plants, cooperatives, and “research, design, and technological institutes,” not last the editors of agrarian newspapers and presidents of “societies” – appears colossal. And this is just the first-tier agricultural *nomenklatura*. The second– the officially called “account-controlled” *nomenklatura* [*отчетно-контрольна номенклатура*] – extends the list to include practically everyone who at any time during the fiscal year had to report to the Department of Agriculture of the Central Committee of the BCP or any of its subsidiaries.

It is the grand total of all these people, hereafter meant by *nomenklatura*, who were responsible for the bulk of incidences of ‘spontaneous privatization’ of agriculture in the early 1990s. Many of them, moreover, were responsible for outright theft of state assets. Their individual financial gains from it might seem dwarfed by the spectacular profits made by several dozens of individuals, yet, if one is trying to answer, “Why did agricultural production stall as much as it did in 1989-1997,” one comes to appreciate their contribution anew. To convert an entire state agricultural enterprise into a private firm and sell it quickly for a ludicrously low price does not *necessarily* damage its long-term production prospects. Indeed, as a lively debate within transition literature shows, it may even contribute to faster growth. The billions stolen thereby are largely unpaid purchase fees. But the cumulative ‘privatization’ and rapid sale of a cooperative’s tractors, sheds, tools, irrigation pipes, machinery, and liquid assets by its lower-level officials on each step of the ladder – a somewhat extreme example – effectively shuts it down, and necessitates significant

initial investment on behalf of the eventual new owner to get it up and running again: capital, which, as we shall see, was largely unavailable for much of the early 1990s.

This is not meant to draw attention from the actions of, say, Lukanov, or other key Party figures. Spontaneous though it may have been in the ranks and files of the *nomenklatura*, the initial privatization of Bulgarian agriculture was at the very least allowed, if not directed, from above. Indeed, its ministerial character is easy to ascertain, since it is on the pages of the State Gazette. SG's ninety-third issue for the year 1990, for instance, shows that several days before Lukanov resigned, he signed *Statute [Постановление] No. 110 on the Decentralization and Demonopolization of Retail, Manufacture, and Service Activities in Agriculture, Food Processing, and Commerce*.¹⁰⁵

The title of this Decree no doubt seems benign: what could be more apropos in 1990 than decentralization and demonopolization? It makes one think of post-war Germany's "Three Ds" – denazification, decartelization and democratization – especially if one recalls that Bulgaria's third D, depoliticization of public institutions, was a major UDF demand in the early 1990s. It is difficult to criticize the purpose of the decree, which was to take the existing state economic unions [*стопански обединения*, or SOs] – massive sector-wide conglomerates created since the 1960s to boost efficiency and decrease production costs and chronically suffering from low efficiency and high costs – as well as some plants and state firms, break them apart, and convert them into private companies. Such a move, after all, puts a checkmark on any decent reformer's list.

Yet the timing and the method of this decree raise some suspicion. Couldn't have Lukanov relegated this executive decision of some significance to the incoming government, to which, he was by now well aware, he would have to yield power within a few days? And why give the Minister for Agriculture and Food Processing and the Minister for Trade and Services only ten days to issue their own decrees on the formation of new firms from the old SOs?

¹⁰⁵ *Dŭrzhaven Vestnik* [State Gazette], 93/90, qtd. by Ganev in *Preying on the State*, 54.

The legislation's fine print helps answer these questions. Any "livestock farms, canneries, workshops, wine cellars and other production facilities" build with funds from Cooperative Labor Agricultural Farms (the TKZs or 'co-ops' introduced in Chapter 1) are to be "surrendered without compensation" in accordance to article four of the *Statute No. 69 on Resolving some Outstanding Issues in Agriculture in 1990*, promulgated in July earlier that year.¹⁰⁶ Faced by sudden shortages of foodstuffs in mid-1990, Lukanov's government had passed legislation encouraging longer working hours by authorizing extra compensation and giving various ministries the task to "coordinate the efforts" of transport firms and co-ops and promptly oversee the supply of anything from fertilizers and tractor tires to paper and tin to farmers. Below this legislation comes the incongruous article four, which states that co-ops can, upon demand, take back resources that had previously been taken from them by various "machine-tractor stations" [*машинно-тракторни станции*], quasi-appendages to co-ops which, subsumed under the SO "Mechanization and Technical Maintenance of Agriculture," took care of farms' equipment and machinery.

This can be interpreted as a move designed to get co-op machinery into co-op hands – prompted by the prospect of food rationing, the government decided to give co-ops more breadth of action, including the ability to manage their own machinery – but the subparagraphs that follow give a different impression. If said equipment had been taken by the machine-tractor stations without compensation, it was to be taken back without compensation: reasonable enough. If it had been paid, however, co-ops were to repay its "residual value" – residual, because part of the repayment had already been done with money lent to the co-ops by the National Bank in 1987 and 1988, which – as per the *Statute No. 24 on the Amendment of Economic Conditions and Legal Regulations for Agricultural Activities*, passed by the Lukanov government three months earlier¹⁰⁷ – co-ops no longer had to repay. If it turned out neither the machine tractors nor the co-ops needed the equipment, it was to be "auctioned" – with no indication of how, when, and by whom.

¹⁰⁶ *Dûrzhaven Vestnik* [State Gazette], 55/90.

¹⁰⁷ *Dûrzhaven Vestnik* [State Gazette], 93/90

It is easy to imagine the legislative whirlwind that is created when such crisscrossing regulations are passed not only on agriculture, but on every sector of the economy, and even on groups of enterprises or SOs within a given sector. Looking back at the final provisions of the original *Statute No. 110* Lukanov signed before resigning, the conversion of state firms into shareholding companies by the two ministers was to happen according to the provisions of Decree 56 – which Lukanov’s government also amended during 1990. The ministers’ ten-day deadline thus becomes more comprehensible. It was more expedient to privatize the SOs under the legislative framework set by Zhivkov’s government and developed by Lukanov’s, before it was swept away by the incoming government of Dimităr Popov. Full of UDF reformers, it did indeed enact a new Trade Act and new statutes on privatization.

The enterprises within SOs – both co-ops and factories – were broken up into LLCs or joint-stock companies [*акционерни дружества*], often based on existing divisions. The SO “Vinprom,” for instance, responsible for vineyards and wine production, was broken up in a way that left “Vinprom”-s in several cities across Bulgaria – Iambol, Ruse, Pomorie, Khaskovo, Peshtera - among which “Vinprom Peshtera” has since become a leading producer and exporter of consumer wine, as well as raw products such as bulk wine and ethyl alcohol. “Vinprom Peshtera” also owns and cultivates more than 15 000 decares of vines and, through partnership with over two-hundred co-ops and farms, effectively uses about 100,000 decares more.¹⁰⁸

Since the SOs were conglomerates of enterprises, many of them fittingly became the basis for holding companies, “whose main assets are [their] shareholdings (usually controlling in terms of voting rights) in other companies.”¹⁰⁹ Of those holding companies that appeared in 1990 and 1991, only one – *Bulgartabac*, which took over the relatively profitable tobacco production and

¹⁰⁸ <<http://www.peshtera.com>>.

¹⁰⁹ “Holding company,” *Financial Times Lexicon* <<http://lexicon.ft.com/>>.

manufacturing enterprises – still exists and is today “one of the leading cigarettes manufacturers in [Eastern] Europe [that] covers 85% of the domestic cigarette market.”¹¹⁰

These success stories are sometimes used in support of the claim that the spontaneous privatization of the early 1990s was not necessarily ‘bad,’ in the sense that managers, experts and other *nomenklatura* were able to quickly take over businesses they had overseen and which they were uniquely poised to adapt to the new market conditions. The overall success rate of such enterprises is difficult to estimate. There is no study of the state-owned firms converted by the Council of Ministers into private ventures under Zhivkov, Lukanov or later. Existing companies are often secretive about their early years. “Vinprom Peshtera” describes itself as “an entirely private company, established in 1939,” whereupon the story jumps to 1998, skipping over nationalization and privatization. “Bûlgarska Zakhar” [lit. Bulgarian Sugar], an heir to an eponymous SO privatized by Decree No. 110, mentions nationalization and reaches 1983, but then, too, jumps over the early 1990s and lands at 2001.¹¹¹

Despite these gaps in knowledge, it is fair to say that on the whole the economic success rate of agricultural enterprises privatized spontaneously has been low. In 2008 “Vinprom Peshtera” felt compelled to point out in a public letter that it was one among more than 250 registered firms in the wine-producing sector, but was responsible for more than half of all tax payments submitted by it.¹¹² The other 250 firms are certainly not all failed results of spontaneous privatization, and tax evasion and money laundering can partially explain their existence, but the fact that successful companies are an exception is telling enough not only about the current business climate but about the early 1990s as well.

It should also be noted that some of the ‘private’ agricultural farms established in 1989 were not really private at all. Many of them were state-owned and forced to re-register as ‘Agro-

¹¹⁰ <<http://www.bulgartabac.bg>>.

¹¹¹ <<http://www.bulsugar2002.bg/>>

¹¹² “An Attack on Bulgarian Business” [Open Letter from “Vinprom Peshtera”] in *Dnevnik* (24 March 2008).

firms' under Decree 56, then to re-register again as limited liability companies in preparation for (legitimate) privatization. Despite these fine legal distinctions, most of them continued to be majority state-owned. Unsurprisingly, these same former 'agro-firms' would in the mid-1990s be identified as having the largest debt in the agricultural sector, with most of them facing bankruptcy and thus unlikely to be really privatized, i.e. taken from under the state's wings, by anyone.¹¹³

Happily, by 1995, such skeletal firms, relics of spontaneous privatization, accounted for less than one per cent of all arable land. While in mid-1990 agriculture was dominated by twelve state-owned monopolies,¹¹⁴ by 1995 most of Bulgaria's agricultural production belonged to private companies and cooperatives.

The privatization of agriculture in Bulgaria – the transferring of land and agricultural enterprises from under state control into private hands – can for the sake of simplicity be divided into four overlapping stages. The first stage described above, that of spontaneous privatization, took place mainly between the passing of two laws: Decree 56 in January 1989 and the *Ownership and Use of Farmland Act* in March 1991. The second stage – that of land restitution – began in mid-1991 and continued throughout the transition period and beyond. The third stage – of cash privatization – effectively began in early 1993 and did not differ from policies implemented in other Central and East European countries.¹¹⁵ The fourth stage – that of mass or 'voucher' privatization – mimicked the Russian model and was initiated in August 1995 with laws regulating the *Distribution, Development, Obtainment, and Registration of Voucher Booklets*.

