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Journal of Balkan and Near Eastern Studies

ISSN: (Print) (Online) Journal homepage: https://www.tandfonline.com/loi/cjsb20

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To cite this article: Jonilda Rrapaj Kolasi & Klevis Kolasi (2023): The Political Economy of Passive Revolution in Albania: The Neoliberal Paradox and Transformation-Democratization Nexus, Journal of Balkan and Near Eastern Studies, DOI: 10.1080/19448953.2023.2167342

To link to this article: https://doi.org/10.1080/19448953.2023.2167342

Published online: 13 Jan 2023.

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JOURNAL OF BALKAN AND NEAR EASTERN STUDIES
https://doi.org/10.1080/19448953.2023.2167342

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The Political Economy of Passive Revolution in Albania: The Neoliberal Paradox and Transformation-Democratization Nexus

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ABSTRACT

What factors account for the transformation-democracy nexus and the failure of democratization in Albania? Current literature assumes that while neoliberal policy frameworks promoted by transnational actors have inextricably a democratizing effect, the failure of democratization results from internal features that are thought to be peculiar to Albania. This article challenges this assumption. Building on Antonio Gramsci's concept of passive revolution, we show that, while the demise of 'real socialism' unlocked the potential towards a freer society, it was the neoliberal restructuring that placed limits on the process of democratization. The failure of Albanian democratization is associated, therefore, not with cultural peculiarities, but with neoliberal passive revolution, that led to the thwarting of democratic gains and establishment of a new class domination in line with a neoliberal accumulation strategy.

KEYWORDS

Albania; Gramsci; passive revolution; neoliberalism; political economy; real socialism; post-communist transition; de-democratization

Introduction

How to make sense of the bewildering political and social developments in Albania during the first decade of post-communist transformation? Albania's macroeconomic performance surpassed all of the transition economies until 1996, only to descend into a popular rebellion after 'the spectacular collapse of financial pyramid schemes in 1997'.[1] This article develops an interpretation of neoliberal restructuring in Albania by drawing on a Gramscian perspective and the concept of passive revolution. In so doing, it questions the prevalent consensus regarding the nature and consequences of transformation from 'real socialism' to market economy in Albania. Although the inconsistency of Shock-Therapy with a democratic political process was early acknowledged in literature, the financial crisis of 2008 and the Eurozone crisis that followed alongside with the advent of the far-right have spurred a renewed attention to the relationship between neoliberalism and democratic backsliding.[2] This has enormous implications for how we understand the transformation-democratization nexus in the Central and Eastern European (CEE) countries. For if, neoliberal restructuring is detrimental to democratization even in the core capitalist countries, then one has to expect that neoliberal economic

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policies would place limits on the democratization process especially in the dependent economies of CEE. While the current literature on the political economy of transformations of the CEE countries has been attentive to the complex relationship between neoliberalism and democratization,[3] much of the scholarship about transformations in Albania tends to see no tensions between democratization and neoliberalisation.

Hitherto, Albania's transformation to a market economy is typically studied by conventional transition approaches that draw on an explicit or implicit assumption about a positive link between a market economy, growth, privatization and democratization, often conflating neoliberalization with democratization.[4] Although existing literature acknowledges the importance of external factors such as the International Monetary Fund, World Bank and the enlargement strategy of the EU in delineating the process of transition, it tends to give analytical priority to the internal determination of the post-communist transformation. For instance, these accounts argue that the various difficulties in the consolidation of democracy and divergences observed during the transition processes emanate from the internal features of Albania such as practices, institutional legacies and cultural conventions inherited from the 'socialist period' as well as the 'pre-socialist period'. These traits, which are assumed to be peculiar to Albania, are thought to obstruct the structural adjustment programmes or international financial institutions (IFI) conditionality from delivering their assumed positive effects on democratization.

The key problem with such accounts is that they rely on theoretical models that conceive domestic and international factors as discretely related to one another, thereby unreflexively linking the failure of democratization in Albania to the incomplete implementation of neoliberal reforms. Thus, these accounts, both fail to integrate broader social and political processes into their frameworks, and underplay the effects of the global neoliberal integration in reconstituting the social relations with regard to democratization. Furthermore, the expunging of class dynamics—which cut across and transcend national borders—from the study of transformation-democratization nexus, has prevented existing theoretical explanations from understanding the social sources of the failure of democratization.

