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DANS LES BALKANS  
1918–1923

Sous la direction de  
VOJISLAV G. PAVLOVIĆ

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## MODERNIZATION WITH STEEL THE BALKAN COUNTRIES AND THE ATTEMPT OF INDUSTRIAL DEVELOPMENT AFTER THE GREAT WAR

**Abstract:** The war revealed to the Balkan ruling classes the weakness of the economic and social structures of their respective states. The paper will attempt to illustrate the effort made in the three main countries of the region (Romania, Yugoslavia and Bulgaria) to transform the economy and infrastructure of those countries in an industrial and modern way, favouring the increase of national enterprises with massive state orders through recourse to protectionism and a system of direct and indirect contributions that in fact, accentuated the exploitation of the countryside in favour of urban centres and the financial and industrial elites. In fact, on the eve of the great depression of 1929, the economies of the three Danubian-Balkan countries had neither successfully completed the transformation into an industrial sense, nor had they been able to offer their countryside a valid model of modern and efficient development.

**Key words:** Balkans, Balkan economy, post-war, modernization, industrialization, agriculture, nationalism, economic nationalism.

According to S. Zagoroff on the eve of World War II in Romania, Yugoslavia and Bulgaria agriculture was still the largest production sector of the nations' economy, providing more than one third on the national product and employing more than two-third of the national labour force.<sup>1</sup> Yet, just after the Great War, these three medium-size

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<sup>1</sup> See S. D. Zagoroff, "General Survey of the Agricultural Economy of the Danubian Countries, 1935-45". In *The Agricultural Economy of the Danubian Countries 1935-45*,

Balkan-Danubian countries experienced the first massive attempt to link their future economic development to industry rather than agriculture.

At the end of the First World War in Central and Eastern Europe in general and in the Balkans in particular, the ruling classes of both the winning and the defeated Countries seemed to share a pressing need: rapidly and deeply strengthening the economic and social structures of their respective States. According to Iván Berend “[...] the peripheral countries of Europe in the South and East, which failed to industrialise during the nineteenth century and were very frustrated by laissez-faire system began to rely on the State regulations and protection”.<sup>2</sup>

The long and terrible total war experience<sup>3</sup> where “[...] big battalions are neither more nor less important than energy and financial resources, farms, factories, mines, transportation systems, and research establishment [...]”<sup>4</sup> “and the confrontation with the industrialized powers had revealed the weakness of the respective industrial sectors.”<sup>5</sup> The

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eds. S. D. ZAGOROFF, J. Végh, A. D. Bilimovich, (Stanford: Stanford University Press 1955), 10.

<sup>2</sup> I. T. Berend, “Economic Nationalism: Historical Roots”. In *History and Culture of Economic Nationalism in East-Central Europe*, eds. H. Schulz and E. Kubu, (Berlin: BWV Berliner Wissenschafts – Verlag, 2006), 34.

<sup>3</sup> In fact in the Balkans the hostilities began in October 1912 with the First Balkan War. According to Mark Biondich, from October 1912 until the Treaty of Lausanne (July 1923) which ended the Greek-Turkish Anatolian War, the total number of victims calculating deaths, wounded, refugees or expelled populations exceeded six million people. Cfr. M. Biondich, *The Balkans. Revolution, War & Political Violence*, (Oxford – New York: Oxford University Press, 2011), 93.

<sup>4</sup> Cfr. B. K. Király, “Red Wave in East Central Europe: A Repercussion of a Total War”. In *The Effect of World War I: The Class War after the Great War: the Rise of Communist Parties in East Central Europe, 1918–1921*, ed. I. Banac, (Boulder: East European Monographs, 1983), XII.

<sup>5</sup> With the exception of Bulgaria, during the conflict all the other Balkan countries experienced a harsh regime of enemy military occupation aimed not only at controlling the territory but also at exploiting it economically. Particularly tough was the occupation regime by the Central Powers in Romania and in Serbia. In the Romanian territories occupied by Germans, Austro-Hungarians and Bulgarians almost total agricultural and mining resources of the country were destined to support the war effort and the civilian populations in the first place of Germany but, in part, also of its allies. A report of a special committee by German administration said that the purpose of the German army was : “the fullest exploitation of the occupied part of Rumania in order

generalized poverty and limitedness of infrastructures and modern industrial sectors<sup>6</sup>, poor urbanization, the overall backwardness of those agrarian societies, dominated by a rigidly classist structure that led to, for example, an unhealthy relationship between the soldiers – the vast majority belonging to peasant classes – and their superiors had spread widely.<sup>7</sup> Such a situation resulted in war equipment of bad quality, in bad

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to secure and export as quickly as possible everything that could be useful for war purposes and for provisioning for the allied countries”. Cf. D. Mitrany, *The Effect of the War in Southeastern Europe*, (New Haven: Yale University Press, 1936), 141. In Serbia food supplies for the occupying force of Austria-Hungary and Bulgaria had to be provided by the occupied territories. The first phase of hard military occupation was characterized by devastating famine. According to Stephan Lehnstaedt after the famine Serbia also expected to export food. Only in April 1916 with the arrival of non-military specialists, price incentives were combined with the threat of force. Despite this measures in 1917 the harvest was modest, local population still suffering severe deprivation and incentives rather sanctions were increased by occupying authorities. At the same time during the war approximately 70,000 people had already come to Austria-Hungary from Serbia and 11,000 worked locally for the rulers. Cfr. S. Lehnstaedt, “Fluctuating between “Utilisation” and Exploitation: Occupied East Central Europe during the First World War”. In *Legacies of Violence. Eastern Europe’s First World War* eds. J. Böhler, W. Borodziej, J. von Puttkamer, (München: Oldenbourg Verlag, 2014), 98, 108.

<sup>6</sup> Despite some progress made between the end of XIX Century and the first decade of XX Century only after World War II the Balkan Countries were able to sweeping structural change in their economic structure. Cfr. J. R. Lampe, “Imperial Borderlands or Capitalist periphery? Redefining Balkan Backwardness, 1500–1914”. In *The origins of Backwardness in Eastern Europe. Economics and Politics from the Middle Age until the Early Twentieth Century*, ed. D. Chirot, (Berkeley – Los Angeles – London: University of California Press, 1989), 195–202.

<sup>7</sup> The Romanian Principalities were characterized by large agrarian estate, in the rest of Balkans, especially at the turn of XX Century, traditional village communities (the *zadruga* for example) were disintegrating and a sort of primitive capitalism emerged, the lack of financial credit caused the fall of the smaller agrarian estates in debt. According to Yugoslav scholar Jozo Tomasievich in the *zadruga* system community rights and duties of the population were determined by a sort of communist idea: from each according to his strength and to each according to his needs. Every childless family and also the once with numerous kids was provided with housing, food and land by community itself. Cf. J. Tomasievich, *Peasants, Politics, and Economic Change in Yugoslavia*, (Stanford: Stanford University Press, 1955), 78. According to Iván T. Bérend after the end of *zadruga* “[...] a rich peasant-merchant elite exploited this situation and lent money at usurious rates of interest [...] this peasant-merchant stratum was one of the elements forming a new native bourgeois elite [...] the independent state authorities determined

training of troops and in the resulting friction amid soldiers on a daily basis. In fact, the huge losses registered in the Balkan armies were among the greatest between all the armies involved in the war<sup>8</sup>.