The reader will notice that the third and fourth stages – cash and mass privatization – represent two very different approaches to the problem of transferring state property into the hands of citizens. Unsurprisingly, they were promulgated by the two very different parties that wrestled for political control during the transition: UDF and BSP.

¹¹³ Davidova, et al, "Bulgaria: Economics and Politics of Post-Reform Farm Structures," 36.

¹¹⁴ Gherardi, "Bulgaria No Longer Able to Feed Itself," 16.

¹¹⁵ Bakardjieva and Sowada, "Privatisation in Bulgaria: Strategies, Methods, Results and Conclusions," 3.

The interaction between these two parties in the early 1990s was highly polarized. On the one hand, the old-left Socialist Party – more to the left than its counterparts in Central European countries – advocated, on the ground of ‘social justice,’ for retaining a large measure of state control over the economy and high subsidies for loss-making enterprises, as well as a suspicious attitude towards Bulgaria’s international creditors and organizations such as the IMF and the World Bank. Their opponents on the right, conversely, argued for – and tried to implement – rapid price liberalization and privatization, austerity measures in line with IMF and WB demands, and effectual dissolution of bankrupt state firms. In-between, there was no moderate party. MRF, a good candidate, catered to its largely Turkish-speaking constituency and, without an economic program of its own, was comfortable with backing either UDF or BSP. Thus, economic policy was left largely to oscillate between two extremes.

“The impact of democracy on economic and institutional reform,” writes Timothy Frye, the Marshall D. Shulman Professor of Post-Soviet Foreign Policy at Columbia University, in a recent book, “is conditional on the level of political polarization. ... Democracy is positively related to more rapid and consistent reform when political polarization is low but each increase in polarization dampens the beneficial impact of democracy on the pace and consistency of reform.”¹¹⁶ In light of Bulgaria’s political environment in the early 1990s, Frye’s conclusion helps explain the slowness and inconsistency of reform. UDF reforms were not considerably more ‘radical’ than the shock therapy measures implemented in Poland. However, until 1997 they did not have the chance to lift off the ground.

Part of the problem was not just that opposing governments alternated in office, but that they did so incredibly rapidly. Table 2 in the Appendix illustrates the assembly line of aggrieved Cabinets and Prime-Ministerial resignations which marked the period 1989-1997. Although some of these Cabinets were made up of ‘experts,’ assembled from all parties in an effort to impose some

¹¹⁶ *Building States and Markets after Communism* (2010), 3.

compromise, and others were ‘caretakers,’ assuming power for but a few months, they too, being disproportionately filled with either UDF or BSP members, contributed to the legislative stand-off. Indeed, the first full term of any post-1989 government, which started in 1997, saw the restoration of moderate inflation, foreign confidence, functioning banks, and, indeed, agricultural productivity.

This is not to say that the two parties could not come to an understanding on anything. In 1991, for instance, both UDF and BSP agreed, partly by volition, partly by coercion, that at least some Polish-style shock-therapy measures – liberalization of prices, above all – were inevitable; yet they could not agree on a clear privatization strategy, which was certainly part of Poland’s reform.¹¹⁷ This prompted one politician to comment that Lukanov’s government wanted “to liberalise [sic] prices without breaking the monopolies.”¹¹⁸ As was pointed out in the introduction, there is strong evidence that the success of reform measures in transition economics is positively related to their simultaneity, for which Bulgaria’s political climate prior to 1997 offered little ground.

The other dimension of the problem was that the UDF and BSP did not hesitate to significantly change previously passed legislation. Few important laws were left to rest during 1989-1997. For example, the *Ownership and Use of Farmland Act* [often translated as *Law for Agricultural Land Ownership and Land Use* and melodically abbreviated as LALOLU] was amended twenty-five times by the year 2000. Table 3 in the Appendix shows other legislation important for the agricultural sector and its amendment history up to and including 1997.

That being said, consequential laws such as the *Transformation and Privatization of State-owned and Municipal Enterprises Act* tended to take on an executive life of their own. The law was promulgated in late 1992, under the auspices of the reform-minded right-leaning government of Filip Dimitrov, and came into effect in early 1993. Before that time, however, Dimitrov had already been forced to resign by losing MRF support and, consequently, a vote of confidence in Parliament.

¹¹⁷ Mladenova and Angresano, “Privatization in Bulgaria,” 497.

¹¹⁸ Gherardi, “Bulgaria No Longer Able to Feed Itself,” 16.

The new government of 'experts,' although it contained some UDF members, essentially acted under a BSP economic program with MRF support. To substantially amend the law at this point would have cast BSP in a highly unfavorable light.

The executive discretion of implementing the law had also transferred to the BSP. Although, as we shall see in the next chapter, there is evidence that active steps were taken to check the law's effect, BSP's options in doing so were limited. As legislated, state agricultural enterprises were offered for privatization at the discretion of either the Ministry of Agriculture (for enterprises worth less 10 million leva) or a newly established Privatization Agency (for those worth more) supervised by the Council of Ministers.¹¹⁹ The Ministry of Agriculture did, indeed, proceed with its recommendations; yet of the 293 objects prescribed by it between 1992 and 1996 to be privatized, only 56 actually were. Indeed, the overall rate of privatization of assigned enterprises was only 24 per cent, mainly of small to medium size business: "retail shops, cake shops and snack bars, studios, restaurants, workshops or warehouses."¹²⁰ Privatization in other words, was going awry not at the governmental level, but with the people. As we shall soon see, the main reason for this was the lack of credit available for investing in the large, and often failing, state enterprises offered up for sale.

In the interest of fairness, it should be noted that the ineffectual implementation of laws sometimes suffered not so much from the political situation, as from the laws themselves. In the above example, for instance, the 'value' of an enterprise to be offered for privatization was, in fact, the balance sheet value, in lev, of long-term assets. As Harlan Pomeroy noted in 1993, which lev was meant – the current value or the original cost – was left unclear. Whether this value was to be reduced by an enterprise's debt or, to use Pomeroy's phrase, by any "monetary encumbrances against the long-term assets" was also not mentioned.¹²¹ These decisions were left to secondary and

¹¹⁹ See *Dŭrzhaven Vestnik* [State Gazette] 38/92.

¹²⁰ Bakardjieva and Sowada, 8.

¹²¹ *The Privatization Process in Bulgaria*, 5.

tertiary bodies and a lot of space for maneuver and interinstitutional decision-making was provided. No wonder the law's implementation was slow.

Unforeseen legal complications also caused many delays and much consternation during the process of land restitution. The idea was deceptively simple – to reconstitute all the land and property that had been collectivized and nationalized since the 1940s. Three restitution laws were passed in 1991-2 to that effect and encountered immediate difficulties. 'Actual' pre-collectivization boundaries were difficult to ascertain. Many land registers had been destroyed during collectivization and, sometimes, as in the Dobrudzha region in 1950, ceremoniously burned in public. Thus, the so-called Land Commissions, established to supervise who gained how much and what land in each municipality, had to basically rely on the conflicting testimonies of old people.¹²²

In contrast to land, the one-time ownership of "shops, workshops, warehouses and studios," restituted in December 1991, was usually easier to ascertain. Most of said buildings, however, had been destroyed or altered during the preceding fifty years – raising issues of compensation in a cash-strapped state – or else were now located on collectivized land. Similarly for land, even if land owners (or their heirs) could verify ownership, often times what used to be theirs was now part of an enterprise or a cooperative, or else built over with 'improvements,' such as *new* "shops, workshops, warehouses and studios." Initially, the owners of such land were given back ownership, but were forbidden, so as to avoid breaking up the cooperatives, to do anything with it, such as selling or cultivating it personally.¹²³

They could, it is true, receive a piece of land of the same size in a different location, yet this often involved arguments over the comparative quality of the two. Disagreement also ensued between competing heirs. The majority of disputes submitted to the Land Commissions were automatically relegated to the courts, bogging the process further down. It is still, in effect, going on. The overwhelming majority of new owners found themselves with small restituted holdings –

¹²² Giordano and Kostova, "The Unexpected Effects of the Land Reform in Post-socialist Bulgaria," 11.

¹²³ Creed, "An Old Song in a New Voice: Decollectivization in Bulgaria," 30.

which should not be wholly surprising, given that in the 1940s, prior to collectivization, the average family had owned seventeen scattered units, together averaging not more than 3 ha.¹²⁴ The irony of reversing back to those forms of ownership, as Tony Judt wrote in *Postwar*, was that “once collective farms were broken up into tiny plots they could no longer be worked by tractor but only by hand.”¹²⁵ This author’s middle-class family can attest to the inutility of owning several such small and scattered plots. Unsurprisingly, “many economists have argued that restitution of land to former owners [in Eastern Europe] conflicts with efficiency.”¹²⁶

If, as Timothy Frye and others maintain, political instability, even in a democracy, leads to reform inefficiency, then there is good evidence that reform instability leads to production inefficiency. In other words, multiple privatization methods actually decrease the amount of property privatized. If

some assets are restituted to 'rightful owners' while others are distributed to present users, the result can easily be that land is privatized without machinery and vice versa, that livestock is privatized without resources for raising feed ... Problems also emerge when a large share of productive assets are held by retired ex-members of collective farms. It is highly improbable that such circumstances will result in the successful [sic] grouping of farmland and resources.¹²⁷

Indeed, in Bulgaria, both the strategies of privatization of agricultural enterprises and the multifaceted restitution of land saw a decline in production efficiency.

“Crises in Bulgaria,” Professor John D. Bell of the University of Maryland Baltimore County wrote in 1998, “seem to arise in the foreign exchange market,”¹²⁸ and it is impossible to make sense of the essential collapse of the Bulgarian economy during the winter of 1996-7 without making a digression on the performance of the lev on that market. Although the macroeconomic policies and travails of Bulgaria’s eight governments between 1988 and 1998 are beyond the scope of this

¹²⁴ Meurs and Spreeuw, “Evolution of Agrarian Institutions in Bulgaria,” 355.

¹²⁵ (2005), 691.

¹²⁶ Swinnen and Rabinowicz, “Political Economy of Privatization and Decollectivization of Central and East European Agriculture: Definitions, Issues and Methodology,” 7.

¹²⁷ Swinnen and Rabinowicz, 7-8.

¹²⁸ *Bulgaria in Transition*, 106.

paper, a brief sketch can be made. Bulgaria was after 1989 burdened by a \$12 billion debt, which it had to repay, but could not do so without taking out additional loans. To do so, it needed to cooperate closely with its private creditors – many of whom belonged to the so-called London and Paris Clubs – as well as with the IMF and the World Bank. It needed to pursue a consistent macroeconomic policy, a low budget deficit and a strong lev. Its banks had to be robust, solvent and full of foreign currency.

