

ENTHUSIASM AND SCEPTICISM: THE BULGARIAN ECONOMISTS AND EUROPE (1878-1944)

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Introduction

Pre-history

The process of integration of Bulgarian lands in the European economy began decades before the liberation of the country from the Ottoman rule (1878) without being formally sanctioned by treaty, convention, agreement, etc. It is an integral part of the overall process of globalization which began after the end of Napoleonic wars in 1815. The integration is driven by many factors, but among the most important are the Industrial revolution and the impact of the new equipment and technologies, reduction of transport costs, the establishment of relative peace in Europe, the gradual diminishing of the mercantilist practices, etc. (Broadberry and O'Rourke ed., 2010, pp. 99-101).

Specifically for Bulgarian lands up to the liberation this process is connected with the consequences of dynamic industrial development of Western and Central Europe, the trade expansion of industrial and newly industrialized countries in the world, the perception of the liberal principles of free trade and lower tariffs, elimination of monopolies and privileges. This integration is clearly visible in the railway construction

in the Ottoman Empire, opening the Black Sea and Danube River for international trade, the penetration of foreign industrial goods and traders in the markets of the empire, etc. Formally the foreign trade policy of the Ottoman Empire looks different in comparison to the general trends of trade liberalization in the first half of the 19th century. Until 1838, according to trade contracts signed by the High Porte the maximum import duty is 3%, and after that the Ottoman authorities managed to gain the right to raise tariffs up to 5%. Simultaneously, however, they abolished a number of monopolies and restrictions on trade in the empire thus facilitating its integration into the global and European markets (Broadberry and O'Rourke ed., 2010, r.101).

These processes give impetus to economic development and overall modernization of the Bulgarian lands (Palare, 2005). However, the transformations induced by them are not entirely painless. The integration of Bulgarian lands with European and world markets leads to prosperity in certain regions and sectors, but also to inevitable decline of some traditional crafts. The above mentioned socio-economic processes are relatively spontaneous and cause the first attempts for understanding them by individual representatives of Bulgarian intelligentsia. During the third quarter of the 19th century in their reflections and analyses on the effects of the integration of Bulgarian lands in European economy two main motives are discernible. First, they suggest that as a result of the economic integration with Europe Bulgaria would overcome its obvious backwardness and reach a level of development typical at least for the average European countries. To the representatives of the pre-liberation intelligentsia Europe became a symbol of civility in economic, social and political terms. The second motive, however, is completely different. The Bulgarians are suspicious about the effects of integration because of the fear that economic interests and trade policies of developed European countries will somehow retard Bulgarian economic progress. That is why before the liberation the first warnings about the possible conversion of the Bulgarian lands in the colony are raised. The ideas for limiting the consumption of "Western" goods and for buying Bulgarian production, for introduction of customs protectionism by means of which to protect the endangered local production and to create conditions for the encouragement of local industry (Penchev, 2016) increased their popularity.

It is not clear whether these ideas are a result of an independent analysis or just an imitation and interpretation of foreign (European) concepts. Surely it can be argued that in terms of the history of economic thought, they are not original. In 1841, the German economist Friedrich List published his famous work "The National System of Political Economy", which justifies the necessity for protectionism in national economic policy in underdeveloped countries, which is justified only to the point when the level of industrialization of advanced economies is reached (List, 1856 [1841]). There are no direct references to F. List in the works of Bulgarian pre-liberation intellectuals. Apparently the socio-economic conditions in the Balkans in the last 2-3 decades before

liberation are similar to those of Germany in the beginning of the 19th century, and this resulted in the emergence and popularity of similar ideas. They remained an essential part of the matrix of the Bulgarian attitude towards attempts to Balkan and European economic integration after 1878.

The Bulgarian economists and the ideas for economic integration from the Liberation to the end of WWI

After the liberation of Bulgaria from Ottoman rule the attitude of the representatives of Bulgarian intellectuals to Europe and to European economic model remains ambiguous. Gradually, within the intelligentsia is formed a group with specialized professional training and scientific interests in economics. The first economic periodicals are published and voluntary organizations are formed, which are instrumental for the impact of this group on the public policy. Among the most influential and long existing organizations of this type is the Bulgarian Economic Society founded in 1895. One of the main reasons for the establishment the Society is the attempt to restrict foreign (mostly European) competition to the Bulgarian producers (Marinova, 2012).

