

Did the Industry Exist in Albania before WWII? Fact-checking

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Abstract

The Albanian economic literature from 1945 to 1990 demonstrates dubious modifications in the share of industrial output in Albania's GDP during the 1930s. The communist government, of course, sought to prove the correctness of its economic strategy. We will examine whether the Albanian regime's inclination to overstate its industrial development accomplishments in comparison to the past led to the manipulation of statistical data on Albania's industrial production prior to World War II. In that period, official historiography significantly compromised data reliability by utilizing statistics as a propaganda instrument, resulting in a distortion of the analysis derived from them. Regrettably, contemporary Albanian and foreign scholars are profoundly influenced by communist propaganda and historiography.

Keywords: Industry; interwar; propaganda; statistical data; Albania; annual average growth.

1. Introduction

The Albanian economic literature from 1945 to 1990 reveals questionable alterations in the proportion of industry within Albania's GDP during the 1930s. The greater distance in time from the pre-war years, the lower the figure reported in official sources for the industry's contribution to overall production in 1938. Nonetheless, independent academics, like Demaria, Evelpidi, Borgatta, and others, have conducted rigorous and reliable evaluations of the industry's contribution to Albanian national income in 1938.

This paper will examine whether the Albanian regime's inclination to exaggerate its economic accomplishments, in comparison to the past, led to the manipulation of statistical data on Albania's industrial output before World War II. Of course, the Albanian leadership sought to demonstrate that its economic strategy had been successful and to cover up any setbacks and failures. As a result, the reliability of statistics was undermined during that era, by employing it as a tool for propaganda, resulting in a distortion of the analysis based on the official statistical data. The British-Albanian scholar Tajar Zavalani identified a similar methodology utilized by the USSR for propaganda purposes. Zavalani, in his 1951 publication "How Strong Is Russia?", remarked:

"One gets a strong impression, that the soviet leaders are more and more sacrificing scientific accuracy to the needs of a propaganda, which must show everything to be spotless and greatest" [1].

The Communist government of Albania published economic statistics irregularly, and even when it did, it likely used them for propaganda purposes. Statistical publications followed the standard:

“...when developments are positive, they been reported and when things take a turn for the worse, data are withheld” [2].

As a result, many foreign authors who studied the Albanian economy during this period employed indirect methods to ensure a certain level of accuracy in their research [3]. In their 1982 study on Albania, a group of academics from the American University of Washington, D.C., stated how they used data from official Albanian sources to ensure some accuracy, despite the fact that the numbers were frequently propaganda and should not be accepted:

“Articles from official journals or newspapers available in English translation, which constitute the major source of data, provide only a partial coverage and must be used with caution because of a lack of means for verification. Published statistics, available in detail to 1964 and non-existent after 1967, leave many important gaps. Because of apparent shortcomings in the underlying statistical methods, only data in physical terms can be accepted with some degree of assurance as to their accuracy” [4].

Furthermore, between 1945 and 1990, the government's propaganda estimations concerning pre-World War II growth in industry altered considerably. In the years following WWII, Soviet economists and authors who researched the Albanian economy generally reported that the overall contribution of industry, handicrafts, and mining to Albania's national income in 1938 was 18.3%, with only mechanized industry contributing 9.8%.

It is worth noting that the primary goal of these authors was to highlight the achievements of the new regime established in Albania in 1944. Meanwhile, the Soviet scholars were inclined to refrain from accurately presenting the development of the Albanian economy and especially industry before the start of World War II. The communist regime's propaganda altered the industrial contribution to GDP for 1938 from 18.3% to 9.8% and thereafter to either 4.5% or 3.8%. Furthermore, in describing the pre-WWII economy, the Albanian regime's propaganda frequently employed non-statistical expressions such as "industry scarcely existed."

Of course, most communist-era history books neglect to show how mining developed during this time, how crude oil output and exports rose 30 times, or how the number of manufacturing companies, workers, and concentration doubled since 1927. Nonetheless, agriculture remained the dominating sector of the economy in 1938, despite natural growth in mining, construction, and transportation.

Our analysis of economic development was conducted using national income growth as an alternative to GDP. The lack of consistent statistical data on the Albanian economy during the interwar period, which is essential for calculating GDP, leads us to investigate the increase in national income.

The sources of statistical data for this paper are:

- the Albanian government publication “Albanie en 1927” [5], a study, which contains comprehensive statistical data on not just the economy but also demography, education and culture.
- League of Nations’ Statistical Yearbook.

- Italian scholars of the 1930s

2. Creation of the Manufacturing During the Interwar Period

After 500-year Ottoman rule, independent Albania inherited an economy without a viable industrial sector. Furthermore, the Balkan wars, the First World War, and the postwar occupation largely transformed Albania into a battlefield for belligerent armies, resulting in its ruin during the period 1912–1920. In the aftermath, the Albanian political elite endeavored to uphold the country's independence and sovereignty while simultaneously establishing a liberal democratic system. Beginning in the 1920s, the Albanians successfully regained the country's integrity by combining diplomacy and guerrilla warfare. The League of Nations admitted Albania as a member, and the Great Powers supervised the process of demarcating its borders. However, Albania was unable to start the process of building either a parliamentary democracy or a sustainable economy due to internal instability and fierce political conflict during the period 1920–1924. To evaluate Albania's economic growth, namely its industrial development prior to World War II, we need to limit our study to the years 1925–1939.

Giovanni Demaria studied the Albanian economy of the late 1930s [6–8] and based his calculation of the national income on previous studies by Mehdi Frashëri and Gino Borgatta for the financial year 1927–1928. According to the calculations of Mr. Mehdi Frashëri, agriculture together with livestock in 1927 constituted 88.5% of the national income, and if we can consider the salt evaporation ponds and mines as part of the industry, the latter occupied only about 4.9% of it (see Table 1). Meanwhile, for Frashëri, the national income in 1927 was about 102 million Albanian francs, while according to Borgatta, it should be about 20% higher.

