

The Austrian school in Bulgaria: A history[☆]

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Abstract

The main goal of this study is to highlight the acceptance, dissemination, interpretation, criticism and make some attempts at contributing to Austrian economics made in Bulgaria during the last 120 years. We consider some of the main characteristics of the Austrian school, such as subjectivism and marginalism, as basic components of the economic thought in Bulgaria and as incentives for the development of some original theoretical contributions. Even during the first few years of Communist regime (1944–1989), with its Marxist monopoly over intellectual life, the Austrian school had some impact on the economic thought in the country. Subsequent to the collapse of Communism, there was a sort of a Renaissance and rediscovery of this school. Another contribution of our study is that it illustrates the adaptability and spontaneous evolution of ideas in a different and sometimes hostile environment.

Keywords: history of economic thought, dissemination of economic ideas, Austrian school, Bulgaria.

JEL classification: B00, B13, B30, B41.

1. Introduction

The emergence and development of specialized economic thought amongst the Bulgarian intellectuals was a process that occurred significantly slowly in comparison to Western and Central Europe. It also had its specific features. The first of these was that almost until the outset of the 20th century, the economic theories and different concepts related to them were not well known. Bulgaria was poorly integrated into the European market of economic theories and ideas. In this respect, it can be argued that the lack of intellectual integration was associated with the long-term relative absence of political, religious, and business contacts of the Balkans with the rest of Europe during

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the Ottoman period. Until the end of the 19th century, Bulgaria was isolated from the process of economic integration occurring in Western and Central Europe, where the Bulgarian lands missed the industrious, commercial, scientific and industrial revolutions.

Therefore, the impact of European economic theories was mostly found in their instrumentalization as concrete ideas, measures and laws applied in the economic policy with the aim of compensating the economic and social backwardness of the country. Another important feature of the Bulgarian economic thought was the theoretical and methodological eclecticism and hybridization. At times, it brought together opposite and mutually exclusive theoretical and methodological characteristics, such as classical liberalism, physiocracy and mercantilism, protectionism, economic nationalism, Orthodox Christian ethics, common sense, subjectivism and utilitarian marginalism (Nenovsky and Penchev, 2015). Moreover, the Bulgarian economic thought was characterized by practical and short-term orientation, definite lack of a theoretical character and strong normativeness to the detriment of the analytical and positivist aspects. After the liberation of Bulgaria in 1878, it aimed at serving the state economic policy and, in the long-run, it closely followed the development of economic science of leading countries, and particularly those to which it was pegged geostrategically and on which it depended financially and politically.

The spread and development of the Austrian school and its particular components should be regarded against this general background. It should be emphasized that the Austrian school and marginalism as a whole were theoretical trends. Perhaps the most distant ones from the character of the Bulgarian economic thought, which, as we have already mentioned, definitely lacked theoretical characteristics and was actually policy and state oriented. However, the Austrian school was present in the economic debate during different epochs. Therefore, the main goal of this study is to highlight the acceptance, dissemination, interpretation, criticism and to make some attempts at contributing to the Austrian economics made in Bulgaria during the last 120 years. We consider some of the main characteristics of the Austrian school, such as subjectivism and marginalism, as basic components for the economic thought in Bulgaria and as incentives for the development of some original theoretical contributions. Even during the first few years of Communist regime (1944–1989), with its Marxist monopoly over intellectual life, the Austrian school had some impact on the economic thought in the country. Subsequent to the collapse of Communism, there was a sort of a Renaissance and rediscovery of that school. Another contribution of our study is that it illustrates the adaptability and spontaneous evolution of ideas in a different and sometimes hostile environment.

2. Pre-history: Late 19th—early 20th century

Up to 1878, the Bulgarian lands were within the Ottoman Empire and in the late 19th century, some ideas which had been popular for a long time in Western and Central Europe gained popularity amongst the Bulgarian pre-liberation intelligentsia. This was caused by several factors. Amongst them, the noteworthy factors were the structural changes in both the Bulgarian society and the Ottoman Empire—the economic progress in the Bulgarian lands, the de-

cline of traditional Ottoman institutions, and the attempts to modernize the empire. At the end of the 18th and the first half of the 19th century, the Ottoman backwardness became obvious in comparison to Western and Central Europe. Therefore, the ideas in favor of the European type of development became significantly more popular.

By 1878, the influence of the classical liberal economic ideas prevailed amongst the Bulgarians, as was the case in the other Balkan countries (Psalidopoulos and Theocarakis, 2011). The early Bulgarian liberalism was strongly influenced by the French liberal concepts and ideas and not so much by the Anglo-Saxon liberal traditions (Nenovsky and Penchev, 2014). Here, we can find one of the possible prerequisites of the Austrian influence in Bulgaria as it was closer to the French than the Anglo-Saxon Liberalism. However, some of the main postulates of the German historical school (protectionism, preference for domestic products rather than imported ones, the evolutionary approach to explaining both public and economic phenomena, etc.) made their way into Bulgaria's society. As there were not many Bulgarian students in Western Europe before 1878, the achievements of the world economic thought found their way indirectly through Greece, Romania and Russia, amongst others.

In 1878, after several centuries of Ottoman rule, Bulgaria became an autonomous principality and later, an independent country. Its ruling and intellectual elites made efforts to catch up with the developed industrial countries. The Bulgarian economists and statesmen made an attempt to build a political and economic model of “applied” economic liberalism, which combined free trade and moderate protectionism, and free private enterprise and government interference in the economy. This was an attempt to establish a model through which the peripheral Bulgarian economy could be modernized. At the end of the 19th and the beginning of the 20th century, significant changes took place, such as three laws aimed at stimulating the local industry were passed in Bulgaria, the foreign railroads were nationalized in 1908 and all the newly constructed railroads were state-owned.

Not surprising, the Bulgarian economic thought during this period was strongly influenced by the German historical school (directly or through Russia), which was also a sign of the importance of the state that recommended tariff protectionism and welfare legislation, among other measures (see Nenovsky and Penchev, 2016a). Individualism, materialism and skepticism as regards the state, typical for the Anglo-Saxon liberalism, were not popular amongst the Bulgarian intelligentsia.