From 1896 it publishes the Journal of Bulgarian Economic Society, which for a long period is the most prestigious economic magazine in the country. 1897 Ts. Kalyandzhiev, who in 1920 became the founder and first rector of the Higher School of Commerce in Varna, wrote that the Ottoman Empire was destroyed by the penetration of European civilization and culture. This in turn has had positive effects, because after the liberation of Romania, Serbia and Bulgaria "The East, which was the symbol of laziness and inactivity gradually is emancipating from this and is becoming an extension of Western Europe" (Kalyandzhiev, 1897: 152). This process, however, is hindered by that same Europe, which according to the author does not allow for the development of the Balkan economies and strives to keep Bulgaria in the position of a supplier of agricultural raw materials for its industry. According to Kalyandzhiev's definition after the liberation of the Ottomans Bulgaria is in the colony with political independence (Kalyandzhiev, 1897: 154).

This perception of Bulgarians towards Europe is to some extent an inheritance from the Ottoman period, but also a result of the new realities in the European and world economy. Bulgaria's liberation comes at a time when trade liberalization, globalization and economic integration reached its peak for the 19th century. The Principality of Bulgaria inherited from the Ottoman Empire a relatively liberal trade regime and began its independent existence with limited opportunities for independent trade and economic policy. Right at the end of the 1870s there is a clear trend of a return to protectionism in Europe. Among the most important reasons that caused it is the

import of cheap American and Russian grain on the markets in Western Europe, which in turn caused a negative reaction to interests of the local large agricultural producers. Reducing the price of corn has a negative impact on those European economies that are not industrialized too. The revenues of local small grain producers are reduced, which in turn reduced government revenues and caused many social problems.

Among the main elements of the return to protectionism trend in Europe are the protectionist tariffs introduced in Germany by Bismarck in 1879, raising of the French tariffs in France during the 1880s and in 1892, the increase of import duties Italy in 1887, in Sweden in 1888 and 1892, etc. Various forms of tariff protectionism is introduced also in Austria-Hungary, Russia and Spain (Bairoch, 1989). An expression of this trend, are the so-called tariff wars of the late 19th and early 20th century. They are a result of the willingness of the government of a given country unilaterally to introduce higher tariffs. Among the most famous wars of this type are those between France and Italy (1888-1889), Germany and Russia (1892-1894), France and Switzerland (1892-1895), Austro-Hungary and Romania (1886-1891), the famous "pig war" between Austria-Hungary and Serbia (1906-1908) and others. (Irwin, 1993; Edie, 1977; Lorscheider, 1976).

Under the terms of Berlin treaty (which ended the Russo-Turkish war of 1877-1878), Bulgaria's capacity for independent customs policy is strictly limited. The country inherited the relatively liberal trade regime of the empire. However, the general trends typical for the European and world economy has their impact in the newly established Principality. The peculiarities of the Bulgarian economy - underdeveloped, subsistent agricultural economy, decline of traditional crafts and practical lack of industry, lack of capital and entrepreneurial experience, limited resources etc. determine the main directions of economic policy pursued by various governments. At the end of the 19th they century made the first attempts for industrial encouragement and for introduction of a moderate protectionism.

After 1878 almost simultaneously with the beginning of autonomous Bulgarian state development the first professionally trained Bulgarian economists appeared. They are engaged mostly in political activity and less involved in scientific publications. However, they exactly identified the main reason for the economic problems of Bulgaria, and in general of Europe. One of the first prominent Bulgarian economists, which is under the strong influence of classical political economy is Grigor Nachovich (1845-1920). He held various ministerial posts and several deputy in the National Assembly. At the outset of the 20th century, he writes:

“Since the agriculture in Europe began to suffer under the pressure of foreign competition all the public leaders turned their attention to it and they all began to seek for means for its salvation which is quite natural. The

agriculture is an extremely important industry not only for agricultural, but also for industrial nations." (Nachovich, 1902: 28)

Still in 1886 Iv. Evstr. Geshov (1849-1924), who was a student of W. St. Jevons, insists on the introduction of legislative measures to encourage industry and agriculture, pointing Romania as an example that should be followed by Bulgarian politicians (Geshov, 1886: 127-131). In parallel Geshov articulates views on the introduction of moderate tariff protectionism.

The Bulgarian economists at the end of the 19th century realize that the economic situation of the country is hampered by two essentially opposing trends:

- Almost unrestricted penetration of foreign industrial goods which ruins local crafts and hampers the emergence and development of local industry, which in turn encouraged introduction of tariff protectionism;
- The size of Bulgarian market is too small, natural resources and investment capital are practically non-existent for effective protectionism; besides international status of the country also does not allow unilateral introduction of tariff protectionism.

