

## The Mutation of Albanian Society During the Economic Transition from Communism to Liberalism

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### Abstract

The purpose of this essay is to give an overview of the Albanian social mutation during the transition period. The article begins with an explanation of the reasons why the researcher preferred to speak about social "mutation" instead of social "change" in this particular case and follows by analysing the purely economic instruments adopted during the first phase of the transition. Subsequently, the focus is placed on the criticalities of the 1997 crisis and the international rise in awareness that a systemic transformation of a country cannot take place on a strictly economic basis but needs both social and political measures.

*Keywords:* Social mutation, economic transition, institutions, Albania

**Riassunto.** *La mutazione della società Albanese durante la transizione economica dal Comunismo al Liberalismo*

Lo scopo di questo saggio è quello di fornire una panoramica della mutazione sociale albanese nel periodo della transizione. Il lavoro ha inizio con la spiegazione delle ragioni per cui si preferisce parlare di "mutazione" sociale invece che di "mutamento" sociale e segue analizzando le modalità prettamente economiche con cui è stata gestita la prima fase della transizione. Successivamente si procede a mettere a fuoco le criticità evidenziate dalla crisi del 1997 e la presa di coscienza a livello internazionale che la trasformazione sistemica di un paese non può avvenire su base strettamente economica ma anche e soprattutto sociale e politica.

*Parole chiave:* Mutazione sociale, transizione economica, istituzioni, Albania

### 1. Research Framework

The aim of this research is to study the mutation of Albanian society since the fall of the Communist regime. The author refers to this complex phenomenon with the term "mutation". The reason for this choice lays in the concept of *mutation sociale* as expressed by Bouthoul (1954) who introduced it to oppose to the Spencerian conception of social evolution and to the traditional studies on social change. Both these approaches favoured an interpretation of the social change as a gradual, distributive change, neglecting the traumatic and discontinuous one.

Given the rapidity and the traumaticity of the Albanian transition the term "mutation" seems to be more appropriate to describe the significance and the acceleration of the process of social change in this particular case study.

The researcher chose to study Albanian transition as an emblem of the radical transformations that are occurring in the Balkans of the post-Communist era. Albanian situation represents a notable unconformity to the general transitional trends in the Balkan area. It is, in fact, characterized by being a still in progress process whose results seem to be still uncertain both in an economic and in a social perspective.

The Albanian case, more than others, shows the complexity of an approach that too often neglects the cultural, institutional and social aspects in favour of a predominant economic vision towards “what the country should be in the future”.

The predominance of economy in the studies of Albanian transition is an element of partiality if we consider for example that Albania is a country in which ethnicity is homogeneous, but there are cultural differences among the three main religions professed in the country: Islam (56.70%), Roman Catholicism (10.03 %) and Eastern Orthodox (6.75%)<sup>1</sup>. This religious heterogeneity did not represent a problem itself as it historically favoured a sort of restraint to the creation of a State on religious basis – in this case a Muslim State – but is the hub for the explanation of the reasons why – contrary to the expectations of the main analysts<sup>2</sup> – the democratization process did not produce a clash of religions. On the contrary, it represented a factor of containment of the vacuum produced by the Albanian civil war in 1997. In that case, the religious institutions were the only institution left standing, and they have overcome the social, political and economic violence denouncing the mismanagement of the governments and administering the social tensions.

At the time of the fall of Communism, ethnic homogeneity was the only prerequisite Albania had in order to start a transition process. As Tonin Gjuraj shows in *Nova Demokratia. 15 ese për tranzicionin dhe për demokratizimin*<sup>3</sup>,

there were not the preliminary conditions for a normal place. More concretely, there were no experiences of political pluralism (or they were very short, in the years 1920-1930), Albania was a feudal place, without an intermediate layer and without economic development, isolated, with no political, social or economic impact,

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1 The data have been retrieved by the INSTAT database at the link:  
[http://databaza.instat.gov.al/pxweb/sq/DST/START\\_\\_Census/Census1114/table/tableViewLayout2/?rxid=4b8f8c9a-79d0-40b8-a16d-b514e7ce02c6](http://databaza.instat.gov.al/pxweb/sq/DST/START__Census/Census1114/table/tableViewLayout2/?rxid=4b8f8c9a-79d0-40b8-a16d-b514e7ce02c6)

2 See Vickers & Pettifer 1997; Huntington 1996.

3 This title must be translated as *New Democracy. 15 essays on transition and democratization*.

on the developed and democratic Western countries; a premodern society without the traditions of the civil societies and a 'champion' of violence and a lack of respect for the fundamental freedoms and fundamental rights of the individuals (Gjuraj, 2015, p. 6).