In reality, the level of cooperation between the Bulgarian government and the IMF and the World Bank varied almost as much as the political stripes of the party in power. Although no one repeated Lukanov's striking action of declaring the country bankrupt and suspending payment on all debt, BSP continued to be on the whole less accommodating towards foreign creditors. Perhaps unsurprisingly, its leaders were also more accommodating towards domestic banks, which prior to 1997 remained very dependent on the state.

The basis for a two-tier banking system had been laid down as early as 1987, when the monopoly of the Bulgarian National Bank [hereafter BNB] was effectively rescinded, and so-called sectoral [*секторни*] banks were allowed to compete with it – and with each other – as 'commercial' banks.¹²⁹ By 1992, a proper private banking system was enshrined in law. The initial burst of inflation – 300 per cent in 1991 – was brought down to 80 per cent in 1992.¹³⁰

There remained, however, a strong twofold connection between the BNB and the commercial banks. On the one hand, many of the private banks were at least partially state-owned. As Ognian Pishev, Bulgaria's ambassador to the United States until 1994 – and, incidentally, a former State Security employee – wrote in a report for the Washington-based Institute for International Economics in January 1993, this connection could be very familial, especially in the early stages of the transition:

¹²⁹ Meurs and Djankov, "The Alchemy of Reform," 57.

¹³⁰ Coats, "The Bulgarian National Bank and the New Bulgaria," 1, 4.

A public enterprise guarantees a sizable bank loan to a private company set up by the next of kin of the public enterprise's managers. The private company's management in turn buys shares of the commercial bank that gave the loan. Because financial sector profits are the most reliable source of tax revenue, the Ministry of Finance was ready to tolerate such practices, even though they ran against the logic of economic reform. Instead, the government opted for more immediate control over the real economy through demonopolization and transformation of public enterprises into joint-stock companies with the state as the sole shareholder.¹³¹

Secondly, as the privatization of large and mostly inefficient state enterprises proved harder and slower than expected, a systemic cycle of dependency began taking place. The larger enterprises, deprived of their subsidies by IMF and World Bank-inspired austerity, began financing themselves by borrowing from the private banks without any reasonable possibility of repayment. The private banks in turn began borrowing money from the BNB. Although some attempts were made to secure BNB's loans with government bonds in 1994, and to recapitalize the private banks with \$2.4 billion's worth of government bonds in 1993,¹³² for the most part, and especially in 1993 and 1995, massive and, to various degrees unsecured, refinancing of the private banks occurred.¹³³

There were two main ironies with how this cycle of credit unrolled. On the one hand, through private banks relying on the BNB a comparable amount of the economy was devoted to indirect subsidies as had been to direct ones prior to reform. While before 1991 the latter accounted for roughly 16 per cent of the GDP,¹³⁴ by 1995 subsidies to loss-making state enterprise from private banks accounted for 15.¹³⁵

On the other hand, the financial bubble created by the above mentioned policies led to two major currency crises – in 1994 and 1996-7 – the second being far more dramatic and involving the bankruptcy of private banks holding about a third of all deposits in Bulgaria.¹³⁶ A consequence of the instability of the financial sector was that Bulgarian governments trying to combat inflation,

¹³¹ "Bulgaria: The Political Economy of Political Reform," qtd. by Coats, 5.

¹³² *The Economist*, "Surveying Bulgaria's Red Army," (20 April 1996).

¹³³ Bell, *Bulgaria in Transition*, 110.

¹³⁴ Wyzan, "Economic Change in Bulgaria since the Fall of Communism," 50.

¹³⁵ Crampton, *Bulgaria*, 404.

¹³⁶ Coats, 6.

would, starting in 1990, set official interest rates very high, at times as high as 60 per cent.¹³⁷ Thus, credit available for institutionally irresponsible borrowers was scarce for the average farmer. The Bank for Agricultural Credit *Vitosha*, officially founded with said farmer in mind, ended up lending heavily to loss-making enterprises. In early 1996, it secured a \$33 million loan from the BNB, but, upon calling all outstanding debts shortly thereafter, including such loaned to a business group close to then-Prime Minister Zhan Videnov, found itself run over by apprehensive depositors and declared bankruptcy.¹³⁸

By that time, however, the banking crisis had been heavily augmented by the economic behavior of Videnov's BSP government, which ruled from January 1995 until the end of 1996.

Superlatives lend themselves easily to serious scholars when trying to describe this behavior.

Venelin Ganev, for instance, writes that

by all accounts, this was the most corrupt, inefficient, and inept government in the post-1989 period, not only in Bulgaria but possibly in the entire region. The country's grain was shipped abroad by BSP-affiliated 'trading companies,' which pocketed hefty profits while the country was thrown into the vertigo of a disastrous grain shortage. The savings of millions of citizens simply evaporated when BSP-appointed 'bank managers' siphoned off bank deposits into [private foreign] accounts and then promptly disappeared.¹³⁹

John D. Bell, an American scholar focused on Bulgaria, wrote in 1998 that

[in late 1996] influential members of the BSP parliamentary delegation were floating such ideas as requisitioning grain from private companies ... and closing private exchange bureaus. Strikingly, [they] backtracked on some of the liberal measures in place since [1991]. The regime's policy towards grain pricing was a particularly perverse mixture incompetence and corruption. It restricted the export of grain through taxes and quotas, supposedly in order to keep grain in the country and its price low, but then allowed firms (including some run by figures close to the prime minister) to evade those quotas and export the grain at world prices.¹⁴⁰

This pattern of forcing through regressive measures (at least from the point of view of reformers) by justifying them with the greater social good, while soon thereafter behaving in ways suggestive of corruption and profiteering, was characteristic of Videnov's government. It was this government, in fact, that initiated Russian-style mass privatization, claiming, not without some

¹³⁷ Yarnal, "Decollectivization of Bulgarian Agriculture," 69.

¹³⁸ Crampton, *Bulgaria*, 404.

¹³⁹ *Preying on the State*, 139.

¹⁴⁰ *Bulgaria in Transition*, 112.

justification, that ‘cash’ privatization had failed to find buyers for the bigger state enterprises. Mass privatization, however, is never quite as mass as its name suggests, and in Bulgaria, too, privatization funds were set up to manage the investment of vouchers. In contrast with the Polish experience, popular suspicion with state institutions prevented the setting up of state-run funds, and by 1999 84 per cent of all privatization vouchers were run by eighty-one private funds; yet cases of corruption involving government officials soon emerged. Videnov’s government also pushed legislation on the preferential sale of enterprises to managers and employees of enterprises – also, on paper, a sensible move – which soon raised issues of transaction transparency, as many managers were also former Communist Party members and thus had connections with the BSP.¹⁴¹

“Does Eastern Europe harbor a banking sector even more troubled than Russia’s?” asked *The Economist* in April 1996. “Bulgaria’s is a candidate.” A month before the UDF-leaning President Zhelev had publicly complained that the banks were “plundering the nation.”¹⁴² By that time two-thirds of all Bulgarian banks were insolvent, and three quarters of all outstanding loans – irrecoverable.¹⁴³ Inflation reached such high figures that, in a telling example, Parliament amended a law that had been passed back in 1991 by changing a fee that had been listed as ‘400 lev’ to 50,000.¹⁴⁴ The IMF and the World Bank indicated willingness to lend, but insisted ever more strongly on the establishment of a currency board, a deal which Videnov proved unable to reach.¹⁴⁵ His government was well aware of the ramifications of its policies. In early 1995, the Ministry of Finance itself warned of an impending financial crisis. Ruling, however, with what Timothy Frye called “short-time horizons,” the BSP took the opportunity to “deliver great benefits to concentrated groups of supporters in the state sector.”¹⁴⁶

¹⁴¹ Bakardjieva and Sowada, 16-18.

¹⁴² Crampton, *Bulgaria*, 404.

¹⁴³ “Surveying Bulgaria’s Red Army,” (20 April 1996).

¹⁴⁴ *Dържавен Vestnik* [State Gazette], 33/96.

¹⁴⁵ EIU, *Country Report: Bulgaria* (November 1996).

¹⁴⁶ *Building States and Markets after Communism*, 202, fn. 7.

While what Rumen Dobrinsky called a “triple drain” crisis – one with fiscal, banking, and currency components¹⁴⁷ – was unfolding, public confidence in the BSP collapsed utterly. In late October 1996 Petър Stoianov of the UDF was elected President in a landslide. Hundreds of thousands of protesters came onto the streets of all major cities and were eventually to storm Parliament during a session. Videnov’s resignation in late 1996 and the transfer of power saw some complications, and a caretaker government, headed by Sofia’s mayor Stefan Sofianski, took over until the April 1997 elections, which gave the UDF sixty per cent of the parliamentary seats. Although the Union embarked upon a rapid stabilization program, which included the setting up of a currency board, the after-shocks of the 1996 crisis continued and Bulgaria’s GDP, which had been declining for six consecutive years, contracted by seven per cent.

That same year, Poland’s grew by as much.¹⁴⁸

¹⁴⁷ *Transition Failures: Anatomy of the Bulgarian Crisis* (1997).

¹⁴⁸ European Commission, “Agricultural Situation and Prospects in the Central and Eastern European Countries: Summary Report” (June 1998), 5.

CHAPTER 4

Of Rice and Men

It will always be cheaper for the Treasury to put the poor in a position to buy corn, than to bring the price of corn down to within the reach of the poor.

Marquis de Condorcet, 1776¹⁴⁹

There are two crazy people in this village – the man who wants to liquidate the cooperative and the man who wants to start a new one.

A woman from Zamfirovo, referring to the decollectivization process, 1992¹⁵⁰

Communism itself cannot come back, but some of its worst features are returning. Herein may lie the curious fate of postcommunism: a society in which communism cannot return but is in no hurry to go.

Zheliu Zhelev, President of Bulgaria (1990-7), in a speech to the Liberal International in Berlin, October 1995¹⁵¹

If one looks at the four parliamentary and two presidential elections that took place in Bulgaria between 1989 and 1997 (and at Graph 7 in the Appendix) it becomes apparent that until 1994 the BSP commanded the support of between a third and a half of voters. The presidential election in 1992 may appear as an exception to this trend, but in its course the votes were carried not so much by policy promises but by the charismatic personality of Zheliu Zhelev. One of the more dissident among dissidents – his spats with the BCP started when he was a philosophy student and intensified when he published a book in 1982, which explored the similarities between communism and fascism – Zhelev was an uneasy supporter of UDF and criticized some reformers' policies. As President, he also commanded little effective power, although his most outstanding

¹⁴⁹ "Reflexions sur le commerce des bles" [Reflections on Trade], in *Oeuvres de Condorcet* (Paris: Firmin Didot, 1847-49), 231, qtd. by Joseph Schumpeter in *Capitalism, Socialism, and Democracy* (New York: Harper, 1950), 62.

