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Southeast Europe c. 1870-1940 reinterpreted

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**Abstract**

Still in recent research a low productive peasant economy and traditional peasant society are often made responsible for Southeast Europe's economic backwardness prior to 1945. However, the radical change of paradigm after 1960 in the view of peasants as agents of economic growth and of their ability to adjust to markets has surprisingly never been realized in economic history research on the Balkan-states (Romania, Bulgaria, Yugoslavia, Greece). Interpreting agricultural development as a mainly demand-driven process this paper argues that the potential for agricultural growth was much more restricted in Southeast than in Northwest Europe but Balkan peasants seem to have exploited their growth potential as far as possible. There is a lot of evidence that the reasons for sluggish growth before 1940 were definitely not rooted in any 'peasant traditionalism' as often claimed by Balkan elites and many scholars.

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Keywords: Romania, Bulgaria, Yugoslavia, Greece, agricultural development, peasant economy

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## I. Extensive Growth in Southeast Europe's agriculture: development failure of peasant societies?

### *Agricultural growth in Southeast Europe c. 1870-1940*

During the whole period 1870-1940, the agricultural development in Southeast Europe was driven primarily by an expansion of factor inputs, defined as extensive growth.<sup>1</sup> Productivity gains only played a marginal role to output increases.<sup>2</sup> Against this background, it would be wrong to assume an agricultural revolution in Southeast Europe before 1940. Until 1914, the increase in agricultural production was achieved solely by expanding inputs of land and labour simultaneously, whereas later, during the interwar period labour input alone was disproportionately intensified.<sup>3</sup> Even though the

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<sup>1</sup> As regards agricultural and economic development 1870-1940, the most comprehensive and sufficiently good database is currently available for Greece and Bulgaria (Ivanov 2006; Ivanov and Tooze 2007; Kostelenos 1995; Kostelenos et al. 2007; Lyberatos 2011; Petmezas 2003, 2009); For Serbia, suitable agricultural time series can be found in Sundhausen (1989a, pp. 193-276), and Palairt (1997, pp. 85-128, 298-341). For Romania, however, prepared time series on economic and agricultural growth for the period before 1914 are completely missing in the international literature until now. The most helpful overview so far has been offered by Lampe and Jackson (1982). Information on the Kingdom of Yugoslavia of the interwar period see Stajic (1959, p. 60), Tomasevich (1955), and Vinski (1961). Comparative time series of southeast European economic and agricultural data are provided, at least for the interwar period, by Berend (1985), Jackson (1982), and Lethbridge (1985).

<sup>2</sup> Between 1880-1940, labour productivity in agriculture was stagnating in Bulgaria (Ivanov and Tooze 2007, p. 694, Lyberatos 2011); stagnation probably also holds for Romania and Yugoslavia as is indicated firstly by the relation of development of agrarian population and certain farm output series, and secondly by considering the research literature over the last 80 years (Jackson and Lampe 1982, p. 188; Mitrany 1930, pp. 284-356; Palairt 1997, pp.301; Roberts 1951, pp. 40-89; Sundhausen 1989a, p. 262; Tomasevich 1955, pp. 434-435; Vinski 1961, pp. 219-220). According to recent Greek studies, the most favourable development of agricultural productivity, as it seems, took place in Greece with labour productivity and total factor productivity rising by about two-thirds between 1860 and 1940 (Petmezas 2009, pp. 336-337). As will be laid out in more detail later in this paper, this might have crucially been owed to the peculiar structure of Greek agricultural exports. A European comparison of labour productivity in agriculture in the 1930s is provided by Moore (1945, p. 45). According to him, the output per male agricultural worker in Bulgaria, Romania, Greece, and Yugoslavia amounted to 55%, 53%, 48%, and 43%, respectively, as compared to the European average set at 100%. For comparability of measures, these figures are to be considered relatively low as only the USSR (41%), Turkey (39%), and Albania (22%) yielded lower.

<sup>3</sup> As late as the end of the 1930s, with the exception of Albania, in Southeast Europe the share of agriculture in national product ranged from 30% to 60% (Greece 55%, Bulgaria 51%, Yugoslavia 47%, Romania 31%); around 1930 the same countries took a share of population working in agriculture ranging from 46% to 80% (Albania 80%, Yugoslavia 76%, Bulgaria 75%, Romania 72%, Greece 46%) (Lethbridge 1985, pp. 536-537; Moore 1945, p. 26; Petmezas 2009, p. 336).

present per capita figures of output and productivity measures suggest a long-term trend of agricultural stagnation in Southeast Europe between 1870 and 1940, there is a strong need for further research.

It was this stagnating productivity in agriculture that, despite clearly export-oriented growth, mainly hindered the Southeast European countries from catching-up to close the gap to the leading European industrialized countries during the so-called first globalization. Commonly accepted, export-oriented growth bears the first-best strategy for an underdeveloped economy to narrow the gap with the leading economies. This view was favoured by numerous economic historians and widely prevailed in economic history as late as the 1990s. It was assumed that the periphery's development actually followed a convergent trend subject to the conditions of the first globalization. In other words, during the decades before the First World War catching-up growth did take place in Southeast Europe (Good and Ma 1999). To have proven this finally wrong, - i.e. to refute that there was a successful catching-up growth for the agrarian countries of the European periphery - follows from the works of Sundhausen (1989a) and Palairret (1997) as well as from the current research on the first globalization (Ivanov and Tooze 2007; Lains 2002; Lyberatos 2011; Pamuk 2011). Even though the view of key experts on Southeast Europe such as Sundermann and Palairret whereafter these countries had a decreasing per capita income in absolute terms since the end of the nineteenth century is considered to be refuted, there still remains the fact itself that divergence prevailed over convergence in these regions. All in all, the increase of per capita incomes in Southeast Europe 1870-1940 is supposed to either have remained clearly below the respective measures of Western Europe or even have been stagnating.

#### *Reasons for the divergence within Europe*

Until now, the reasons behind this divergent development remain unexplained. In trying to close this research gap, two opposing schools –Sundhausen and Palairret, on the one hand, and numerous scientists from the Southeast European region itself and the international research on the other – offer their views:

Sundhausen and Palairret argue that with the end of the Ottoman rule a process of “peasantization” emerged and spread, so that the accelerated economic development triggered by liberal reforms of the late-Ottoman Tanzimat Era supposedly not only came to a halt but, in fact, was reversed in large parts of this area. In this sense, both the unrestricted post-independence expansion of smallholding farmers, that were altogether distant from the market, incapable of modernization and unproductive, and the consolidation of an inherently subsistence-oriented peasant society, economy and culture - which Sundhausen and Palairret virtually see as the counter-image of modern-day progress - undoubtedly would have substantially hindered the new states of the Balkans from any kind of substantial industrialization or modernization. Thus, it would have been the inherent structures or “internal

reasons” of the Balkans societies that led to their manifest backwardness or underdevelopment. In other words, growth potentials arising from economic openness remained largely unrealized due to the Balkan peoples’ own fault (Sundhausen 1989b, Palairet 1997, pp.1-2, 298-341, 357-370).<sup>4</sup>

The proponents of the second school, however, take a different stance on the ambivalent development impacts of the first globalization. Taking for granted the classical approaches of trade theory, they, in fact, assume the opening to the world market and sustained favourable trend in the terms of trade for agricultural products sustainable for long periods as the real reason behind the massive re-agriculturalization; a situation especially true for Southeast Europe and the Eastern Mediterranean (Pamuk 2011; Pamuk and Williamson 2011; Petmezas, 2011a, 2011b; Williamson 2006, 2011). Hence, it was the perfect adaption of smallholders, local traders and investors to the capitalist world markets that hampered industrialization which in turn was the necessary condition for long-term convergence. In this place, it is important to mention that it is mainly thanks to Turkish and Greek scientists to have worked out that the really non-linear development of the Southeast European economies relying on smallholders can only be understood in the context of economic opening and market integration processes; processes that were induced, implemented and carried by the actors themselves and which were guided by the premises of deliberate economic rationality. These processes of growing market orientation, however, had to take place subject to three restrictive conditions: firstly, highly volatile domestic and foreign markets, secondly poorly integrated domestic markets suffering from inadequate infrastructure which in turn based on relative factor scarcities, and thirdly factor price relations that impeded industrialization, and which significantly deviated from those in the European core. Furthermore, it is assumed that in Southeast Europe, as compared to the Western part of the continent, it was simply a lack of preconditions - resulting from only weak urbanization and industrialization - that stood in the way of an agricultural revolution (Petmezas 2009, p. 370). In this place it is important to notice, that this school of thought does not follow the first school’s way of socio-ethnic argumentation and abstains from any kind of prejudging speculation on the peasants’ nature or any inherent “culture-of-heroism-and-laziness”-trait of the Balkan peoples.<sup>5</sup> In summary, in this view the massively hampered development of the peasant society resulted from external factors such as world markets und given domestic conditions outside the agricultural sector.

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<sup>4</sup> Although Palairet and Sundhausen provide a detailed description of unfavourable external factors such as poor infrastructure and missing market access in many landlocked regions, weak urbanization, high taxes on the rural population or restricted rural capital markets, they assume the peasantization of economy to be the key factor for the hampered development of the Balkans (Palairet 1997, pp. 90, pp. 113-120, pp. 359-360, p. 367).

<sup>5</sup> In accordance with contemporary experts, Palairet primarily accounts the inherent cultural trait of laziness and disdain towards work for the retention of an extensive and unproductive agriculture in the Western Balkans during the 19th century (Palairet 1997, pp. 111-113).