The influence of the Austrian school on the Bulgarian economic thought was still relatively negligible. The first Bulgarian to be influenced by the concepts of marginalism was Ivan E. Geshov (1849–1924). In 1865, he moved with his family to Manchester. In 1866, he enrolled at Owens College, where he became one of the best students of William Stanley Jevons.¹ After 1878, Geshov held important administrative positions and was actively involved in political life. He was the governor of Bulgarian National Bank (BNB) (1883–1886), member of Parliament, Minister of Finance and, from 1911 to 1913, he was the Prime Minister and Minister of Foreign Affairs of Bulgaria (Metodiev and Stoyanov, 1987).

¹ In his memoirs, Geshov (1928) mentioned Jevons' influence as regards his understanding of social problems and cooperative ideas. Geshov was quoted in a footnote by Vilfredo Pareto in his *Corso di economia politica* (Pareto, 1905/2009, p. 355).

Geshov set forth his views on different economic issues in a series of papers published in various journals, mostly in late 19th century. In 1899, his publications were collected in a book entitled *Words and Deeds. Financial and Economic Studies* (Geshov, 1899). He was certainly familiar with the works of the British classical political economy and the French liberal economic thought, but there was no trace of an Austrian influence.

Geshov himself spared no praise for Jevons (“he is head and shoulders above Ricardo and Mill, he makes us understand Bentham”), whom he considered to have taught him almost everything in economic and social sciences (see Geshov, 1916, pp. 30–40).² Jevons also influenced Geshov by supporting the ideas of small-scale agriculture, peasant owners and cooperatives. In the same memoirs, Geshov however mentioned that, at the time that he wrote the book in 1916, the German historical school was increasingly gaining influence globally, and that he himself, in his practical activity, used its ideas.

“When I first held the position of a minister in 1894–97, I was guided by the principle ‘the greatest happiness for the greatest number of citizens’ and did my best under the situation at the time to create conditions for a better livelihood, for a faster progress of the huge majority of our people—petty farmers. At the same time, I was the first to resort to state intervention in favour of non-agrarian producers: increased import duties; I drafted a law on stimulating industry thereby contributing to creating jobs for workers, to laying the foundation of that social care for them which was unthinkable without first of all guaranteeing jobs for workers” (Geshov, 1916, pp. 37–38).

Geshov’s liberal economic principles were combined with the opinion that those principles are not enough for the Bulgarian developmentalist agenda and that they should be combined with moderate protectionism and government interference to encourage industrialization, agriculture, vocational training etc. The negative attitude toward the continuous increase of the number of civil servants in the country was amongst his specific liberal views. A couple of years after Bulgaria’s liberation, he observed that there were too many public high schools in the country and that they continuously produced candidates for civil service who grouped around the political parties and entered into severe competition for the limited number of civil service positions. On other hand, the political parties had stimuli for the artificial creation of positions for civil servants in order to meet the claims of their supporters. Thus, rather than guiding young people toward business activity, public funds were spent inefficiently (Geshov, 1886).

The first professionally trained Bulgarian economists criticized the Austrian ideas. Georgi Danailov (1872–1939) was the most renowned Bulgarian professor at that time. He studied in Moscow between 1891—1895 (with A. Chuprov and I. Yanzhul), later in Vienna, Berlin and Munich (with G. Schmoller and L. Brentano) and maintained particularly close relations with W. Sombart with whom he maintained correspondence and organized his visit to Bulgaria in 1932). Of special interest are some Austrian concepts and ideas in Danailov’s *Principles*

² Jevons was his teacher in political economy and logic for 2 years.

of *Political Economy*—a textbook used by several generations of Bulgarians (first edition 1906; second edition 1933/1934).

The textbook was strongly influenced by German historicism, and some of the concepts of classical political economy and of Marxism were set forth. Essentially, Austrian contributions, particularly those of C. Menger, were briefly mentioned without details in the first part of the textbook where he discussed the different general theoretical concepts of the economy/“Volkswirtschaftslehre” (Danailov, 1906, pp. 2–50). Danailov also wrote a couple of sentences on Menger’s capital theory featured in his *Principles of Economics*—about capital goods as goods of a higher order and Böhm-Bawerkian criticism of this concept (Danailov, 1906, p. 437). E. Böhm-Bawerk was also cited as an author of an important book on the theory of capital, but the ideas of that Austrian school author were not featured, interpreted, or criticized in detail. Danailov considered the Böhm-Bawerkian idea to introduce Robinson economy in the analysis of capital as an interesting, but unsuccessful one (Danailov, 1906, pp. 449, 453–454). The last quotation of an Austrian contribution to the economic theory in Danailov’s textbook was in the chapter on money, where Menger was mentioned as an author of a concept concerning the origin of money (Danailov, 1906, p. 713).

It is noteworthy that in the second edition of the textbook 30 years later (Danailov, 1934), Danailov made a significant step in the direction of the Austrian school, which he illustrated separately or within the framework of the syntheses of M. Tugan-Baranovsky and W. Sombart and did not spare his praise of their numerous achievements (in the second edition he restricted his positive assessments of Marx’s teaching of value). Logically, this evolution between the two editions on the part of Danailov later became the subject of criticism on the part of Marxist economists, who saw intellectual regression of the already “bourgeois economist, professor and minister, defender of capitalists... with a decadent and reactionary character” (Grigorov, 1960, pp. 53–76).

