During the 1930s and early 1940s, the problems of the economic dirigisme and its theoretical analysis attracted the attention of the Bulgarian economists. To some extent, it was a compensation for the fact that they missed the socialist calculation debate of the interwar period. Their analyses were based mainly on the framework of the neoclassical meta-theory in combination with various other theoretical approaches. They managed to identify a number of problems associated with long-term functioning of the regulated (corporatist) economy - the impossibility to master and control the spontaneous market forces by means of the governmental regulation, inherent administrative constraints for the government and public officials to introduce and control the strict and conscientious implementation of all the laws and normative acts of the system of economic dirigisme etc. A new theory of international trade was developed, whose author was seeking to break away from the rejected labor theory of value. The main content of his concept lies in the claim that protectionism in certain cases may have positive consequences. The Bulgarian economists convincingly proved the incompatibility of capitalism with planning.

**Key words:** economic dirigisme, Bulgaria, theory, Interwar period

**JEL classification** B 24, B25, B27

### I. Introduction

The First World War (1914-1918) and the Great Depression of the 1930s caused profound changes in both the philosophy of the economic policy and the theoretical analysis of economic problems. Some of the fundamental principles of classical political economy, as well as the economic theories focused on the functioning of the markets, were now considered as inadequate. These nature of these shocks was global and they affected, albeit to varying degrees, the separate regions around the world. Therefore the attempts for intellectual response and for seeking a sustainable solution for the unemployment, the agrarian crisis, the overproduction, the inequalities etc. were not limited to the leading economies, schools, and national traditions in economic thought. They included academic economists from countries that have so far been in the periphery of the theoretical debates and have not made any serious scientific contributions.
The main focus of this paper is on the debates among the Bulgarian economists during the 1930s on the dirigisme. During the interwar period, the Bulgarian economists missed the famous debate about socialism\(^1\). However, they were interested in the analysis of the dirigiste economy. Their ideas, analyses, and the main themes that they dealt with were not known outside Bulgaria. The reasons for this are complex, but among the most important we should mention at least two. The first one is that the publications dedicated to the dirigiste were published in Bulgarian language and in Bulgarian scientific periodicals. There were some attempts for publication of articles and books in English, German and French but their impact was weak. The second reason lies in the peculiarities of the political and intellectual history of Bulgaria. With the outbreak of the Second World War (1939) and with Bulgaria joining of the Axis powers (March 1941), the possibilities for participation in the international intellectual exchange greatly decreased. After the end of the Second World War in the country was established a regime, dominated by the Communists, and the Marxist paradigm monopolized the field of economics. Many of the eminent pre-war economists were deprived of the opportunity to teach and/or publish anything in any language. An unavoidable consequence of this was the abrupt interruption of the intensive debates typical of the Interwar period and the deepening of the isolation.

The main thesis of this article is that in the theoretical analysis of dirigisme the Bulgarian economists show realism and take into account a number of problems and potential weaknesses concerning the possibilities for administrative impact on the economy, the negative consequences of coercion on the entrepreneurship and innovation. This study enriches the existing literature on the subject because it widens the geographic and national scope of the research on the history of economic thought on dirigisme, especially with regard to the European periphery and semi-periphery. The historical accounts on these topics until now were concentrated mainly on Italy, Portugal, to some extent on Romania (Almodovar and Cardoso, 2005; Bastein and Cardoso, 2007; Pomini 2011; Nenovsky and Torre, 2015). The ideas of the Bulgarian economists were in line with the broad traditions of interventionism, but they also bring certain peculiar features into this current of economic reasoning. The article also reveals one of the specificities of the development of economic thought in Bulgaria. The research of the debate on the theory of dirigisme in Bulgaria in the 1930s shows that this was the first attempt of the Bulgarian academic economists to detach themselves from a mere adoption and application of the Western theoretical insights. They made the first attempts for independent analyses and some original contributions to economics.

\(^{1}\) The interest of the Bulgarian economists on the socialist calculation debate on socialism was relatively limited (see: Dolinsky, 1930)
The paper begins with a presentation of the historical and institutional context which influenced the development of the Bulgarian economic thought in the 1930s and early 1940s. In the second part, the different approaches of the Bulgarian academic economists to the theoretical interpretation of the dirigisme are revealed. The final remarks summarize the observations on the debates and the views of the Bulgarian economists on economic dirigisme. No particular attention is paid to the impact of the Great Depression on Bulgarian economic thought and to the theoretical analysis of the organization and functioning of the war-time economy. Such an approach is taken because these problems concern only indirectly the theory of dirigisme and because they have been subject of research by some modern Bulgarian scientists (Nenovsky and Andreev, 2014, Petrov, 1999).

