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Situation of Albania

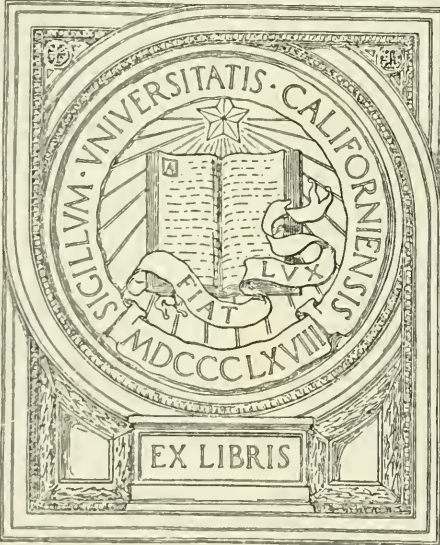
By

Albert Calmès

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THE
ECONOMIC AND FINANCIAL SITUATION
OF
ALBANIA

BY
Professor ALBERT CALMÈS
(Luxemburg)

(Annex to the Report presented to the Council by the Financial Committee of the Provisional Economic and Financial Committee on its Eighth Session, Geneva, September 1922).

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PROVISIONAL ECONOMIC AND FINANCIAL COMMITTEE

FINANCIAL COMMITTEE

(ANNEX TO THE FINANCIAL COMMITTEE'S REPORT TO THE COUNCIL
ON ITS EIGHTH SESSION, HELD IN GENEVA IN SEPTEMBER 1922).

REPORT

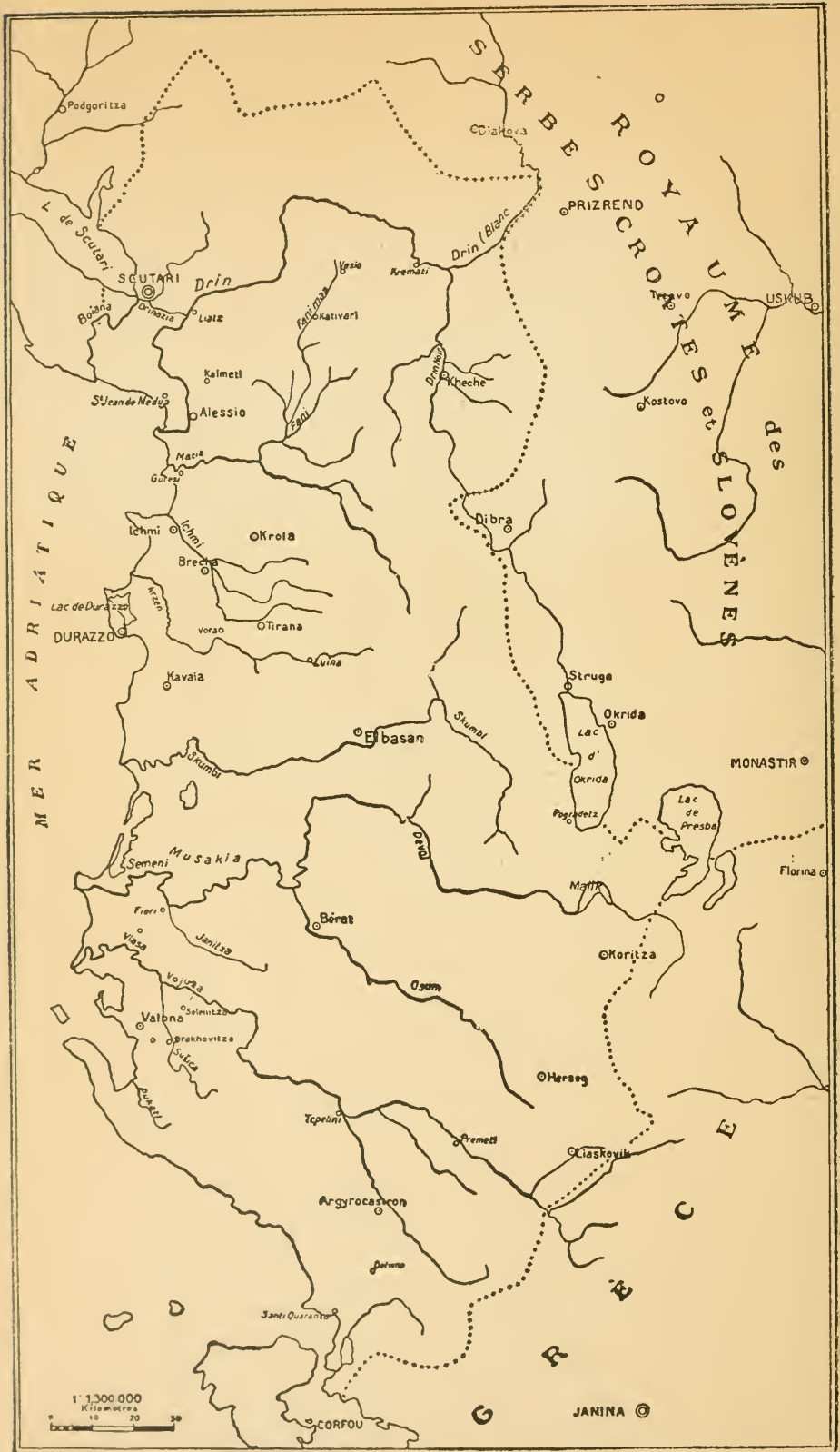
prepared by Professor Albert Calmès

(Luxemburg)

regarding his Mission of Enquiry in

ALBANIA

SKETCH OF ALBANIA



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PREFACE

The Albanian Government requested the League of Nations in June to appoint a Financial Adviser and technical experts, whose duty it would be to suggest measures likely to encourage the participation of foreign capital in the development of the natural resources of the country.

Before recommending the appointment of a Financial Adviser, the Financial Committee, in the course of its seventh session (June 1922), decided to send to Albania a person experienced in matters of fiscal, financial and economic organisation, to investigate the situation in Albania.

The Committee chose for this purpose Professor Albert Calmès (Luxemburg), who proceeded to Albania in July and who presented his report to the Committee at its eighth session (September 1922).

REPORT

ON THE

Economic and Financial Situation in Albania.

I. GENERAL SITUATION.

Internal Policy. — The internal political situation of Albania shows a marked improvement, and the present Government's work of organisation and pacification has met with excellent results.

In order to form a just estimate of the progress achieved, it must be remembered that, since 1908, Albania has constantly been a prey to risings on the part of the population against the Turks, to civil war, and to invasion by neighbouring States as well as by the belligerent countries during the world war. Only since the suppression of the recent disturbances in March 1922, can it be said that tranquillity reigns in Albania. In the short period of time which has elapsed since then, the Government, with its slender resources, has been able to complete several noteworthy tasks which had been attempted in vain by the Turkish authorities as well as by the Austrians during their occupation.

In the first place, the Government has forced the inhabitants of the northern mountains to pay taxes. Under Turkish rule, these warlike and unconquered peoples, far from paying taxes, were accustomed from time to time to receive gifts from the Sultan, who, in this way, induced them to remain comparatively peaceful.

The Government then introduced military service, to which the northern Albanians had always refused to submit. It sent recruits from the northern mountains into the more civilised districts of Southern Albania, thus enabling the Albanians, who are debarred from intercourse with one another owing to the lack of means of communication, to get to know one another, and permitting the younger inhabitants of more backward districts to come into contact with civilisation.

The most noteworthy action of the Government, however, has been the disarmament of the inhabitants. Disarmament has been effected, even in the mountains, and security appears to be assured. The vendetta is gradually disappearing.

Like every energetic government which is obliged to maintain order with a strong hand, the present Government has many enemies; but it would appear that faith in the good sense and profound patriotism of the Albanians is justified, since they are well aware that their autonomy and their future depend primarily on their political sagacity.

Parliament, which rose last February, met again on September 1st, 1922, in order to resume its labours.

International Relations. — Progress has also been made with regard to the foreign relations of Albania.

The Italo-Albanian incidents at Durazzo have been smoothed over. A decree prohibiting the importation of wool, hides and cattle from Greece, which Italy had passed for sanitary reasons, and which she had extended to include Albania, will shortly be rescinded in respect of such products coming from Albania.

The delimitation of the frontiers between Albania and the Serb-Croat-Slovene State is proceeding without incident, and, once this work is completed, the Albanian Government will be able to clear the neutral zone of agitators who have taken refuge there, and whose presence constitutes a certain element of insecurity.

Relations between Albania and Greece, on the other hand, leave something to be desired. The two countries are not in diplomatic communication. The delimitation of the Albano-Greek boundary line has been hampered by difficulties of a political nature on the part of Greece. The Greek Government has prohibited the export of every kind of goods to Albania.

The United States has recently recognised Albania and has sent a diplomatic representative there.

The Albanians are confident regarding the future of their country, provided that their neighbours do not involve them in political difficulties. They are, moreover, aware of their weakness in comparison with the nations surrounding them, and seem firmly resolved to hold themselves aloof from all international political combinations, in order to devote themselves exclusively to the progress of their country.

Economic Situation. — Owing to the total lack of even the most elementary statistics, except in the matter of customs, it is at present impossible to give a clear idea of the economic situation in Albania. The delimitation of the boundary line, for instance, has not yet been completed, and the exact number of inhabitants, estimated at from 800,000 to 1,000,000, is unknown. Consequently there are no statistics with regard to trades and occupations. The number of producers and the type of article they produce have not been ascertained; this remark applies also to the figures for agricultural production, the area of land under cultivation and lying fallow, the area of forests and pastures, the number and composition of live-stock.

