

# **The Evolution of Bulgarian Land Tenure Institutions: An Application of the Social Conflict Theory**

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## **Abstract**

This paper studies the evolution of the land tenure institutions of Bulgaria, an Eastern European country in transition from a socialist centrally planned to a capitalist market economy. The focus is on the period 1839–1878 during which the country was still under Ottoman rule and on the period after liberation, 1878–1944. The major factors which determined the shape of these institutions and the mechanisms of transition between land tenure regimes are identified and analyzed by critically evaluating two theories of institutional change — the efficiency theory developed by Demsetz (1967) and the social conflict theory developed by Acemoglu, Johnson, and Robinson (2005). Consistent with the latter theory, the paper argues that political institutions and the distribution of resources determined the prevailing political balance which in turn determined the structure of land tenure institutions during those two periods. The process of institutional change during 1839–1878 was endogenous to the Ottoman Empire but exogenous to Bulgaria as the institutions of the latter were embedded into those of the former. The shift to the post-liberation land tenure regime (1878–1944) was an endogenous process but the initial source of prevailing political power was an external factor — the Russian occupation forces. The paper suggests that the social conflict theory be expanded to include the embeddedness factor and the role of external factors in the process of institutional change.

Keywords: Political Institutions, Economic Institutions, Property Rights, Land Tenure, Embeddedness

JEL Classification: N13, N43, O52, P48

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## I. Introduction

In the field of New Institutional Economics (NIE)<sup>2</sup>, institutions are defined as “the rules of the game in a society or, more formally, [as] the humanly devised constraints that shape human interaction” (North 1990, 3). Since Coase’s (1937; 1960) analyses of the nature of the firm and of the problem of social cost, North and Thomas’s (1973) and North’s (1981) analyses of the causes of economic growth and performance, the study of institutions has arisen as, and continues to be, a promising field in which to explore the origins of development or underdevelopment.<sup>3</sup>

The emergence and evolution of economic institutions, such as property rights, is a phenomenon that institutional economists have explained in different ways.<sup>4</sup> A well known and much followed theoretical framework on the evolution of property rights is provided by Demsetz (1967) who argues that “... the emergence of new property rights takes place in response to the desires of the interacting persons for adjustment to new benefit-cost possibilities.” According to this theory, economic reasoning is the main driver of institutional change: ‘calculating’ the costs and benefits of economic institutions, interacting individuals tend to choose those property rights arrangements which are more beneficial or efficient for them.

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<sup>2</sup> The term New Institutional Economics was introduced by Williamson (1975, 1) to differentiate the current approach to the study of institutions in the original institutional economics school of thought. Born within and building on the framework of neoclassical economics, the NIE modifies and extends the neoclassical theory by attempting to incorporate a theory of institutions into economics (North 1995, 17). As North emphasizes, while keeping the assumption of the neoclassical orthodoxy that self-seeking individuals attempt to maximize objectives under scarcity and hence competition, the NIE relaxes the assumptions of instrumental rationality, zero transaction costs, and perfect information. The facts that in the real world information is imperfect, and that, due to their different mental models, individuals perceive and view differently the workings of this world, is the starting point which brings the NIE to the concept of transaction costs (Harriss, Hunter, and Lewis 1995, 3). Transaction costs are broadly defined as the costs of obtaining relevant information on prices, of negotiating, concluding, monitoring, and enforcing contracts. The level of these costs is determined by the institutions and institutional arrangements of societies which thus are viewed as the means of reducing information and transaction costs (Harriss, Hunter and Lewis, 3). Therefore, it is hypothesized that the institutions of a country such as its legal systems, property rights, and organizations, both political and economic, are the key determinants of its economic performance (North 1990; 1995). With this new direction, the NIE aims to explain what institutions are; what the determinants of institutions are; how institutions emerge, evolve and change; what purposes they serve; how they affect economic performance, efficiency and distribution; and, if necessary, how they should be reformed (Klein 2000, 456).

<sup>3</sup> The social sciences literature offers many diverse approaches to the conceptualization, modeling, and analyzing of institutions. Through a variety of theories and methodologies scholars from different schools of thought have sought to explain issues such as whether, why, and in what way institutions matter for development; how institutions evolve and change; why institutions differ across economies and societies; how they affect the economic and political performance of societies; and what critical factors, endowments, policies, or arrangements have led institutions to develop or evolve in the way they have. Despite the differences in methodologies, there seem to be a consensus among scholars that institutions have a significant impact on the economic development of societies. For a detailed review see Acemoglu, Johnson, and Robinson (2001, 2002a, 2002b, 2005a, 2005b); Clague et al. (1997); Davis and North (1971); Eggertsson (1990); Engerman and Sokoloff (2001); Furubotn and Richter (1997); Hall and Soskice (2001); Knack and Keefer (1995); North (1981, 1990); North and Thomas (1973); North and Weingast (1989); Olson (1965); Ostrom (1990); Rodrik (1996, 1999a, 1999b); Rodrik, Subramanian and Trebbi (2004); Streeck and Thelen (2005); Williamson (1985, 1994, 2000).

<sup>4</sup> See Blum (1957), Boserup (1965), Deininger and Feder (1999), Domar (1970), Libecap (1989), North (1981), North and Thomas (1973), Pettengill (1979).

Another theoretical framework was recently provided by Acemoglu, Johnson and Robinson (2005b)<sup>5</sup> who argue that economic institutions are most often chosen by the groups in control of political power in a society at a given time. Since these groups are usually concerned with maximizing their own rents, they will choose to introduce those economic institutions which will provide the greatest benefits for themselves, rather than those which will provide the greatest benefits for the society as a whole. In other words, the driving forces of institutional change in society are the distributional consequences and implications of economic institutions which would maximize the utilities of the ruler or political power at a particular time.

No matter how different the two theories, they share one significant feature in common: both view the institution of property rights as being endogenous, that is, as emerging within society. The theory of Demsetz has met with skepticism and has been criticized primarily for its failure to (1) define the factors that determine the costs of a property rights regime and the form that emergent property rights are likely to take (Merrill 2002); (2) specify the mechanisms by which the transition from one property rights regime to another actually occurs (Banner 2002); (3) take into account the role of the state and the political processes involved in the creation of property rights (Field 1981; Libecap 1986, 1989; Wyman 2005); and (4) explain the pervasive presence and persistence of inefficient institutions across societies (AJR 2005b). As a rather newer contribution to the literature of institutional change, the plausibility of the theory of AJR (2005b), on the other hand, remains to be evaluated in the literature.

The lack of a consensus on the ways in which the institution of property rights emerges and evolves is the motivation for this paper. The rather turbulent history of land tenure institutions in Bulgaria presents one specific example of the evolution of the institution of property rights to land. The goal of this paper is to use this example in order to critically evaluate the evidence on land tenure institutions as it relates to the theories of Demsetz and AJR.

In the period from the mid-19<sup>th</sup> century to the present, Bulgaria experienced four different systems of land tenure institutions. They can be defined as the land tenure of: (1) the late Ottoman Bulgaria, which lasted from 1839 to 1878; (2) post-liberation Bulgaria, which lasted from 1878 to 1944; (3) communist Bulgaria, which was in place between 1944 and 1989; and (4) transitional Bulgaria, which was introduced in 1991 and continues to the present. Three major shifts in land tenure institutions in a span of 150 years offer an interesting example of the evolution of land tenure institutions. The analysis of all four regimes and the three transitions between these regimes would be a valuable contribution to the literature of institutional change. For the purposes of this paper, however, only the first two regimes and the mechanisms of transition between them will be examined. The subsequent two transitions will be subject for future research.

The objectives of the paper are: (1) to identify the major factors which influenced the decisions to reallocate property rights to land during the third quarter of 19<sup>th</sup> century and the beginning of 20<sup>th</sup> century; (2) to identify the mechanisms which provided for the shift from the first to the second set of land tenure institutions; and (3) parallel to these goals, to critically evaluate the evidence on the land tenure institutions of Bulgaria as it relates to the above mentioned two theories of institutional change.

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<sup>5</sup> From now on the joint works of Acemoglu, Johnson, and Robinson will be referred to as AJR.

The paper is organized as follows. Section II provides a literature review and discusses the theories of institutional change proposed by Demsetz (1967) and AJR (2005b). Section III provides a historical background of Bulgarian land tenure institutions existing prior to 17<sup>th</sup> century and a slightly more detailed discussion on the developments in those institutions in the period between 17<sup>th</sup> and 19<sup>th</sup> century. The goal of this section is to provide historical background which will be used and referred to in the following sections. Section IV critically evaluates the process of transition to the land tenure institutions introduced in 1858, describes those institutions, and identifies the major factors which influenced their evolution. Section V analyzes the mechanisms by which the 1878 transition to the post-liberation regime was accomplished and discusses the evolution of the post-liberation land tenure institutions. In parallel to their historical narratives, sections IV and V critically evaluate the evidence as it relates to the two theories of institutional change. Section VI concludes.

## **II. Two Approaches to the Evolution of Property Rights to Land**

This section discusses the two theories of institutional change which will be used to evaluate the evolution of Bulgarian land tenure institutions in the following sections of the paper.

### **II. 1 The Efficiency Approach**

In a world of scarcity and change, competition for the right to use resources is inevitable (De Alessi 2003). Most economists take precisely this reality as a starting point to explore property rights to land and develop theories about their evolution. Indeed, the dominant view offered by the new institutional economics literature is that, as the value of a resource increases, the gains from its privatization eventually exceed the costs of defining and enforcing private rights over it and so individual property rights emerge and develop as the most economically efficient arrangement (Baland and Platteau 1998). Thus determining why value increases explains why private property rights emerge.

The analysis of the question of how a particular land tenure system emerges and evolves is often based on the theoretical framework of property rights provided by Demsetz (1967). Demsetz describes property rights as an instrument of society which derives significance from the fact that they help a man form those expectations which he can reasonably hold in his dealings with others and which are expressed in the laws, customs, and mores of a society. Emphasizing that “property rights convey the right to benefit or harm oneself or others” (p. 347), Demsetz further clarifies that “property rights specify how persons may be benefited and harmed, and, therefore, who must pay whom to modify the actions taken by persons” (p. 347).

Elaborating on the close relationship between property rights and externalities, Demsetz identifies “guiding incentives to achieve a greater internalization of externalities” (p. 348) as the primary allocative function of property rights.<sup>6</sup> Consequently, viewing property rights as endogenous, he hypothesizes that “property rights arise when it becomes economic for those affected by externalities to internalize benefits and costs” (p. 354).

As rephrased by Demsetz, the thesis states that “...the emergence of new property rights takes place in response to the desires of the interacting persons for adjustment to new benefit-cost possibilities” (p. 350). This implies that property rights emerge spontaneously within society, in response to economic forces. Therefore, the evolution of property rights is an endogenous, bottom-up process that is heavily motivated by economic reasoning, particularly by concerns of achieving economic efficiency. It has to be noted that in the case of Western societies, Demsetz recognizes gradual changes in social mores and in common law precedents as equally important factors contributing to the emergence, changes, and adjustments in property rights. Therefore, it can be concluded that, for Demsetz, property rights operate within a social, legal, and economic paradigm.

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<sup>6</sup> Acknowledging the ambiguity of the concept, Demsetz defines externality as including external costs, external benefits, pecuniary, and non-pecuniary externalities. As he explains, “what converts a harmful or beneficial effect into an externality is that the cost of bringing the effect to bear on the decisions of one or more of the interacting persons is too high to make it worthwhile, and this is what the term shall mean here” (p. 348). Internalizing externalities, on the other hand, is described as “a process, usually a change in property rights, that enables these effects to bear (in greater degree) on all interacting persons” (p. 348).

In support of this thesis Demsetz presents anthropological evidence related to the Montagnes, the American Indians who inhabited regions around present day Québec, Canada. The evidence suggests that unlike the Indians of the American Southwest, the Montagnes had a well-established system of property rights to land, which, Demsetz argues, emerged as a result of the advent of fur trade. As the value of furs to the Montagnes increased considerably, the scale of hunting activities rose sharply which in turn brought the increased consideration of the externalities related to free hunting. Demsetz concludes that the property rights system began to change precisely in a way that takes account of the economic effects brought by the fur trade.

Many studies followed and expanded Demsetz's insights to the nature of property rights. Whether in a broader framework (Davis and North 1971; De Alessi 2003; Libecap 2003; North and Thomas 1973, Williamson 1979, 1985), or in a narrower one (Alchian and Demsetz 1973; Anderson and Hill 1975; Anderson and Lueck 1992; Cheung 1971), analyses focus of economic variables as the main factors influencing property rights and suggest that decisions with respect to property rights are determined by considerations of interacting persons for the marginal benefits and costs of activities. In other words, property rights tend to be allocated and reallocated in the direction of efficiency. It has to be noted that while the endogenous nature of property rights and the search for efficiency are emphasized as the main forces behind the evolution of property rights, legal origins, historical accidents, ideology, factor endowments, entrepreneurship (with respect to property rights), the state and political institutions are recognized as important factors influencing the direction of change in property rights arrangements.

Not surprisingly, this generally accepted theory of evolution of property rights is open to criticism. Baland and Platteau (1998) draw attention to two major limitations. The first is a methodological problem concerning an unavoidable selection bias resulting from the fact that we are only able to observe resource systems and societies that have persisted<sup>7</sup>; the second is that the range of the considered evolutionary patterns has been too narrow.<sup>8</sup> Regarding the latter issue, Baland and Platteau point that "Suboptimal evolutionary patterns actually reflect the fact that forces other than efficiency may be at work in human societies" (p. 647) and identify three such possible forces: the role of the state, the influence of cultural and social norms (later defined as social capital), and the distributive consequences of institutional change.

Drawing on a number of examples, Baland and Platteau demonstrate that the influence of the state can lead to the direction of both efficiency and inefficiency and that in many cases state interventions can and have disturbed the evolutionary sequence of property rights. With respect to social capital, they emphasize that evolution depends on the initial stock of social capital — if distrust, defection, shirking, and exploitation are initially prevalent in society, cooperation and collective regulation will be hard to achieve and so it is unlikely that property rights will emerge.

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<sup>7</sup> Baland and Platteau hypothesize that if the case was such that property rights evolve in a completely haphazard manner, in the long run, only those arrangements that survived as a result of better adaptation would be possible to observe. This, however, may not always be the case — for example, the post-liberation land tenure regime of Bulgaria did not persist, yet we are able to observe it.

<sup>8</sup> Here Baland and Platteau consider the overlooked "possibility of degeneration into an open access regime owing to a lack of adaptability of the society concerned" (p. 647).

As for the third possible force, new institutional arrangements often lead to division of resources which can result in changes in individual status and therefore threaten the existing social balance. Consequently, community decisions may often be biased in favor of the status quo.

Demsetz' efficiency theory of property rights has been embraced by many new institutional economists and long represented the NIE's view of institutions. Therefore, both the theory and the NIE has been often criticized for ignoring, omitting or failing to take political considerations into account in their analysis (Bates 1995; Eggertsson, 1990; Toye 1995). Indeed, the role of the state, its politics, and political institutions has been increasingly considered as a driver of significant importance in the evolution of property rights and the political character of property rights has been emphasized by many (Acemoglu, Johnson and Robinson 2005b; Alston, Libecap, and Schneider 1996; Banner 2002; Levmore 2002; Libecap 1989; North 1981, 1990; Sened 1997; Wyman 2005). In fact, AJR, Banner, Libecap and Sened view property rights as determined and created through political processes. Wyman (2005, 125) suggests "theoretical and empirical arguments for reorienting prevailing positive theories of the evolution of property rights to reflect the significance of the decision-making rules in the political process by which private property typically is formed."