Despite all efforts and achievements of the past three decades, the question for the reasons of the persistent underdevelopment of Southeast European economies before the Second World War still remains unanswered in many points. This, in particular, concerns the role of agriculture and peasants. To answer these questions, promising innovative approaches which are offered by the new development economics may help. This field of economics has been dealing with smallholder farming in depth and, as opposed to the older development economics, arrived at a substantially different, i.e. positive reassessment of the (smallholding) peasants, both their capability to modernize and their contribution to agricultural development. During the interwar period the emerging discipline of development economics was shaped by this issue but took on its initially decidedly negative view on smallholder farming. Despite the empirical refutation of the most certainties of the older development economics since the 1960s and the radical re-evaluation of the efficiency and potential of family farming, these insights of the new development economics have failed to leave an imprint on the economic historical research in Southeast Europe until now.<sup>6</sup> Also still missing is a perception of the recent in-depth discussion of the agricultural revolutions between ca. 1500-1850 in Western Europe within the field of economic historical research; a probably serious omission against the background of the relative importance of such historical events, all the more so because there is new empirical evidence that agricultural revolutions were no necessary precondition to pave the way to industrialization, or put otherwise, it is reasonable to think the causal chain in reverse order: only a dynamic non-agricultural urban sector was able to trigger an agricultural revolution. From this point of view, it does make no sense to blame agriculture for missing economic dynamism of an economy.<sup>7</sup>

This contribution aims to put into perspective both the newer development economics and the present economic historical research on the (West)European agricultural revolutions of the Modern Era so as to be able to make use of their potential for the economic historiography of Southeast Europe. However, just a re-interpretation of well-known and established facts in the light of the newer development economics clearly shows that it might be rather difficult to conclude the low agricultural productivity growth might have brought about a peasant economy and society of Southeast Europe about 1870-1940 so inherently incapable of development. Moreover, it can be shown that the concept of agrarian capitalism which is based on Karl Marx and Max Weber, and which has been applied in

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<sup>6</sup> From all authors, the most differentiated look at this issue was provided by Jackson and Lampe in their already three decades old standard work on the economic history of Southeast Europe. Referring to the example Japan they state that small-scale agricultural structures would not necessarily lead to insufficient agricultural productivity (Lampe and Jackson 1982, p. 351).

<sup>7</sup> The current state of research summarized, see Campell (2010): “Economic and urban dynamism begot agricultural dynamism, and not vice versa (as once believed). When it came to economic growth, agriculture was the cart not the horse.” Further reading, see Allen (2000); Grantham (1989, 1999); Kopsidis (2006, pp. 22-204); Kopsidis and Wolf (2012); Van Zanden (1999); Wrigley (1987, 1988).

recent contributions to the issue of Southeast Europe, only is of little use when it comes to identifying or explaining development deficits.

## **II. The New View on Peasant Economics and on Agricultural Growth: a Paradigm Change**

While the older development research assumed that the traditional peasant agriculture and society first have to be dismantled to enable or advance agricultural development – which in principle represents the view of Sundhausen and Palairt - the newer development economics and, what is more, past experience could clearly disprove this.<sup>8</sup> Furthermore, strongly referring to historical references, evidence could be given that in underdeveloped economies with both malfunctioning markets of labour, credit, land and commodities, and high costs of information and transactions, small family farms gained large advantage over larger farms that had to rely on wage labor. Thus, from an economic point of view, family-based farming structures were found more efficient, and thus economically reasonable in this situation. But there is more that adds to the credit of the peasant economy: Generally, as family-based peasant economies have learnt to operate under the unfavourable conditions of developing countries such as malfunctioning markets, they are able to exploit market chances, however low or poor. They show a pronounced high responsiveness to changing market conditions without losing sight of the necessary dose of risk awareness. With regard to the allocation of labour, relative market prices have played a decisive role in peasant households from early on. And, what is more, in such family farms, the normally very high control costs of labour can be largely spared or reduced to minimum. Most farm branches of pre-industrial agriculture did not produce economies of scale rather the opposite was true: labour and management costs rose disproportionately with increasing farm size.<sup>9</sup> Especially if wage levels are relatively high, family farms are more successful than large estates in competing with industry for the scarce factor labour. All in all, not small but large farms based on wage labor pose an obstacle to growth, or viewed from a different angle, their continued existence generally depends on non-economic factors like an extremely disproportionate distribution of power in society; a fact that is true even more so when, under the

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<sup>8</sup> This very strong anti-peasant view of the Western development economics after 1945 was formulated in its most radical form by Mogens Boserup (1963), a Danish economist. He must not be confused with Ester Boserup who took a completely different stance on the position and significance of peasant agriculture for development processes.

<sup>9</sup> In general, any agriculture is defined as pre-industrial which does not use science based industrial inputs like artificial fertilizers or pesticides. Agriculture during industrialization and industrial agriculture are very different things and should not be confused.

condition of necessary adjustments to given factor relations and prices, the agricultural technology used in large and small farms is almost the same - which was just the situation that held for Southeast Europe c.1870-1940 (Bardhan 1980; Barret et al. 2010; Binswanger et al. 1995; Ellis 1996; Hayami 1998a; Hayami and Kawagoe 1989; Lipton 2009, pp. 65-123; Otsuka and Hayami 1988; Otsuka et al. 1992; Schultz 1964).

The absence of the “first agricultural revolution” in Southeast Europe expresses, in the view of many authors, the basic failure of an agriculture that was incapable of development, and hence in the end foreclosed industrialization.<sup>10</sup> However, the results of the newer economic historical research suggest that an agricultural revolution not necessarily had to be the *condicio sine qua non* that enables an industrial revolution, but instead that agricultural growth could gain momentum only in places where in the course of industrialization an urban-industrial class with relatively high incomes generated permanently additional demand, so that in the end an agricultural revolution could be induced. In this respect, the formation of conurbations of the dimension of London or the Ruhr area was of particular importance. Conform to the newer development economics, current economic history interprets agricultural growth as a primarily demand-induced process as well; a view that bears important consequences: Even radical institutional reforms affecting the supply side, e.g. the establishment of full private land ownership, played at best only a marginal or supporting role. Recent studies examining the 19<sup>th</sup> century focusing on the example of Prussia, however, prove that export-orientation with production limited to only one or few products could only induce a fraction of the agricultural productivity effects as compared to those effects of a domestic market with high incomes that was driven by urban-industrial classes demanding a wide range of “high-quality” products, i.e. high value-added superior agricultural produce ranging from fresh milk and meat to vegetables (Kopsidis and Wolf 2012).

These findings bear far-reaching consequences for the interpretation of the Southeast European agricultural development in the 100 years period up to World War II. Based on von Thunen’s location theory, which has been providing varied momentum for the newer economic historiography, Ester Boserup’s theory on the economics of agricultural growth in pre-industrial societies as well as some recent approaches to development economics may help explain apparent paradoxes of the Southeast European agricultural development without resorting to or insisting on peasants’ alleged irrational behavior or inherent hostility to modernization (Boserup 1965, Thünen 1826):

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<sup>10</sup> The term “first agricultural revolution” was coined from Bairoch and postulates, in essence, that for many reasons there will be no successful industrialization without preceding productivity enhancing agricultural revolution as the *condicio sine qua non*. Such a revolution is, among others, characterized by an almost complete decline of fallow land and increasing yields due to the introduction of new, highly intensive crop rotation systems in combination with indoor livestock keeping (Bairoch 1985).

- a) What seems paradox *prima facie*, is the actually unusual prevalence of an unproductive extensive agriculture within small-scale agricultural structures while, on a world-wide scale, these small-scale structures are rather connected with highly intensive agricultural production. In particular, during the time of industrialization in Western Europe, it was the peasant family farms that spread the highly intensive livestock farming with resounding positive effects on productivity in agriculture; a development almost completely absent in Southeast Europe. Taking into account that peasant households did not disregard income maximization, the question is whether or not any effort to intensify and increase agricultural production had to be spared for economical reasons since the situation on the whole was characterized by sustained unfavourable sales prospects for high value-added agricultural produce.
- b) Despite advancing market integration of agriculture, the role of subsistence production for the food security of peasant producers in Southeast Europe remained essential over the entire period. However, in the view of the newer development economics, subsistence production no longer expresses the notorious remoteness-from-the-market-and-sacrosanct-tradition peasants' attitude towards economic activity, rather the reverse is true. In fact it is the economically rational response to highly volatile and extremely risky markets, all the more so if there is no alternative way of maintaining income levels. Then the amount of subsistence production depends on the expected sales prospects in the markets and not vice versa; a causal chain that can be well proved with the example of Southeast Europe. So, if there was no linear decline in subsistence production in the course of time, this need not necessarily be on account of the peasants, but rather of unpredictable mal-functioning markets.
- c) Focusing on Southeast Europe, the issue of rural poverty in the context of "surplus population" in agriculture had already been extensively discussed in the mentioned region itself in the time before the Second World War. The widely used term "surplus population in agriculture" found its way into the emerging field of development economics via Wilbert E. Moores classic book "Economic Demography of Eastern and Southeastern Europe" (1945) and then was widely applied. In the course time, the concept of surplus population had been losing importance until the end of the 1970s when it completely vanished from the field of development economics and politics. That it was discarded for being useless never have exerted any influence on the economic historiography of Southeast Europe. Despite the extraordinary demographic expansion of rural population and at variance with the model of surplus population in agriculture, it can be assumed a rising trend of individual workload for Southeast Europe, and thus denying a surplus population in agriculture. The concepts of Boserup and Thuenen may help to understand why, under the condition of given factor endowments of labour, land and capital, stagnating labour productivity and rather extensive farming, no surplus population appeared in agriculture. Furthermore, another point seems of particular importance in this context, namely, to understand that the peasants' demographic

behavior was to a large extent determined by market processes. Even though there are open key questions, in particular with respect to demographic development, there is some indication that the frequently mentioned Chayanov model of the generative behavior of peasant family households remote from the market also fails to explain the demographic development of Southeast European agricultural population.

### **III. Extensive agricultural growth as the result of adjustment to adverse market conditions**

#### *Small peasants and the agricultural export boom*

At the beginning of the 19<sup>th</sup> century, Southeast Europe belonged to the least populated parts of Europe with the presumably lowest utilization rate of potentially usable agricultural area across all European macro-regions.<sup>11</sup> The reasons were to do with the general political situation that led to a decline of the former stable order, in particular, the rise of powerful local potentates accompanied by an increasingly paralyzed central authority. The internal organization and institutional framework of the Ottoman Empire started to decline in the 18<sup>th</sup> century with peasants facing not only a rising burden of taxes and other contributions but also an increasing deprivation of rights. All this had brought about virtual depopulation of the fertile plains. In the lowlands stretching from Greece to Romania semi-nomadic animal husbandry was the prevailing form of agricultural practice, protected by large landowners and public authority, and frequently carried by tribes of herdsmen. The absence of secure peasant property rights and almost insurmountable barriers to or strict regulations on cereal trading imposed by Ottoman authority worsened the situation. Then about 1830, the wind of change was blowing. The liberal reforms of the late-Ottoman Tanzimat Era brought in its wake the opening of the markets and a high degree of liberalization in agricultural trade. The same went for the areas formally still under Ottoman rule but de facto almost independent, namely the Principalities of Romania, Serbia as well as the newly established Greek State (Franghiadis 2011, pp.101-103; Lampe 1986, p. 22; Lampe and Jackson 1982, pp. 29-49, 81-84, 90-91, 100-101; Palairet 1997, pp. 34-41; Pamuk and Williamson 2011, pp. 161-162; Petmezas 2011b; Roberts 1951, p. 9).