In the circumstances, the present statement is founded only upon the observations of the author and upon approximate data with which he has been furnished by competent and trustworthy authorities.

The Albanian nation, which five centuries of Turkish rule had not exactly set on the road to prosperity, has naturally been impoverished by the ravages of thirteen years of incessant risings and wars. Nevertheless, in spite of military requisitions — particularly of cattle — in spite of the damage done by belligerents during the war, and in spite of the devastations upon her frontiers, Albania emerged comparatively unharmed from the trials which beset her, chiefly thanks to the good sense of her inhabitants, who entirely refused to accept any foreign paper money and amassed gold and silver during the world war, so that Albania is to-day one of the few countries enjoying a metal currency on an effective gold basis.

The Albanian economic system is extremely primitive. Everyone endeavours to provide for his own needs, with the exception of salt and tobacco, which he is obliged to buy. Each family cultivates its own land and produces its own bread and meat, its own flax, wool and leather, thus providing out of its own resources food, warm clothing and shoes. But if, for the most part, the Albanian peasant is self-supporting, this is only due to the fact that his requirements are extremely limited — in other words, because he is still at a backward stage of civilisation.

Progress depends, therefore, mainly upon the capacity of the mass of the population to react to new and higher needs. Has the Albanian this capacity?—that is to say, has he in him the wish to progress? Does he aspire to civilisation? I do not hesitate to answer Yes, basing my reply upon the best criterion for progress — that is, the development of education.

It is common knowledge that the Turks prohibited instruction in the Albanian tongue, thus leaving the Albanians in the deepest abyss of ignorance. The whole field of public education had, therefore, to be explored from the beginning. The Government went resolutely to work. Though hampered by very limited financial resources, and lacking teachers and Albanian text books, it has already accomplished a great task, which it would never have been able to achieve without the enthusiastic co-operation of the whole population, lettered and unlettered alike.

It had to begin at the first stage — the elementary school. At the present moment there are in Albania 548 elementary schools, of which 474, in view of their recent establishment, have as yet only one class, whilst 28 have five classes. There are 854 teachers with about 24,000 pupils. The usual period of instruction in the elementary schools is six years; from the fourth year, instruction in a foreign language, *i.e.*, of French, is compulsory.

There are, besides, twelve continuation schools, two secondary schools, at Scutari and Koritza and a training college at Elbassan. All these schools are supported by the State, which expends, under this heading, about two million gold francs a year. Recently, the State transferred a portion of this expenditure — namely, the upkeep of premises and school material — to the municipalities.

With this broad foundation, laid in a short time, Albania can already contemplate the introduction of technical instruction, which is indispensable for the full development of her agriculture and for the creation of an efficient working class, without which there can be no national industry. The training of artisans — more especially of carpenters, joiners and smiths, — is a pressing need, and when completed will soon have a good influence upon national production.

With regard to technical schools, there is at present only one school of agriculture, which is at Loushnya.

Foreign observers who have spent some years in Albania agree that the youth of the country shows remarkable intellectual powers and a great capacity for assimilation. The Albanians learn foreign languages with astounding speed. Pupils show a boundless enthusiasm and are ready to make every sacrifice in order to learn.

It is, therefore, obvious that the Albanian is keen to set out upon the highway of progress. But, it may be asked, if he is able to respond to more highly developed material and intellectual needs, will he show the necessary determination to satisfy such needs—is he sufficiently hard-working?

Generally speaking, the Albanian has a reputation for idleness; he is said to be a good soldier, but a poor worker. This opinion was founded as regards the past. The oppressive rule to which the Albanian was subjected for several centuries aroused in him a love of freedom as the greatest boon; the necessity of defending himself by force of arms has often made continuous work impossible. Another cause may be found in the demoralization brought about by the various systems of government imposed upon Albania and by the influences of foreign nations, which, in their disputes for the possession of the country, maintained a horde of political parasites.

But will this state of affairs continue? I do not think so, and am confirmed in this belief by the fact that, as a result of the general disarmament, the mountain peoples have recently, and for the first time, begun to look for work in the plains. Deprived of his rifle, the Albanian takes up his tools.

Another sign of progress, activity and work is emigration. About fifty thousand Albanians have emigrated to the United States; as the majority have no education, they have been able to obtain only the roughest work. If they had been born idle, they would have remained at home.

With a change of circumstances and under the stimulus of new requirements, the thrifty and intelligent Albanian will become an excellent worker. This development may take place very quickly, as is proved by the example of the Egyptian fellah, who, less than a generation ago, was a slothful fatalist, but has become a first-class producer, thanks to the suppression of administrative and legal abuses, to the collection of taxes in cash instead of in kind, and in forced labour, and to the improved conditions of life brought about by vast public works.

II. MEANS OF COMMUNICATION.

Roads. — Albania has few roads, and such as she has are defective and impracticable.

The road which connects Santi-Quaranta with Koritza and continues to Monastir and Florina (150 km. in Albanian territory as far as Koritza), constructed by the Turks for military purposes, crosses mountains and valleys and forms a fine tourist road with picturesque and dangerous passes, but it is a poor commercial road. Moreover, it is intersected by the Greek frontier north of Janina, and cannot therefore be used at present. A second road, 170 km. long, from Scutari through Durazzo and Kavaja to Rogozina, hastily constructed by the Austrians during the last war, requires considerable repairs. This road is also at present impracticable, as two large bridges were destroyed during the Austrian retreat.

If, in addition to these two highways, which are not connected with one another, we mention the branch roads

Tepeleni-Delvino	64 km.
Tirana-Vorra	16 »
Valona-Fieri	38 »
Pogradez-Koritza	45 »
Koritza-Florina (frontier) . .	35 »

we shall have mentioned everything in Albania that can be called a road. There is a total of a little over 500 km. for a country which measures 400 km. from north to south and from 100 to 150 km. from east to west; but it must be understood that even the roads which we have mentioned are neither well planned, nor grounded, nor drained, and will therefore require considerable repairs and the reconstruction of several large bridges.

Under these conditions it is clear that no commercial relations are possible between the various parts of Albania. Politically, Albania is a State, but economically it is not; it is an incongruous collection of economic districts and local markets more completely isolated from one another than they could be even by customs frontiers. The only way of reaching Scutari in winter is by sea. There is no direct route from Tirana to the southern part of the country and to Koritza. From Durazzo to Valona the sea route must be used — and so on.

It is needless to insist upon the political dangers arising from such a state of affairs, which limits the action of the central power, prevents the rapid movement of police and troops in case of disturbances, and makes the Albanians strangers to one another. But the economic results of this total lack of means of communication are no less calamitous. Some of them may be quoted here.

Scutari exports its surplus skins to Italy, and Argyrokastron must go to Italy to buy them. As regards olive oil the case is reversed: Valona exports oil to Italy, and Scutari reimports it into Albania. The reason is that these districts have certain means of communication with Italy, but none with each other. Argyrokastron, having to import cereals, buys them in Italy, though the neighbouring province of Berat produces a surplus, of which, however, in the absence of roads, it cannot dispose by selling it to Argyrokastron. For the same reason the peasants of the

fertile region of the Mousakja, in the province of Berat, are not inclined to produce beyond their needs, for they do not know whether they will find a market for the surplus.

As long as the various parts of Albania cannot carry on an internal trade for want of roads, it is certain that Albania will never become an economic unit, and that a common commercial, financial and tariff policy for the whole country will be impossible.

The Government is aware of these needs, and has already taken steps to meet them by the introduction of forced labour. Every citizen who lives by manual work must work six days in the year on the roads. Others pay a graduated tax. Additional forced labour has been required of the districts which were in sympathy with the revolutionary movement of March last. This system is already in operation.

Nevertheless, the task is still a crushing one, and will impose heavy financial burdens on the country for many years if it has to depend on its own strength. In short, a minimum of roads merely connecting the chief towns, and still leaving large areas without means of communication, would involve a road system of 2,300 km., including the roads already in existence. With the construction of about 10 large bridges over the rivers Mati, Shkumbi, Semeni, Vojusa, and Devoli, this would involve a total expenditure of about 60,000,000 francs¹.

Railways. — Albania has no normal-gauge railways. The construction of railways is not urgent, as the country has not at present enough traffic to keep them occupied, and it cannot be foreseen when such a traffic will come into existence and of what it will consist. It is true that a railway from north to south would be highly desirable for the unification of the country, but such a line would have to overcome great obstacles, owing to the general configuration of the mountains, and traffic in this direction will still continue for a long time to be carried by sea.

It is possible, however, to contemplate the construction in the relatively near future of lines connecting the Adriatic seaboard of Albania with the main line from Belgrade to Salonika, and its branch from Salonika to Monastir, which runs within a short distance of the eastern frontier of Albania. One line would run from Scutari along the valley of the Drin to Prizren, then to Skopje (Uskub), a Serb-Croat-Slovene station which is only 50 km. from the Albanian frontier. Another, using the valley of the Devoli, would run from Valona through Koritza to Monastir, and so to Salonika. A cross line from Durazzo through Tirana and Struga to Monastir by the valley of the Shkumbi is also contemplated.

Of the first line, 200 km. would lie in Albanian territory, and of the second 260 km. As the country is extremely mountainous, the cost of each, with a normal gauge, would be approximately 60,000,000 to 80,000,000 francs.