Another important issue in the context of this research is that Demsetz's theory fails to specify the mechanism(s) by which the transition to the more efficient property rights regime occurs (Banner 2002). Banner points out that one cannot simply assume that property rights emerge spontaneously as a result of actors' realizing their benefits or in response to new cost/benefit considerations; whether produced formally by a government or informally by the members of a community, the production of property rights necessarily requires collective action. Therefore, no transition can be carried out unless a society has some way or mechanism to overcome the obstacles to collective action inherent in the process. In discussing the missing mechanisms of transition, Banner (2002, S359) hypothesizes that "societies reallocate property rights when some exogenous political realignment enables a powerful group to grab a larger share of the pie." Like Baland and Platteau (1998), Banner argues that if property rights evolve or transitions between regimes occur for reasons other than efficiency, then one would expect to see more inefficient institutions. Furthermore, he asserts that the decision to replace one property regime with another is a political decision and that regardless of the nature of transition (efficient or inefficient) a political mechanism has to be in place if the transition is to be accomplished. In other words, the Demsetz approach can not answer the question of why many societies, in their past and present, choose to establish institutions that can be described as inefficient or at least unbeneficial for large segment of its members. As Acemoglu (2004) emphasizes, "Empirically, the efficient institutions view cannot help us understand why some societies adopt institutions that were disastrous for economic growth."

## **II. 2 The Social Conflict Approach**

AJR (2005b) develop a framework for examining the path of institutional change based on the *social conflict view* of institutions which holds that (p. 427):

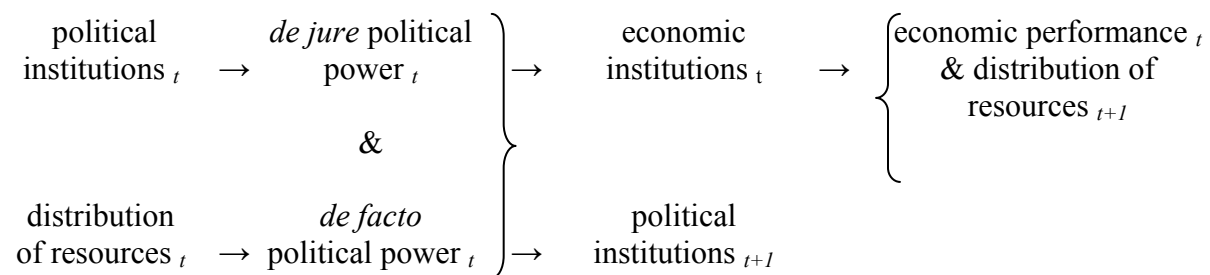
Economic (and political) institutions are not always chosen by the whole society (and not for the benefit of the whole society), but by the groups that control political power at the time (perhaps as a result of conflict with other groups). These groups will choose the

economic institutions that maximize their own rents, and the economic institutions that result may not coincide with those that maximize total surplus, wealth, or income.

In other words, the social conflict view maintains that the driving force behind the emergence of institutions and institutional change are the self-interests of the ruler or the groups in political power at a particular time. Therefore, preferences concerning institutions are determined by their distributional consequences or implications for those who are in power.

AJR expand on the work of North (1981) in which North “abandoned the efficiency view of institutions”<sup>9</sup> and developed a model of the state as the organization that specifies and enforces property rights (p. 7) and whose ruler(s) were characterized as self-interested and wealth- or utility- maximizing agents (p. 23). As rulers define and assign property rights in their self-interest, one would expect that those property rights will certainly be beneficial for the ruler but not necessarily for the society as a whole. Therefore, the outcome of institutional change can lead in the direction of either efficiency or inefficiency. In fact, North argues that the widespread tendency of the states to produce inefficient property rights is a fundamental aspect to economic history (p. 23).

AJR (2005b, 392) suggest an analytical framework which is schematically represented as follows:



The first two building blocks of this framework are two state variables: the political institutions of a society at a given time  $t$  and the distribution of resources in a society at time  $t$ . Political institutions refer to the form of government (e.g. monarchy, constitutional monarchy, democracy, dictatorship) which determine the constraints on and the incentives of actors in the political sphere. They also include the extent of constraints on politicians and political elites. Hence, such a relationship is schematically represented in the above framework as:

$$\text{political institutions}_t \rightarrow \text{de jure political power}_t$$

Distribution of resources, on the other hand, refers to the economic resources which can provide for the acquisition of de facto political power by a group of people who have no power allocated by political institutions. Economic resources, according to AJR, determine de facto political power because they determine both the ability of the group to use (or misuse) existing political institutions and the option of the group to hire and use force against authorities or other, different

<sup>9</sup> This is the expression of North in North (1990, 7).



groups. Another source of *de facto* political power noted by AJR would be the ability of such a group to collectively organize revolts, use arms, hire mercenaries, co-opt the military, or use economically costly but largely peaceful protests against authorities to achieve their own goals. This second type of source, however, falls outside the scope of the above framework since, as explained by AJR, “we do not yet have a satisfactory theory of when groups are able to solve their collective action problems” (p. 391).<sup>10</sup> Therefore, the relationship between distribution of resources and *de facto* political power is represented schematically as:

**distribution of resources  $t$**                        $\rightarrow$                       ***de facto* political power  $t$**

The distributions of *de facto* and *de jure* political powers at time  $t$ , in turn, affect both the choice of economic institutions at time  $t$  and the political institutions at time  $t+1$ , that is to say, the evolution of future political institutions. Hence, the following relationship:

<b><i>de jure</i> political power <math>t</math></b>	}	$\rightarrow$	<b>economic institutions <math>t</math></b>
<b>&amp;</b>			
<b><i>de facto</i> political power <math>t</math></b>		$\rightarrow$	<b>political institutions <math>t+1</math></b>

As explained above, *de jure* (institutional) political power is the power of governing bodies derived from the political institutions of society which determine the constraints on and the incentives of key political actors. *De facto* political power, on the other hand, is the power of a group of people that is derived from the distribution of resources in society. In other words, it is the political power acquired by group of people by means of opposition, either peaceful or violent, and exercised upon those with *de jure* political power with the purpose of imposing their wishes on society.

Finally, economic institutions are identified as the determinants of economic performance at time  $t$  and the distribution of resources in the future. Studying this relationship falls out of the scope of this study, so for the purposes of the paper, it will be left aside.

AJR clarify the notions involved in the framework with the example of property rights development in Europe during the Middle Ages. Until the 17<sup>th</sup> century, the prevailing form of government was monarchy, the political institutions of which provided for a substantial, if not unlimited political power of the ruling monarch. Changes in the English land market and the expansion of Atlantic trade in the 16<sup>th</sup> and 17<sup>th</sup> centuries provided the growing economic resources by which landowners and merchants could acquire *de facto* political power. That political power grew enough to enable the merchants and the gentry to field military forces capable of defeating the king. The change in the distribution of political power resulted in a change in the economic institutions in favour of merchants and landowners whose interests were in securing their property rights.

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<sup>10</sup> AJR seem to ignore the works of Ostrom (1990) and Agrawal and Ostrom (2001).

The framework is further supported by a series of historical examples from across the world, including the transformation from feudal labor market institutions towards modern notions of a free labor market in Eastern and Western Europe, a comparison of the evolution of financial markets in the United States and Mexico, and a comparison of the regulation of prices in agricultural markets in Africa and Latin America.

AJR view political institutions, the distribution of political power (both *de jure* and *de facto*), and economic institutions as endogenous elements since they are determined as collective choices of society despite potential disagreements among various groups. The persistence of the behaviour of the system is explained by the durability of political institutions as well as the extent to which a particular group is rich relative to others. Nevertheless, “shocks” such as changes in technologies and the international environment are emphasized as potential mechanisms modifying the balance of *de facto* political power and hence, leading to major changes in political institutions.

As mentioned in the introduction to this paper, the applicability of AJR’s theoretical framework to other cases remains to be evaluated in the literature. It is obvious, however, that this framework presents a sophisticated process for the evolution of property rights and incorporates many important aspects of society. It accounts for the role of political institutions, economic and social resources as the driving forces behind the acquisition of political power by groups with conflicting interests, and ultimately the determining role of this power over the choice of a particular set of institutions. It can also provide an account for the mechanisms of transition between different property rights regimes as well as explain the existence and persistence of inefficient institutions. In the following sections of this paper the evolution of the land tenure institutions of Bulgaria will be used to critically evaluate the relevance of the theories of Demsetz and AJR.

### **III. Historical Background**

This section provides a historical background of Bulgarian land tenure institutions existing prior to the 19<sup>th</sup> century. A brief overview is provided for the period prior to the 17<sup>th</sup> century and a slightly more extended discussion is provided for the period between the 17<sup>th</sup> and 19<sup>th</sup> centuries. Critical evaluation of the evolution of these institutions during the latter period falls outside of the scope of analysis of the paper but the information provided is related to the developments in the 19<sup>th</sup> century which is the period on which the paper focuses. Nevertheless, to the extent that the evidence presented allows, it will briefly be related to the two theoretical frameworks discussed in Section II.

#### **III. 1 The Ancient and Medieval Periods (681–1393)**

Bulgaria is located in South Central/South East Europe, in the heart of the Balkan Peninsula. The country borders on Romania to the north, the Black Sea to the east, Turkey and Greece to the south, the Former Yugoslav Republic of Macedonia, Serbia, and Montenegro to the west. Organized social life existed on the lands constituting the state of present Bulgaria since the middle Palaeolithic period, from c. 100,000 to 40,000 BC (Crampton 1997, 1). Following the Thracians, the first known civilization to dominate the territory of the country, these lands were successively occupied by the Greeks, Persians, Macedonians, and Romans.

From third century BC until fourth century AD the region became part of the Byzantine Empire so the lands were governed by the strict Roman rule, which provided a degree of unity and stability never enjoyed before or since in the region (Crampton 1997, 4). Taking advantage of the decline in Roman power, however, pagan Slavonic tribes successfully invaded and settled in the region in the period between fifth and seventh century.<sup>11</sup> The predominantly agricultural Slavs did not recognize private property and based their relationships on the *zadruga* (MacDermott 1962, 15; Tsonev 1948, 7). Rooted in the patriarchal tradition of the Slavs, *zadruga* was a form of extended household organization, typically composed of a few biologically related families which commonly owned and managed their land, labour, and means of subsistence (Todorova 2002, 123; Tsonev 1948, 7).<sup>12</sup> Becoming a common feature of all Balkan nations, in many regions of Bulgaria the practice of *zadruga* survived up until the beginning of the 19<sup>th</sup> century. In the seventh century, the Proto-Bulgars<sup>13</sup> invaded the region and allied with the Slavs to create a Slavo-Bulgar State in 681. This state is known as the first Bulgarian state, which later established itself as the first recognized Slavic state in the world (Cholpanov 1993, 7).

The geographical position of the Bulgarian state was on the crossroads between the East and the West, the North and the South, at the junction of trade routes in close proximity to the straits of Bosphorus and Dardanelles (Hellespont) and connecting the continents of Europe and Asia. Such a position was strategic but also unfavourable as it exposed the state to threats from nations coming from the South, the North-east and the North-west to compete for land and influence in the region (Cholpanov 1993, 5-6). After a number of invasions, border expansions and contractions, the first Bulgarian Empire was established in 896; it was based on the first Slavo-Bulgar state and expanded substantially until 927.

Private property along with tribal aristocracy emerged in the eight century. Increased Byzantine and Slavic cultural influence on Bulgarians followed the acceptance of Orthodox Christianity and of the Slavic alphabet at the end of the ninth century.<sup>14</sup> As a result of weakening in the central authority of the state, there was a steady increase in the economic and social power of the landowner in the tenth century. The Church, in particular, was a landowner with extensive property (Crampton 1997, 18). In 1018, the country fell under the rule of the Byzantine Empire, lost its autonomy for a century and a half, and was subject to hellenization.<sup>15</sup>

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<sup>11</sup> The Slavs were only loosely knit into tribes; they lacked a single permanent leader and took decisions by popular assemblies. Temporary leaders might be elected in time of war or danger but, in general, anarchy would prevail in their tribal organization (MacDermott 1962, 16).

<sup>12</sup> The head of *zadruga* was usually its oldest male member.

<sup>13</sup> The Proto-Bulgars were a tribe which originated in Central Asia, in the region between the Urals and the Volga and were comprised of various ethnicities of Turkic origin. They were a nomadic, cattle-rearing people, well-disciplined, skilled in military arts and led by an autocratic ruler, who was at the same time their chief priest (MacDermott 1962, 16).

<sup>14</sup> Bulgaria is known as the cradle of Slavonic written culture. It was from Bulgaria that the Russians obtained their alphabet and church books when accepting Christianity in 988 (MacDermott 1962, 17).

<sup>15</sup> According to MacDermott (1962, 20), Bulgarian clergy, schools and language were replaced by Greek and Bulgarian literary documents were deliberately destroyed. Bulgarian scholars consider this period as the first “lost” period in Bulgarian history as it is believed that “the Byzantine rule caused a chasm in Bulgaria’s development and reversed many of the gains made in the previous three centuries” (Dimitrov 2001, 3).

During the eleventh and twelfth centuries (1018-1185), when Bulgaria was ruled by the Byzantine Empire, the *pronoia*, a land-holding form where the holders of land had the right to its produce but could not pass it on by inheritance, was in effect (Crampton 1997, 23). The decline of the Byzantine Empire and accompanying increasing taxation levied by the imperial government in order to feed its army sparked a revolt led by two influential landowners. The revolt was successful in regaining independence and led to the establishment of the Second Bulgarian Empire, which lasted for two centuries (1185-1393). This period is, again, characterized by political instability due to internal and external political strife, expanding territory and power along with internal disorder and social chaos (Curtis 1993, 7). The second mediaeval Bulgarian state fell to the Ottoman Empire, which managed to occupy all Bulgarian territory by the end of the fourteenth century. In the five hundred years after the Ottoman conquest, Bulgaria was to become a colony of the Ottoman Empire and the Bulgarian state ceased to exist until it was re-established in 1908.<sup>16</sup> And therefore, what happened in Bulgaria would be heavily influenced by events in the faraway Ottoman state.

From the above brief historical overview, it can be inferred that the need to establish well defined and secure borders was a major problem facing not only the very first Bulgarian state but all subsequent states. This problem could not be resolved; in fact, as Crampton (1997, 10) notes, the problem became a permanent and persistent feature of all mediaeval, as well as modern Bulgarian states. Given the circumstances of never ending expansions and contractions of the state, shifting power from one group of society to another, the long centuries of warfare, political and social instability, one could hardly expect the development of any stable form of property rights structures in mediaeval Bulgaria. A more detailed evaluation of this period would perhaps provide strong evidence in favour of the social conflict theory of AJR.

### **III. 2 Ottoman Rule and the Classical Ottoman Land Tenure *Timar*: 1393–1600**

The Ottoman Empire was a theocratic monarchy where the head of state, the Sultan, was also *caliph* (the representative of God on Earth). Most of the imperial administration was conducted on a religious basis and the Christian population of the conquered lands of the empire were never given equality of status with Muslims.<sup>17</sup> As a result of the conquest, the apparatus of the medieval Bulgarian Empire was completely destroyed. This inevitably led to the destruction of most economic, political, and social institutions of Bulgaria — and especially those above the village or communal level — which were gradually assimilated into the centralized Ottoman state system (Crampton 1983, 1; Curtis 1993, 8; Khristov 1973).<sup>18</sup>

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<sup>16</sup> The official year of independence from Ottoman rule is 1878 when part of Bulgaria was accepted as a principality and another part, Rumelia, remained under Turkish governance. The modern Bulgarian state, including Rumelia, was established in 1908.

<sup>17</sup> The Christian population of the Empire was discriminated against in a variety of ways: they were subject to higher taxation, were not allowed to carry arms, could not practice certain trades, could not build houses higher than those of Moslems, and above all, their customs and laws were always inferior to Muslim law (Crampton 1997, 30-31, Khristov 1974, MacDermott 1962, 26).

<sup>18</sup> Bulgarian national traditions continued in rural areas. The Bulgarian church was recognized as a separate patriarchate although under complete control of the Byzantine Patriarchate in Constantinople, which in turn was under the complete control of the Sultan (Curtis, 1993, 8-9). Khristov argues that many local communes and parishes survived along with churches, small schools, and monasteries which would provide the basis for the survival and continuation of Bulgarian language, culture and traditions.