In this situation was born the idea of forming a Balkan customs union. The economic integration of the Balkan states to this effect is related to the prospects for their economic development, to the pursuit of industrialization and overall modernization, and to the threat they believe is coming from the developed economies of Western and Central Europe.

The first detailed and clear justification of the idea of economic integration between the Balkan countries was made in 1900 by Georgi Danailov (1872-1939) - then an assistant professor at the Higher School in Sofia (Danailov, 1900). His economic thinking was strongly influenced by the German historical school, at the end of the 19th century he attended lectures of L. Brentano, G. Schmoller and other representatives of historicism (Tsankov, 1939/1940: 83). The theoretical argumentation of Danailov in favor of the Balkan customs union is entirely based on the views of Fr. List, Henry Carey and Karl Kautsky. He begins his statement in favor of a union with a long history of trade policy in Europe. Its main objective is to prove that Europe has already given an example of what should be the rules and principles of successful trade policy. In this sense, he insists, by the Bulgarian and other Balkan governments is required simply to acknowledge and apply these principles.

Danailov believes that the main task of the Bulgarian trade and economic policy must be the industrialization of the country, and he thinks that Bulgaria should create a big industry. According to him, the main obstacle to industrialization is the import of cheap industrial goods especially from Germany and Austria-Hungary and the main means of achieving industrialization is protectionism (Danailov, 1900: 478-484). He is aware that

Bulgaria alone would be difficult to defeat Germany and Austria-Hungary, so he proposes the establishment of a Balkan customs union whose members would be Bulgaria, Serbia, Romania, Greece, "and even Turkey." The prerequisites for establishment of such a union are several. These include:

- All Balkan countries are seeking to modernize and raise their "economic" culture;
- All Balkan countries have experienced public finance problems caused by their mutually uncoordinated attempts for modernization;
- All they were forced to introduce institutions and forms of government that are unfamiliar to them and do not meet their economic traditions and culture;
- All they "under fear of being swallowed up by the new political unions and [big] states" (Danailov, 1900: 485-486).

According to G. Danailov the very creation of the Balkan customs union should be done gradually. He writes:

"All the Balkan statelets would impose similar duties on the imported foreign industrial products, while practicing solidarity in defense, in other words if one of these small states is forced to open a tariff war it should be supported by all the other Balkan countries with the same reprisals. In short, the Convention at first time lies in the development of a single customs tariff for all Balkan countries." (Danailov, 1900: 486)

The next step in the development of the Balkan customs union should be unification of customs legislation of the Member States and gradual removal of all customs borders between them. When the Balkan customs union reach shape of the German customs union (Zollverein), then the governments of the Balkan states might begin to plan for political unification of the Balkan countries in confederation. Danailov is convinced that Bulgaria has all the prerequisites to play a role similar to that of Prussia in the creation of the German customs union (Danailov, 1900: 487).

The Bulgarian economists were interested in the idea of Danailov, and their reactions were not unanimously in favor or against it. Dimitar Yablanski analyzed critically the views of G. Danailov. First Yablanski do not accept the idea of Danailov that in Bulgaria should become an industrial country with focus on heavy industry. According to him, it is better and more promising if Bulgaria modernize its agriculture following the path of Denmark, the Netherlands and Switzerland. The rejection of industrialization as the main goal of Bulgarian economic policy was followed by a critique of the idea of Balkan customs union. Yablanski's arguments against such a union are strongly influenced by classical political economy and especially by the French liberal economist Paul Leroy-

Beaulieu. First Yablanski is against this union because its purpose is to isolate one group of countries from trade and economic contacts with others. He notes that most economists are positive to the idea of a customs union in general, only because it can introduce free trade among as much as possible or even among all European countries. This is the classical Ricardian argument - by removing tariff barriers each country could concentrate its efforts in those sectors and industries where it has a comparative advantage (Yablanski 1901: 250-251).

The realization of such an ideal, according Yablanski, is extremely difficult – and here we can discern the impact of Paul Leroy-Beaulieu. In accordance with the French economist, Yablanski thinks that the main obstacles to it are three:

1. Political: they consist in the selfish aspirations of individual countries for supremacy and in their different political structure;
2. Financial: they consist of various public finance policies of each country, various financial obligations, fiscal systems, etc.;
3. Cultural: they consist in the difference between "their tastes and habits" (Yablanski, 1901: 251).