The Valona line, which would greatly shorten the journey from Macedonia and Greece to the west via Bari and Brindisi, might acquire great international importance.

The construction of normal-gauge lines is, however, not urgent. These very costly lines would be for many years a heavy burden on the State budget. This would not be the case with industrial railways, which might be constructed from the interior to the coast by mining companies, for in that case the railway would be necessary for the satisfactory exploitation of the mineral deposits, and any deficit in the working of the railways might be compensated for by the profits from the mines.

During the war, the Austrians had constructed narrow-gauge light railway lines, called "Decauville," from Scutari to Durazzo, Loushnja and Berat, with branches to Tirana, Elbassan and Fieri. These lines still exist for the most part, but they are in need of repair. The line from Durazzo to Tirana is used for the carriage of materials needed for the repair of that route.

Road transport, whether by animal or motor traction, is exceedingly costly; and as soon as considerable currents of trade have come into existence as a result of the construction of roads,

¹ All sums mentioned in this report are expressed in gold francs.

it will be necessary to consider whether mass transport by "Decauville" railways is not more economical. In that case, Albania could operate the lines which she already has and might perhaps extend the system.

Ports. — The coast of Albania is inhospitable. Abrupt mountains and sandbanks render access to it difficult and often dangerous. Thus good ports are few and need improvement.

In view, however, of the insignificance of the exports from Albania; the construction of a modern port is not urgent. In this case also, it would be better to wait until a definite need arises — for example, if an outlet by sea is required for the export on a large scale of agricultural, industrial or mining products. Until then, and until it becomes clear which Albanian port it is desirable to develop, it would be advisable to undertake work involving only a limited outlay for the improvement of the ports, and particularly the construction of piers to obviate the necessity for transshipment by means of lighters.

Shipping Lines. — There are no roads from Albania, across the Serb-Croat-Slovene and Greek frontiers. Consequently, communication with the rest of Europe is maintained by means of two Italian lines, the Puglia and the Trieste-Lloyd. As these two lines do not pay their way, they are subsidised by Italy. The Albanian Government is considering the creation of a shipping company with native capital. This company would receive a State subsidy and the concession of a coal mine.

III. AGRICULTURE.

Cultivation of Land. — The economic life of Albania depends to-day upon its agricultural production.

The output is at present so insufficient that Albania is obliged to import food-stuffs which she could quite well cultivate upon her own soil, as immense stretches of good land have been left untilled.

There are no statistics for the cultivated areas. In the case of Northern and Central Albania it is probably the case that only a tenth of the arable land is worked. Southern Albania is much better cultivated. Both as regards methods of cultivation and the general level of civilisation, there is a very considerable difference between this region and the rest of the country, the south being much further advanced.

In the mountains of the north the land is owned jointly by families, the pastures being the joint property of the tribes. The whole is regulated by the laws and traditions of the tribes.

Large feudal estates are to be found above all in the centre (Tirana, Elbassan, Berat), and especially in the fertile district Mousakja, which, if rendered healthy and well cultivated, could supply the whole of Albania with cereals.

The most considerable landowner in Albania is the State, which owns, including other property, 50,000 hectares of the best land in the plain between the rivers Shkumbi and Vojussa. This land is leased out by the State in the same manner as the tithes to fiscal contractors, who pay rent to the State in cash, and receive from the tiller of the soil one-third of the produce of the land in kind.

The great landowners who do not cultivate their own lands also rent them to farmers, from whom they receive one-third of the produce of the land in kind.

The methods of cultivation are primitive. Ploughs with wooden shares are used and the furrow is seldom more than 20 cm. deep. The use of manures and artificial fertilisers is unknown, and the farmers are equally ignorant of the system of the rotation of crops.

Raising of Live-stock. — The Albanians give special attention to cattle-breeding, which they seem to prefer to the cultivation of the land.

In the mountains, goats and sheep especially are raised, less for the flesh than for the milk (from which cheese is made), the wool and hair and the hides.

Horned cattle are raised in smaller numbers and they are used mainly in ploughing and for other draught purposes.

In spite of the large number of cattle in Albania the methods of breeding are bad. The animals are left uncared for, without any veterinary or other attention, and without any attempt at selection. In the mountains there are no cattle sheds, and no fodder is stored for the winter.

The Government has engaged as expert an Italian veterinary surgeon attached to the Department of Agriculture.

Fruit-Growing. — Albania is rich in fruit trees and might considerably increase her exports by the growing of fruit if the trees were cared for instead of being neglected. This is also true of the vine. To remedy this state of affairs the farmers require practical instruction.

Forestry. — In Albania there are vast stretches of forest the exact extent of which cannot be ascertained in the absence of a survey. These forests are composed of oaks, walnuts and chestnut trees, elm and plane trees and, in the higher regions, beeches and pines and firs. The greater part of the forests is the property of the State and the Communes; only a few forests belong to private persons. This wealth, however, is undeveloped and unexploited. It is thought that there are 5,000,000 c. metres of wood in the State forests, and the Government wishes to grant concessions to private companies for their exploitation. So far two contracts have been concluded for 400,000 c. metres of oak sleepers for exportation, representing a value of 2,000,000 francs.

In order to improve Albanian agriculture, the establishment of schools of agriculture and model farms, and the opening up of new routes are necessary, and demonstrators and teachers of new methods of cultivation should be encouraged to settle in agricultural districts. These measures can easily be adopted, as the State is the owner of wide territories. Instead of importing agricultural produce, more especially rice and wine, Albania could export to Italy the cereals needed by that country. Progress in this direction will be slow, for, intelligent as he is, the Albanian peasant resembles the peasant everywhere else and is very conservative in his habits. Any attempt to force him to adopt at once a whole series of innovations would be certain to fail.

The Government has already adopted several measures for the improvement of the methods of farming.

A school of agriculture with a three-year course of training and a model farm was opened in September 1921 in the Sub-Prefecture of Loushnya. On September 1st, 1922, there were forty pupils in the first two classes of this school. Land for agricultural experiments has been set aside at Selenitza near Valona.

To encourage the use of agricultural implements the State has opened a depot of agricultural machinery at Valona where machines are sold at cost price. The State also distributed seed to farmers free of charge to induce them to experiment with new crops and to improve existing crops.

But the greatest benefits which could be conferred on agriculture would be the prevention of the periodical floods and the draining of the marshes.

Swamps. — Regarded as a whole, Albania is undoubtedly a wild mountainous country, more than half the area of which is at an altitude of over 1,000 metres; the north and the south contain vast districts which will always offer serious difficulties to cultivation and even afforestation, but the centre, the coast region, the shores of the great lakes, wide valleys and vast mountain plateaux can be brought into cultivation; the coast region, indeed, is very fertile. It is, however, for the most part uncultivated and even uninhabited, whilst in the mountainous districts of the north the barren soil cannot provide sufficient food for the inhabitants.

The explanation of this phenomenon is that the fertile coast plains — the top layer of soil is two metres deep — and several valleys of the interior are marshy and, consequently, unhealthy. It should also be stated that much of the land remains untilled, as the absence of means of communications does not allow the produce of the soil to be marketed.

The draining of the marshes and lagoons, and the control of the rivers which this would necessitate, is a question of the greatest importance. It is desirable in the interests of the increase of agricultural production, the stabilisation of the trade balance, public health and the increase of the population.

The annual rainfall of Albania is one of the most considerable in Europe. Observations made by the Franciscans at Scutari over a period of fifteen years gave an average annual rainfall of 1,428 mm., the maximum being 2,242 mm. This figure increases towards the south. In the Northern Albanian Alps the rainfall amounts to from 3,000 to 4,000 millimetres per year.

This abundant rainfall, which might so greatly assist agriculture, is unfortunately distributed very unequally as between the various seasons. Torrential rains in autumn and winter, which are especially heavy in the month of October, cause the rivers to overflow their banks. Many of these rivers are completely dry from June to August.

This immense volume of water from the mountains in the autumn causes the rivers to inundate the plains, and when the force of the current is diminished, the river-beds become choked with sand.

This leads to frequent alterations in the course of the streams. After the floods the inundated areas become stagnant marshes and the breeding grounds of mosquitoes, which spread the deadly malaria.

Under these circumstances, it is impossible for the inhabitants to work, and the population of these districts is limited to a few wretched villages, most of which are only temporarily inhabited by the mountain population, who are driven by fever in the summer months to the higher land.

The drainage of this territory would considerably increase agricultural production, as the land is particularly fertile. As owner of this waste land, the State could sell or let it at a profit either to the dwellers in the mountains or to Albanian emigrants who desire to return to their country. Finally, the disappearance of malaria, which considerably reduces the productive capacity of the coast population, who are weakened by fever, would result both in a much greater output of labour and an increase in the population as a result of the decrease in the death-rate.

The land requiring drainage is about 1,722 sq. km. of which 391 sq. km. are flooded throughout the year. This land stretches along the coast from Scutari to the south of Valona.

The total cost of this work would be about 50,000,000 frs. In return Albania would recover 1,722 sq. km. of land of the first quality, and malaria would completely disappear. As this land is at present uncultivated and uninhabited both on account of floods and of fever, it has, in accordance with the Turkish laws in force in Albania, become the property of the State. Estimating the value of one square kilometre at 80,000 francs, the land reclaimed from the marshes and the lagoons would represent property of a value of 138,000,000 francs, or about three times the cost of the work.