There is no consensus among scholars about what to call the initial Ottoman system of land administration (Lampe 1989, 182). According to Bulgarian, predominantly Marxist, scholarship it was an “immature feudalism.” Hungarian and Turkish scholars have argued that it was an “Asian mode of production” whereas Lampe suggests that it was “a command economy on a politico-military pattern not compatible with Marxist categories of class origins.” Since it is relevant to this paper, the system is described below but it is left to the reader to judge the extent to which the above theoretical constructs reflect its nature. In any case, at the time of the conquest, Bulgaria was on the way to mature, Byzantine type feudalism (Tsankova-Petkova 1964, 6-19, Tsonev 1948) which was quickly reversed by the Ottomans (Dimitrov 2001, 4).<sup>19</sup> Nobility, being a landholding class and, therefore, a potential source of resistance, was crushed by the Ottomans (Curtis 1993, 9).

As caliph, the Sultan was the only person who was granted the right to legal ownership of land. Therefore, formally, all imperial land belonged to the Sultan; those who worked the land were regarded as belonging to him as well. The reason for this arrangement, according to Inalcik (1969), was that

The economic system of the Ottoman Empire and its basic economic principles derived from a traditional view of state and society which had prevailed since antiquity in the empires of the Near East... In the Muslim state, as in earlier states, all classes of society and all sources of wealth were regarded as obliged to preserve and promote the power of the ruler. Hence all political and social institutions and all types of economic activity were regulated by the state in order to achieve this goal.

It was in harmony with this tradition that the Sultan was regarded as the sole owner of the land and its labourers (Inalcik 1972, 338).

In practice, land was categorized into (1) state land, *miri* — crown-land which belonged to the state and comprised all rural agricultural land; (2) private small property or freehold, *mülk*; and (3) religious property, *vakıf* whose status was subject to revision at the Sultan’s discretion (Adanir 1989, 134-136; Inalcik 1973, 109; MacDermott 1962, 26). It is known that a few military chiefs (generals of special status due to their outstanding records) were granted hereditary ownership rights to large estates (*gazi mülk*) which would generally be converted into religious endowments, *vakıf* (Adanir 1989, 134, MacDermott 1962, 27). Christian monastic property would also fall under a status similar to that of *vakıf*. Settled villagers, and both Muslim and Christian peasantry engaged in arable farming, were referred to as *reaya* peasants, and were the taxpaying subjects of the Sultan.<sup>20</sup> In the villages there existed also a large pastoral

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<sup>19</sup> MacDermott (1962, 23) goes further to argue that, at the time of the conquest, feudalism in both Byzantium and Bulgaria was already in decay and its downfall inevitable in the natural course of events. It is speculated that Bulgaria would perhaps have followed the same line of development as in Western Europe where the growth of towns and trade was ushering in a new era of social and economic development. Lampe (1989, 179-181), however, suggests evidence to the contrary and argues that, by 1500, there was a significant gap between the Balkan and Western European economies.

<sup>20</sup> *Reaya* is a general term describing the group of ordinary subjects of the empire — producers and taxpayers comprised of three strictly regulated hierarchies of classes, namely, the tillers of the soil, the merchants, and the craftsmen (Inalcik 1969). The other major group of the populace included those who represented the ruler’s authority — administrators, troops, and men of religion who were not concerned with production and were not

population engaged in stock-raising — this group was mobile, unattached to the soil, and obligated to pay money rent instead of the usual tithes paid by the *reaya* peasants (Adanir 1989, 134-135). It is important to emphasize that, no possession or ownership of any of the above categories of land could be established without the legalizing power of the state because it was the state which had the *dominium eminens*<sup>21</sup> of all lands (Inalcik 1994, 105). Titles to land were carefully recorded and strictly checked by a surveyor during periodic land surveys; after which a special diploma of the Sultan in power was issued.

The classical Ottoman land tenure regime, known under the name of *timar*, concerned the use of agricultural land which was under the status of state land, *mirî*. Introduced in the fourteenth and perfected in the second half of the fifteenth century, the *timar* regime was prevalent until approximately the end of the sixteenth century (Adanir 1989, 135). State land was divided into *timars*, a term referring to pieces of land, granted by the Sultan, under usufruct (cf. Table I.1 *usus fructus*) to mostly military or cavalry officers (*sipahi*), who would extract revenue and collect taxes for the state from peasants legally bound to that land.<sup>22</sup> Both the obligations of the *sipahi* landlord and the rights and privileges of the *reaya* peasants (both Christian and Muslim) were carefully and specifically defined, and strictly controlled by the central government (Stavrianos 2000, 138). Although often treated by *sipahis* as if it was privately owned, *timar* land was not meant to be private property (Sowards 2005). As Inalcik (1994, 115) and McGowan (1981, 55) emphasize, the *sipahis* were not landowners. Rather, they were state agents who simply supervised the possession and use of land but were expressly prohibited from possessing and cultivating lands reserved for the *reaya* peasants and were forbidden to form a private holding from any land in which the *reaya* had any present or past interest, including village common pasture. The cavalryman landholders would not have ownership or heredity rights and would only take benefit from the grant under the condition of remaining in service to the Ottoman army.<sup>23</sup> Therefore, when dismissed, they would lose control over the land, peasants, and income. Also, the *timars* of defaulting *sipahis* and of those who were deceased and without heirs would be promptly retrieved by special authorized agents of the Ottoman treasury (McGowan 1981, 48).

As explained by Lampe and Jackson (1982, 24-25), the terms of *timar* were as follows:

The *sipahi* had no claim to the land itself; it remained part of the 87 percent of Ottoman territory in the 1528 census that was state land. His sons could inherit no more than a

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subject to any taxation. The terms *reaya* and *reaya* peasants will be used here interchangeably to refer to the peasants working the land or engaged in arable farming.

<sup>21</sup> Following Islamic tradition, the Ottomans recognized conquest and reclamation as the two underlying principles which established proprietorship in land. As Inalcik explains, “Conquest gave *dominium eminens* on all lands to the community of the conquerors, the Muslims as a whole, or, more precisely, to the state as its embodiment. The state, then, was the only legitimate authority establishing property rights on land under certain conditions, the most important of which was reclamation (p. 104).

<sup>22</sup> *Reaya* peasants were only legally bound to *timar* state land. Properties such as house, barn, shop, vineyard, orchard, garden, and the like were under *mülk*, or freehold status. Peasants could alienate or destroy such properties at their discretion. Since only *mülk* or *gazi mülk* properties could be converted into *vakif*, such land would not comprise arable land. *Vakif* land would generally include buildings remaining under the absolute property of their owners (MacDermott 1962, 28). Peasants residing on *vakif* land were not legally bound to that land.

<sup>23</sup> As explained by Inalcik (1973, 107), the system of *timar* arose out of the need to support a great imperial army. State agricultural revenues were assigned to the troops in place of a salary.

fraction of his income, not necessarily from the same *timar* and only if they too served to the Sultan. The father received a small fraction of the land, or better, income grant in return for his personal support and three days of peasant labour a year (native Balkan lords had demanded two or three days of labour a week during the late medieval period). Otherwise, the peasants owned the *sipahi* no personal services. He collected prescribed amounts of their annual harvest, roughly 10 to 20 percent. He typically used this tithe to maintain the several horses and horseman that his grant obliged him to bring to the summer campaigns. Rather than risk the use of forced labour outside the Sultan's direct control, the grant also directed the *sipahi* to collect certain money taxes from the peasants. By far the largest of these levies was a head tax for the exemption of all adult, non-Moslem males from military service. Finally, peasants might pass on the right to use their part of the *timar* holding to their sons. They could obtain an Ottoman document attesting to that right.

Based on data obtained from various provincial legislations, land surveys, and court registers, Adanir (1989, 135-136) describes the rights and obligations of *reaya* peasants under *timar* as follows<sup>24</sup>:

The individual peasant disposed of his house, barn, shop, vineyard, orchard, or vegetable garden as *mülk*, a term of Islamic law corresponding to *dominium plenum in re potestatem* of Roman law, that is, as private property with all the rights implied by the terms *jus utendi, fruendi et abutendi*. By contrast, the agricultural land was "state land" (*miri*), only the usufruct of which belonged to the peasant. However, the cultivator held the land in the form of a perpetual lease and could, within the limits of local custom, freely determine the crop pattern, provided he fulfilled his obligations toward the *sipahi* cavalryman, to whom the state had appropriated a certain amount of the agricultural surplus of an area as compensation for military service.

The mechanisms by which the Sultan was able to exercise strict control on both *sipahi* and *reaya* peasants were the standardized *timar* registers, where detailed information on the population and landholdings of each village, on the income, extent and conditions of tenure of each of thousands of *timars* were systematically recorded (McGowan 1981, 52-55). It was this system of registration and control which established the taxes to be paid by peasants, which allowed the Sultan to determine the revenue-generating capacity of peasants, and which greatly limited the potential of *sipahis* to exploit peasants or abuse the central Treasury (Boyd 1991). The system, therefore, provided tenure security (cf. Section II.2.2.5) to peasants as their rights and obligations were clearly defined, well monitored, and effectively protected and enforced. Inalcik (1972, 339) suggests that:

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<sup>24</sup> Working their land under relative security and justice, the Christian *reaya* peasant had the following payment obligations: (1) the tithes of all agricultural produce were to be delivered to the *sipahi*; (2) a land tax called *ispence* (in reality the money equivalent of the traditional labour services); (3) a head tax amount (for male adults) fixed by Islamic law (*cizye*) as an obligation to the state — during the sixteenth century, this tax was in the form of an annual household tax; (4) a tax on small animals (e.g. sheep and pigs) paid to the treasury; (5) extraordinary or irregular taxes (*avariz-i divaniyye*), levied upon fiscal units consisting of three, five, or ten households each (*avariz haneleri*). The latter category of payments is characterized as the most significant one in the long run — the payments would be collected on an irregular basis with the purpose of covering military campaign expenses (Adanir 1989, 136).

This direct control was regarded as one of the great principles upon which the state was based. With it in mind the Ottomans abrogated every sort of personal feudal bond and kept under vigilant control, subject to law, every sort of local military and legal authority and everything which might be exacted from the villager. Those to whom the *padişah* [the Sultan] delegated his authority, primarily the provincial *beys* and their local lieutenants as well as the judges whose duty it was to oversee and guarantee enforcement of the law, kept each other under control as countervailing forces and stayed in continuous written contract with the central authority. The prime duty of the central government was to protect the subject from abuses of authority by local figures.

In sum, the sixteenth century, during which the Ottomans expanded the classical land tenure system *timar*, is considered by many as the “golden age” of Ottoman rule in the Balkans. Indeed, in terms of the ideas presented in Section II of this paper, the evidence discussed so far suggests a well defined, monitored, and strictly enforced institutional environment which provided a stable structure in everyday rural life in the empire. It also suggests an institutional arrangement which deliberately, pragmatically, and effectively coordinated and governed the operations of economic units, the interaction between people and the land, and the interaction between parties in relation to the land. The multiple rights to land (the “bundle of rights”) under *timar* were well defined in the laws and promptly enforced so that abuses and the rise of conflicting and competing interests of *sipahis* over land were effectively minimized.<sup>25</sup> The administration of land under religious central authority proved effective for the operationalization of land tenure rules — land was carefully registered and titled, land inventories were performed, and information about the use and ownership of land was effectively disseminated. Being well defined, regulated, and enforced under the strict control of the central Ottoman government, *timar* provided a much higher degree of access to land, security and stability of tenure, as well as justice, than the land tenure present under the rule of local feudal nobility in Bulgaria before the conquest.

However, *timar* was an institution developed outside of the native institutional environment of Bulgaria and in a socio-economic-politico-religious context completely foreign to Bulgarian society. The Ottoman institution of land tenure was forcefully imposed on Bulgarian society as a result of Ottomans’ conquest and their establishing absolute power in the country. In other words, just like in the case of medieval Serbia (and perhaps other Balkan countries) analyzed by Boyd (1991), institutional structures developed in one context, that of Ottoman society, were carried over to another context, that of Bulgarian society. In this respect, the radical adoption of Ottoman land tenure institutions in 15<sup>th</sup> and 16<sup>th</sup> century Bulgaria resulted from a completely exogenous factor thus making it a case not conforming to the theories of institutional change put forward by either Demsetz or AJR.

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<sup>25</sup> McGowan and Inalcik note that abuses were numerous and there was a fierce competition among *sipahis* over the increasingly limited number of *timars*. But as McGowan (p.56) points out, “...the total impression given by the laws, and by the minutes of the veziral council still preserved at Istanbul, is of an admirable degree of order, coordination, and even justice... In a system so hedged about with conditions and control, personal fealty was held to a minimum.”



Turning back to the Ottomans, the question is, why did they introduce *timar* in Bulgaria and the rest of the Balkans? Were they in a quest for efficiency gains, for rents, or perhaps for both? It seems that it was neither. It should be remembered that state ownership of land was an Islamic rather than Ottoman invention (Inalcik 1994, 103). In Islamic jurisprudence, Inalcik argues, “ownership of land was based in the last analysis on the concept of the conquest and the right of the Islamic community (*umma*) as God’s trustees... In Islamic Law from the Prophet’s time, Holy War and conquest (*cihad* and *fath*) had been considered the principles which established the absolute control of the Islamic community over the land and the labour of the men who cultivated it.”

It is of no surprise then that the Bulgarian nobility was crushed immediately at the time of the conquest; being Christians and non-*sipahi* they could no longer retain rights to their lands. As the discussion shows, however, the Bulgarian Christian peasant was allowed to continue to freely use and cultivate their land while the conquerors simply assumed the position of “rent” collectors. Inalcik (1994, 104) notes that there were practical reasons for the rationale behind state ownership of land: it was necessary to create a central imperial treasury which would support the army, whose mission was to defend and further expand Islamic territory. Examining the reasons for which *timar* emerged and developed the way it did, Boyd (1991) notes that it was based on monetary, rather than labour obligations because of “the monetary requirements of maintaining the military apparatus, in particular the standing army, of which the Janissaries were the original component” and of “the recurrent expenses associated with the large, central administrative bureaucracy.” In other words, changes in the organization and perhaps the technology of military activity supporting central authority appear to be major drivers of institutional change during the classical period of the Ottoman Empire. Indeed Inalcik (1973, 107) argues that the system of *timar* arose out of the need to support a great imperial army — unable to pay salary to the troops, the state assigned to them agricultural revenues instead.

However, underneath these drivers for the development of *timar* lay another — that of the nature of the Ottoman monetary system combined with the inability of the state to collect taxes in cash. Inalcik (1973, 107) reveals that

Shortage of coin was a fundamental problem of near-eastern empires. Gold and — even more important — silver were the basis of the money system, and faced with a scarcity of these metals the state had difficulty in financing its great undertakings and, especially, in maintaining a large standing army. It was impossible under these conditions, for the peasant to pay his principal tax, the tithe, in cash, and so he paid in kind. But the medieval state had practically no means of collecting, and converting into cash, taxes paid in kind, and therefore usually sold these sources of revenue to tax farmers. In this way the state lost income and did not collect the funds necessary to pay military salaries. It therefore became the established practice to assign state agricultural revenues to the troops, who collected them directly, in place of salary.

In other words, scarcity of silver and gold appears to be an important driver for the establishment of *timar* as the land tenure system of the medieval Ottoman Empire. Under these circumstances, Bulgarian landlords could not possibly become *sipahis* who could commit to serve in the Ottoman army. Even if they were willing to make such a commitment, the religious system of

the Ottomans would not permit their participation in subsequent conquests, especially, as McGowan points out, given that there was a fierce competition for *timar* lands among the Ottoman *sipahis*. Therefore, the Ottomans preferred to eliminate the class of Bulgarian nobility at the time of the conquest, take land under their absolute control, and establish *timar* in Bulgaria.