Table 1. National income by the economic sector according to different researchers (1927)

million Gold Francs	1927		
	Frashëri/Borgatta	Evelpidi [7]	Pano [8]
Agriculture + Livestock	90	108	121
Industry + Construction	12	50	41
Transport + Communication + Trade	0	16	15
20% (Borgatta) foreign investments	22		
Total	124	174	177

Due to centuries of backwardness, industry and construction were essentially negligible in the 1920s. According to Borgatta, their combined contribution to national income in 1927 was around 9% (see Table 1). However, from a technological perspective, even the concept of industry was relatively primitive. Table 2 gives estimates made by G. Borgatta (1940), A. Pano (1982) and A. Evelpidi (1930) for the structure of national income in 1927, see Figure 1. Despite the differences, it is noted that in all three estimates:

- Handicraft was dominant within industrial production.
- The contribution of transport to national income was very marginal.

- Agriculture is the main economic sector, and together with forestry, according to estimates, it contributed 70-80% to national income.
- The national income in 1927 was about 175 million gold francs.
- Agriculture without livestock accounted for only 30% of national income.

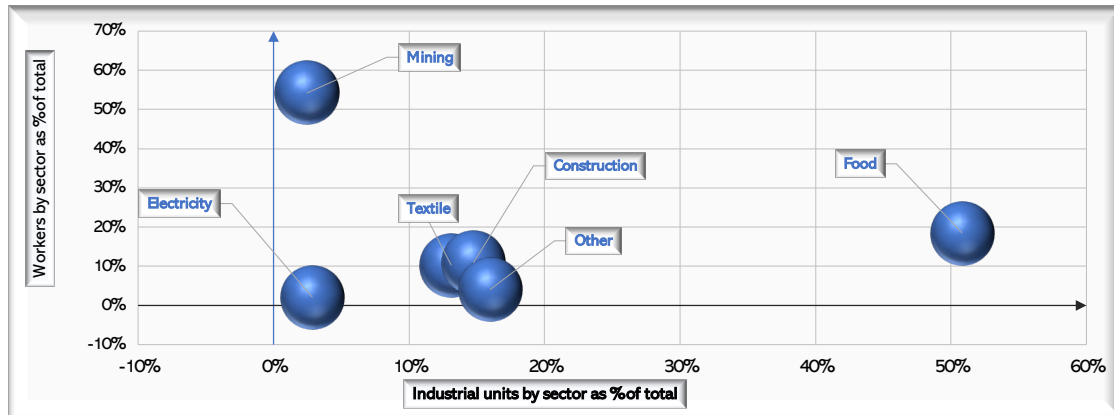


Figure 1. Number of industrial units and their employees in 1938 (% of the total)

The handicraft sector's share of gross national production in 1927 reflected the deep economic backwardness of Albania. The bitumen mine in Selenica and the lignite mines in Tirana and Korça contributed 0.5% to the national income. In addition to handicrafts, the industry's structure encompassed mining, salt production, the wood industry used for construction and heating materials, and fishing. In 1927, the exploitation of forests was dominant and accounted for almost 5% of national income.

Official economic statistics of the era show that Albania's economy has been growing steadily between 1925 and 1938. In 1925, the Albanian government began negotiating concessionary agreements for mineral production. By 1938, various concessionary enterprises had begun to exploit natural resources, particularly oil. Furthermore, the Albanian government chose to get a loan of 50 million gold francs to invest in infrastructure, such as roads, ports, and agriculture. As a result, in 1927, the Society for the Economic Development of Albania (Società di Sviluppo Economico della Albania – SVEA [9]) began contracting construction companies to complete the public works that were envisaged to be built with the 50 million gold franc loan [10].

Even though Albania was in ruins following the long war (1914-1920), the country began to show signs of economic recovery in the early 1920s. According to Albert Calmès, a League of Nations economic expert, Albania had monetary gold valued between 50 and 100 million francs (others claimed it to be more than 100 million) [11] not being deposited in the banks. According to him, this cash would be sufficient to start the economic recovery.

In the early 1920s, Albania's main advantage over neighboring countries was its absence of foreign debt and almost zero budget deficit [12]. As soon as Albania's political situation showed signs of stability, Albanian businessmen from all across the country convened in Tirana for a national congress in the summer of 1922, appealing to the government to support their industrial investment projects. Despite Albania's abundant natural resources, agriculture and animal husbandry dominated the economy. As a result, it became obvious that Albania's economic development would start with the food

processing and mining industries. The influx of Italian capital, various enterprises contracted by SVEA, and the presence of concessionary companies all contributed to Albania's economic growth [13].

From 1922 to 1938, the Albanian government signed a total of 82 concessions agreements for the exploration and/or extraction of minerals, and together with the oil concessions, their number reached 88 [14]. Thus, in the 1930s, 13.2% of the Albanian territory was under concession for oil or minerals exploration. Not all concessions were successful, and some companies, including the two biggest oil companies in the World the American Standard Oil and Anglo-Persian Oil Company, withdrew from the agreements.

The primary conditions outlined in the concessionary agreements between the Albanian government and the oil or mining companies included the following [15]:

- The government granted the foreign companies exploration concessions for 3–4 years. In the case of success, companies would then receive concessions for exploitation, each with a 60-year expiration date.
- Companies had the right to bring their own technicians and workers.
- The concessionary companies would not pay duties or taxes on materials or equipment brought to Albania for their work.
- They also received an exemption from the taxes levied for the activity they carried out in Albania.
- The oil extraction concession company was required to build a crude oil refinery in Albania if production allowed.

The oil exploration concessions included little more than 285,000 hectares, or almost 10% of Albania's total land in 1938. However, in 1938, the area available for oil and mineral extraction was between 1.2 and 2.5% of Albania's overall land. Only ten concessionary firms remained in operation in Albania in 1938, out of a total of 88 concessions given, three of which had 100% Albanian capital.

Until 1927, the majority of industrial enterprises and joint-stock companies had Albanian capital. The largest number of enterprises were those with less than 10 workers (68.4% of the total) [16, 17]. Table 2 provides the structure of the industrial sector and the size of enterprises in Albania in 1927.

