


<p><b>The Creation of Socialist Monopoly in Economy during the Communist Regime in Albania</b></p>		<p><b>History</b></p> <p><b>Keywords:</b> Socialist, economy, monopoly, Albania.</p>
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<p><b>Abstract</b></p> <p>In 1961, the leaders of the Albanian communist regime boasted that in Albania had finally been created the economic base of socialism. This meant that all property and economic enterprise were under state control. Private property disappeared to its fullest extent. The new form of property was called a socialist property. According to their claims, state property belonged to all the people, but in fact it belonged to a close group of people who controlled the state through dictatorship. The communist regime also claimed that with the disappearance of private property, human exploitation had disappeared. This article addresses the issue of the socialist economy as a whole, which was nothing more than a state-controlled gigantic monopoly hidden behind a new name. The claim of eradicating human exploitation was a false one. The replacement of the private owner with the state had no impact on the exploitation of people, they carried on working for someone else.</p>		

### Property relations

In 1961, in the 4th Congress of the APL, the First Secretary of the Albanian Socialist Party, Enver Hoxha, and the Albanian Prime Minister Mehmet Shehu, stated that in Albania was created a single economy system, as the multifaceted economy had disappeared to its greatest extent<sup>20</sup>. To their judgment, the economic foundations of socialism were already established, both in the city and in the village, and the question of who would win was solved in favor of "socialism." According to Hoxha, "the capitalist economics, exploitation classes and human exploitation were vanished forever." The economic basis of socialism, in the Stalinist definition quoted by Shehu, was the merging of agricultural economies with the industry into a single economy; the agricultural economy would be submitted to the industry, with the ultimate aim of closing and liquidating all the channels that could lead to the rise of classes. All nationalizations in industry, transport, banking, trade etc<sup>21</sup>., and the collectivization of agriculture, which had reached over 85%, were, in essence, devastating and repressive reforms. They destroyed owners and entrepreneurs, whom were considered enemies of the communist regime, and hindered the development of the economy.

In Albania there were, according to Mehmet Shehu, only two property forms, state property and cooperatives. The difference between them was that state property was, in his opinion, the property of all the people, while the cooperatives were owned by a certain group of people, members of the cooperative. These statements were, of course, for propagandistic consumption, as the people had already been completely expropriated. Albanian citizens never received evidence of legal value that made them owners of state property or cooperatives.

<sup>20</sup> IV<sup>th</sup> Congress of APL *February 13-20, 1961* (summary of materials) (Tirana, NSHB Naim Frashëri, 1961), 47, 200-01.

<sup>21</sup> IV<sup>th</sup> Congress of APL, *February 13-20, 1961* (summary of materials) (Tirana, NSHB Naim Frashëri, 1961), 46.

Collectivization in agriculture, which practically was the abandonment by the villager of his land property, proved that Agrarian Reform (1945) was only a provisional propaganda act with political benefits for APL. With the promise of agrarian reform, it drew around itself the landless villagers or those with little land, in the war against the big landowners. A decade and a half later, the most important reform in agriculture, the collectivization, expropriated all the villagers. What left many of the villagers landless, before the Agrarian Reform, did not possess a legal document that legitimized them as owners of the piece of land. Their owners, on the contrary, possessed such document. With the conversion of the land into cooperatives, this was accomplished: no villager was the owner of the land. Cooperative members were wage-earning farmers<sup>22</sup>, same as landless villagers, in times of private land ownership. The collectivization only increased the ranks of wage-earning farmers, because it included also those villagers, who had previously owned land.

If the main purpose of collectivization was not to expropriate the villagers then there would have been no need for the land to become legally owned by the state. In 1976, after the sanctioning in the Constitution, the state became the legal owner of the land. The state, controlled by a group of people, formerly gave land to villagers without the legal right of ownership and then when taking it back, had no need to undergo legal proceedings, such as sale or donation. By sanctioning the state's ownership over the land in the Constitution, the regime also confirmed that the property was a legal act that the villagers did not enjoy with the Agrarian Reform or during the collectivization.