An effort of this nature clearly exceeds the financial capacity of the State; but it is unnecessary for drainage operations to be entirely carried out by the State or to be completed immediately.

In the first place, the State could grant concessions of land which required draining to private persons, giving them in return the produce of the reclaimed districts for a certain number of years, after which this land would, with all the improvements made by the holders of the concessions, become State property again. By this means enterprising capitalists might realize considerable profits.

Moreover, the State might itself undertake a certain amount of draining and improvement of the rivers in successive stages, according to the extent of its resources. A further recommendation for this work is the fact that, unlike the cost of construction of roads, the sums invested in it represent capital immediately productive of revenue or of a capital sum according to whether the reclaimed land is rented or sold.

Finally, in cases where the flooded lands are private property, the State might combine the parts concerned into a company. In this way a marshy district in the province of Argyrokastron,

extending to 25 sq. km., could be drained by a few of the large land-owners concerned, the State co-operating, if necessary, in the cost, which is estimated at from one to one and a-half millions.

IV. INDUSTRY.

Industry upon an Agricultural Basis. — There are no industries properly so-called in Albania, the only industries being those connected with agriculture and the manipulation of agricultural produce according to very primitive methods.

The most important is the milling industry. There are steam mills at Scutari, Elbassan and Koritza, but the output is insufficient for home consumption, and in 1921 Albania imported flour to the value of over a million francs.

In order to encourage this industry, and at the same time to reduce the deficit in the commercial balance, the Government placed a twenty per cent *ad valorem* import duty upon maize and a fifty per cent duty upon flour.

The olive is widely cultivated in Albania, and there are a few olive-oil factories, the methods of which are very primitive, except at Valona, where there are hydraulic presses. This industry, which might be combined with the soap industry, is capable of a much greater development. At present, Albania exports olives and olive oil for refining to Italy. In 1921 she exported 1310 tons of olives, to the value of 352,000 francs, exclusively to Italy, and 208 tons of olive oil, to the value of 354,000 francs, almost entirely to Italy.

The cheese industry shows a certain development in the province of Argyrokastron. This product is exported through the port of Santi-Quaranta. In 1921, the export of cheese — exclusively to Greece — amounted to 179,000 francs.

The manufacture of cigarettes has developed to some extent, but only the home market is supplied.

Silver work, weaving and embroidery are domestic industries of little importance. In a cattle-breeding country the tanning industry might attract shrewd investors. At present it is carried on according to the old-fashioned methods of tanning by means of oak bark.

The development of industry in Albania is not merely a matter of capital, but rather of professional education, labour, means of transport, and, above all, the development of agriculture.

A sound industry must be based upon raw materials actually existing in the country. Until the mining industry develops in Albania, these raw materials can only be furnished by means of agriculture. When agriculture, properly so-called, fruit growing, forestry and cattle-rearing are conducted on a more intensive system, and can furnish cereals, fruit, olives, tobacco, hides, wood, wool, linen and milk in sufficient quantities of a good quality and of the standard required by industry, all the industries based upon agriculture will improve and develop. By a wise customs policy — dependent, it is true, on the existence of means of communication which would make Albania into an economic unit — a policy which would prevent measures such as the new import duties upon cereals and flour, designed for one province, from proving disastrous for the others, the State could assist the development of these various industries, among which must be mentioned the wood industry (saw-mills and wood pulp factories), which would find a natural market in Italy.

Mining Industries. — The mineral wealth of Albania is rather a matter of conjecture than certainty, and while it appears to be varied, its extent is quite unknown, as vast regions of the mountains have never yet been explored.

The mining industry, to an even greater extent than the industries connected with agriculture, requires methods of communication, railroads, harbour installation, etc., suitable for its products; it requires equipment which Albania cannot produce, and skilled labour, in which

she is also deficient, and, finally, a considerable amount of foreign capital, which she can obtain on much more favourable terms if, after a few years, she has given proof of her economic vitality and political stability.

Mineral wealth should rather be considered as a future reserve, with the exception of petrol and coal, which, when the beds have been located, may be developed immediately, thus enabling Albania to advance immediately several stages in her economic evolution. The Government has engaged Austrian and Italian geologists and mineralogists to carry out the necessary research work.

Hydrocarbons. — Signs of the presence of petrol are plentiful in the basins of the Rivers Dukati, Sushitza, Vojussa, Janitza and Semeni; there are eruptions of natural gases at Romzi, Drahovitza, near Valona, of bitumen at Chimara and at Selenitza in the same district, and springs with a sulphurous smell and brackish water.

At Drahovitza, near Valona, a petrol well, now dry, was previously exploited by the Italians.

The Albanian Government is at present conducting negotiations with the Anglo-Persian Oil Company with regard to the concession of the exclusive right to prospect for oil.

There are hydrocarbon gas eruptions in several places in this district, but they have not been exploited.

Solid hydrocarbons (asphalt, bitumen) have been exploited at Selenitza, near Valona, since 1875. This concession, which was granted by the Turks to a French company affiliated to the Ottoman Bank, was made over to an Italian company. The Albanian Government, however, raised objections to the exploitation, which was discontinued for some time. The exploitation of this concession yielded as much as 5,000 tons yearly. The State receives a fixed royalty of 5 frs. a ton and a variable royalty of 5 % of the takings. A "Decauville" railway was constructed by the Italians and has been made over to the company. Upon the expiration of the concession in 1960, the "Decauville" railway and the plant will become the property of the State.

It should be noted that all hydrocarbonate deposits lie near the coast, thus facilitating exportation.

Coal. — Coal has been found in the governments of Koritza (Momerlisht), Elbassan (Pekind, Kraba) and at Berat (Skrapari). Further, coal is found near the surface in several places in the neighbourhood of Tirana, but the vein is shallow and the quality poor. Nevertheless, it is not unlikely that Tirana is the centre of a great coalfield and that excellent strata, which boring alone will reveal, may be found deep under the earth.

The basin of Tepeleni (Memaloas) appears to be the most considerable. A stratum 2 metres thick has been found to contain soft coal with the following analysis:

Hydroscopic water	0.98 %
Mineral substances	6.16 %
Volatile substances	44.64 %
Coal	49.12 %

This coal field is connected with the sea-coast by the River Vojussa. If is unnecessary to emphasize the importance for Albania of the discovery of coal-beds, as all the neighbouring countries, and particularly Italy, are without fuel.

Iron. — Albania possesses two considerable beds of iron ore. One of these contains colitic ore, similar to that contained in the small Lorraine-Luxemburg mine, and is conveniently situated on Mount Grapa, adjacent to the field at Tepeleni. The other bed promises to be extremely rich and lies in the basin of Fani, south-west of Scutari, near the villages of Spagi, Musta, Kamezi and Malivari.

Hydraulic Power. — Albania enjoys an abundant rainfall.

Her high mountains are close to the seaboard. Her rivers begin at an altitude of 1,000 to 2,600 metres and have a course not more than 100 to 200 kilometres in length. She has two large lakes, one of which is 687 metres and the other 813 metres above sea-level. Albania, therefore, can rival any country in hydraulic energy.

The exploitation of this power is another matter and will only be developed gradually as the need arises, that is to say, in accordance with the country's industrial progress. At present there is no possibility of exploiting it. It forms, therefore, a reserve for the future, but this reserve is all the more valuable in that, thanks to her coalfields, Albania will be able to combine her resources of heating power and of hydraulic power in an ideal system, which will produce a steady output, capable of satisfying the most extensive requirements. Moreover, Lakes Scutari, Malik and Ochrida are natural reservoirs for regulating the output.

Hydraulic power might be supplied chiefly by the Rivers Arsen, Drin and Devoli.

The Arsen, in Central Albania, might yield about 5,000 h.p., summer and winter alike. The cost of the installation would be about 3 millions.

The Drin drains Lake Ochrida. In order to produce about 8,000 to 10,000 h. p., an expenditure of 4 to 6 millions would be required.

The Devoli, which issues from Lake Malik at an altitude of 813 metres, is particularly noteworthy on account of its waterfall and of its abundant outflow. It might supply 20,000 to 25,000 h.p. in return for an outlay of 6 to 7 millions.

V. TRADE.

The Albanian trader is an asset of great importance to the economic future of the country. While the majority of the agriculturists are ignorant, the merchant usually possesses some education and readily adopts new ideas. In him lie the makings of an intellectual class which will one day supply the men who will take in hand the control of economic life.

Owing to bad communications, the inland trade of Albania is restricted to the local markets and is of little importance.

Foreign Trade. — Statistics of foreign trade drawn up in Italian lire are available for 1920, and in gold francs for 1921.

Foreign trade with the various countries is given in the following table, the figures for 1920 being converted into gold francs at the rate of four lire to the franc in order to provide a comparison with the figures for 1921.

FOREIGN TRADE IN 1920.

Country	Imports in thousands of		Exports in thousands of		Excess of imports in thousands of	
	lire	francs	lire	francs	lire	francs
Italy	44,344	11,086	5,704	1,426	38,640	9,660
Greece	15,911	3,978	171	43	15,740	3,935
Turkey	3,130	782	—	—	3,130	782
Great Britain	2,934	734	—	—	2,934	733
Austria	2,894	724	—	—	2,894	724
United States	493	123	—	—	493	123
Serb-Croat-Slovene State	427	106	213	53	214	54
	70,133	17,533	6,088	1,522	64,045	16,011

FOREIGN TRADE IN 1921.

