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The purpose of the Centre is to provide a framework for investigations and research on problems concerning rural cooperative communities and publication of the results, to coordinate the exchange of information on current research projects and published works, and to encourage the organization of symposia on the problems of cooperative rural communities, as well as the exchange of experts between different countries.

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The Crisis of the Bulgarian Cooperatives in the 1990s

by
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Abstract

This paper describes the crisis faced by the cooperatives in Bulgaria during the period of transition beginning in 1990 when the collapse of the socialist agricultural system started. It examines the transformation of the agrarian relations based on a case study of four villages located in the northeastern part of Bulgaria (the region of Dobrudzha). It points to the declining significance of the cooperatives in the new environment and analyzes the basic reasons for their crisis. The conclusion is that the cooperatives have failed to adapt successfully to the changed economic and political situation in the 1990s rather insisting on continuing with the old socialist mechanisms of collective production lacking new high tech investments and young people with initiative. The philosophy of the transition emphasizing the individual rather than the collective has contributed to the political isolation of the cooperatives and, as a consequence, to their lack of investments and credit.

Introduction

The land reform in Bulgaria in the 1990s is a turning point along the agrarian policy of reconstruction from command to market economy. The basis for the agrarian reform is the Land Law, accepted by the parliament in 1991, additionally changed in 1992 and revised in 1995 and onwards. It creates the legal framework for the return to the previous owners of the land pooled into the collectives. The consequence of the expropriation of land in the years of communist rule meant the liquidation of private ownership in agriculture. With the political and legal changes in Bulgaria in the 1990s came a reprivatization of land ownership and a restructuring of agriculture on a private basis.

This has significantly influenced the development of the agricultural cooperatives. The changes include the following basic transformations with regard to the socialist collectives. First, a change in land relationships, which involve the establishment of a new type of land ownership; second, a liquidation of the existing collectives; and third, a creation of new types of structures in agriculture.

The liquidation of the socialist collectives in the 1990s includes three steps: the definition of the previous landowners, the restitution of the land to the old owners

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in the boundaries that existed in 1946, and the division of the property (buildings, agricultural and other technical equipment, animals, etc.) of the collectives between the landowners and the employees of the collectives. Many reasons slowed down the restructuring process and made it very difficult: the long period of collective farming and its impact on people's attitudes and habits, the pooling of land into blocks of several hundreds of hectares each, the nationalization of land for industrial units, buildings and roads, and the loss or the liquidation of property titles and land registers. The historical interplay of interests has created a very specific situation in Bulgarian cooperative development. The objectives of this article are to analyze it.

The dynamics of agrarian development

The 20th century involves three basic models of agrarian development in Bulgaria: early capitalism, socialism, and a transitional model. This evolution in the Bulgarian rural society reflects the overall development of the country, which passed during one century (1870-1970) from a patriarchal to an urban-industrial social order. In their ideological paradigm the second model rejects the first and the third rejects the second. Bulgaria in the period before World War II can be shortly portrayed as a "small country of small peasants" (Bakardjiev, 1940:21). From this perspective, the overcoming of the country's agrarian specificity was considered as a social necessity under socialism. The widespread opinion that socialism was a harmful period in Bulgarian history determined the "transitional" agrarian policy. Its main purpose has been to reestablish in the countryside the socio-economic relations existing before World War II. In this regard, despite the differences in the experience and knowledge of the various generations, the idea of the reversibility of history is perceived as a main line in the ideology of society since the transition from socialism to capitalism began.

The agricultural development in Bulgaria till the 1950s characterizes the period of small land ownership and a low level of farm technology. Although the economic crisis in the 1930s has revealed the need for a change in the process of production (Botev and Kovatchev, 1934:232; Radoev, 1934:85-86). Bulgarian agriculture has remained underdeveloped until World War II. This backwardness, caused by low productivity, rural overpopulation, peasants' indebtedness, etc., was also connected with the high parceling out of land property (Dontchev, 1941:3 and 51). This high level of apportionment in agriculture is shown by the data on land ownership in 1934 and 1946 (Table 1).