At this point some clarification of the term dirigisme/regulated economy is necessary. During the period under review, there was no generally accepted definition of these terms among the Bulgarian economists. To a certain extent, this situation reflects the lack of a unified terminology among the economists around the world. However, gradually among the researchers working on the subject, some general consensus appeared that dirigiste economy as a system is something placed between the laissez-faire and the planned economy of socialism\(^2\). According to some of them, dirigisme is a transition from free marked to planned economy, while others thought that it is a means to cure the extremes and shortcomings of both systems\(^3\). The main instruments for its realization in the practice consist in the intensified government intervention in the economy, which could have a variety of forms and which are compatible with authoritarian as well as with democratic political regimes.

II. Historical and Institutional context

During the period from the end of the First World War (1919) to September 1944, when the Communist-dominated Fatherland Front coalition came to power in the country, domestic politics in Bulgaria was characterized by instability, frequent changes of the governments, periodic outbursts of civil war (especially in the first half of the 1920s and the 1940s), and loss of popular support for the parliamentary democracy. The reasons for this were many, but among the most important we should mention the loss of World War I, which discredited almost all bourgeois parties, the dissatisfaction

\(^2\) The consensus on this issue is limited, however. The opinions of the Bulgarian economists undergo certain evolution before they reach to this conclusion. Thus K. Bobchev who was one of the best researchers of the dirigiste, in 1933 identified the dirigisme and the planned economy (Bobchev, 1933), while in 1942 this mixture of concepts was missing in his writings (Bobchev, 1942). Also in 1933, Bobchev believed that the regulated economy was a temporary phenomenon, whereas in 1942 he was convinced that it has every chance of surviving the Second World War.

\(^3\) In such way D. Mishaikov (1942) treats the so-called integral economic system. Under an integral economic system, he means the system of dirigisme.
of the predominantly rural population with the absence of adequate economic policy towards agriculture, the strong influence of the USSR and other authoritarian and totalitarian states and ideologies etc.

Immediately after the end of the First World War Bulgaria was ruled by several coalition governments, and from 1920 to June 1923, the populist Bulgarian Agricultural People’s Union (BAPU) was in power. During these years, have been made attempts by the government to restrict some of the civil rights - especially those of the bourgeoisie and urban citizens. The BAPU policy deliberately favored the mass of the poor rural population. In June 1923, the old bourgeois parties, with the assistance of the army, organized a coup and overthrown the BAPU. They suppressed the weakly organized armed resistance of the peasant masses in June, and a rebellion organized by the Communists in September. The army conspirators and bourgeois politicians established a new political party Democratic Alliance. Its governments ruled the country until 1931.

A prime minister of the first government of the Democratic Alliance (1923-1926) was the Political Economy professor Alexander Tsankov. The economic policy under his leadership clearly illustrates the trend of increased state intervention in the economy. In one of his first speeches as prime minister, he pointed to the state, along with labor, capital and nature as a major factor of economic progress, and declares that the state has the right to control and direct the financial capital, to protect workers from exploitation, promote industry etc. (Tsankov, 1923: 13-19). Later on, Tsankov was more categorical: "When the necessities of life force me to nationalize certain enterprises I will do it; when the necessities of life do not force me to do this, I will not try ... "(Tsankov, 1924: 17). These words are evidence that in the 1920s the policy of state intervention and regulation of the economy was justified with the needs of life and did not resort to some sophisticated theoretical justification. In 1926, Tsankov was replaced as a prime minister by the more liberal Andrei Lyapchev, who made efforts to democratize and liberalize the regime. A sign of this is the fact that in 1931 the Democratic Alliance lost the parliamentary elections and was replaced by the People’s Bloc coalition. During the Great Depression of the 1930s, this coalition was unstable, personal changes in the government were too frequent, and contradictions between coalition partners often paralyzed the government and the parliament. From the beginning of the 1930s, during the rule of the Lyapchev’s government and then during the rule of the People’s Bloc, the so-called "guided liberal-type economy" was established in Bulgaria under the definition of Grancharov (1999, 186).

In May 1934 the army staged a new coup and established a non-partisan regime that in some respects resembles the Mussolini’s regime. All political parties were legally abolished, the parliament was dissolved, the government appointed mayors, limited free speech etc. The political change was followed by a change in the type of the guided
economy, which from a liberal type was transformed into an authoritarian one (Grancharov, 1999: 187). The Ministry of Commerce and Industry and the Ministry of Agriculture and State Property were transformed into the Ministry of National Economy. According to some contemporaries, this new ministry was similar to the Ministry of Corporations in Italy (Manchev: 1935). Attempts have been made to establish state-controlled professional organizations, the main goal of which was to help with the implementation of the new economic policy among workers, industrialists, traders etc. (Dimitrov, 2014: 129-135). Certain ideas for a new type of parliament – the so-called Economic parliament – were discussed. This new parliament has to represent the interests of the corporate organizations. The decisions of the Economic Parliament should only be subject to approval or rejection by the political parliament (Kozhuharov, 1932: 70). Achievements in the corporate organization of society, however, prove to be of limited impact and sustainability, with no significant effect on the economic development of the country. Discussions on corporate business issues, however, were not just political propaganda. In the 1930s they influenced profoundly the academic discussions.