Country	Imports in thousands of francs	Exports in thousands of francs	Excess of imports in thousands of francs
Italy	12,731	1,614	11,117
Greece	2,124	488	1,637
Turkey	665	—	665
Great Britain	1,135	—	1,135
Australia	669	—	669
Serb-Croat-Slovene State	335	88	246
	17,659	2,190	15,469

A comparison of these figures shows a slight improvement in the trade balance for 1921; this is mainly due to the increased exports to Greece.

There is, moreover, a large increase in imports from Great Britain, and a decrease in exports to the Serb-Croat-Slovene State, the falling-off in the latter case being due to the troubles which occurred on this frontier in 1921.

It should be noted that Italy is the most important source of supply and also the best customer of Albania.

Imports. — The following are the statistics for the principal articles imported in 1920 and 1921:

IMPORTS.

Products	1920		1921
	lire	gold francs	gold francs
Maize	1,888,648	472,162	290,424
Rice	4,060,504	1,015,126	858,767
Oats	—	—	56,414
Flour	2,376,802	594,201	1,157,416
Coffee	3,333,968	833,492	813,335
Sugar and sugar products	9,811,089	2,452,772	2,900,506
Salt	—	—	508,717
Olive oil	—	—	116,384
Other oils	—	—	71,750
Spirits, wine, beer, liqueurs	2,995,133	748,783	165,002
Dried fruit	733,302	183,325	158,846
Fruit	990,272	247,568	44,013
Clothing	808,419	202,105	273,170
Cotton goods			2,042,069
Linen and hemp goods			431,040
Woollen goods	15,184,203	3,796,051	104,136
Silk goods			46,043
Cotton yarn			882,223
Hosiery	380,916	95,229	82,293
Hats	237,964	59,491	57,478

IMPORTS (continued).

Products	1920		1921
	lire	gold francs	gold francs
Cord	854,664	213,666	112,813
Iron products, chains and rods .	719,261	179,815	80,114
Ironmongery			1,447,242
Tin-plate			79,639
Bar iron			141,043
Nails	532,763	133,191	77,604
Tin.	372,230	93,059	16,372
Cement	—	—	61,900
Porcelain	217,056	54,264	42,784
Glass	936,261	234,065	58,149
Leather	1,290,002	322,523	95,856
Hides.	1,765,466	441,367	576,095
Shoes	845,208	211,302	91,996
Motor-cars, engines, bicycles .	885,462	221,368	335,688
Benzine	599,364	149,841	157,339
Petroleum.	4,339,867	1,084,967	1,047,118
Wood	337,794	84,449	208,166
Cigarette paper	778,486	194,622	324,699
Soap	1,369,065	342,266	323,949
Medicines	—	—	90,994
Matches	292,638	73,159	86,363
Miscellaneous	58,936,905	14,734,223	16,516,949
	11,196,095	2,799,027	1,142,847
Total imports	70,133,000	17,533,250	17,659,796

The most striking fact in this Imports Table is the prominent position held by food-stuffs, the total of which exceeded 7 millions in 1921. With the exception of coffee, they might all be produced in Albania.

The importation of salt in 1921 was due to the unrest during the period, the salt-works at Kavaja and Valona normally producing more than the country requires.

In a country like Albania, which breeds live-stock in large numbers, imports of leather and hides might also be considerably reduced.

Exports. — The following are the statistics for the main articles of export:—

EXPORTS.

Products	1920		1921
	Lire	Francs	Francs
Maize	94,307	23,577	22,386
Beans (haricot).	—	—	36,091
Olives	617,783	154,446	352,484
Olive Oil	464,186	116,047	354,557
Lemons.	—	—	27,586
Hay	—	—	29,989
Milk	—	—	11,258
Cheese	—	—	178,721
Butter	—	—	83,344
Eggs	279,638	69,909	286,492
Tobacco.	105,696	26,424	27,017
Sheep.	119,200	29,800	19,363
Horses	159,700	39,925	30,977
Mules and asses	—	—	78,279
Cattle.	—	—	13,665
Pigs	—	—	17,847
Fish	—	—	84,351
Hides.	2,451,962	612,991	247,369
Wool	1,015,433	253,858	86,273
Scrap Copper	—	—	15,368
Wood.	—	—	28,785
Cane	—	—	37,139
Charcoal	—	—	35,660
Bitumen	—	—	67,987
Miscellaneous	5,307,905	1,326,976	2,172,988
	780,095	195,024	16,808
Total exports	6,088,000	1,522,000	2,189,796

Trade Balance and Balance of Payments. — Albania's trade balance shows a deficit, amounting in 1920 to 16 millions and in 1921 to 15½ millions.

The situation is thus extremely serious, and demonstrates the urgent necessity of reducing imports and increasing exports.

In order to reduce imports, efforts must first be made to increase the production of articles which Albania already produces, though in insufficient quantities. These are agricultural products. Secondly, the importation of unnecessary goods must be restricted. For this purpose,

the Government has already modified the Customs tariff and hopes by this means to reduce imports in 1922 to ten or twelve millions.

Exports can only be increased by means of increased production.

An examination of the articles imported and exported shows that the chief requirement is an increased agricultural output, for agricultural products occupy the most important place as regards both imports and exports.

It is thus essential that Albania should produce more. The figures for 1922 already show some improvement, and it is believed that the deficit in the trade balance will be reduced to eight or ten millions, mainly as a result of the restrictions on imports.

It may be added that the Government has abolished the 2% and 5% export taxes.

In view of this deficit in the trade balance, it may well be asked whether the country will, in the long run, be able to maintain payment for the excess of imports without becoming entirely impoverished by the export of precious metals.

It would, however, be a mistake to suppose that, to cover the deficit in its trade balance, Albania has been obliged to pay out 16 millions in 1920, and 15½ millions in 1921.

In the first place, the trade balance is not correctly given, because the imports include goods in transit. Goods in transit pay a 2% duty upon entering the country, but this item is not shown in the export figures. However, the transit trade from Albania to the Serb-Croat-Slovene State and Greece is not very important, and scarcely exceeds a million francs, for Albania's two great *entrepôts* have suffered serious losses; after the establishment of the frontier, Scutari lost its hinterland (Prizren and Djakova), while Koritza has suffered since the beginning of 1922 from the closing of the Greek frontier.

Payments made by Albanian emigrants in the United States to their families left at home contribute a larger sum towards restoring the trade balance. It is estimated that the number of these emigrants amounts to 50,000, and that they send home yearly \$ 800,000 to \$ 1,000,000.

If we add 5 million francs under the heading of these payments to the 2 million francs produced by exports, we obtain a total of 7 millions, which still falls short of these imports total by 8 millions. This last figure of eight millions is, indeed, approximately the figure given in the Albanian statistical returns for export of the precious metals.

EXPORT OF CURRENCY IN 1921.

Through the Customs at	Gold coin reckoned in gold francs	Silver coin reckoned in gold francs	Total in gold francs
Scutari	485,474	1,564,420	2,049,894
Durazzo	1,931,417	3,476,720	5,408,137
Valona	91,766	—	91,766
Santi Quaranta	5,260	1,600	6,860
	2,513,917	5,042,740	7,556,657

It is true, therefore, that the country became poorer in 1921 by 7½ millions.

VI. MONETARY SYSTEM.

Albania possesses no national system of metal coinage or paper money.

The unit adopted for public accounts is the gold franc.

In practice, accounts are drawn up and payments are made in napoleons and crowns. Napoleons are all 20-franc gold pieces, 10-franc gold pieces being reckoned as half-napoleons. The coinage in most common use is that of the Latin Union and Austrian gold pieces of 8 florins.

Crowns are Austrian silver 2- and 1-crown pieces and 2- and 1-franc pieces of States belonging to the Latin Union and of the Serb-Croat-Slovene State, which are considered as being equivalent to crowns. Silver coins are accepted for payments up to any amount, but only at their intrinsic value as bullion. Their value, therefore, varies in accordance with the number of crowns required to make up a napoleon. This value has varied between 44 and 58 crowns; at the present moment it stands at 52 to 54.

Copper coins are mostly Italian.

As regards paper money, paper lire are found on the coast. The paper drachmas, which used to circulate in the south, have disappeared, the Albanians having got rid of them in time.

In the public treasury, gold, silver and paper are accepted without distinction. As regards silver and paper, an official rate of exchange is fixed by a committee of merchants every week, the day after the market, in each prefecture or sub-prefecture. The public treasury, however, only accepts silver coinage at this official rate of exchange, plus 5 % to cover risk of loss on exchange, and in the case of paper money, plus 10 %. Consequently payments into the public treasury are nearly always made in gold.

To sum up, without possessing any legal currency Albania has the gold standard, by which, the value of the silver and paper money are fixed. Albania is thus one of the few European countries possessing a sound currency.

It would be an advantage if this system were codified, the gold franc being declared the monetary unit. It might also be improved with regard to silver coinage and paper money.

In Albania, silver money is at present a form of merchandise and there is no need to allow it to exist side by side with the gold standard. In view of the considerable circulation of silver coins, this system is not to be recommended, since the Albanian, who realises his earnings in crowns and, unless he is willing to suffer a loss of 5 %, must pay his taxes in gold, is exposed to the risks incident upon the fluctuations in the value of the crown.