Table 2. Handicraft and industrial enterprises in Albania in 1927. [16]

Activity	Handicraft workshops			Industrial units			
	Number	Employee	Total workers	Number	Workers	Workers / unit	% of total
Textile & leather	1,854	4,070	5,924	6	147	25	4%
Food processing	4,489	7,722	12,211	87	625	7	54%
Construction materials	882	2,256	3,138	27	390	14	17%
Metal working	534	950	1,484	-	-	-	-
Electricity	-	-	-	4	40	10	2.50%
Mining	-	-	-	10	743	74	6%
Other	1,411	2,032	3,443	27	620	23	17%
Total	9,170	17,030	26,200	161	2,565	15.93	100%

The table shows the predominance of craft workshops over mechanized enterprises in number and in workers. Over the course of a decade, the ratio of workers and their contribution to the national income will naturally shift, favoring industrial enterprises.

During the period of 1920–1925, domestic capital was almost the sole source of investment in Albania, primarily in industrial enterprises, despite the prevailing conditions of uncertainty and political instability. Albanian entrepreneurs invested 2.5 million gold francs (about \$500 thousand) in 1925 alone [18]. Local entrepreneurs by 1927 had invested 7.6 million gold francs, [19] and within 1 year the invested capital increased to 9.2 million gold francs (about \$1.8 million). This indicates that they invested more than 1 million gold francs annually on average between 1920 and 1928. Likewise, in 1928 there were 14 more new industrial enterprises compared to 1927.

In these years, for the first time, joint-stock companies with 100% Albanian capital appeared. The joint-stock companies represented 68% of the total industry investment by Albanian entrepreneurs until 1928 [20]. The food processing industry held a dominant position among industrial enterprises; there were four large and 53 small flour factories in nearly every Albanian city, two alcohol factories, and other factories, such as the rice cleaning factory in Durrës and the candy factory in Shkodra. Following these were 24 mechanical saws, 15 olive oil and soap factories, 14 printing houses, 9 tobacco factories, 4 textile factories, 4 electric power plants, factories producing bricks, tanned leather, carpets, cement, etc. [21]. The start of electricity production investments (four electric power plants) in 1927 coincided with the growth of industrial enterprises, see Table 3. In total, in 1927, there were 151 industrial units with Albanian capital and 10 enterprises (mainly in the field of mining) with foreign capital.

In the first quarter of the last century, the first commercial franchises came to Korça. For instance, in 1923, "Zëmlaku" acquired the exclusive distribution of agricultural machinery (tractors) for the entire Balkans from Ford, while "Stefanllari" acquired the exclusive distribution of sewing machines from the American company "Singer" [22]. In the late 1920s, the company Borne & Shoqnia (Borne & Co.) took the place of the "Stefanllari" in the distribution of Singer sewing machines.

Table 3. Size and number of workers of industrial units in Albania in 1927 [23]

Workers	Number of industrial units	% of total	Number of workers	% of total
1 –4	31	19.3%	95	3.7%
5– 9	79	49.1%	610	23.8%
10 – 24	30	18.6%	672	26.2%
25-49	12	7.5%	420	16.4%
50-99	6	3.7%	372	14.5%
over 100	3	1.9%	396	15.4%
Total	161	100%	2,565	100%

In 1938, the Albanian companies had on average, a capital of 55,000 gold francs and 14 workers. In contrast, the six foreign mining enterprises had an average capital of 1.7 million gold francs and employed an average of 670 people. [24] One of the factors contributing to the establishment of joint-stock companies with 100% Albanian capital or

joint-venture companies with mixed capital was the restriction of foreign individuals' land rights in Albania through various legal proceedings.

The Basic Statute (Constitution) of the Albanian Kingdom, for instance, established that foreigners had no right to own land within the country's territory and prohibited them from owning any real estate in the border and coastal areas. [25] Likewise, the Ministry of the Interior had clear rules for the residence permits of foreign citizens.

Thus, the establishment of joint ventures with Albanian and foreign capital provided a way for foreign companies to invest in Albania in the 1930s. The degree of workers concentration (workers/enterprise ratio) in 1938 was nearly twice as large as in 1927 (see Tables 2, 3, and 5). However, in 1938, nearly half of industrial enterprises had 5-10 workers, and only a third of them had more than 10 workers, see Table 4.

Table 4. The structure of the industrial sector (1938) [26]

Sector	Industrial units				Workers per industrial unit
	Number	%	Workers	%	
Agro-Food industry	124	51%	1374	18%	11
Textile	32	13%	764	10%	24
Construction materials	36	15%	810	11%	23
Power energy	7	3%	154	2%	22
Mining	6	2%	4,030	54%	672
Other	39	16%	303	4%	8
Total	244	100%	7435	100%	30

Table 4 indicates that the mining industry employs over half of the workers. Following mining, the sector with the highest number of workers was the food industry, accounting for 18% of the total industry workforce. In a span of 10 years, the number of workers has tripled compared to 1927. In 1938, the craft sector experienced a reduction in size and saw a halving of its employee count, in contrast to 1927. (See Tables 2 and Table 4.)

Table 5. Number of employees in non-agricultural sectors of economy in 1938 [27]

Activity	Employees	Percentage of the total
Manufacturing	3,405	16.2%
Mining	4,030	19.2%
Construction	2,232	10.6%
Transport	808	3.8%
Handicraft	8,420	40.0%
Commerce	1,732	8.2%
Public services	281	1.3%
Other	130	0.6%
Total	21,038	100.0%

If we refer to Table 6, it seems that foreign investments, mainly Italian and German, had a stronger tendency to increase their share in the Albanian economy. In contrast, the weight of Albanian capital, which accounted for 27% in 1937, in 1938 was only 22%, showing a strong decreasing tendency [28].