In the years after 1935, the power in the country was concentrated in the hands of Tsar Boris III, who made an attempt to liberalize the regime, the parliament was restored in 1938, and women were given the right to vote (but only if they are married, divorced or widowed). Restoration of political parties was not allowed. Bulgaria was in this situation at the beginning of the Second World War, when the foreign policy issues of the country became of greater importance. Tsar Boris III tried to keep the country out of military actions by initially proclaiming neutrality, but in March 1941 under the pressure of Germany and USSR the country joined the Tripartite Pact and declared a "symbolic" war to the United States and the United Kingdom. During the neutrality period, Bulgaria managed to bring back peacefully the region of South Dobrudzha from Romania, lost as a result of the First World War. In the course of the war, and especially after 1941, the authoritarian tendencies in the Bulgarian society intensified again. Bulgaria gradually fell into a deep political crisis after the death of Tsar Boris III in August 1943. The armed resistance against the regime increased, and the bombardments over Sofia and other Bulgarian cities at the end of 1943 and early 1944 disrupted the functioning of the administration. In the beginning of September 1944 USSR declared war on Bulgaria, and with the help of the Red Army on September 9, 1944, the Communist Party-dominated Fatherland Front Coalition took the power.

4 At the end of 1935 the Ministry of National Economy was abolished and the old ministries restored (Dimitrov, 2014: 107).

5 In this case, it is important to make a terminological specification. Under corporatism or corporate economic organization, we mean a "economic system in which the state manages and controls a predominantly private-owned business according to four principles: unity, order, nationalism and success" (Winkler, 1976: 103). This definition does not show any significant fundamental difference with the view of the dirigiste economy as an intermediate form between socialism and capitalism.
During the interwar period and in the course of the Second World War, the Bulgarian economy was backward and dominated by small-scale self-sufficient farming with wheat as the main crop. According to the contemporary researchers of the Bulgarian agriculture, "the economic rationality is not the basis on which our agricultural population organizes its activity" (Dolinsky, 1935: 135). One of the proofs for this is the fact that Bulgarian farmers produce mainly wheat without taking into account its market price variations. In years when the price of wheat is high, its production does not increase, and in years with low prices, its production does not decrease, as it should be expected in a farm where the main figure is homo economicus. Among the other main features of Bulgarian agriculture were: the agrarian overpopulation⁶ and the spontaneous tendency of transformation towards the production of cash crops - tobacco, oil rose, etc. (Dimitrov, 2014: 141).

The problems in agriculture determined the state's attention to it. During the period under review, practically all Bulgarian governments were trying to promote modernization and to solve social problems which were resulted from the lack of enough arable land. According to one of the leading agrarian economists of the period N. Dolinsky, Bulgarian agriculture suffered not from capitalism, but from the lack of enough capitalism (Dolinsky, 1932: 93). However, the economic policies in the agrarian sector were directed at its protection from the market. All the parties from across the political spectrum were in favor of such policies. Under Agrarian Union (BAPU) (1920-1923) a land reform was undertaken which goal was to limit the large land estates and to redistribute the arable land among the poor peasants. Agricultural economists of the period between the two world wars established that the reform does not solve the social and economic problems in the Bulgarian village, but that it leads to the deepening of the economic backwardness (Dolinsky, 1933: 282-290). In 1930, under the impact of the Great Depression and the decline of agricultural prices, a special government agency (Hranoiznos) was established, which bought part of produce at prices higher than market prices. During the 1930s Hranoiznos became one of the main instruments for the subsidizing of agriculture (Dimitrov, 2014: 171-178). Towards the end of the 1930s, Hranoiznos and other governmental or state-controlled agencies bought up over 50% of agricultural produce (Todorov et al., 1981: 396-397).

After the First World War, the process of industrialization in Bulgaria has made some progress, but the country still remained without heavy industry. The industry had been purposefully encouraged by the state since the end of the 19th century through a legal promotion of local production and customs protectionism. It was only during the second half of the 1930s when customs protectionist policy of the domestic industry was abolished⁷ and since 1936 the industrial encouragement has been replaced by a

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⁶ Then defined as "hidden unemployment" (see more in detail: Dolinsky, 1937).
⁷ This was not a free-trade policy; like other countries in the region, Bulgaria introduced foreign exchange control and to quotas for the imports (see Nenovsky, Pavanelli and Dimitrova, 2017)
policy of limiting the establishment of new industrial enterprises in industries defined as “saturated” (Dimitrov, 2014). This shift in industrial policy was not a result of some denial of its nationalistic focus. Its core still was the pursuit of Bulgaria's economic independence, understood in a neo-mercantilistic perspective. The Bulgarian state was trying to employ all the possibilities to limit the import of foreign raw materials and to increase the consumption of Bulgarian raw materials. Simultaneously the ruling elite was looking for options to increase the export of Bulgarian industrial goods (Klaev, 1939: 49-50). In the 1930s the major foreign trade partner of Bulgaria was Germany, and their bilateral trade was based on clearing agreements (Nenovksy and Andreev, 2014).