The Government could put an end to this state of affairs by declaring that crowns would no longer be accepted by the public treasury, and by minting, for the sake of convenience in making small payments, coins of low denomination (2, 1 and ½ franc pieces), having a nominal value of 20 francs in small coin to the napoleon of 20 gold francs, but being valid for payments up to a certain amount only. The face value being superior to the intrinsic value, the minting would bring considerable profit to the State. At the present rate of about 50 bullion crowns to the napoleon of 20 gold francs, the State could, with a given quantity of bullion crowns, at the rate of 20 francs in small denominations to the napoleon, mint more than 2½ times this amount of small coinage.

The circulation of the paper money of a foreign State is always fraught with a certain amount of danger, as Albania discovered at the time when the drachma notes were cut in two. When a bank of issue has been established, Albania will be able to fix the legal rate of exchange for notes issued by this bank, and consequently foreign paper money will gradually disappear. Albania has already made an attempt to establish a paper currency by a law dated February 16th, 1922, which has, however, not been put into force.

Several provisions of this law do not appear to be very happily conceived.

First of all, without withdrawing the gold franc, which constitutes the *de facto* currency, it introduces a new unit in paper money, the Lek (the Christian name of Scanderbeg) fixed as follows: 100 lek = 20 gold francs. The lek therefore would possess a value of one-fifth of a gold franc, and notes issued on this basis would be approximately equivalent to the paper lira.

According to the terms of this new law, lek notes would be wholly covered by gold deposits in a foreign bank. It is difficult to see what useful purpose a provision of this nature can serve.

It would seem that, instead of itself issuing paper money, the Albanian State could, with greater advantage, issue it in connection with the issue of bank-notes. In this way it could stipulate that, in exchange for the privilege of note issue conferred on the bank, the latter would be

bound to deliver a certain sum in notes against a treasury bill not bearing interest. This solution would possess the advantage of setting up in Albania, where a large part of the population has never accepted paper money, a single type of notes, which would be more readily accepted than two types — a State note and a Bank note — between which the people might be tempted to discriminate.

VII. CREDIT.

Credit and credit organisations do not exist in Albania. As the Albanian lives very simply, in many cases under conditions of great poverty, he is able to save, despite the small output produced by his methods of working, and he does save, for he is very thrifty.

Capital is hoarded in gold by the man who can only save a little as well as by the millionaire. As a result, Albania possesses a large stock of precious metals, valued by some at 50, by others at 100 million gold francs, besides gold invested in jewelry. The latter sum is probably nearer actual fact.

But this capital, which, if put to use, would suffice to place economic life in Albania on the road to progress, is hidden. There is no credit in Albania. Rates of interest at 30 % are by no means rare.

The reason for this is the lack of confidence. The Albanian's belief in the stability of the Government is not firm enough for him to risk his money in financial enterprises. He knows the needs of the treasury, and is wary; hence, in order to bring capital forth out of the hiding places in which it lies unproductive, confidence must be created. The best means to this end would be the establishment of a Bank in Albania, where none as yet exists. This Bank should be directed by foreigners and protected by a special charter providing against any possibility of direct or indirect seizure by the State of private capital invested or deposited there.

Such an institution would inspire confidence in the Albanians; they would hasten not only to entrust their deposits to it, but, further, to subscribe shares in it. Then, under the patronage of this Bank, other enterprises, commercial, agricultural or industrial, would soon be started, in which native capital would readily be invested, once confidence was established, especially if foreigners had a share in such enterprises.

Finally, in order to draw out the hoarded savings and to make them profitable, a Savings Bank Department under public control might be connected with the Bank, all post-offices serving as branch-offices for the Savings Bank.

The Bank would have an extremely important part to play. Its establishment is urgently needed, for it alone can awaken Albania to the conditions of modern economic life. Its principal mission will be to create confidence, and hence credit and the spirit of enterprise, and this task seems to me so important that I do not hesitate to consider of secondary importance the possibility of using the Bank as an institution for the issue of bank-notes.

The State might confer upon the Bank the privilege of issuing bank-notes, and could control this issue through the agency of a State Commissary. But it is essential that the Bank should remain entirely a private venture, with no possibility of interference on the part of the State in its affairs. Apart from the note-issue department, the State would have no share in the matter. The credit of the bank and public confidence are dependent upon that condition.

For the establishment of this Bank, a capital of from ten to fifteen million gold francs would suffice. A Bank endowed with guarantees from the State, such as have just been mentioned, would easily find its whole capital, and even a far larger sum, subscribed by Albanian merchants; but, in the interests of the Bank, a certain proportion — half, for instance — should be subscribed by foreigners, belonging preferably to a single State, which could in no way be suspected of cherishing political aims with regard to Albania, or else of several States whose influences neutralised each other.

This Bank of issue, of course, must not on any account degenerate into a paper-money factory. Albania had the good fortune to come into the world with a sound currency. Conscious of this advantage, she must, whatever financial difficulties she may yet have to overcome, safeguard it as being of the utmost economic value.

To this end, the notes should be covered partly by gold (30 to 40 % of the issue), and for the rest by short-term credits. As bills of exchange are at present unknown in Albania, it will be necessary, owing to lack of discountable assets, to introduce something similar to cover the surplus, at any rate for a time.

If the Bank is endowed with the privilege of issuing notes, it will not be able to devote itself to long-term credit operations incompatible with the character of a bank of issue, unless the issue department is constituted as a watertight compartment with its own assets and liabilities. Another solution of the problem would be to create a commercial bank besides the Bank of Issue.

VIII. PUBLIC FINANCES.

Debts. — Unlike so many of the new States which were created at the end of the World War, and unlike the old European States with a history of a thousand years behind them, Albania has the great advantage of having no external debt, and, one might almost say, no national debt.

Up to now, the State has issued two short-term forced loans.

The first was issued in 1920, and was one of 1,500,000 francs at 5 %, which was subscribed in part by Albanians in America. A portion of this loan was paid off in 1921, a second instalment will be paid off in 1922 and the remainder in 1923.

The second forced loan of 710,000 francs at 6 % was raised in 1922. The Government proposes to pay it off during the present year, and has for that purpose included the necessary amount in the Budget of the Finance Ministry for 1922, under the heading of Extraordinary Expenditure.

The object of these two loans, apart from that of obtaining funds for the Treasury, was that of facilitating the collection of taxes, inasmuch as the bonds are accepted by the tax-collecting offices in payment of taxes and customs duties. These loans constitute, as it were, advance instalments on the future taxes and revenues of the State.

Receipts. — The Budget figures for 1921 and 1922 are given below.

REVENUE.

A. — ORDINARY REVENUE.	1921	1922
<i>I. Revenue from State Lands.</i>		
1. Rent of Buildings and Land	122,900	70,000
2. One-third of gross returns of estates leased to tenants	506,600	250,000
3. Revenue from forests	145,000	60,532
4. Interest on foreign securities	19,545	15,000
5. Revenue from concessions of mines and quarries	32,200	70,638
	826,245	466,170

REVENUE (*continued*).

	1921	1922
<i>II. Direct and Indirect Taxes.</i>		
6. Tax on cattle	1,179,500	1,350,000
7. Tax on income obtained from private woods and from private mines and quarries	98,700	125,000
8. Land-tax	921,000	2,500,000
9. Profits tax	260,000	150,000
10. Tax for road-construction	1,302,000	500,000
11. Tithes	5,081,700	3,000,000
12. Tax on fishing and hunting	180,000	317,000
13. Stamps on official documents	100,000	190,000
14. Passport tax	15,350	80,000
15. Tax on the sale of real estate	115,800	120,000
16. Succession duty levied on real estate	9,550	45,000
17. Taxes on registrar's certificates and on legal and ecclesiastical documents	236,350	195,000
	9,499,950	8,572,000
<i>III. Taxes on Articles of Consumption.</i>		
18. Tax on alcohol	125,000	70,000
19. Tax on the sale of alcohol	15,000	50,000
20. Tax on miscellaneous articles of consumption	10,000	10,000
	150,000	130,000
21. <i>IV. Customs Duties.</i>	5,939,100	6,000,000
<i>V. Monopolies.</i>		
22. Salt	1,560,000	1,500,000
23. Matches, cigarette paper, playing cards	—	500,000
	1,560,000	2,000,000
<i>VI. Miscellaneous Revenue.</i>		
24. Chancery dues	—	489,000
25. Fines	10,450	350,000
26. Interest on deferred credits	21,100	40,000
27. Tax for the benefit of hospitals	220,000	40,000
28. Deductions from salaries for military pensions	—	100,000
29. Collection of the assets of the Agricultural Bank (in liquidation)	200,000	20,000
30. Revenue from the Press Bureau	—	46,040
31. Miscellaneous	136,200	158,000
	587,750	1,243,040

REVENUE (*continued*).

	1921	1922
B. — EXTRAORDINARY REVENUE.		
32. Profit on exchange	10,000	150,000
33. Sale of confiscated articles	—	6,000
34. Sale of the refugee stamp	70,000	60,000
35. Sale of State property	—	50,000
36. National Loan (1922)	—	710,000
	80,000	976,000
C. — PUBLIC UNDERTAKINGS.		
37. Postal, telegraph and telephone receipts . . .	166,000	360,000
SUMMARY OF REVENUE UNDER THE BUDGET.		
Revenue from State lands	826,245	466,170
Direct and Indirect Taxes	9,499,950	8,572,000
Taxes on Articles of consumption	150,000	130,000
Customs duties.	5,939,100	6,000,000
Monopolies	1,560,000	2,000,000
Miscellaneous Ordinary Revenue	587,750	1,243,040
Extraordinary Revenue	80,000	266,000
Loans	—	710,000
Postal, telegraph and telephone services	166,000	360,000
	18,809,045	19,747,210

The financial year is identical with the calendar year.