### **The creation of the socialist monopoly in economy**

With the collectivization and nationalization of the property, when it came to economics, they started calling it socialist economy, but the socialist economy was just a new name for an ancient form: the monopolistic economy. All the economic organization in Albania turned into a single monopoly, run by the Council of Ministers, which in turn was controlled by the APL. The CC of the APL operated illegally as the supreme body of the government. Throughout the period of existence of this pyramid of power, there was no legal act that legitimized the work of the APP's Central Council to make decisions that were mandatory for implementation by the Council of Ministers, the Popular Assembly or other institutions. On May 29, 1975, Enver Hoxha, in the capacity of the First Secretary of the APP's CC, forwarded to the Council of Ministers the decision of the 7th Plenum of the APP's CC (26-29 May 1975), which "recommended" to the Council of Ministers dismissing several ministers and replacing them with some others<sup>23</sup>. That same day, the government proposed to the Assembly's Presidium the dismissal of the ministers and their replacement with the people "recommended" by the Plenum<sup>24</sup>. Whenever the government proposed to the Presidium the issuance of a decree, it explained the reasons, in an associative report, why the proposed decree was necessary, in its judgment. This time, in the absence of a report, the government was set in motion by the Plenum's decision. The Presidium of

<sup>22</sup> In the Constitution of 1946 (PRA's status), Article 11, the term 'mëditje' is precisely used to refer to "people hired in a job." See: Statute of the People's Republic of Albania, Official Gazette nr. 19 (March 19, 1946): 2.

<sup>23</sup> AQSH (Albania's Central State Archive), F. (Annals) 490, V. (Year) 1975, D. (File) 578, Fl. (Paper) 3.

<sup>24</sup> AQSH, F. 490, V. 1975, D. 578, Fl. 1.

the Popular Assembly did the same. Unlike many other decrees, when the right of the decree was upheld in Article 58, paragraph 14 of the Constitution (until 1976, then under another article), this decree described as the main reason for its release<sup>25</sup>, the decision of the 7th Plenum. The Plenum's "recommendation" was respected as a compulsory decision when, in the Constitution, there was no such dependence. The Plenum was not a constitutional institution, let alone had the power to impose on two institutions - the Council of Ministers and the Presidium of the Popular Assembly – the activity of which, in the formal aspect, was deriving from the Constitution.

Monopolies have usually started as economic enterprises and then have extended their influence on politics, whereas in Albania it was the opposite: at first the political monopoly of the APP was illegally created<sup>26</sup>, which then created the economic monopoly, named as the socialist economy.

Officially monopolies were banned in the period 1946-76. Both Constitutions (1946 and 1950) banned monopolies, trusts, cartels, etc., designed to control prices and monopolize markets "to the detriment of the national economy"<sup>27</sup> until 1950, and "the detriment of the socialist economy until 1976."<sup>28</sup> That same documents gave to "the state" full control over foreign trade<sup>29</sup>. The difference between the banned monopoly and the control allowed was only linguistic matter, with no difference in the content of the activity.

The state monopoly did exactly what the Constitution wanted to prevent: controlling the prices. No economic enterprise could sell and buy at a price other than that set by the government, even in cases where the price was below the cost of production.

The second reason for stopping monopolies, trusts and cartels was because, according to the Constitution, they had their own monopolizing feature of the markets, to the detriment of the rest of the economy. Even in this case, the government did what it forbade to others: monopolized all markets. By stopping them, it simply eradicated the competition as a driving force in the development of the economy.

The government did not control only the foreign trade, it placed under its control, step by step, all domestic trade. The Ministry of Trade was a monopoly branch of trade in the socialist economy. The manufacturing companies, farm cooperatives, etc., were obliged to sell their products to trade enterprises controlled by the Ministry of Trade, which in turn was government-controlled. In many cases, as we will show below, the trade companies bought the goods at a price

<sup>25</sup> AQSH, F. 490, V. 1975, D. 578, Fl. 5.