### **III. 3 The Ottoman Informal Land Tenure System *Çiftlik*<sup>26</sup>: 1600–1800**

Starting in the last quarter of the sixteenth century, the *timar* system was gradually destroyed and formally abolished in 1831 (Pamuk 1987, 87). What emerged in its place was the quasi-private *çiftlik* landholding system, which is considered as one of the most complicated and difficult to explain institutional arrangement in Ottoman economic history (Gandev 1962, 8; Lampe and Jackson 1982, 33-34, Milkova 1970, 33). Four important points about *çiftlik* (discussed below) have to be mentioned upfront. First, the *çiftlik* system was an informal land tenure regime — it was established by powerful groups but, despite tolerated to great extent, never legally recognized by the Sultan or the State as a land tenure system. Second, it involved de facto private ownership — noble individuals claimed ownership to land based on power derived primarily from their authority to collect taxes. Third, the *çiftlik* system was definitely not an improvement over *timar* in terms of efficiency; in fact, it was inefficient and oppressive to the extent that the majority of the peasant population refused to work the land and fled to the mountains. This is in contrast to Demsetz's theory that property rights tend to evolve in the direction of efficiency. As the discussion below shows, however, *çiftlik* seems to be better adapted to the new context of the empire than *timar* was, either because, had it been legalized and fully and formally transformed, it would have been more efficient in the new environment (consistent with Demsetz); or because it was more consistent with the capacity of a class better placed to capture rents by exploiting, within certain limits, the relative weakness of the Sultan and his government (consistent with AJR). And fourth, the *çiftlik* system was somewhat feudal in nature.

#### **III. 3.1 Causes for the Destruction of *Timar***

The destruction of the *timar* and the rise of the *çiftlik* system was a direct result of the changes starting in the early 1500s in the classical military organization of the empire. The following developments in the military and fiscal environment of the Ottoman Empire led to the gradual destruction of *timar* and opened avenues for the emergence of *çiftlik*.

On the military side, the invention of firearms brought about a shift in the military technology of the Ottoman army and a major change in the military organization of the empire. While the number of troops equipped with the new and more effective firearms technology continuously increasing, the number of cavalry trained to use the traditional and increasingly obsolescent medieval weapons (such as bow and arrow or sword and shield) was continuously decreasing (Inalcik 1973, 48-49). This shift in military technology greatly affected the financial status of the empire as it raised the military costs of the central government, and, most importantly, the costs of the well-established classical *timar* land tenure system.

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<sup>26</sup> The word *çiftlik* has several meanings. Originally, it referred to a landholding of size 60 to 150 decares (15 to 37 acres), an amount of land that could be worked with a pair of oxen. It later referred to small, medium or larger *timar* estates that had been converted to quasi-private property.

This military shift imposed enormous fiscal pressures on the empire since, unlike the traditional cavalry; the troops using firearms were employed on a full-time basis and paid a monthly salary or daily wage. Agricultural revenue which, according to Pamuk (2000, 132) met 30–40 percent of the military expenses when the *sipahis* formed the backbone of the Ottoman army, became increasingly inadequate to meet the rising salary requirements of the troops using firearms.<sup>27</sup> In response to the resulting budget deficits, in 1585–1586 the state opted to debase its silver currency, *akçe*, to a great extent. Losing 44 percent of its silver content (one of the largest debasements in the history of the empire), the Ottoman currency entered a period of extreme instability (Pamuk 2000, 122-125).

Chronic inflation, along with financial speculation and soaring interest rates further deepened the financial chaos leading ultimately to revolts by groups with fixed income such as *timar* holders and wage-paid standing forces. Upper classes, such as commanders and judges, resorted to bribes and abuses in order to maintain their income levels (Inalcik 1972, 348-349). The flurry of bribery and sale of office which followed the inflationary period after 1580s afflicted the empire for generations thereafter (McGowan 1981, 56).

Facing inflationary erosion of revenues on one hand and increased military expenditures on the other, the state increased long-standing taxes, and converted extraordinary taxes into regular ones payable in cash and on an annual basis (Inalcik 1973, 50). Most importantly, the state replaced the system of *timar* revenue collection with tax farming (*iltizam*) with which it was guaranteed increased and secure revenue, at least in the short run: tax collection was now farmed out to the highest bidder who paid cash for the privilege and committed himself to paying an annual amount to the treasury (Lampe and Jackson 1982, 37).

The gradual dissolution of the *timar* system resulted from a combination of factors which rendered *timar* revenue collection and, therefore, the entire system of *timar* land tenure increasingly ineffective. First, as the cavalry's contribution to the Ottoman army declined, so did the needs of the Sultan to grant them with *timars* and rely on them to collect the tithe and other taxes. Second, in addition to the discontinued grants of *timars*, a large part of the already assigned *timar* lands were taken back and brought under the direct control of the Treasury which farmed out the right to collect their revenue (Inalcik 1973, 49; McGowan 1981, 58). Third, severe inflation adversely affected the living conditions of the *sipahi* landholder whose incomes in kind were registered in inflexible cash terms and who was therefore supposed to survive on a fixed income (Sowards 2005, McGowan 1981, 57; Milkova 1970, 39-42). As Inalcik argues, being impoverished to the extent that they were unable to make it to the battlefields of ongoing wars, many *sipahis* abandoned their *timars* and started to rob the *reaya* peasants.

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<sup>27</sup> On the other hand, as mentioned above, there was already a chronic shortage of gold and silver — in his comprehensive analysis of the monetary history of the Ottoman Empire, Pamuk (2000, 40-58) discusses in detail the evidence for both the extent and persistence of the shortages throughout the history of the empire and the specific measures taken by the government in response. One of these measures was periodic and frequent (reaching every five, six or ten years during most of 15<sup>th</sup> century) debasement of coinage (p. 48).

### III. 3.2 The Emergence of the *Çiftlik* Land Holding System

A crucial aspect of the creation of the *çiftlik* system was the system of tax farming, *iltizam*. Growing in a haphazard way, *iltizam* created groups of fiscal entrepreneurs who became the locally powerful notables (*âyans*) of the empire.<sup>28</sup> The *âyans* drew large income both from overtaxing the population and withholding revenue from the state, as well as power from their authority to collect taxes. Being relatively free from the supervision of the central authority and in an economy where the primary products of the soil were still the predominant source of wealth, the *âyans* realized the benefits of private property rights to land — just as Demsetz would predict. Indeed, Pamuk (1987, 9) argues that, the *âyans* “responded to increasing opportunities of commodity production for European markets by carving out large estates for themselves and by escalating the exploitation of the dependent peasantry.”

By 1700, their power had increased to the extent that they were able, as autonomous individuals, to bargain with the central administration as equals and ultimately to create a rural land tenure regime relatively independent of central control and authority (Lampe and Jackson 1982, 37). It was the *âyans* who mobilized against the system of *timar*, campaigned for the reform of the land regime, and informally began to claim rights to land ownership. As McGowan (1981, 59) notes, it is this campaign that is usually called in the literature the *çiftlik*-building process since it resulted in the appearance in many places, and especially in the Balkan provinces of the empire (Pamuk 1987, 8-9), of sizeable plantation-like estates, called *çiftlik*s.

The origin of *çiftlik*s is controversial. The *sipahi* and *âyans* bribed the state into legalizing the right to inheritance to a *timar* as a specific private property and into transforming many *timars* into civil holdings — *çiftlik*s, free from the threat of confiscation (Hupchick 2002, 131; Katsarkova 2001, 583; Stoianovich 1953; Tsvetkova 1964). Adanir (1989, 147) argues that *çiftlik*s emerged primarily as a result of the *âyans*' increasing interest in new land which was usually some abandoned or unused land classified by Ottomans as *mezraa*. This argument is supported by Gandev (1962, 36-45) who, based on the Bulgarian example, provides the most detailed evidence in relation to the origins of *çiftlik*s in the Balkan provinces of the empire. In addition to being formed by the occupation of abandoned state land, they were also formed by the occupation of empty and unregistered land as well as by the seizure of village land cultivated by its peasants.<sup>29</sup> Furthermore, Stoianovich (1976, 184) argues that a *çiftlik* enterprise would often start as the pasturage ground of a family or clan that would later claim it as its own private or familial property or it would start as the site of a simple water mill or a network of beehives.

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<sup>28</sup> McGowan (1981, 58) argues that part of the *timar* resources reclaimed by the Treasury found its way into the hands of governors and Ottoman dignitaries of all kinds. But the dignitaries who controlled such revenue and the treasury departments responsible for the reabsorbed *timar* revenues required “a network of primary, secondary, and tertiary contractors to travel to distant territories and do the real work of collection. Many well placed figures took on responsibilities as primary contractors, then subcontracted the real risks and the real work to others.” The locally powerful and influential group of landholders, bankers, merchants, and officials rose precisely from the fiscal entrepreneurs who emerged from the system of tax farming. In the remainder of this section, the term *âyans* will refer to these locally powerful individuals. Many *sipahi* would also be part of *âyans*.

<sup>29</sup> Abandoned state land would usually be land located near a road or waterway; seized village land would be land bordering existing villages; empty or unregistered land would be land which required clearing in order to be cultivated. Such lands would formally be under *miri* status. As will be discussed below, the amount of land claimed as *çiftlik*s was relatively small, not more than 20 percent of cultivated Bulgarian lands.

The *çiftlik* was generally the site of a new village, smaller than the traditional village of the highlands.<sup>30</sup>

Whatever their origins, *çiftlik* formation can be described as the emergence of properties with quasi-private and feudal characteristics and as the development of a typically colonial and social institution which led to the emergence of militant pastoral-agrarian colonialism (Stoianovich 1953). Properties administered by the *timar* were gradually separated into two distinct categories, the *reaya-çiftlik* and the *hassa-çiftlik*. The former was the property over which the peasant had rights to usufruct, whereas the latter form emerged as the private farm of the *âyans* and *sipahi* and gradually expanded at the expense of the former form, *reaya-çiftlik*. Christian peasants were the cultivators of *hassa-çiftlik* as quasi-serfs or tenant farmers with greatly restricted freedom.

Another change brought about under *çiftlik* involved the choice of crops. In response to international, particularly European, demand, the agents of the *çiftlik* regime manifested a preference for the development of cash crops such as cereals, olive oil, cotton, and wine which tended to foster a more labour intensive economy (Stoianovich 1976, 184-185). As a result, the *çiftlik* system came to be characterized:

...by the coexistence of four complementary forms of labour utilization in the cultivation of land: sharecropping, or the division of crops between the providers of protection and/or capital (or of land and capital) and the providers of labour (or of land, capital and labour) either on a half-and-half basis (*izpolitza*) or in other proportions; the leasing of land for a one year term, with the lease contract to be paid in advance (*kesim*); the use of wage labourers (*ratai*), generally young people from poor families who hired out their labour for six months or for a year and were paid in money or kind; and the use of day or seasonal labourers.

On the positive side, *çiftlik* formation led to an increase in the total amount of land under cultivation — recall the arguments of Adanir, Gandev, and Stoianovich, discussed above, about the formation of *çiftliks* on previously unused or abandoned land. Stoianovich argues (1976, 186) that such lands were brought into cultivation by promoting the practice of sharecropping. On the negative side, *çiftliks* inhibited the extent to which a well-developed market for land could be organized — *çiftlik* owners used unskilled wage labour and short-term leases (six months or one year). The absence of long-term leases implied insecurity of tenure (cf. Section II.2.2.5 of the paper), discouraged investment in land in the expectation of future profits and consequently led to a rather slow rise in land values (Stoianovich 1976, 188).

Furthermore, Lampe and Jackson (1982, 34-36) discuss the following features in relation to the *çiftlik* system: (1) although concentrated in the main grain, cotton, and tobacco growing areas of southern Bulgaria and some parts of northern Bulgaria (as well as Macedonia and northern Greece), *çiftliks* had a limited profitability and extent; (2) *çiftliks* accumulated too little capital and used too little wage labour or too few modern practice to make it a transitional institution to commercial grain cultivation and large-scale export; (3) as mentioned in the beginning of this section, their owners were mostly influential *âyans* who had the military means to protect their

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<sup>30</sup> As mentioned above, the central government was no longer able to exercise control over rural life. Local notables and *sipahi*, possessed arms and extended claims to land by force.

holdings<sup>31</sup>; (4) most holdings were so small in size that they could hardly have yielded a large marketable surplus, let alone afforded significant economies of scale<sup>32</sup>; (5) the organization of *çiftlik* villages was such that it did not promote the rise of commercial agriculture — fields were divided into family strips and tilled with primitive wooden plows and landlords were unwilling to furnish equipment, consolidate cultivation, introduce crop rotation, or other improved methods.<sup>33</sup>

The overall oppressive environment together with increasing disorder and brigandage following the deterioration of central authority and power led to widespread depopulation in the countryside. The peasants lost interest in treating the land well and in working to further to improve it. Faced with tithe, service obligations, and ruinous levels of taxation often reaching over 80 percent and sometimes exceeding the total of the peasant land's productive value, the seventeenth century peasant fled to urban centers or mountains (Stoianovich 1953). As a result of the decrease in the labour force, by the end of the seventeenth century, great amounts of fertile land remained untilled and a number of lowland villages disappeared.

Indeed, as sources reveal, the spread of *çiftliks* on Bulgarian lands turned out to be quite limited. Dimitrov (1956) and Berov (1956) suggest evidence that, towards the end of the 18<sup>th</sup> century which is considered the peak period of *çiftlik* formation, they covered 5 to 20 percent of cultivated land in different areas in Bulgaria. Furthermore, on average, only about 10 percent of Bulgarian peasants were subject to the obligations brought by the *çiftlik* land tenure regime. What happened to the rest of the land and the rest of the peasantry? The rest of the land was under the control of the Treasury. A small percentage of Bulgarian peasants remained in the lowland areas, operated the land in the form of small holdings of size 30 to 100 decares (8 to 25 acres) and were therefore subject to the tithe and taxation set by the state. The majority of peasants, however, settled in upland and mountainous areas of the country where the soil was much less fertile but the location allowed them to grow crops for subsistence, raise livestock, and, most importantly, hide from tax collectors. In other words, the majority of the population took advantage of the opportunity to abandon the land they worked and thus exit this inefficient and oppressive system of land tenure. The geographical characteristics of Bulgaria provided that opportunity: mountainous and semi-mountainous areas make up about thirty percent of the country's land area. Hence, the arguments of McGowan (1981, 64-66) and Stoianovich (1953) that there was no labour present to work fertile lands of the lowlands.

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<sup>31</sup> Despite the military means of protection from robbery, plundering, or other acts, the tenure of these landholders was still insecure because it was not recognized by the state. At any time, and as it happened later in the 1800s, the state could expropriate the land on which they illegally established their estates.

<sup>32</sup> This argument of Lampe and Jackson brings the question of how can individuals whose land does not yield significant marketable surplus sustain a military capability. Recall from the beginning of this section that those who became self-proclaimed landlords were the fiscal entrepreneurs who acquired power and income primarily from their control over the tax-gathering process brought with the system of tax farming and from the exploitation of the dependent peasantry. Refer above to the quotes of Pamuk and McGowan on p. 67.

<sup>33</sup> According to Lampe and Jackson, the size of most *çiftliks* was in the range 60 to 120 decares, or 15 to 30 acres. The largest were of several thousands acres but composed of fragmented strips of land belonging to 100-200 villages in western Bulgaria and were held by the most powerful *âyans*. Furthermore, the very nature of *çiftlik* formation discussed above would leave consolidation of holdings out of consideration.

It should be emphasized that, the *çiftlik* system was never legally recognized by the Sultan or the state as a private land tenure system (McGowan 1981, 56-60; Pamuk 1987, 9; Stavrianos 2000, 141). Under the Ottoman law, the farm land still belonged to the Sultan and therefore was under *mirî* or state land status. While widely tolerating the formation of *çiftliks*, the Ottoman authorities resisted the legalization of property rights to land as it was believed that this would further weaken the power of the Sultan. And it should not be forgotten that, historically, state ownership of land was based on Islamic laws and tradition, which would be difficult, if not impossible, to change. But such an ill-defined land tenure structure certainly implied increased insecurity of tenure for both the peasantry and the *çiftlik* owners. Neither had incentives to improve production techniques, invest in land, or increase production levels; indeed, peasants refused to work the land and exited the system. This is perhaps the key to the economically dysfunctional behaviour of self-proclaimed landlords: despite their de facto landownership, they lacked real tenure security; the constant danger of intervention by the state, despite its weakened authority and power, was always a matter of consideration. Indeed, as will be seen in the next section, the state did eventually intervene by taking back the lands and crushing the *âyans*.