Bearing these methodological shortcomings in mind, this article aims to fill this gap by developing a political-economy-based understanding of democratization in Albania, drawing on the insights provided by the concept of passive revolution. By doing so, this article provides a novel perspective on how to make sense of Albania's transformation, that is, how to interpret the transnationally conditioned, yet sociologically differentiated route to neoliberal capitalism. In demonstrating these points, the article intends to contribute both to theory-testing and empirically to a burgeoning literature inspecting the relationship between neoliberalism and de-democratization, with a thus far neglected example in the critical International Political Economy (IPE) literature.

Problematizing the conflation of neoliberalization with democratization, this article explores the question of how revolutionary processes, such as democratization, can be geared to generate reactionary politics, hence de-democratization. The article suggests that the failure Albania experienced in democratization after 1990 must be situated primarily in the historically specific character of Albania's political economy formed under the imperatives of neoliberal restructuring following the demise of 'real socialism'. The novelty of our argument is to understand the transformation-democratization nexus in Albania as the outcome of Albania's passive revolution. The particular value of passive

revolution is that; it allows us to conceptualize the causal mechanisms that account for how revolutionary processes are geared to sustain reactionary goals—thwarting of democratic gains—thereby ensuring the establishment of class domination under a more solid base by absorbing the challenge of the working class. In this article, internal factors will be scrutinized by placing them within the structural context of the constitution of capitalist social relations. A Gramscian perspective allows us to shed light on the importance of domestic actors and circumstances, without insulating them from the broader social and transnational forces and structures. In this way, the importance of domestic actors can be better assessed in the broader context of the expansion of neoliberalism, in their capacity to mediate transnational processes and produce specific outcomes.

The article proceeds as follows. The first section elaborates how the concept of passive revolution can be employed to conceptualize the transition to neoliberal capitalism of CEE countries, and reveals the implications of the neoliberal transformation in respect to democratization. It is argued that an understanding of neoliberalism as primarily a political project to make capitalism feasible against the threat of democracy via a 'disembedded' accumulation strategy, is the key which links it with the process of change conceptualized as passive revolution. The next section critically examines the incorporation of Albania to neoliberal capitalism from a Gramscian perspective. Here, a systematic assessment of materials produced at the first decade of transition (including policy documents, legislation, political debates and agreements with international organizations) is utilized to present a hitherto neglected class analysis of Albania's transformation. The third section focuses on the process of *trasformismo* in Albania, by showing how political actors managed the crisis of neoliberalism and legitimized the continuation of neoliberal structuring after the 1997 Pyramid crisis. We confine our attention to the period of 1991–1998 since it displays the most explicit traits of transformation conceived as passive revolution, whereby the new ruling class repositioned themselves transnationally by consolidating the subordination of labour to capital, while advocating a 'market-conforming democracy'.

Passive revolution, neoliberalism and democratization: rethinking the CEE's transition to neoliberal capitalism

Although the concept of passive revolution is utilized by a range of authors to make sense of different types of dynamics, mechanisms, and processes emanating from the contradictions of the historical unevenness of capitalist modernity, it has been featured prominently within neo-Gramscian approaches as a useful conceptual framework for analysing the nature, transformation, and expansion of neoliberal capitalism.[5]

Gramsci makes use of passive revolution to explain the 'revolution-restoration' situation of the Italian bourgeoisie by pointing to *Risorgimento* (unification of Italy).[6] For Gramsci, passive revolution occurs in countries or situations where the ideological link of the national bourgeoisie between the state and civil society is insufficient to establish hegemony.[7] Passive revolution has historically been associated with conservative modernization projects of the 19th century, which were carried out at first, without a radical-mass (Jacobean moment) attack on the state. From this aspect, the concept has been proposed to explain a certain kind of 'bourgeois revolution from above',[8] that is, 'a

process in which existing political elites instigate and manage periods of social upheaval and transformation [regime crises]'.[9]