The interviews we have conducted since 1991 reveal that in the "collective memory" of the old peasants' generation the inter-war period is remembered as a time of poverty and underdevelopment. But this appraisal, which is not only that of inveterate old communists, is confirmed also by history. This situation of backwardness in the countryside has created the basis for the popularity of a "peasantist" ideology developed mainly by the agrarian leader and Prime Minister

Table 1. Size of land ownership in 1934 and 1946

Size of land ownership	Land Ownership (percent) in 1934	Land Ownership (percent) in 1946
0.1 – 1 ha	3.0	14.0
1 – 4 ha	29.4	41.7
4 – 10 ha	47.9	36.6
10 – 20 ha	16.6	6.8
> 20 ha	3.1	0.9
Total	100.0	100.0

Source: Minkov, Lăžov, 1979:12

Alexander Stambolijski (Bell, 1977:17). The early capitalist development has not been flourishing (Mollov, 1930:181; Radoev, 1934), as some post-socialist ideologists pretend. This explains also the positive acceptance by a great number of peasants of socialism as an alternative for Bulgarian development after World War II.

The "philosophy" of the socialist policy in the second half of the 1940s in Bulgaria was to abolish the existing social inequalities and especially private property as the main resource reproducing these inequalities. The mechanism to realize this objective in agriculture was collectivization (Valtchev, 1967:110). The main socialist concept for the development of agriculture has been therefore the pooling of land and its collective cultivation. The idea was that agriculture has to develop on a modern basis and that workforce has to be released for the expanding industrial sector.

The model has not been established immediately after the war. Liquidatation of land ownership was not an easy task. The socialist reformers had to consider that 80 percent of the population were earning their incomes from farming, about 75 percent of the citizens were living in the villages and the land for cultivation was distributed in 12 million plots within the ownership of 1.1 million households, only 0.9 percent of them owning more than twenty hectares and 200 possessing more than fifty hectares (*Sotsialno-ikonomitchesko razvitie na Balgaria 1944-1984: Figuri i Fakti,* 1984).

The pooling of land and its collective cultivation were realized in two stages. First, an agrarian reform was carried out in 1946 with the objective to expropriate the land of families possessing more than 20 ha (in the region of Dobrudzha more than 30 hectares) and giving it to landless people and to very small owners. As a result of this reform 300,000 hectares of land were dispossessed from 3,600 families. Out of this land, 130,000 hectares were distributed among 135,000 families and the rest was given to either collectives or state agricultural service enterprises.

The objective of this first step was to provoke a change in ownership relations and in people's perception toward land ownership. It was an experimental step, not so difficult to realize as the rights of a few people were cut and many others received land for free. This happened during the first stage of communist rule and for the new government it was extremely important to obtain the support of the population

in order to succeed in exercising their power. Therefore, the right to own land was not suppressed in this first stage.

The second stage was very difficult and much more painful. It concerned both ownership structures and relations in the process of farming. It required a significant change of the system of production and in the way of thinking. This stage was realized step by step, decreasing individual activities and undertakings in favor of collective ones.

From cooperatives to collectives: the making of a socialist agriculture

The cooperative movement in Bulgaria has an old and rich tradition. The first cooperatives appeared at the end of the 19th century. The first cooperative was created in 1890 in the village of Mirkovo (*80 godini*:18). After World War I Alexander Stambolijski, the leader of the Bulgarian Agrarian National Union, dreamed in accord with the Danish model to transform Bulgarian peasants into farmers through the establishment of a wide network of cooperatives. In the 1930s the number of such associations reached 2,852. In 1941 there were in Bulgaria 4,476 cooperatives with a total of 48,618 members (Kozhuharova:111). Among them, a number of agrarian cooperatives were based on the principle of collective land use.

These agrarian cooperatives were a welcome "Trojan horse" for the new rulers after World War II. The greater portion of the prewar agrarian cooperatives survived the socialist "revolution" and were transformed step by step into collectives. The organization and the functioning of these associations were institutionalized in a decree adopted by the Bulgarian Agrarian Coop Union in 1945 (Darzhaven vestnik, 1945). The decree was based on three main assumptions:

- private ownership of land by the members of the cooperative;
- receipt of rent for the property included in the cooperative (up to 40 percent from the profit of the same);
- the possibility for each member to have a farm for personal cultivation (from 0.3 up to 0.5 hectares of land) and a definite number of animals.