Table 6. Country of origin of the foreign capital invested in Albania [29]

Country of origin	1937	1938	
	%	%	Million Gold Francs
Italy	67%	70%	294
UK & France	12%	9%	37
Germany	7%	11%	45
USA and American states	4%	5%	20
Other	10%	6%	24
Total 1	100%	100%	420
Albania (domestic capital)	27%	23%	121
Total 1 plus local capital			541

However, in 1938, Albanian capital invested about 121 million gold francs, a significant increase from the 9.2 million it invested from 1920 to 1928. In 1938, approximately 40 companies operated as joint stock or private companies with Italian capital in Albania, of which 7 were mining companies, 4 industrial, 3 agricultural, 7 civil constructions, and a significant number of commercial firms [29, 30]. Although they constituted only one-sixth of the total number of enterprises, they were the most powerful in the country, with the greatest concentration of workers and the biggest contribution to industrial output. The advantage of Albanian joint-stock companies and other enterprises began to decline after 1927 as a result of the competition of Italian companies.

Table 6 shows that approximately 125 million gold francs invested in Albania came from France, Britain, and other countries. Nevertheless, the main source of investment in 1938 appears to be Italian capital, accounting for around 70% of the total, followed by German, which accounts for 11%, and French and British together accounting for 9%. However, the weight of German and Italian capital is trending upward, while the weight of capital from other nations is trending downward, as Table 6 illustrates. In this manner, the combined weight of French and British capital, which was 12% in 1937, decreased by 3% one year later. In contrast, the weight of Italian and German capital increased from 67 and 7%, respectively, to 70 and 11%.

According to Irwin Isenberg, national statistics from 1927 to 1939 showed a 32% increase in total industrial production in Yugoslavia, a 50% increase in Albania, and a 143% increase in Bulgaria (at 1938 prices or 1939 prices). [31] The author determines that the development of industry in Albania in this period had a higher rate than that in Yugoslavia but much lower than that in Bulgaria. From Table 6 we can say that unlike other sectors, the industrial sector has performed better, and the average annual growth has been about 17%, compared to the years during the communist period. As anticipated, the mining sector expanded nearly 22 times between 1927 and 1938, achieving an average annual growth of roughly 33%.

Table 7. Oil production in Europe (excluding USSR) in thousands of tons (1935-1938) [32]

Country	1935	1936	1937	1938	Average annual growth
Albania	12	48	88	127	80%
Austria	7	7	33	63	73%
Germany	427	445	451	552	7%
Poland	515	511	501	507	-0.4%
Czechoslovakia	20	19	18	19	-1.3%
France	76	70	71	72	-1.3%
Italy	16	16	14	13	-5%
Romania	8,376	8,703	7,153	6,603	-6%
Hungary	0	0	2	43	-
Total	9,449	9,819	8,331	7,999	-4%

Table 7 provides a comparison of the average annual growth of oil production in Albania with European countries that extracted oil. Albania has an average annual growth rate of over 80%, and within four years, oil production has increased tenfold [33]. At a slower but still high rate, the production of chromium, copper, and coal has increased. On the other hand, agriculture has shown an increase at a rate of 9.2% per year.

3. Calculation of National Income

From 1934 to 1938, investments in various sectors of the economy contributed to a four-fold increase in Albanian exports compared to 1928. The concentration of workers in industrial production doubled in 1938 compared to 1927. In 1927 it has been in average 15 workers per industrial unit compared to around 30 workers per unit in 1938 (see Tables 2 and 4). Except for mining enterprises, nearly half of industrial enterprises employed less than 10 workers. As a result, during the period 1923-1945, the urban population increased by an average of 4.3% annually while the rural population increased by only 1.3% [34]. Albania in 1927 had 165 industrial enterprises and about 9,170 craft workshops, while craft production made the main contribution to overall industrial production. In 1938 Albania had 244 industrial factories, or 50% more than in 1927. Foreign investments in industry alone amounted to over 100 million gold francs, mainly of Italian capital and, to a lesser extent, American, British, French, and German [35]. In 1938, 75% of enterprises in Albania had Italian capital, 22% had joint capital, and 1.8 % had Albanian capital [36].

Analyzing the development of the Albanian economy from 1928 to 1938, Demaria, an Italian economist of that time, concluded that the sectors of the economy should have contributed to the national income in 1938—175 million Albanian gold francs, or about 56 dollars per capita [37].

According to Borgatta, another Italian economist, in 1927, Albania's national income was 120 million gold francs. [38] This meant that for the period 1928-1938, there had been an average annual increase of 11% of the national income at constant prices. In the meantime, the average annual population growth was 1.8%, see Figure 2. In other words, the national income had grown faster than the population. Even at current prices, the

national income per capita's growth (3.8%) surpasses the population's (1.8%). According to Demaria, in 1938, the industrial sector of the Albanian economy, including handicraft production, accounted for 17.1–26% of national income [39] (the contribution from the mining industry was 5.7%), while agriculture, including livestock, accounted for 57.1%, and the remainder came from the exploitation of forests, salt mines, fishing, etc.

The comparison was not made with the data of Mehdi Frashëri, former prime minister of Albania, based on the reports of the National Bank of Albania, but with those of Gi-no Borgatta. The latter relied on Mehdi Frashëri's data but also added other contributions, with the following justification:

“An assessment from 1927-1928 placed the national income at around 102 million francs per year: a figure that, ...we can consider lower than the real one, probably estimated at over 120 million ...considering other activities not considered in the afore-mentioned calculation...on average in the fifteen-year period the contributions of foreign capital represented more than 20% of the annual net national income...” [40]