<sup>26</sup> Communists coming in power in Albania is a controversial topic because there are still historians who do not accept the existence of the civil war, but it is not about taking power, but about monopolizing it. Legitimate monopoly of power, at least procedurally, would be if a referendum were held, where the voter would choose between a one-party and multi-party system. The establishment of the communist regime was simply monopolizing politics by a political group, despite propaganda claims. Regarding politics, the standard offered by the communist regime was the same as in the fascist invasion, while a single political party was ruling.

<sup>27</sup> "The Statute of the People's Republic of Albania", Official Gazette nr. 19 (March 19, 1946): 2.

<sup>28</sup> "The Constitution of the People's Republic of Albania". Official Gazette nr. 53 (August 14, 1950): 4.

<sup>29</sup> Both Constitutions had an article with this paragraph: "Foreign trading is under the state's control."

lower than its cost, and sold them abroad at a price two or three times higher. In both cases, the prices were set by the government. The manufacturing enterprises had no benefit from the profits of the goods sold to the foreign market. They were simply classified as loss-recurring enterprises because they had yielded higher-cost production than the price set by the government. In many cases, even domestic trade companies themselves were operating at a loss.

The same thing also happened in agriculture. Agricultural cooperatives were under the full control of the government. They sold the products to the ingathering company which was under government control, at government-imposed prices. Selling cooperative goods was not even considered a trade, but a forced delivery of goods. Cooperatives were legally forced to surrender a substantial amount of goods to “the state”<sup>30</sup>, whether or not they produced enough for their members. In the cooperatives’ status (1968), in the chapter of products division, was not foreseen the sale of goods but instead the compulsory delivery (in trade enterprises). The amount delivered to the state was rewarded but was not considered as a trade.

The monopoly of the socialist economy went further than any kind of monopoly, trust or cartel. It did not suffice with price and market control but also placed the labor force under control. Given that the government, the chief executive of the socialist monopoly, had control over many aspects of the national life; it placed everything in the service of its economic goals. Through the decree of regulating passportization, the government kept records of the present population and its movements in order to serve, among other things, "workforce planning."<sup>31</sup> All of Albania's residents were forced to work for the socialist monopoly. Those who until a certain period were not part of the monopoly were gradually forced to become part of it.

At first, were hunted down people that owned property, influence, or both, who were or could become an obstacle to the establishment of monopolistic politics. After this phase the collectivization of agriculture began (1944-50) and the nationalization continued; the political monopoly, already consolidated, was expanding its clutches on the economy. It resulted in a state where citizens did not have any property and was given power to the constitutional principle "who does not work, does not eat"<sup>32</sup>. Given that immigration was not allowed (monopoly over movement), trapped in, the citizens were forced to be employed in various economics, industrial, agricultural, trade and other companies.

The principle of “who does not work, does not eat”, played a crucial role in the "empowerment" of the woman. The monopoly needed manpower, so it created the conditions, through compulsion, for women to go to work. In the early 60's and onward, the state was the only labor market owner, and this is the war intensified period for women's "emancipation."

<sup>30</sup> “The decision of Council of Ministers”, nr. 19, March 6, 1968, on the approval of the status of agricultural cooperatives.

<sup>31</sup> AQSH, F. 489, V. 1958, D. 109, Fl. 2.

<sup>32</sup> “The Constitution of the People's Republic of Albania”, Official Gazette 53 (August 14 1950): 4.

In the 1970s, there were only a handful of free people (as free as they could be within a clone-surrounded state), a part of the roma people. They went on with their way of life, migration and trade, but were under the constant pressure of the state to renounce their traditional lifestyle and adapt to socialist norms: fixed settlement, employment in state-owned enterprises, cooperatives, etc.<sup>33</sup>

The monopolist policy in the employment market can be clearly seen also in the Supreme Court's decision to stop the lawyers from practicing their profession. According to them, the advocacy was a capitalist profession, the lawyer was driven by the personal interest, and lawyers made an easy work and provided good income for an average lifestyle, did lots of different works to earn more income, and were uncontrolled "objectively". With the elimination of lawyers who earned also by providing legal advice, the Supreme Court proposed that the state should open legal offices for citizens' counseling, their income would be provided by the paid service for the citizens, while the state employees that gave legal advice would be paid 600-750 ALL/ month, less than judges, investigators and prosecutors, and less than the lawyers' profits (700 to 1300 ALL per month).<sup>34</sup> The High Court's reasoning for the lawyer's profession was based on pure monopolistic logic: market invasion and extinction of the competition.