### III. 3.3 Discussion of the Theories

The above discussion shows that the driving force behind the changes in the land tenure institutions in Bulgaria over the 1600–1800 periods was the change in the military technology and administration of the Ottoman Empire, followed by a financial crisis. As far as Bulgaria is concerned, however, the process was again an exogenous one. Bulgarian society was not in the position to influence the changes in the system; the only choice for her was to adapt to the conditions brought by the central Ottoman government and the new local powers. In the cases of both *timar* and *çiftlik*, the land tenure of Bulgaria was embedded into the broader, Ottoman land tenure regime. The dynamics of the Ottomans — whether accommodation to achieve military goals, economic efficiency, or rent-seeking conflict dynamics — were the determinant factors of institutional change in Bulgaria.

Turning to the Ottomans, it can be inferred from the above accounts that the emergence of the *çiftlik* system seems like an ‘attempt’ at a Demsetz-style evolution of private property rights: the desire of interacting persons for adjustment to the new benefit-cost possibilities brought by the rapidly changing financial and economic environment of the empire and by the economic forces in international markets is quite obvious. However, the behaviour of the actors involved in the process seems more like a rent-seeking than an efficiency-seeking behaviour. As Pamuk (1987, 9) argues, the appropriation of surplus by these powerful actors was based on the existing organization of production rather than on transformation of the relations of production. The new benefits realized and exploited by notables came from their ever increasing control over the tax-gathering process through the system of tax farming, “usury[,] and extraction of rent payments from direct producers based on de facto ownership of the land.”<sup>34</sup>

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<sup>34</sup> Moreover, according to the evidence revealed by McGowan (1981, 58), the powerful individuals who had access to fiscal records resorted to deliberately obfuscate them, “this being the simplest and most effective means by which the powerful could arrange to have their temporary holdings illegally converted either into something resembling absolute property or into permanent pious estates with themselves as beneficiaries.”

Furthermore, whatever the motivation of the actors, *çiftlik* remained an informal system: the shift or transition to a legally or officially sanctioned, properly designed, defined and enforced system of *çiftlik* property rights was never achieved. The system spread only to a limited extent, remained mostly illegal, ill-defined, and rather insecure until it was crashed by the state in the mid-19<sup>th</sup> century. This brings us to the issue raised by Banner (2002) and discussed in Section II.2.3.1 of the paper — Demsetz’s theory does not specify the mechanisms by which a transition to a more efficient property rights regime occurs; it simply assumes that actors’ realizing the benefits is sufficient for the transition to occur. Banner points out that any transition can only be carried out if a society has some way or mechanism to overcome the obstacles to collective action inherent in the process. The failure of *çiftlik* to evolve and establish itself as a legal property rights system is an excellent example for the argument of Banner.

Although falling largely outside of the scope of this analysis, when it comes to the Ottoman Empire, it is worth mentioning that this process of institutional change seems best explained by Acemoglu, Johnson, and Robinson’s (2005b) social conflict framework. The introduction of firearms in the Ottoman military was an external shock which altered the balance of political power in the Ottoman Empire. First, it caused a financial crisis which greatly challenged and weakened de jure political power. Second, it made the cavalry obsolete and therefore its process of revenue collection ineffective. Third, the consequent introduction of tax farming allowed different groups to acquire the economic and military resources that allowed them to gain de facto political power. The resulting combination of de jure and de facto political power, however, created the inefficient *çiftlik* land tenure institutions. As shown in the analysis, both the state and the *âyans* used their powers to exploit peasants, expropriate their resources, impose arbitrary or predatory taxation and facilitated widespread corruption.<sup>35</sup>

#### **IV. The Evolution of the Late Ottoman Bulgaria Land Tenure: 1839–1878**

The turn of the nineteenth century found Bulgaria still under the rule of the Ottoman Empire although the powers of the empire were now steadily declining. In a belated effort to rebuild its administrative and institutional capacity in order to regain its strength, self-sufficiency, and influence in Europe, the Ottoman administration was on the eve of launching a series of reforms.

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<sup>35</sup> Identifying the precise reasons for which the Ottomans ended up with inefficient land tenure institutions in that period would be a question for further research. But in general, would it have been possible, under these conditions, to shift to a land tenure system more efficient and more effective than *timar*, which was necessarily destined to dissolve? For example, would it have been possible to undertake a radical reform which would convert the territorially based standing cavalry into a territorially based standing infantry? This would certainly fit into the Islamic and near-eastern imperial tradition of state ownership of land. But McGowan (1981, 57) suggests that such a solution was either not contemplated or rejected: “[t]he brilliant leadership which radical reform would have demanded was not found. Instead the grouping leaders of the inflation era dealt in makeshift solutions and improvisations, engendering a multitude of evils.” Inalcik (1973, 51) also concludes that under the impact of a new Europe, the Ottomans were unable to adapt themselves to changing conditions since “[t]hey failed to understand modern economic problems, remaining bound by the traditional formulae of the near-eastern state” and by “the values and outlook of near-eastern culture, sanctified by the *şeriat* [Sharia].” As mentioned earlier, conquest and reclamation, the two principles through which proprietorship in land was established in the Ottoman state (but which now implied ever increasing military costs) as well as state ownership of land were constraints brought by the Sharia and the near-eastern culture of the Ottoman state. Within these constraints, it seems impossible that another solution — that of the introduction of individual property rights to land, at least in this turbulent period, would be contemplated.



The reforms took place in accordance with the *Gülhane* decree of 1839 during the period 1839-1876, known as the *Tanzimat* (reorganization) period, and the goal was to radically reorganize the institutions of the Empire.<sup>36</sup> An integral part of the *Tanzimat* reforms was the radical land reform which, initiated immediately with the *Gülhane* decree of 1839, overturned the *çiftlik* system and continued with the Land Code of 1858, which according to Pamuk (1987, 87), was enacted under pressures from European powers.

The Land Law of 1858 brought the following changes to the system: (1) surviving *timar* estates, *çiftlik*s and all other appropriated land (under *miri* or *vakıf* status) were formally recognized to all intents and purposes as a privately owned property — they could legitimately be operated, bought, sold, rented, mortgaged, inherited, or otherwise used and transferred to interested or related parties; (2) such rights were granted not only to the Muslim population, but to Christians as well; (3) producers were granted tax rebates for longer periods with the purpose of boosting the cultivation of cash crops; (4) foreigners were allowed to buy and own agricultural land as private property in the Ottoman Empire; (5) the rights of local *sipahi* landholders and notables to collect agricultural taxes were eliminated — tax collectors were now agents appointed by the central government, most often the local, native *chorbadzhii*<sup>37</sup> (Adanir 1989, 150; Lampe and Jackson 1982, 146; Milkova 1970, 40; Stoianovich 1976).

#### **IV. 1 Description of the 1839–1878 Land Tenure Regime**

To achieve the goals of *Tanzimat*, it was necessary for the government to eliminate all de facto ownership of land, to reduce or eliminate the power of the *âyans* and thus regain full control of the agrarian economy. In the early 1800s, which is before the official introduction of *Tanzimat*, the government under the reigning Sultan Mahmud II started to reassert claims to the land and to take control over collection of agricultural surplus (Pamuk 1987, 86-87; Quataert 1994, 854). This brought a shift in the balance of power between the state and the *âyans* in favour of the former. The government of Sultan Mahmud II attacked the notables in various ways<sup>38</sup> and, between 1831 and 1837, moved swiftly to destroy the fiscal and economic basis of this alternate source of power. As Quataert notes, the campaigns of the Sultan against the *âyans* were a major achievement of the state in the beginning of the century because they assured that local powers would not have de jure control of the land.

*Tanzimat* reforms in general and the land reform in particular, however, proceeded rather slowly. Although the *Gülhane* decree of 1839 granted Christian and other peasants legal rights to former *timar* lands; it was only between 1858 and 1867 that the new legal framework for land tenure

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<sup>36</sup> Inalcik (1941) argues that, facing the rise and increasing superiority of Western Europe the major goal of the Empire was to westernize (or as Todorova (1976) would say, Europeanize) and therefore *Tanzimat* aimed at reorganizing its institutions following the European model. The most important aspect of the reforms was, therefore, to improve the living standards of the peasants by making them equal before the law and providing them with broad economic, political, and social rights and freedoms (Inalcik 1992, 3-4).

<sup>37</sup> *Chorbadzhia* (pl. *chorbadzhii*) is the name given to richer and older town or village landholders who had performed some administrative duties for Ottoman authorities since 17<sup>th</sup> century.

<sup>38</sup> Quataert (1994, 857) discusses examples such as breaking the fiscal monopoly of tax collectors and administrators by designating outsiders to their posts; using the army to attack notables, massive displacement of *sipahis* which resulted in their loss of revenue from tax collection, and others. Pamuk also points to massive confiscation of lands from tribal or other landlords.

was introduced. Returning to Land Law of 1858, it has to be emphasized that, the law actually stated that the real owner of state land, *mirî*, is the Sultan or the State Treasury and therefore, state land is not a *mülk*, or private land property (Turkish Sources for the History of Bulgaria I, 111). Such an assertion was certainly in line with the old tradition of having the Sultan as the sole real owner of land but for the peasants it implied lack of full ownership of land. Although failing to formally recognize full ownership to land rights, and therefore creating some confusion with respect to the degree of security of tenure, the law stated explicitly, however, that as the *kiracı* or renter of state land, its holder is entitled to use, control, and transfer rights, including the rights to sell it in the future. Furthermore, a decree published in the official state issued Bulgarian newspaper *Dunav* of May 17, 1867 reassured its readers that the land held by an individual is fully recognized as his or her private property.

In other words, in mid-19<sup>th</sup> century, notwithstanding some legal obscurities, agricultural land in Bulgaria had the status of private property, held and controlled by its owner, regardless of their ethnicity or religious affiliation. Through the Land Law of 1858 the Christian population of the empire gained access to rights in land which were previously not available to them. Peasants, who constituted the large majority of the Bulgarian population, were increasingly motivated to buy land so that in the course of reforms the proportion of Bulgarian landowners in the Danubian Province exceeded that of the Ottoman Turks (Draganova 2005, 88).<sup>39</sup> Substantial amount of *çiftlik* land was effectively transferred from Turkish officials to Bulgarian peasants and the already limited number of *çiftliks* on Bulgarian territory and their size further decreased following their sale to Bulgarian cultivators.<sup>40</sup> In addition to peasants entering the market to buy fragments of *çiftlik* land, they were given the option to resettle on unused state land to which they were granted property rights (Palairt 1997, 46; Todorov and Tsonev 1981, 182).

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<sup>39</sup> As part of the *Tanzimat* reforms, the Ottoman Empire was organized in 36 administrative units or provinces according to their geographical, demographic, economic, and other characteristics. The application of *Tanzimat* reforms, however, was slow and uneven and did not simultaneously affect all provinces. The region of Northern Bulgaria together with Sofia and its counties (essentially more than half of present Bulgarian territory) was established as a main administrative unit under the name Danubian Province (*Tuna Vilayeti*). It was precisely this province that was selected as the first pilot region for carrying out the reforms (Draganova 2005, 25). Furthermore, Draganova (1980, 5, 11) notes that parallel to the introduction of the new land laws, the Ottoman administration established a register which recorded and described in details the characteristics of the population of the province and their land and other properties. The land registries include information about the size of owned holdings, the number and size of plots a holding is composed of, the value of holdings and plots, and others. It is those registries which Draganova uses to analyze the socio-economic conditions of the Danubian province during *Tanzimat*.

<sup>40</sup> The exact percentage of cultivated area under *çiftliks* in the course of reforms on Bulgarian territory is unknown. Draganova (1985, 30) estimates that it was 20 percent in southwest Bulgaria, 22 percent in northeast Bulgaria, and about 10 percent in Sofia region. Furthermore, Berov (1979, 20) estimates the average percentage of total Bulgarian land under *çiftlik* as being around 21-23 percent. Nevertheless, according to the survey of land holdings performed by the officials of the Preliminary Russian Administration during 1878-1879 the number of *çiftliks* on the territory of Bulgaria did not exceed 200 and their size was relatively small – almost half of them were less than 15 acres (Khrstov 1976, 112). Lampe and Jackson (1982, 135-137) suggest that Turkish *çiftlik* owners were eager to sell their estates in the face of decreased or lost profit expectations arising from the series of bad harvests during 1850s, the sharp decrease in grain exports and prices following the Crimean War, and, most importantly, from the lost privileges of tax collection. On the other hand, Bulgarian peasants and merchants were motivated to buy land since they could now freely work it and export their produce — a reform decree of 1839 allowed Christians to trade with the outside world. Increasing European demand for Balkan grain exports in the 1860s and 1870s further increased their profit expectations from the purchase of land.

On the other hand, the reforms placed increased fiscal demands upon cultivators. In return for the right to own private land, peasants were required to pay 15 instead of 10 percent imperial tithe with the additional five percent to be paid over the subsequent five years.<sup>41</sup> Overall, it appears that a cultivator would give up 20 to 30 percent of their total farm output to meet his various obligations to the state (Palairret 1997, 47-48).<sup>42</sup> Palairret notes that this tax rate was considered normal by European standards of the day and Draganova (1996, 86) concludes that the tax rates were reasonable, in contrast with the traditional view of them as being exorbitant and oppressive.<sup>43</sup> The problem was that taxes levied on the Bulgarian population were higher than those in neighbouring Serbia and Montenegro. In addition, most of the total revenue (about 75 percent) collected from agricultural taxes in the Danubian Province was transferred directly to the Treasury in Istanbul and the small part that remained was used to modernize a few large estates (Lampe and Jackson 1982, 150; Palairret 1997, 48). Therefore, Bulgarian agriculture remained largely primitive and the lack of effort on behalf of the government to invest in its mechanization or for any other improvement in the region left people with no hopes for a brighter future.<sup>44</sup>

The *Tanzimat* period (1839–1876), on the other hand, is characterized by a remarkable growth in agricultural, particularly cereal, production accompanied by a substantial increase in agricultural exports for Bulgaria and for the Empire in general (Pamuk 1987, 149, Stoianovich 1976). The estimates of Palairret (1997, 58-65) and the figures of Lampe and Jackson (1982, 138) for Bulgaria show that, with the exception of some periods of recession, agricultural production and export of grains by the late 1860s more than doubled compared to the late 1840s. It was growing European demand which accounted for the increase in exports; but the response of Bulgarian producers and traders to such demand was only possible through the reform decree of 1839 which removed all vestiges of the Ottoman grain monopoly (Lampe and Jackson 1982, 138;

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<sup>41</sup> This increase is announced in issue 175 of state gazette *Dunav* of May 17, 1876 and is emphasized by Draganova in her studies of different regions in Bulgaria. However, as mentioned by Palairret (1997, 47) there is a debate with respect to the exact rate of imperial tithe levied on the cultivator. While Khristov (1976, 175-176) and Lampe and Jackson (1982) note that the rate of tithe was increased from 10 to 12.5 percent, Draganova (1980, 5) points that such increase affected only the Muslim population.

<sup>42</sup> This includes the tax on crop output, small livestock, rent, certain property and other taxes. The difficulty in coming up with a precise figure arises from the fact that different taxes were levied in different provinces.

<sup>43</sup> Draganova notes that her estimates support the findings of G. Danailov who in an article published in 1896 in the *Journal of Bulgarian Economic Association* stated that tax rates of the *Tanzimat* and of the Ottoman Empire in general were not as high as they were often thought or presented in various sources.

<sup>44</sup> Agricultural machinery and mechanized farming were concepts totally foreign to Bulgarian peasants and it seems that they were reluctant to import the machines for lack of knowledge and training about how to operate or repair them. Midhat Pasha created several model estates in the region and imported agricultural machinery for use at those estates. However, as Lampe and Jackson indicate, there were no skilled farmers to operate or repair them; there were no repair facilities either and so their use was greatly limited. Some landowners imported machinery themselves, but they remained idle or of limited use for the same reasons. The conservatism of Bulgarian peasants would also be a reason for their reluctance to use machinery. Breaking up the traditional farming techniques and a transition to mechanized farming would necessarily require government intervention in the form of investment in training and education as well as the promotion of mechanization. Furthermore, it was Midhat Pasha who created the first agricultural savings banks network in Bulgaria. However, the banks lacked any state deposits and could not collect large deposits from landholders. Importing machinery would require the availability of credit opportunities and these were basically absent; the banks could only provide small loans. In addition, after paying taxes higher than anywhere else in the empire, the profits left to the peasants of the region may not have been enough to invest in machinery. Or, higher taxes might have been a disincentive to further investment in agriculture (Lampe and Jackson 1982, 149-150).