Another academic economist who criticized the Austrians from the positions of the German historicism was Alexander Tsankov (1879–1959). In 1904, Tsankov went to Germany, where he studied political economy. His stay in Germany played a major role in shaping his theoretical and political views. In Munich, he attended the lectures and seminars of Brentano, G. von Meyer and W. Lotts. Later, Tsankov moved to Breslau (1906), where Sombart taught; he then followed his teacher to Berlin and also attended the courses of Schmoller and A. Wagner (Tsankov, 2002). In Germany, under the supervision of Brentano, Tsankov began his first serious scientific pursuits. On Brentano’s recommendation, he studied in detail the works of A. Marshall and Böhm-Bawerk. While in Berlin, around 1908, he began work on his doctoral thesis entitled *Capital and Capitalist Production Process in Böhm-Bawerk* under the guidance of Sombart. Tsankov failed to complete his doctoral thesis and defend it because the Bulgarian Ministry of Education stopped his funding. The only detail we know concerning his doctoral thesis is that it was critical on Böhm-Bawerk’s concept. Tsankov wrote, “Professor Sombart said favourable words on my work” (Tsankov, 2002, p. 35). In addition to Tsankov as a representative of the Austrian school and of marginalism as a whole (in his theoretical studies rather than in his applied studies), another well-known professor at Sofia University, namely D. Mishaikov

(1883–1945), can be mentioned, whose textbook featured the main components of the economic science in the spirit of Menger (Mishaikov, 1933).³

During the first phase of the Austrian school influence in Bulgaria, it was still not well-known. As the Bulgarian liberal economists were engaged in politics and not in economics, the Austrian ideas were merely briefly mentioned and criticized by the few academics who were directly influenced by German historicism.

3. Proliferation, 1919–1944

Bulgaria was amongst the defeated nations in WWI. The country lost territories; its production and finances were destroyed; the external debt increased and in general, Bulgaria became over-dependent on its creditors. The latter set the conditions for liberalization and the dynamics of the balance of payments. The servicing of the debt required monetary and financial stabilization (initiated by the League of Nations) with the state playing a leading role in that process. Essentially, currency stabilization was accomplished in 1924–1926, which was generally recognized as the first successful stabilization effort of its kind in the Balkans (*The Economist*, 1926, 1929). Bulgaria embarked on the road to liberalizing its foreign trade as proposed by the League of Nations in 1927. In general, the 1919–1929/1930 period could be characterized as the prevalence of a new type of eclectic model in which the components of the historical school coexisted and interacted with elements of the conservative monetary liberalism, where stable money and the powerful state helped each other. Although the number of Bulgarian economists who studied in Germany increased, they were still under the influence of the theories of the mainstream economists, League of Nations economists, and French and English scholars,⁴ but perhaps the most visible impact was that of the Austrian school.

With the onset of the crisis in 1930/1931, Bulgaria was forced to choose the German zone of economic and political influence. The state monopolized the foreign exchange market and actively encouraged Bulgarian production. It gradually built a network of compensation and clearing agreements. In 1933, a comprehensive clearing agreement was signed with Germany. The Bulgarian economists, who at first considered the crisis to be a cyclic and transitional phenomenon, gradually realized its depth and structural character and that there was no way back (Nenovsky, 2012). At that point, similar to people in many other European countries, the Bulgarian elite began to explore a corporate

³ The assessments of the textbook and of Mishaikov's work as a whole during the years of Communism were in the direction of its underestimation and accusation of a considerably greater reactionary attitude compared to that of Danailov. "As an economist and theoretician from the standpoint of bourgeois economy D. Mishaikov is inferior to Danailov, both because of his much more reactionary and unscientific positions as well as because of his smaller output in the theoretical sphere—it had a rather popularizing character" (Grigorov, 1960, pp. 76–83). We consider that this type of accusation is an indirect evidence of the greater presence of the Austrian school in his works. The Austrian school was regarded by Marxists as the "most decadent" version of the bourgeois political economy. The same appreciation on Mishaikov's "subjectivist" ideas is provided in Poryazov (1962).

⁴ The French economists exerted an influence during that period. Noteworthy were the visits of the liberal J. Rueff within the frameworks of the missions of the League of Nations (Chivvis, 2010), as well as the strong influence in the monetary sphere of A. Aftalion through his students and even due to the fact that he was born in Bulgaria (Nenovsky, 2005).

model, national socialism, organic economy, and directed economy, amongst others. The theories that gained popularity were those of Sombart, G. Bottai, A. Rocco and M. Manoilescu, and some of them even visited Bulgaria. Tsankov made an attempt to construct a national socialist model of development to fit the country. He called bolshevism and fascism “ready-made formulae” that had to be applied creatively in Bulgaria. In this period, the impact of the Austrian school was still visible, though mainly in the theoretical works of some economists, while the political implications related to the Austrians were neglected.

The institutionalization of economics also influenced the development of economic thought in Bulgaria. Before WWI, political economy was taught in the Law Faculty of Sofia University. After 1919, three new higher schools of economics were established: the Free University in Sofia (1920), the Higher School of Commerce in Varna (1921) and the Higher School of Commerce in Svishtov (1936). In addition, there were some other institutions that existed before WWI. The Bulgarian Economic Society, founded in 1895, played an important role in promoting the knowledge of economics. This Society published the most prestigious periodical in economics — *The Journal of the Bulgarian Economic Society* (JBES). All the previously mentioned institutions as well as the continuously growing public administration provided employment opportunities for academically trained Bulgarian economists. The new academic institutions published their own periodicals and books which became a forum for professional discussions and exchange of ideas.

The arrival of some Russian émigré economists, namely O. Anderson, S. Demostenov, N. Dolinsky and others in the early 1920s, also had a positive effect on the development of Bulgarian economic thought. Two of them in particular — Demostenov and Dolinsky — made attempts to apply and develop some of the insights of the Austrian school. Their research offered an original synthesis of the main ideas of the Austrian school (particularly those of Menger) and of the key elements of Russian economic thought, particularly the original theoretical system of the political economist P. Struve (1870–1944), who was their teacher and inspirer. To some extent, this synthesis could be regarded as a missed opportunity for the further development of the liberal tradition and for the differentiation of a specific version of the Austrian school (Nenovsky and Penchev, 2018). Struve’s students in Bulgaria not only followed their teacher in setting forth the basic economic categories, but also vocally or silently shared Struve’s philosophical understanding of economic life’s dualism. Dualism boiled down, in brief, to the *invariable* coexistence of two major public mechanisms of coordination — on the one hand decentralized, spontaneous and unplannable and, on the other, centrally rationalized and plannable. At a particular level, dualism resulted in the formulation of a specific liberal model which in many respects came close to ordoliberalism. As such, it made Struve state the following:

“Comparing the socialist and the liberal ideal with the real world, the scientific and empirical study must admit that truth cannot exist in these two ideals. Both ideals in a formal sense are equally unfeasible, equally utopian. The socio-economic process can neither be rationalized thoroughly on the basis of the free play of economic forces nor can it be rationalized thoroughly at the desire of any subject of power” (Struve, 1913, p. 60).