In addition to what already said, before the 1990s, the country has been characterized by a prolonged and deep international political isolation that favoured the strengthening and staying in power of the single-party. A party that ruled by suppressing the freedom of press and communication, heavily intervening on the judiciary power, and hindering the creation of civil society organizations independent of the single-party system. As a result, the transition to democracy started in much more difficult conditions and positions, and with more important barriers than in other countries of the former ex-Communist countries (Gjuraj, 2015, 6).

In this framework, the researcher should not underestimate the role the international economic institutions had in favouring and preserving peace by encouraging the development of liberal institutions and the development of a market economy in a country historically characterized by a closed state system.

## **2. Steps towards transition**

As Martin Weitzman pointed out in 1993 through a great work of abstraction, it is possible to distinguish two fundamental types of transition from a political and economic socialist form to a liberal form. «The more 'revolutionary' model is what might be called the 'East European model'. [...] Basically, the East European model involves making a transition to the 'West European model' as quickly as is feasibly possible, with the essential core of the transition being centered on the aggressive establishment of well-defined private property rights» (Weitzman 1993, 549). This first type of transition is the most familiar to western societies not only because of the contiguity between the Balkan region and Western Europe, but also because, the enabling condition for a well-functioning capitalist market economy is the existence of incontrovertible private property rights. In most cases, the

transition economies and governments have tried to adopt a western design by adopting extensive measures to protect private propriety, but maybe these reforms should have taken more time. For this reason, this type of transition has been also denominated a “shock therapy”. The second type of transition is not common in the Western European countries. «It might be called the Chinese model’, because China is the prime example. Essentially, this model calls for a more gradualist strategy of allowing market oriented competitive enterprises to develop from within. The state enterprises are pretty much left alone. State enterprises are replaced not dramatically by privatization in the short run, but eventually by being outcompeted and outgrown in the long run». (Weitzman, 1993, p. 549-550). This can be considered a “gradual therapy”.

It is self-evident that Albanian case pertains to the first type of transition. This is a mutation supported by great enthusiasm and by the illusion of American opulence. Given the prior situation of self-reliance and absence of communication or other kinds of relations with the other nations of the International Community, the Albanian people thought they could create a sort of “American” successful reality in the Balkans.

Ever since the fall of the old regime and its myth of the ‘new man’, the Albanians have lived with a new myth: the affluence, consumerism and opulence seen in the advertising on Western television. As shown in a survey carried out yearly from 1991 to 1995 by the European Commission, in which the Albanians were asked to assess the market economy, the Albanians were the most enthusiastic of all eastern Europeans about the shift to capitalism. They were more enthusiastic than the Czechs or the Hungarians, whose economic prospects were less uncertain. And this enthusiasm of the Albanians continues over time while the initial optimism has faded elsewhere (Morozzo della Rocca, 1998, p. 70).

Generally speaking, the transition period is characterized for being an era of radical changes in the economic sphere but also, and above all, in the social and political spheres. In Albania, for example the administration of power shifted from a single party system to a democratic one, while the economic system shifted from a centrally planned system to a liberal and decentralized one. Nevertheless, until few years ago, the attention of the scholars of the International Community and of the local *intelligencija* has been essentially directed

to the processes of liberalization and democratization underestimating the role society plays in the enabling this systemic change.

A proof of what said so far comes from the account Adrian Civiçi (2014) made on the reforms that gave the input to the process of change. We can enlist them in 8 economic measures:

1. The approval of the “law on land”, on July 19, 1991, which provided the destruction of the agricultural cooperatives and a free land distribution for the members of these cooperatives depending on land availability and number of members.
2. The creation of a national agency for the privatization, which was to administer the entire privatization process in the sectors of industry, trade, services. In these sectors, the privatizations started in 1992 for 25.000 small and medium-sized industries, and after 1992 for the big industry.
3. A complete liberalization of the prices except for basic products such as bread, oil and sugar.
4. The introduction of the Lek (the national currency) in the foreign exchange market, which is a decentralized market of currencies. For the purchase and sales of currencies, the Albanian government has set the European Currency Unit (ECU) as a reference unit currency.
5. The liberalization of free trade with the exclusion of a limited number of special products which required a special approval by the Ministry of Economy. It was also introduced a flat excise duty of 10%.
6. In January 1991, Albania adhered to the International Monetary Fund and immediately received a stand-by credit which introduced new resources for the financial market and for development.
7. In April 1991, Albania became a member of the World Bank, which, in turn, immediately provided expertise for the banking sector and the agri-food industry.
8. On October 9, 1991, Albania entered the European Bank for Reconstruction and Development (EBRD), facilitating the foreign funding which were very much needed at that time. This is the moment in which Albania established diplomatic relations

with all the European Union countries.