The difficulties of the first post-war period marked by famines, cold, generalized economic difficulties (inflation, for example)<sup>9</sup>, ethnic conflicts in the contested board-lands, the fear fed by the first establishment in Russia and then in Hungary (March – August 1919), of a Communist power system decided to export the Bolshevik revolution beyond the borders, accelerated –as much as possible – a series of processes of transformation.<sup>10</sup> One last element must also be taken into consideration: the need to pay back the enormous debt accumulated before and after the war. According to Barbara Jelavich before the war the Balkans governments had a high rate of indebtedness and “[...] not only had these debts to be paid, Bulgaria as a defeated country was burdened with a perfectly nonsensical reparation bill”.<sup>11</sup>

In particular, I will focus my analysis on three specific cases: the Romanian one (coming out as the winner) that of Bulgaria (the great defeated in the Southeast of Europe) and, finally, the Kingdom of Serbs,

and controlled activities, and the powerful people rallying around them formed the core of a developing upper social stratum [...]” Cf. I. T. Berend, *Decades of Crisis. Central and Eastern Europe before World War II*, (Berkeley – Los Angeles – London: University of California Press, 1998) 41–42.

<sup>8</sup> Between 1915 and 1918 Bulgaria lost 101.248 soldiers, Romania 335.706, Serbia 127.535, Greece 28.000 and Montenegro 3.000. If we add the losses suffered by the Balkan armies during the two Balkan Wars (October 1912 – July 1913) the total number of the losses is the impressive number of 710.000. See R. H. Hall, *The Modern Balkans. A History*, (London: Reaktion Books, 2011), 127.

<sup>9</sup> According to a French expert on economy sent to Bulgaria by the Paris government, immediately after the war, in 1918 the cereal crop yielded about 1,195,000 tons, while in the years 1903–1912 the average crop had been about 2,286,178 tons. In November 1918, among the 469 railway locomotives, 122 were damaged and 1,212 were destined exclusively to military use. Cf. B. Lory, *La situation économique de la Bulgarie au sortir de la première guerre mondiale*. In *Les Balkans: de la transition post-ottomane à la transition post-communiste*, ed. B. Lory, (Istanbul: Les Éditions Isis, 2005), 254–256.

<sup>10</sup> For a political, economic and social overview of South-east Europe after the Great War see A. Basciani, *L'illusione della modernità. Il Sud-est dell'Europa tra le due guerre mondiali*, (Soveria Mannelli: Rubbettino, 2016), 35–82.

<sup>11</sup> Cf. B. Jelavich, *History of the Balkans*, Vol. II, (Cambridge – New York: Cambridge University Press, 1999<sup>13</sup>), 137.

Croats and Slovenes, whose birth (October, 1918) was an absolute novelty in the political history of Europe. This three states had several characteristics in common. It is no coincidence that Nicolas Spulber had grouped these three Balkan countries in the category of those agricultural states “food producing and food exporting countries” which had extremely weak industrial structures.<sup>12</sup> The evolutions experienced during the years following the end of the conflict help us understand how, although with few and strident contradictions, those ruling classes tried to mark a turning point in the internal structure of their respective Countries.

Some data help us to get an idea of the radical changes that took place in the Lower Danube after the war. Romania, with the acquisition of Transylvania, Banat, Bessarabia and Bukovina increased its territory from a surface of almost 138.000 sq km in 1914 to over 304.000 sq. km in 1919, with a population that from over 7 million inhabitants exceeded 17.5 million in 1921. These were some of the numbers of the so-called Great Romania (România Mare) which, after Poland, became the largest and most populous state in Eastern Europe. In the South side of the Danube, in Bulgaria, by contrast, from over 111.000 sq km in 1914 reduced to just over 103.000 sq km in 1919, while the more than 4.7 million inhabitants in 1914, according to data from 1921, had become 4.9 million. The SHS Kingdom, finally, was the sum of the union of the Kingdom of Serbia with the territorial conquests achieved in the Balkan Wars of 1912/13, the Kingdom of Montenegro, plus Slovenia, Croatia and other minor territories. The Kingdom had a territorial extension of about 250.000 square kilometres and little more than 12 million inhabitants. Therefore, considering the losses caused by the war and taking into account the territorial adjustments, the data seem to confirm that beginning in 1919–20 the Balkans were affected by a notable demographic boom (probably the most important throughout Europe) that was grafted however in a context dominated by a marked crisis in agricultural output with negative repercussions on the balance of foreign trade.<sup>13</sup> Starting from this common

<sup>12</sup> Cfr. N. Spulber, *The State and Economic Development in Eastern Europe*, (Bloomington – New York: Indiana University Press – Random House, 1966), 18–19.

<sup>13</sup> Such a performance was most likely due to the increase in the birth rate and the decrease in mortality (even infantile): in a few years it was possible to fill the gaps left by the war. Cfr. D. Kirk, *Europe's Population in the Interwar Years* (Princeton: League of Nations, 1946), 10–24.

base, in many aspects and solutions adopted, Romania, SHS Kingdom and Bulgaria seemed to take different paths to achieve the same goal: to transform the economy and society of the two countries in modern ones.

In the Romanian case, the transformation started from an extremely complex and ambitious project: the beginning of the most radical agrarian reform ever attempted in Eastern Europe until then. Surely, the Romanian legislators took in due account the opportunity to weaken the noteworthy (and not at all docile) ethnic minorities that the new extended Kingdom had incorporated within the new borders<sup>14</sup>, and to strongly discourage the poorest peasant masses, from the temptation to follow, as in Russia, the revolutionary way to satisfy their land needs.<sup>15</sup> However, beyond these political intentions during the Twenties, although through complex and cumbersome legislative and administrative mechanisms, Romanians witnessed the expropriation of about 6.0 million hectares by their state – the disappearance of the large agrarian estates and the allocation of about 3.8 million hectares to 1.4 million families, which led to the birth of an extensive class of small and medium landowners.<sup>16</sup>

In Bulgaria the most striking event was not represented by the agrarian reform, although there was even more limited proportions than the Romanian one (there were no large estates to be expropriated), but rather of political nature.<sup>17</sup> The disastrous outcome of the war favoured

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<sup>14</sup> According to the data offered by the census of 1923, Romania hosted 1.412.442 Hungarians, 1.093.191 Jewish, 717.683 Germans, and, finally 981.844 among Russians, Ukrainians, Bulgarians, Serbs, Turks, Armenians etc. In none of the Romanian historical provinces minorities constituted the absolute majority of the population, except for some districts of Transylvania, Bucovina, Bessarabia and Southern Dobrudja. According to the 1930 census the Rumanians constituted 71.9% of the local population. Cfr. L. Boia, *Romania țara de frontiera a Europei* (București, Humanitas, 2001), 97.

<sup>15</sup> Cfr. D. Mitrany, *Il marxismo e i contadini* (Firenze: La Nuova Italia, 1954), 132.

<sup>16</sup> See H. L. Roberts, *Rumania. Political Problems of an Agrarian State* (Hamden: Archon Books, 1969), 22–32.

<sup>17</sup> In Bulgaria, after the end of the Turkish domination and the expropriation of the great properties of the Ottoman feudal lords, the new Bulgarian State allowed the continuation of an agricultural property system based on small and medium-sized properties. The new lands available after the departure of thousands of Turkish families from Bulgarian territories made it possible to support the increase of the peasant population even without substantial improvements in the quantity and quality of agricultural production. Cfr. R. J. Crampton, *Bulgaria: 1878–1918: a History* (New York: Columbia

the rise of the Bulgarian Agrarian National Union (BANU – Bulgarski Zemedelski Naroden Suyuz) and its charismatic leader: Aleksandar Stamboliiski (1879–1923), the only Bulgarian politician who could claim an open and uncompromising opposition to the adventurous policies of Tsar Ferdinand I during the Balkan Wars and in 1915 when Bulgaria joined the Great War as Central Power’s ally. Therefore, he did not have too many difficulties to obtain the political leadership in the difficult aftermath of the war. On November 27, 1919 Stamboliiski signed the hard Treaty of Neuilly which sanctioned the Bulgarian defeat in the First World War with harsh territorial amputations (for example once again the fertile territory of South Dobroudja) and some serious limitations of national sovereignty such as, for example, the right to conclude for 5 years independent commercial agreements.<sup>18</sup> The Peace Treaty imposed to Bulgaria an incredible reparation bill of 2,25 billion gold-francs and the payment of occupation fees.<sup>19</sup> But in the 1920, thanks to the diplomatic efforts implemented by Stamboliiski himself, Bulgaria was the first country among the defeated powers to join the League of Nations.<sup>20</sup> In the history of Europe it had never happened that a political force, clearly inspired by an agrarian based political influence and that put the countryside at the core of a general project of reorganization and rethinking of the state, would come to power by democratic means. Such a condition was an extraordinary change of perspective from the Bulgarian elite’s standpoint. The former forces of Western-inspired power, and in some ways also the socialists, had understood the progress of the Bulgarian nation as a process based on a rapid extension of industrialization, infrastructural network and urbanization<sup>21</sup>. For the agrarians, however, the

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University Press, 1983), 176–209. In fact interwar Bulgaria was a perfect example of direct-land exploitation. Cf. S. D. Zagoroff, *General Survey*, 52.