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<sup>11</sup> Around 1830, population densities of Old Serbia, Greece, Dalmatia and the Southeast European area under Ottoman rule amounted to 19, 15, 28 and 16, respectively and each number giving the inhabitants per km<sup>2</sup> (Palairet 1997, p. 20). The percentage share of farm land (without pastures) in total land area amounted to below 10% in Old Serbia 1832 and 18% in Greece around 1860 (Sundhaussen 1989a, p. 234, Petmezas 2009, pp. 354-355).

After 1830, the entire Southeast European region saw great progress as, in the wake of re-established internal peace, Ottoman central authority stabilized and new political states formed. Now, in Serbia and Greece, the process of peasants' reclamation of land set in and took place on a grand scale. However, this process not only was meant as colonization of the lowlands and settling there, but also as expropriation and expulsion of the former Muslim population. With the exception of Romania, which was ruled by great land owners, the internal stabilization as well as the military power of the emerging new states based on the alliance between the elites and small peasants whose claims to the land were widely met (Calic 1994, pp. 43-52; Franghiadis 2011; Lampe and Jackson 1982, 200; Palairet 1997, pp. 174-186; Sundhaussen 1989a, pp. 197-200,). Outside Romania, large estates were increasingly put on the defensive and lost their influence. Even in still Ottoman-controlled Bulgaria, the small peasantry could expand at the expense of large estates already in the decades up to independence 1878 when Christians were allowed to purchase land (Lampe and Jackson 1982, 134-139). In this context, the process of peasant land reclamation in Southeast Europe can be seen as response to the emerging agricultural export boom.

For the whole of Southeast Europe, the facts already known may lead to the conclusion that – as mentioned in the previous chapter – for one thing, under the given conditions smallholding family farms were found to have a competitive edge over large estates reliant on wage labor and, for another, this small peasants' prosperity cannot be sufficiently explained with peasantry-internal reasons or the agrarian system alone but instead was closely connected with the first capitalist globalization, - even more than commonly thought. These statements about the development of the Southeast European agriculture of the 19<sup>th</sup> century are in line with findings of recent micro-economically based studies and, moreover, also with the theory of economic superiority of peasant family farms over large estates in developing countries which has been empirically tested in numerous studies. Thus, on the basis of newer approaches, it is not the absence of large estates that stands in the way of economic progress and modernization but and foremost the massive discrimination of small peasants by elites, manifest in various forms, particularly in Southeast Europe, such as taxation, just to mention one form.

Once more on agricultural exports: small peasants migrated to the coastal plains drawn by the prospect of improving their standard of living through export-oriented production; a movement best documented for Greece (Franghiadis 2011, p. 120; 1990). For the area of late-Ottoman Bulgaria as well, it can be shown, that, subject to the then given conditions of excess supply of land but shortage of labour, the rise in agricultural wage costs rendered any wage labour unprofitable - a situation especially true for wheat (Lampe and Jackson 1982, pp.134-139, 186, 280, Palairet 1997, pp. 43-46). The peasants in Romania – as already mentioned – faced different economic conditions since the pressure for change yielded differently for peasants and great landowners. Here as well, the system of serfdom was to be abolished, but the class of land magnates managed to direct the several agrarian reforms between 1831 and 1864 for the abolishment of serfdom to their best advantage, so that, in the

end, the peasants came out without tangible improvements: they remained bonded to the landlords, without negotiating power in labour and land market and, what is more, thus had to accept tenancy agreements with terms that de facto held them in serfdom including being tied to the landlord's estate and subjected to unlimited *corvée* (Eidelberg 1974, pp. 23-65; Mitrany 1930, pp. 63-92; Roberts 1951, pp. 8-13). The survival of the Romanian magnates unambiguously resulted from non-economic constraints and is certainly not due to concentration processes that took effect in the market competition, a lesson to be learnt from most developing countries with large estates. Everywhere in the Balkans, the remaining large estates, - e. g. to operate the capital-intensive cultivation of raisin grapes in Greece -, was connected with share cropping of small peasants' family farms (Petmezas 2009, 361; Franghiadis 1990),<sup>12</sup> whereas large estates based on wage labour very probably failed to spread due to insufficient profitability rather than somehow missing agrarian capitalist dynamism.<sup>13</sup>

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<sup>12</sup> In the economic historiography on Southeast Europe capitalist agrarian modernization often is equated with the expansion of wage labour, and further the absence of wage labour is interpreted as sign of backwardness and low productivity (Franghiadis 2011, p. 122-123; Lampe and Jackson 1982, p. 195). But, this reasoning overlooks the fact that wage labour almost completely vanished from West European agriculture in the course of industrialization and, instead, family farms more and more prevailed as the more efficient type of farming; a process that first emerged in Western Europe as early as about 1830 and then increasingly gained momentum after 1870 bringing about more and more intensification resulting in decreasing farm sizes (Koning 1994; Kopsidis 2013; Zanden 1991, p. 216, pp. 236). Even more importantly, theoretically established and confirmed in numerous studies on developing economies, share cropping prevails over wage labour, undoubtedly for economic reasons alone (Braverman and Stiglitz 1982; 186; Otsuka et al 1992; Otsuka und Hayami 1988; Kopsidis 2006, pp. 168-177). Although there is need for further empirical research, the currently prevailing position of development economics research can be put in a nutshell as follows: "the supervision and labour cost advantages of family labor are apparently greater than the advantages that the lumpiness of management skills and machines and the better access to credit and other risk-diffusion measures confer on large farms. Only in the most risky environments does the advantage of the poorer farmers nearly disappear." (Binswanger et al. 1995, pp. 2705-2706).

<sup>13</sup> For a long time, the absence of anonymous factor and commodity markets in the so-called traditional sector of developing economies had been taken for granted as an indication of economic stagnation. At present, the understanding of this issue has been re-interpreted such that the establishment of specifically organized rural markets – by no means as anonymous Walras auction - are in no way an expression of peasants' blind traditionalism; on the contrary, they are synonymous to successfully sustain in an economic environment that is associated with extremely high risks and uncertainties, and, at the same time almost complete lack of preconditions to enforce effective functioning of anonymous competitive markets, in fact finally to enable market transactions and to put in motion a dynamic, market-oriented agricultural development. Exactly these conditions are assumed to have held in Southeast Europe.

*Markets and agricultural intensification in Southeast Europe ca. 1830-1914: potentials and limits*

Agriculture was making progress, and so agricultural area and production multiplied until 1914.<sup>14</sup> The driving forces behind this development were export production almost completely concentrating on one or only a few agricultural commodities like wheat in Romania and Bulgaria, and raisin-grapes in Greece (Lampe and Jackson 1982, pp. 159-201). Serbia, completely landlocked and far from the shores, initially concentrated on trading in live animals (primarily pigs but also cattle) and then after 1870 increasingly exported cereals. All over Southeast Europe there was a sustained rising trend towards integration into the world market until 1914 so that, from the point of export ratios across Europe, Greece and Romania can be seen as open economies with above-average export orientation or, put otherwise, world market integration. Bulgaria, in this respect, almost reached the level of Italy up to World War I (Petmezas 2011b, pp.468-472), Even Serbia, without sea port and suffering from poor infrastructure, experienced a (sustained) long-term trend of steeply increasing agricultural exports, however it must be conceded, that the exportation rate might remained clearly below the Greek, and yet below the Bulgarian level (Sundhaussen 1989a, pp.319-362).<sup>15</sup>

Despite sustained growth of agricultural production in Southeast Europe, on the eve of the First World War, the intensity of land use still remained far below the European average, and not infrequently below the level of the medieval three-field system. Yields per hectare and the productivity of livestock also were at the bottom of the European scale (Franghiadis 2011, pp. 112-113; Petmezas 2009, p. 355; Sundhaussen 1989a, pp. 25, 26). The transition to indoor livestock keeping and the system of crop rotation farming without fallow as the most sophisticated form of preindustrial European agriculture had not taking place in Southeast Europe - with only a few exceptions - as late as 1940. In the leading European economies, this transition had already been coming to an end towards the close of the 19<sup>th</sup>

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<sup>14</sup> A quantitative reconstruction of land reclamation in the countries of Southeast Europe before the First World War is only of limited success because of frequently changing borders and lack of sufficient data. In Serbia within unchanged borders 1834-1867, the farm land (without pasture) grew by 89% and additionally by 57% between 1889-1910. While in 1834, the percentage share of cultivated area still amounted to below 10%, it had risen up to 37% until 1910 (Sundhaussen 1989, pp. 234-240). In Romania, the cultivated area under cereals (wheat, corn, barley and oats) increased by 139% between 1862/66 and 1911/15 (Lampe and Jackson 1982, p. 171). Assuming the percentage of farm land in total area yielding below 20% in Southeast Europe around 1830, the respective numbers around 1910 suggest a tripling of the cultivated area up until World War I (Bulgaria 50%, Romania 59%, Serbia 50%; own calculations based on Sundhaussen 1989a, p. 252). To put these numbers in perspective, Southeast Europe was at the lower end within Europe (Denmark 74%, France 70%, Germany 64%, Hungary 68%).

<sup>15</sup> During the years from 1889 to 1906, the Serbian export ratio of wheat and maize in total output increased from 20% to 27% and from 0.5% to 14%, respectively. Both products totaled slightly more than 50% of total production, thus giving a substantial weight to the national product of Serbia (own calculations based on Sundhausen 1989a, pp. 255, 265, 358-359).

century. For Palairet and Sundhaussen this lagging far behind is primarily the visible expression of a development failure arising from the peasantry's irrational attitude adhering to tradition and being hostile to innovation which finds its visible expression in the adherence to outdated subsistence economy and patriarchal disdain towards work as being unheroic and the task of women anyway; an attitude that had prevented peasantry from reaping its economic potentials. Additionally, both authors assume the absence of any kind of learning culture (Palairet 1997, pp.111-113, 307-314, 360; Sundhaussen 1989a, p. 219; 1989b). To proof these socio-ethnic hypotheses right, Sundhausen and Palairet conduct their analysis on the basis of isolated contemporary statements, both of local experts and foreign travelers. In so doing, the collected information at best reflects ideologically charged stereotypes of the peasantry in that area; opinions rather than facts that, for one thing, are not critically questioned and, for another, can also be found for other European countries, even those with highly productive peasant agriculture. Even the more recent works still emphasize the issue of ignorance that is to name the core problem of agricultural development of Southeast Europe (Lyberatos 2011, pp.87-99).