These obstacles have not allowed the creation of the Latin customs union, and they interfere with the creation of a customs union between Austria-Hungary and Germany. With respect to the proposed by G. Danailov Balkan customs union only the third condition would not be a problem as culture, manners and traditions of the Balkan peoples are approximately at the same level. However, such a union would have to face other obstacles. Firstly Serbia and Romania, according Yablanski, are primarily agricultural countries and seek opportunities to export their agricultural produce. Neither Bulgaria nor any other Balkan country could offer them such opportunities. Last but not least it should be borne in mind that Germany and Austria-Hungary - against which essentially is the focus of the proposed Balkan customs union - have enough diplomatic and other means to prevent its creation (Yablanski, 1901: 252, 262).

Most of the feedback on the idea of Balkan customs union, however, is positive. In 1904 prof. B. Boev speaks positively about its creation by using arguments similar to those of G. Danailov. To them he added the vague assertion that the customs borders between the Balkan countries "are serving to foreign interests ... that have nothing to do with those of the masses" (Boev, 1904: 405). According to B. Boev the nucleus of the future Balkan customs union must be an agreement between Bulgaria and Serbia. He believes that the future elimination of internal customs borders of the Balkan Peninsula, which has an area of October 506 000 km², would create a huge market, which will have suitable conditions for the development of national industries of all Balkan countries. In creating such a large economic entity the Balkan nations will be

able to protect more successfully their industries and to impose to their neighbors the terms of commercial exchange (Boev, 1904b).

In 1904-1905, the general impression is that Bulgaria and Serbia undertake real steps to establish the core of the Balkan customs union. In 1904 the Serbian King visited Sofia, which although not related to concrete actions, symbolize rapprochement between the two countries. The next year was signed Bulgaro-Serbian Customs Convention, which provides for the abolition of customs borders between the two countries in 1917. The Serbian Parliament did not vote in favor of this Convention, and for this reason it does not have any real impact. This is a result to the Austro-Hungarian intervention (just as Yablanski predicted in 1901). The Habsburg empire sees the Serbo-Bulgarian rapprochement as a threat to its commercial and political interests on the Balkans (Tsankov, 1915: 140-141, 149-150). Despite this setback, the idea of Balkan Customs Union in the next years continues to be popular and well-accepted among Bulgarian economists.

In 1907 Georgi D. Toshev publishes a special study in which he argues strongly in favor of the Balkan customs union. Even from the subtitle of his book - Balkan Zollverein - becomes clear that, just like G. Danailov, the author advocates the establishment of a Balkan customs union influenced by the theoretical views of the German historical school and the historical experience of Germany. The new element introduced by G. Toshev is that in his arguments there is a strong influence of Marxism. It is visible mainly in the analysis of trends in global capitalism, in the statement that the formation of overseas colonies facilitated the concentration of capital et cetera. This author recognizes that protectionism, even at the level of Balkan customs union will lead to increases in prices of goods and in the creation of monopolies, and that this would adversely affect the poorest strata of the population. That is why the government should pursue an adequate social policy that includes restrictions of the use of child labor, introduction of a minimum wage, "which should be sufficient to maintain a family", insurance of workers against diseases, and accidents (Toshev, 1907: 19-45, 160-177).

A brief analysis of the importance and role of customs unions publishes As. Ivanov on the pages of the Journal of Customs Officials in Bulgaria. He asserts that the growing popularity of the idea of customs union is a result of the wave of protectionism sweeping Europe since the late 19th century. According to him, the protectionism is suitable only for large countries like the USA, Russia, Austria-Hungary and others. While customs unions are somewhere between protectionism and free trade and are the best means for survival of small countries (Ivanov, 1911).

In 1910 the Sofia Chamber of Commerce raises the question about customs union between Bulgaria and Serbia. Under its initiative a "Serbo-Bulgarian commission for economic rapprochement of Bulgaria and Serbia" is established. It followed the similar

Commission established between Belgium and the Netherlands. In 1911 the Commission adopted a program for the work which includes objectives that can be defined as too general and too ambitious: elimination of customs and passport formalities between the two countries, unification of commercial and social legislation, common commercial and agricultural policy, etc. In 1912 again the Sofia Chamber of Commerce initiated the establishment of two similar committees: Romanian-Bulgarian and Turkish-Bulgarian. The outbreak of the Balkan War in 1912, however, thwarted the work on the implementation of these initiatives (Tsankov, 1915: 150-157).