<sup>18</sup> See D. Mitrany, *The Effect*, 190.

<sup>19</sup> In February 1921 when the Bulgarian Government failed in paying the first payment an Ally Reparation Commission was established in Sofia. Cfr. M. Ivanov, A. Tooze, “Disciplining a “black sheep of the Balkans”: Financial Supervision and Sovereignty in Bulgaria, 1902–38”, *Economic Historic Review* 64/1 (2001), 37–38.

<sup>20</sup> See J. D. Bell, *Peasants in Power. Alexander Stamboliski and the Bulgarian Agrarian National Union, 1899–1923*, (Princeton: Princeton University Press, 1977), 85–153.

<sup>21</sup> On the results and the many contradictions of the Bulgarian economic development after Liberation up to the Balkan wars, see: M. Ivanov, “Indipendenza politica contro

cards were now overturned: a nation consisting essentially of small and medium-sized peasant farms – generally not very modern and devoted to agriculture mainly to survival – had to put the countryside, its needs and its values at the core of the reconstruction of the Country.<sup>22</sup>

The situation in the SHS Kingdom was quite different.<sup>23</sup> In this case it was a question of trying to harmonize territories and experiences diametrically different: just think of the small and medium estates typical

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declino economico: l'esperienza bulgara, 1880–1910. Un'ipotesi di "sviluppo senza liberazione". In *Schegge d'impero, pezzi d'Europa. Balcani e Turchia fra continuità e mutamento 1804–1923*, ed. M. Dogo, (Trieste: LEG, 2006), 149–170. Throughout the region, western influence since the seventeenth century was always very strong. The birth of national states did not slow down this influence, even in the nineteenth century. According to Leften Stavrianos from XIX century Western Europe influenced the Balkans in the realm of finance as well as demography. Especially important was the railway building that had great repercussions in whole Balkan lands: "[...] the money spent in the process of construction undermined the traditional self-sufficient economy [...] also the railways made possible the importation of large quantities of cheap foreign machine-made goods [...] at the same time [Western] European demands for Balkans agricultural products such a Rumanian grains, Serbian livestock, and Greek currants and tobacco increased [...]. Cf. L. S. Stavrianos, "The Influence of the West on the Balkans". In *The Balkans in Transition. Essays on the Development of Balkans Life and Politics since the Eighteenth Century*, eds. C. and B. Jelavich, (New York: Archon Books, 1974), 196–204.

<sup>22</sup> The rise of power in Bulgaria represented the most resounding success ever achieved by an agrarian political force in Europe, however, it was inscribed in the context characterized throughout Eastern Europe by a notable rise of rural-inspired political forces. In fact, the Bulgarian case was not isolated; even in Czechoslovakia (the most industrialised country in Eastern Europe), Romania and the SHS Kingdom, the peasant forces gained so much credit among the voters that years ago, the Italian scholar Bianca Valota, spoke of "green wave". Cf. B. Valota Cavallotti, *L'ondata verde*, (Milano: Centro Italo-Romano di Studi Storici, 1984). According to Pavlos Hatzopoulos, agrarians parties, and especially the Bulgarian one, introduced original political concept, mainly those of the estate and the statist organization, which formed a backbone radical political ideology. The violent reaction of the traditional and nationalistic forces was almost inevitably. Cf. P. Hatzopoulos, *The Balkans beyond Nationalism and Identity. International Relations and Ideology*, (London: I. B. Tauris, 2008), 151.

<sup>23</sup> Like Romania, Yugoslavia was characterised by a massive presence of national minorities: 505.790 Germans, 467.658 Magyars, 439.657 Albanians (nearly all Muslims), 231.068 Romanians, 150.322 Turks, 111.535 Czech and Slovaks and 25.615 Rutens: about 18% of the population belonged to ethnic groups other than Serbian, Croatian or Slovenian. Cf. J. Rothschild, *East Central Europe between Two World Wars*, (Seattle, London: University of Washington Press, 1979<sup>3</sup>), 202–204.

of Slovenia, the large estates of Croatian Slavonia, not to mention those territories such as Kosovo or Macedonia that belonged to the Ottoman Empire until 1913 and that were characterized by the survival of an archaic landowner structure dominated by owners who in their rural communities exercised much more than a simple right of land ownership. The first step in the Yugoslav agrarian reform was the Interim Decree of 25 February 1919. According to Jozo Tomasevich, the philosophy of this decree was the idea that the land belongs to those who farm it.<sup>24</sup> The result was the start of an agrarian reform with pharyngeal mechanisms and characterized by very long implementation times that led to the expropriation of about 2.5 million hectares distributed to 600,000 farmers. According to Christian Giordano, «Vue dans son ensemble, la réforme agraire yougoslave consiste en une série très complexe de mesures reposant sur la colonisation. Il faut dire que, tout de suite après la fin de la seconde guerre des Balkans, on assista à un flux migratoire, non négligeable et plus ou moins forcé, vers la Turquie et, éventuellement, vers l'Albanie [...]»<sup>25</sup> Despite the regulations issued, Belgrade's control over the local bureaucracies meant that a strict political-ethnic criterion was the basis for the allocation of land. In those regions where traditional owners of Hungarian and German ethnicity or in any case considered unreliable towards the new Yugoslav state traditionally dominated, a rather radical reform was carried out that tended to favour peasants of Slavic ethnicity. However, this rule was appropriately put aside where the plans of the Serbian Radical Party and Nikola Pašić needed the support – also parliamentary – of the traditional forces. This was the case, for example, in Kosovo and Bosnia where the agrarian reform had rather «soft» implementation – especially in the early 'twenties when Pasic and the Serbian radicals needed the votes of the Muslim formations of Bosnia and Kosovo to pass the approval of the new Constitution of the State of the SHS.<sup>26</sup> In the 1920s, the SHS Kingdom in Croatian provinces also saw the establishment of a peasant party: the Croatian Peasant Party (Hrvatska Seljačka Stranka, HSS) dominated by the personality of Stjepan Radić.

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<sup>24</sup> Cf. J. Tomasevich, *Peasants*, 345.

<sup>25</sup> Cf. C. Giordano, "Réformes agraires et tensions ethniques en Europe centrale et orientale", *Études rurales*, 159–160 (2001), 15.

<sup>26</sup> Cf. N. Malcom, *Storia della Bosnia. Dalle origini ai nostri giorni*, (Milan: Bompiani, 1996<sup>2</sup>), 226.