The main disciples of Struve were Demostenov and Dolinsky (for details see Nenovsky and Penchev, 2018). Each of them applied the principles of the Austrian school and those taken from Struve's system. However, it happened in different areas—Demostenov in the theory of money, while Dolinsky in agricultural problems and those of economic policy. Demostenov (1886–1966) was the most prominent theoretical economist who worked in Bulgaria between the two world wars—he was an exceptional specialist in the theory of money or monetary theory as well as in the methodology of economic science.⁵ He did not take part in practical and applied discussions in Bulgaria. Apart from being the author of probably the best textbook on political economy entirely in the spirit of the Austrian school (Demostenov, 1946/1991), in several of his fundamental books on monetary theory and history, Demostenov developed the philosophical and methodological principles of the theory of money (Demostenov, 1929, 1937, 1942, 1945). He offered an original intellectual reconstruction, an interpretation of the monetary theories over the centuries from the viewpoint of the philosophical dichotomy suggested by Struve (and similar to that of K. Pribram), namely “realism/universalism—nominalism/singularism.” It can be presumed that the research program was initiated by Struve who in *Economy and Price* formulated the leading philosophical dilemma illustrating it by the theory of money.⁶ According to Struve:

“In the development of political economy and in general of the reflections on society, there is no more important opposition than that between the realistic motive (or the universalistic one) and the nominalistic motive (or the singularistic one)” (Struve, 1913, p. xxxii).

Demostenov devoted all his creative efforts to the theoretical interpretation of the evolution of the theories of money from the viewpoint of the philosophical dichotomy mentioned above. He was a staunch opponent of universalism, objectivism, and substantialism in the theories of money. According to him, those teachings were a manifestation of logical errors and of a “distortion of thought” when “common” categories considered to be actually existing emerged in the theory. In other words, it was a matter of “logical” phantoms. The cognitive mechanisms for the emergence of those phantoms had been reduced to three—first, the existence of a “materialistic complex” in the economic and monetary science; second, “transformation of what was given (what was) into what was due (what should be)”; and third, the existence of “monetary universals, universae” in thinking. Within the framework of these universals (universae), two such phantoms were distinguished—that of global money (as being uniform for humanity, money everywhere and eternal money (money forever)). Such problems resulted in chartalism and nominalism as did the theory of Knapp who denied the possibility of applying the theory of value and price to money. Demostenov discovered

⁵ The originality and the theoretical qualities of Demostenov were acknowledged even by Marxists who were his outright theoretical enemies (Grigorov, 1960, pp. 31, 38, 98–128; Nathan, 1964, pp. 205–208; Nathan et al. 1973, pp. 105–114).

⁶ According to archive documents, Demostenov worked on the subject of reconstruction of the monetary thought in the spirit of Struve back as a student in 1914 when he set forth his views on metallism and nominalism (and particularly on the theory of G. Knapp) under the guidance of K. Dill (Galcheva, 2017).

a number of positive aspects in Knapp's approach. According to Demostenov, Knapp had been erroneously interpreted as being etatist, whereas it was actually a matter of a theory of the payment and monetary community. The state was only one of the forms of such a community.

Demostenov shared the principles of the functionalistic theory of money and placed it above the other two theories. According to that theory, money and its functions were the result of the selection of participants in a specific payment community. Demostenov wrote:

“An object cannot be considered money if it is not recognized as such by all the participants in the exchange [...] The only criterion of being money is the attitude of the general public to it” (Demostenov, 1937, pp. 26, 42).

Considering it as a starting point Demostenov defined money in the following way:

“Certain objects become money for a particular social group when participants in the exchange start treating it as a universal unconditional immediate and equivalent tool of demand for all commodities found in the market” (Demostenov, 1942, p. 31).

In addition to the theory of money, Demostenov offered original and extremely erudite reconstructions of monetary history and the history of monetary thought which in many respects were superior to what was written in those years in the developed Western countries.

Essentially, the influence of Demostenov as a representative of the Austrian school, or the so called “subjective school” in Bulgaria was so significant that it became immediately the subject of aggressive criticism, particularly in the first few years after the rise of communists to power (Mateev, 1947; Spirkov 1960; Poryazov, 1962). Outstanding amongst them, as regards aggression, was the otherwise highly erudite monograph on the subjective school in the theory of value (the value) by the young Evgeni Mateev (1920–1997). After analyzing the Austrian theory of value from the viewpoint of Marx's labor theory of value, Mateev dedicated the last 20 pages to the subjective school in Bulgaria—essentially to Demostenov⁷ alone. In those pages, which were the weakest and the least satisfactory part of the book (as we have already mentioned, the book is an extremely erudite illustration of the Marxist and Austrian theories of value), Mateev offered a series of Marxist clichés and aggressive comparisons (Demostenov as well as the subjective school were reduced to the level of Goebbels).⁸

⁷ There is evidence that Mateev, who was a highly talented economist, was ignored by Demostenov who preferred I. Rankov as his assistant and that was one of the reasons for writing the book (Galcheva, 2017). There is also evidence that in the first few years of the rule of the new government parallel to lecturing an “Austrian” course in political economy, a Marxist course was also lectured. Demostenov himself liked to say that he would have been able to read the Marxist course, but he considered that Marx's theory was unsatisfactory.

⁸ “The subjective school had a major role in the shaping up of the reactionary intelligentsia which played a sinister role in our political, cultural and economic life” (Mateev, 1947, p. 385). “Probably according to the Bulgarian subjectivists, Goebbels would have been the best economist!” (Mateev, 1947, p. 402).

Demostenov was attacked on several points as regards his attempt to refute the Marxist theory of value, such as his views on the following points: (i) on the place of use value in Marx's theory and whether it was objective or subjective (ii) on the impossibility to compare concrete labors and the "futility" of the average social labor (iii) on the treatment of free goods, (iv) on the impossibility to explain within Marxist framework the land rent which according to Demostenov had a price without having been supported by a labor value, and (v) on the difficulties of the functioning of a socialist planned economy, amongst others.