Perhaps the most important feature of Bulgarian economic policy after the World War I was the growing rate of state interference and control. This tendency was not linear and even, but it visibly became more intense during the 1930s. Still, in comparative Balkan perspective, the Bulgarian economic policy was rather moderate. It could not reach the level of regulation, control, and planning, typical of Republican Turkey, for example.

Besides of the acute economic, social and political problems of the interwar period, there were other factors that stimulated scientific debates. First of all, it should be noted that three higher schools of economics were founded. These were the Free University in Sofia (1920), the Higher School of Commerce in Varna (1921) and the Higher School of Commerce in Svishtov (1936). Apart of these, there were some other institutions that had existed before the First World War. The Bulgarian Economic Society, founded in 1895, played an important part. They published the most prestigious periodical in economics - Journal of the Bulgarian Economic Society (Marinova, 2012). Before the First World War Political economy was taught in the Faculty of Law of the Sofia University. All these new and old institutions, as well as in the growing public administration, gave the opportunity for employment of the academically trained Bulgarian economists. The new academic institutions were publishing their own periodicals and books, which were a platform for professional

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8 The Industries dependent on imported raw materials were defined as “parasitic” and it was believed that they did not contribute to the harmonious development of the Bulgarian economy. This concept was not universally accepted. D. Nikolov (1938), for example, believes that accepting it means endorsement of the absurd thesis that it were the raw materials, but not not labor, that create wealth. He believes that the development of industrial enterprises that rely on imported raw materials could be positive because they would reduce the “hidden unemployment” in agriculture.

9 For details about the Economic Policy of Republican Turkey in a comparative perspective during the 1930s see: Pamuk, 2000; Türegün, 2016.

10 For more details about the establishment of the Higher schools of economics in Bulgaria see: Veleva and others, 2010 (for the Free University), Russev (in print) for the Higher School of Commerce in Varna and Radkov, 2012 for the Higher School of Commerce in Svishtov. I am thankful to prof. Ivan Roussev from the University of Economics in Varna for providing me with his unpublished manuscript about the history of higher education in this city.
discussions and exchange of ideas. Positive impact on the development of economic thought in Bulgaria had the arrival of the Russian émigré economists - Oscar Anderson, Simeon Demostenov, Naum Dolinsky and others. They lived and worked in Bulgaria, and contributed greatly to the improvement of the quality of publications and of the teaching of political economy. At the same time, the Bulgarian economists continued to study and specialize in leading universities in Western Europe, where they established and maintained contacts with some of the most famous economists of the period.

The combination of economic and political problems faced by the Bulgarian society in the 1930s and the beginning of the 1940s, the presence of a solid group of academics and researchers and the relative scientific freedom had a positive impact on the quality of theoretical debates.

III. Theoretical approaches towards dirigisme

The misleading impression from the popular publications about dirigisme in the 1920s, 1930s and early 1940s is that economists had a uniformly critical attitude towards the unregulated market economy and that the rejection of the basic tenets of classical liberalism was universal. The arguments in favor of this during the 1920s were found mainly in the consequences of the First World War which ended the era of economic liberalism and forced the economic agents to rationalize the capitalist economic system (Tsankov, 1927). In the next decade, new arguments were added in order to support this thesis. The Great Depression and the fact that the philosophy of the economic dirigisme prevails in countries that had a traditionally strong influence in Bulgaria were considered as irrefutable motives in favor of these practices in Bulgaria (see: Kolchev, 1935, Manchev, 1940, Agunsky 1941).

Among the Bulgarian academic community, however, there was no such unanimity. The leading economists in the country were well aware that even in the 1930s there were enough authoritative worldly renowned economists who believed that the economic problems of the interwar period are the result of state intervention in the economy (Dolinsky, 1937a).