Now, against this background, it is to ask whether the preconditions actually applied to the agricultural development in Southeast Europe met with the framework of agricultural development in West and Central Europe to which it had to stand comparison and which served as role model or such a dynamic development had to be denied a priori from an economic point of view? Was it economically rational in Southeast Europe to seek highly intensive forms of preindustrial agriculture with indoor livestock keeping and fodder crops in mixed farming so as to exploit synergetic effects to increase production, just as recommended by many agricultural experts? Though not everywhere, the natural preconditions for such 'high farming', indeed, was met in large parts of Yugoslavia, Romania and Bulgaria. Wherever these conditions were missing, irrigation farming as alternative form of highly intensive agriculture would have been possible.

In conclusion, it can be said that agriculture was actually progressing in Southeast Europe when viewed from a different angle: passing from the "primitive" agricultural practices of semi-nomadic transhumance and slash-and-burn land clearing or shifting cultivation to permanent crop rotation of two and three field systems between 1830 and 1914, Southeast European agriculture experienced intensification of land use at least comparable to the contemporary transition of multi-field farming to crop rotation systems nearly free of fallow in West and Central Europe.<sup>16</sup> Taking into account further

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<sup>16</sup> Applying Ester Boserup's "Frequency of cropping" indicator (FOC) to measuring the intensity of preindustrial agriculture as ratio of cultivated area in the total of cultivated and all kind of fallow area, Southeast Europe is assumed to have experienced a two- to three-fold intensification of land use during the period from 1830 to 1914. Based on a scale ranging from 0.1 (slash-and-burn) to 1.0 (crop alteration without fallow), the FOC of Southeast Europe may have risen from 0.1 to about 0.5-0.6 (medieval three-field farming), while the comparable

calculations of the substantial individual increase of additional labour input due to changes in farming systems - such as the already mentioned transition from primitive to more elaborate or sophisticated farming systems or, not to mention, the cultivation of special crops like wine grapes – the results hitherto are to be revised. Then, in all Southeast Europe, total labour input in agriculture may almost certainly have experienced an extraordinary rise - so much so that the continued strongly rising trend of population growth between 1830 and 1914 was more than neutralized as individual workload in agriculture significantly increased.<sup>17</sup> This was all the more so true since the decades of land reclamation had required a substantial additional amount of work when interpreted as labor based or non-monetary capital accumulation (Boserup 1965, p. 13). Under the conditions of preindustrial agriculture, such extensive agricultural growth may go with falling or stagnating labour productivity for long periods because the effect induced by technical change remains too weak to compensate for the diminishing marginal return of additional labour input or, put otherwise, to compensate for the loss of fallow for maintaining fertility; an effect first pointed out and elaborated on in detail by Ester Boserup and then empirically confirmed for numerous developing countries by subsequent studies.<sup>18</sup> From these studies follow, that population growth in agrarian societies is associated with an increase of individual workload and not – as often suggested – with growing rural underemployment (Boserup 1965, pp. 103-104).

Boserup has explicitly emphasized the qualitative difference between moderate and accelerated agricultural growth: accelerated growth, both agricultural and population, involves very demanding requirements for economy and society alike since new methods has to be implemented quickly, need for swift adjustment to working days that are more exhausting and longer than before, and rural society is obliged to finance high investment ratios within a short time (Boserup 1965, p. 64). Turning back to Southeast Europe where the just described situation was quite true, all the more so, when keeping in mind the extraordinarily rapid population growth: between 1860 and 1914 no other part of

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contemporary values of West Europe only suggest a maximum rise of three units from about 0.7-0.8 to 0.9-1.0, thus indicating a lower rate of progress (Boserup 1965, pp.13-16; 1981, p. 19; Kopsidis 2006, pp. 90-101).

<sup>17</sup> Pre-industrial agrarian economies often hold remarkably large labour reserves. Agrarian societies with slash-and-burn practice, and bush fallow use to have short working days of only few hours of work per day, normally no more than two to four. Similarly, green fallow systems are characterized by long phases of seasonal underemployment each year. So, there is much room for manoeuvre to annually expand the amount of working hours to 10-12 per day as was true for some European systems of crop alteration of the 18<sup>th</sup> and 19<sup>th</sup> century (Boserup 1965, pp.43).

<sup>18</sup> In pre-industrial farming systems, fallow is essential to maintaining (natural) soil productivity. However, as intensification may go with a reduction of regenerative areas, this loss has to be compensated for, and there seems only one way to do so: the implementation of more and more labor-intensive agricultural systems with enhanced fertilization, more time-consuming soil preparation, manual pest and weed control, etc.

Europe experienced a higher rate of growth, not to say at no time; not even during the industrial revolution, did any other European region saw a higher population increase than Southeast Europe (Jackson, 1985). The extraordinary demographic expansion, however, took place without structural change in the concerned economies so that in the end, there was no other sector than agriculture to absorb and feed this growing population. Until the Great Depression of the 1930s the farm sector managed this demanding task without ending in absolute pauperization.<sup>19</sup> Altogether, from the few facts known already follow that a stagnating labour productivity fails to provide compelling evidence of an “agrarian surplus population”.

The question why agriculture failed to make the transition to more productive farming systems still remains open. Besides Boserup’s evidence of association between pre-industrial agricultural intensification and declining marginal productivity of labour, clue to the answer may hold the long-standing “theory of the relative superiority of intensive farming systems”, a long-standing truth ever since it has been formulated by Johann Heinrich von Thuenen. From this theory follows, why the transition towards highly intensive farming systems, like the Belgian at that time, was only profitable subject to very restrictive conditions, which in Thuenen’s view did not fit with large parts of Germany, and – thinking one step further – even much less in Southeast Europe.<sup>20</sup> In his location model Thuenen thoroughly deals with the problems so relevant to the 19<sup>th</sup> century Southeast Europe: what are the conditions under which cereals should be cultivated extensively or intensively and accelerated intensification would bring economic ruin? Thuenen gave evidence that, in times of falling cereal prices, extensive cultivation may still be able to make profits while intensive systems already fail to do so and instead make losses. That is because more intensive systems always go with higher labour input and thus also labour costs per unit area. Consequently, only relatively higher output prices are able to cover the costs of increased inputs, hence also rendering increased physical yields per unit area profitable (Thuenen 1826, pp. 71-129; Kopsidis 2006, pp. 114-119). Against the background of this brief outline, it is necessary to draw attention to the strong restrictions for making intensification of farming profitable during the time under consideration. Restrictions especially on markets and access to markets that had be met so as to finally make crop rotation farming as the most intensive system of European pre-industrial agriculture profitable at all. In summary, Thuenen requires the following three conditions to hold:

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<sup>19</sup> Bulgaria, Romania and Serbia did not see significant emigrations before 1914 (Ivanov and Tooze 2007, p. 688; Tomasevich 1955, pp. 151-155). Even in Greece, the classic emigration country, the lion’s share of the demographic increase 1830-1914 was absorbed into the agricultural sector.

<sup>20</sup> With his theory, Thuenen refuted to Thaer and his “rational agriculturalists” who propagated the absolute, - overall, i.e valid independent of place - superiority of rotation cropping as compared to less intensive cultivation systems.

1. high-quality soils
2. a high agricultural price level
3. steady rise in prices of animal produce.<sup>21</sup>

In 19<sup>th</sup> century Europe, these preconditions were only met in areas with good market connections to high income, urban-industrial agglomerations, a fact Thuenen recognized early and which has throughout been confirmed unambiguously by modern economic historical research (Grantham 1989, 1999, Kopsidis and Wolf 2012). After 1870, the situation in the markets gradually deteriorated as grain markets had to stand growing pressure from competition with overseas and so Southeast Europe increasingly failed to satisfy the Thuenen conditions of sustained high cereal prices and steadily rising prices of animal produce or live animals – and consequently, as compared to the situation in West Europe 1750-1870, there were simply hardly any incentives to trigger a price-induced agricultural revolution. The depression in cereal prices lasted until the close of the 19<sup>th</sup> century. Apart from grain, animal produce as well was struggling to find its way into the increasingly closed off agricultural markets of Austria-Hungary and Germany. Yet, there is more to add. Lack of investment to improve infrastructure or the expansion of railways solely with respect to military aspects but without tangible economic growth effects, exacerbated the situation and put additional pressure on the Southeast European agricultural producer prices which in fact kept them at low level. In sharp contrast to West and Central Europe during the period of industrialization c. 1820-1870, Southeast European domestic markets before 1914 only reluctantly experienced a revolution of transport costs, certainly a major obstacle to development since large inlands of Southeast Europe found themselves isolated, excluded from supra-local market relationships. In short, Southeast Europe was trapped in a steady downward spiral with far-reaching – negative - consequences for agricultural development (Ehrlich 1985; Palairret 1997, pp. 113-120; Papakonstantinou 2011; Petmezas 2011b, pp. 471-472; 2001b pp. 38-39).

Moreover, urbanization and industrialization processes as the key drivers for European agricultural revolutions before 1914 did not start apart from quite a few exceptions, e.g. Bucharest. In addition, effective demand from broad urban classes for high-quality foodstuffs did hardly exist, and if so, this urban market demand, even at best and as opposed to Northwest Europe, reached no further than urban vicinity, at any rate not on a larger scale into the depth of the space.<sup>22</sup> Domestic market induced incentives necessary to develop food-industry were almost completely missing (Lampe 1986, pp. 28-

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<sup>21</sup> In the notion of Thuenen, rising agricultural prices are necessary to compensate for unfavourable conditions, especially poorer soils, but also substantially higher additional costs of stable feeding.

<sup>22</sup> In fact, urban consumption per head of superior food stuffs like meat and dairy products was several times higher than rural population ones (Manoilescu 1944, 10). However, before 1940 no urbanization process occurred comparable to Western Europe countries during their industrialization. Except Greece still about 1930 the share of urban population did not exceed 25%. Especially urban agglomerations which are necessary for an agricultural revolution nearly lacked completely (Hauner 1985, 83; Lampe and Jackson 1982, 334-337).