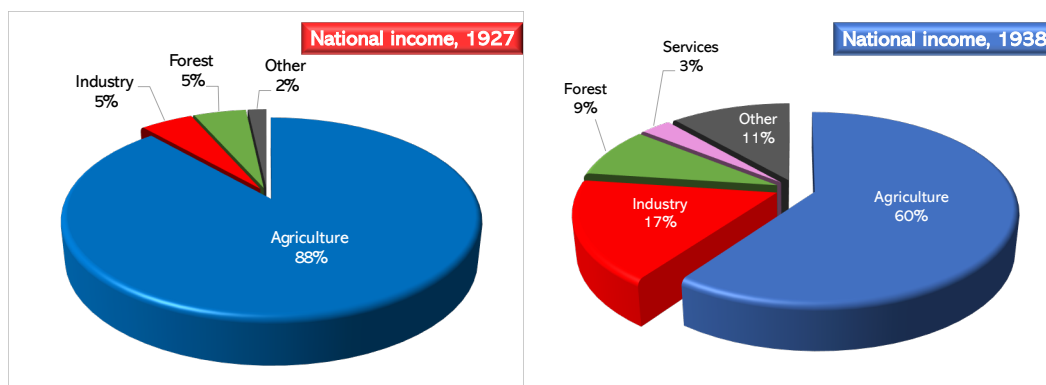


Figure 2. Contribution to national income of economic sectors, in 1927 and 1938 [41].

As for industry, its contribution to national income was estimated 3.5 times greater in 1938 compared to 1927. This can be attributed to the rise in the oil industry's contribution, as well as the emergence of new branches such as electricity production, the expansion of the food processing industry, and the production of construction materials. The industrial sector experienced an average annual growth of around 17%. During the period of significant Soviet and Chinese financing (1948–1978), Albania experienced double-digit average annual growth in the industrial sector. Of course, the flow of foreign capital and the low base from which industrialization began played a significant role in both cases, particularly in the 1930s and the 1950s.

Mr. Gambino, one of the general directors of SVEA, evaluates the development in the Albanian economy this way:

“It cannot be said that a real industrial activity was created in this way, but at least the first steps were taking shape.” [42]

4. Discrepancies Between Propaganda Statistics and First-hand data

4.1 Equations National Income

The Great Depression (1929-1933) naturally shocked the world economy, and this was felt in the banking market as well. Due to fluctuations in the USD, many may consider

the calculations above to be approximations. However, it's important to remember that we can rely on indirect data to support the growth in the Albanian economy. The year 1938 marks the dominance of oil in Albanian exports. Similarly, over a 10-year period (1927–1937), Albania's road transport network and ports significantly improved, stimulating both the domestic economy and trade as well as international exchanges. The influx of Italian capital had helped alleviate the consequences of the world crisis. The years when the crisis was felt in Albania were 1932–1934, and behind them she began to see steady growth of economic indicators.

Count Ciano asserted that Italy invested an extraordinary amount of capital, both private and state, during the period 1927–1938. We must first mention the public credit of 50 million Gold Francs in 1925. Another credit of 100 million Gold Francs, partially disbursed and with zero interest, followed in 1931. Although the Albanian economy initially received credit for developing the road network and state institutions, which were considered nonproductive, we should keep in mind that the Albanian government has paid almost no installments of these loans. Therefore, these loans have not burdened the Albanian taxpayer, but Albania has undoubtedly paid for them by reducing its sovereignty and ultimately losing it. Count Ciano stated in his speech to the Italian Chamber of Deputies on April 15, 1939, that:

“...Italy had invested 1 billion 837 million lire in Albania from 1925 to the present day” [43].

This amount with the fixed exchange rate between the lira and the Albanian franc in 1939 was 294 million gold francs [44] (equivalent to \$90 million or nearly \$2 billion at 2024 prices). It represents a significant influx of capital, regardless of any possible exaggeration (The German scholar Hermann Gross for example, estimated Italian investments between 1928-1938 at approximately 280 million gold francs, which was close to Ciano's figure.) [45]. Loans granted by the Italian government accounted for more than 36% of this capital: the 1925 loan, which was 62.7 million Gold Francs, the 1931 loan, from which was disbursed 17.5 million Gold Francs out of 100 million Gold Francs, and the 1936 loans, which totaled 26 million Gold Francs. The rest must belong to private or parastatal Italian companies (i.e., about 188 million Gold Francs), which has often invested Italian government money. For instance, AIPA alone invested 47 million Gold Francs between 1925 and 1938 with the assistance of the Italian government. Meanwhile, Albanian capital investments in 1938 amounted to 121 million [46]. Borgatta rightly points out that the annual average of the total of 294 million gold francs of Italian capital between 1925-1938 (20-22 million gold francs) should be added to the annual national income calculations. [47] Moreover, an analysis of invested capital could make this figure even greater. As Borgatta comments, this figure could be greater if calculated with the value when the investment was made. According to Borgatta:

“I do not know whether this figure was calculated based on the current single exchange rate or on the exchange rate of the period in which the capital was actually invested in Albania, the results in Albanian francs being significantly different in the two hypotheses. In the first, the indicated sum would correspond to approximately 294 million Albanian francs; in the second, to a figure between 360 and 400 million” [48].

Table 8 presents a comparison between the national income and gross industrial product in 1927 and 1938, using data sourced from Pano and Demaria [49].

According to Pano's analysis, the national income per capita actually decreased from 1927 to 1938. He estimates the national income per capita in 1927 to be approximately \$40 (Table 9). Roselli (1984) and Caselli & Thoma (2003), who conducted a comprehensive analysis of Albania's economic structure during this period, accepted A. Pano's 1938 calculations using 1927 "reference prices" without conducting any further checks:

“Pano develops a more realistic estimate at 1927 prices. If we use 1927 as a baseline, we can see that agricultural prices and general prices had fallen by 53% and 63%, respectively, in 1938. Pano's estimate of national income in 1938 is 198 million, at 1927 prices, which represents a 12% increase, while the population grew by 25% [52].