Observations with regard to certain receipts :

No. 2. — The “third” is the revenue which the State, after the manner of private owners, receives from farmers to whom it lets its lands. This “third” is leased out *i.e.* it is sold by auction to fiscal contractors, who hand over the price in money to the State and receive one-third of the harvest in kind from the farmers. The figure for 1922 has been reduced in order to take the bad harvest into consideration.

Nos. 3 and 7. — The population in certain districts has the right to take the wood which it requires from the State forests. As regards the wood felled, there is a tax of 16% on the value of fuel-wood and charcoal (No. 3). Taxes of half these amounts are imposed on wood felled in private forests (No. 7).

No. 6. — On sheep and goats, 1 fr. per head; on pigs, 3 frs. The Northern regions, which never paid any taxes under Turkish rule, only pay ½ fr. per head of cattle.

No. 7. — A licence to establish a lime-kiln, tile-works or brick-works costs 55 francs. A tax of 8% is imposed on the sale-price of the manufactured articles.

Taxes of 160, 280 and 400 frs. have been provisionally imposed on mines; there is an exploitation tax of 50, 100 or 500 frs.; a registration tax of 1,000 or 4,000 frs.; a tax of 2 frs.

per hectare of land occupied, and a tax of 1 to 5 % and of 10 to 20 %, according to the nature of the mines, on the sale-price of exported products.

No. 8. — Rates of the land-tax:

On land in towns	15 % of revenue
On land in the neighbourhood of towns	10 % » »
On land in the neighbourhood of villages	4 % » »
On houses inhabited by the owners of a value not exceeding 15,000 frs.	5 % » »
On the excess value of houses worth between 15,000 and 25,000 frs	7 % » »
On the excess value of houses worth more than 25,000 frs.	8 % » »
On shops	12 % » »
On leased houses	10 % » »
On factories, during the first four years.	2 % » »
On factories, during the following years	7 % » »
On uninhabited buildings	4 % » »

No. 9. — The profits tax is granted at a charge of 3 % of the profits of the undertaking.

No. 10. — Every inhabitant aged between 18 and 58 must work six days a year on the roads or pay a tax of 20 frs. Further, there is a tax of 2 % on incomes of 101 to 500 napoleons, 2 ½ % on incomes of 501 to 1,000 napoleons, the tax being increased in this way by ½ % for each 500 napoleons of income. The maximum rate is 6 %.

No. 11. — Tithes are a tenth part of the harvest. The collection of this tax is leased to contractors, who collect it in kind from the farmers according to the appraisalment of a Commission, and hand over the amount agreed upon to the State. It is the same procedure as in the case of the collection of the "third" mentioned above. The diminution in 1922 is a result of the bad harvest.

No. 12. — The right to fish on the lakes which are regarded as State property is sold to the highest bidder. A tax of 20 % is imposed on the produce of sea fishing, and 10 % on that of river fishing. A shooting licence costs 5 frs. a year and a fishing licence 3.20 frs.

Nos. 15 and 16. — The registration tax imposed on the sale of real property is 3 % in the case of land and 1 ½ % in the case of buildings. Succession duty is half the amount of these taxes.

No. 17. — Registrars' taxes are levied on certificates of marriage (5 frs.), divorce (10 frs.), birth, etc.

No. 18. — The tax on alcohol is 18 %.

No. 19. — The cost of the licence on the sale of alcohol depends on the rental of the building. There are three categories of buildings, on which taxes of 5 %, 2 ½ % and 1 2/3 % respectively are imposed.

The system as regards fishing, hunting and the sale of alcohol is the same as it was under the regime of the Ottoman Public Debt.

No. 22. — Salt from the salt-works at Valona and Kavaja is sold wholesale for 0.40 frs. per oka (about 1,100 grammes). Foreign salt is sold for 0.50 frs.

No. 23. — A monopoly of the sale of matches, cigarette-paper and playing-cards has been established by the law of February 23rd, 1922, but it does not yet exist in fact, as the State has not so far found a concessionnaire for these monopolies.

No. 27. — The affixing on all official documents of a stamp of the value of a half-crown (*demi-couronne*) in aid of the hospitals is obligatory.

No. 34. — The refugee stamp, which is obligatory in the case of all official documents, is of the value of 0.10 frs.

No. 37. — There is a deficit in the postal service. *Vide infra* No. 8 in the Budget of Expenditure.

EXPENDITURE.

	Budget 1921		
	Ordinary	Extraordinary	Total
1. Ministry of Finance	2,541,532	970,200	3,511,732
2. Ministry of Justice.	1,108,650	17,040	1,125,690
3. Ministry of Foreign Affairs	365,530	92,000	457,530
4. Ministry of Public Instruction . . .	2,058,710	83,000	2,141,710
5. Ministry of the Interior.	2,398,443	914,241	3,312,685
6. Ministry of Public Works and Agriculture	255,120	908,400	1,163,520
7. Ministry of War	8,432,990	750,000	9,182,990
8. Posts, Telegraphs and Telephones	573,600	2,000	575,600
	17,734,575	3,736,881	21,471,457

	Budget 1922		
	Ordinary	Extraordinary	Total
1. Ministry of Finance	2,146,364	1,654,324	3,800,688
2. Ministry of Justice.	885,868	5,728	891,596
3. Ministry of Foreign Affairs	615,840	116,160	732,000
4. Ministry of Public Instruction . . .	2,122,773	183,040	2,305,813
5. Ministry of the Interior	2,093,815	360,528	2,454,343
6. Ministry of Public Works and Agriculture	1,855,788	1,960,044	3,815,832
7. Ministry of War	6,847,782	462,850	7,310,632
8. Posts, Telegraphs and Telephones	764,648	120,000	884,648
	17,332,878	4,862,674	22,195,552

Observations on the budget of expenditure :

No. 1. — The extraordinary expenditure of the Ministry of Finance consists principally of:

Redemption of loan of 1920	Fr.	507,600
Redemption of loan of 1922	»	710,000
Six months' interest on the latter loan	»	21,300
Cadastral survey	»	140,100
Inventory of Monopoly Articles (matches, etc.)	»	123,600

Fr. 1,502,600

No. 6. — The extraordinary expenditure of the Ministry of Public Works and Agriculture consists principally of: Fr. 1,743,000 for road construction.

No. 7. — The extraordinary expenditure of the Ministry of War consists principally of:

Cost of Disarmament	Fr.	123,000
Construction of Barracks	»	300,000

Summary of the Budget.

The expenditure under the Budget for 1921 was	Fr.	21,471,457
The revenue was	»	18,809,045
		<hr/>
There was, therefore, a deficit of	Fr.	2,662,412
The expenditure under the Budget for 1922 was	»	22,195,552
The revenue was	»	19,747,210
		<hr/>
Showing a deficit of	Fr.	2,448,342

Each of these two years thus closes with a Budget deficit of about 2½ millions.

For the year 1921, in the absence of a general account of the actual revenue and expenditure, which is not yet finished, it has not been possible to ascertain whether this estimated deficit was realised, or whether it was even exceeded. It seems certain that the expenditure of the War Department in 1921 greatly exceeded the total of 9 millions estimated for this Budget. Nevertheless, according to the statements of the Finance Minister, the deficit of 1921 would have been covered by the excess of revenue and by revenue derived from arrears from previous Budget periods.

For 1922, the above-mentioned Budget figures have been prepared by the Government after severe restrictions of credits, and they will be presented for the approval of Parliament, which began to sit on September 1st, 1922.

The State of Albania still has large fiscal reserves to cover the deficit of 1922. The Albanian only pays approximately 20 francs per head in taxes of all kinds. Although this figure is a low one, it is becoming a burden to the taxpayer owing to the poor productivity of the country. If the Government wishes to further increase taxation it will have to act with great caution. To make good the deficit for 1922, it is considering the imposition of either a capitation tax, a tobacco duty or a concession of the cigarette-manufacturing monopoly.

Further, fresh taxation will hardly give any useful yield for the year 1922. The Budget deficit threatens to become a reality; this explains the poverty of the Albanian Treasury. For the first time, salaries have not been paid for two months in several prefectures. This is a state of affairs which is very deplorable, although not serious; the chronic non-payment of salaries was a characteristic peculiarity of the Ottoman regime, and was the principal cause of the administrative abuses under that regime. Albania should take care never again to permit such evils.

Owing to the absence of any banks, the Albanian Treasury may certainly suffer sometimes the temporary inconvenience of the unequal division of the State revenue among the various months of the year, without there being any actual Budget deficit. It is even probable that the delay in the payment of salaries for June and July, to which I have just referred, is partly due to this cause, as the tithes in particular are collected from the month of September onwards.

In order to balance the Budget, the Government, in addition to certain increases of taxation which are recognised as inevitable, will have to endeavour to obtain a better yield of some of the existing taxation by making its collection more accurate and more severe; such, for instance, as the succession duties on real estate, and the tax of the commercial profits, which do not

bring in as much as they ought to yield. Other taxes will have to be reorganised as soon as circumstances permit. The transformation of the ancient tax of the tithe into a tax on the agricultural revenue collected directly from the taxpayer is advisable, but it must depend on the establishment of a cadastral survey. Persons of independent means should also be brought under the provisions of the income tax.