29; Lampe and Jackson 1982, pp. 117, 248-249; Palairret 1997, pp.29-33, 199; Petmezas 2009, p. 370). However, it must be stressed that agricultural intensification did take place in Southeast Europe whenever and wherever conditions were right as was the case in a few narrowly tailored favoured areas of urban proximity where the expected gains from secure sales offset the risks of agricultural intensification (Lampe and Jackson 1982, p. 356; Sundhaussen 1989a, pp. 206, 211). From this it follows, that Southeast European peasants seized their market chances whenever possible (Palairret 1997, p. 120).

To proceed further with evaluating the prospects of growth, it will be helpful to consider the terms of trades for typical agricultural products of Southeast Europe to imported industrial products. Since – in the course of the “European grain invasion”- this indicator showed a rather stagnating trend between 1870 and World War I, it comes as no surprise that less and less economic stimuli for agriculture were to be expected (Jackson and Lampe 1892, p. 183; Pamuk and Williamson 2011, pp. 171-174; Petmezas 2011b, pp. 450-460). Apart from this general statement, the Greek terms of trade followed a different path, at least until about the 1890s. Since the Greek foreign trade concentrated on currants, the terms of trade developed more favourable. Although the general trend of the terms of trade indicator yielded very positively for Southeast European agricultural products in the decades before 1870, its inducing effects were of limited scope, in fact became tangible only in near-coastal regions with early access to the global market but not for the agricultural production in the hinterland. Anyway, it must be conceded, that the largest part of Southeast Europe entering into the world market until 1914 very probably accomplished its integration into the global market or supra-local market relationships only after 1870 under the condition of at best stagnating terms of trade, thus implying that the positive “spill-over” on land rents and investments in agriculture yielded clearly lower than in other economic regions, e.g. West and Central Europe before 1870.

All in all, the picture rendered by Southeast European agriculture stood in sharp contrast to the one of Western Europe with its visible changes resulting from the market- and price-induced agricultural revolutions between 1750 and 1870. To stay in the picture, here, a pastoral scene in the countryside, there (Western Europe) a busy agriculture under steam and urban silhouette on the horizon. Under these circumstances, as it seems, it was impossible to break out of the vicious circle of low producer prices and thereby denied option to abandon extensive agriculture with all its drawbacks for product quality, both plant and animal products. Necessary investments into process and product quality in both agricultural primary production and processing were spared for sheer lack of prospects in domestic markets. The indeed hypothetical struggle for market shares against financially strong and established participants in the still open West European food markets would hardly have offered any benefits to private investors. Successful exports of processed goods were limited to really niche

products.<sup>23</sup> But, these products remained the exception rather than the rule, and so usually only unprocessed agricultural commodities, particularly cereals, found their way to the export markets.

The example of extensive agriculture “forced by the rules” of the world market to carry on may help to understand why some seemingly “irrational” or low-yielding farming systems could survive for so long, e.g. extensive pig and cattle husbandry in Serbia – just to name one. This extensive animal husbandry, practiced on extended overexploited common lands in Serbia and accounting for about 50-60% of total exports until the mid of the 1870s, not only was abandoned very reluctantly but also did not shift towards intensified husbandry based on fodder crops; for many authors a viable alternative that only failed for the reason of the peasantry’s “inertia” and backwardness (Calic 1994, pp. 68-74; Sundhaussen 1989a, p. 356; 1989b). Field studies on present developing countries, on the contrary, have revealed that shifting to fodder crops involves substantial additional labour and costs, so much so that intensification only turns profitable in cases of steadily rising producer prices and stable sales prospects.<sup>24</sup> Although Serbian export prices 1879-1912 of live animals (pigs and cattle) showed a more favourable overall, but not steady, trend as compared to wheat and maize (Sundhaussen 1989a, pp. 358-361), reliable information on increasing costs are completely missing. To proceed further, a glimpse to Western Europe may help. Here, from an economical point of view, the transition to fodder cropping only succeeded in urban proximity before the times of railways; afterwards, it always followed the expansion of the railway net. Transferred to the situation in Serbia, due to poor connection of large regions to the markets, the transition to highly costly extended fodder cropping would have led Serbian peasants directly into economic ruin. But there were exceptions. In places where this transition offered sufficient prospects, peasants shifted to maize-based pig husbandry. Unfortunately, this so implemented innovation was running into a deadlock as growing agricultural protectionism of Austria-Hungary culminating in the trade war between 1906 and 1911 further and further deprived peasants of their economic basis bringing economic strangulation in its wake (Palaret 1997, p. 302). Now, when productive capacity of the common pasture rapidly dropped due to overgrazing and additional costs of fodder cropping amounted below expected additional returns,

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<sup>23</sup> Before 1914, Greece overcame its lack of competitiveness by concentrating on export products for which it held a natural monopoly and faced international demand of higher or upper strata, particularly currants (Franghiadis 2011, pp. 123-128). When the market for currants collapsed 1892/93, the market was stabilized by the Greek State providing a Greek consortium of banks and entrepreneurs with a purchase guarantee that was the starting point for processing raisins into Brandy and further establishing a successfully operating export-oriented Greek beverage industry (Petmezas 2009, p.363).

<sup>24</sup> Numbers from India around 1960 provides evidence that draught oxen kept on common land only accounted for 10% of total cropping costs whereas draught animals depending on fodder crops accounted for up to 50% of these costs (Boserup 1965, p. 37). Against this economical background alone, the elimination of common lands needs to be well-considered.

peasants had no other option than contracting husbandry; a well- documented response – particularly concerning pigs - decades before the tariffs war between Serbia and Austria 1906-1911.

After having severely suffered from the trade-related effects of the economic distortions of the First World War, again Southeast European agricultural exporters were hit hardest by the economic turmoil of the interwar period: The Great Depression put a de facto end to the first globalization and the global agrarian crisis 1929-1933 brought in its wake collapsing international agricultural trade markets and unprecedented price slumps in agricultural commodities (Berend 1985, pp. 207-209; Drabek 1985, Lampe and Jackson 1982, pp. 329-375, 436-448). As regards primary crops, Southeast European agricultural producer prices, except for Greece, nearly halved during the global agricultural crises, and then after 1935 rose only to two thirds of the pre-crisis level (Jackson and Lampe 1982, p. 440). Investments in agriculture considerably dropped, depreciations of capital stock in agriculture lay above investments already carried out, and fertilization slumped (Tomasevich 1955, pp. 440-450; Vinski 1961). During the interwar period, price-induced extensification took place the most in grain farming and thus especially affected Romania that, until 1910, had risen to the fourth largest wheat exporter in the world, ranking even above the USA (Lampe and Jackson 1982, p. 170; Roberts 1951, pp. 56-60, Schmalz 1921, 27).

In other countries of the region, most pronounced in Bulgaria and Greece, agriculture responded to the crisis with the diversification of its production focusing on land-saving and labor-intensive cash crops. In so doing, Bulgarian small peasants behaved very sensitive, even to price and market changes on the horizon: After the First World War, they first made the transition to tobacco growing and then in view of increasing American competition they again changed over, this time to cultivation of vegetables and fruits (Ivanov and Tooze 2007, p. 696; Lampe 1986, pp. 52-55; Petmezas, 2009, p. 365). However, despite all efforts, there was no escape from the global agricultural crisis and thus all small peasants' diversification strategies led into deadlock. To resolve this impasse, governments took action and so, after 1930, all over Southeast Europe, stabilization of agricultural production only was accomplished by strong public interventions into the respective national agricultural markets; across all countries, Bulgaria put in motion the most extreme intervention regime, the transition to government-controlled clearing trade with war-preparing Nazi Germany that sought to advance and strengthen its dominance in the region also by means of economic incentives.

In summary, in the decades up to the First World War and particularly during the interwar period, the whole Southeast European region faced general economic conditions that were depriving rather stimulating to market-oriented agricultural growth, in any case too low to give sufficient impetus to induce an agricultural revolution leading to substantial increases in productivity and incomes. In seeking to escape the precarious situation, market production and subsistence production entered into a symbiosis that was closer than in other European economies; a symbiosis that may help explain why

grain production but not exports could recover from the aftermath of the turmoil of the First World War.

#### **IV. Peasants between market and subsistence: the economic rationality of a marriage-of-convenience**

In the older literature, subsistence was seen as structural, if not inherent trait of peasant economy. The fundamental reassessment of peasant subsistence economy in the light of an economic reality that was characterized by malfunctioning markets has not yet been adequately considered in the research on Southeast European agricultural development. In modern development economics and economic historiography peasant subsistence economy is a reaction on failing markets but never the cause of market failures. As late as 1997, in his influential standard work on the economic history of the Balkans during the long 19<sup>th</sup> century, Palairet identified peasant economy's quasi- natural inclination towards subsistence with its evident and ubiquitous effects on economy, society and culture as the key factor for a blocked economic development of the Balkans; in fact, he even blamed this inner trait the underlying reason for the economic downturn of the "peasant states" Serbia and Bulgaria in the period after their establishment until the First World War (Palairet 1997, pp. 298-321, 339-341; see also Sundhausen, 1989a, p. 219, 1989b).

In contrast, according to the findings of recent development economics, it is the difference in the functioning of markets that produces serious repercussions on the scope for economic manoeuvre and the economic rationality of peasants. Facing malfunctioning markets, economically rational peasants would recognize that it is not reasonable to leave decisions involving peasant economy to the markets rules alone. They, therefore, would only seek partial market integration. Partial market integration of peasants and incomplete markets are mutually dependent. Then, subject to the degree of market development, it follows that peasants would necessarily respond to differing market risks with an altered orientation towards subsistence that, of course, turns out differently according to the degree of development of the considered market. According to the currently prevailing concept of "peasant economy", peasant orientation to both market and subsistence are closely interrelated and – at variance with the older view – do not reflect any kind of economic mentality or *Wirtschaftsgesinnung* of two contrary economic spheres, which would culminate in severe clashes within the peasant sphere due to their fundamental incompatibility. It is rather deemed that subsistence and market orientation do not depend on static dimensions but, instead, on dynamic, and thus steadily ongoing interdependent change processes which in turn depend on underlying changing general conditions. Subsistence orientation ebbs away to finally vanish in the course of developing efficient markets due to disproportionately high costs entailed by rising opportunity costs from foregone income, so that self-sufficiency only turns out profitable facing a complete lack of possibilities for hedging risks from

outside the family (Ellis 1996, pp. 3-16, Friedmann 1980). The facts already known point out that this assumption also holds for Southeast Europe c.1830-1914, hence refuting the hypothesis whereupon a non-linear, or even missing, development of peasant farms into completely market-oriented family farms would result from the purported inability of peasant societies to modernize. However, much more important than any alleged peasant orientation to self-sufficiency, was the crisis of the first globalization looming on the horizon in the international agricultural markets as early as the close of the 19<sup>th</sup> century and then developing to the fullest during the interwar period with its culmination in the global agricultural crisis 1929-1933 (Williamson 2011, 2006). It were the markets alone that dictated agricultural development, the peasants were left powerless and deprived, with no other option than to respond. And so they responded within their limited scope, drawing on their available resources: expanding or reducing subsistence production.

