OWNERSHIP CHANGES ON ARABLE LAND IN THE REPUBLIC OF SERBIA IN HISTORICAL PERSPECTIVE

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Summary

The subject matter of this paper is empirical investigation of the decisions of public policy making on the issue of arable land ownership during the two centuries of Serbian agricultural development. The goal of this investigation was to shed new light on the causes of long term economic backwardness of The Republic of Serbia. Following relevant historical facts that are incorporated in this work, we found constant and common factor to all historical phases of the development of land property rights. Our hypothesis was that frequent and insufficiently transparent changes of land property relations have always negatively affected economic activity because they left no time for strengthening the legal security of property owners. The result of our study is that the problem of ambiguity definition of land property rights in Serbian legislation has created room for inconsistencies in the implementation of agrarian reforms after the First and the Second World War. Special attention is paid to current changes in land ownership that take place within the process of denationalization and restitution of property seized after World War II, which are very slow and also inconsistent themselves.

Key words: agrarian reform, denationalization, restitution, ownership transformation, Serbia

JEL: P26, Q15
Introduction

Contemporary macroeconomic and economic history research respects the opinion of New Institutional Economics (NIE) that the pace of economic growth does not only depend on the effectiveness of use of scarce economic resources but also on the appropriateness and level of development of social and legal rules and norms that underlie the economic activity. This is especially true for the societies in political and economic transition because of possible conflicting interests between the representatives of old and new social and institutional arrangements. Taking into account that the transparency of ownership relations is of fundamental importance for the stability of economic system, the NIE pays special attention to the changes in property rights in the societies in transition.

To understand better why The Republic of Serbia has been persistently among least developed European countries in previous two centuries we apply the NIE methodological principles of analysis of relevant historical facts considering frequent changes of land ownership relations. This is the first research on this topic and its goal is to shed new light on the causes of long term economic backwardness of The Republic of Serbia.

One of significant features of economic system of The Republic of Serbia, since liberation from feudal ties of Ottoman Empire at the beginning of the 19th Century until today, has been its frequent changes. Those changes had always affected fundamentally land ownership relations, creating continuously property-legal uncertainty, thus hindering agricultural development. Due to frequent changes of economic system, it has become common that policy makers determine who should be new land owners at times when legal property relations established by previous systemic solutions had not been yet completely defined. That is the reason why many property-legal issues, raised during agrarian reforms that had been undertaken after the First and the Second World War as well as within current changes of political and economic system have remained open until today.

When economic transition has started in The Republic of Serbia in 1990, towards reconstruction of private capitalist ownership relations, the issue of restitution of arable land, ceased by means of restrictive measures of the State in the interwar period had also been raised. General denationalization has been postponed for more than 20 years. In the meantime, certain categories of former land owners were compensated at least partly, through the process of partial restitution. Only when the Law on Restitution and Compensation was adopted on September 28th, 2011, formal legal conditions for general denationalization of agricultural land were met in Serbia. This Low does not go in past further than 1945; so many property-legal issues of unfinished interwar agrarian reform still remain unsolved.

8 Zakon o vraćanju uduzete imovine i obeštećenju, Službeni glasnik R.S., br. 72/2011 (Law on Restitution and Compensation, Official Gazette of the Republic of Serbia, no. 72/2011).
Ambiguities in defining land property relations in the interwar period

Various inherited land property relations and tardiness in ownership transformation had burdened the economy of The Kingdom of Serbs, Croats and Slovenes, later The Kingdom of Yugoslavia during overall interwar period. Basic principle of agrarian reform undertaken immediately after the creation of Yugoslav State in 1918 was that “owner could have as much land as he could process”. Despite this principle, numerous large estates from Austro-Hungarian period had survived in northern parts of enlarged Kingdom, while at the same time inherited feudal land tenant relations had been changed only moderately in southern regions. Having in mind that Kosovo and Metohija, as part of so called Southern Regions became part of Serbia after Balkan Wars (1912-1913) and Vojvodina, as part of so called Northern Regions was annexed to Serbia after the Great War in 1918, agrarian reform was going to affect drastically the agriculture of Serbia.

The aim of agrarian reform after the First World War was to create small private estates, in the tradition of land property relations that existed before the Great War in The Kingdom of Serbia and had been established at times of Prince Miloš Obrenović back in the 19th Century. General principles for pursuing the agrarian reform in The Kingdom of SCS were written in February 1919, in Previous Provisions for the Preparation of Agrarian Reform.\(^9\) Since during the implementation of agrarian reform these principles had been gradually abandoned, many formally recognized agrarian interested persons were deprived from land.