This list of measures, adopted during the early stages of the transition, suggest that the economic sphere prevailed over the social and the political spheres. Indeed, the social and the political elements were completely ignored in favour of economic development of the free market and the free trade.

During those years, Albanian society confronted with a series of problems such as massive unemployment, emigration, the phenomenon of the informal economy and the informal labour market, the illegal trafficking, the political destabilization, poverty, the lack of basic services etc (Tema, 2017, p. 67). During the early stages of the transition, Albania made great efforts for economic and political stabilization; a goal she achieved with the help of foreign capital flows. This was an ethereal conquest obtained through external support, and was not the result of a process of social development.

Society was not the main actor of this radical mutation, it was a secondary variable in an already set series of economic reforms.

The result was the failure of the system in 1997, and the start of the Albanian Civil War. The political and economic goals set in 1990–1992 for this impoverished society, which had lived most of its post-Second World War years in self-imposed total isolation (Backer 1982), were excessively far-reaching and produced the Pyramid Crisis which transformed Albania in a failed State.

Although the superficial reasons for this crisis lay in fraudulent investment operations which burned 1.2 billion dollars, the deepest reasons for this crisis are to be found in the poverty and the lack of preparation to understand the risks of financial speculation.

In Albania, the poor were excluded from political power and, as such, they posed, as Acemoglu asserts, “a revolutionary threat, especially during periods of crisis” (Acemoglu and Robinson, 2001, p. 939). Due to inequalities, Albanian democracy was likely to face ups and downs, something which contributed to the emergence of the 1997 disorder. Poverty encouraged the impoverished population to invest their last Leks in pyramid schemes that collapsed on the eve of 1997. (Jusufi, 2017, p. 88)

The Albanians were unprepared to understand that financial speculation could have risks

and the promotion of these pyramid schemes in the media and by governmental authorities convinced people that these were reliable investments. Moreover, they became a sort of social parachute compensating the absence of state institution.

The schemes became massively accepted by the population also as a form of replacement for the absence of a social insurance system. The old social system during communist times, which offered free medical treatment, low rents, vacation vouchers, and pensions, had collapsed. Although limited at that time, the pyramidal system offered people indispensable security. This was particularly helpful for the elderly, unemployed, and poor. The collapse of the pyramid schemes led to the social collapse of society; the old bonds of society were not functioning anymore, leading to social anxiety. This anxiety made society accept any offer that would help them to get out the crisis that they were facing. In this light, the pyramid schemes offered Albanians a new source for social security and offered a basis for the desire to live in luxury (Fuga 2008).

### **3. Classes and Institutions**

As already said, in Albania there is almost no middle class. «Prior to communism, there were groups of notables, former feudal lords, known as *beys* and *bajraktars*. Today what there is of a middle class is composed of the remnants of the ruling class created by Enver Hoxha, a few descendants of the ancient notables who have, within the confines of the family, inherited a certain savoir faire, and the nouveaux riches (businessmen, importers, smugglers, black market dealers)» (Morozzo della Rocca, 1998, p. 73).

During the communist rule the classes were delimited by the Marxist distinction of the bourgeoisie and the proletariat, nonetheless, the opulence of the notables and the *inteligjencia* administering the power created a new gap based on the distinction between the rulers and the ruled. This distinction was based on the access to privileges, services and goods which put a minority in a position of privilege with respect to the masses. Given the poverty of the Albanian society, opulence was a synonym of “exchange power”, and “exchange power” was the enabling condition for the administration of power and violence.

The Albanian society of transition inherited this differentiation and tried to erode the gap between the classes by economic means. The results are still uncertain. In fact, privatization did not represent an opportunity for the poorest who perceived the disruption of state

monopoly as a threat to the satisfaction of their basic needs, but was an instrument the former communist élites used to strengthen their economic position and their “dominance”.

Although the Albanians are very nationalist people, their interest in the State and in its institutions is very limited.

The Albanians are nationalists, they are proud of their language and their land - it is a kind of primordial nationalism - but they are not interested in the state. Moreover, it is a recent, 20th century nationalism, born during the dictatorship of Enver Hoxha. Before that, the Albanians, mostly Muslims, felt at ease in the Ottoman Empire. Perhaps it is the late, non-developed nature of their nationalism that makes the Albanians so viscerally exclusive about it (Morozzo della Rocca, 1998 p. 73).

The disinterest for the state and its administration is also a result of the Communist legacy. On the one hand, people were used to consider Enver Hoxha as the father of their nation, and on the other they know they had no power on state, therefore they were disinterested in political activism.