*Were there any alternatives to the expansion of subsistence production?*

Apart from peasant subsistence production, possible alternative options for maintaining incomes would have been, for one thing rural migration to urban or industrial areas and, for another, functioning agricultural markets with low transport and marketing costs to provide best cost-effective supply to all consumers and productivity-enhancing spatial specialization of the entire agricultural production of Southeast Europe according to regional comparative advantages. None of the two alternatives – as is known from history – was a viable one in Southeast Europe. Even during the interwar period, the bulk of the increase in labour force was absorbed in agriculture where the majority of new employment opportunities were created whereas industry took only a fraction (Hauner 1985, p. 89, Teichova 1985, pp. 237-238).<sup>25</sup>

Even as late as during the interwar period, domestic food markets frequently functioned so poorly or were so strongly fragmented that maintaining subsistence food production was the only way to provide what was necessary, or say, essential for survival.<sup>26</sup> Disproportionately affected had been the mountain

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<sup>25</sup> Between 1929 and 1938, in Romania the number of workers in processing industry approximately grew by 10,000 per annum on average, while the number of new labour force per annum roughly ranged between 100,000 and 200,000 on average (Roberts 1951, p. 70). The numbers for Yugoslavia as well give evidence that during the 1920s, the majority of new employment opportunities were created in agriculture, primarily by division of existing farms, but not in commerce and industry (Tomasevich 1955, p. 306). The same goes for Greece and supposedly for Bulgaria as well (Petmezas 2007, p. 370).

<sup>26</sup> Further reading on the extreme fragmentation of the Serbian domestic market before 1914 and how it continued in succeeding Yugoslavia in form of a north-south gradient of peasant market orientation caused by regionally very marked differences in market orientation, see Palaret (1997, pp. 90, 113-120). Moreover, still during the interwar period, the degree of a region's market integration was decisive in determining the dynamic of the agricultural development process (Tomasevich, 1955, pp. 282-286, 322).

regions with their adverse natural conditions for grain farming. In this context, for newly established Yugoslavia, there is evidence that, despite substantial spatial disparities in the grain balance between supply and demand regions, intra-regional exchange between deficit and surplus regions took place only to a very limited extent. The purely agricultural-based deficit regions with prevailing poverty made up the disparity on a different basis than exchange; they expanded subsistence to its absolute maximum to guarantee food security instead because they simply had no other alternative. Characterized by poorly developed infrastructure, these “passive regions” – as they were dubbed at that time – had no other choice than to exploit their only resources: land, even if it was inadequate for grains.<sup>27</sup> For Greece, research assumes that it was the weak integration of the Greek domestic market that contributed to the divergent development with pronounced world market integration of the coastal regions and, involuntary – forced by external conditions- subsistence orientation of many landlocked areas (Petmezas 2009, p. 358; 2011, p. 471).<sup>28</sup> The same goes for Yugoslavia, even as late as the interwar period, the substantial agricultural exports were by no means the visible result of a surplus over fully satisfied standard of consumption rather it was owed to the low purchasing power of the domestic market (Tomasevich 1955, p. 547).

#### *Export boom and subsistence production*

The demographic expansion across Southeast Europe emerging in the 19<sup>th</sup> century, was induced and sustained by the booming agricultural exports of the favoured lowlands, even in the isolated regions of the mountains (Lampe and Jackson 1982, pp. 159-164, 200, Palairret 1997, pp. 23-24).<sup>29</sup> The decade-

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<sup>27</sup> Missing infrastructure with regard to both traffic and storage capacities, and major marketing inefficiencies such as lack of market information systems and product standardization led to intra-Yugoslavian price disparities ranging from 50% to 150% between deficit and surplus regions with the highest prices fetched in the poorest regions. Additionally, it were the lowest rural income regions that had to deal and cope with the highest price volatility (Tomasevich 1955, pp. 603-610); an adverse situation, especially in the light of the fact that the highest percentage of rural household reliant on additional purchase of bread lived in the poorest regions, in detail about 90% of all rural households in Dalmatia, (Banovina Primorje) and 80% in Montenegro and South Serbia (Banovina Zeta), values which clearly amounted above the country-wide average of Yugoslavia of 57% (Tomasevich 1955, p.566). For Romania as well, the numbers indicate that rural households may even have failed to produce enough (staple) food to meet their self-sufficiency (Roberts 1951, p. 61).

<sup>28</sup>For Greece it was absolutely true that, given a lack of infrastructure, domestic agricultural produce were not able to stand competition with international imports throughout the long 19<sup>th</sup> century. The impact of food demand from expanding Greek coastal regions was only of limited reach in relation to the surrounding interior areas, thus igniting stimuli for a subsequent development of domestic agriculture remained absent.

<sup>29</sup> Studies on present-day development countries suggest that under the conditions of low technological levels and low costs of training and education an exogenous population growth, induced e.g. by access to land, would rapidly generate endogenous population growth. In addition high capital costs would reinforce capital-saving

long insatiable hunger of the export regions for labour force, could only be sufficiently satisfied by migration; a flow of migration that was fed, for one thing, by migration from the mountain areas into areas with market integration and, for another, by extensive seasonal labour migration (Franghiadis 2011, pp.119, 129; Tomasevich 1955, p. 155). This pattern proved sustainable. Between 1830 and 1870, agricultural prices showed a steady upward trend due to a continuously increasing international demand for export products of the Southeast European agriculture ranging from Mediterranean special crops like currants to wheat and live animals; hence the demand for labour force was also steadily increasing. This development, in principle, continued over the ensuing decades up to the First World War. However, the trend of agricultural prices in international markets started to abandon its upward path and then moved straight into crisis situation - with far-reaching consequences for the agricultural development in the region, especially with respect to both subsistence and market production (Tomasevich 1955, p. 176).

Pivotal to the formation of such a highly mobile peasant society beyond traditional transhumance was the prospect of better living which would result from participating in market production (Franghiadis 2011, p. 120; 1990; Lampe 1986, 34-36; Lampe and Jackson 1982, p. 143, Palairet 1997, pp. 192-201). The rural workers came to the migration areas either to settle or seek out share cropping in the lowlands. Other widespread forms were migrant workers with own landed property in their home areas as well as secure rights of land use or retained rights to use common lands for subsistence production in their respective original areas. Though not directly integrated into global economy via commodity markets, these remote mountain areas participated indirectly via highly complex supra-regional labour markets, so as if it was the natural feature of a highly complex adaptive peasant society.<sup>30</sup> For Greece, there is evidence that the integration into the global market significantly contributed to improving the nutritional situation of broad parts of the rural population during the decade between 1870 up to the First World War (Franghiadis 2011, p. 130). The same applied to

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technical progress and would further boost the additional use of the comparatively cheaper or more abundant factor, hence the factor labour in this case. Thus, rural population growth is intensifying and, consequently, the standard of living will remain at a low level due to the steadily accelerated population growth (Lipton 1990). Thus, under the mentioned conditions, export orientation would fail to resolve the problem of rural poverty, even if agricultural or economic growth produces relatively high rates. Against this background, the observation that Southeast Europe did not sink into poverty until the First World War might have been owed to the abundant land reserves. Altogether, land scarcity did not matter in most areas until the beginning of the 20<sup>th</sup> century (Franghiadis 2011, pp. 117-120, p. 135; Ivanov und Tooze 2007, p. 687; Petmezas 2009, p. 358, Palairet 1997, p. 301).

<sup>30</sup> Migrant labour also played an important role in the inter-sectorial transfer of labour so that large parts of the commercial work force maintained close ties to both their home villages and agriculture (Calic 1994, pp. 177-211).

Bulgaria, whereas for Serbia this is not clear (Palairet 1997, pp. 299-306).<sup>31</sup> Thus, even many mountain areas in the Balkans that were remote and isolated from markets benefited from the steadily increasing demand for food in the leading industrializing regions of Europe.

Labour markets that were highly complex and very sensitive to changes in supply and demand established after 1830.<sup>32</sup> However, when the “European grain invasion” was emerging, the downsides of being embedded into the global market came to light. The more these drawbacks surfaced the more it became evident that participation not only meant being integrated in but also depending on the global market, especially when this integration was relying on a single or only few agricultural commodities. Main victims of this downturn were not the directly involved regions, i.e. the well-integrated coastal ones, but instead the indirect or “downstream” ones. So, the landlocked primarily mountain-based “labour force reservoirs” had to bear the brunt. Suffice to give one example. In the wake of the breakdown of the Greek currant exports 1892/93, an unprecedented wave of emigration to overseas set in.<sup>33</sup> Now, the remote mountain areas developed into the centres of emigration and not the densely populated coastal regions because here, the diversified economy was better positioned to compensate for the decline. So, in the end, Greece no longer exported currants but its labour force, or say human resources (Franghiadis 2011, p. 129; Petzmezas 2009, pp. 358-359).

#### *Subsistence sector and agricultural markets in crisis situation*

Southeast European agriculture had to pass through difficult times, for one thing, during the Great Agricultural Depression lasting from the mid 1870s until mid 1890s and primarily affecting cereal production, and, for another, the collapse of the currant market. Both crises resulted in far-reaching

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<sup>31</sup> However, it must be conceded that the extensive body of proof on Serbia evidenced by the rather pessimistic school of Palairet and Sundhausen neither has been critically questioned nor discussed until now, as has been the case for Bulgaria. Undeniably, until World War I, Serbia was to be seen as immigration land and the agricultural sector took the lion’s share of positive net migration surplus; a fact that rather speaks in favor of a stable nutritional situation of rural population in this country.

<sup>32</sup> An example to put this in perspective: farm wages in Bulgaria doubled after 1878 because continued inner colonization in Romania and Bessarabia (now mostly Moldava) led to significant migration of rural workers from Bulgaria, amounting to about 50,000. Migrant workers from Macedonia immigrated instead to fill up the resulting deficit of work force (Palairet 1997, p. 177).