The analyses of the economic dirigisme, which were made in the Bulgarian literature on economics, at first sight, seems to be based on the various theoretical proposition. But for the most part, they were based on neoclassical principles. The neoclassical approach provides only the general theoretical framework, without restricting the

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11 As to the main content of the notion of neoclassical economics, the author accepts Roy Weintraub's definition. He draws attention to the fact that the neoclassical economics is a meta-theory distinct from the classical one in that it does not accept the labor theory of value, it is based on the principles of marginal utility, it examines the economic phenomena through the prism of supply and demand (Weintraub, 1993).
individual authors from the employment of different other concepts and ideas. The neoclassical core, its variations that were typical of the Bulgarian economic thought and their relation to the economic dirigisme are summarized in the following scheme:

A) Neoclassicism and socialism. The Bulgarian academics, with few exceptions, were isolated from the socialist calculation debate that took place in the 1920s and 1930s. We could register some impact of this debate, however, in the fact that even the left-wing economists embraced the importance of the pricing system as a coordination mechanism in economic activity. Their publications about dirigisme were focused on how the state intervention in the economy would affect this coordination mechanism.

Todor Vladigerov, who was a professor of political economy at the Higher School of Commerce in Svishtov, combined the neoclassical analysis of the dirigisme and certain Marxian notions and ideas of the market socialism (they are visible in his analysis of monopolization and the role of monopolies). In one of the most comprehensive studies published in Bulgaria on the regulated economy, he explains the necessity of state intervention in the economy with the fact that the increased production could not be consumed and that the monopolies distort free price formation and thus prevent the overcoming of cyclical economic crises (Vladigerov, 1939: 6-11). He argues that none of the policies characteristic of the dirigisme could not successfully restrict the spontaneous action of market forces and of the price mechanism. To prove his thesis he uses a vast empirical material about President Franklin D. Roosevelt’s economic policy in the USA, about Nazi Germany, Italy, and other European countries where more or less the principles of dirigisme were applied. According to Vladigerov, the fact that even at the end of the 1930s production in the leading industrial economies and in the most important branches is growing while the unemployment is persistent is
indicative of the inability of dirigisme to overcome the crisis (Vlagerov 1939: 40-41). A significant disadvantage of a regulated economy is that it distorts economic growth because the increase in production is a result of the militarization, which in turn is not a long-term solution to the economic and social problems.

The general conclusions reached by Vladigerov suggest that the state's efforts to regulate prices have negative consequences for small-scale producers and for consumers, and that price regulation policy could not provide "fair" prices:

"The price policy of dirigisme, as a tool of supreme power, is not influenced by ethics. The principles of social justice are in the background. The contents of this policy is given by purely economic and political tasks "(Vlagerov, 1939: 90)

The control over the industrial production through cartelization is also unsuccessful because "cartels have prominent opponents among the leading proponents of the dirigisme. These opponents are the representatives of the interests of small producers and consumers and they consider cartelization as a source of every social evil "(Vlagerov, 1939: 147). Even more unsuccessful is the role of international monopolies to regulate trade and stabilize prices:

"... if an agreement between the monopolistic groups is set up for market shares, new competitors emerge immediately, and they restore the competition again. So competition can never disappear fully, even when the monopolies control the bulk of production and the markets" (Vlagerov, 1939: 165)

According to Vladigerov, the co-operatives could be an appropriate tool for making profound changes in the economic system dominated by monopolies. However, this inevitably would result in a limitation of the independence of cooperatives, and they would lose their characteristics as free and autonomous organizations.

All of the Vladigerov's observations regarding the incompatibility of dirigisme and market principles are well-grounded. However, after he proves the impossibility or limited potential of dirigiste policy to control and master the spontaneous market forces, Todor Vladigerov supports a policy of a greater degree of state interventionism (Vlagerov, 1939: 200-201). The conclusion seems to be paradoxical at first sight because it could be reduced to one main thesis: the tools and policies of the dirigisme do not work and they should, therefore, be employed more actively. This paradox could be resolved only if we take into account the fact that after 9 September 1944, when the regime was dominated by the Communist Party, T. Vladigerov continued to write and publish, he also occupied important academic and political positions. Obviously, the new regime in the country was not inconsistent with his beliefs and principles. In fact, with his criticism of the dirigisme in 1939, he proves the impossibility of rescuing capitalism with the means of increased state interventionism. In his study, he did not make a clear conclusion in favor of a planned Soviet-type economy, but
assuming his thesis that liberal and regulated capitalism are unsustainable as economic systems because they constantly lead to crises, it seems obvious that the socialist economy is the only possible alternative to the capitalism.

**B) Neoclassicism and Austrian school of economic thought.** Completely different was the analysis of dirigisme by Ivan Rankov, who was a lecturer at the Higher School of Commerce in Varna. His ideas were clearly influenced by the theoretical views of Carl Menger and also of some other later representatives of the Austrian School of Economic Thought. According to Rankov, it is necessary for the economists in the theoretical analysis of dirigisme, to abstain from the concrete political goals that the ruling elites place in introducing such policies. He also argues that, on the basis of theoretical analyses, it is not possible to justify or to reject government interference in economic life. Rankov identified several major obstacles for the building of an adequate theory of dirigisme. The first problem is that, according to his opinion, in the beginning of 1940s it was preposterous to "outline an ideal type of a regulated economy that would [in turn] outline some complete picture of the system under consideration" (Rankov, 1943: 322). The second problem stems from the fact that the dirigisme is analyzed both as an economic policy and as an object of economic theory without a clear distinction between these two approaches.