Most of the Albanians conceive the state and its institutions as the expression of the rule of the strongest, not as an expression of collective choices aimed at common good. «The state is an entity to be used instrumentally if it happens to be on the hands of members of your own political group; otherwise, it must be avoided and fought» (Morozzo della Rocca, 1998, p. 73). This attitude has caused and still causes distrust in the institutions.

The problems arising by the social stratification and from what Gjuraj calls “the culture of distrust” have certainly had an important role in the lack of social capital and of a cooperative culture. «There is, in fact, a sort of continuous skepticism on Albanian democracy and a reciprocal distrust between the political elites and the citizens» (Gjuraj, 2015, p. 30).

Given the social and political peculiarities Albania had before the start of the transition, it is not surprising that, during the transition, the Albanians were unable to manage the alternation of the parties, the party alliances and the role of the opposition, and the relationship between parties and citizens. These fallacies have caused a drift towards partitocracy. The processes of decision-making remained prerogative of the elites who

governed the state at each level reinforcing the elitist mechanisms.

To deepen the discourse on society, during the transition period, there have been many social imbalances. From the geography and the density of the population of Tirana, it is evident that in the last decade or so there have been a huge migration from the mountains and the peripheries to the center. As the statistical data of the INSTAT show (<http://www.instat.gov.al>), the per capita income of the citizens living in the big cities have risen more than in the peripheries and in the mountain regions. This mass migration changed the city itself, its shape, its infrastructures and its means of communication.

The mass migration of the post-communist period was caused by rampant unemployment and by the will to ameliorate their life conditions in the context of the city. This massive and ungoverned migration of people favoured the creation of slum-like communities around the major cities of Albania and a lack of infrastructures and services in these rural areas.

In the cities, the gap between rich and poor was evident as was evident the phenomenon of the social exclusion connected to poverty.

In relation to the criticalities Albania experienced and is already experiencing, we can say that the Albanians are projected toward a capitalist system but are nostalgic of egalitarianism. They want multi-party democracy but they deal with the parties in the same ways as before the fall of the communist regime. Although their political form is that of a democracy, they lack of effective state and institutions, a dense and lively civil society, and self-expression values (Sqapi, 2017, p. 160).

#### **4. Industrialization by invitation**

After the fall of the Communist regime, Albania was in a condition which was very similar to that of the Latin American Countries in the Post-war period. Both Albania and America Latina saw in Capitalism and liberalism the most natural way to get out of the state of underdevelopment.

The *Comisión Económica Para América Latina (CEPAL)*, established in 1948 as a

regional body of the United Nations, strongly criticized the liberal approach with which the problem of underdevelopment was addressed in Latin America. The theory of the comparative advantages, in fact, was unsuitable for the economies of these countries characterized by monoculture and consequent dependence on the fluctuations of the prices of the world market (which is controlled by the Financial centers of the West).

Through Governmental public intervention and international loans, the CEPAL suggested a diversification of the production structures, and the growth of the indigenous productions that, partially, replaced the dependence on the import of manufactured goods retaining the benefits of the industrialization.

However, in absence of sufficient internal capital to buy machinery and capital goods necessary for the productive differentiation, it was necessary to encourage *industrialization by invitation*, opening the doors to multinational companies to be settled in Latin America in order to promote the industrialization.

The phenomenon of industrialization by invitation was addressed by Albanian governments with greater caution than in the case of the Latin American countries. They tried to address – with tax incentives – the process of settlement and production choices of the foreign companies (see Law No. 7764/1993 on Foreign Investments) and persuading them to reinvest their profits in Albania in order to avoid the risk of drainage of the economic surplus.

The Albanian government has been able to learn – more or less consciously – from the mistakes of the past but the International Community was not. Indeed, in the early years of transition, the donor countries and the international financial agencies were concerned only «to give it (to Albania) that little that was sufficient to suspend the exodus through the Western countries and subsequently» sought «to exploit the need of the nation to carry out good business, without really taking care of helping the country to have solid institutions and a sound economy, so that it could walk with its legs, after the initial aids» (Orlando, 2005, p. 64).

Today, the international financial institutions are making constructive pressures on Albanian government, conditioning the delivery of loans and donations to the concrete

implementation of the reforms the international community suggests. The International Community has, in fact, recognized the superficiality with which it tackled the aid problem the day after the dissolution of the communist regime, underestimating the perverse combination of internal aspects that led to the financial crisis of 1997.

The strategies implemented in recent years by the international financial institutions are not simply liquidity injections into the Albanian economic system but accurate technical and financial assistance aimed at eliminating structural obstacles to the development of sound economic, political and social institutions.

The crisis of 1997 represented a moment of reflection in this sense. It has been the key to understand that such a change must go hand in hand with multiple levels development, and that economic growth is not necessary a synonym of a healthy society.

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