Table 8. Comparison of national income in 1927 [50] and 1938 (US\$ million) [51]

Year	National income at 1938 prices			Per capita (\$)/ Growth (%)				
	million \$	1938=100%	Annual Growth	Constant		Current		
1927		Population in 1927 = 850,000						
Frashëri	19.0	33%	10.6%	22.4	9%	28.0	7%	
Borgatta	20.6	35%	9.9%	24.2	8%	29.9	6%	
Evelpidi	27.3	47%	7.1%	32.1	5%	39.4	3%	
Pano	27.7	48%	7.0%	32.6	5%	40.0	3%	
1938		Population in 1938 = 1,037,000						
Demaria	58.3			56	-	56	-	
Population		Annual growth = 1.8%			Growth = 22%			

Pano calculated a figure of 53% decline in prices for agricultural products and 63% overall, between 1927 and 1938. The conclusion of Pano was that in the 12 years span Albania did not had any increase in national income per capita, in contrary. If economists dealing with this period of economic development had taken the influx of foreign capital into account, they would have arrived at different results from Pano's calculations of national income. In fact, Pano's calculations seem to have been made to draw the conclusion that the economy was declining under the Ahmet Zogu's “anti-popular regime”. Table 9 provides data based on Demaria's estimate for 1938. The table shows national income in 1938, adjusted to 1927 prices and including contributions from foreign capital. The differences between A. Pano's conclusions and the statistics in Table 9 appear to be considerable.

Table 9. National income plus contribution of foreign capital at constant 1927 prices [53]

National income	1938	1938 (foreign capital)	per capita	per capita (foreign capital)
Gold Francs	175,000,000	199,500,000	169	192
\$	57,377,049	65,409,836	55	63
at 1927 prices	depreciation 61.73%			
Gold Francs	283,500,000	323,190,000	273	312
\$	54,729,730	62,391,892	53	60

Even at current prices, per capita income in 1938 ranged between \$55 and \$63 (population 1,037,000), but in 1927, according to Pano's estimations, it was \$40 or 207 Albanian francs (population 850 thousand). So, even at current prices, there has been a 38%-58% rise in national income per capita. According to Table 9, at 1927 prices, national income per capita in 1938, would have ranged between \$53 and \$60, representing a growth of 33%–50%. Population growth between 1927 and 1938, according to the official statistics was 22% and not 25%. National income has not increased by 12%, but it has grown at a greater rate than the population (22%). We can say that the data in Table 9 are aligned and should be considered as orienting, but they all indicate that there hasn't been a decrease in income per capita, quite the contrary. [54]

4.2 Contribution of Industry in National Income

Based on the data, Pano calculated the structure of the national income for 1927 (Table 10). According to Pano, the industry in 1927 accounted for twice as much as the national income as in 1938. Pano's data on the industry's contribution to national income in 1927 differs significantly from those of other authors, including Evelpidi and Borgatta, and is typically up to 70% higher.

Albania's economic development appears to be predominantly concentrated on industry and has neglected the development of agriculture, as evidenced by the two comparisons presented here between 1938 and 1927. The production of livestock has also declined. Albania's economy continued to exhibit these attributes even after World War II. Borgatta's calculation of foreign capital flows to Albania clearly demonstrates the factors contributing to Albania's economic development.

Table 10. Contribution of economic sectors to the national income, 1927 (Pano) [55]

Branch	Million Golda Francs	%	Million US\$
Agriculture	51.12	29.1%	9.6
Livestock	80.55	45.8%	15.2
Forestry	12.77	7.3%	2.4
Fishery	2.39	1.4%	0.5
Mines	0.92	0.5%	0.2
Handicrafts	13.00	7.4%	2.5
Transport	2.70	1.5%	0.5
Trade	12.38	7.0%	2.3
Total	176	100%	33.4

Demaria estimated that the total industrial production, which encompassed mining and crafts, contributed 17.1% to national income in 1938. Agriculture and livestock including forestry accounted for 60%, construction for over 11%, and services for the remaining 11%. The industry's contribution to the joint production of agricultural and industrial sectors was 22%, see Table 11.

From these statistics, it turns out that the mechanized industrial sector without the handicraft sector in 1938 occupied about 10.7% and the handicraft sector 9.3% of the gross national product. Below we will find the same statistics were declared by main newspapers of Albania in 1952.

Table 11. Share of the different economic sectors in National income (1938) [56]

Demaria	National income		
	Gold Francs (million)	US\$ (million)	%
Agriculture	60	20	34.3%
Livestock	30	10	17.1%
Forestry	15	5	8.6%
Mines and salt	10	3.3	5.7%
Industry	20	6.7	11.4%
Transport & Communication	25	8.3	14.3%
Other	15	5	8.6%
Total	175	58.3	100.0%

5. Estimations of Foreigners and Albanians Researchers

According to Soviet researchers Tyagunenko and Valev, the contributions to national income in 1938 from the different branches of industry are presented in Table 12. Tyagunenko provides a figure of 440 million leks for the mechanized industry and 386 million leks for craft production. A similar ratio between the two sectors is reported in Skendi's data.

The official statements concerning the industry's 1938 contribution have, in fact, experienced a substantial transformation. The industry's contribution to the economy prior to WWII was reduced from 18.3% in the 1950s to 9.8% in 1959 and to 4% in the 1970s, as claimed in the propaganda narrative. For example, in his 1954 propagandistic brochure, Emil Borisovich Valev, a Soviet Bulgarian academic, reported that Albania's industrial production in 1938 was 18.3% and agricultural 81.7% of total material product. According to the Valev publication, in 1946, Albanian industry accounted for only 16.2% of overall output, while agriculture accounted for 83.8% [57]. The author of this propaganda brochure was not inclined to provide a positive picture of the economy before World War II. On the contrary, therefore, the statistics he reported in his brochure may be either lower or represent actual values. While giving the figure of 18.3% for the share of the industry in the total product, he does not forget to emphasize that:

"...foreign capital accounted for more than 3/4 of the total capital invested in Albanian industry prior to World War II, mixed capital for more than 22%, and Albanian capital alone for less than 2%." [58].

Another publication from 1954, written by the Soviet author Smirnov, falls into the same category. In this publication, it has been given, perhaps unintentionally, the 1938 share of industry and agriculture in the country's economy. On page 18 of the publication, it is stated as follows:

"...already in 1950, the gross industrial output reached a value of 3.266 million leks, a 395 % increase from 1938; the gross agricultural output was 4.780 million leks, surpassing the 1938 level by almost a third. These achievements caused an increase in the well-being of previously forgotten and poor workers and peasants." [60].