Within the period of the socialist collectives, three main stages can be distinguished. The first starts after 1944 and ends at the beginning of the 1950s. It is characterized by the establishment of the so called Labor Collective Agricultural Farms. During this period about 98 percent of the land was concentrated in the collectives. At the end of this stage payment of land rents in the collectives was discontinued.

The creation of the collectives had social and economic objectives: socially it revealed the possibility for survival of small peasants and economically it involved the necessity to improve marketing, credit policy, technology, storage possibilities,

etc. Some people joined the collectives with enthusiasm and without being pushed. Others were forced economically to become members of the collectives through not being allowed to take credits for their agricultural activity. The private owners of more than five hectares were obliged to pay very high taxes. In some cases, in the region of Dobrudzha for example, all the production of the private producers was taken away in form of a tax to force the owners to join the collectives. People who received land after the reform in 1946 were also forced to become members of the collectives. Moreover, some other non-economic mechanisms of social pressure were applied. For example, town migrants were compelled to return to their villages in order to have the opportunity to become members of the collectives or the continuation of the study of the children was halted until the parents join the collective. As a whole, the process of collectivization meant a total change of the early capitalistic peasant economy and the collapse of the patriarchal social order. The peasants were forced to loose their identity and to live in a new and very different social environment (Draganov:71).

From the moment of their establishment till 1960 in every village a collective was formed. In 1960 several villages united to constitute a larger collective. For comparison, in 1957 the collectives in the country were 3,302, while in 1960 their number had decreased to 932. On the average, each collective was responsible for the cultivation of one thousand up to four thousand hectares. Land consolidation was at that time considered as necessary to allow the use of advanced technology towards high economic efficiency.

From an economic point of view the collectives were quite independent units with labor organized in teams and joint farming, regardless to whom the land belonged before dispossession. Nevertheless, this was the period when the young and better-educated people left the villages. Despite that, agricultural production constantly increased. The use of new technologies in agriculture was the main reason for this favorable development. In the early 1970s, a period of important social and economic changes in Bulgarian agrarian collectives began. First, almost all labor functions in the collectives were mechanized. This encouraged two processes: 1) the improvement of the education of the labor force in the collectives, and 2) the release of unnecessary workers.

As a result, a part of the villagers discontinued farming as a main activity. State enterprises were established in the villages for the production of meat, milk, eggs, etc. to employ the workers released from the collectives. In this way, the first steps towards overlapping of rural and urban structures in the countryside were achieved.

The fulfillment of a highly mechanized production with few employees introduced a new agrarian order in Bulgaria. Then initiated a stage characterized by the introduction of the so-called Agrarian Industrial Complexes (AIC) (Vladov, 1977:29), in which the State-party was defining every detail of organization,

production and marketing. The property of each AIC turned to be de facto State owned. This stage reflects the transition of the agricultural units from collectives of virtual landowners into state organizations where the land became nobody's property. As a consequence, many members of the collectives moved to the cities or retired and the remaining people became agricultural workers.

The consolidation of land allowed new advanced production methods to be applied and experienced, but the weak sides of the AIC were the organization of work and the labor motivation. The production became cheap because a small number of machines were used and their capacities were in full exploited. At the same time the labor cost was very cheap. In spite of that, the successful units were not stimulated to produce more, as their surplus income was given to weak farms and factories within or outside the AIC. In the region of our investigation, in Dobrudzha, the local AIC which included 67 villages with 33,000 workers gave to the State up to 70 percent of their profit.

The socialist agrarian policy connected with the AIC underestimated the people's material interests. The production was extensive and the irrationality in the use of labor force led to human capital decay. The lack of economic independence of workers did not motivate them to think and to produce in terms of economic efficiency. This situation encouraged social apathy and alienation. Furthermore it destroyed peasant "savoir" and "savoir faire" (Roth, 1989:344-362), peasant rationality, initiative, work ethos and attitude to land. This phenomenon also touched the leadership of the collectives. They chose tactics where they did not have to take risks, but could follow the State-party instructions because this was safer to protect their individual employment positions.