However, already in the aftermath of unification, the Croatian Peasant Party, perhaps the first political movement in Yugoslavia to be organized in a modern and widespread way in all Croatian regions, while not losing its interest in the problems of the countryside (very serious, however, in almost all of Croatia), nevertheless focused its political objective more in achieving Croatian political autonomy against Serbian centralism than on the actual peasant claims.<sup>27</sup>

Given these premises, can it be said that agriculture was the absolute protagonist of the Bulgarian, Yugoslav and Romanian economic reconstruction after the war? Only in part is this claim true. According to classical study by George Jackson if the anti-Bolshevism played an important role in starting the agrarian reforms «[...] the other considerations [...] had very little relation to the peasant real problems [...]»<sup>28</sup> More than a protagonist, the countryside became one of the privileged tools to find the necessary resources to stimulate industrial development, that through the postulate of necessary, radical restructuring and modernization of the whole economic apparatus became the mantra of the new phase of economic transformation of the South-east of Europe would be based on. In Yugoslavia as in Romania and, to a lesser extent, Bulgaria the strengthening of national capital interest was at the expense of consumers and agriculture: the industrial products prices rose out of all proportion in comparison with the agriculture products prices.<sup>29</sup> The countryside and the peasantry were used by ruling class and by intellectuals linked with the governmental parties as a symbol of the nation. In the Balkans (but also in the rest of East Europe) the majority of population were working on the land.<sup>30</sup>

In particular, once the emergencies of the immediate post-war period was overcome, agriculture became the tool to best promote exports, which would hopefully increase the internal accumulation of

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<sup>27</sup> Cf. M. Biondich, *Stjepan Radić, the Croat Peasant Party, and the Politics of Mass Mobilization, 1904–1928*, (Toronto – Buffalo – London: University of Toronto Press, 2000).

<sup>28</sup> Cf. G. D. Jackson, *Comintern and Peasant in East Europe 1919–1930*, (New York – London: Columbia University Press, 1966), 8.

<sup>29</sup> Cf. Ž. Lazarević, *Economy and Nationalism in Yugoslavia*. In *History and Culture of Economic Nationalism in East-Central Europe*, 271.

<sup>30</sup> Cf. A. M. Köll, *Agrarianism and Ethnicity – an East Central European Survey*. In *History and Culture of Economic Nationalism in East-Central Europe*, 142–143.

capital with which to promote industrial growth. In Romania, Bulgaria and Yugoslavia, the desire to promote exports stemmed from the great backwardness of the economy: exports, in fact, were the most important means of increasing the internal accumulation of capital. The domestic markets were very poor and then it was the external markets that intensified the accumulation that became the main national source of investment.<sup>31</sup> Moreover, the important role played by the taxation system – both direct and indirect – is to be considered; think of the various monopolies (tobacco, salt, oil, etc.) managed by the state that equally burdened above all the inhabitants of the countryside whereas the proceeds were channelled mainly in the construction of city infrastructures or, in any case, in economic and social activities that had nothing to do with the promotion of the development of the countryside.<sup>32</sup> The State was somehow guarantor of this operation by imposing strict tariffs on any industrial sector involved in such a development. In the Balkans the policy of protectionism was enforced in two ways: tariff protection and direct support to national industrial production. A series of financial and commercial measures limited the industrial imports and helped to preserve the domestic markets to the national products. Those measures especially in Bulgaria, Romania and Yugoslavia played an important role in the respective industrial internal-driven policies.<sup>33</sup>

From this point of view, in Romania the new tariff policy had the objective to favour national industry at the expense of agriculture.<sup>34</sup> By 1927 Romania established one of the highest tariff protection in Europe (the law was drafted by Manoilescu himself); at the beginning of the 1920s a special Institute for Industrial Credits was established with 60%

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<sup>31</sup> I. T. Berend and G. Ránki, *Lo sviluppo economico nell'Europa centro-orientale nel XIX e XX secolo*, (Bologna: Il Mulino, 1974), 216.

<sup>32</sup> Cf. H. Seton-Watson, *The Modernization of Eastern Europe (1918–1941)*. In *Man, State, and Society in East European History*, ed. S. Fischer-Galati, (London: Pall Mall Press, 1970), 256.

<sup>33</sup> Cf. M. Georgieva, *Industry and protectionism in South-Eastern Europe during the Interwar period: a Path to Modernization?* In *Le développement inégal in Europe. L'essor contrarié du pays agricoles*, eds. T. David- J. Batou, (Paris : Librairie Droz, 1998), 282–283.

<sup>34</sup> Cf. J. S. Roucek, *Contemporary Romania and Her Problems; a Study in Modern Nationalism*, (London – Stanford: Stanford University Press, 1932), 311.

of the capital contributed by the State.<sup>35</sup> According to the spirit of the 1927 Law on the Custom Tariff the protection and the growth of the National industry becomes absolute priority in the Romanian economic policy.<sup>36</sup> Also Bulgaria – despite its agrarian government – was among the countries who embraced tariff protection policies with more decision and, if compared to the levels of 1914, customs tariffs grew between 100 and 300%.<sup>37</sup> This decision should not surprise us too much! Stamboliiski and his government didn't consider the modernization and industrialization of the country as enemies. Actually, they were against the policy on an industrialization process aimed at rearming the State with the aim to provide an aggressive foreign policy, therefore triggering depressing effects to rural living standards.<sup>38</sup> In the Bulgarian quest to modernize the country, the Bulgarian agrarian regime rejected the soviet example and adopted the Danish model instead: promoting the development of cooperatives that would increase the export of consumer goods. At the same time in 1921 the agrarian regime extended the pre-war legislation to promote the industrial development for another 10 years; according to John Lampe these decisions confirm Stamboliiski's intention to favour industrial development if tied to domestic agricultural inputs.<sup>39</sup> In the next years, during the bourgeoisie government headed by Andrey Lyapchev, in 1926 and 1928: custom duties rose significantly, according to professor Konstantyn Bobchev custom duties were raised twice.<sup>40</sup>

In SHS Kingdom, customs duties increased by 10% compared to pre-war Serbian levels and afterwards were further increased by another 20%. However, as Iván Berend has shown, in the Kingdom of the

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<sup>35</sup> Cf. D. Aldcroft, *Europe's Third World. The European Periphery in the Interwar Years*, (London: Ashgate, 2006), 89.

<sup>36</sup> Cf. B. Blancheton -N. Nenovsky, *Protectionism*, 6.

<sup>37</sup> Cf. I. T. Berend – G. Ránki, *Lo sviluppo*, 201.

<sup>38</sup> Cf. J. D. Bell, *Peasants*, 72–73.

<sup>39</sup> Cf. John R. Lampe, *The Bulgarian Economy in the Twentieth Century*, (London – Sydney: Croom Helm, 1986), 71–72.

<sup>40</sup> Cf. B. Blancheton -N. Nenovsky, *Protectionism*, 8. Konstantin Bobchev was the most important Bulgarian theoretician of the theory of the international market and of protectionism. Over the years he has had direct contact with Manoilescu, who in 1933 invited him to hold the aforementioned conference in Sofia at the Bulgarian Academy of Sciences.

Southern Slavs for certain particular consumer goods and industrial products, customs tariffs in the course of the years experienced increases calculated between 70% and 170% compared to pre-war levels<sup>41</sup>. It should also be pointed out that in Yugoslavia, for a certain period, the Ministry of Finance made sure to lower the tariffs and various impediments on the export of agricultural and livestock products that had been imposed in the past to avoid shortages of food products in the country and to keep the price of those same goods sufficiently low.<sup>42</sup>

In Romania strict duties were set on the import of machinery and tools. In the Danubian land high customs duties were, at the same time, one of the levers of financial stabilization in the absence of foreign currency reserves for the coverage of the money supply and gold reserves confiscated by the Bolsheviks after November 1917. Protectionism started in 1921 with minister Nicolae Titulescu.<sup>43</sup> Moreover, just like in the rest of Eastern Europe, also in Romania, Bulgaria and in SHS Kingdom, the State also became an entrepreneur. The Romanian state owned several industrially strategical production plants. According to 1936 data, State enterprises assets were valued at 131 billion Lei (the Romanian currency) compared with 317 billion Lei invested in agriculture, of which 247 billion represented just the assessed value of the land.<sup>44</sup> Also in Bulgaria the state controlled metallurgical, military and steel productions plants and owned important mines including the strategical Pernik coal mines.<sup>45</sup> However, there is no doubt that among the three countries in question, the one where the State played an indisputable and predominant role in the economy was undoubtedly Yugoslavia. In this case, the role of the state as the manager, controller and inspirer of the national economy was indisputably more pronounced than in any other country in the region. Mining fields and forest industries in Bosnia, banks, weapon industries, canning etc. etc. were in the hands of the state. Between 1926 and 1938, all these activities (but not counting monopolies and other state

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<sup>41</sup> Cf. I. T. Bérend, *Decades*, 236.