¹⁵⁰ Creed, "An Old Song in a New Voice: Decollectivization in Bulgaria," 40.

¹⁵¹ Reprinted as "Is Communism Returning?" in *Journal of Democracy*, Vol. 7, No. 3 (July 1996). Quote taken from page 7.

prerogative, to recommend governments in times of parliamentary crises, came into play in the unstable political years of 1992-1996.¹⁵²

With the exception of Zhelev's clear-cut victory, and putting MRF and minor (and mostly transitional) parties aside, the popular vote was roughly divided in support for BSP and UDF until late 1996, and in 1994 it leaned heavily towards the BSP. Not only is that puzzling in itself, but, given the fact that a disproportionate amount of BSP supporters came from the provincial villages,¹⁵³ where, in turn, a disproportionate amount of people were engaged in agriculture, a question highly apt to this paper presents itself: why did farmers keep voting for the BSP?

A very sensible argument is often marshaled in response to this query, which is not unique to Bulgaria. It often takes two forms, both of which rely on finding a cultural divide between city and village. According to the first, city dwellers are often richer, better educated, and, given their urbane environment, better informed politically. They are thus harder to hoodwink by parties, such as BSP in the early 1990s, that rely on populist platforms. Another way to juxtapose the mindsets of urbanites and farmers is applied specifically to post-communist countries. Throughout Eastern Europe, the twentieth century villager, the view goes, had a history of supporting and being supported by the Party and earned a rightful, albeit somewhat awkward, place next to the proletarian worker in the communist mythology as it developed. Although agriculture was often underfinanced at the expense of industry, it was always treated with a respect largely lost (the view goes on) after 1989. The collectivization of agriculture created networks of dependency, wherein the economic, social, and political functions of the local co-op center often converged in a way not quite experienced in a city factory. Thus, strong attachment to the Party ran on all three levels – economic political, and social – and those whom Misha Glenny called “regional barons of the party,” sitting “atop a large, corrupt network from which everybody derived some benefit,” could wield the

¹⁵² He could also perform acts of symbolic significance, as when he single-handedly recognized Macedonia's statehood in 1992, to the consternation of many on both the left and right.

¹⁵³ Creed, “The Politics of Agriculture: Identity and Socialist Sentiment in Bulgaria,” 843-4.

“semi-feudal” system of patronage to the benefit of the BSP during post-1989 democratic elections.¹⁵⁴

Unsurprisingly, such views are more often than not held by city-dwellers, while villagers tend to find nothing quite so cultural about their political choices. Despite these protests, the above views deserve credit. It requires an extraordinary amount of effort to see what’s in front of one’s nose, as George Orwell said. That granted, to view the voting patterns of farmers as wholly the result of pre-1989 cultural inertia is unsatisfying in at least two ways. On the one hand, the argument should as a rule of thumb be turned around. Surely city folk, especially the zealous, confident city folk of the early 1990s Bulgaria, have political bias of their own, perhaps often to the detriment of said farmers. On the other hand, there is an element of condescension in casting farmers and other villagers in this light, which can be balanced with the idea of ‘rational incentives.’ As we know, rational incentives are not monopolized by educated technocrats, so it is only fair to look for them elsewhere. This is the aim of this chapter.

It is possible to consider the average Bulgarian farmer on the eve of any election, 1990-1997, in two ways: as under the pressure of incentives arising from the larger economic transformations, on the one hand, and of those peculiar to the rapidly changing agricultural sector, on the other. Often times, these two would point him or her in the same direction.

The larger economic transformation had ramifications for all political parties, but its slowness played into the hands of the BSP. The main reason that the BSP received so much support in 1994 – a level of public confidence, which far exceeded that of farmers, even if all of them, at the time roughly 23 per cent of the working population,¹⁵⁵ had voted for the Socialist Party – has, once again, to do with political instability and its workings on the progress of reform. In contrast to

¹⁵⁴ “Bulgaria: the Delicate Flower,” 168-9. I use the word ‘farmer’ as shorthand to denote anyone working in the agricultural sector. Even Gerald Creed, who speaks of ‘teleological’ capitalism and the disadvantages of applying it impractically in a post-socialist society, does so in cultural terms, by juxtaposing either the city to the village or Western to non-Western ‘modernity.’ See his *Masquerade and Postsocialism: Ritual and Cultural Dispossession in Bulgaria* (Bloomington: Indiana University Press, 2011).

¹⁵⁵ OECD, *Review of Agricultural Policies: Bulgaria* (2000), 160.

Poland's rapid shock therapy, followed by a comparatively rapid economic rebound, Bulgaria's recovery was held back by what could perhaps be better described as hit-and-run therapy. Half-hearted but painful economic measures went on for four years and had, in 1994, no end in sight.

The first of these larger measures was the liberalization of prices in 1990. By 'liberalization' should be understood, if one is to step in the shoes of the average voter, a sometimes slow and sometimes rapid, but seemingly relentless, rise of prices of basic commodities, an impression of which is provided by Graph 8 in the Appendix. First instituted by Filip Dimitrov's government, price reform before 1997 never became comprehensive enough to justify itself. Across Eastern Europe, retaining some price control was considered *de rigueur* in the early 1990s, precisely for the purpose of avoiding large-scale social suffering. In Bulgaria, however, complete price liberalization did not gradually unfold, as was supposed to happen after a period of prudence. Instead, it became a hotly contested issue, and was actually reversed in mid-decade: in 1996, under Videnov's government, a staggering 45 per cent of prices were subjected to some form of state regulation, compared to 18 per cent in 1992.¹⁵⁶

Throughout the period, some prices were liberalized, while others were not. In agriculture, this juxtaposition created particularly severe problems, because while input prices were substantially liberalized by 1991, output prices were kept down until 1997 in an earnest effort to ensure cheap bread. The "fixed prices" of the communist era gave way to minimum prices (which, for as long as the agricultural sector remained monopolized, acted as fixed prices), "projected prices," and "ceiling prices."¹⁵⁷ Ironically, grain shortages were highly correlated with the implementation of this policy. In early 1991 the Federal Research Commission to the Library of Congress reported that sugar & olive oil were unavailable in many areas, livestock feed rations were being cut by more than a half, a grain shortfall of 1.7 million tons was expected, meat was being "withheld from markets until new government prices were announced" and was "very scarce

¹⁵⁶ Frye, *Building States and Markets after Communism*, 201.

¹⁵⁷ Ivanova, Nedka, et al, "Impact of Changes in Agricultural Policy on the Agro-Food Chain in Bulgaria," 355-6.

and expensive in cities” and fertilizers for the year's crops were in very short supply. Western firms were showing some interest in agricultural investment, but were held back by lack of legal frameworks.¹⁵⁸ For the period 1989-1998 the production of wheat alone dropped 35 per cent, that of grain in general by 20.¹⁵⁹ The production of sugar beets between 1989 and 1994 declined from 0.96 to 0.11 million tons; of maize from 2.26 to 1.36, of potatoes from 0.55 to 0.48.¹⁶⁰

Part of the reason for this was that prices for fertilizers, chemicals, and other production-related expenses were growing, while ‘farm-gate’ prices – what agricultural producers were allowed to charge for their produce – were being held low. Finding themselves penalized in the resulting “price-cost squeeze”¹⁶¹ and paying more to make what sold for less, agro-producers, once given the chance to do so, opted out of agriculture altogether, or simply started producing less.

These price distortions resulted in income transfers between “different levels of the food marketing chain,”¹⁶² further to the detriment of farmers. State subsidies, once somewhat lavishly spent on farmers, were gradually decreased after 1989. In 1989, a common view, as exemplified by Victor Nee at Cornell University, had been that “the transition from redistributive to market coordination shifts sources of power and privilege to favor direct producers relative to redistributors.”¹⁶³ In Bulgaria, initially, final consumers, whom it was the intention of successive governments to provide with affordable grain, received the higher end of the capital transfer, although the fact that until 1993 a large part of agriculture remained state-owned introduced an added difficulty.

A good illustration of the Bulgarian agro-supply chain soon after 1989 is provided by a story published in *Le Monde* in November 1990. Otsaki Dimitrov, a small-scale wine maker in Sozopol, complained to the newspaper that in order to make wine he had to buy grapes with very high sugar

¹⁵⁸ FRD to the LoC, *Bulgaria: A Country Study* (1992).

¹⁵⁹ Mishev, Tzoneva and Ivanova, “Supply Response of Bulgarian Agriculture over the Transition Period,” 149.

¹⁶⁰ EIU, *Country Report: Bulgaria, Albania 1996-7*, 22.

¹⁶¹ OECD, *Review of Agricultural Policies: Bulgaria* (2000), 12.

¹⁶² Ivanova, Nedka, et al, 370,

¹⁶³ “A Theory of Market Transition: From Redistribution to Markets in State Socialism” (1989), 663.

content: there was no sugar in Bulgaria. He would buy a kilogram of such grapes for 1 lev/kg, whereupon he would distill wine with decent – 12.4 to 12.6 degrees – alcohol content. The state monopoly – the as-of-yet unprivatized Vinprom we met earlier – would buy the finished wine for 1.5 levs/liter, and either export it or sell it domestically at a subsidized price. Since it is all but impossible to make wine with less than 2 kilograms of grapes per liter, Mr. Dimitrov was making a loss of at least 0.5 lev/liter.

Eventually, however, it was manufacturers and retailers – merchants selling farmers' produce – who found themselves benefiting, with little to no effect on the consumer's budget and with a negative effect on the farmer's. The statistical evidence for this was detailed in a 1995 paper by a quartet of one Bulgarian, one Dutch two British economists, who concluded "that farmers have been net losers and retailers net gainers from agro-food policies."¹⁶⁴

Another overarching factor for production decline stemmed from the collapse of the organizational structures of Bulgaria's planned economy. Between 1989 and 1992, three surveys followed 490 "state and cooperative establishments" employing more than 230,000 workers, or 20 per cent of Bulgaria's industrial workforce. A study of these surveys done in the calmer atmosphere of 1998 found that "the rapid spread of competition [between 1989 and 1992 was] accompanied by enormous loss of network (organizational) capital."¹⁶⁵

In addition, as we saw earlier, Bulgaria's 1990s were characterized by the twin problems of debt and high inflation. Both problems had been brewing for decades, augmented in the 1980s by a growing disparity, illustrated by Graph 9 in the Appendix, between what the BCP decreed the lev was worth within Bulgaria, and what it was deemed to be worth outside. Bridging the gap could not but have been painful, and efforts to keep down runaway inflation led the BNB to set interest rates high. Worse still, Iraq's \$1.2 billion debt to Bulgaria was practically lost following the invasion of

¹⁶⁴ Ivanova, Nedka, et al, 370,

¹⁶⁵ Jones, Klinedinst, and Rock, "Productive Efficiency during Transition: Evidence from Bulgarian Panel Data," 460.