<sup>33</sup> For Bulgaria and Serbia, Palairet and Sundhausen assume a falling standard of living in the decades preceding the First World War, not least because of the supposedly notoriously subsistence-adhering peasant society. Not only did recent research unambiguously disprove this hypothesis – at least for Bulgaria, but also a thorough examination of respective emigration balances which produced evidence that emigration before 1914 was of no concern in the peasant countries of Southeast Europe, in particular Serbia and Bulgaria, although this would have been a viable option (Ivanov and Tooze 2007, p. 688).

consequences for the broad agricultural subsistence sector of Southeast Europe, certainly; but there should be more adversity ahead. During the interwar period, negative consequences exacerbated when a chain of events started and then developed into a knock-on effect: firstly, increasingly narrowing international agricultural markets culminating in the World Agricultural Crises, secondly, an industrial sector, too small to alleviate negative effects and, last but not least thirdly, the immigration ban in traditional overseas immigration countries. Against this background, the agricultural subsistence sector of interwar Southeast Europe represented a large sector within the economies, especially subject to the conditions of the international agricultural crisis.<sup>34</sup> The continued divergent trend in per capita income development in interwar Southeast Europe as compared to Western Europe might be owed to this growing subsistence sector (Lampe and Jackson 1982, p. 342, Maddison 1990, Morys 2011).

While grain production could almost completely recover during the 1920s, grain exports could not, on the contrary, they clearly dropped below pre-war level without being mitigated or even offset by internal markets on account of only weak urbanization processes and a too small industrial sector (Drabek 1985, p. 431; Lampe and Jackson 1982, pp.364-365).<sup>35</sup> It is true that, during the world agricultural crisis 1929-1933 and despite collapsing prices, some Southeast European countries expanded in the short-term their cereal export quantities in the hope for achieving any revenues worthy of note, but these exports significantly declined after 1933. In the face of continuously deteriorating world market conditions and, at the same time, rising protectionism in the traditional sales countries, Southeast European grain exports were not able to re-attain the levels before the First World War

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<sup>34</sup> Although, up to date, statistics on the size of the subsistence sector are not available, a sufficiently precise estimation can be obtained from estimates on rural cottage industry in relation to crafts and industry; these estimates allow reliable conclusions on the subsistence sector because rural cottage industry almost completely produced for peasants own need. For 1924, the percentage share of rural cottage industry in gross national product of Bulgaria amounted to 7.1% which was clearly above the respective figures of handicrafts with 4.6% and “big industry” with 2%. During the period 1924-1939, industry and handicrafts grew by 98% as compared to still 49% of rural cottage industry (Ivanov und Tooze 2007, pp. 685, 699). For Yugoslavia, statistical data give evidence that in the mid-1920s 80% of rural cottage industry production was consumed for own need, and moreover that the size of this sector in relation to industry amounted to 83%. In addition, Tomasevich assumes that the amount of rural home industry producing for own needs even significantly increased during the world agricultural crisis (Tomasevich 1955, p. 337). According to Lampe and Jackson Bulgaria’s agriculture took a market share of about between 35%-40% (Lampe and Jackson 1982, p. 364). Rural home industry’s share of marketed production could be assumed about 20% in the 1920s; based on these figures, the share of the subsistence sector in total national product of Bulgaria might be roughly estimated between 30-35% (own calculations based on the numbers of Ivanov and Tooze 2007, p. 699).

<sup>35</sup> According to Lampe and Jackson, it was the relative weight of the agricultural exports within the national economy that accounted for the low degree of urbanization and, except for Greece, its only hesitant increase during the interwar period (1982, pp. 331-334, 436-438).

(Drabek 1985, pp. 402-408, Warriner 1964, p. 54). It is worth mentioning, and comes a surprise, that both cultivated area under cereals and cereal production substantially increased almost everywhere in the region although all of these countries made efforts to diversify their (agricultural) exports and grain exports lost their former importance (Lampe and Jackson 1982, pp. 466-467, Molloff 1933, Stoykovich 1933, Frangeš 1937, 27-74).<sup>36</sup>

Altogether, there is evidence from documents and records of the entire interwar period, that peasant on-farm consumption of cereals was going up, in detail, while per capita export production dropped, corresponding per capita figures on peasant on-farm consumption at no time moved below the 1914-level, yet increased throughout the Southeast European region, with the exception of Greece (Lampe and Jackson 1982, p.364).<sup>37</sup> In addition, cereals lost their importance as cash crop during this time; a development that is not reflected in the area under grain cultivation since this area was expanded at the expense of grassland and livestock numbers. However, although an increasing size of grassland was eliminated, it had not been converted in order to cultivate fodder crops; fodder cropping remained constant, in fact did not matter at all, except for few regions. Furthermore, given the almost complete lack of artificial fertilizer, declining livestock numbers not only meant less manure but also deteriorating supply of nutrients, all the more so as fallow area decreased at the same time. Lack of animal food and fertilizer continued to pose an endemic problem for the Southeast European agriculture throughout the whole interwar period, if not had been mutually intensifying (Berend 1985, p.150; Roberts 1951, pp. 42-60; Tomasevich 1955, pp. 157-164, 275-276, 336, 383-539, 478, 514).<sup>38</sup>

Growing grains was one of the rare agricultural activities in pre-industrial agriculture that allowed for economies of scale which are likely to be returned in farm units ranging from about 60 – 100 ha. Despite undiminished importance of grain cropping within Southeast European agriculture, the already small or sub-peasant farm sizes experienced further downsizing, so much so that the share of just self-

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<sup>36</sup> Comparing the levels of grain production between the years up to the First World War and the end-1930s, Greece experienced an increase by about 150%, Bulgaria by just about 50%, Yugoslavia by a forth for; in Romania production re-attained pre-war level (Jackson 1982).

<sup>37</sup> Greece itself was dependent on large grain imports to ensure food security. As early as before the First World War the percentage share of agricultural produce values amounted to between 20 to 40% in total import values (Petmezas 2011b, p. 463).

<sup>38</sup> What Tomasevich wrote about Yugoslavia, was also true for the whole of Southeast Europe: “The trend of diminishing livestock numbers was one of the outstanding features of the economy of most South Slav lands during the past hundred years” (1955, p. 162).“ In stark contrast to Western Europe, extensive livestock farming was not shifting to a more intensive and land-saving farming as interior land reclamation advanced. This deficit did not cause the critical agricultural development, but rather the opposite is true: it was a visible expression of a crisis-ridden agricultural development path.

sufficient peasants fell unabated,<sup>39</sup> A situation that was all the more serious as grain cropping for self-consumption was important even for small peasants with farms below 2 ha.<sup>40</sup> Undoubtedly, the small-fragmented farm structure was hardly conducive in view of productive grain cropping, yet it enabled to cultivate a crop - especially maize- that could serve two purposes at the same time, subsistence production on the one hand, and market production of feed on the other, which in turn offered a viable strategy to restrict the risks of market production affected with highly volatile markets (Tomasevich 1955, 478-488).

The obligation to feed a low-income rural population without having the opportunity to leave agriculture and to seek more productive occupations in industry instead, led to an agriculture that involved a short-term maximization of the amount of calories per unit area; for the peasants, indeed, an economic strategy that was vital, or put otherwise, the dictatorial imperative of the Southeast European agriculture (Tomasevich 1955, pp. 275-276, 478).<sup>41</sup> This said, it comes as no surprise that peasant nutrition became almost completely a plant-based diet.<sup>42</sup> It was this pressure for subsistence production that accounted for the prevalence of relatively extensive grain- or maize-centric cultivation systems in broad areas of Southeast Europe, even as agricultural population was growing (Roberts 1951, p. 60; Tomasevich 1955, pp. 334-335). Production both of highly intensive cash crops which could not serve as staple food and significantly more intensive fodder crops was not possible, or say, precluded in broad areas (Tomasevich 1955, pp. 500-507).<sup>43</sup> Finally, there is one more aspect to add.

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<sup>39</sup> The majority of peasant households of interwar Southeast Europe were no longer able to meet their own demand in staple food solely from self-sufficient production, i.e. they had to purchase additional staple food even if the whole of farm size was reserved for self-sufficient food production (Roberts 1951, p. 61, Tomasevich 1955, p. 566).

<sup>40</sup> For Romania, it can be shown that cereal cropping ranked highest for full-time farms between 5 and 25 ha, however, even in small units below 1 ha the share of the area under cereals – primarily maize - in total arable area amounted to more than a half (Roberts 1951, p. 56).

<sup>41</sup> Yet in the period up to the First World War, it can be assumed that all across Southeast Europe subsistence production served as “security strategy”, as safeguard against market risks. Furthermore, subsistence production is likely to have been increasing in times of long standing export crises (Franghiadis 2011, p. 129; Lampe 1986, p. 27). In Bulgaria, own consumption had steadily increased while production of export grains had been stagnating since the early 20<sup>th</sup> century. Poor infrastructure was also to account for substantial subsistence production (Lampe 1986, pp. 27-29).

<sup>42</sup> This trend had already emerged in many areas in the decades before 1914 (Lampe and Jackson 1982; Palairat 1997, p.108; Roberts 1951, p. 71; Tomasevich 1955, pp. 164, 193).

<sup>43</sup> While it is true that (an export oriented) animal husbandry definitely played an important role in earning cash incomes for Yugoslavian peasants, yet this alone was not sufficient to develop into intensification. For reasons of unprofitability of intensive livestock farming in vast areas of Yugoslavia and by no means for disregard or

Particularly under the circumstances of the world agricultural crisis 1929-1933, a decrease in the area under cereals would not have resulted in an increase in export revenues from other agricultural commodities. To sum up, export opportunities were not missed by the peasantry; they simply ebbed away for agrarian countries as the first globalization approached its end (Tomasevich 1955, p. 484).<sup>44</sup>

Did the possibility exist to switch to a more promising path of agricultural development? Could Southeast European agriculture have followed the West and central European path dominated by economically viable and diversified full-time peasant mixed farms of a size of about 5 to 15 ha which were expected to expand livestock farming and arable farming in parallel and (then) to intensify such that the nutrient supply of the soils would be enhanced despite loss of fallow as yields increase in either production branch? But as much as this way seemed promising and was seen as role model - and indeed was recommended by many contemporary agricultural experts- for the Southeast European peasants, this way was blocked (Tomasevich 1955, pp. 451, 398-399): Not only would an agrarian reform towards this direction had only been possible if the majority of agricultural population had been expropriated without being compensated with alternative employment - a plan not at all politically enforceable. Secondly, booming agricultural sales markets for superior products of intensive livestock farming were completely missing; sales markets that had been booming for decades and without which the astonishing West European agricultural intensification of the 19<sup>th</sup> century would not have been taking place.