First, large estates in northern regions were classified according to the right for financial compensation of the owners. This right was meant for all owners of expropriated estates except members of Hapsburg Dynasty, members of dynasties of enemy states and foreigners who were granted the land by Hapsburgs. By Previous Provisions it had been decided to allocate expropriated land to farmers who had not enough of it or had no land at all, primarily to invalids, war orphans, volunteers and soldiers who participated in World War I. All larger forest estates had become state property and farmers were granted legal right to trespass, firewood and timber.

In practice, provisory conditions prevailed that had negative impact on agricultural development.\(^10\) By adopting Regulation on issuing large land holdings under a four-year lease, general principles of agrarian reform, considering limitations of land maximum, were thwarted particularly in Northern Regions. While the peasants as temporary tenants were further deprived of legal security, since they did not have legal right to become land owners, landlords bargained with the authorities regarding determination of land maximum that could stay permanently in their possession. When The Law on liquidation of agrarian reform on large estates was adopted in 1931, it turned out landlords in Vojvodina kept


half of their property of the land that was previously meant for expropriation. Under their pressure, the State authorities had given up narrower and broader land maximum determined at the first place, in line with economic conditions of certain regions, as it had been defined in Previous Provisions. Namely, only after Law on Prohibition of alienation and encumbrance of large land holdings was adopted on May 22, 1922, land maximum could cover 50 to 500 hectares, depending on the region in question. Then, such defined land maximum had been further relaxed by The Law on liquidation of agrarian reform on large estates from June 19th, 1931. At that occasion, it was stipulated that landlord could hold “super maximum for sustaining agricultural production so the estate could stay in size large enough to serve the best to economic development in general.”

Second, the colonization process on Kosovo and Metohija had started already in 1913, after Balkan Wars, based on Regulation on the settlement in the newly liberated areas and annexed to the Kingdom of Serbia. With the outbreak of World War II, this process was interrupted. After the war, colonization continued but the conditions for obtaining title to inhabited land would be defined only with Law on settling Southern Regions, adopted on June 11th, 1931. Also, the abolition of feudal land ownership relations will be formalized only by the Law on the organization of agrarian relations in former provinces of South Serbia and Montenegro, adopted on December 5th, 1931. Based on these laws, settlers could obtain legal title to land 10 years after the land had been allocated to them. Thus, at the outbreak of World War II, speaking in the sense of property law, agrarian relations in Kosovo and Metohija remained to be completely undefined.

The issue of compensating former owners had been arranged also as late as in 1931 so that all new owners, except volunteers, had themselves to pay compensation to former owners. In that way, temporary lease in Vojvodina had turned to obligation to compensation payments being heavy financial burden to new owners. In order to facilitate compensation payments, the State issued government bonds worth 800 million Dinars, in the name of Loan for liquidation of agrarian reform in Northern Regions. At the same time, Loan for liquidation of agrarian reform in Northern Regions.


\[14\] On the basis of this law, tenant relations dating from feudal times had been abolished and feudal estates had been expropriated Low on the organization of agrarian relations in former provinces of South Serbia and Montenegro, Official Gazette of the Kingdom of Yugoslavia, no. 285/1931, (Zakon o uređenju agrarnih odnosa u ranijim pokrajinama južne Srbije i Crne Gore, Službene novine KJ, br. 285/1931).

Ownership Changes on Arable Land in the Republic of Serbia in Historical Perspective

Liquidation of agrarian reform in Southern Regions worth 300 million Dinars was issued.

The State paid compensation to owners of expropriated estates through Privileged Agrarian Bank, with 5% government bonds with 30 years repayment period. With the outbreak of the Second World War, realization of compensation payments and disbursement of government bonds had been interrupted.

Restrictive measures of the State on agricultural land after the Second World War

After the Second World War, with the introduction of socialism and centrally planned economy, comprehensive restrictive measures of the State were introduced over private property on the overall territory of Yugoslavia. The land had been taken away from private persons and entities with the aim of creating the state agricultural land fund for allocating to peasants and establishing large state farms.

Restrictive measures of the State, implemented after the Second World War on agricultural land had nullified to a large extent even those partial results of interwar agrarian reform. Small private farms on one hand and large state farms on the other had been created. Property rights of farmers were extremely derogated by compulsory purchase of agricultural products and restrictions in sales of farms. Principles of earlier agricultural reforms were abandoned except, to certain extent, for the principle dating from Prince Miloš Obrenović that “the land belongs to those who work on it.”