This was an unsuccessful reform aiming at pooling of land, concentration of resources and centralization of decision-making processes. Heavy organizational and productive shortcomings were connected with this policy whose main fault was its structural gigantism. Consequently, a deep crisis in agriculture followed in the second half of the 1980s. In 1988 the AIC split and the previous collectives were re-established. This process of decentralization was suddenly interrupted in 1989 with the collapse of communism in Central and Eastern Europe.

From collectives to individual farming: reprivatization without cooperatives

The essence of the proposed agrarian reform in the 1990s is the re-introduction of land ownership. The problem of land ownership in Bulgaria was solved with the acceptance of a law, requiring all the land pooled in the collectives to be given back to the previous owners. The legal basis for the agrarian reform in Bulgaria is the Land Law (Zakon za izmenenie, 1991; Zakon za izmenenie, 1992; Zakon za izmenenie, 1995).

Not in any other post-socialist country, except in Bulgaria, was such a radical

agrarian reform proposed. The collectives had undergone many changes during this period of transition. The reform meant to destroy the existing collectives. It has been carried out in two stages. With the adoption of the Land Law in 1991, the collectives were transformed into cooperatives. The institutional change meant a decentralization of the collectives and an organization of a cooperative in each village. For example in Dobrudzha one collective included more or less five villages. After the reform about 25 new cooperatives were registered as independent associations. All of them were based on the principle of land ownership but the principles of collective organization of work and production remained unchanged. The social facts revealed that the collectives had only changed their names into cooperatives. This was the reason why the revision of the 1992 Law approved the liquidation of these cooperatives. The revision of the law defined that their assets – like animals, machines, offices and storage – should be divided between the owners of land and the collectives' employees. This measure was considered by the legislator as the best guarantee against the reestablishment of the collective system in agriculture. A second significant provision of the law was the restitution of the land, which had to be given back to its former owners piece by piece, as they had possessed it after the agrarian reform of 1946.

In the mountain regions, the application of the Land Law did not create difficulties because the boundaries mostly remained the same since 1946. The problems came up in the plain regions as those of Dobrudzha where blocks of land of several hundreds of hectares have been merged, changing radically the previous rural landscape.

The motivation behind the approval of such a law can be analyzed from several perspectives. One explanation is that the politicians would like to meet criteria of justice by returning to the owners or to their heirs the land collectivized under socialism. However, the following events show that this has been rather a political myth than a social reality.

Another, more realistic explanation, seems to be connected with the right oriented ideology of the political forces in power at that time. They followed the "rustic ideal" of a return to pre-socialist Bulgaria, when the country was still a "small nation of small peasants". This ideal has been most probably supported by western experts considering it as a good guarantee for the smooth transition from collective to private and effective agriculture. The Law tended therefore to implement the reversibility of history, to erase socialism from Bulgarian history and to go back to the point where the previous historical stage had stopped. Having in mind that this policy has been proposed by post-socialist leaders of urban origins who had no correct knowledge of the real situation in the villages, it is evident that the de-collectivization has turned into a long lasting and painful process.

The reform caused a deep crisis in agrarian development for several reasons.

First, the return of the land to the previous owners in "real boundaries" means to get it back piece by piece as existed in 1946. The statistical data from the 1990s show that 1,783,808 owners possess between 0.1 and 1 hectare, 171,394 – between one and five hectares, 8,508 – between five and ten hectares, and 580 – more than ten hectares. The last group makes 0.03 percent of all the landowners. The land pieces will be additionally divided as the majority of the owners are dead and have a number of inheritors. This would mean a return to fragmented agriculture, which will burden the modernization of the agrarian sector.

Second, land registers, as is the case of many villages in Dobrudzha, have been destroyed in socialist times by communist functionaries as a symbol of the final suppression of capitalism in agriculture. The commissions for land restitution have declared in front of us that they rely on the good memories of older people. The selective character of people's memory provoked many conflicts in defining the land ownership. Moreover, the Ministry of Agriculture has recognized that 928 village plans have to be reconsidered, as there are mistakes in the definition of the ownership. In this way the process of restitution in real boundaries has been delayed and has created a legal uncertainty, which has as a consequence a slowdown in the process of planning, investment and restructuring of agriculture.