Table 12. Contribution of economic sectors in Albanian gross industrial product in 1938 according to Tyagunenko (million leks) [59]

Industrial sector	Production (million leks)	% of GIP (without craft)	% of gross national production
Oil extraction	79	18.0%	1.8%
Mines	44	10.0%	1.0%
Electric power	11	2.5%	0.2%
Construction materials	21	4.8%	0.5%
Transport and communications	36	8.2%	0.8%
Food processing	194	44.1%	4.4%
Other	55	12.5%	1.2%
Total	440	100%	9,8%

Based on the "achievements" of communist regime in Albania from Smirnov's book, it can be determined that in 1938, industrial production amounted to 827 million old leks [61], while agricultural production was 3,594 million old leks. This means that the industry represents more than 18.7% of the overall agricultural and industrial output. (Refer to Table 13.)

Table 13. Estimation of the industry share in economy according to Smirnov [62]

Year	Gross Industrial Production		Gross Agriculture Production		Agro-industrial Production	Share of Industry	Share of Agriculture
	Mln leks	Index	Mln leks	Index			
1938	827	100%	3.594	100%	4.421	18.7%	81.3%
1950	3.266	395%	4.78	133%	8.046	40.6%	59.4%

Another Soviet author, Pyotr Manchka, in his 1955 book "Albania on the Road to Socialism" states:

"...the specific weight of industrial production in the national economy increased from 18.3% in 1938 to 40.6% in 1950." [63]

While Soviet historian E.D. Silajev in 1955 stated:

"On the eve of the last war, industrial output, including handicrafts, amounted to only 18.3% of the total output of the national economy. At the same time, handi-crafts accounted for about 50% of the total industrial output" [64].

According to Soviet historian V.V. Shvets, who cited the German newspaper Neues Deutschland [64] in his 1956 research on Albania's economy [65], industry contributed 18% of Albanian agricultural and industrial production in 1938.

The Soviet historians Arsh, Senkevich, and Smirnova published “A short history of Albania” in 1965 and republished it in 1992. [66] They have divided industrial production into three sectors: the mining industry, the manufacturing industry, and handicrafts. According to them in 1938, the industrial sector's contribution to the national income was as follows:

“The industrial sector, including handicraft production, accounted for 18% of the national income. The extractive industry was considered the most important sector. However, its share was negligible—only 2.7% of the national income in 1938; manufacturing industry and handicraft production accounted for 7% and 8.6%, respectively” [68].

In his 1956 book “Albania”, independent author Stavro Skendi, citing official Albanian sources such as the newspaper “Bashkimi” (The union) of April 1952 and “Zëri i Populli” (Voice of the People) of January 1955, indicates the contribution of industry to the Albanian GDP in 1938 as follows:

“The share of industrial production in the Albanian gross national product amounted to 20.0% in 1938.... Handicrafts... accounting for 46.7 % of total industrial production.” [69]

According to statistics provided by the main official Albanian newspapers between 1952 and 1955 and cited by Skendi, industry without handicrafts provided 10.7% of total production in 1938, while handicrafts contributed 9.3%.

Albanian authors have reached analogous conclusions. For example, in the 1965 edition of “History of Albania,” Volume 2, published by the Institute of History in Tirana, the figures presented by Albanian historians are nearly identical to Soviet ones; however, they substituted “national income” with “total production” and amalgamated the output from the mining sector with that of the manufacturing sector. Quote:

“In 1938, the combined weight of industrial and handicraft production made up 18.3 % of total output. ...In 1927, handicraft production accounted for 53.3%... while in 1938, it made up 46.7% of the total industrial production.” [70]

According to the figures above, industry shared at least 18.3% of total domestic production in 1938, with handicrafts contributing 8.5%.

Despite the previously mentioned admissions, Mrs. Ryzhkova made the following declaration in her book on the development of socialism in Albania two years later:

“В 1938 году удельный вес промышленности в народном хозяйстве составлял 9.8 проц., ...”

“In 1938, the share of industry in the national economy was 9.8%...” [71]

Since 1958, the statistic showing that the weight of industrial production constituted 9.8% of the national GDP in 1938 has frequently been referenced in Soviet and Albanian literature. In 1959, on the occasion of the 15th anniversary of Albania's liberation, the Institute of International Relations in Moscow remarked,

“...They inherited a primitive industry from the past; there was no energy base. At the time, industrial output made up 9.8% of the country's total production volume.” [72]

In a study of the Albanian economy published by the Soviet Academy of Sciences in 1960, Tyagunenko stated the same statistics:

“The value of exports did not exceed 50-60% of the value of imports. Credits and loans, which were extended to Albania by imperialist Italy, led to further enslavement of

the country. The gross industrial production in 1938 comprised only 9.8% of the value of industrial and agricultural production” [73].

In fact, here we have an even smaller figure as industrial output according to him contributed by 9.8% to the total value of industrial and agricultural production (not on the value of total production).

Nevertheless, after 1965, official propaganda had yet another estimation of 3.8 or 4% for the contribution of industry to national income in 1938. A closer look reveals that the official figures for the industry's contribution to national income in 1938 are incorrect. Hasan Banja and Beniamin Toçi in 1979 ("Socialist Albania on the road to industrialization", 1979), thus calculating the contribution of the industrial sector in 1938 stated as follow:

“In 1938, industry provided approximately 4% of the total national income. (while it provided 3.8% of the industrial plus agriculture output).” [74]

The figures provided are simply ridiculous. If industry contributes 4% to the overall economy, then its contribution to the industrial-agricultural output should be more and not less than 4% (i.e., 3.8%).