Unlike interwar agrarian reform that had lasted for years and had not been ended until 1941, restrictive measures of the State on agricultural land implemented after the Second World War were executed relatively quickly. From 1945 to 1950, radical changes in ownership relations occurred on agricultural land due to implementation of restrictive measures of

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17 Kingdom of Yugoslavia signed bilateral agreements on compensation of foreign citizens whose property had been confiscated within agrarian reform. Such agreements were signed with Hungary, Czechoslovakia, and Romania in Paris in 1930 and with Italy in Neptune in 1930. Restitution Agency of the Republic of Serbia: History of ownership relations in Serbia, Beograd, 2011.
confiscation, agrarian reform and colonization. However, in the course of those changes many issues from interwar agrarian reform remained unsolved.

All property of German Reich and its citizens had been confiscated on the grounds of Decision of Anti-Fascist Council of National Liberation of Yugoslavia (NKOJ) of November 21st, 1944, on transition to state property of enemy property and sequester (right to seizure) of property that occupying authorities forcibly alienated. Yugoslavia was also authorized by international law to make decisions on property seizure from Hungary, Bulgaria, Italy and Austria. Decisions on liquidation of property of these countries were part of signed peace treaties. Based on these decisions, Yugoslavia had liquidated the property of Hungary, Italy and Austria. Also, the property has been confiscated from all war prisoners of former Yugoslav army who rejected to return to home country after German capitulation, so they were deprived of citizenship.20

Restrictive measures of general character on agricultural land had been implemented on the basis of Federal Law on agrarian reform and colonization of August 23, 1945. According to this law, the land has been taken away without any compensation from landlords and private institutions. Smaller farmers were deprived of “surplus” property without compensation as well if they held more than 25 hectares of arable land and 45 hectares of total land area; non agricultural producers lost all land above three hectares. As a result of those measures, the state agricultural land fund of 1,611,867 hectares had been created, of which 407,037 hectares were allocated to 263,000 poor families; 336,047 hectares to 67,000 colonized families; remaining 868,783 hectares served to create state agricultural sector.21

Agrarian reform implemented after the Second World War was also intended to solve definitely open legal property issues from unfinished interwar agrarian reform and pursue its financial liquidation. In that respect, the Law on liquidation of agrarian reform executed until April 6th, 1941 on large estates in Autonomous Province of Vojvodina was adopted in Serbia.22 By that law, agrarian interested persons to whom the land has been allocated and had settled on it until April 6th, 1941 were considered as land owners if they were working on the land themselves. Those agrarian interested persons, who have not settled on the land until that date, lost the legal right to hold it.23 Thus many volunteers from the 1912-1918 wars were deprived from land.

Intricate agrarian relations in Kosovo and Metohija were to be solved by the Law on the revision of land allocation to colonists and agrarian interested persons in Peoples Republic of Macedonia and Autonomous Kosovo and Metohija Region of August 3rd, 1945. All feudal tenant relations had been abolished and previous tenants were proclaimed land owners by

20 Confiscation of enemy property, Decision of NKOJ of November 21, 1944, Official Gazette of FPRY, no. 2/1945, 39/1945, 63/1946, 74/1946 (Konfiskacija neprijateljske imovine, “Službeni list FNRJ”, br. 2/1945, 39/1945, 63/1946, 74/1946)
22 Službeni glasnik NRS, br. 9/1947 (Official Gazette of the Peoples Republic of Serbia, no. 9/1947)
23 Restitution Agency of the Republic of Serbia, ibid
Article 3 of this law. Also, those lessors who lived only from agriculture, having no other occupation or they could not live from other occupation, were also proclaimed land owners. In was stipulated by the same law that those colonists who got the land on the territory of Kosovo and Metohija before April 6th, 1941, lost their right to property that had been given to them within the agrarian reform if they could not meet special conditions determined by new authorities. Also, many interwar colonists lost the right for title to land although the land was not taken away from them on the grounds of the above mentioned legal revision. They lost this right later, when the Law on the treatment of abandoned land of colonists in the Autonomous Kosovo and Metohija Region has been adopted in 1947. According to this law, colonists lost the title to property if they did not return to live and work on their land until September 30, 1947. However, their return has already been prohibited in prescribed time limit because the Decision of NKOJ on temporary ban of return of colonists to their previous residences was then still in force. According to this decision, colonists lost their land if they did not return to their farms until March 6th, 1945. Namely, during the Second World War the majority of settlers, mostly Serbs, had to leave their colonist land. The controversial temporary ban on their return to their farms had in the long run prevented them from exercising their property rights.