In general terms, Mateev, J. Nathan and K. Grigorov believed that the reason for the subjective school in Bulgaria to accept above all the "Austrian version" (rather than the mathematical one) was the fact that Bulgarian capitalism was backward and peripheral, was financially dependent on foreign capital, and was mainly associated with circulation and trade. According to them, the purpose of the Austrian school was to "divert the attention" by focusing on theories which had nothing to do with the Bulgarian economic life. Furthermore, it was an entirely "imported item" and dealt with problems "that have nothing to do with the Bulgarian problems" (Mateev, 1947, pp. 382, 384). It is noteworthy that the assessment of the Bulgarians supporting the "Austrian tradition" was at odds with the widespread opinion at the time of communism that the Bulgarian "bourgeois" economic science was generally eclectic and theoretically, practically and empirically oriented (for example, Grigorov, 1960, p. 53; Nathan, 1964).

Another prominent representative of the Austrian tradition, also Russian by origin and a disciple of Struve was Dolinsky (1890–1968), a lecturer for many years in the Higher School of Commerce in Varna. Methodological individualism is the basis of the works of Dolinsky, and according to some historians of economic thought, he was very close to R. Liefmann's and F. Guhel's psychological marginalism (Grigorov, 1960).⁹ Nevertheless, he did not reject all ideas of the German historical school. He attempted to integrate some of them within the framework of Menger's theoretical concepts. On this basis, he published a number of studies. The focus of his research was Bulgarian agriculture, but he also published papers and studies on a wide range of other topics. Amongst them were the principles of economic policy, entrepreneurship, business cycle, and analysis of the general economic conditions in Bulgaria during the interwar period.

Dolinsky's views on the nature and definition of capital were to some extent similar to those of Menger. According to Dolinsky's definition, capital was both a means of organizing the economy and production, and a source of earning income and profit. Therefore, historically, the concept of capital appeared with the emergence of money capital as a means of obtaining interest (Dolinsky 1937, p. 148). Dolinsky also rejected the views of Ricardo that land was not a capital and associated the notion of capital with the existence of mar-

⁹ It is noteworthy that Struve also preferred the psychological version of value (value is a feeling, a psychological process) of Liefmann to that of Menger, where value was a parameter, it was objective. It is noteworthy that the other prominent Russian economist in Bulgaria, I. Kinkel, also preferred the psychological version of Liefmann to that of Menger in dwelling on his synthetic theory on value in the spirit of Tugan-Baranovsky (Kinkel, 1925). See also Grigorov (1960, pp. 41–44; 1963, p. 490).

kets and private property. Dolinsky was close to the principles of the Austrian school as regards a number of other components of his broad theoretical views. The most important amongst them was perhaps his claim that generally, the economic order was not a result of rational plans, but of a spontaneous historical process (Dolinsky 1941). An important aspect in Dolinsky's overall economic philosophy was his understanding that the rationale and calculations of *homo economicus* was not something real, separated by a "Chinese wall," from the other areas of human life. Consequently, the economy was not separated from the social whole.

He was actually the only Bulgarian author who participated in the theoretical debate on socialism, although he did not delve deeper as regards the possibility of economic calculation and rational organization of the socialist economy in the absence of prices and private ownership of the means of production.¹⁰ Dolinsky (1930a) published an article entitled *Is the End of Capitalism Coming?*. It was a response to Sombart's allegation of the ageing of capitalism. In his opinion, in a modern society, one could find the components of the new economic system that would replace capitalism. According to Sombart, the signs of the "ageing" of capitalism were the facts that the striving for profit gradually decreased, that entrepreneurs lost their initiative and that competition as a driving force of the economy was gradually diminishing. Dolinsky thought that these symptoms did not indicate the "ageing" of capitalism, but rather an evolution of capitalism itself. In support of his thesis, he espoused the views of A. Weber and A. Spiethoff who believed that the emergence of cartels did not eliminate the price mechanism of the economy, and therefore that process should not be regarded as a symptom of the forthcoming socialism. In the same manner, monopolization or more precisely the trend toward concentration did not eliminate competition, but only changed its form. There were two main factors in support of this idea. The first was that not all industries and sectors of the economy were susceptible to the concentration of production and the second was that competition between the cartels' members and between the cartels and producers who remained out of them was not completely eliminated. He agreed with Mises that the attraction of socialism was due to the fact that part of the society believed that it would improve the living standards of the people.

Dolinsky was the first to introduce the concepts of entrepreneur and entrepreneurship in Bulgaria. In 1942, he published a special study entitled *Some Basic Issues Concerning the Entrepreneur Concept* (Dolinsky, 1942). The study is challenging to read as it is not well organized, there are no chapters, at times the quotations by some obscure authors are too long and it is not clear whether the author criticizes or accepts their arguments. Perhaps, owing to this, the study was largely neglected in the history of Bulgarian economic thought. However, there are some interesting insights on the study. Dolinsky criticized the classics and Marxists for not understanding the role of an entrepreneur in the economy and economic development. He largely accepted the Schumpeterian notions of the entrepreneur and its creative role and argued that entrepreneurship was not a typical feature of the capitalist society only. Dolinsky criticized the Schumpeterian insights on

¹⁰ Dolinsky wrote a positive review of B. Brutzkus's critical book on socialist and planned economy (Dolinsky, 1930b).

the static equilibrium and argued that it was possible to have an entrepreneurial activity in a static equilibrium (Dolinsky, 1941, pp. 72–81). He also argued that the profit motive was not the only one for entrepreneurs and that there were other motives, such as their aspiration to develop and prove their own personal qualities in extreme situations (Dolinsky, 1941, pp. 81–82). Generally, Dolinsky regarded the writings of Schumpeter, Wieser and Röpke as complementary in the understanding of an entrepreneur.