Rankov explicitly supports the thesis that a toolkit based on the theory of marginal utility, the laws of Goshen etc. was appropriate for a theoretical analysis of dirigisme. He argues that these basic theoretical principles were not only valid and applicable for analyses of the liberal economy. In a dirigiste economy that combines individualistic and collectivist principles, the state replaces market prices with administratively determined prices. However, forced price control could not be limited only to certain sectors or to certain prices, but necessarily spreads over labor costs, the price of raw materials, and ultimately results in regulation of the whole economy (these views of Rankov are similar to conclusions made by Ludwig von Mises). Similarly, in a dirigiste economy by reducing the possibility of obtaining a "true profit that is in line with the risk borne and the organizational capabilities of the entrepreneur", the establishment of new businesses will be too problematic. On the other hand, the existing enterprises that are encouraged by the state "lose their dynamics and their ability to react to the economic changes" (Rankov, 1943: 328-329).

The collectivist sector in the economy, however, implies a necessity for its theoretical analysis, which is impossible with the methods and principles of economics focused solely on the system of interacting individual agents. The lack of such an analysis would make the theory of dirigisme incomplete and inadequate. For this purpose, in the words of Rankov, it is necessary to resort to "the help of the realistic theory" (Rankov, 1943: 335). Rankov believes that while the pure theory is universal and general, the theory of realism refers only to a particular economic system. Realistic theory,
moreover, utilizes fewer generalizations and abstractions (Rankov, 1940: 493-495). A significant contribution to the combination of the Austrian and the "realistic" theory, however, has not been made, and in the next years, Rankov has not published something in this vein. For this reason, it is justified to include him in the survey as a representative of the experience of analyzing the dirigisme in terms of the basic tenets of the Austrian School.

C) Neoclassicism, German Historicism, and Keynes. Traditionally since the end of the 19th century, the German Historical School was one of the most influential currents of economic thought in Bulgaria. This was due to the fact that the representatives of this school offered economic policies by which the backward countries (such as Bulgaria) could catch up in their development. Among these policy prescriptions, the most popular were protectionism and legal encouragement of the local industry. An additional factor that increased the popularity of this school was the fact that a large part of the Bulgarian economists at the end of the 19th and in the early 20th century were graduates of German universities, and they knew well the ideas and policy recommendations of the most prominent representatives of German historicism (Nenovsky and Penchev, 2016).

The Bulgarian state had begun to pursue a policy of protectionism and encouragement of local industry since the end of the nineteenth century. This policy was supported by a large number of economists in the country, united in the Bulgarian Economic Society. As noted in the 1930s by Konstantin Bobchev, a professor at the Sofia and Free University, on the occasion of the 40th anniversary of the establishment of the Bulgarian Economic Society:

"... over the entire 40-year period, we have to find that there is no major contradiction between the Bulgarian economic and political practice expressed in the protectionist policy of the Bulgarian governments and the Bulgarian economic thought, to which undoubtedly the Economic Society is one of the main exponents. It is not that every act of protectionist policy has found the approval of the Economic Society ... But on the principle question about the necessity of protection for the creation of a national industry and the economic justification of this protection, it was not in contradiction with the policy of governments" (Bobchev, 1935: 466)

It was Konstantin Bobchev's who had the idea of developing a new theory of international trade which justifies the old concept of the German Historical School in favor of protectionism and, in this sense, which is in the spirit of dirigisme. He was well prepared for this purpose - he studied in Bulgaria, Russia, and Germany, and in 1934-

12 The Bulgarian economists during the 1930s were well aware that there is a very close relationship between protectionism and dirigisme. It is not accidental that N. Agunsky (1937: 103) calls protectionism "a subconscious form of a dirigiste national economy".
with a scholarship from the Rockefeller Foundation, he specialized in London School of Economics\(^\text{13}\) (Nenovsky and Penchev, 2013).