Quataert 1994, 850). Furthermore, in general, there seem to be no doubt that the security of tenure provided by the Land Code of 1858 allowed the increase in production levels and flow of revenues (Quataert 1994, 861)

#### **IV. 2 Discussion of the Theories**

It would be hard to follow Demsetz's efficiency approach to institutional change and argue that the emergence of individual property rights to land in mid-19<sup>th</sup> century Bulgaria took place in response to the desires of the interacting persons for adjustment to new benefit-cost possibilities. It is obvious that property rights were produced by the Ottoman government as an integral and critical part of a broader social, political, and economic process of change. The Ottoman state's introduction of private property rights in the 19<sup>th</sup> century illustrates clearly the point made by the critics of Demsetz's theory (AJR 2005b, Banner 2002, Libecap 1989; North 1981, Sened 1997; Wyman 2005, cf. Section II.2.3.1 of the paper): property rights are determined and created through political processes and whatever the nature of transition, the shift requires a political mechanism to be in place.

However, the introduction of property rights does conform in part to the efficiency theory because it was a direct result of an external shock which altered the costs and benefits brought to the Empire by the existing *çiftlik* and state-command systems of land administration. The external shock was the rise and ever increasing superiority of Western Europe in an era of flourishing free trade. Under such conditions, the Empire had no choice but to westernize or Europeanize; as Todorva (1976, 106) argues, reforms were driven by the recognition of European superiority and the necessity of borrowing new institutions and methods from the West. *Tanzimat*, therefore, aimed at reorganizing its institutions from scratch to follow closely the European model of development (Inalcik 1941). The most important goal of the reforms was, therefore, to improve the living standards of the peasants and other *reaya* groups by making them equal before the law and providing them with the broader economic, political, and social rights and freedoms enjoyed by the European nations (Inalcik 1992, 3-4).<sup>45</sup>

More precisely, the *çiftlik* system had resulted in steadily decreasing agricultural production and, therefore, decreasing agricultural exports; renewed depreciation of Ottoman coinage; decline of processed exports; growing European debt and ultimately steady decline in the strength and self-sufficiency of the central government (Lampe and Jackson 1982, 133). Realizing that property rights to land were the key to increasing agricultural production and exports which in turn would provide the resources to pay for imported European goods and other expenditures, the Ottoman government decided to grant property rights to peasants, both Muslim and Christian. Not surprisingly, the pilot region for a vigorous implementation of reforms was in the Danubian Bulgaria, which had the potential to be a major producer and exporter of agricultural products, particularly of grain.

In other words, the driving motive behind the introduction of property rights in this case is certainly the concern for achieving economic efficiency — an idea borrowed from the West, as well as maintaining stability and continuity in the development of private property rights to land.

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<sup>45</sup> Inalcik (1992, 3-8) argues that the Ottomans were particularly concerned with improving the living conditions of the Christian *reaya* peasants and with fully integrating them into Ottoman society in order to create a new, 'unified' Ottoman Empire.

As Quataert (1994, 857-861) argues, the Land Code of 1858 "...was deeply concerned with the fiscal health of the imperial treasury... focused on the small cultivator, but it countenanced large estates to initiate or maintain cultivation... [It] displays the modern and capitalist aspects of the evolving Ottoman state, striving to divest itself of concern for production and focus on the flow of taxes... provided a more secure legal context for entrepreneurial investors... aided in the consolidation and further development of private landholding." The motives for economic efficiency and stability, of course, cannot be separated from the goal of regaining political strength and influence in Europe; although belatedly, the Ottoman government seemed to realize that unlike in previous centuries, such goals would only be possible to achieve through economic development in the long run.

Turning to the social conflict theory, it can be argued that it better, although not completely, explains the case of Bulgaria. Although desired, the emergence of individual property rights was not an ultimate choice of the society as a whole. Rather, just as the theory predicts, property rights of *Tanzimat* were chosen by the groups that held political power at the time and was partly the result of conflict with other groups.

Following the framework of this theory, the first factor to consider is the nature of political institutions in the 19<sup>th</sup> century. The Ottoman Empire was a theocratic monarchy, the institutions of which imposed no constraint on the actions of the Sultan as he was granted the status of representative of God on Earth. In other words, the Sultan was allocated full de jure political power to exercise whatever decisions he chose to take. The second component is the distribution of economic resources which would determine de facto political power. It is true that the Ottoman government was in conflict with *âyans*, *sipahi*, and other provincial notables who emerged as the landholding nobility of the empire and who acquired substantial degree of political and economic power during the preceding two centuries. This limitation on the de facto power of the government certainly did not originate from the political institutions of the Empire but rather from the introduction of its economic policy of tax farming. Recall that this policy came as a direct result of an exogenous shock: the European invention of firearms and the subsequent inevitable change in the military organization of the empire.

Nevertheless, the resources held by notables appear to be insufficient to provide them with the full de facto political power that would allow them to establish legal and full ownership to land rights by overthrowing the Sultan or by otherwise convincing him to grant those rights. Before initiating the reforms, the government recovered its de facto political power by using its de jure political power to destroy completely the *çiftlik* system created by notables. So, at the time of the reforms, de jure and de facto political power belonged to the reigning Sultan and his government. Having both, the Sultan controlled political power and it was precisely his administration that assigned and enforced the land tenure regime of mid-19<sup>th</sup> century. This brings us to the third building block of the social conflict theory, which is that political power, both de jure and de facto, determines the economic institutions, in this case, the land tenure system of a society. Moving forward to the fourth component, it can be argued that the property rights of *Tanzimat* had a profound influence on the agricultural performance at least of those Bulgarian peasants who were directly affected by the reforms.

Unfortunately (as far as testing the theory is of concern), the Ottoman Empire did not last long enough for us to see how it would have proceeded with the reforms and therefore to see whether and how distribution of resources and political institutions would have been affected in the future. What is of greater importance, however, is to note an important pitfall in the social conflict theory as it applies in this particular case. The theory maintains that both political institutions and the distribution of political power in society are endogenous. It is hard to argue that this is true in the case of Bulgaria. As discussed in the previous sections, the Ottomans imposed their political and almost all other institutions on Bulgarian society as a result of their military conquest in 1393. Not only the property rights of *Tanzimat* but all other changes in the land tenure institutions of Bulgaria came ultimately as a result of the military superiority of the Ottomans and subsequent ascendancy of their institutions. The implication is that there were long lasting exogenous constraints on the institutional choices that the Bulgarian society could make for itself. This in turn has an impact on which actors are relevant to understanding the conflicts that lead to the transition in property rights regimes. Moreover, the issue of the embeddedness of local regimes into broader ones comes to the picture once again: it was the complex dynamics of the empire as a whole which determined the introduction of individual property rights in Bulgaria, which continued to be an integral part of the empire for the most of 19<sup>th</sup> century.

There is one issue which is relevant to the case of the Ottomans and which the social conflict theory is not clear about: the theory is not clear about what happens when, due to limited institutional capacity, training, and competence, the ruling elites fail to implement the economic institution which they chose to introduce. A major problem with the *Tanzimat* land reform of the Ottomans was that the creation and enforcement of the new property rights to land were very slow and uneven (some regions of Bulgaria were not affected at all) as the administration struggled in their implementation. This could have been because *Tanzimat* affirmed a principle of government without detailing a programme of legislation (Palaret 1997, 45). Lampe and Jackson (1982, 133) add that the failure was also due to “a lack of administrative will at the centre and a shortage of able officials throughout the system.” Stavrianos (2000, 387-388) goes further on to argue that the administrators were of poor calibre and the lack of enlightened, capable, conscientious, devoted and properly educated administrators was the main reason for the eventual doom of the Ottoman Empire.

This implies that the political power of the Sultan and his government was a necessary but not sufficient condition for creating and maintaining the desired institutions. Private property rights were an institution borrowed, or as de Soto (2000) would say ‘copied’ from the West; they were in contradiction with the Islamic jurisprudence under which the empire operated for centuries, and as an idea were totally foreign to the near-eastern traditions and culture of the empire. Therefore, they required methods of administration different from those in which the ruling elites were educated and trained. The proper assignment, monitoring, and enforcement of these rights required a particular institutional and human capital capacity which the empire lacked. And since they were introduced from top to bottom, specific training and competence of the ruling elites and their agents were of crucial importance for their successful implementation. The evidence suggests that the empire struggled in building the institutional and human capital capacity required.

The successful introduction and enforcement of land rights in the Danubian province, for example, is often ascribed to its first governor, Midhat Pasha, who is known as the most able and fierce reform-minded official the Ottoman government could have ever hoped to have on hand (Draganova 2005, 25; Lampe and Jackson 1982, 149; Stavrianos 2000, 387). Other regions of the Empire, however, remained largely under the old regime for lack of, or insufficient, capacity, training and competence of the ruling elites to introduce the new institutions as they were planned or envisioned (Todorova 1976, 107).<sup>46</sup>

The social conflict theory also maintains that the agents controlling political power will choose the economic institutions that maximize their own rents. The Sultan's concern, however, was the decaying structure of the Empire as a whole and the disastrous direction it was taken into as a result of previous policies. As mentioned above, his primary goal was to provide equal rights for the population as a whole. It can be argued that saving the empire, or better yet, rebuilding it as an entity equal to or higher than that of the European empires would certainly promote or even maximize the broad self-interests and pay-offs of the Sultan and his agents. The question is why they not chose to introduce the new land tenure earlier. Or why did they not realize earlier the superiority of individual freehold property rights<sup>47</sup> and resisted for centuries the attempts of the Turkish notables to acquire legally those rights.

These questions require taking into consideration the role of the external shock discussed above. At the time of reforms, the Sultan and his government seem to be already far from thinking just about their own self-interests and how to solely maximize their own rents. It is hardly a coincidence that property rights to land were introduced by the Ottomans at a time when European capitalism penetrated firmly into the sphere of the traditional command economy; a milestone of this process was the Anglo-Ottoman commercial convention of 1838 (Adanir 1989, 150). And if we follow Inalcik and other Ottoman historians who argue that the ultimate goal of the Sultan was to westernize his empire, how are we to explain that such goal equates to the goal of maximizing his own rents? The ultimate question, therefore, is whether the Ottomans would ever have decided to introduce private property rights and therefore adopt capitalist relations if it were not for the rise of European capitalism and free trade in the region. If the answer is negative, which perhaps it is (recall Pamuk's (1987, 87) argument that the Land Code of 1858 was enacted under pressure from European powers), we have another exogenous factor as the driving force behind the emergence of property rights in Bulgaria and in the Ottoman Empire as a whole.

To conclude this section, the underlying cause of changes in the land tenure institutions of Bulgaria during the second and third quarters of 19<sup>th</sup> century was the desire of the central

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<sup>46</sup> Todorova (1976) provides a neat discussion on this topic. She demonstrates with evidence the efforts of the Ottoman administration to train its ruling elite according to the European school of thought. Nevertheless, her conclusion is that "The views of the *Tanzimat* personalities, their reform programs and the reforms themselves were the work of people who had not been specially trained for this, but, being aware of the need for changes, tried themselves to guess the most suitable roads. They were personalities who had mastered the traditional methods of administration during their training. They had experimented with the new methods and had become trained in the process of their own practice" (p. 110).

<sup>47</sup> Of course there were the property rights introduced by the *sipahi* and the *âyans*. But those rights were illegal and emerged against the will or intention of the Sultan and the central government. The point is that the government resisted legalizing, properly defining, monitoring, and enforcing a code for property rights for two centuries.

Ottoman government to reform the overall institutional structure of the empire. Such a desire arose from the pressing necessity to regain its strength and self-sufficiency and adapt to ever changing conditions brought by Western Europe. As far as Bulgaria is concerned, and similar to the earlier periods, her society had no role to play in the choice of property rights systems. The above analysis shows that the theoretical frameworks of institutional change provided by Demsetz and AJR are insufficient to explain the changes in the land tenure institutions of Bulgaria during this period. Consistent with AJR's theory, political institutions and distribution of resources determined prevailing political power which in turn determined the new structure of land tenure regime. But the motivations behind the new structure were broader than the Bulgarian situation and came as a result of the perceived need to 'copy' Western European institutions developed in a totally different context. Moreover, the actual establishment and enforcement of those institutions turned out to be a challenging process; political power and will alone was insufficient to successfully establish them throughout the empire.

Nevertheless, the social conflict theory of AJR is useful in organizing the factors that are identified as the determinants of property rights. With a modification in its level of analysis the theory can apply well to the case of Bulgaria. For example, the theory can be expanded to include the possibility that institutional change in a country can result from political or economic dynamics of conflict in a more encompassing political entity that contains it. In other words, the theory can be expanded to account for the possibility of local regimes being embedded into broader ones. The theory can also be expanded to account for the role exogenous factors play in the process of institutional change. Such factors were present and had significant influence both in the case of Bulgaria, and the Ottoman Empire in general. In the case of the latter, they are especially interesting. What was happening in Western Europe at the time was not just an external shock which modified political balance and to which the empire could adapt within its own social and politico-economic context. It was a factor that determined the Sultan's choice of institutions.

## **V. The Transition to the Post-liberation Land Tenure System of Bulgaria and its Evolution: 1878-1944**

The defeat of the Ottoman Empire in the Russo-Turkish War of 1877-1878 resulted in its loss, among others, of the territory of Bulgaria, and brought an end to its rule in the country. The liberation from almost five centuries of Ottoman domination resulted in a number of changes in the institutional structure of Bulgaria, including the structure of land tenure. This section will analyze the precise mechanisms by which the transition to the first *national* land tenure regime occurred and will evaluate its evolution.

The land tenure of *Tanzimat* was invalidated almost overnight with the arrival of the Russian occupation forces in Bulgaria in 1877, following their victory in the Russo-Turkish War of 1877–1878. The demise of the land tenure system of the mid-19<sup>th</sup> century was thus a direct result of the defeat of the political and military power of those who designed and enforced it — that of the Ottoman government. The overturning of the Ottoman land tenure structure in the wake of the Russo-Turkish War, rather than through a national revolution, should be considered as a crucial external mechanism of institutional change.



## V. 1 The Transition to the Post-liberation Land Tenure Regime

The end of Ottoman rule in Bulgaria brought agrarian turmoil. While the Bulgarian nation opposed both passively and, through its revolutionary movement in the 19<sup>th</sup> century, actively, the rule and institutions of the Ottoman Empire and for that reason fully supported the Russian forces, it did not have specific goals to pursue with respect to the establishment of a particular type of national land tenure regime. The Bulgarian revolutionaries did not have an agrarian programme or blueprint that would dictate either the transition to— or the precise structure of— the desired new land tenure regime; in fact, with the exception of one diary, their documents show no evidence of thoughts or concerns about the type of land relations they envisioned for the nation (Konobeev 1976).<sup>48</sup> Neither did the peasants themselves know exactly how to proceed with the reorganization of land relations in the country — what followed as a result of liberation was a spontaneous and chaotic peasant movement which aimed solely at the expropriation of land. In other words, it was a political mobilization driven by rent-seeking.

The major outcome of liberation and the accompanying peasant movement is described by Berov (1981, 217-228) as an “agrarian coup”<sup>49</sup>, the objective of which was eliminating large Turkish landownership and establishing the dominance of small and medium landholdings.<sup>50</sup> Such a characterization, however, is partly incorrect. As Berov’s and other sources’ discussion of the evidence shows, the objective of the coup was actually transferring, regardless of their size, as much land as possible from Turkish or state ownership to Bulgarian peasant ownership.<sup>51</sup> As

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<sup>48</sup> Konobeev refers to a number of official documents of the Bulgarian Central Revolutionary Committee which indicate that a specific agrarian programme was not developed; rather, the desires of the nation, and therefore the goals of the Committee, were broadly defined as to bring an end to Ottoman rule and feudal exploitation, to achieve national liberation, freedom for the people, the individual, and the religion and ultimately to create a democratic republic. Only in the diaries of Liuben Karavelov who was one of the most influential revolutionaries, are found notes pertaining to his vision about the land tenure Bulgaria should have. It appears that he supported the late Ottoman land reform and the obvious benefits it brought to the peasants; he also believed that private property rights to land were essential for the wellbeing of peasants and society as a whole.