When the system of self-management has been introduced in 1952, and the fund of state property has been renamed to the fund of social property, new restrictions were made on the disposition of privately owned farms. The Law on farmland in social property and land allocation to agricultural organizations of March 27, 1953 determined new land maximum of 10 hectares. Agricultural producers were deprived of “all surplus of arable land above 10 hectares” and that land was transformed to social property. If agricultural households had many members or their farms were of worse quality they could keep 15 hectares in their possession. By the implementation of this law, another 275,900 hectares of arable land had been taken away from 66,459 households and became part of the fund of social property. The State awarded the right to permanent use of the seized land to agricultural organizations in social property.

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24 Those special conditions assumed that agrarian interested persons would lose their land if a) private property of arable land was granted to them that was taken away from someone who needed that land back to work on it; b) they settled after 1918 on the land of Albanians who were political emigrants, c) they were not farmers but got the land as police officers, financial clerks for services made to anti-populist regimes d) they gave the land that was granted to them under lease.”

25 Official Gazette of the Peoples Republic of Serbia, no. 9/1947; this law was in force until December 20th, 1990.

26 “Službeni list DFJ”, br. 13/1945 (Official Gazette of DFY, no. 13/1945).

27 “Službeni list FNRJ”, br. 22/1953, 10/1965 (Official Gazette of FPRY 22/1953, 10/1965)

28 Ekonomska enciklopedija, p. 155.
Current flows and further directions of the restitution of agricultural land in the Republic of Serbia

Serbia was among last countries that emerged in the region of former Yugoslavia which pursued to the adoption of the law on general denationalization and restitution of private property. Corresponding laws were adopted in Slovenia in 1991, Croatia in 1996, Macedonia in 1998, Republic of Srpska in 2000 and Montenegro in 2004. With the adoption of Low on Restitution and Compensation of September 28, 2011 legal grounds for general restitution of private property, seized by communist authorities after the Second World War, were finally established.

The process of partial restitution has started in The Republic of Serbia in 1991, with ownership changes on arable land, with the adoption of Law on ways and conditions for recognition of rights and the return of land that has become the public property on the basis of the agricultural land fund. The object of restitution by this law has been “land surplus above 10 hectares” taken away from farmers on the grounds of the Low on farmland in social property and land allocation to agricultural organizations of March 27, 1953.

The process of partial restitution has continued in The Republic of Serbia in 2006, again on arable land, with the adoption of the Law on restitution of property to churches and religious organizations. The legal right to restitution is given to all churches and religious organizations on the territory of Serbia that were deprived of their property after 1945, without any compensation by the State. It has to be pointed out that it is an extensive operation of property transformation because 819 estates with total area of 53,491 hectares were expropriated from churches and religious organizations in Serbia after the Second World War. “Land surpluses” above 10 hectares were seized from shrines, monasteries, religious institutions and endowments of all kinds, secular and religious. Farms, gardens, vineyards, orchards, meadows and forests were taken away. Only religious institutions of greater historical value were left with up to 30 hectares of arable land and up to 30 hectares of forests. The decisions on how much land would be left to concrete religious institution were made by the minister for agricultural reform later the minister for agriculture.

In 2006, Serbian authorities claimed that the main reason to pursue to partial private property restitution by returning only the arable land instead to general denationalization of all seized private property has been the fact that it was easier to return the arable land

31 This law was adopted on May 25, 2006, was in force on June 10, 2006, and has been implemented since October 1st, 2006. Official Gazette of RS, no. 46/2006 (“Službeni glasnik Republike Srbije”, br. 46/2006)
in its natural shape than residential and commercial buildings, apartments and business premises. In most cases in question it has been dealt with arable land that had remained in social property fund regardless ownership transformation processes in Serbia. Thanks to that fact, it was easier to identify this kind of property than other nationalized property that changed frequently owners during ownership transition in the last 20 years.\(^{33}\)

Basic principles of the restitution of arable land within future general private property restitution in Serbia, established by the *Law on Restitution and Compensation* are: equal legal treatment of former owners; disposition of their will to initiate the restitution request; protection of legal security of present owners, priority of natural restitution and residual financial compensation.

The principle of equal legal treatment of former owners, being the foundation of all legal norms on property restitution is an expression of the need to underline clearly democratic basis of this segment of property transformation. By complying with the principle of equal treatment, Serbia builds modern European legislation that does not allow any kind of discrimination of restitution beneficiaries.\(^{34}\)

According to the *Law on Restitution and Compensation*, legal right to restitution of arable land is given to former owners and their legal successors, as well as endowments that have been deprived of their property or their legal successors. This law is also to be implemented on property confiscated from citizens of Serbia after March 9\(^{th}\), 1945, who had been proclaimed national enemies under the condition they are rehabilitated previously, in accordance with the *Low on Rehabilitation*.\(^{35}\) Legal right to restitution has been denied to persons whose property was confiscated because they were part of occupational forces that acted on the territory of Serbia during the Second World War.