Work during the communist regime was a constitutional obligation for all citizens, but for one category of people it tightened up even more. In 1973, a decree was issued to force a category of people who did not take "active part with their socially useful work", that is to say, they did not work.<sup>35</sup> According to the government's reasoning, these people provided their means in a parasitic manner and were likely to enter the life of crime. These people, labeled parasites, could become harmless to society only by "being educated through law forced labor."<sup>36</sup>

The monopoly and economic control over people came to the point that, if the prime minister looked out of the car window, in the street, on a rainy day, and saw people covered with plastic (used as a raincoat), he would realize that the plastic was stolen from the socialist monopoly properties. Such item was not for sale.<sup>37</sup>

### **The Consequences of Monopolizing the Economy**

For the Soviet quadruple, which took the CPSU's lead after Stalin's death, the conduct of Albanian leadership in the economy was scandalous. Based on their declarations conveyed at the Political Bureau of the APL by Enver Hoxha, the Albanian government had suffocated the villagers with taxes and exploited them ruthlessly. With an admirable sincerity for a man who was

<sup>33</sup> See: AQSH, F. 490, V. 1976, D. 254, Fl. 1-5; AQSH, F. 490, V. 1981, D. 302, Fl. 1-2.

<sup>34</sup> AQSH, F. 493, V. 1967, D. 82, Fl. 6-7.

<sup>35</sup> AQSH, F. 489, V. 1973, D. 48, Fl. 5-6.

<sup>36</sup> AQSH, F. 489, V. 1973, D. 48, Fl. 1.

<sup>37</sup> AQSH, F. 497, V. 1980, D. 39, Fl. 5.

not distinguished for such a thing, Hoxha conveyed Beria's words to the Bureau in a way that seemed to be a direct speech quotation: "You steal and rob the villager."<sup>38</sup>

In a later situation, the way Enver Hoxha talks about the peasantry confirms the Soviet's conclusions. In the 1967's budget report, presented at the Politburo, was negatively treated the fact that ingathering companies would no longer sell corn to the villagers because they had met the needs through the goods they produced. The drafters of the report were concerned about the loss of income secured by selling corn, but the fact that the villagers did not need to buy grain was forwarded as something positive by Hoxha. His way of expression, while suggesting a solution to fill in the budget deficit, was more like a thief's articulation: "We will take the money from the villagers in another way."<sup>39</sup>

In the Bureau, Hoxha was among his loyalists, and therefore spoke freely on how he imagined the relationship between the socialist monopoly leadership and the villagers to be. According to the monopoly, the villagers existed only to be exploited.

The theft was directed only towards the villagers. But workers had the same difficult life, due to ruthless exploitation by the monopoly.

Every year, in the financial balances, a number of enterprises were in a loss: in industry, trade, agriculture, etc. A number of them were foreseen to have losses on the annual plan, which was made every end of the year, for the upcoming one. The ways in which some companies were in a loss reveals the defects on the monopoly economic system.

The chromium from the Kam Tropoja mine had a cost of 108 ALL per ton and the wholesale price with which the trade enterprise bought it was 94 ALL. The Kalimash mine, which processed raw minerals and exported only mineral concentrates, had incurring losses because the mineral cost was 429 ALL/ ton and the wholesale price was 365 ALL/ ton. The copper mine in Kurbnesh was also suffering losses, for the same reasons.<sup>40</sup>

Mines also suffered losses as the cost of production was higher than its selling prices, due to fixed prices by the government. The products sold below the cost in Albania, when exported, were sold at high prices, but these profits were managed by other state structures. Tropoja's Kam chrome, for example, was sold for \$ 17 a ton or 163 ALL, 69 ALL more than the price with which it was purchased from the mine. The products of the Kalimash mine were sold for export at a price nearly three times higher than the price they were bought in the mine, while it was continuously a loss-recurring company.<sup>41</sup>

<sup>38</sup> Ana Lalaj, "1953 – The new Soviet leaders warn: either change or catastrophe," *Historical Studies* nr. 1-2 (2010): 226-27.