<sup>49</sup> Bulgarian and Russian Marxist scholars describe this peasant movement as either an “agrarian overthrow” or an “agrarian revolution” which had the purpose of uprooting the Ottoman feudal structure of land tenure and that in its socio-economic context such movement was no different than that of the French Revolutionaries (Khristov 1976). Such an analysis is surprising given that these sources acknowledge structures resembling feudal ones to be present only on *çiftlik* lands, which comprised no more than 10 percent of Bulgarian agricultural lands on the eve of liberation.

<sup>50</sup> According to Berov, the first stage of this agrarian coup took place during and immediately after the war and was characterized with a revolutionary seizure of most of the abandoned Turkish lands by Bulgarian peasants. The second stage took place during the first half of the 1880s during which Bulgarian peasants were (in accordance with the Berlin Treaty of 1878) forced to buy most of the seized land from their previous owners.

<sup>51</sup> As mentioned in Section IV, Berov himself estimates that the percentage of Bulgarian land under *çiftlik* ownership was no more than 23 percent in places where it was most widespread at the beginning of 19<sup>th</sup> century. According to the Russian survey of 1877, this amount was 8-10 percent (Khristov 1976). Furthermore, Todorov and Tsonev (1981, 192) suggest that on the eve of liberation the majority of peasants, regardless of their ethnicity, would be characterized as small owners holding 30 to 100 decares (8 to 25 acres) of land. Lampe and Jackson (1982, 185) also argue that family-owned peasant smallholding had become almost the only form of land tenure by the early 19<sup>th</sup> century and that northern peasant proprietors effectively owned the great majority of land under cultivation by the 1860s, a finding strongly supported by Draganova (1980; 2005). In 1888, ten years after liberation, the number of *çiftliks* on Bulgarian territory remained close to that at the time of liberation: 174 of size 500 to 1500 decares and numerous smaller ones belonging now to Bulgarian peasants (V’lchanov 1954, 68). And as shown in Table 1 below, just as in the beginning of 19<sup>th</sup> century, majority of landholdings were of size 30 to 100 decares. This implies that the pattern of landownership did not change much; what changed was the ethnicity of their holder.

Palairret (1997, 176-179) suggests such transfer was highly advantageous to the latter as it meant greatly increased access to land.

Much of the Muslim population that had been living for centuries in Bulgaria fled the country, leaving behind their estates, whether large or small, and those who decided to stay were later treated as foreigners and were only allowed to hold up to 2.2 hectares of land (Palairret 1997, 175). *Çiftliks*<sup>52</sup> were destroyed and their strips of land distributed among peasants. Based on state archival documents Berov (1981, 219) suggests that along with *çiftliks*, whole Turkish villages were often destroyed. Furthermore, this chaotic, unorganized process inevitably led to harsh, sometimes bloody conflicts among peasants with respect to the way land was supposed to be distributed.

The attitude of the Provisional Russian Administration towards the agrarian upheaval in Bulgaria was somewhat confused but, in the overall, it greatly supported and facilitated the seizure of Muslim lands by Bulgarian peasants (Berov 1981, 220). As explained by Berov, the Provisional Russian Administration had, on one hand, supported the fight of peasants for more land and attempted to bring some order by distributing ‘tickets’ permitting the occupation of Turkish village lands or the cultivation of such lands within Bulgarian villages. Despite these attempts, however, peasants would often act as they pleased. On the other hand, the Russian officials had to take into account the demands of European powers, particularly those of Great Britain and Austria-Hungary who were concerned about the ongoing expropriation of private property and insisted that land be returned to its legal owners, the fleeing Ottoman Turks. European powers rejected the justification put forth by Bulgarians that they were simply reacquiring the lands that were forcefully taken by the Ottomans in their 1393 conquest.

The Congress of Berlin<sup>53</sup> revoked these seizures, which involved 40 percent of cultivated land in southern regions and smaller proportions in northeast Bulgaria, unless the Bulgarian peasant could pay the former Turkish owner (Lampe and Jackson 1982, 185-186). Despite the requirements of the Berlin Treaty of 1878, however, compensation was seldom provided for seizures and compulsory sequestrations. Of the 18 million decares of arable land, only 4.5 million decares were paid for (V’lchanov 1954, 63). The Provisional Russian Administration did everything possible to resolve the problems in favour of Bulgarian peasants — laws and regulations were designed to ease as much as possible the transfer of land from Turks to Bulgarians (Berov 1981; Stavrianos 2000, 442).<sup>54</sup> In some parts of Bulgaria, vast amounts of

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<sup>52</sup> The word *çiftlik* here refers to mostly larger estates legally held by Muslim owners. Recall from Section IV of the paper that they were largely confiscated from the notables before *Tanzimat* and transferred as private property to now legal owners.

<sup>53</sup> The Congress of Berlin is the name given to the diplomatic meeting of the major European powers and the Ottoman Empire held in June 13 – July 13, 1878 in Berlin. The goal of the meeting was to revise the Treaty of San Stefano, which was the treaty between Russia and the Ottoman Empire signed on March 3, 1878 at the end the Russo-Turkish War of 1877–1878 and which established Bulgaria as an autonomous principality.

<sup>54</sup> The Berlin Treaty recognized the legal rights of Turkish landowners who were allowed to return to Bulgaria and take possession of their estates. In reality, however, they were unable to do so. The Russian Administration issued a decree according to which a returning Turkish landowner would be tried before a military court if he happens to be charged with robbery, arson, rape, murder, or other crimes. The first two landowners who attempted to reclaim their

land were compulsorily transferred by the courts to peasant ownership (Berov 1979, 48). Large quantities of land were sold by emigrating Muslims in the market usually at a price much lower than that of the pre-war period and in many cases land was never paid for in full since Bulgarians viewed the process as taking back the land which was originally their own. A number of village communes bought up *çiftliks* collectively, and divided the holdings among their members.

## V. 2 Discussion of the Theories

Three forces were at play in establishing the foundations of the new, post-liberation land tenure of Bulgaria. The driving force was the actions of the majority of Bulgarian peasants directed towards acquiring more land and establishing their private, individual ownership to that land by all possible means. A second important force was the actions of the Provisional Russian Administration during the two years of their occupation. This was certainly an exogenous force, and in fact, the mechanism by which the transition was accomplished. The third important force was that resulting from the actions of European powers, again an exogenous factor. The difference is that European powers had interests different than those of the Russians and their impact on the distribution of land remained smaller compared to that of the Russian powers. The role of both external forces, particularly, that of the Russian powers cannot be explained by the theories of Demsetz and AJR.<sup>55</sup>

One element conforms to the efficiency theory of institutional change: it is obvious that the resulting pattern of land ownership emerged spontaneously within the largely peasant society of Bulgaria. That process was certainly an endogenous one. But were peasants really in a search for adjustment to new cost-benefit possibilities? Could they actually have calculated or even have had any clear idea of the future costs and benefits of this distribution and decided that it would be a more efficient and beneficial one? In other words, was this an outcome that was long-planned and long-calculated or simply an immediate reaction to the Russian liberation?

The answers to both questions seem to be negative. Given the nature of the events, it can be argued that peasants acted in their own immediate self-interest and were simply trying to increase their own rents. The march of the Russian army into Bulgaria and the disorder resulting from the conditions of war opened the way for a broad and nearly costless access to land which implied benefits for those who managed to acquire as much of it as possible. Indeed, it was not only former Turkish land that was expropriated: state land, such as meadows, grain fields,

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land in Bulgaria were sentenced to death (later changed to exile from the country) which set a precedence discouraging other landowners to return.

<sup>55</sup> The history view of institutional change (discussed in AJR, 2005b) which holds that economic institutions are the by-product or unintended consequence of historical accidents may to some extent help in its analysis. It can be speculated that, if Bulgaria had been liberated not by the Russian, but by the British army, chances are small that events would have proceeded the way they did. Or, if the Russian army had taken serious measures against the actions of peasants, the outcome would again be different. What does not fit into this theory is that the incidental power or force in question is an external one, not internal. Furthermore, this external force cannot be viewed as the sole determinant of the resulting pattern of ownership: after all, however crucial their role, the Russian administration did not set the direction of events, it supported the desires and goals of peasants and eventually provided for their accomplishment. Undoubtedly, the Russians had interests in supporting whatever goals the peasants had set, or they might have wanted events to develop precisely the way they did. The discussion of those interests, however, falls outside of the scope of the thesis mostly because of their broad political nature and because Russians do not seem to have directly benefited from the type of land ownership to be established in Bulgaria at that time.

pastures, and forests were seized as well (V"lchanov 1954, 60). V"lchanov also argues that the resulting distribution was unjust and inequitable since richer peasants (medium or larger landholders) were more willing and eager to acquire additional land as they had the draught animals to work that land; poorer peasants had less chance to acquire more land.

Turning to the second question — was there actually a prior ‘calculation’ of the future costs and benefits of this distribution and a prior decision that it would be a more efficient and beneficial one — the answer seems also to be negative. Given the discussion of Konobeev (1976) on the lack of a precise programme for a new land tenure system, it is hardly the case that there was a calculation of the costs and benefits of regimes and subsequent choice towards a more efficient one. The resulting land ownership pattern was perhaps not even expected as it came as a direct consequence of anarchy and disorder.

By one means or another, by the end of the 19<sup>th</sup> century many people became land owners for the first time but their holdings were mostly of small or medium size. Table 1 shows the distribution of land as measured by the first official agricultural census performed in 1897. Of the country’s 9,634,550 hectares, 7,413,747 were classified as usable land; 53.65 percent of this usable land was in private ownership and 30.91 percent belonged to village communes (Crampton 1983, 186). As can be seen, the majority of land owners were small (2–10 hectares) and very small (less than 2 hectares) peasant proprietors with the latter being more than forty five per cent of landholders. Two hectares is an amount considered below the minimum to provide a livelihood so that these landowners would have needed other sources of income. More than anything else, the distribution seems quite egalitarian.

**Table 1. Distribution of Land Holdings by Size of Holding in 1897**

Size of holdings	Number of holdings	Average size of holdings	Percentage of total holdings	Area of land (hectares)	Percentage of total area
Very small (less than 2 hectares)	363,646	1.5	45.48	265,653	6.68
Small (2 to 10 hectares)	334,384	5.8	41.82	1,681,119	42.27
Medium (10 to 30 hectares)	92,509	15	11.57	1,409,890	35.44
Large (greater than 30 hectares)	9,049	110	1.13	620,896	15.61
Total	799,588		100	3,977,558	100

**Source: Crampton 1983, 187.<sup>56</sup>**

<sup>56</sup> Categories for the size of holdings are described as follows: “very small—those below twenty deceres in extent and insufficient to support the average peasant household; small—from twenty to 100 deceres, and large enough to support the average peasant family; medium—from 100 to 300 deceres and large enough to provide surplus for the market and perhaps to need the occasional employment of labour from outside the family; large—over three hundred deceres, needing full time wage labour to work, and if not subdivided and rented, clearly capable of

If the efficiency theory seems not to explain the transition, what about the social conflict theory? With one caveat concerning its first two blocks, the social conflict theory appears to better explain the case of Bulgaria. The caveat is that, immediately before the time of the peasants' "agrarian overthrow", Bulgaria did not have its own political institutions; they were yet to be developed after 500 years of Ottoman rule. Instead, what were present were the Ottoman political institutions which assigned de jure political power to the Sultan and his administration. At that time, de facto political power also belonged to the Sultan. Almost unexpectedly, the Russian victory provided not only for the elimination of this power but also for the acquisition of economic (and later, as will be seen below, political) power by peasants. In other words, the conflict between Bulgarian peasants and the group in political power was resolved through the Russian victory in favour of the peasants. This is somewhat in contrast to the theory which predicts that it is the distribution of resources in society that will determine de facto political power and will consequently determine which group's power will prevail. "Somewhat in contrast" because, (1) peasants did not need to overthrow or exercise any sort of power upon the group in political power in order to achieve their objectives; this had already been done by the Russians; and (2) it was the distribution of economic resources which determined their de facto political power but these economic resources were acquired directly as a result of the Russian victory and of the subsequent actions of the Provisional Russian Administration.

To clarify, the Russian army replaces "political institutions  $t$ " in the following relationship in the social conflict framework:

**political institutions  $t$**                       →                      **de jure political power  $t$**

and the Provisional Russian Administration in Bulgaria replaces "distribution of resources  $t$ " in the second social conflict relationship:

**distribution of resources  $t$**                       →                      **de facto political power  $t$**

There are several important conclusions to be made here. In line with both theories, the process of institutional change was an endogenous one as, whatever their motives, it occurred as a result of peasants' actions, individual or collective. What does not confirm to Demsetz's theory is that there was no particular economic reason for which peasants would undertake the transformation. The timing and nature of the events and particularly their response to these events suggest that peasants were driven by nothing but their self-interests and the desire to maximize their own rents. There does not seem to be any evidence that they had hoped or realized that the resulting distribution of land could eventually lead to more efficient economic outcomes. The next section will show that, actually, the new land tenure regime evolved in the direction of inefficiency. Also, once again we come across the problem in Demsetz's theory that it does not specify the mechanism of transition to the new property rights system. It seems impossible that Bulgarian peasants would have ever achieved a transition on their own. The transition was accomplished

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capitalization and commercialization. An approximation would suggest that the very small averaged 15 decares, the small 58 decares, the medium 150 decares and the large 1,100 decares. Most families had enough land for their own needs and no more than two percent of the population at the end of 19<sup>th</sup> century, when conditions in the countryside were particularly bad, had been forced into full-time wage-labouring" (Crampton 1983, 187-188)

through an exogenous mechanism — the Russian victory in the war and the presence of the Provisional Russian Administration in the country.

With respect to AJR's theory, it will be seen in the next section that it applies well to the case of Bulgaria. The only issue of consideration is the mechanism of transition and the key actors involved. In line with the theory, the driving force behind institutional change was the self-interests of the peasants. However, on the eve of liberation from Ottoman rule, peasants were not a source of economic or political power; therefore, they could not have had the opportunity to impose their wishes by successfully opposing the political power in rule (the Ottomans). Instead, it was an external force, the Russian army, which overthrew the Ottoman government and therefore took its political institutions and political power away. With their broad acquisition of land, which was supported and facilitated by the Provisional Russian Administration, peasants gained economic resources and immediately became an important political power. Most of them were still poor but they were now landowners and constituted the overwhelmingly large majority of Bulgarian society at the time. It can be suggested that the theory be expanded to include the possibility of exogenous sources determining or influencing economic and therefore political power.

### **V. 3 The Evolution of the Post-liberation Land Tenure Regime: 1880–1944**

This section traces the post-liberation history of the Bulgarian land tenure system. In February 1879, the Great National Assembly which was to build independent Bulgaria's political institutions adopted the liberal Tŕnovo Constitution and proclaimed a Bulgarian Constitutional Monarchy. The Great National Assembly was elected on the basis of universal male suffrage; the authority of the monarch was strictly limited; a democratic government was formed and the constitution guaranteed freedom of speech, assembly, the press, and religion.

By the end of the 19<sup>th</sup> century most of the land acquired by peasants was legitimized and its owners were given full titles of ownership rights (Vŕlchanov 1954, 69). A serious problem, however, was the failure to establish a land register which facilitated further heavy expropriation of state land since the boundaries between private and state property remained indistinct (Crampton 1983, 359).

Establishing individual ownership of land, in itself, did not significantly alter the structure of agriculture. The radical reform was mostly limited to distribution of land which became a permanent issue of concern until 1944. On the other hand, little was done to create the institutions necessary to support private ownership of agricultural land (Cochrane 1993).