<sup>42</sup> Cf. A. Fogelquist, *Politics and Economic Policy in Yugoslavia. 1918–1929*, (Los Angeles (Ca), Global Geopolitics Net, 2011), 216.

<sup>43</sup> *Ibid.*, 6.

<sup>44</sup> Cf. N. Spulber, *The State*, 37.

<sup>45</sup> *Ibid.*

commodities) provided between 28% and 39% of total state revenues.<sup>46</sup> As the Yugoslav economist Rudolf Bicanić wrote in 1938:

“in the kingdom [...] The state is the largest employer, the largest purchaser, the biggest trader, industrialist, the largest buyer, the first organizer and owner of the transport system, the largest accumulator of capital [...] the biggest accumulator of capital, the biggest financier [...] the largest regulator of domestic and foreign trade.”<sup>47</sup>

Yet, in the years before the war in Serbia the staunch liberal economists Čedomilj Mijatović (former president of the Serbian Royal Academy of Sciences), Vladimir Jovanović and Aleksa Spasić (Governor of Serbian National Bank) had gained enormous prestige. They recognized the importance of entrepreneurs and wrote about the superiority of private over public ownership. Spasić, a follower of Adam Smith and J. S. Mill, considered institutions to be crucial in determining economic outcomes; he advanced low taxes, a thrifty state, and the rule of law.<sup>48</sup>

As well as Yugoslavia and in the rest of Central Europe and Balkans countries, in Rumania and Bulgaria the Twenties witnessed the State as protagonist in the economic life. Industries, banks, infrastructures (especially transports) and trade were subjugated to the state. According to Nicolas Spulber under the slogan of “nostrification” also directed against the national minorities, the nationalist leaders cut off many valuable contacts with the financial institutions of Central Europe; but, most of all “[...] the slogan “nostrification” discouraged foreign capital at the very moment when foreign investors were ready and willing to invest.”<sup>49</sup> The Romanian case is emblematic. The political-economic-financial scene was dominated by so-called “liberal oligarchy”, a group of people headed by the Bratianu family. They controlled a huge number of enterprises and banks; at the same time Bratianu family headed the National-Liberal Party that dominated the Rumanian political scene almost throughout the Twenties. According to Angela Harre

<sup>46</sup> Cf. J. B. Allock, *Explaining Yugoslavia*, (New York: Columbia University Press, 2000), 58.

<sup>47</sup> Quoted in *Ibid.*, 58–59.

<sup>48</sup> M. Prokopijević, S. Tasić, “Classical Liberal Economics in the Ex-Yugoslav Nations”, *Econ Journal Watch*, 12/2 (2015), 260–2263.

<sup>49</sup> Cf. N. Spulber, Changes in the Economic Structures of the Balkans 1860–1960. In *The Balkans in Transition*, 356–357.

“[...] the Bratianu’s economic policy, which was summarised by their slogan On our Own” (prin noi insine), demanded a profound state intervention in economic affairs and financial support, especially for high import tariffs [...] it means exclusion of foreign interference, the exclusion of foreign capitals and nationalisation of industries and raw material [...]”

but the state did not become owner he “[...] reserved property right for private Romanians beneficiaries. Of course, there were few citizens with the financial power to make over businesses [...] At the same time those citizens were all ethnically Romanian”.<sup>50</sup> In Yugoslavia, from the end of the war until 1922/23, the situation was unfavourable towards the economic activity of foreign citizens. According to Zarko Lazarević, the objective was leading the process of nationalisation – in fact Yugoslavisation – of economic subject ad directing it against the former predominant nations: Germans and Hungarians.<sup>51</sup> As said before, Yugoslavia became a protected and relatively closed marked, high customs served to keep away foreign products and to encourage the birth of a national industry. Despite the real industrial and financial development, Belgrade became the core of Yugoslav economy and “[...] Serbian businessmen often used the state as a tool to achieve their own business interests” just like before the Great War.<sup>52</sup> The interests of Belgrade’s political and economic circles were often in open contradiction with the needs of the financial and industrial groups in Zagreb and Ljubljana, traditionally more open to contacts and exchange with Central Europe, especially Austria and Germany.

In Rumania, Yugoslavia and Bulgaria, a sort of union between part of the political institutions and part of the academic world seemed to be born. In Sofia, Belgrade and Bucharest the debate about what should be the character of country development involved politicians, economists and intellectuals. Already in the last decades of the nineteenth century Romania and Bulgaria were among the countries where the economic theories of Friedrich List (1789–1846) had become widespread and where economic nationalism understood as “master of ones own house”

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<sup>50</sup> Cf. A. Harre, Economic Nationalism in Romania. In *History and Culture of Economic Nationalism in East-Central Europe*, 257–258.

<sup>51</sup> Cf. Ž. Lazarević, Economy and Nationalism in Yugoslavia. In *History and Culture of Economic Nationalism in East-Central Europe*, 270.

<sup>52</sup> *Ibid.*

developed into industrialism.<sup>53</sup> These theories were understood not only as economic independence but also as a political one.<sup>54</sup>

In Romania the best-known supporter of forced industrialization led by the state was the economist Mihail Manoilescu (1851–1950). In his works Manoilescu linked industrialism, protectionism and corporatism to a unique system of economic nationalism<sup>55</sup>. According to the Rumanian economist, strong industrial development would fuel and promote overall modernization of Romania and defeat its retreat. According to Manoilescu, for a nation shifting from agricultural occupation to industrial ones it is a signal of embracing modernity; therefore, the exodus of rural-urban population from the countryside is by all means desirable and the natural outcome of evolution of society.<sup>56</sup> The acquisition along this path of economic independence would also favour the expansion of trade, competition and, ultimately, a more balanced relationship between the more developed and the developing countries of the continent. Nevertheless, in Manoilescu's theory, some ideological elements still remained: from his point of view, a purely liberal economic growth vision would inexorably create mere profit as the core parameter, whereas a nationalist-based industrialization process led by the State would aim more to the most general interests of the community and also their well-being. According to Daniel Chiriot, in Manoilescu's theories "[...] the future ideal society would be based partly on economic specialties, that is, various branches of the economy would form corporations".<sup>57</sup> Every branch of society should be developed in a corporative sense and

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<sup>53</sup> Cf. H. Schulz, Introduction. In *History and Culture of Economic Nationalism in East-Central Europe*, 15.

<sup>54</sup> Cf. I. T. Berend, *History Derailed: Central and Eastern Europe in the Long Nineteenth Century*, (Berkeley: University of California Press, 2003), 140.

<sup>55</sup> Cf. H. Schulz, Introduction. In *History and Culture of Economic Nationalism in East-Central Europe*. Manoilescu's works enjoyed considerable diffusion abroad. In 1931 in Italy was translated the book: *La teoria del protezionismo e dello scambio internazionale*, (Milan, Treves, 1931).

<sup>56</sup> Cf. I. Pohořata, "Mihail Manoilescu – Inspirational Even when He Is not Right", *Theoretical and Applied Economics*, 7/512 (2007), 4–5.