Among the various obstacles to the idea of a Balkan customs union the most important one was the political and national rivalry between the Balkan countries. This became apparent during the two wars of 1912-1913, the first of which was between the Balkan alliance and the Ottoman Empire and the second between most Balkan states on one side and Bulgaria on the other. These wars did not solve national problems in the Balkans, by means of the territorial changes that occur as a consequence of them were created new tensions and conflicts. For example during the First Balkan War, Romania claimed the Bulgarian territories and as a result of the Second Balkan War (1913) managed to take from Bulgaria the region of Southern Dobruzha. These circumstances significantly cooled the enthusiasm of the Bulgarian economists and Bulgarian society in favor of the Balkan customs union. Back in March 1913 G. Danailov, who was the first Bulgarian economist to introduce the idea of such a union, condemns and rejects Romanian claims to Bulgarian territories (Danailov, 1912: 550). Bulgaro-Serbian conflict over Macedonia resulted in the rapprochement of the two neighboring countries with different, opposing superpowers and military-political blocs (Serbia - closer to Russia and the Entente, Bulgaria with Germany and the Central Powers) and the abandonment of plans for economic and political integration between the two countries.

The outbreak of the First World War (1914) and the entry of Bulgaria into it in October 1915 put the country in a new position. As a result of the changes in the boundaries and particularly of Bulgaria's access to the Aegean Sea, Al. Tsankov, who was a professor of political economy at Sofia University and student of Schmoller and W. Zombart, argues that in the future the Aegean ports of Bulgaria will play a key role in the economic development of the country. They will shorten the distance for Bulgarian agricultural goods to the consumers of Western Europe and thus would facilitate the market integration of the Bulgarian economy with the European (Tsankov, 1917).

The Union of Bulgaria with Germany and Austria-Hungary poses to the country other important economic problems. The expected (at least at the official level) victory of the Central Powers means that after the end of the war their economic and political influence on the Balkans would increase. On the one hand the region would be an important market for their industrial goods, on the other Germany would strive to

ensure free access to the markets of Asia Minor. In this situation, according to Al. Tsankov, the most important question for future economic policy of Bulgaria is how to reconcile the interests of big allies and in parallel to guarantee "our own interests as we ensure our full freedom of action, economic and political independence" (Tsankov, 1916: 155). The plans of Germany and Austria-Hungary include two relatively close options:

- The establishment of a customs union between them and its gradual expansion to the Balkan countries, including Bulgaria and Turkey, or
- Expansion of the German and Austro-Hungarian economic influence without formal conclusion of a customs union and by economic rapprochement on the principle of mutual concessions.

Regardless of his personal sympathies for Germany prof. Al. Tsankov opposed Bulgaria's entry into the Customs Union with incomparably more developed allies of the country. He writes:

"The entry of Bulgaria into a Customs Union together with economically advanced and wealthy countries such as Germany and Austria-Hungary is dangerous, therefore we must accept that it is impossible. Neither an economist nor a politician who understands the interests of the country would agree to link Bulgaria with such a union, to make the country an integral part of a larger customs area, and to condemn it to utterly one-sided development and subject to foreign interests. Such a union would destroy entire sectors of national economy of Bulgaria. "(Tsankov, 1916: 155)

According to prof. Tsankov, the binding of Bulgaria, and besides of any Balkan country, with such a customs union means that it is doomed to be a supplier of agricultural raw materials for the needs of industrialized countries. He believes that only if the economy of Bulgaria was similar to that of Belgium, Holland, Denmark or Switzerland, then the country should strive vigorously to create a customs union with Germany and Austria-Hungary. So during the First World War the Bulgarian economists continued to use the old argument of Fr. List that free trade and the removal of customs barriers are suitable only for countries which are at approximately the same level of development.

The Bulgarian economists and the ideas for economic integration since the end of World War I until 1944

Bulgaria was among the defeated nations in World War I. The terms of peace between the country and the Entente powers were established by the Neuilly Peace Agreement (27. 11. 1919). Its provisions are similar to those imposed by the winner-countries on

other defeated countries and include loss of territory, reparation payments, restrictions on trade policy, etc. Still when the draft of the Treaty was presented virtually all representatives of the Bulgarian political and intellectual elite characterized it as unjust diktat. In the fall of 1919 the liberal economist and director of the General Directorate of Statistics Kiril Popov writes: "Every row, every letter of the treaty bears a burden, weight, a grief for the Bulgarian economy". He defines the Treaty of Neuilly as Calvary for Bulgaria (Popov, 1919: 174). This attitude of the Bulgarian economist is not an expression of momentary frustration, because in 1925 Kiril Popov noted that the true meaning of the Treaty is debilitation and virtual destruction of the defeated opponent, including by means of the economic clauses (Popov, 1925).