Subsequent to the first generation of Austrians of a Russian origin, a new young generation emerged that shared the main aspects of the Austrian school. Standing out amongst them were the disciples of Demostenov, namely K. Bobchev, S. Zagoroff, G. Svrakov,¹¹ J. Burilkov, I. Rankov as well as A. Hristoforov, who had direct access to the Austrian school (he followed the lectures of Hayek in the London School of Economics).

Bobchev (1894–1976) actively combined the practical and theoretical activity, particularly in the field of international trade, economic policy and the role of the state in it. He was also the secretary of the Bulgarian Economic Society. Here, we shall dwell on his intellectual evolution and original theoretical study.

Bobchev studied in Bulgaria, Russia (St. Petersburg) and Germany (Freiburg and Heidelberg). In his youth, he was a staunch supporter of the extreme psychological and marginalist versions of value.¹² He defended his dissertation under the guidance of R. Liefmann in which he shared the theory of L. Petrazycki and opposed Menger. In a similar spirit was his first article on the methodology of economic science (Bobchev, 1924). In those years, the Austrian aspects of Bobchev's theory were obvious. Later, after the Great Depression, Bobchev published a number of articles on the problems of international trade and protectionism included in his book of 1937 entitled *Studies of the Theory of International Trade*. The book was a reaction to the protectionist tendencies in the 1930s as well as an intellectual opposition to the popular book by the Romanian economist M. Manoilescu (released in 1929). As known, Manoilescu theoretically substantiated the need of a “permanent” industrial protectionism of the Balkan countries. The classic and essentially Marxist interpretation of the Romanian author (it was a matter of “a non-equivalent exchange of labor and value”) was opposed by Bobchev through his neoclassical analysis of international trade, combined with the theory of productive forces (a German concept, characteristic of the theories of protectionism). The need for protectionism was manifested in Bobchev's model only in some parts and in certain configurations (for details, see Blancheton and Nenovsky, 2013). Although he continued to consider the economy as a process rather than an equilibrium, in his book, Bobchev advanced toward the mathematical version of marginalism. Essentially, Bobchev developed the ideas of B. Ohlin to which he added the availability of marginal changes in the productive forces. Those changes were reduced to four categories—virtualization, commercialization, qualification and urbanization. Each of them provided different combinations of gains/losses in the welfare of the various

¹¹ Svrakov (1901–1985) was also well acquainted with the Austrian school. He defended a doctoral thesis on the theory of capitals under the guidance of Sombart (Svrakov, 1935/1943/1995).

¹² In 1934/35, he was granted the Rockefeller scholarship and went to London School of Economics.

economic agents (consumers, manufacturers, entrepreneurs and owners of productive forces¹³).

Bobchev tried to promote his theory outside Bulgaria and to this effect, he maintained correspondence with Mises, A. Bilimovich, Petrazycki, and O. Morgenstern among others, prepared the English translation (original by A. Hristoforov), which was never released. Bobchev also conducted applied analyses on the level of “protectionism” in Bulgarian industry. It showed that the Bulgarian industry was over-protected and excessively “glutted/*prenasitena*” (Bobchev, 1938).

Subsequently, he increasingly oriented his research toward economic policy and the role of the state and, at the end of his career, in the late 1930s and early 1940s, though not explicitly, he shared the principles of a directed economy. Bobchev was an example of how practice itself and the fast economic and political changes in the interwar period resulted in changes in the views of the supporters of the Austrian school and subjective school as a whole. Although less pronounced, a similar development was also evidenced as regards the other extremely talented Bulgarian economist, Assen Hristoforov (1910–1970).

In a nutshell, Hristoforov was one of the few Bulgarians who studied in England and had a direct contact with the British economic tradition, including the Austrian ideas of the economic cycle and the role of money in it. Hristoforov was extremely gifted, not only in theory, but above all, in applied macroeconomics. He was the author of a brilliant study of the Bulgarian economic cycle (Hristoforov, 1939; see also Bobtcheff, 1939). Hristoforov was familiar with and dwelt on the Austrian school, and this was present in his works, particularly through the monetary theory of the economic cycle (Hristoforov, 1939) as well as in one of his last books on the war economy, which could also be interpreted as a type of application of the Austrian theory of the cycle to the years in the conditions of the preparation for war and during a war. He was forced to admit that the state would increasingly interfere in economic life and would resort to Keynes (Hristoforov, 1943).

Slavcho Zagoroff (1898–1970) studied in Berlin and, similar to Bobchev, specialized through Rockefeller in the London School of Economics. He devoted himself to statistical and empirical research and was the Director of the National Bureau of statistics for several years. Although he shared the ideas of the subjective school, above all, in its Austrian version, in his practical analyses, he was initially closer to the monetarism of I. Fisher. Zagoroff was the only Bulgarian whose work on a problem of the U.S. economy¹⁴ was published in the *Journal of Political Economy*. Subsequently, he worked on agrarian problems and the functioning of planned economy. Zagoroff was the main target of the attacks on the part of Marxists (for example, Nathan) according to whom the subjective school (and the historical one too) was directly related to the practice of fascism. However, it should be noted that in his last years, in emigration, Zagoroff dealt with a number of new issues (the relations between biology, physics and economy; the role of energy in the economy and in measuring the GDP etc.). His only more compact

¹³ Bobchev ignored the state as an economic agent with its own welfare. This was a serious omission or was rather a manifestation of his belief that the state did not generate value (this hypothesis is yet to be clarified).