<sup>57</sup> Cf. D. Chiriot, "The Corporatist Model and Socialism. Notes on Romanian Development", in *Theory and Society*, 9/2 (1980), 364.

it he should have as primary interests the nation itself, in this sense that corporations would be totalitarian.<sup>58</sup>

On the other side of the Danube, in Bulgaria, during the war, in a much more coercive manner than in Romania, a set-up of a Committee on the problems of the economy and social supply, which in fact granted an almost total control of the productive apparatus to the State, was attempted. The Bulgarian experience continued for some time after the end of hostilities.<sup>59</sup> Actually, stemming from this experience in 1919 the book by Aleksandar Tsankov, “Posledstviata ot voinata” (The consequences of the war) was published in Sofia. Tsankov (1879–1959) was an economist (he thought political economy and was the most prominent Bulgarian representative of the German Economic School of economic thought) at the University of Sofia – destined in the following years to cover a role of extreme importance in the Bulgarian political arena. At the middle of Thirties professor Tsankov was a leader of a ultra-right political movement but his economic taught was strongly influenced by Marxism; in fact in his theories he combined social democracy with his conservative and nationalist political view.<sup>60</sup> On November 5, 1933 Manoilescu had a conference in Sofia, at Bulgarian Academy of Science titled “Economic inequality across nations”. He told the Bulgarian public:

“[...] the huge disparity between agriculture and industry is obvious [...] this difference in productivity between industry and agriculture creates the vast inequality between industrial and agricultural countries [...] the aspiration of agricultural countries for industrialisation is actually their desire to eliminate or at least reduce this inequality. This is a socialism of nations which is even more essential and revolutionary than of classes [...]”<sup>61</sup>

In his writing professor Tsankov stated that the war had shaken up the old economic system and that the years of the conflict had allowed the state to take on the role of controller and regulator of the whole

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<sup>58</sup> Cfr. *Ibid.*, 365.

<sup>59</sup> See G. T. Danailow, *Les effets de la guerre en Bulgarie*, (Paris – New Haven: Presses Universitaires de France – Yale University Press, 1932), 220–345.

<sup>60</sup> Cf. P. D. Penchev, “The “Alternative” Socialism of Professor Aleksander Tsankov”, in *Economic Alternative*, 2 (2014), 61–75.

<sup>61</sup> Quoted in B. Blancheton, N. Nenovsky, “Protectionism and protectionists Theories in the Balkans in the Interwar Period”, *Cahiers du GREThA*, 2, (2013), 3.

economic system. It would have been difficult to go back<sup>62</sup>. Both the new internal and international situation strongly needed the state to become the main regulating factor of the national economy to promote a decisive modernization process based on industrialization and some – never actually well specified – social solidarity.<sup>63</sup> In the following years professor Tsankov focused on the social and economic system made by fascism and bolshevism: both systems had to be applied creatively in Bulgaria with the aim of obtain an original national-socialist system suitable to the Bulgarian economic, social and political situation.<sup>64</sup> Despite the defeat and the diplomatic isolation, that phase of the first post-war period, in Bulgaria, was characterized by considerable academic fervour. Contacts and exchanges between Bulgarian and foreign scholars increased considerably. According to Nenovsky and Penchev, Bulgarian economists who studied in Germany increased but they were under the influence of the theories of the mainstream economists in general from Western countries, especially Great Britain and France and on all the Austrian school.<sup>65</sup>

Like Bulgaria, also in Yugoslavia an economist with vast experience in the international financial world, Milan Stojadinović, although only in the second half of the 1930s became Prime Minister; but in fact it was Stojadinović himself who imprinted the economic policy of the SHS Kingdom between 1922 and 1926 when he dominated the Ministry of Finance – for a short period also as a minister – whose portfolio was only nominally entrusted to the Bosnian Muslim leader Mehmet Spaho.<sup>66</sup> Before embarking on his political career Stojadinović spent five years abroad, three of which in Germany; these three years in Munich and Potsdam had a huge impact on his economic and political education. He was strongly influenced by the German Historical School of Economics especially from the theory that argued that economic policies

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<sup>62</sup> Cf. A. Tsankov, *Posledstvijata ot voinata*, (Sofija: Pridvorna Nechatnitza, 1919), 98.

<sup>63</sup> Cf. S. Grancharov, *Il pensiero economico in Bulgaria (1915–1944)*. In *Tra speranze e delusioni. La Bulgaria a Versailles*, ed. R. Tolomeo, (Rome: Lithos, 2002), 156–158.

<sup>64</sup> Cf. N. Nenovsky – P. D. Penchev, “The Evolution of German Historical School in Bulgaria (1878–1944)”, *International center for Economic Research*, Working paper 8 (2013), 17.

<sup>65</sup> Cf. N. Nenovsky – P. Penchev, “The Austrian School in Bulgaria: a History”, *Russian Journal of Economics*, 4, (2018), 50.

<sup>66</sup> See A. Fogelquist, *Politics*, 212–220.

should be developed according to each specific local situation rather than being based on any universal model.<sup>67</sup> Starting from the assumption that the State should work to reduce the loans granted by the National Bank, reduce the monetary circulation and, at the same time, strengthen the dinar; Stojadinović was the bearer of an ambitious and highly integrated economic action in which monetary policy, foreign trade, budget control and trade policy were to virtuously interact among each other and trigger a positive trend in economic dynamics provided that each of those four sectors would achieve all the objectives set. Unfortunately for Yugoslavia the implementation of what he had planned on paper turned out to be much more complicated than Stojadinović had foreseen.<sup>68</sup>

Actually, between 1919 and 1924, Romania, Yugoslavia and Bulgaria experienced the first major industrial growth based not only on the reconstruction and reconversion to non-military purposes of companies, but also on a steady growth of new industrial initiatives.<sup>69</sup> This was unprecedented in a situation that saw in Belgrade, Bucharest and in Sofia – although for different reasons – a rather limited appeal to foreign financial credit<sup>70</sup>. In Romania, between 1921 and 1924 the volume of new industries (in textile sector, for example) grew by 40% and until 1929/1930 production constantly expanded. In Bulgaria, as early as 1921, industrial production had surpassed 1911 levels – the last year before the Balkan wars – and its industrial growth was the highest among all the countries in the region. In 1929, on the eve of the crisis, the value of industrial investments had increased by 22% if compared to pre-war

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<sup>67</sup> Cf. D. Djokić, “Leader” or “Devil”? Milan Stojadinović, Prime Minister of Yugoslavia (1935–39), and His Ideology. In *In the Shadow of Hitler. Personalities of the Right in Central and Eastern Europe*, eds. R. Haynes and M. Rady, (London: I. B. Tauris, 2011), 157–158.

<sup>68</sup> Cf. J. Lampe – M. R. Jackson, *Balkan Economic History, 1550–1950. From Imperial Borderlands to Developing Nations*, (Bloomington: Indiana University Press, 1982), 327.

<sup>69</sup> Cf. A. Teichova, Industry. In *The Economic History of Eastern Europe 1919–1975*, eds. M. C. Kaser and E. A. Radice, (Oxford: Clarendon Press, 1985), 233.

<sup>70</sup> in fact all the Twenties knew – between highs and downs – an expansion of credit and the inflow of loans in Eastern Europe. The problem was that Bulgaria used the capitals to pay interest and dividend payments. Rumania, in turn, used international loans especially to cover budgetary deficits and currency stabilization. Cf. R. Nötel, “International Capital Movements and Finance in Eastern Europe 1919–1949”, *VSWG: Vierteljahrsschrift für Sozial und Wirtschaftsgeschichte*, 61/HI (1974), 79–83.

levels.<sup>71</sup> But above all, the data show without a shadow of a doubt that until 1923, the year of the violent fall of the agrarian regime, the Bulgarian industrial investments did nothing but grow. Industrial production in Yugoslavia increased by 40% between 1913 and 1929; light industry in particular, concentrated almost entirely in the textile sector, grew from 9% to 26% during the same period.<sup>72</sup> In 1918 in the SHS Kingdom there were 1,831 industrial companies of various sizes registered; ten years later at least another 1,200 companies were founded.<sup>73</sup> In Romania between 1920 and 1921, the law already in force in the Old Kingdom aimed at favouring local industries was extended to the whole country with enormously important change. For example, industries protected by the state could acquire public land at particularly favourable prices, import industrial machinery (considered necessary for the construction of new factories) without increasing duties and reducing transport costs of goods produced. An effect produced by this situation was the birth of the cartels, a phenomenon especially important in the Rumanian industry. In 1918 cartels in manufactures of various everyday necessities as paper, sugar etc. were created. In 1924 a specific law nationalized all subsoil resources and cartelised domestic oil sales mandatory; in 1926 the cartel Socomet embraced, de facto, all national iron and steel manufactures.<sup>74</sup>

In Bulgaria, after the bloody fall of Stamboliiski regime, Professor Tsankov became prime minister and led a coalition government rather than the so-called Democratic Sgovor (Democratic Alliance).