Kuwait in August 1991.¹⁶⁶ In 1993 Liuben Berov's government joined the international embargo on Serbia and Montenegro, which, while prompting a well-organized illicit border trade, increased the country's trade and current account deficits.¹⁶⁷ Bulgaria's habitually strong reliance on the Comecon market – in the late 1980s, 54 per cent of its exports had gone to the Soviet Union¹⁶⁸ – also contributed to a substantial loss of markets, as the EEC proved unenthusiastic for Bulgarian exports, especially – under the influence of the Common Agricultural Policy – for its agricultural ones.

The resulting budget woes meant that governmental support for struggling agricultural enterprises and co-ops, although not negated, had to be curbed. According to the OECD, Bulgaria's percentage Producer Support Estimate (PSE) for agriculture – “an indicator of the annual monetary value of gross transfers from consumers and taxpayers to support agricultural producers [expressed] as a ratio to the value of gross farm receipts valued at farm gate prices, including budgetary support” – declined during most of the years between 1990 and 1996. In 1999, the percentage PSE in Bulgaria was -1 while the OECD average was 40, and that of Poland, Slovakia, Estonia, Lithuania, the Czech Republic, Hungary, and Romania was 22. “Only in Russia was the level of support lower, at minus 3.”¹⁶⁹ In other words, compared with other European countries in the 1990s, the financial support structure of Bulgarian agriculture was in dire straits, and a negative percentage PSE indicates that the sector was in effect being implicitly (albeit slightly) taxed.

For small-scale village producers, navigating between the Scylla of an input-output price squeeze and the Charybdis of reduced institutional support, borrowing on credit might have provided a respite during the tumultuous half-decade after 1989. The instability in the banking sector, however, led to the two currency crises mentioned in the previous chapter, and the

¹⁶⁶ Glenny, 181.

¹⁶⁷ Wyzan, “Economic Change in Bulgaria since the Fall of Communism,” 51.

¹⁶⁸ Petkov and Dichev, “Bulgaria: A Long and Winding Road to Democracy and a Market Economy: The Special Problems of Agriculture” (1991), 6.

¹⁶⁹ OECD, *Review of Agricultural Policies: Bulgaria* (2000), 129-32.

associate runaway inflation was combated with raised interest rates. Thus, following land restitution and spontaneous/legal privatization, and the associated fragmentation and loss of capital, farmers did not have the option of borrowing to finance investments on reasonable terms. Such investment might have come from abroad, but a combination of political instability and protectionist laws deterred foreign ventures. As late as 2001, foreigners were still prohibited from purchasing arable land, and their share of investment in agriculture, according to the Bulgarian Agency for Foreign Investment, was negligible.¹⁷⁰

Along with other forms of ownership, Decree 56 re-introduced co-ops in 1988, and in 1991, under Popov's government, co-ops regained their autonomy from the Central Cooperative Union, although most of them re-joined it or one of three other national unions. With the dissolution of AICs in 1989, farmers thus had essentially two options – to remain in a co-op or to form or join a private company.¹⁷¹ Given the financial constraints on private farming, it is not surprising that, when given the option of staying in a cooperative, many farmers chose to do so. As Mieke Meurs and Charles Rock pointed out in 1993, “co-operatives may permit employment opportunities and security ... in situations where low and uncertain profits, and limited credit slow the entry of private firms.”¹⁷²

Credit was relatively more accessible to co-ops and their members than to individual producers, thanks to measures such as setting up the Central Co-operative Bank and local credit outlets. No wonder, then, that, as Graph 10 in the Appendix shows, along with decentralization of the cooperatives from the oversight of unions, both the total number of co-ops and their average size grew steadily between 1992 and 1996. Farmers, in other words, preferred a cooperative form

¹⁷⁰ Giordano and Kostova, 12.

¹⁷¹ The reader will recall that under communism agro-co-operatives existed side by side with state-controlled farms, until the majority of the two were amalgamated into Agro-Industrial Complexes, land remaining de jure the property of the co-op members who contributed it.

¹⁷² “Recent Evolutions and Issues of Bulgarian Co-operatives,” 39-49.

of ownership to private ventures. In 1995, there were 122 farming companies and close to 3000 cooperatives.¹⁷³

Agriculture's share of total employment likewise grew between 1990 and 1999 from 18 to 26 per cent respectively. This was partially a result of declining employment in the industrial and service sectors, but it also indicated the relative unlikelihood of co-op members being fired. Indeed, jobs were legally more secure within a co-op.¹⁷⁴ At the same time, as mentioned earlier, both agricultural production and investment in agriculture declined, the latter by more than four-fifths.¹⁷⁵ More and more people, in other words, kept producing fewer and fewer crops and attracting less and less market interest. Ironically, co-ops were almost regressing away from the post-1989 market. The statement of a Party minister in the 1980s that "cooperatives are in the business of making jobs, not money"¹⁷⁶ was perhaps more apt in the 1990s than in the 1980s.

Here belongs a reminder of the tendency, discussed in Chapter 1, of families to have 'private' or 'auxiliary' plots. Many farmers, being used to a two-tier production model – growing fruits and vegetables in their homesteads for personal consumption, while pretending to work hard in cooperatives on weekdays – found it difficult to countenance private agro-firms. Therein, they would in effect be required to work more hours and more earnestly, and to downscale their personal plots production.

No wonder, then, that farmers remained attached to co-ops for reasons beyond the oft-cited cultural ones. Co-ops offered better job security, more credit and available capital, organizational

¹⁷³ Individual farms number taken from Davidova and Buckwell, 29. Their number for cooperatives (2344) curiously contradicts that of Albena Miteva, Professor at the Department of Agribusiness at New Bulgarian University, used in Graph 10 (2815), even though both are quoted from the NSI. I have taken Miteva's number as closer to the truth, as her paper was published almost ten years after Davidova and Buckwell's and thus probably reflects better access to statistical archives.

¹⁷⁴ For an extensive analysis of Bulgarian legislation regarding co-ops until 1994, see Dionysos Mavrogiannis's *Cooperatives in Eastern and Central Europe: Bulgaria* (International Co-operative Alliance, Geneva: October 1994).

¹⁷⁵ Figures in this paragraph are taken from OECD, *Review of Agricultural Policies: Bulgaria* (2000), 43.

¹⁷⁶ Davidova and Buckwell, 2.

familiarity, and the possibility of continuing existing land sharing arrangements, so as to – to turn Tony Judt’s phrase around – use tractors rather than hands.

The UDF reformers who took power in 1992 viewed co-ops with suspicion. For the more fundamentalist among them, both agricultural and industrial coops, even if owned by their members, were obstacles to the development of a liberal economy. More moderate UDF members were nervous about the fact that the ‘new’ co-ops often retained the same old power structures as the old ones, with former *nomenklatura* pervasively attached to their managerial positions, from where they would impede further reforms. The fact that the first elections in 1990 had been won by the BSP, and that UDF outscored the BSP in 1991 by a hair-thin margin, probably affected the judgment of reformers, as did the evidence that co-ops required substantial state aid. Much like the BSP before and after, the UDF was conscious of operating “with short-time horizons,” and aimed at quickly reducing the support base of its opponent.

These considerations form the political background of the decision to amend the *Ownership and Use of Farmland Act* in March 1992. The OUFA, first passed in February 1991, and designed to handle restitution and decollectivization, had been confusing and ineffective, with President Zhelev accusing Popov’s government and Finance Minister Ivan Kostov – the former *nomenklatura*, of obstructing its implementation on the ground. Johann Swinnen argues that the BSP “had taken part in the discussions and the writing of the law, and was [in 1991] able to control (block) its execution. If it was BSP’s intention to approve the law in Parliament and consequently block the law to show its inefficiency ... the strategy worked well.”¹⁷⁷

The spring and summer of 1991 also saw a split within UDF between moderate and radical reformers, with several parties leaving the Union and pursuing their own election campaigns. In October 1991, what was now a radicalized version of the old UDF, headed by Filip Dimitrov, formed

¹⁷⁷ Swinnen, “On Liquidation Councils, Flying Troikas and Orsov Cooperatives: The Political Economy of Agricultural Reform in Bulgaria,” 140-1.

a coalition with the MRF and in March substantially amended the law, by, among other things, declaring the formation of new co-ops illegal. In an effort to decrease spontaneous privatization, all asset transfer transactions made by co-ops after 1 January 1990 were declared null and void.

Not only that, but all existing co-ops were to be eventually liquidated by the both aptly and ineptly named Liquidation Councils, established in every cooperative by district governors. These, to quote Gerald Creed, “replaced the old farm management and were assigned the somewhat schizophrenic task of managing agricultural activities while liquidating the collective farm.”¹⁷⁸

The effect on co-op capital was disastrous. Some selling of the movable equipment of co-ops had already occurred in 1989. In early 1991, as co-ops were directed to register anew with the government, managers had also used legislative loopholes to sell off everything from tractors to fertilizers.¹⁷⁹ But those instances of spontaneous selling were dwarfed by the extent of legally sanctioned liquidation. Not only was movable property sold off, but

cooperative resources like irrigation facilities were left to deteriorate or be stolen. Villagers took back more land for private cultivation but not enough to compensate for the losses in the cooperative sector. The situation subsequently worsened. When the socialists returned to power, they tried to shore up the surviving cooperatives, but their hesitancy to pursue other economic reforms eventually backfired on the cooperative sector as well. The inflation set off by government policies made it impossible for cooperatives to operate.¹⁸⁰

Voices of opposition emerged to the liquidation policy even within the more hard-line UDF. More ominously, the MRF leadership began showing signs of estrangement. The Turkish population, concentrated in rural areas and disproportionately employed in agriculture, protested against the havoc being wrought upon the agro-sector. Receiving almost no land from restitution, they were bearing the brunt of forced decollectivization. Finally, in October 1992, Dimitrov’s government lost MRF support altogether and with it a vote of confidence in Parliament, and a

¹⁷⁸ “An Old Song in a New Voice: Decollectivization in Bulgaria,” 31.