He explains the necessity of a new theory of international trade with the remark that all previous theories (except for that of B. Olin) were based on the labor theory of value, which had long been rejected in economics. According to Bobchev, Ricardo's thesis of comparative advantage, as well as the quantitative theory of money, which justify the mutual benefit of free trade, could not stand a scientific criticism for a number of reasons. The analysis of Ricardo's concept shows that it is based on static assumptions - that labor is equally skilled and combined with "proportional capital" in all production processes. Bobchev believes that abandonment of these classical theory assumptions would reveal the meaning of "what we can call the formation and transformation of productive means" (Bobchev, 1935: 471). Even if we assume that the quantity of the means of production is fixed, it is necessary to know how much of them are actually engaged in production. In addition, it is possible that incomes that have gone to consumption in the past to become capital at some point, or that untapped natural forces to "get involved in the production process". In essence, Bobchev offers a version of the so-called "sacrificial" and "non-sacrificial" development of the productive means, proving that the "non-sacrificial" economic development is possible under the conditions of protectionism (Nenovsky and Penchev, 2013). Bobchev summarizes his contribution to the construction of a new theory of protectionism the following way: the theoretical statement "Protectionism cannot bring about an increase in the welfare of the countries taking part in international exchanges" should be replaced by a new one:

"... protectionism could bring about an increase in the welfare of a country where the means of production in it could be subjected to a positive development (i.e. the amount of the means employed may increase or their quality improve) and where the profit, associated with such a development is greater than the net loss associated with any protection" (Bobchev, 1938: 601).

Bobchev's theoretical justification of protectionism and of development the national economy's productive forces was considered also as a tool for overcoming the unemployment. This clearly brings him closer to Keynes's theoretical concepts, which he personally valued highly (Bobchev, 1938: 604). His closeness Keynesian ideas of the role of so-called "animal spirits" and their role in the provocation of economic instability is clearly visible in Bobchev's statement that entrepreneurs tend to be enthusiastic and overoptimistic in the presence of favorable business conditions. This

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\(^{13}\) While in England, Bobchev wrote and published an article in which he traces the return of this country to protectionism. He argues that this change is not caused just by the Great Depression and the consequences of the First World War but that is is a manifestation of a trend that could be traced to the years when England firmly adhered to free trade policy (Bobchev, 1935a).
erroneous assessment on their part contributes significantly to the instability of the economy. It is in this plan that we could interpret Bobchev as a follower of Keynes, whose theories he knew well and appreciated highly.

**d) Neoclassicism and Public choice predecessors.** As predecessors of Public choice, in this case, we have in mind two Bulgarian authors: professor Venelin Ganev and professor Stancho Cholakov. The first one was a lawyer, he graduated in Leipzig and Geneva, and then became a professor of corporate law at the Sofia University, the second one was a professor of finance at the Higher School of Commerce in Varna, and a former director of Hranoiznos, he studied state sciences in Berlin in 1928 and specialized in 1937/1938 in France (Roussev, in print).

They opposed the authoritarian regime in Bulgaria during the Second World War. In their academic endeavors, they focused on the administrative issues related to the theory and practice of dirigisme. This approach is logical because the functioning of the dirigiste economy implies an increase of the role and functions of the administrative apparatus, which is responsible for the enforcement of the various laws and ordinances and which, supposedly, has to base its activities on the public interest only. The works of these two authors did not reach conclusions that could be defined as part of the Constitutional political economy or of Public choice. However, in some of their statements, we could identify motifs characteristic of these schools in economic thought.

In 1942 they both published interesting and important articles on the dirigiste economy.

Prof. V. Ganev notes that, in its essence, the idea of dirigisme is not new. The only new element he distinguishes in current discussions and practice is that in the past the dirigiste economy was seen as a temporary system appropriate for extraordinary conditions, whereas in the 1930s and early 1940s it is considered as a better form of organization of the national economy. According to V. Ganev, the main prerequisites for the implementation of the dirigiste economy were three:

the institutions and the persons who are in charge have "perceived in a perfectly correct and completely adequate way" all the economic problems that have to be solved;

on this basis, they have chosen "the most correct and objectively the most adequate means" that could solve the problems;

in all their actions, the persons in charge are inspired by an "objectively correct idea of justice" (Ganev, 1942: 235).

Later on, the author emphasizes that the state officials who enforce the measures of the dirigiste economy must be "absolutely" conscientious (Ganev, 1942: 245). The
missing element in V. Ganev's article - which would surely bring him closer to the Public choice - is the clear conclusion that such conditions are just a wishful thinking and that they cannot be realized for a number of reasons.

From the point of view of the theory of the dirigiste economy, V. Ganev made another interesting and important observation. He believed that this economic system is based on the assumption that when the state, led by some rationalistic motives, introduces certain policies all the other participants in the economic life would simply follow the rules. However, the processes in the economy, according to Ganev, are too complex and this assumption is unrealistic (Ganev, 1942).