These words of K. Popov are rather good illustration of the general opinion of the Bulgarian economists. As was shown an well-established pattern of the Bulgarian attitude towards Europe comprises of two opposing characteristics: firstly admiration and desire to imitate, and second fear of colonization, conquest or punishment. In a sense, the terms of the Treaty of Neuilly nourished deep-rooted fears of Europe. Fully visible remains, however, the other characteristic of the Bulgarian attitude towards Europe. For example in May 1927 prof. G. Danailov, then a MP, delivered a speech before International economic conference in Geneva. In it he said: "we came here rather to hear the word of the older and more advanced nations and to learn from the experience of the world" (Danailov, 1927: 109).

During the interwar period in the attitude of the Bulgarian economists towards Europe and thus towards the different projects for economic integration could be discerned a new feature. They understood more clearly that the Bulgarian economy was an integral part of Europe and that the individual national economies in Europe are interdependent, that economic problems even in relatively small countries could have a huge and sometimes devastating impact on the economies of other countries on the continent, that the European economies have enough common traits and interests, so that they can be treated and analyzed as a whole (see eg. : Peev, 1930: 482). They rightly point out that the First World War, with the emergence of new countries and new customs borders has led to political and economic division of Europe. As a result the trend to more protectionism, restrictions on the imports and promotion of exports became widespread and that it hinders the restoration of those trade relationships and division of labor that existed before 1914 (Tsankov, 1929). In his already cited speech G. Danailov of 1927, he said that the examples from Bulgarian economic history could be useful for the Europeans because they show that institutions and practices that have proved feasible in the US should not be mechanically transferred to Europe (Danailov, 1927: 111- 112).

Directly related to the theoretical views of Bulgarian economists regarding the various forms of integration of the Bulgarian economy in Europe has foreign trade policy of the

Bulgarian state during the interwar period. In general it can be divided into two periods bearing some different characteristics. In the first post-war decade from 1919 to 1929 the foreign trade policy of the country is characterized by strengthening of protectionism, in parallel continued the policy of encouragement of local industry (Dimitrov, 2014: 209-215). The explanation for this type of economic policy still rests on arguments that are borrowed or directly influenced by Fr. List. For example in 1930 the Secretary General of the Sofia Chamber of Commerce and Industry Dr. Ivan Zlatarov writes:

"... Bulgaria, which is still in his first stage of its industrial development, which, despite special encouragement which is given by the law encouragement of local industry and moderate tariff protection, is still weak industrially, and is devoid of cheap and sufficient credit ... ; the country has no qualified professional workers for its industrial development, [so] it can not be deprived of the freedom to adjust its customs policy according to the specific conditions under which it operates ." (Zlatarov, 1929: 17-18)

During the 1930s foreign trade policy of the country was different. On the one hand long practiced customs protectionism combined with legislative encouragement of local industry were abolished. On the other the government adopted restricting imports by determining the quantities of goods that may be imported. Bilateral trade agreements were signed with Germany (in 1933), Czechoslovakia (1934), Italy (1934) and Yugoslavia (1934) (Dimitrov, 2014: 215-226). However, there was no direct correlation between theoretical insights of Bulgarian economists and economic policy of governments during the 1930s. For example when Bulgaria abolished customs protectionism and ceased the encouragement of domestic industry, Konstantin Bobchev, which is one of the most prominent economists in the country, developed an original theory, which justifies the benefits of industrial protectionism especially for backward agricultural economies (Nenovski and Andreev, 2014 : 72).

Immediately after the First World War the possibilities for the integration of Bulgarian economy in some form of customs union were not discussed. Bulgaria was defeated in World War I and most of its Balkan neighbors were extremely hostile to the country. The main objective of Romania, Greece and Yugoslavia was to strengthen their positions and new borders and to prevent the possibility of Bulgarian revenge. Bulgaria, in turn, lost its pre-war self-esteem that it could be the initiator of the Balkan customs union in which she would play the role of Prussia in the formation of the German Customs Union. Echo of the pre-war popularity of the idea of a Balkan customs union, were the attempts by the populist government of the Bulgarian Agricultural Peoples union, led by Alexander Stamboliisky (1920-1923) for political rapprochement with Yugoslavia.

The Bulgarian economists turned their attention towards the opportunities for reduction of customs barriers and other forms of economic integration since the early 1930s. Their attention to these questions was attracted because in the late 20s they were discussed on various international forums and in the League of Nations. European public's attention was drawn to the idea of creating a Pan-European customs union. The great Depression and its consequences for the international trade, the formation of different trading blocks that promoted trade between its Member States and restricted trade with countries outside the relevant block also stimulated the desire for economic integration. In comparison with the years before the First World War, when Bulgarian economists have focused primarily on Balkan customs union, during the interwar period (especially in the 1930s) and in the course of the Second World War the ideas and opinions on the various forms of economic integration and Bulgaria's place in them were more diverse. These opinions and ideas could be divided into four groups.