¹⁷⁹ *Ibid*, 27.

¹⁸⁰ Davidova and Buckwell, “Agricultural Reform” (1994), 2.

government of 'experts,' headed by Liuben Berov, former economic advisor to the President, took over. Tellingly, it received the support of 23 of the 110 UDF representatives.¹⁸¹

Berov soon promised a "socially oriented" approach towards market reform. But the damage done to UDF's – or, more generally, reformers' – standing with the rural population was quite severe, and was reflected with the strong support the BSP received during the next elections in 1994, when, already substantially represented in Berov's government, the party capitalized on the loss of UDF popularity with a populist platform which seemed to promise both social protectionism and market liberalization. Berov's economic policy – "muddled at best"¹⁸² – was unpopular, he resigned in late 1994, and a caretaker government, headed by Renata Indzhova, former head of Bulgaria's Privatization Agency, assumed executive power for three months.

Upon gaining control, Videnov's government retained only two members from the transitional administration.¹⁸³ Catering to the farmers' vote, as well as to its own interests, the BSP-controlled Parliament founded the so-called State Fund "Agriculture," "with the aim of supporting the agricultural producers [through direct subsidies and preferential credit lines] in order to assure the national food balance and to provide the farmers with credit for short-term working capital."¹⁸⁴ To qualify for subsidies, farmers had to agree to sell part of their produce to traders licensed by the Ministry of Agriculture. In effect, this was an extension of the state's allocative capacity with a view on meeting policy goals.

The BSP Parliament also amended more than fifty per cent of the OUFA, practically reversing all of UDF's March 1992 amendments. President Zhelev sent the bill back to Parliament on legal grounds, whereupon it was passed again with minor modifications. Finally, in June 1995, the Bulgarian Supreme Court ruled out some of the amendments as unconstitutional.¹⁸⁵

¹⁸¹ Swinnen, "On Liquidation Councils...", 151, fn. 9.

¹⁸² Frye, 199.

¹⁸³ Nikolov, "Bulgaria: A Quasi-Elite," 223.

¹⁸⁴ EU Commission, "Agricultural Situation and Prospects...: Bulgaria," 99.

¹⁸⁵ Swinnen, "On Liquidation Councils...", 146-7.

The Liquidation Councils, however, were amended away.

That Videnov's government showed no real concern for 'the people' is, in light of the party's subsequent performance, clear. A large portion of UDF delegates opposed the dissolution of the Liquidation Councils not on the grounds of their effectiveness or use, but because, as legislated by the BSP, it invited, in the words of the delegates themselves, the

easy disappearance of all assets, funds, and documentation, and, what is more important ... the termination and disappearance of the legal body, subject to sanctions from the creditors of the cooperative. The chaos created by this act will undoubtedly lead finally to the necessity of the state to pardon the debts of the cooperatives (as it has done before).¹⁸⁶

Not all co-ops were considered 'under liquidation' in 1995 and thus affected by the OUFA amendments. As we saw, private co-ops, which could once again be formed in 1993, grew steadily and outnumbered those under the Councils' care.

Yet this episode is significant. If we abstract ourselves from BSP's role as an opportunistic player, it becomes apparent that the UDF's radical reform policy, as exemplified, but not exhausted, by the Liquidation Councils, was misguided because it did not take into account the volatile political situation in Bulgaria. At no point prior to late 1996 was strong support for the UDF forthcoming. To turn more to the right rather than to the center was clearly a mistake, and, although understandable, it is part of the explanation of why Bulgarian agriculture slumped. If UDF could govern alone for a full term, its reforms might well have restored the productivity of the agro-sector: they did between 1997 and 2001. But, stuck oscillating between the right masquerading as socially concerned liberals and the left masquerading as socially concerned democrats, the farmer voted for the latter. Extreme politics begets extreme policies, and the extreme policies of the BSP were in the end far less preferable to those of the UDF. By 1996, the full revelations of BSP's corruption and profiteering dealt a devastating blow to its popularity among everyone.

However, tellingly, two terms later, in 2005, the BSP was voted back into power.

¹⁸⁶ Swinnen, "On Liquidation Councils...", 147.

CONCLUSION

Compared to other Central and Eastern European Countries, Bulgaria's agricultural output in the decade after 1989 was not markedly unsuccessful. In 1997, Bulgaria's gross agricultural output was closer to its 1989 level than those of (in decreasing order of 1989/1997 discrepancy) Latvia, Estonia, Lithuania, the Czech Republic, and Hungary. Slovakia was as close to its 1989 level as Bulgaria, Poland and Romania more so, and only Slovenia's agricultural output was stronger than it was in 1989.¹⁸⁷

Measured in GDP growth, however, Bulgaria compares poorly to other Central and Eastern European countries. In the decade 1993-2003, its GDP growth averaged 1.3 per cent annually, compared with Poland's 4.9, Latvia's 4.7, Estonia and Croatia's 4.4, and Slovakia's 4.3.¹⁸⁸

This discrepancy in agricultural and GDP growth is attributable to the differing importance of agriculture among Central and Eastern European nations. Despite the industrialization programs of the Communist Party, agriculture's share of GDP in Bulgaria remained high throughout the twentieth century. In 1996, at 12.8 per cent, it was the highest after Romania's among ten Central and Eastern European countries. For comparison, the lowest, at 2.9 per cent, being that of the Czech Republic, was comparable to the average of the then-fifteen EEC members, 1.7 per cent.¹⁸⁹

In the years 1991-7, agriculture's importance in the Bulgarian economy, presented in Graph 11 in the Appendix, did not diminish, particularly so in exports, where its share of the total hovered around twenty per cent until 1997.¹⁹⁰ Agriculture's share of employment rose steadily from 19.1 to 23.4 per cent, indicating, in the absence of a corresponding increase in output, decreasing

¹⁸⁷ European Commission, "Agricultural Situation and Prospects in the Central and Eastern European Countries: Summary Report" (June 1998), 19.

¹⁸⁸ Berend, 259.

¹⁸⁹ European Commission, "Agricultural Situation... Summary Report," 16.

¹⁹⁰ Agriculture's share of GDP in 1996, as presented in the *Bulgaria* chapter of the EU Commission's report (12.8 per cent) and quoted on this page, differs from the one presented in the Commission's Summary Report (13.1 per cent) and quoted in the graph. So does, incidentally, the share of agriculture in employment, 24.3 and 23.4 per cent, respectively. Such minor discrepancies in agricultural statistics are common throughout the literature on Bulgarian agriculture, although usually not within sources by the same authors.

productivity per worker. A similar trend occurred in Poland, where in 1996 close to 27 per cent of the workforce was engaged in agriculture, which accounted for but 6 per cent of the country's GDP.

In other words, despite the fact that agriculture declined across post-Communist Central and Eastern Europe, its decline in Bulgaria, although not excessive by the region's standards, was more detrimental to the country's overall economy than elsewhere. Additionally, as this paper has shown, this drop in production and productivity was not an isolated sectoral phenomenon, but an indicator of a larger economic malaise, one reflected in stagnating GDP growth (also not seen, to such extent, in most of Central and Eastern Europe), as well as in two severe economic crises.

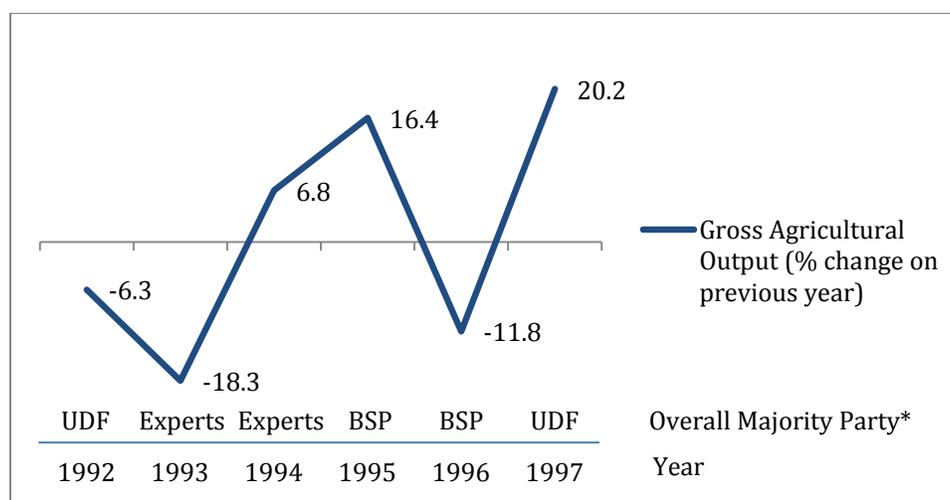
It is the cumulative effect of political instability, illegal, and then inconsistent and unclear, privatization, and counterproductive reforms that sustained and reinforced the decline in agricultural production after its arguably inevitable downturn in 1989-90.

From this conclusion may be drawn a larger one for societies which find themselves in a process of transformation, be it political, social, or as was the case in Bulgaria, also a profound economic transformation. If a severe and long downturn in production is to be avoided, one should aim at the opposite of what transpired in Bulgaria: that is to say, at political stability, achieved through compromise or moderate parties balancing between extreme points of view; a clear, open, effective, and equitable way of transferring property after the collapse of power structures; and reformers mindful of the incentives and disincentives their reforms might create for the average voter.

APPENDIX

<i>Food type</i>	<i>1989</i>	<i>1996</i>	<i>1997</i>
Bread and pastry	160.5	145.8	141.7
Fresh fruits	35.4	22.6	28.4
Vegetables	59.8	55.6	46.7
Potatoes	28.3	26.4	24.4
Sugar	12	8.2	7.7
Meat	35.8	24.9	17.3
Meat Products	17.5	11.9	8.1
Milk	53	34.7	31.7
Eggs (no.)	170	125	110

Table 1: Average Annual Household Consumption of Main Foods in Bulgaria, 89, 96, 97¹⁹¹
(kg/person/year)

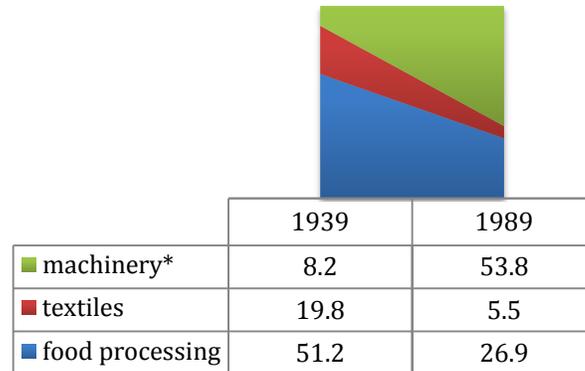


Graph 1: Majority Party vs. Agricultural Output, 1992-7¹⁹²

*More than one party sometimes held the majority in the same year, usually sharing it with MRF, the Movement for Rights and Freedoms. In 1993 and 1994, governments of "experts" drawn from each party were in power. The labels here reflect my judgment about which party held more sway in the legislative process during a given year.