At the same time, the Government will have to aim at limiting its expenses and at distributing its resources judiciously among the different Departments.

For administrative purposes, Albania has been divided into 9 prefectures and some 30 sub-prefectures, each district containing not more than 20,000 to 25,000 inhabitants on an average. This number is not large, and the abolition of a few of these administrative divisions would allow a considerable reduction to be made in the number of officials.

The military budget, which, according to the estimates, was reduced in 1922 from 9 to 7 millions, still accounts for more than one-third of the revenue of the State. This is an enormous proportion.

The military organisation provides for 9 regular battalions of 500 men, making a total of 4,500 troops, to which should be added about 2,000 gendarmes. In practice, these effectives are considerably exceeded. Although the serious reasons which obliged the Government to secure sufficient forces to maintain order after the troubles of last March should be recognised, and although the excellent results of this policy in effecting the disarmament of the population should not be forgotten, the fact remains that Albania is not at present in a position to pay for such a military organisation. The large proportions assumed by this expenditure are particularly evident when one considers the large and pressing needs of the Departments of Public Education and Public Works, and the scanty credits allocated to these two Ministries, on which the intellectual and economic development of Albania depends.

Thus, only 2.3 millions have been assigned to public education for 1922, and, out of the 3.8 millions assigned to public works, only 1.7 have been set aside for the construction of roads, when roads cost 25,000 to 30,000 frs. per kilometre. This small credit, therefore, only provides for from 50 to 60 kilometres of new roads.

It is evident that military expenditure must be reduced to a strict minimum. The Government has, in fact, already taken steps in this direction by recently reducing the number of its military effectives. It must be encouraged to persevere, and public opinion, which is fundamentally hostile to the maintenance of the present military burdens, will show its gratitude. The Albanian people, although patriots, have no military ambitions, and the Swiss Militia system, which makes every citizen liable for the defence of his country without putting him into barracks for years, and without exhausting the public finances, seems particularly suitable for a country which has only 1 million inhabitants, and the production of which is clearly inadequate and does not permit the unnecessary removal of young and vigorous men from their work.

IX. CONCLUSIONS.

On the one hand, little or no public debt, large State domains, currency based on a gold standard, a sober and intelligent population open to progress, forests and mineral wealth, uncultivated but fertile land, a State budget which, without being remarkably good, does not resemble those budgets with large deficits, which have become so frequent in Europe; but, on the other hand, there are the results of five centuries of Governmental incapacity, an ignorant and sparse population decimated by disease, few or no roads, rudimentary public education, no newspapers, no credits and no banks, inadequate production, and, consequently, an alarming balance of trade — such, in a few words, is the economic balance of Albania.

From the financial point of view, Albania is not in a bad situation. In addition to the inestimable advantage of having a sound currency, which gives her an almost unique situation in a Europe composed of countries with depreciated exchanges, Albania will also have the advantage of being free from all debt when the Government has repaid the compulsory short-term loans within the regulation time-limits. These are highly favourable circumstances, especially if one remembers through what difficulties and through what financial adventures young countries have often had to pass during the first years of their existence. It is sufficient to quote the example of Belgium, which had to assume its share of the public debt of the Netherlands and to have recourse to a compulsory loan and to the compulsory circulation of bank-notes, not only in 1830-1831, but also eighteen years later.

From the economic point of view, however, the present situation of Albania leaves much to be desired. For, although Albania has started financially with nothing on the debit side of the balance, there is also nothing on the credit side. On the contrary, the ignorance of the population and the absence of schools, roads and public works in general constitute an economic debit, of which the alarming deficit in the balance of trade is a sign.

What is the remedy? Production.

The country possesses in its soil and subsoil and in its population all the necessary elements for becoming a prosperous State. But this wealth exists only in a latent state, and it must be exploited. This can only be done in successive stages by means of evolution, the speed of which will depend on the encouragement given by the Government, on the initiative shown, and the example given to the masses by the more prosperous and intelligent Albanians, as well as on the intellectual development of the people, and, if need be, on the assistance of foreign capital.

For a long time to come, the Albanian State will still have to play the part of promoter and initiator — a role which, in a higher state of civilisation, is satisfactorily filled by private enterprise. The Albanian State possesses, for this vast and difficult task, only limited resources, which are quite inadequate for the work that awaits her. With her limited industry and her sparse population (approximately 20 to 35 inhabitants to the square kilometre), she has a formidable task to accomplish. To mention only her most pressing requirements, Albania will have to make and repair thousands of kilometres of roads, open hundreds of schools, undertake vast schemes of drainage and the regulation of watercourses, and organise a public health service in order to increase her population.

There being such a disproportion between her needs and her available resources, a distinction must be drawn between what is indispensable and what is merely required, between matters of immediate urgency and plans for the future.

The most urgent problems are:

1. The making of roads.
2. The development of agriculture, together with the draining of marshes and the campaign against malaria.
3. The establishment of a Bank of Issue.
4. Prospecting for mineral wealth — with particular reference to coal and petroleum — for the discovery of such deposits would be likely considerably to hasten the economic development of the country.

Plans for the future, on the other hand, include the building of ports and railways, the utilisation of water-power and industrial development in general.

Such a distinction is clearly not to be taken as implying that the latter category of public works may henceforth be left out of account, but merely that the State should at present preferably give consideration to work recognised to be of extreme urgency.

Of such work, that falling under the first three headings will alone call for the employment of considerable capital, namely:—

Construction of roads.	60 millions.
Draining of marshes and regulation of watercourses.	50 »
Bank.	10 to 15 »

These three sums should not be regarded as forming one total, since the expenditure in each case would be of a different nature.

Since the Bank would be a private undertaking, whose coming into being the State could certainly hasten by announcing its earnest desire to see such an establishment set up, and by investing it with a legal status unencumbered by any unnecessary restrictions, it would be for private individuals, foreigners as well as Albanians, to find the necessary capital.

The two other sums, 60 millions for the roads; and 50 millions for agriculture, might be regarded as one total, if there were any prospect of Albania obtaining a loan of 110 million gold francs to enable her to carry out this great work. But as the realisation of such a loan, even if divided into various smaller sums, is not at present practicable, the two sums must be considered separately, and it must be seen whether, assuming the worst, Albania cannot carry out the work with her own resources.

This is all the more necessary since, in the present state of Europe, it would be useless, or at any rate unwise, to rely upon a large external loan for developing Albania economically. Moreover, as we have already stated, she is by no means an impecunious State requiring foreign capital to enable her to live.

There is no essential difference between the expenditure required for the making of roads and the draining of marshes.

Expenditure on the draining of marshes would be a profitable employment of capital, for the lands thus drained and rendered healthy, being mostly State property, only require to be cultivated in order to become productive. The State could employ capital in this way if it possessed or could borrow the necessary funds. As it does not possess them, it can only offer concessions for the exploitation of these lands to private companies, for a certain number of years, if the latter undertake to carry out the necessary drainage and sanitation work.

The problem of the draining of the marshes, which is also the agricultural problem, the malaria problem, the problem of re-peopling the unoccupied lands and the problem of restoring the balance of trade, can therefore be solved by means of a loan, by granting concessions, or, as will be seen below, by military service.

Expenditure on roadways is of quite a different nature, not being productive of revenue in the strict sense of the word. The State alone therefore can assume such a burden. It is indeed highly desirable that a foreign loan should enable Albania to hasten on the construction of her system of indispensable roadways. But if this loan is not forthcoming, Albania will have to construct them out of her own resources.

These resources would be, in the first instance, the budget credits allocated to public works. I have already laid stress on the limited nature of these allocations. They would, therefore, have to be supplemented by the system of forced labour on roads, or, rather, by the partial transformation of military service into service in public works.

Forced labour for the construction of roadways already exists in Albania; but it has its drawbacks; a peasant is not a navvy, and six days at this trade do not suffice to teach it to all citizens.

But there are the troops. Military service in Albania lasts from 18 to 24 months, approximately the same period as in the great military States of Europe. From the economic point of view, this period of military service is a positive waste of the productive forces of which

Albania is so greatly in need. But it would become fruitful if, during one year, for example, the soldiers were detailed for the construction of roads under the direction of engineer officers.

Albania would be following the example of the colonial Powers which, having recognised that a road is a means of penetration and conquest far superior to a gun, have had roads made in the colonies by the troops.

The draining of the marshes might also be undertaken by the troops.

I believe that public opinion in Albania would readily adopt this solution, for the Albanian, although a born soldier, does not love barracks, and the long period of military service would appear much less repugnant to him were he to find himself employed in useful work, especially when he realises that his country has need of it.

* * *

Whatever her needs may be, Albania is, as has been shown, by no means a State whose existence depends on the obtaining of a loan. True, a foreign loan would be of great help to her, would hasten her economic development, and contribute not a little to securing political stability in the Balkans; but Albania will do well to rely rather on her own resources than to wait for the help of foreign capital.

Moreover, the country is far from being devoid of capital, and when a bank has been established — and that would, at the present moment, be the institution which Albania needs most, and which would be most profitable for those who ventured to undertake it — possibilities of credit will not be slow to open both at home and abroad. But to achieve this, the Albanians will have to bear in mind that credit means confidence, and that there is no confidence without security. Safeguarded by the League of Nations, security from without is guaranteed to Albania. Security within depends solely on the politic wisdom of the Albanians themselves.

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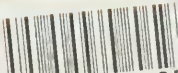
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