The first one is of the traditionalists whose argument, although not completely identical to those from the period before World War I, largely repeat them. They continue to be an interpretation of the ideas of Fr. List, and were consistent with the interests of the underdeveloped agrarian countries during the interwar period. Traditionalists were skeptical about free trade and the removal of customs barriers, because they believe that this will prevent the industrialization of backward, agrarian countries like Bulgaria. According to them, it is advantageous to "countries that are in full industrial bloom ... who seek to limit the freedom of the other industrially backward countries and by this they want to invade with their goods on their markets" (Zlatarov, 1930: 18).

Example of the traditionalist's attitude towards the idea of Pan-European customs union gives G. Svrakov in 1931. Firstly he exposes the arguments of the supporters of this idea. They believe that as a result of World War I Europe is "balkanized", i.e. app. 12000 km. new customs borders were established that separate suppliers from users, the new nation-states introduced protectionism, which also restricts international trade. This in turn has led to an inability of the older industrialized countries to find markets for their goods, which in turn has resulted in rising unemployment. Thus for the European industrialists it became impossible to have economies of scale and consequently the prices of their industrial production increased. The small size of the national markets in European countries does not allow for the introduction in the European industrial companies of the American methods and organization of work, which also makes European products expensive and of poor quality. So Pan-European customs union and the elimination of customs borders in Europe is pointed by his supporters as a means for overcoming of these problems (Svrakov, 1931: 607-608).

According to Svrakov, however, the idea of Pan-European customs union is just a form of restoration of free trade and abolition of customs duties. The creation of such a union, according to the author, is extremely difficult from a European point of view and harmful for Bulgarian interests. He argued that historical experience shows that the establishment of customs unions is accompanied or followed by creation of some form of political union. The post-war situation in Europe is clearly not appropriate for the creation of such unit. Government structures, methods of decision-making and resource allocation of customs revenues would also undermine the successful operation of such a union. Different fiscal and monetary policies in European countries also are an insurmountable obstacle for the customs union. The proponents of Pan-European customs union do not consider the interests of backward agrarian countries. They believe that they "will be able to expand the market through the destruction of the young industry of Southern and Eastern Europe" (Svrakov, 1931: 616), i.e. countries outside Western Europe are destined to remain predominantly agrarian. Partial compensation for the refusal of industrialization in Eastern and Southern Europe could be the fact that they would have a free access to the markets of Western Europe for their agricultural commodities. The governments of Western Europe, and even supporters of the Pan-European customs union, however, has no intention to give up their agricultural protectionism. Thus, according to Svrakov, the proposition for the agrarian countries in Europe is to abandon their plans for industrialization but there are no reciprocal actions which would remove the restrictions for agricultural production to the markets of industrialized economies. For this reason as an alternative to the Pan-European customs union Svrakov sees the Customs Union between the underdeveloped agrarian countries of Eastern Europe. By means of such union on the one hand a large market would be created that could stimulate the development of national industries and on the other – the individual member states won't be subject to exploitation (Svrakov, 1931).

The second group could be defined as supporters of European (or Pan-European) customs union. They are also influenced by the ideas of F. List, and hence are skeptical of free trade and believe that protectionism is a tool for economic prosperity. Unlike traditionalists, the proponents of European Customs Union consider the European economy as a whole, with naturally formed division of labor, which had been destroyed by the First World War and which is threatened by protectionist policies pursued by the United States. These are some of the arguments pointed in a 1930 article by St. Georgiev (Georgiev, 1930). According to him, the abolition of internal customs borders in Europe would contribute to reconciliation between European countries, would enhance a new organization of the European economy, and would force the US to reduce its protectionism that harms all European countries. As a first step towards a Pan-European Customs Union St. Georgiev pointed cartelization of industrial enterprises in Europe, then simplification of administrative formalities for the free

movement of people. The ultimate goal should be the creation of United States of Europe (Georgiev, 1930).