Michael Käser (1986), as well as Roselli and Thoma, sourced Pano's comparative study for this era and provided their conclusions based on its findings. The Great Depression – the grave world crises that occurred during this period impacted the perception of the figures as reliable. Conversely, Michael Käser's examination of the Albanian economy during the war era (1939–1944) reveals unexpected yet scientifically accurate conclusions. [75] His analysis shows that Albania and Bulgaria emerged after World War II richer than before it. This makes sense, given that fascist Italy provided the same level of funding to Albania during the occupation as prior to the war. Therefore, the flow of capital in a market economy will undoubtedly yield results.

Various authors have utilized figures from communist propaganda to draw highly dubious conclusions. Kopsidis and Ivanov, for example, report their findings in "Modern Industry in Southeast Europe, 1945–2007: From Rapid Industrialization to Deindustrialization." They make highly contradictory claims about Albania on page 36 of the paper, referencing other credible authors:

“According Schnytzer and Gan Albania’s per capita industrial production on the eve of the Second World War was about 8 USD a year, with an estimated contribution of industrial production to net material production of only 4.5%. ...In 1938 150 industrial enterprises existed in a country with the population of 1,040,353. ...Between 1928 and 1939 Italian capital amounted 280 million FrA (Gold Francs) compared to an estimated annual Albanian social product (net material product) of 175 million FrA in 1927” [76].*

From the above assertions it follows:

- The Gross Industrial Product (GIP) would be 8.4 million dollars, or 25 million Albanian gold francs, if the gross industrial product per capita was equivalent to \$8. Therefore, the proportion of GIP in National Income should exceed 14%, as opposed to 4.5% (accepting that gross material product was 175 million Gold Francs)
- But if industry contributed 4.5% to material production, industrial production per capita would have been only 2.4 dollars.

- Furthermore, if industrial production per capita is \$8 and its contribution to material production is 4.5%, material production should be 582 million Gold Francs rather than 175 million.

This implies that either the statement of industrial output per capita or the claim of the proportion of industrial output to gross output must be incorrect. As previously stated, Kopsidis' conclusions were based on figures given by Ramat Gan, Adi Schnytzer, and Michael Käser, who in turn relied on two publications issued during Albania's communist era [77]. It is noteworthy that every foreign researcher who bases his study on these statistics (such as the 4.5% share of industry) either references the same Albanian author from the communist era or, in most cases, makes no reference at all. In this manner, Albanian communist propaganda continues to have a significant impact on contemporary Albanian and international scholars.

Another German researcher has reached similar conclusions, as presented here in our article. Referring to Demaria, researcher Hans-Joachim Pernack calculated per capita income in 1938 [78]. According to him:

„In 1938, the official exchange rate was 1 US\$ = 19 Italian lire, with 6.25 Italian lire = 1 Albanian franc. Neglecting the differences in purchasing power of the three currencies mentioned in 1938 ...the national income for 1938 is approximately 58 million US\$ (58 US\$ per capita income)” [79].

Hans Pernack studied Albanian export composition to try to figure out the structure of the pre-WWII Albanian economy. According to his calculations, in the 1930s, industrial commodities accounted for just 9.1% of Albanian exports, while agricultural raw materials accounted for 90.9%. For him, this mirrored Albania's economic structure. However, with a national income per capita of \$58 in 1938, Albania fell below the threshold at which, according to international standards, the category of developed economies begins, with a production structure remaining that of “a typical agrarian country with industrial approaches” [80-85]

6. Summary and Conclusion

Among the authors cited above, it is generally agreed, either directly or indirectly, that in 1938, industry and handicrafts accounted for around 18% of national income or total production. One of the indirect grounds for "industrialization" before the war was the doubling of urban populations. During the interwar period, the population of cities increased at a rate of 4.3% each year, from roughly 112 thousand in 1923 to 240 thousand in 1945, while Albania's overall population increased at a rate of 1.3%. In proportion to Albania's overall population, the urban population increased from 13.8% in 1930 to 21.3% in 1945. Moreover, average annual growth of urban population from 1923 to 1945 is equal with that from 1945 to 1970 (4.3%).

Particularly after 1960, it appears that political economists, in an attempt to artificially boost the regime's economic success in the early post-war years, voluntarily presented the figures of 1927 as 1938. In fact, Albania has published significantly more comprehensive data for the year 1927 than for the entire period from 1934 to 1938. However, this does not imply that we should present them as figures from 1938, thereby erasing a decade marked by economic dynamism and political stability.

Studies conducted by Italian experts, including Demaria and Borgatta, have produced figures that differ from those of Albanian communist rhetoric. Albania's industry, de-spite

its embryonic status, was expanding swiftly, contributing 17–20% of the national income in 1938, compared to only 5% in 1927. Almost the same standing exists today, with industrial production accounting for 21–23% of Albania's GDP (average for 2018–2023). In contrast to the 1930s, industrial production in the 2020s accounts for a slightly greater proportion of Albania's GDP than agricultural production, which accounts for 19–20%.

Before WWII the main branch of Albanian industry is food processing industry, which accounts for 44% of all industrial product. In 1938, the extractive industry seems to have shifted towards oil extraction, the latter contributing to 18% of industrial production. We can say that oil extraction, construction materials, and the food industry were the industrial branches that since the 1930s were rapidly developed. In this way, the number of industrial enterprises in Albania was raised from 165 in 1927 to 244 in 1938.

Albania was also affected by the global crisis of 1929–1933. However, the Albanian economy experienced rapid recovery as a consequence of the inflow of Italian capital. In spite of a sharp rise in population, the development of national income was more rapid.

Regarding the national income per capita in 1927, according to Pano, it was \$40. It had risen to \$57 by 1938, accounting for 37% of the GNP per capita of Greece. Nevertheless, Albania was unable to keep pace with the Balkan nations. For instance, Bulgaria's per capita income was \$78 in 1938, while Yugoslavia's was \$71. Moreover, the GNI per capita in Albania was 65% of the Balkan average in 1938. By contrast, at the end of the 1980s, when the communist regime collapsed, Albania's GNI per capita was only \$860, or 11% of the GNI per capita of Greece, while Yugoslavia and Bulgaria had \$4,197 and \$7,880, respectively.

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