Third, the myth of "historical reversibility" has neglected the prerequisites for a neglect of the deep transformations taking place in the villages and people's value system during socialism. Industrialization, urbanization and collectivization have significantly changed attitudes and aspirations of the rural population and the restitution of the land has turned into a paradoxical re-privatization without peasants. This fact has led to a development with deep social impact and has to be analyzed in more details. The migration of the peasant population to the towns in the period 1950-1990 has turned these people into city dwellers employed in industry and services (Eberhardt, 1993:31-40; Zlatanova, 1980:74) who could be interested in a cultivation of only a piece of land of 0.5 up to 1 ha in order to satisfy family food needs or to have the opportunity for an additional activities.

Land reform in Bulgaria involves a variety of ambiguities. The majority of the owners want their land back, although they do not plan to cultivate it themselves. As a consequence, the contradiction between the desire to possess land but not be willing to cultivate it is a hindrance to the implementation of an agrarian policy in the country. For the "new" owners the possession of land is seen as a mere investment and a pure financial resource. The "new" proprietors are looking therefore for alternatives which do not involve their future as "peasants".

The possession of small pieces of land, however, does not stimulate people whose main job is an agricultural one. In this sense, the ownership itself is not a mechanism for the appearance of creative motivations for farming. The "new" owners of land rarely start farm production on the returned land except for satisfying family food

needs. Because of the negative experience with collectivization during socialism the new cooperatives have low prestige among the owners, especially if the latter are living in the towns. They consider the cooperatives as "an appendix" of the old collectives. So their strategy is rather to lease their land to private capitalistic entrepreneurs *arendatori*. The motive for this choice depends on other reasons as well. In the region of Dobrudzha, for example, the *arendatori* are those who have the knowledge, the necessary contacts and the abilities to take risks in cultivating the returned land. Being the leaders of the collectives in the last years of the socialist rule, they have the necessary know-how to start agrarian entrepreneurial activity expecting significant incomes. The *arendatori*, as previous members of the local agrarian elite, have also the necessary contacts with the people who control the market in the cities. Not less important is the fact that in the process of liquidation of the socialist collectives they have been able, thanks to their former status, to get the best kept machines, storage and offices of the collective ownership at a very low price.

On the contrary, the newly organized cooperatives have got the remains of the socialist collective ownership. Their members are the landowners from the villages who are either quite old and not enough educated or too much adapted and accustomed to socialist collective farming, so they rarely have the courage to develop agriculture on capitalistic principles. The cooperatives are organizations of landowners but only a minority of them are taking part themselves in the cultivating of the returned property and are participating in the life of the associations. Moreover, the cooperative leaders are very often in the age just before retirement and have rarely good contacts and links with the trading agricultural firms and food industry. Because of the low political support for the cooperatives the latter have no good chances to get financial credits or investments on favorable conditions.

The cooperatives formed after 1992 are therefore in an extremely critical situation. Technical, economic and managerial problems are compromising the actual existence of the Bulgarian cooperatives. Besides that, they are more and more facing the aggressive competition of the better organized *arendatori*, who – as the example of Dobrudzha shows – are starting to buy the land from the small owners. The members of the cooperatives are quite old people and it is doubtless that their heirs will prefer to lease or to sell the land to the *arendatori* if the latter are paying higher rents or proposing more favorable leasing prices than the cooperatives.

The land is therefore increasingly controlled by the previous agrarian elites that are forming the nowadays capitalistic entrepreneurs. At the beginning of the reform they were possessing only small plots of land in comparison to what they think they should possess in order to develop modern farming. One of them declared that he could cultivate thousands of hectares, but he and his brother were possessing only five hectares. That is why their strategy is to lease and in the future to buy from the nowadays owners a high number of plots enabling them to cultivate land between 600 and 20,000 ha.