By putting the most liberal demands that called for downsizing of the state intervention in a corner, Tsankov tried to make sure that the often considered idea that “[...] capital should work only for the profit of society as a whole and under the supervision of the state” would become reality. Professor Tsankov, in his new role as Premier, reiterated his willingness to enact measures to limit, at least in part, the so-called capitalist freedom, trying to hinder the freedom of action of the bourgeoisie both in cities and in the countryside and to act in favour of proletarians and

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<sup>71</sup> Cf. A. Teichova, *Industry*, 233–234.

<sup>72</sup> See I. T. Berend, *Decades*, 243.

<sup>73</sup> Cf. J. B. Allock, *Explaining*.

<sup>74</sup> Cf. D. Turnock, *The Romanian Economy in the Twentieth Century*, (London – Sindyney: Croom Helm, 1986), 87.

peasants.<sup>75</sup> The State tried to regulate, with a series of legislative acts – hence holding the role of the protagonist – the Bulgarian economic life by managing it in first person the most conspicuous part of the foreign trade and the internal one as well. In 1928, at the height of a big and hot debate about what the exact nature of state intervention should be, a new law, which, along the lines of that of 1909, sought to meet the needs of the Bulgarian industry and protect it from foreign competition was promulgated. As John Lampe pointed out, the new Bulgarian import tariffs “[...] laid down the sharpest set of increases recorded among 13 states of continental Europe during 1920s”.<sup>76</sup> For the same products, as foodstuffs between 1913 and 1927 maximum levels tripled, for others as manufactures tariffs levels simply quadrupled: “[...] these were genuinely protectionist levels<sup>77</sup>.”

So, it was in such a context that since the end of 1929 and then in increasingly aggressive forms the Balkans, as well as the rest of Eastern Europe were attacked by the devastating effects of the crisis generated by the collapse of the New York Stock Exchange. In Eastern Europe in general and in the Balkans Countries more specifically, the new critical economic phase stressed the tendencies toward self-sufficiency: more protectionism and more legislations to protect National industries. Especially in the Balkans the results were not positive, as highlighted by Nicolas Spulber, the South-eastern governments “snagged their own drives, however with erroneous fiscal monetary and lending policies”.<sup>78</sup>

However, in this paper our real interest is in showing the results achieved by the industrialization effort put in place by Romania, Yugoslavia and Bulgaria during the 1920s. According to Maria Georgieva

“[...] when we investigate the results of industrial development achieved with the aid of protectionism, the unfavourable correlation between the direct results and the sum of losses of society in the name of industrialization [...] the consumer losses caused by higher prices of the domestic industrial products [...] the unpaid taxes of encouraged industrial enterprises etc., the ratio between the gains and losses that are calculated in 1 to 2.3/3 should be mentioned”.<sup>79</sup>

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<sup>75</sup> Cf. S. Grancharov, *Il pensiero*, 160.

<sup>76</sup> Cf. J. Lampe, *The Bulgarian*, 72.

<sup>77</sup> Cf. *Ibid.*

<sup>78</sup> Cf. N. Spulber, *The State*, 72–73.

<sup>79</sup> Cf. M. Georgieva, *Industry*, 289.

Most scholars agree on the virtual failure of the industrial policies and modernization implemented by the Balkan Countries and especially the Danubian ones in the twenties. In addition, these efforts were not able to transform Romanian, Bulgarian and Yugoslav socio-economic structures in a stable and deep way. An agricultural production far from reaching the standards of efficiency and high productivity desired by the extenders of the Romanian agrarian reform, from the mirage of Stambolijski to transform Bulgaria from the Prussia of the Balkans to the Denmark of the Balkans or to integrate in a harmonious way, as in Yugoslavia, the export of agro-industrial and raw materials and the protected growth of national industries, did not allow a modest internal accumulation of capital and therefore, once the initial industrialisation effort was set in motion, it was not able to keep up with the evolution of the technical conditions necessary to arrive at modern production and to increase internal consumption. The agricultural production was still very important for Balkanic foreign trade however; its role in the economic growth was definitely lower than the years before World War One. At the same time in Yugoslavia, Romania and Bulgaria in 1939 the proportion of population employed in agriculture remained roughly the same as in 1910.<sup>80</sup>

Therefore, once the initial industrialization effort was put into motion, it was unable to keep up with the evolution of the technical conditions necessary to achieve modern production standards. In short, as Berend and Ránki pointed out, the Balkans, as well as the rest of Eastern Europe did not emerge from subsidiarity to the more developed Western economies and, ultimately, the boom recorded in the 1920s was actually a slow reconstruction from the disasters of the war rather than a new development phase. Moreover, agrarian reforms, even if urgent from a social and political point of view, did not favour a substantial increase in agricultural production and therefore the accumulation of capital. On the eve of the great crisis, industrial production increased by about 40%, both in Romania and Bulgaria by about 40%: this was not enough to transform the economy decisively.<sup>81</sup> The rate of development in the three Balkan Countries remained lower, in any case to that of the pre-

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<sup>80</sup> Cf. I. T. Berend, Agriculture. In *The Economic History of Eastern Europe 1919–1975*, 206–208.

<sup>81</sup> Cf. I. T. Berend – G. Ránki, *Lo sviluppo*, 281–285.

war years. “[...] the leap forward of the Twenties did not have enough momentum to make them progress far beyond the initial stage.”<sup>82</sup>

John Lampe had already made it clear that, in Bulgaria, only a small portion of the industries that had risen in these years, managed to expand towards the most technologically innovative and remunerative sectors matching the same quality standards of the West. In short, most of the Bulgarian production had not been touched by real progress, foreign markets remained unattainable and the domestic market was unable to guarantee any substantial development. In general, the quality of Bulgarian industrial productions were lower than those of the West, whereas technical and organizational standards kept on lacking sufficient development. In 1930 most of the productions were textiles and agro-food (66%); the metalworking products only accounted for 8% of industrial production.<sup>83</sup> Bulgaria, also at the height of this ephemeral phase of expansion remained a country dominated by the agricultural economy with poor urbanization standards. The spectacular increase of dwellers of Sofia (230 thousand inhabitants in 1926) was due essentially to the arrival of the Thracian, Drobrugiot and Macedonian refugees in the capital.<sup>84</sup>

Even in Romania, industrial development revealed many critical points. The growth indexes of the Twenties – spectacular in appearance – actually represented little more than the return to the overall indexes of 1913. The years 1921–1926 were spent in recovering from wartime destruction.<sup>85</sup> Moreover, the traditional Romanian working structure was hardly affected by the “progress” of the 1920s and until World War II, more than half of the workforce was mainly used in the processing of raw materials for export. Finally, it should not be overlooked either, in spite of the importance of the tariffs set up to protect national production, that still

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<sup>82</sup> Cf. *Ibid.*, 285.

<sup>83</sup> Cf. J. Lampe, *The Bulgarian*, 68–71.