Prof. St. Cholakov also criticized the potential of the dirigiste economy to replace successfully the economy whose fundamental principles are free initiative and private ownership. At a time when economic liberalism and its achievements were under severe criticism from left and right, Cholakov wrote that "Freedom of personality is the most powerful tool for the cultural advancement of mankind" (Cholakov, 1942: 252). He speaks positively about so-called creative or public liberalism, which was the idea of the French philosopher L. Rougier14. Cholakov believed that by the means of free competition liberalism stimulates strongly the productive processes and thus improves living standards. He personally was not a supporter of the classical liberalism and wrote that liberalism carries in itself the germ of its own denial, because competition ultimately leads to a situation where there are winners and losers and that the winners in economic game form monopolies. It also affects adversely the interests of the poorer population groups. This gave him reason to believe that after the end of the war, the policy of state regulation of the economy is much more likely to continue. He regarded such a policy as a guarantee for the protection of the weaker social strata (Cholakov, 1940: 331).

Just like V. Ganev, prof. Cholakov noted that the dirigiste economy could face serious problems, which are a result of the increased role of bureaucracy. In essence, the dirigiste economy is bureaucratic, and this predetermines the important role of government officials. There is no guarantee that civil servants who are in charge of enforcement of the regulations would be sufficiently vigilant, prepared and flexible enough to achieve the policy goals. It is not realistic to expect that all civil servants "are equally inspired by the idea of justice in order to achieve a just distribution of wealth and income among individuals". The excessive power of the administrative apparatus had a potential for abuses and may be detrimental to society (Cholakov, 1942: 261).

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14 After the end of WWII, L. Rougier, at the invitation of Friedrich Hayek, became a member of the Mont Pelerin Society, the famous organization that brings together classical liberals
The neoclassical core was not the only research paradigm of the theoretical analyses of dirigiste economy. In some publications, we could also find analyses that clearly were not part of the orthodoxy. Among these were the publications influenced by K. Marx and various later Marxist concepts. For example, T. Romanov (1936) in his article "The Capitalist, Dirigiste and Planned Economy", based his conclusions on the Marxist concepts that the main driver in the historical development of mankind is the technical progress, and that, along with economic progress, capitalism increases contradictions between workers and capitalists. These are the preconditions for the increase of the state intervention in the economy and for the birth of the dirigiste economy. According to Romanov it is a transitional phase from capitalism towards a fully planned economy in which there will be no private ownership of the means of production.

P. Lestov (1939) tried to base his analyses on the dirigiste economy on the "achievements" of German National socialist political economy. According to him, the nature of Italian fascist economic theory was political rather than a scientific. The theory of National Socialism is different. The essence of the new theory, as interpreted by Lestov, is quite vague. Its main points were: the rejection of the neoclassical concept of homo economicus, the claim that the economic and material life is only one side of the nation's life, and the national wants and needs are not the sum of individual wants and needs, the main purpose of the economy is to reach the highest possible prosperity of the nation, etc. In the end, just like the corporatist theorists in Italy and the German National socialist theorists, the Bulgarian author failed to formulate some new or original economic theory that could replace the neoclassical. Lestov just criticized and rejected the mainstream economic concepts.

These approaches to the dirigiste economy in comparison to those based on the neoclassical core are significantly poorer in terms of original analyses and conclusions. This probably is due to the fact that, despite the attempts, the National Socialists fail to offer some sophisticated theoretical rationale for their economic ideas, principles, and policies. As far as Marxism is concerned, during this period its theory gradually falls into the trap of Stalinist interpretations, which deprived Marxist practitioners of opportunities for original contributions.

IV. Concluding remarks

During the 1930s and early 1940s, the Bulgarian economists discussed in depth some of the key features of the dirigiste economy. Their discussions were influenced by the

15 During the interwar period Marxism was not rather popular in academia. For this reason we do not discuss Marxian concepts of the economists.

16 Lestov, considers as the most prominent theoretician of National Socialism Jens Jessen (1896–1945). In fact prof. Jessen was executed at the end of 1944 as an enemy of the Hitlerite regime. In the early 1930s, however, he showed sympathy for National Socialist ideology (for more details on J. Jessen, see Schmolders, 1948).
historical context. They show a good level of knowledge about the most influential works and authors of these issues in the world literature. The authoritarian regime established after 1934 in the country made attempt to implement some of the practices characteristic of fascist Italy. Most of the economists, however, were rather skeptical of the dirigisme. There were no attempts made by the authoritarian regime to impose a "correct" ideological paradigm within which to limit scientific discussions. This regime differs from the Communist regime established after 1944 in the country because the latter imposed an unconditional acceptance of the Marxist postulates.

The neoclassical meta-theory allows Bulgarian economists to analyze adequately the dirigiste economy. In general, they were united by the critical attitude towards it and towards the means used by the governments in their economic policy. In certain cases only protectionism could have had a positive impact on the economic development of more backward states, but this statement is not valid always and everywhere. In the perspective of the general economic development of the world and the economic theories of the twentieth century, the analyses of the Bulgarian economists show a good understanding of the fact that the dirigisme would continue to be a major characteristic of the economic policy in the next decades. At the same time, they pointed out some of the essential issues that would lead to its abandonment in the 1980s.

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