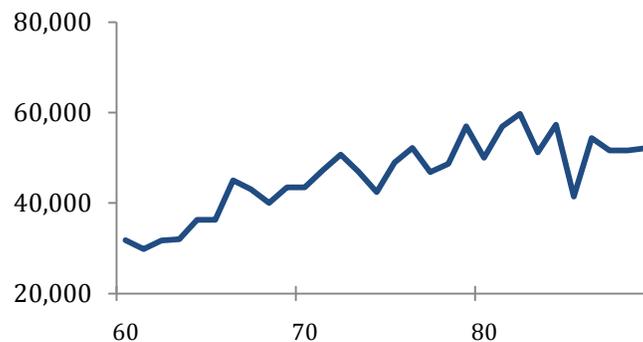
¹⁹¹ NSI, qtd. by the EU Commission, in "Agricultural Situation and Prospects... : Bulgaria," 34.

¹⁹² Agricultural output figures taken from NSI, qtd. by the EU Commission in "Agricultural Situation and Prospects...: Bulgaria," 32.



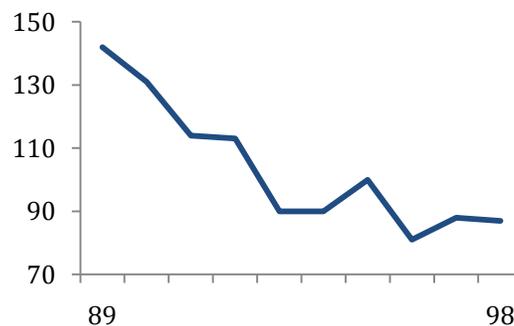
Graph 2: Relative Shares of Machinery, Textile and Food Processing in Bulgarian Industry. 1939-89 (%)¹⁹³

*Figures for 1955-7 and 1981-3.



Graph 3A: Gross Agricultural Output, in Million Leva, 1960-89¹⁹⁴

Calculated on the basis of weighted averages of 16 crops and 3 price series.

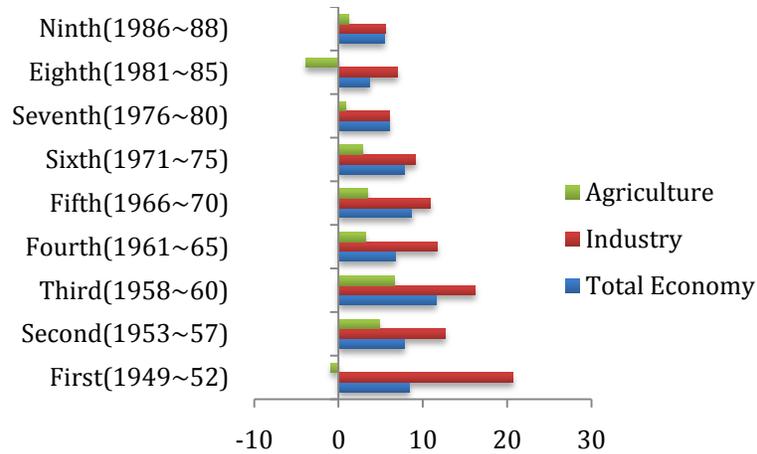


Graph 3B: Development of Agricultural Production, 1989-1998, 1995=100¹⁹⁵

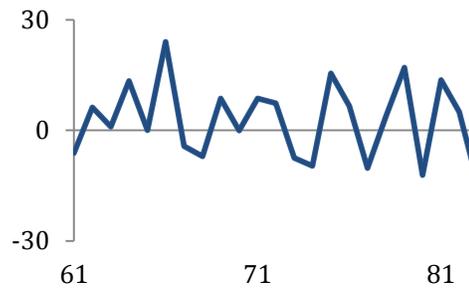
¹⁹³ Crampton, *Bulgaria*, 370.

¹⁹⁴ Extrapolated from Boyd, *Organization, Performance, and System Choice* and OECD, *Review of Agricultural Policies: Bulgaria* (2000).

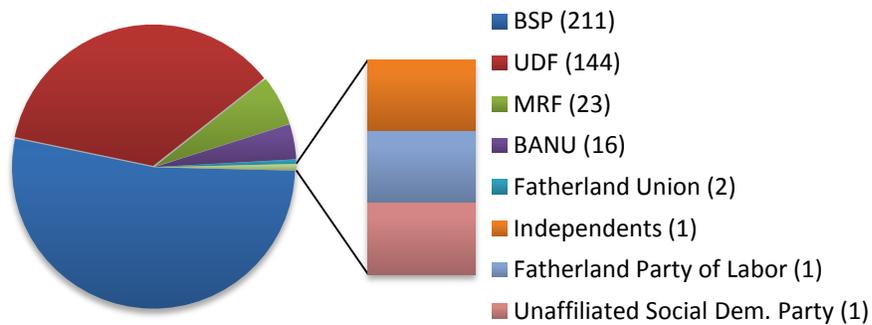
¹⁹⁵ NSI, qtd. in OECD, *Review of Agricultural Policies: Bulgaria* (2000), 164. See also FAO and Eurostat, qtd. in European Commission, Directorate-General for Agriculture, *Agricultural Situation in the Candidate Countries: Country Report on Bulgaria* (July 2002), 9. These data differ slightly from those presented in Graph 1 and supplied by the EU Commission in its July 1998 "Agricultural Situation and Prospects in the Central and Eastern European Countries" series, although all three sources ultimately rely on the NSI.



Graph 4: Average Annual Growth Rate of Bulgaria by Five-Year Plan¹⁹⁶



Graph 5: Gross Agricultural Output, in Million Leva, 1961-89¹⁹⁷
% Change on Previous Year



Graph 6: Seats in Bulgaria's First Elected Government, June 1990¹⁹⁸
Out of 400

¹⁹⁶ Choi, "Comparison of Economic Changes in Czechoslovakia and Bulgaria" (2006).

¹⁹⁷ Boyd, *Organization, Performance, and System Choice*.

¹⁹⁸ Crampton, "Bulgaria," 25.

<i>Timeframe</i>	<i>Government</i>	<i>Party leader/PM</i>	<i>Notes</i>
03/1954 – 09/1989	BCP	Todor Zhivkov	Resigns Nov 1989
09/1989 – 01/1990	BCP	Petûr Mladenov	President after April 1990, resigns July 1990
01/1990 – 11/1990	BSP	Andreï Lukanov	Resigns Nov 1990
12/1990 – 10/1991	“Experts” UDF, BSP, BANU	Dimitûr Popov	
11/1991 – 10/1992	Coalition of UDF and MRF	Filip Dimitrov	Loses MRF support and fails a confidence vote in Oct 1992
11/1992 – 08/1994	“Experts” BSP, MRF, some UDF	Liuben Berov	Resigns Aug 1994
08/1994 – 01/1995	Caretaker government	Renata Indzhova	
01/1995 – 02/1997	BSP	Zhan Videnov	Resigns Dec 1996, remains acting PM until Feb 1997
02/1997 – 04/1997	Caretaker government	Stefan Sofiianski	
05/1997 – 07/2001	UDF	Ivan Kostov	First full four-year prime-ministerial term since 1989

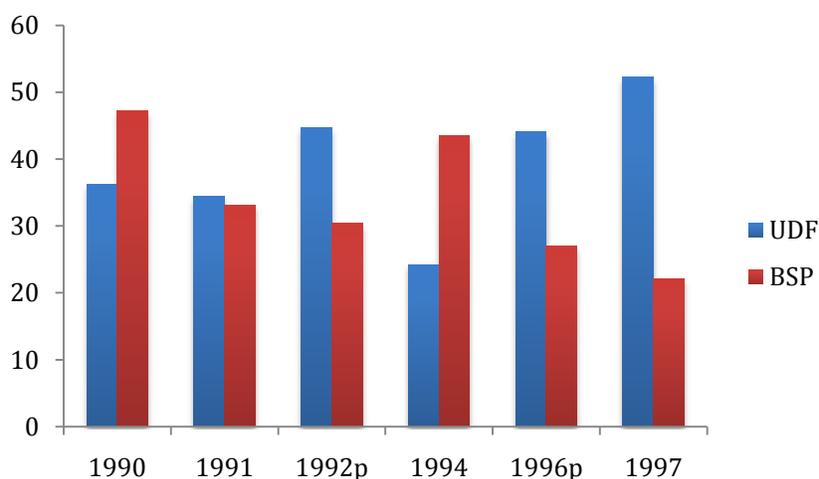
Table 2: The Political Landscape, 1989-1997

<i>Promulgated</i>	<i>Name & Amendment History, 1988-1997</i>
1951 November	<i>Ownership Act</i> , am. 1988, 1989, 1990, 1991, 1996
1951 December	<i>Local Taxes And Fees Act</i> , am. 1988, 1990, 1991, 1993, 1995, 1996
1973 March	<i>Citizens’ Ownership Act</i> , am. 1988, 1989, 1990
1989 January	<i>Decree No. 56 on Economic Activity</i>
1990 April	<i>Statute No. 24 on the Amendment of Economic Conditions and Legal Regulations for Agricultural Activities</i>
1990 July	<i>Statute No. 69 on Resolving some Outstanding Issues in Agriculture in 1990</i>
1990 November	<i>Statute No. 110 on the Decentralization and Demonopolization of Retail, Manufacture, and Service Activities in Agriculture, Food Processing, and Commerce</i>
1990 December	<i>Amnesty and Restitution of Expropriated Property Act</i>
1991 March	<i>Ownership and Use of Farmland Act</i> , am. 1991, 1992, 1994, 1995, 1997
1991 June	<i>Trade Act</i> , am. every year thereafter
1991 July	<i>Decree No 215 on Forming Private Commercial Companies with State Property</i>
1991 July	<i>Constitution of the Republic of Bulgaria</i>

Table 3: Bulgarian Legislation Touching on Agriculture, 1987-1997 (continued on the next page)