The principle of disposition of will of former owners to initiate the restitution request means that the restitution procedure does not start *ex officio* but exclusively at the request of interested title to the property. Former owners can submit the restitution request in two years period, beginning from March 1\(^{st}\), 2012. The competent authority, being newly created Directorate for Restitution has to conduct the procedure with no delay and to issue a decision on restitution in six months period from the date of legal request. Such hurry is understandable because it is delicate process of dispossession of ones and appointment of other owners. Namely, while such procedure lasts, the property under restitution claim is out of its economic function and, in legal sense it is in insufficiently protected status. So, there is every reason to pursue as

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34 Laura, S. (2010): *Private property issues following the change in political regimes in former socialist or communist countries*, European Parliament, Policy Department Citizens’ Rights and Constitutional Affairs, p. 8

quickly as possible to general restitution of seized private property in Serbia.\footnote{Stevanović, S., Đorović, M., Milanović, M. (2009): Uzajamnost nivoa privredne razvijenosti i rezultata tranzicije, Ekonomika poljoprivrede, Institut za ekonomiku poljoprivrede, vol. 56 (no. 4) pp. 551-563, Beograd} However, it is an open issue if newly created Agency for restitution has objective possibilities to reply on all requests of former owners in such a short notice.\footnote{It has been estimated that 150,000 persons at least will file the restitution requests. Restitution Agency of the Republic of Serbia, http://www.restitucija.gov.rs/}

The principle of protection of legal security of present owners points to the need to respect the acquired rights. The law guarantees unchanged legal position to present owners of property that is under its jurisdiction. It means that present owners will not become liable parties in restitution process and former owners who cannot come into possession of their property will be compensated by the State.

The principles of priority of natural restitution and residual financial compensation assume that seized property should be returned primarily in its natural shape directly or indirectly with other corresponding property. If direct natural restitution or natural substitution is not possible financial compensation is to be paid under market terms. In this respect, the law provides that the State will issue bonds to compensate former owners. The question of defining the specific conditions under which these financial operations will be conducted remains open.

**Conclusion**

The process of actual ownership changes on agricultural land in The Republic of Serbia gained general character only in 2011 when the Law on restitution and compensation has been adopted. Adhering to the principles upon which this law is based will affect directly the establishment of new ownership relations. Moreover, the stability of the whole economic system will depend on the clarity in defining land property issues. Namely, the key determinant of economic system is the prevailing legal form of property. Observed in modern economic terms, the authority of the holder of title to the land is expressed through possession of natural resources, the appropriation of results of agricultural production and their market exchange. If property rights were returned accurately and quickly to former land owners, the legal security of property would prevail that is a prerequisite for market economy. Otherwise there is a real danger that in the process of restitution many ownership relations on agricultural land remain insufficiently defined as it was the case with interwar and postwar agrarian reform.
Literature

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OWNERSHIP CHANGES ON ARABLE LAND IN THE REPUBLIC OF SERBIA IN HISTORICAL PERSPECTIVE

SVOJINSKE PROMENE NA POLJOPRIVREDNOM ZEMLJIŠTU U REPUBLICI SRBIJI U ISTORIJSKOJ PERSPEKTIVI

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Rezime

Predmet ovog rada je empirijska analiza odluka nosilaca javnih politika u oblasti svojinskih prava na zemlji tokom dva veka razvoja poljoprivrede Srbije. Cilj ove analize je bio da se baci novo svetlo na uzroke dugoročnog ekonomskog zaostajanja Republike Srbije. Bazirajući se na relevantnim istorijskim činjenicama koje su inkorporirane u ovaj rad, otkrili smo konstantan, zajednički imenitelj svih faza razvoja vlasničkih prava na zemlji. Naša hipoteza je bila da česte promene svojinskih odnosa na zemlji deluju u dugom roku destabilizirajuće na privređivanje zato što ne ostavljaju vremena za jačanje imovinsko pravne sigurnosti vlasnika. Rezultat našeg istraživanja je otkriće da je problem nejasnoća u definisanju svojinskih odnosa na zemlji stvarao prostor za nedoslednosti u sprovođenju agrarnih reformi posle Prvog i posle Drugog svetskog rata. Posebna pažnja je posvećena aktuelnim svojinskim promenama na zemlji koje se odigravaju u okviru procesa denacionalizacije i restitucije imovine oduzete posle Drugog svetskog rata, koje su veoma spore i same po sebi takođe nekonzistentne.

Ključne reči: agrarna reforma, denacionalizacija, restitucija, svojinska transformacija, Srbija

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