A few years later, K. Kalinov also advocates the idea of the United States of Europe. He noted that as a result of the Great Depression striving for self-sufficiency by many large national economies has reached unprecedented level. Furthermore, peace treaties that ended the First World War are generating mutual suspicion and constant arms races. All this leads the author to the following conclusion:

"In today's situation ... it stands out more and more as a necessity, the economic and political rapprochement between the countries of the European continent ... to be able to advocate common European interests towards the existing large economic groupings of the British Empire, the United States, Soviet Russia or the emerging Japanese-Manchurian community in East Asia ... There is a one aspiration for establishing of the United States of Europe "(Kalinov, 1935: 288)

It is noteworthy that the author excludes Britain and its empire from the United States of Europe, but does not exclude France, which also had a considerable colonial empire. Overall the authors that were in favor of the Pan-European customs union idea and its transformation into a political union, in comparison to the traditionalists, ignore the fiscal, political and other barriers which were important for the traditionalists. This to some extent weakens the scientific strength and public influence of their idea.

The third opinion about international economic integration is expressed by Konstantin Bobchev. It is different in comparison to the first two, because it did not necessarily cover the integration of Balkan, Eastern European or European countries. Bobchev is known as a critic of Ricardian theory of comparative advantage, as a supporter of industrial protectionism, and author of an original theory that justifies it. Shortly after the outbreak of World War II, he published a paper in which analyzes the world economy and views of different authors concerning the economic and other reasons that fueled political tensions and resulted in war. K. Bobchev asserts that the opinion of proponents of historical materialism about the economic causes for the wars is inconclusive and incomplete. He argues that just as the actions of individuals are motivated by a complex reasons, so it is not possible and correct to speak only for economic or only for political reasons for wars (Bobchev, 1940: 16).

In his paper Bobchev reaches to some interesting and original conclusions. He argued that the policy of free trade, has its economic advantages but it results in constantly growing interdependence between countries. This in turn makes those countries uncertain and hence forces them to resort to territorial conquests that would provide them with greater security and independence. The other type of economic policy is the pursuit of self-sufficiency and is associated with a number of economic, financial and

organizational difficulties. Based on these considerations Bobchev asks whether "achieving such a state [of self-sufficiency of the economy], which means readiness to wage war, won't along with this, appear as a factor that reduces the incentives for war?"(Bobchev, 1940: 21). In this case we have all the reasons to define Bobchev paradox, or more precisely Bobchev hypothesis - on the one hand free trade, which stimulates peaceful economic cooperation on political grounds could lead to war, on the other hand the policy of autarky, which is economic preparation for war may actually reduce the risk of military conflict, because it reduces contacts, and thus political tension between the countries. Bobchev thinks that the solution of this paradoxical situation is economic integration. He does not mean interstate integration because the League of Nations showed that the attempts to coordinate the interests of individual nation states is not functional. Bobchev believes that formation of a supranational organization is necessary, and that this organization would have towards the independent nation-states rights similar to those that the nation-state has towards individuals (Bobchev, 1940: 22).

The last idea for economic integration, which involved part of Bulgarian economists, was largely in line with the views Adolf Hitler for a "new order" in Europe and worldwide. For many reasons the German economic, political and cultural influence in Bulgaria was strong throughout the whole period of 1878-1944. It remained after Hitler came to power (1933). Some Bulgarian economists opined that the Anschluss of Austria in 1938 is nothing more than realization of the age-old dream for Great Germany, proclaimed back in 1820 by Fr. List (Jankov, 1938: 314).

Most clearly in support of Hitler's plans for a New Europe during World War II spoke Alexander Tsankov. In his first scientific publications and political activities in the early 20th century, he describes himself as socialist, during the years between the two world wars his affinity towards National Socialism was continuously increasing. During World War I Tsankov opposed Bulgaria's entry into the Customs Union with Germany and Austria-Hungary. During World War II, however, he accepts without fear the inclusion of Bulgaria in Nazi-dominated economic bloc. He thinks that here were four periods in the European history, and that in each one there was a different dominant force. In Ancient times - it was the Roman Empire, in the Middle Ages – the Catholic Church, in the capitalist era (until the end of the First World War) – England, and in New Europe, which would be born from the clash between Communist Russia and Nazi Germany. After the victory of National Socialism - the dominant force would be Germany. He believes that in the decades after the Second World War there would be three major blocks: Asia and Australia with predominant influence and domination of Japan; Europe and Africa with the domination of the Axis countries and above all Germany, North and South America and Britain with the dominant influence of the US and England (Tsankov, 1942: 166-169).

Al. Tsankov outlined in general terms his vision for a “New Europe”. He asserts that it would keep all the values from the past, capital would not be destroyed, but the socio-economic system would serve the society, the nation. Intergovernmental organization similar to the League of Nations would not regulate the relations between the states, but on the basis "contracts or traditions or under a new international law" (Tsankov, 1942: 172). Ultimately, Tsankov fails to develop any theoretical concepts that are different from Nazi propaganda slogans for a New Europe.

Concluding remarks

Bibliography