<sup>39</sup> AQSH, F. 14/STR, V. 1967, D. 17, Fl. 219.

<sup>40</sup> AQSH, F. 496, V. 1980, D. 858, Fl. 3-4.

<sup>41</sup> The export price was very high compared to the bulk price, but chrome sales were carried out by other companies, and prices were fixed by the government rather than the producer.

If these companies were to operate on the free market, they would set prices based on the cost, and if the products were not sold, they would be liable to ask for a loan until they came out of the loss period or declared bankruptcy. In a monopolized economy, loss-recurring enterprises did not go bankrupt, because their commercial and financial management was controlled by the government. The continuous loss in these enterprises guaranteed only the lack of motivation among workers who did not see any hope for their low wage to increase. If the production would increase, or its quality improve, this was achieved only through political pressure such as: cost reduction campaigns, raw material or production tools savings, extra working time, etc.

The products of agricultural enterprises resulted in high cost, too. Grape's trading cost in 1965 was higher than the average selling price; its cost was 2.17 ALL/kg and was sold at 2.15 ALL. Maize was produced at a cost of 1.85 ALL/kg and sold with 1.70 ALL. Cotton's cost was 4.10 ALL/kg and was sold for 3.98; in the 1970s, its cost was increased even more, mounting to 5.58 ALL. Olive oil in 1965 was produced at a cost of 3.24 ALL/kg and sold for 2.33 ALL; in the 1970s its cost mounted to 7.71 ALL/kg. Pork was produced for 15.33 ALL/kg and sold for 9.91 ALL; in the 1970s, its cost was reduced to 3.11 ALL, but again went on unprofitable sale. Bovine meat was produced for 15.46 ALL and sold for 8.82 ALL; in the 1970s the cost was reduced by 1.4 ALL, but was again sold at a loss. Poultry had the greatest cost-price gap, with a price half of its cost. In 1965 the cost was 29.66 ALL; in 1970 it decreased to 26.97 ALL, and was sold in both periods for 11.70 ALL. Even the eggs were sold under cost in both periods. In 1965, the cost of an egg was 0.811 ALL and was sold for 0.73 ALL; in 1970 the cost per one egg mounted to 1,031 ALL. Average prices were the same in both periods, for all items.<sup>42</sup>

In the field of agriculture you could hear several curious stories, which show in some way the people's lack of dedication at work: in 1963 in Puka's district were planted 3200 cherry seedlings, which did not yield any fruits, at least until 1970, because they were wild plants and were left without graft.<sup>43</sup>

The question of how loss-recurring companies were kept in operation, and how under cost goods were constantly sold in the market for such a long time is a matter for more in-depth studies.

### **Human Exploitation by the State**

Both constitutions stated that there was no human exploitation in Albania and, after 1960, that was true. In Albania private owners who could employ others or, from the communist point of view, who could exploit the employees, did not exist anymore, but this did not obliterate human exploitation. He who had been a worker at a private factory continued as one in the state factory.

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<sup>42</sup> AQSH, F. 496, V. 1970, D. 661, Fl. 12.

<sup>43</sup> AQSH, F. 496, V. 1970, D. 661, Fl. 14.

He who had been a villager without land remained the same. If working somewhere was exploitation before, then switching from individual-to-individual exploitation to the state-individual exploitation did not bring any changes in the lives of those exploited.

The only qualitative change that took place was of negative value, to the detriment of landowners, industry, transport, etc., who turned into farmers or workers of the property owned by the state. The city residents did not benefit from the nationalization, they continued to work as wage-earning workers in the state-owned properties. Meanwhile collectivization in the village highlighted the falsity of the agrarian reform as a temporary regime effort to provide the support of villagers, with little or no land, to fight against the big and medium-sized landowners. With absolute collectivization, the villagers who benefited from the agrarian reform suffered the fate of medium-sized landowners in 1945.

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