In this sense the legal framework of the agrarian reform in Bulgaria has led to the formation of two social groups. The first one includes a large number of owners who have no interest to cultivate their land. This group includes people whose quality of life in the period of significant changes is deteriorating (*Sotsialno i ikonomitschesko razvitie na Balgaria 1990-1994,* 1995:35) and their strategy is the one of survival, so they lease the land to get some financial support. Their situation is quite fragile also because the legal framework is still lacking clear definitions about leasing relations in agriculture. The second group involves a small group of entrepreneur-peasants belonging to the leadership of the socialist collectives, who are becoming agricultural capitalists. Paradoxically, the land reform brought profits mainly to them. The liquidation of the collectives with the 1992 Law has meant the suppression of the agrarian socialist management through distributing the property of the collectives and dismissing their leaders. This has been a political attempt for "de-communization" of the agrarian sector in the country. The idea has also been to deprive the agrarian local elites as leaders of the collectives of political as well as economic power. This objective of the law has not been achieved. After a short time of disorientation the socialist agrarian leadership has begun its reorganization into successful agrarian entrepreneurs and in a short period of time they transformed their "economic ethic" becoming enthusiast supporters of the "free market economy".

The previous leaders of the socialist agrarian enterprises who until 1992 were declaring their loyalty to communism, have turned into savage capitalists after the liquidation of the collectives. At the end of the 1990s they are beginning to reinvest their profit in buying the land from the small owners and in this way they are becoming the most powerful agrarian actors in post-socialist Bulgaria. However, their status depends to a great extent on the traders and brokers in the agricultural sector. The entrepreneurs from the big cities, the so called "sharks with Mercedes and mobile telephones", are using crude methods to establish a monopoly on the trade with agrarian goods and have the last word on the prices. Since the national independence of Bulgaria in 1878, the country's agriculture has always been a resource for enrichment of urban economic sectors. Under socialism the redistribution of agricultural profits was in favor of industrialization. In the period of transition farm inputs and outputs are controlled by trade economic groups living in the towns.

Concluding remarks

The agrarian reform has accelerated the return of private property to the Bulgarian villages. But the restitution of the land has not restored the old peasant society of pre-socialist times. The idea of the "reversibility of history" has proved to be wrong. Moreover, some unexpected and, for many politicians as well as for the legislators, unwelcome facts characterize the dramatic development in the Bulgarian countryside during the 1990s.

One of them is the reprivatization without peasants. The "new" owners, who are living mostly in the towns, failed to come back to their villages as wished by the "peasantist" politicians. The proprietors do not intend to cultivate the returned land themselves and they refuse to become peasants or farmers. They are city dwellers with own specific urban lifestyles and values. This part of the urban population, as well as the villagers, use the land ownership in order to lease it or to produce the necessary food supply for survival. Such a "minimalist" agriculture is mainly subsistence orientated and the people involved have set themselves the sole goal to overcome the troubles and turbulence of "transition".

Another fact concerns the economic rising of the agrarian capitalist entrepreneurs. The reprivatization of the land without peasants has encouraged some leaders and members of the technical and managerial staff of the old collectives to invest individually in private agriculture. They lease a huge number of little parcels from the "new" small owners. In this way a little group of aggressive capitalist *arendatori* which could be defined with the terminology used by Max Weber (Weber, 1956) as "Raub" and "Beutekapitalisten", are increasingly controlling and monopolizing the land. Most probably in the future the *arendatori* will become a new class of quasi-latifundist owners. At the moment they are nevertheless the social and the economic "winners" of the "transition" in Bulgarian agriculture.

The obsolescence of the cooperatives is the next fact. The so-called "new cooperatives" are in reality a post-socialist continuation of the old collectives. Even if they are now based on the principle of private property, they are keeping at collective production. All the decisions concerning economic activities are taken by the management of the association without consulting the assembly or the membership. This behavior is partly caused by the managerial style inherited by the staff from the "democratic centralism" of the previous regime. Moreover, the members of the cooperatives as small owners are totally indifferent to the activities of their associations. They are interested only to get their rents after the selling of the harvest. The cooperatives are the "losers" of the "transition" and the future will show if they can survive under the economic pressure of the more competitive *arendatori* and under the political stonewalling of the actual government, whose aim is the destruction of any relict of the socialist past. On the other hand, real new forms of cooperatives which are combining economic efficiency with democratic management are still unknown in Bulgaria.

The situation of Bulgarian agriculture shows finally that the shift from a collective to an individual social and economic order was successful. At the same time a deepening gulf between the legal frame and the social practices can be observed in the countryside. This rift is a clear social indicator – using the words of Max Weber – of a conflict between State "legality" and cultural "legitimacy" which probably is affecting the whole country.

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