¹⁴ Zagoroff tried to statistically defend the validity of the theory of purchasing power that, according to him, was valid in the long-term, and that the deviations detected between the movement of prices and of the dollar exchange rate were a short-term phenomenon (Zagoroff, 1934).

work was his participation in the collective monograph devoted to agriculture in the Danubian countries 1935/1945, which included his previously published articles (Zagoroff et al., 1955). In this book, Zagoroff made a liberal interpretation of reforms in agriculture. It is interesting to note that Zagoroff was one of the 20 economists who regularly met in Paris under the framework of the Geneva Research Group in 1937/1938 to discuss the future of the world economy. The other participants were Hayek, J. B. Condliffe, L. Dupriez, W. Röpke, Ch. Rist and P. Jacobson.¹⁵

Unlike Zagoroff, the Austrian influence was clearly visible in the works of the young scholar Ivan Rankov (one of Demostenov's favorite students), who was a lecturer and later an associate professor at the Higher School of Commerce in Varna. His ideas were developed in his analyses of the dirigiste economy informed by some Mengerian theoretical notions. According to Rankov, economists engaged in the theoretical analysis of dirigisme had to abstain from the concrete political goals set forth by the ruling elites. On the basis of theoretical analyses, he also argued that it was not possible to justify or reject government interference in economic life. Rankov identified several major obstacles for developing an adequate theory of dirigisme. According to him, the first problem was that, in the beginning of the 1940s, it was preposterous to “outline an ideal type of a regulated economy that would [in turn] outline some complete picture of the system under consideration” (Rankov, 1943, p. 322). The second problem stemmed from the fact that dirigisme was analyzed both as an economic policy and as an object of economic theory without a clear distinction between the two approaches.

Rankov explicitly supported the thesis that a toolkit based on the theory of marginal utility, the laws of Gossen amongst others, was appropriate for a theoretical analysis of dirigisme. He argued that these basic theoretical principles were valid and applicable for the analyses of the liberal economy. In a dirigiste economy that combined individualistic and collectivist principles, the state replaced market prices with administratively determined prices. However, forced price control could not be limited only to certain sectors or to certain prices, but it necessarily affected labor costs and the price of raw materials, and, ultimately, resulted in the regulation of the whole economy (the views of Rankov were similar to the conclusions of Mises). Similarly, in a dirigiste economy, by reducing the possibility of obtaining a “true profit that is in line with the risk borne and the organizational capabilities of the entrepreneur,” the establishment of new businesses would be too problematic. On the other hand, existing enterprises that were encouraged by the state “lose their dynamics and their ability to react to the economic changes” (Rankov, 1943, pp. 328–329).

However, the collectivist sector in the economy necessitated its theoretical analysis, which was impossible with the methods and principles of economics focused solely on the system of individual agents' interaction. The lack of such an analysis would make the theory of dirigisme incomplete and inadequate. Therefore, in the words of Rankov, it was necessary to resort to “the help of the realistic theory” (Rankov, 1943, p. 335). Rankov believed that while pure theory was universal and general, the theory of realism referred only to a par-

¹⁵ Zagoroff's archives in Sofia, 218/24/382–383.

ticular economic system. Moreover, a realistic theory utilized fewer generalizations and abstractions (Rankov, 1940, pp. 493–495). However, a significant contribution to the combination of the Austrian and “realistic” theory was not made and in the next years, Rankov did not publish anything to this effect. Considering this reason, we have included him in the survey as a representative of the experience of analyzing the dirigisme in terms of the basic tenets of the Austrian school. In 1945, the leading Bulgarian law scholar Venelin Ganey (1880–1966) published a voluminous interdisciplinary study on the economy, when he clearly exposed his liberal, subjectivist and, in many respects, Austrian views (Ganey, 1945).

4. Communist period 1944–1989 and post-communist renewal

As previously mentioned, the first few years of the Communist rule (1944–1989), when the representatives of the “bourgeois economy,” including those of the Austrian school, were still active, the attacks against them on the part of Marxists and Communist functionaries were aggressive (e.g. Mateev, 1947; Poryazov, 1962). The physical and intellectual elimination of these scientists actually made mass criticisms senseless and the Bulgarian society very quickly sank in the ocean of Communist economic theory. Western theories were completely unknown and the Austrian school ceased to exist in the scientific field.

The only occasions when it reemerged were when there were discussions about the place of commodity money relations and market relations in socialism, and later the criticism of the “convergence theory.” An example of a positive and unbiased reference to the Austrian authors is Georgi Petrov (born 1929), a supporter of market relations and a staunch critic of the planned economy. Petrov actively referred to Mises and other Austrian and liberal authors in two of his books (Petrov, 1969, 1973). It is noteworthy that the first book written after the collapse of Communism (Petrov, 1990) was extremely radical and critical as regards the planned economy and the socialist mechanisms and did not include any reference to Austrian authors (a possible explanation is that the book, which is polemical, was written in a very short period of time).

During the last few years of Communism and the first year of changes, the most representative studies on Western liberal theories which familiarized Bulgarian readers with the Austrian school were those of A. Leonidov (1934–2015) (Leonidov, 1988, 1990). In these works, the author dwelt on the Austrian school in a comparative perspective as regards the different trends of the Western “neo-conservative” thought, particularly as regards ordoliberalism. Leonidov explicitly set forth ordoliberalism as a basis of reforms in Bulgaria (Leonidov, 2000).

Two books by S. Koeva dedicated to Hayek and the Austrian school were published later (Koeva, 2002, 2004), as was an article by Nenovsky (1999) on the occasion of the 100th birth anniversary of Hayek released in the BNB. I. Varbanov also actively published materials in Svishtov on the methodology and philosophy of the Austrian school (e.g., Varbanov, 1996). Some topics of the Austrian school were also discussed in the extensive monograph on the neo-classical economy by Z. Mladenova (University of Varna) (Mladenova, 2011). In the first few years of the transition, the liberal ideas, including the Austrian

ones, were actively supported by the IME set-up in 1993 by K. Stanchev, which attracted gifted and ambitious young people¹⁶ who wrote and published materials on applied topics.

In general, the presence of the Austrian school was given a new impetus after the financial crisis, the hyperinflation and the introduction of the Currency Board in 1997. The Currency Board was an extremely conservative and restrictive monetary system where the state was completely isolated from the processes of creating money and was unable to refinance itself. The state and banks could not refinance themselves and they had to rely on the international monetary market. The conservative monetary policy, maintenance of the balanced and surplus budgets, flat tax and liberalization of a number of sectors, including the labor market, provided a major impetus to the spreading of the Austrian school. The “Bulgarian Hayek Society” was established in 1999/2002 (as an initiative of Nikolay Nenovsky and a group of students), which was particularly active in the first few years. It shaped young people, including G. Angelov, D. Chobanov, G. Kirov, M. Dimitrov and V. Assenova, who subsequently upheld active civil and public positions. The Centre for Liberal Strategies (established in 1994), and G. Ganey in particular, actively used the Austrian school. The Bulgarian Libertarian Society and the Expert Club for Economy and Politics, amongst others, were established later. Their activities combined the promotion of the Austrian school ideas, public discussions, academic presentations and lectures, political analyses, and suggestions. In the first few years of changes, the representatives of the French liberal society from Aix en Provence (J. Garelo, P. Garelo and E. Colombatto) were particularly active in Bulgaria, who jointly with the Institute for Market Economy, organized numerous forums and summer schools in which the Austrian school played a leading role.