The staple food maize became more and more important because it ensured the highest calorie content per unit area. Continuous maize-wheat crop succession more and more spread and arable area under cereals still covered 80-90% of the arable areas. Actually, despite the already mentioned unfavourable conditions of market isolation and soils inappropriate to crop grain, it was the mountain regions that, tied to subsistence, expanded cereal production while reducing fallow.<sup>45</sup> The scarce factor manure, therefore, was reserved for subsistence production, i.e. maize (Tomasevich 1955, p. 482). Market production became more and more extensive as market prices continued to fall. When, seemingly

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ignorance of the peasants towards animal husbandry, extensive husbandry continued to prevail (Tomasevich 1955, pp. 514-517).

<sup>44</sup> Furthermore, the following was true, not only for Yugoslavia but supposedly also for Romania: "Since only a very small number of Yugoslav peasants could conduct a labor-intensive type of cropping, there being no possibility of selling more than a limited amount of special crop products, the consequence was that Yugoslavia had a labor-extensive type of agriculture in spite of an oversupply of labor." (Tomasevich 1955, p. 450).

<sup>45</sup> A paradigmatic description of interwar Yugoslavia gives Tomasevich (1955, pp.274-286, 318-323). For Tomasevich the significantly lower agricultural productivity in the regions south of the rivers Sava and Danube located in the mostly mountainous regions of Yugoslavia primarily resulted from the pressure for producing a maximum of grains against comparative advantages in rather unfavourable areas, so isolated from markets and on inappropriate soils (1955, p. 321-322, 335-335, 478; see also Warriner 1964, p. 84).

against this trend and except for Romania, in the three decades from 1909/13 to 1935/38, yields per unit area had slightly increased despite de-investment and lack of technical progress in agriculture, this was probably only due to additional labour input per hectare while land endowment per agricultural worker was declining. Indeed, this involutive growth was observable in the whole Southeast European region during the interwar period (Petmezas 2009, pp. 360, p. 366, 2012). Total output increased whereas agricultural productivity sank to a low point in the course of the world agricultural crisis and then recovered to at most, re-attain pre-war level at the end of the 1930s.<sup>46</sup> This process affected the whole region and occurred even in Bulgaria, a country with a pronounced market oriented peasantry that had been very sensitive to market changes from early on. Here peasants – as aforementioned – under the permanently deteriorating market conditions for grains had started to diversify their market production and expand. In so doing, they expanded tobacco cultivation and later, in sensitive response to the movement of relative prices, they shifted to cultivation of vegetables and fruits. This behavior was fully market-oriented, certainly; but there is equally no doubt that all diversification efforts ended in a deadlock at the latest during the Great Depression (Drabek 1985, pp. 406-407, Ivanov and Tooze 2007, pp. 695-696; Lampe 1985, pp.52-55; Petmezas 2009, p. 366).<sup>47</sup>

Altogether, the peasants of Southeast Europe responded to the permanently worsening income opportunities in agriculture within their more than limited scope for economic action, a response so limited in fact that even increased market orientation would have been of no use. Finally, when all attempts to achieve extensive agricultural growth with increased inputs of land and labour but without sufficient technical change had reached a natural ceiling, peasants had no other choice than playing the demographic card otherwise they would have run the risk of inducing a Malthusian catastrophe. In this context Bulgaria made one of the most rapid demographic transitions ever observed despite lacking

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<sup>46</sup> Time series on agricultural productivity 1890-1940 are available only for Bulgaria and Greece. From these data follow that between 1892 and 1938 labour productivity in Bulgarian agriculture only slightly changed with a nadir in the 1920s whereas yields per unit area showed an increasing trend and land endowment per agricultural worker was decreasing at the same time (Ivanov und Tooze 2007, p. 701). In Greece labour productivity in agriculture was stagnating as well during 1911-1938 with a low point around 1930 (Petmezas 2009, p. 356).

<sup>47</sup> There is some evidence that market orientation of peasant economy increased during the interwar period. Accordingly, the market share is supposed to have amounted to about the same in all Southeast European countries, presumable between 30-40% in the 1920s and between 40-50% at the close of the 1930s, after agricultural trade had been stabilized through massive government intervention (Lampe and Jackson 1982, p. 364, Tomasevich 1955, pp. 601-602).

Differences in efficiency of farming were by no means positively correlated with farm size. Rather the opposite was true: smaller farms tended to be more efficient. The smallest farm sizes with the highest capital input and gross yields per unit area were most frequently located in urban vicinity (Lampe 1986, pp. 84-87; Lampe and Jackson 1982, pp. 354-371, 442; Tomasevich 1955, p. 404).

urbanization and industrialization processes. Between the late 1920s and mid-1930s, demographic growth halved and then continued to drop until World War II (Ivanov und Tooze 2007, pp. 687, 693; Lampe 1986, p. 55). Even with only these meager facts, the demographic response of Bulgarian small peasants to deteriorating market conditions is proved to be “modern” rather than a generative behavior à la Chayanov, whose “model of peasant household” is often referred to when it comes to social historiography on Southeast Europe. Similar rather modern demographic patterns are true, yet to a smaller extent, of the other Southeast European countries during the interwar period (Jackson 1985, pp. 245-251; Roberts 1951, p. 41; Tomasevich 1955, p. 332, Piper 1961, 22).

## V. Outlook

This contribution deals with the dynamics of development in the peasant societies of Southeast Europe during the first globalization circa 1870-1940 including retrospective views on the issue further back in time until the early 19<sup>th</sup> century. The analysis clearly shows it was not due to inherent development barriers ascribed to Southeast European peasant societies that prevented a dynamic agricultural development similar to the “first agricultural revolution” in the West European countries. The peasants of Southeast Europe did not miss any opportunity to develop rather it was the point in time that spoiled their fortunes, for they had to accomplish their market integration after 1870, and thus under significantly worse conditions than West European peasants that, between 1750 – 1870, not only could exploit the advantages of steadily improving terms of trade for their produce in the world market but also were driven by an almost insatiable demand from urban-industrial strata for high-value foodstuff. Moreover, as proceeding industrialization was in need for labour, it brought in its wake promising opportunities of better living that caused migration so that a growing part of the rural population could abandon their traditional fields and were not forced to remain in the farming sector.

In Southeast Europe crucial processes could not develop for the lack of necessary preconditions. A positive feedback process with increases in productivity in both (agricultural and industrial) sectors - as did unfold in Western Europe during urbanization and industrialization processes- could not get going for the sheer lack of a dynamic non-agricultural urban-industrial sector. What is more, Southeast Europe actually paid for its willingness to participate in international markets, i.e. to widely open its markets and to adjust to the requirement of the market; a strategy that backfired since, in the face of given relative factor scarcities such as abundant land but lack of capital, industrialization was impeded and extensive agricultural growth sustained despite an accelerated demographic growth. Consequently, the growing population then had, to a large extent, no other option than to stay in agriculture.

The rural peasant societies of Southeast Europe and their enormous absorption capacity proved beneficial in times of adversity when a succession of events threw markets, especially agricultural, in

turmoil around the world. It was only due to this absorption capacity that the worst effects resulting from both the lack of agricultural domestic markets with high demand potentials, and changing crisis situations could be mitigated over decades reaching far into the interwar period until the impending world agricultural crisis 1929-1933 emerged and then finally put a de facto end of free trade as international agricultural markets collapsed.

Since a “first agricultural revolution” with intensification of agricultural production combined with increases in productivity would only occur given high producer prices and a steadily rising demand for a variety of high value-added agricultural produce but as this *condicio sine qua non* was missing, a dynamic agricultural development characterized by increasing productivity remained absent in Southeast Europe before 1940. These tight limitations - unfavourable developments of markets and agricultural prices - exerted pressure on the peasants, so much so that they had no other option than to submit to this pressure and carry on with subsistence or, otherwise put, they were obliged to choose extensive agriculture instead of broad intensification; a response not only in accordance with Thuenen’s law of relative excellence of farming systems but also in line with price trends in international and national markets. So, the lack of intensification in agriculture was by no means the failure of Southeast European peasants but is owed to the peasants’ adjustment conform to the markets in which they participated. Moreover, new findings from recent development economics suggest, that falling peasant real incomes due to deteriorating market conditions led to degradation of the commons and of the peasant subsistence economy (Bromley 2008).

To put the whole development in perspective, it must not be overlooked that, despite all failures, Southeast Europe’s peasant societies actually had accomplished much as they had passed through an impressive process leaping from the worlds of peasant societies that were nearly completely isolated from markets at the turn of the 19<sup>th</sup> century to a society moving towards market orientation since 1830 and taking on the challenges of world agricultural markets in crisis situation after 1880. Under the given conditions of only weak urbanization and industrialization, and in the face of emigration possibilities ebbing away during the interwar period, it was almost completely incumbent upon the peasants to ward off the Damocles sword of a Malthusian catastrophe by sensitively adjusting their whatever flexible subsistence sector to market changes and, what is more, even to change their demographic behavior in the end. The unfavourable conditions in mind, undoubtedly a prodigious achievement. To sum it up, the fact that the problem of rural poverty in Southeast Europe, prevailing over the whole period, could not be resolved, was not the fault of a peasant agriculture and society unable, if not unwilling to develop, but rather was owed to the asymmetric burden the agricultural sector had to carry when it came to provide employment as population was a growing – indeed agriculture had to bear the brunt.

Despite the many aspects considered so far, there are still many open questions that await being answered by research. Most of these open issues concern the close relationship between subsistence

and market production in the flexible peasant societies of Southeast Europe, and hence, the corresponding economic strategies of the peasant households during the period 1870-1940. In this context, the centre of interest should be shifted and placed upon the aspects of dynamism and adaptability of the Southeast European peasant societies. The same goes for the question how Southeast European agriculture was able to absorb a really booming population growth over a period almost as long as a century and in the end even to prevent an impending Malthusian catastrophe without the solid support of a nationwide economic structural change and accomplished or ongoing urbanization processes.

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