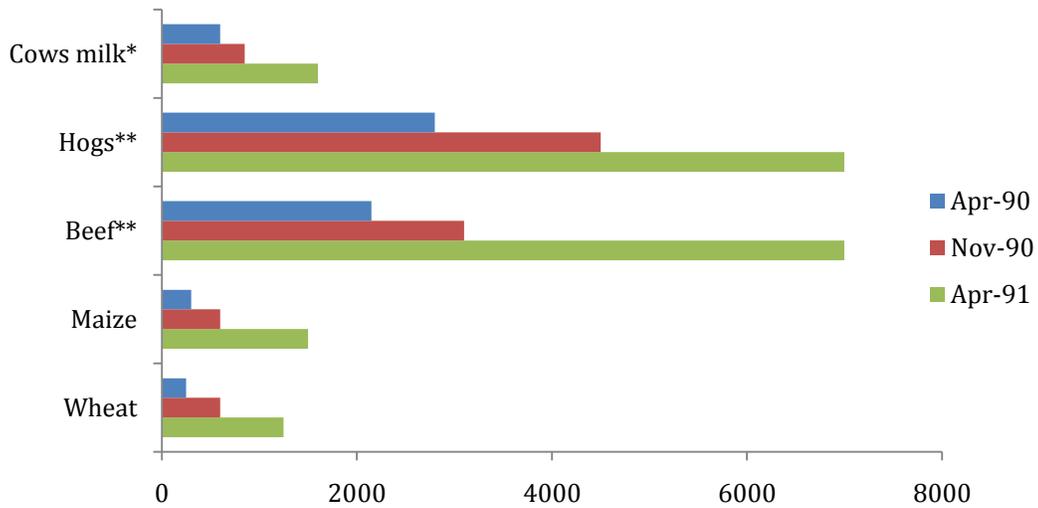
<i>Promulgated</i>	<i>Name & Amendment History, 1988-1997</i>
1991 September	<i>Local Self-Government and Local Administration Act, am. 1995, 1996, 1997</i>
1991 August	<i>Decree No. 236 on Cooperatives</i>
1991 December	<i>Restitution Of Some Shops, Workshops, Warehouses and Studios Act</i>
1992 January	<i>Economic Activity of Foreign Persons and Protection of Foreign Investment Act, am. 1995</i>
1992 February	<i>Restitution of Some Expropriated Property Act</i>
1992 February	<i>Restitution of Nationalized Real Property Act, am. 1992, 1995, 1996</i>
1992 March	<i>Transformation and Privatization of State-owned and Municipal Enterprises Act, am. 1994, 1995, 1996</i>
1992 August	<i>Regulations for the Land Prices in Accordance with the Prevailing Market Prices in the Respective Region</i>
1995 August	<i>Regulations for the Distribution, Development, Obtainment, and Registration of Voucher Booklets, am. 1995</i>
1996 April	<i>Regulations Concerning Investment Vouchers, am. 1996</i>

Table 3: Bulgarian Legislation Touching on Agriculture, 1987-1997 (continued)

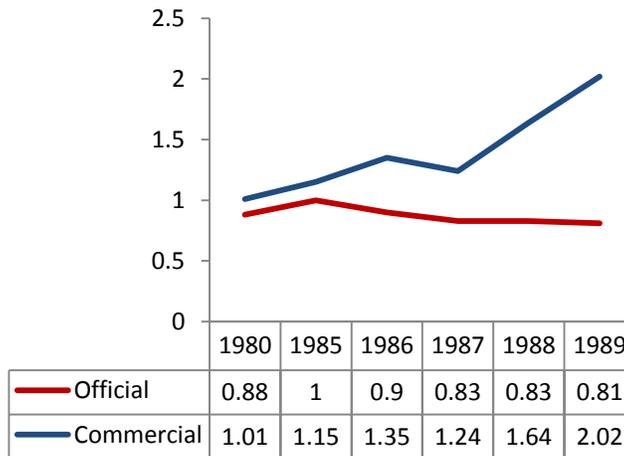


Graph 7: BSP and UDF, Share of the Popular Vote, 1990-1997¹⁹⁹
p denotes presidential elections

¹⁹⁹ Bell, John, ed., *Bulgaria in Transition*, 327-332.



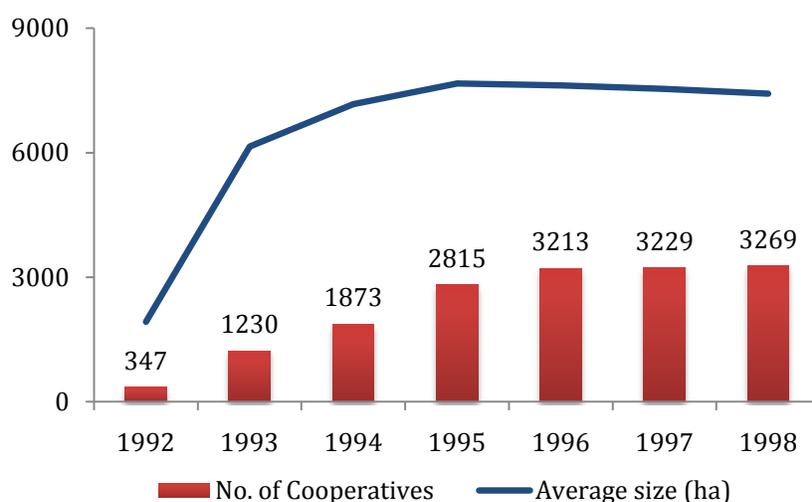
Graph 8: Price Liberalization in Bulgaria, April 1990 – April 1991²⁰⁰
 Leva/tonne
 * In leva/thousand liters
 ** In live weight



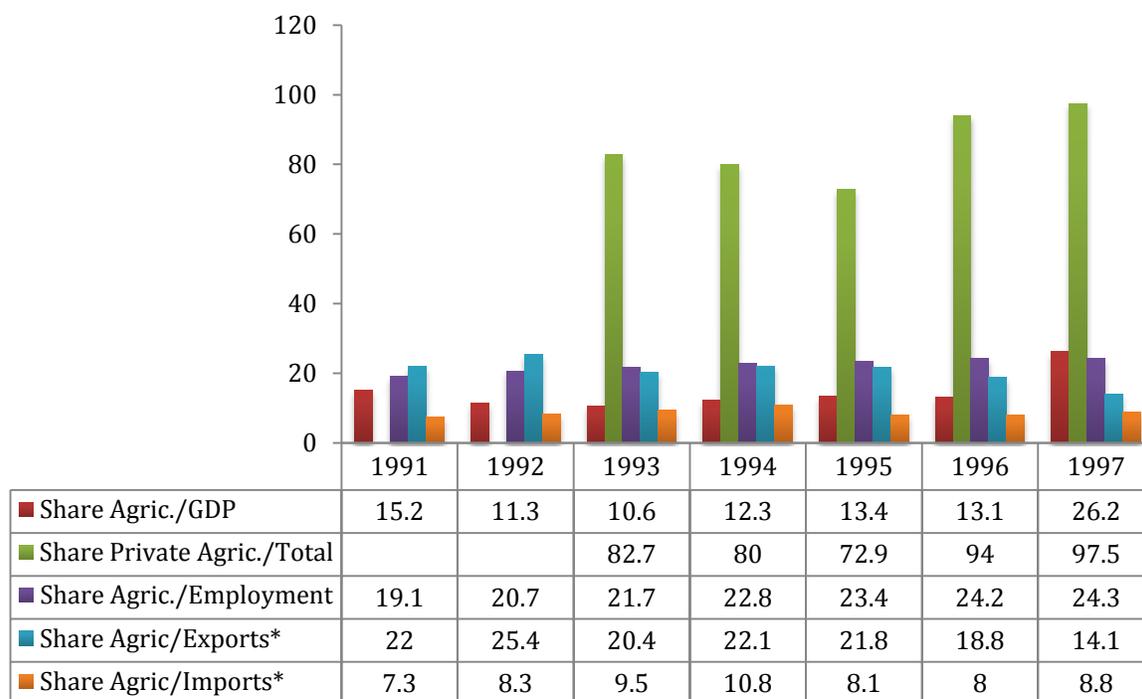
Graph 9: Exchange rate, leva per dollar, 1980-9²⁰¹

²⁰⁰ S. Davidova and Buckwell, "Agricultural Reform," 16.

²⁰¹ Dimtrov, Ventseslav, "Bulgaria," in *Currency Convertibility in Eastern Europe* (September 1991), 258-9.



Graph 10: Transformation of Agrarian Cooperatives, 1992-8²⁰²



Graph 11: Importance of Agriculture in Bulgaria, 1991-7 (%)²⁰³

*Manufacture of food, beverages, and tobacco included

Collection of data on private agriculture starts in 1993, after the introduction of privatization legislation.

²⁰² Miteva, Albena, "Nasoki za razvitiie na kooperatsiite...", 185-6.

²⁰³ NSI, qtd. by EU Commission in "Agricultural Situation and Prospects...: Bulgaria," 30.

LIST OF ABBREVIATIONS

Abbreviations follow common usage in scholarly publications rather than a common standard. Thus DS is the transliteration of the Bulgarian abbreviation for State Security, while GNA is short for the English translation of Велико народно събрание.

<i>English</i>	<i>Bulgarian</i>	<i>Abbreviation</i>
Bulgarian Communist Party	Българска комунистическа партия	BСР
Bulgarian National Agrarian Union	Български земеделски народен съюз	BANU
Bulgarian National Bank	Българска народна банка	BNB
Bulgarian Socialist Party	Българска социалистическа партия	BSP
Central Committee	Централен комитет	CC
Central or Eastern European Country	--	CEEC
Central Statistical Administration	Централно статистическо управление	CSA
Cooperative Labor Agricultural Farm	Трудово-кооперативно земеделско стопанство	TKZS
Council of Ministers	Министерски съвет	CoM
Economic Union	Стопанско обединение	SO
European Economic Community	--	EEC
Grand National Assembly	Велико народно събрание	GNA
Limited Liability Company	--	LLC
Movement for Rights and Freedoms	Движение за права и свободи	MRF
National Statistical Institute	Национален статистически институт	NSI
New Economic Mechanism	Нов икономически механизъм	NEM
Organization for Economic Co-operation and Development	--	OECD
State Security	Държавна сигурност	DS
Union of Democratic Forces	Съюз на демократичните сили	UDF

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- “Istoria” [History], *Tsentralen Kooperativen Suyuz* [Central Cooperative Union] <<http://www.cks.bg/istoria.html>>.

Foreign Broadcast Information Service (FBIS) Daily Reports
 Organization for Economic Co-operation and Development (OECD) Reports
 Radio Free Europe (RFE) Monthly/Daily/Research Reports
 The Economist Intelligence Unit (EIU) Quarterly Reports, 1996 – 1997

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