Parallel to the organizational building already mentioned, a large-scale action was carried out, aimed at translating the classics and contemporary authors of the Austrian school. It started as individual initiatives (e.g. the translation of *The Anti-Capitalistic Mentality* by Mises was undertaken on the initiative of the Chairman of the Chamber of Audit and professor in law V. Dimitrov). Subsequently, the translations were systematized by many publishers (e.g. the MAK publishers established in 2004 by K. Manolov). The main works of the classics of the Austrian school and liberal economics (Hayek, Mises, Bastiat and W. Eucken) as well as of some of the modern representatives of liberalism (A. Rand, H. Hazlitt, R. Paul and H.-H. Hoppe) were published in Bulgarian. The translation and release of the *Human Action* in 2011, was undoubtedly of primary importance amongst the works which were most directly related to the economic contributions of the Austrian school.

Similar to the traditions established back in the late 19th and early 20th centuries, it appeared that translations and publications of Austrian works were prevailed by those which were not significantly associated with the Austrian contributions to the sphere of theory, but by those which reflected their common liberal, political, economic and social views, such as works related to the economic policy and structure and functioning of institutions. To a certain extent,

¹⁶ A general picture of the development of liberal ideas in Bulgaria in a comparative perspective was provided in Aligica and Evans (2009). See also Nenovsky (2011).

the Austrian views which were close to those of the classical political economy and of monetarism, ideologically justified the pro-market reforms carried out (or not) in Bulgaria at the time of transition. Parallel to the gradual elimination of the state control over book publishing, to the globalization of the world market of ideas and to the relatively easy electronic dissemination of information, the importance of translated publications of the Austrian school gradually decreased. Today, they are accessible on the Internet.

Another form of distribution of the Austrian ideas was associated with the application of individual Austrian theoretical concepts in various studies on economics. Bulgarian students defended dissertation theses on the Austrian school, namely R. Andreev (on Mises' theory of money and credit in the University of National and World economy; see Andreev, 2010), M. Karpouzanov (on money and the monetary process in Aix en Provence; see Karpouzanov, 2009), and S. Kolev (on ordoliberalism; see also Kolev, 2013). Nenovsky (2001) published the first book on theoretical foundations of free money. Economic and historical studies such as those dedicated to the Bulgarians' ability to self-organize and emit their own currency before the liberation from the Ottoman rule were also published (Nenovsky and Penchev, 2015).

5. Concluding remarks

A closer scrutiny of the presence of the Austrian school ideas in Bulgaria during the last century justifies the formulation of some interesting regularities, which certainly, are yet to be specified and developed.

First, as a whole, the Austrian school ideas and, more generally, the liberal ideas, had a relatively limited perimeter. They were mainly disseminated in pure theory and rarely in practical research which was due to the strongly etatist nature of the Bulgarian economic thought. As previously mentioned, the Bulgarian thought was theoretical and pragmatically oriented and, as a whole, had an eclectic character. It had a prevalent normative character and was closely associated with the objectives of economic policy. These characteristics reflected the objectives of the national economic development, the need for modernization and of catching up with developed countries. To this effect and as regards the objectives mentioned above, the German historical school was regarded by the majority of the Bulgarian economists as significantly more adequate (for details, see Nenovsky and Penchev, 2015, 2016b). Therefore, at first glance, the Austrian school was not relevant to the "nature" of the Bulgarian economic thought. At times, though not for long, things changed and the Austrian school was given a strong impetus and managed to fit into the economic reality of the country. An example to this effect was the first 10 years subsequent to the introduction of the Currency Board (after 1997), when the Austrian ideas logically took their place by supporting the new conservative liberal monetary and economic institutions. This was essentially a confirmation of our observation and of other researchers as well that, similar to the past, the ideas followed institutions and the latter as a whole followed interests.

Second, the Austrian school in Bulgaria was modified towards including components of other trends. Having started as orthodox Austrians, under the constraints of reality, almost all Bulgarian economists gradually moved towards

taking into account political and power factors. Thus, for instance, in the inter-war period, the most prominent representatives (Mishaikov, Bobchev, Dolinsky, Zagoroff, Svraikov, Hristoforov etc.) shared the theory, the principles of the subjective and the Austrian schools, but when it came to applied economics and economic policy, they automatically espoused the active role of the state. Even a genuine theoretician and a staunch proponent of the subjective school, such as Demostenov, took into account the role of the state and power (“social order”) in his textbook on political economy. To a large extent, this reflected the dualistic approach of Struve, who as mentioned previously, who was very close to the principles of ordoliberalism. The evolution of Bobchev is also an illustrative example of a scholar who started from the “psychological theories of economic value” and came to the “planned economy.” One of the authors of this text has also experienced an evolution as he wrote about free banking in purely Austrian terms (Nenovsky, 2001) and later under the influence of realities in the country where he suggested that monetary order should be regarded in close relation to power order and interests (Nenovsky, 2007, 2011).

Third, there was a certain dependence showing that the Bulgarian economic thought followed, copied and hybridized (synthesized) economic theories and ideas of the developed countries and, in particular, of the countries to which Bulgaria was pegged geopolitically and economically. For instance, when the Austrian school flourished during the 1920s in Europe, it spread to Bulgaria as well and its decay in Europe during the 1930s resulted in similar processes in Bulgaria. In the era of Communism, the ideas of the Austrian school were neither welcome in the USSR nor in Bulgaria, the intellectual satellite of the Soviet nucleus. Subsequent to the political changes, there was a certain Renaissance of that school, but in the course of time and with the occurrence of processes of European integration, its influence waned.

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