In the first five years following independence, taxes levied on peasants were lower than those imposed by the Ottoman government. However, they rose steadily afterwards, parallel to the steady increase in state revenue demands (Bell 1977, 13-14). The newly formed state needed revenue to support its building projects and the establishment of its civil bureaucracy but it mostly needed revenue to cover its military expenses. In the pre-1944 period of national independence Bulgaria was involved in four wars and its pursuit of aggressive and expansionist foreign policy resulted in dramatic changes of its territory. Such goals required the maintenance of growing military forces and the easiest way to meet the resulting rising military revenue demands was to tax the peasant masses — a practice resembling that of the Ottoman state during

the 17<sup>th</sup> and 18<sup>th</sup> centuries. Crampton (1983, 208) argues that whatever form the taxation on the land assumed the peasants felt with a good deal of justice that the burden was unfair and constantly increasing. Most of the time, the peasants were subject to taxes much higher than those of officials, members of the free professions, and merchants.<sup>57</sup>

With respect to land tenure, the most vigorous policy pursued by the government was to break up remaining or newly formed large estates (considered as holdings greater than 300 decares  $\approx$  74.1 acres) and to prevent the formation of new large estates. In other words, the goal was to achieve an egalitarian distribution of land. The first Bulgarian Land Law of 1880 provided for the distribution of previously uncultivated land to peasants in small parcels (Strezov 1913, 45; V<sup>o</sup>lchanov 1954, 66).<sup>58</sup> The amount of land a household would be entitled to hold would range between 40 to 60 decares (9.88 to 14.82 acres) depending on its subsistence needs (V<sup>o</sup>lchev 1999, 36).<sup>59</sup> Next, the Law of 1885 required the disintegration of remaining large estates, which, accordingly, were either confiscated or bought out by the state from their owners to be parcellized and distributed to peasants (Strezov 1913, 46; V<sup>o</sup>lchanov 1954, 66-67; V<sup>o</sup>lchev 1999, 35-37).<sup>60</sup> According to both laws, the maximum amount of land a household could hold was 100 decares (24.7 acres). V<sup>o</sup>lchev explains that the rationale behind the laws was the principle that “the land belongs to those who cultivate it”; therefore, the condition to be or become a landowner was that the owner directly cultivate his land. Essentially, the Law of 1885 illustrated the stand of the state against large ownership of land.

As V<sup>o</sup>lchanov points out, the process of dividing large estates was complicated, difficult to implement, and took many years to take effect. In fact, between 1897 and 1908, the enforcement of the law was rather ineffective since there was actually a 20 percent increase in the number of farms larger than 100 decares.<sup>61</sup> It is true that those were the years when there was a general expansion in land under cultivation, which led to an increase in the number of farms in all size ranges. In spite of this, if the law had been enforced effectively, there should have been a decrease in the number of farms larger than 100 decares.

The Bulgarian Agrarian National Union (BANU) was formed in 1899 to voice the protests of the peasants against the government’s increasing tax demands. It has to be mentioned here that despite the democratic form of government, political power tend to be concentrated in the hands of a politically active elite composed of the few large merchants, landowners, lawyers, and military officers who were educated abroad (Bell 1977, 5). BANU grew rapidly because of its

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<sup>57</sup> Comparing the tax burden of the Bulgarian peasant with that of the Belgian and English peasants, Crampton states that “... the Bulgarian peasant was paying 12.5 % of his income on tax, compared to the Belgian’s 6.5% and the Englishman’s 7.5%.” Moreover, the punishment for failing to pay taxes was in many cases execution.

<sup>58</sup> The law, according to V<sup>o</sup>lchanov, provided only use rights: peasants who settled on this “new” land were not allowed to sell or transfer those rights. Ownership of land and transfer of rights would be granted only after 10 years of use. The law was amended in 1902 to increase the period of use before eligibility for ownership from 10 to 20 years.

<sup>59</sup> Toshev (1937, 16) argues that 35 decares would be perfect for a household composed of 5 members to meet its needs.

<sup>60</sup> The Law of 1885 is actually an amendment to the principal Law of 1880, which was also amended in 1883, 1896 and 1908. According to V<sup>o</sup>lchev the amendment of 1885 is the most comprehensive version of all.

<sup>61</sup> 100 decares in itself is not a large size for an estate but as mentioned in the previous paragraph, the law required that the maximum amount of land a household could hold was precisely 100 decares. In other words, any estate larger than 100 decares was considered large enough to be divided.

broad social base and the very fact that it was formed as a peasant organization (Pantev 1996, 12). Led by the young and charismatic Stamboliiski, who was the dominant figure within BANU, the Agrarian party won the parliamentary elections of 1920 with a significant majority of 109 seats (Stavrianos 1958, 646). The egalitarian policies and social reform promised by Stamboliiski attracted all peasants but particularly those with small land holdings. The latter accounted for more than fifty percent of BANU membership.<sup>62</sup>

In 1921, the newly formed Agrarian government of BANU passed the Law of Labour Land Property. As Bell (1977, 162) notes, “just as ‘private property’ and ‘social or communal property’ are ideas fundamental to capitalism and to socialism, so the idea of ‘labour property’ [*trudova sobstvenost*] became a cornerstone of Agrarian policy.” Bell (p. 163) further explains that labour property referred to property directly utilized by its owner to provide for himself and his family. Therefore, Article 1 of the law stated that “the land must belong to those who cultivate it” (V”lchanov 1954, 89). Accordingly, the law decreed that all privately owned land in excess of 300 decares (74.1 acres) and not farmed directly by its owner be transferred to the state (p. 90). In addition, the landholdings of absentee owners were to be confiscated and distributed to those who own less than 10 decares of land (Bell 1977, 164; Pantev 1996, 15). So the Land Law of 1921 allowed peasant farmers and all other private parties to own the maximum of 300 decares of arable land and obliged everyone who owned land to farm it directly.<sup>63</sup> Therefore, remaining large estates and *zadruga*<sup>64</sup> common lands would be subject to subdivision with resulting excess land property being subject to expropriation to be redistributed to peasants who did not own land (Crampton 1997, 152; McIntyre 1988, 25; Strezov 1913, Toshev 1937, V”lchanov 1954, 90-91). Despite the slow pace of implementing the expropriation and

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<sup>62</sup> Crampton (1983, 335) describes the political vision of Stamboliiski as follows: “His objective was a society which could offer justice and equality for all. He believed these goals could not be achieved without private property which was ‘the motive force for work and progress’ and which would give men satisfaction and a sense of purpose and dignity. At the same time he insisted that there were two aspects of human nature, an individual and a communal; private ownership satisfied the needs of the individual aspects of human nature but as productive relationships became more complex a communal consciousness would develop as it becomes obvious that the well-being of one was dependent on the well-being of others. As communal consciousness developed private farming would shed its primitive, individualist form and become more communal, though ownership would remain private. With his belief in private ownership went a Jacobin-like hatred of excess. No-one must be allowed to own too much and no-one must be left with too little private property, for from such inequalities all injustices stemmed, and it was this aspect of his ideology which allowed him and BANU to campaign for the confiscation of excess property from individuals and institutions such as the state and the Church, the property so taken being used to establish a fund to provide the means of subsistence for those who did not have enough land. It also led BANU to argue for state assistance to cooperatives. Stamboliiski hated all deviations from the simple village life, and saw them as destructive of the potential for human improvement.”

<sup>63</sup> As Bell (1977, 165) explains “Land owned by monasteries, but not farmed by monks, was made subject to confiscation. Land held by the National and Agricultural Banks and all state-owned arable land not under cultivation were added to the state land fund.” Moreover, land over 40 decares held by absentee owners were also subject to confiscation (p. 164).

<sup>64</sup> As explained earlier, *zadruga* is a form of extended household organization, historically common among the Balkan nations. It was formed of two or more biologically related families who commonly owned and managed their properties, labour and means of subsistence (Todorova 2002, 123).



redistribution, by the mid-1920s, there remained only a few individuals who continued to own large estates and the majority of land holdings could be classified as small.<sup>65</sup>

Social democratic policies which dominated in the beginning were halted by a fascist coup and the totalitarian rule of 1923-1944. Stamboliiski was brutally murdered in a reactionary coup by right-wing forces in 1923 but the land laws passed by his government remained in effect; the totalitarian government does not seem to have had problems with his land policies. According to Stavrianos, by 1926, 80.6 per cent of the peasants owned the land they tilled, 16.8 per cent owned plots but were willing to rent more and 2.6 per cent rented all the land they worked. By 1934, when the Military League established a dictatorship, 94 per cent of the land consisted of holdings less than 300 decares with 87 per cent at a size less than 100 decares (Thompson 1993). In 1941, distribution of land was still an issue of concern as Article 1 of The Land Law of 1941 stated that its goal was the creation of a state land fund to fight the hunger for land and unemployment in agriculture (V'lichanov 1954, 93).

#### **V. 4 Further Discussion of the Theories with respect to the Post-liberation Period**

Can the efficiency theory explain the subsequent developments in the land tenure of post-liberation Bulgaria? The theory predicts that property rights evolve in the direction of efficiency, so the question of concern is: was the resulting allocation of land resources more efficient than that of the previous land tenure regime or increasing land productivity set as the major goals to pursue? It does not seem so.

The major actors involved in the process of change were the peasants and governments who designed and enforced land legislation aimed at achieving equality and providing the minimum amount of land for subsistence. These actors might have believed that agricultural productivity would be enhanced by egalitarian peasant ownership of land. But if such was the case, then one would have expected efforts and policies to improve farming methods such as increasing investments in agricultural technology, the use of fertilizers, irrigation, storage facilities, and others. This was not the case. It seems that what mattered for both groups of actors was whether peasants had enough land to meet their subsistence needs. Moreover, for the government, peasants, who represented the overwhelming majority of Bulgarian population in the first half of the 20<sup>th</sup> century, were the easiest group to target for tax collection.

Producing surplus for the market and therefore increasing profits did not seem to be of concern to anyone. The government did little to support agriculture — aggregate state expenditure on agricultural improvements was less than five percent of the total budget (Lampe and Jackson 1982, 191).<sup>66</sup> Agricultural methods remained primitive and ultimately little was done, with or without governmental help, so that per capita productivity and yields per acre remained low by Central or Western European standards (Spulber 1963, 348, 355). Furthermore, changing the distribution of land towards its more efficient allocation through, for example, a broad division of labour, as Spulber (1963, 375) suggests, was out of question. Changing the distribution of land

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<sup>65</sup> Bell argues that the enforcement of the laws and reforms was more successful compared to that of the previous laws. Nonetheless, the state did not completely achieve its goal: while it expected to acquire approximately 230,000 hectares, by 1923, when this government was overthrown, this amount was just less than 82,000 (p. 166).

<sup>66</sup> This number is considered too low given that, at the time, majority of the population was engaged in agriculture, which on the other hand constituted the only sector of the economy.

by leaving it to market forces was also out of question — the laws defining and greatly constraining the amount of land an individual could hold were never changed.

This brings us to the argument of Baland and Platteau (1998) and others that, the influence of the state can lead to the direction of both efficiency and inefficiency and that in many cases state intervention can disturb the evolutionary sequence of property rights. It is obvious that the intervention of the state in terms of restricting the amount of land a person can hold had adverse effect on both the development of agriculture and land relations and it certainly disturbed the evolutionary sequence of land tenure — by imposing the ownership only of small farms, the state seemed to wish that peasants live and produce only for subsistence. It provided security and protection of rights to pieces of land which could only be used to barely feed a family. Such a situation was highly advantageous to the state: it could successfully tax the majority of the population and meet its short term goals of revenue collection.

Turning to the social conflict theory, independent Bulgaria established democratic political institutions which allocated de jure political power to elected governments, at least until 1923. The economic resources acquired in the course of the Russo-Turkish war of 1877–1878 made peasants the holders of de facto political power. These two sources of political power chose to establish individual property rights to land. The defining characteristic of the new land tenure was an egalitarian access and distribution of land which seemed to maximize the rents of both groups — peasants were concerned with possessing landownership rights which would allow their subsistence and the government was concerned with collecting taxes. Being in conflict with the state which was continuously increasing their tax burden, peasants peacefully opposed the policies of the state and democratically established an agrarian government which would protect their interests. This government however was overthrown by another group with political power who opposed the agrarian government for its foreign policies; the land policies of the agrarian government remained untouched until 1944, throughout the totalitarian regime. It can be concluded that the social conflict theory is effective in explaining the evolution of the post-liberation land tenure regime.

## **VI. Conclusion**

The goal of this paper was to identify and examine the critical factors which determined the shape of the land tenure institutions of Bulgaria and influenced their evolution. The focus of analysis was the period 1839–1944. The question was addressed through a critical evaluation of the theoretical frameworks of institutional change proposed by Demsetz (1967) and Acemoglu, Johnson, and Robinson (2005b).

The major conclusions of this paper can be summarized as follows. First, changes in the land tenure institutions of Bulgaria prior to 1878 were of an exogenous nature. From the 15<sup>th</sup> to the end of the 19<sup>th</sup> century Bulgarian society lived under the imposition of the foreign land tenure institutions of the Ottoman Empire. As those institutions evolved, Bulgarian society adapted itself to and was greatly affected by these changes but it did not have any role to play in the process of institutional change. The long lasting military superiority of the Ottoman Empire brought long lasting constraints on the institutional choices of Bulgaria. In this important respect the Bulgarian experience does not conform to the theories of Demsetz and AJR which maintain firmly that the process of institutional change is an endogenous one and leave aside the

possibility that the determinants of change may not lie within the society whose property rights regime is being considered. If this possibility is ignored, however, both theories would lead to interpretative dead ends. The discussion of the evidence on the land tenure institutions of Bulgaria challenges the endogeneity view and suggests that exogenous factors may play a critical role in shaping the institutions of a society. On the other hand, the process of institutional change was an endogenous one for the Ottoman Empire. Taking into account the possibility that local regimes may be embedded into broader ones, whose economic efficiency or rent-seeking dynamics are determinant in the process of change, the paper suggests that the social conflict theory be expanded to include the embeddedness factor and the role of external factors in the study of institutional change.

Second, the process of introduction of individual property rights to land in Bulgaria in the mid-19<sup>th</sup> century conforms generally to the theoretical framework put forth by AJR: the political institutions and distribution of resources in the Ottoman Empire determined the prevailing political power which on the other hand determined the choice of institutions. However, for this period too, the embeddedness issue and the role of external factors appear to be an issue of consideration: (1) the identified determinants were still exogenous to the Bulgarian institutional environment — an issue which can be resolved with the inclusion of the embeddedness factor; (2) the reasons for which property rights to land were introduced did not directly relate to the concern of maximizing the rents of the group in political power (the Ottoman government), at least not if we define rents in a narrow economic sense. Rather, they were directly related to critical changes in the international environment which influenced the available choices — this can also be addressed by taking into consideration the role of external factors.

Third, the process of transition from the 19<sup>th</sup> century Ottoman land tenure regime to the national one was an endogenous process as it emerged as a result of spontaneous peasant actions which ultimately laid the foundations of the new pattern of landownership. But it was also a process whose technical implementation was only achievable through an exogenous mechanism. The impact of European and particularly Russian powers on the direction of change was significant; that of the latter crucial. This fact is all the more interesting for although not directly interested in or benefiting from the particular form of land tenure institutions to be established in Bulgaria, Russian powers intervened and played active role in the process. Certainly, implementing a policy that clearly was immensely popular with the majority of the population was in their interest. Finding out whether Russian interests were limited to that requires the close examination of the nature and precise goals of external interest groups. In any case, this finding once again brings attention to the role of exogenous factors in the process of institutional change in Bulgaria.

It can be concluded that the emergence and evolution of individual property rights to land in Bulgaria was a political process heavily influenced by the self-interests and rent-seeking behaviour of the key actors involved. The example of Bulgaria provides evidence in support of other studies which suggest that property rights are determined and created through political processes. A specific contribution of this study is that it draws attention to the issue of embeddedness of local regimes into broader ones and the significant role which external factors may play in the process of institutional change. Therefore, the paper suggests that these two issues be taken into consideration in the study of the evolution of property rights.

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