<sup>84</sup> More than 250,000 out of the of 10 million European refugees in the inter-war years were from Bulgarian origins. The impact of this mass of refugees on the economy, society and politics of a country like Bulgaria of just over 5 million inhabitants in the early 1920s was enormous. See T. Dragostinova, “Competing Priorities, Ambiguous Loyalties: Challenges of Socioeconomics Adaptation and National Inclusion of the Interwar Bulgarian Refugees”, *Nationalities Papers*, 34/5 (2006), 549–574.

<sup>85</sup> Cf. H. L. Roberts, *Rumania. Political*, 68.

in 1935 only 16% of the machines and engines required by the domestic market were of Romanian production and the rest were imported. At the same time according to Roberts, the growth of capital goods industries did not match the development of a strong internal market. Romanian petroleum and Romanian wood were destined to exports; finally, the growth of the metallurgical industry was due by State demands for armaments especially in the middle of Thirties.<sup>86</sup> Exactly as in Bulgaria, the Romanian industry was not able to absorb the workforce preceding by agricultural overpopulation. According to Virgil Madgearu, from 1929 to 1938 workers engaged in industries increased by 10.000/90.000 per years but the excess in the agriculture was estimated between 100.000 and 200.000 per year.<sup>87</sup> According to David Turnock in interwar Romania industrial progress were by no means insignificant, studies reveal a continuity of effort with

“[...] consolidation and expansion along the lines laid down this time. At this stage, however, the range of manufacturing was still narrow and [...] although the capital did not now exert the same overwhelming influence, the main developments were restricted to a “central axis” running from Bucharest to Banat, the left extensive backward areas in the North, South and East [...].<sup>88</sup>

In Yugoslavia, the percentage of the population employed in agriculture in 1921, 79% of the workforce, had remained unchanged in 1930. The figures for industry and mining were 9,9% and 10,8% respectively. In plus there was a surplus population of 44,4% engaged in agriculture. In 1931 the average size of holding was under 6 hectares. Average yields of wheat between 1920 and 1924 were 11,1 quintal for hectare, compared with pre-war average of 13,4 quintals.<sup>89</sup> The urban development of Belgrade, Zagreb and Ljubljana itself, in some ways remarkable, could not hide the reality of a country still characterized by an archaic social structure and dominated by the countryside despite the presence – like Bucharest – of

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<sup>86</sup> Cf. *Ibid.*, 69.

<sup>87</sup> Cf. V. Madgearu, *Rumania's New Economic Policy*, (London: P.S. King&Sons, 1930), 32.

<sup>88</sup> Cf. D. Turnock, “The Pattern of Industrialization in Romania”, *Annals of the Association of American Geographers*, 60/3 (1970), 546.

<sup>89</sup> Cf. F. Singleton, *A Short History of the Yugoslav Peoples*, (Cambridge – New York: Cambridge University Press, 1991<sup>4</sup>), 154.

some impressive industrial poles such as, for example, the large weapons industries of Sarajevo and Kragujevac owned ... *ça va san dire...* by the State! With a few exceptions, the great majority of state investments were then unproductive and absorbed by the expenses for maintaining the bureaucratic apparatus, the construction of state buildings, the Royal Army (which until the beginning of WWII absorbed enormous resources), etc.. In Yugoslavia, moreover, the State was also the great collector of foreign investments, of which only a small part was channelled towards technological innovation, the opening of new businesses, the sale of credits in agriculture, to small and medium-sized industries, etc.<sup>90</sup>

A conclusion on which most scholars agree on is the virtual failure of the industrial policies and modernization implemented by the Balkan countries in the Twenties. In general for many economic peripheries of Europe the Interwar period was a phase of notable growth. South-eastern Europe was the exception. In general, Balkan Countries experienced an annual growth rate of 0,6%. Such poor result was driven by Bulgaria and Rumania, both countries stagnated in interwar years and forced industrialization had big problems. For example in Bulgaria the contribution of industry to GDP remained at 10% more or less the same date of the pre 1913 period.<sup>91</sup> In conclusion, we can certainly still consider the observations contained in a famous essay by Alexander Gerschenkron on Bulgarian industrialization for Romania, Yugoslavia and Bulgaria: the final results were not the absence of a development, but rather the lack of real, deep structural transformations capable of involving the whole of society.<sup>92</sup>

Nor, as we shall see, these efforts were to modernize the socio-economic set up of the two Countries in a stable and profound way, not to mention the chronically underdeveloped infrastructural network, also in relation to the needs of countries which, as we have seen, only very partially could be called urbanized and endowed with a serious industrial

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<sup>90</sup> Cf. J.B. Allock, *Explaining*, 60–62; F. Singleton, *A Short*, 154–155.

<sup>91</sup> Cf. M. Morys, "South-Eastern European Growth Experience in European Perspective, 19th and 20th centuries". In *Monetary and Fiscal Policies in South-East Europe. Historical and Comparative Perspective*, eds. R. Avramov and S. Pamuk, (Sofia: Bulgarian National Bank Series – Finance and Banking History, 2006), 35.

<sup>92</sup> Cf. A. Gerschenkron, *Aspetti dell'industrializzazione in Bulgaria. 1878–1939*. In *Il problema storico dell'arretratezza economica*, ed. A. Gerschenkron (Torino: Einaudi, 1974), 202.

structure. The infrastructures, the indexes of urbanization, literacy, infant mortality, the spread of chronic diseases of social origin (tuberculosis, alcoholism, pellagra, etc.) continued to remain among the worst – if not the worst in Europe – at the same time the resources used in industrial activities hindered every serious possibility of investment in agriculture. The Bulgarian, Yugoslav and Romanian ones, despite some efforts, remained among the less diversified agricultural economies of Europe but above all, it was not possible to put in place any radical restructuring that would allow to raise the levels of efficiency, modernization, mechanization, spreading of chemical fertilizers, improvement and implementation of animal breeding. In Bulgarian agriculture, for example, the proportion of land dedicated to cereals remained very high, almost two thirds, the same was the amount of the land left fallow: in both cases the highest rate in all Eastern Europe.<sup>93</sup> Also in Romania national agriculture was affected by low productivity. This problem was caused by very poor use of fertilisers and machines, a primitive crop rotation system and low quality of livestock. But the main problem was, without any doubt, the lack of adaption of the Romanian agriculture in the crop structure. Until the Second World War the Romanian agricultural activities were dominated by cereals: wheat and maize taking up two thirds of the total and during the interwar period the market of cereals was scarcely buoyant.<sup>94</sup> According to Allock In Yugoslavia the upland regions of Slovenia remained depressed, In Croatia with the exception of those costal settlements touched by tourism (the only case of development of modern tourism in South-east Europe) the countryside south of Ogulin was characterized by terrible poverty. Slovenia, South Croatia, Dalmatia, much of Bosnia and Montenegro were never fable to meet their own requirement for grain.<sup>95</sup>

Overall, these tares made the two countries, and more generally the whole Balkan Peninsula more exposed to an international crisis, not to mention that the excessive complementarity of their respective economies and political suspicions did not even allow them to try to deal with unity of purpose with the most devastating effects of the Great crisis.

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<sup>93</sup> Cf. D. H. Aldcroft, *Europe's Third*, 74.

<sup>94</sup> *Ibid.*, 88.

<sup>95</sup> J. B. Allock, *Explaining*, 61.

The economic and political-strategic consequences were not long in coming when, starting from 1933, the Third Reich appeared on the Eastern European scene with all the might of the Germanic economy and tools of pressure as innovative as dangerous. Germany was determined to make the natural resources of those countries a fundamental strategic source to support their ambitions of expansion that would later lead them to conquer Eastern Europe.<sup>96</sup> Yugoslavia on 1 May 1934 was the first Balkan country to sign a commercial Treaty with Nazi Germany.

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<sup>96</sup> See P. N. Hehn, *A Low Dishonest Decade. The Great Powers, Eastern Europe, and the Economic Origins of World War II, 1930–1941*, (London – New York: Continuum, 2005), 99–117.