Passive revolution refers broadly to 'the reorganization of state power and class relations as well as the constitution of political forms to suit the expansion of capitalism as a mode of production'.[10] As such, it can be defined as 'referring to various concrete historical instances when aspects of the social relations of capitalist development are either instituted and/or expanded, resulting in both a "revolutionary" rupture and "restoration" of social relations'.[11] Hence, 'a passive revolution or "revolution without a 'revolution' occurs when social relations are fundamentally reorganized (revolution) but ultimately, popular initiatives are neutralized so as to continue class domination (restoration)'.[12] According to Riley and Desai, Gramsci extends the concept to denote that 'revolutionary ideas and forms of organization can be pressed into the service of reactionary politics'.[13] In this respect, the *differentia specifica* of passive revolutions is 'the paradoxical combination of conservative goals and revolutionary means'.[14] Looking through the lens of the Italian tradition of *trasformismo*, the passive revolution has been 'conceptualized as a specific political strategy and technique of statecraft', which aims to neutralize the potential radicalism of the masses.[15] *Trasformismo* refers to the practice of including leaders of potentially hostile groups (political, cultural, social or economic) into the network of elites. This results into the formation of a wider ruling class. In this sense, passive revolution is also a useful concept for understanding the 'strategies to manage change', that is, those strategies aiming to prevent change from taking a radical direction by incorporating some of the popular demands.[16] According to Gramsci, passive revolution 'applies not only to Italy but also to those countries that modernize the state through a series of reforms or national wars without undergoing a political revolution of a radical Jacobin-type'.[17] It is the understanding of passive revolution, not merely as a process where capitalist social relations are instituted or reproduced through periods of crisis, but also as a process that gears revolutionary ideas, means and processes towards reactionary politics, that is particularly useful for the purpose of this study.

According to Robert Cox, societies that do not have Western-style developed civil (bourgeois) societies and that are incorporated into capitalism in a later historical stage adapt to the hegemonic structures of the West through passive revolutions.[18] In this neo-Gramscian view, the passive revolution helps to conceptualize processes through which systemic transformations are achieved by neutralizing democratic demands, which threaten class rule.[19] Indeed, the 'passive element refers to the prevention of the development of a revolutionary adversary by "decapitating" its revolutionary potential and whole groups are transformed into politically harmless elements'.[20] Passive revolution, arises when the 'impetus to change does not arise out of "a vast local economic development … but is instead the reflection of international developments which transmit their ideological currents to the periphery"'.[21] In this respect, the passive revolution expresses more of an elite-driven process of radical change that reflects international developments, rather than the fulfilment of democratic demands stemming from domestic contexts.[22] In the words of van der Pijl, this concept, when applied to 'international and transnational relations, refers to the absorption of certain structural features of the hegemonic West whilst resisting any revolutionary transformation from below'.[23]

When applied to the countries of CEE after 1989, the process of passive revolution marks a situation in which bureaucratic postsocialist elites were included and assimilated into a wider neoliberal historical bloc, where they shared the views and class interests of the dominant fractions of capital in the global political economy.[24] Neoliberal passive revolution offered to bureaucratic postsocialist elites both the means and the ends of incorporating working-class dissent within the capitalist system.

The link between neoliberalism and passive revolution is revealed in the class character of the 'neoliberal paradox'.[25] As put by Panitch and Gindin, despite some of the mechanisms of neoliberalism like anti-inflationary discipline and the liberalization and expansion of markets are economic, 'neoliberalism [is] essentially a *political strategy* to shift the balance of class forces'.[26] As such, neoliberalism refers not to the capitalist system, but rather to an accumulation strategy within the capitalist system envisaged to 'solve' the capital overaccumulation crisis and restore the rule of capital in the context of stagflation in the 1970s. Neoliberalism does this by ensuring the creation and reproduction of a Polanyian 'disembedded capitalism', that is, a separate economic sphere that is not subjugated to social responsibility and political accountability, but is governed by economic motives for profit.[27] This strategy, besides reversing the earlier gains achieved through the social welfare reforms, involved also the weakening of institutional foundations of the social democrat class compromise, as developed during the regime of Keynesian 'embedded capitalism'.[28] Thus, neoliberalism must not be understood as merely an economic doctrine but 'a political project aimed to restore capitalist class power in the aftermath of the economic and social crises of the 1970s'.[29] As Kiely argues, 'the heart of the neoliberal paradox' is that it must rely on the active intervention of state and a myriad of extra-economic institutions to conduct this accumulation strategy, which entails the insulation of economic agents from democratic accountability.[30] What is crucial for neoliberalism then, is not the state intervention per se, but the character of that intervention—whether it is used to promote mass democratic politics or restrict the political sphere (excluding workers from political life and economic benefits) on behalf of the marketization of society and to the benefit of dominant classes.[31] This account is especially important for understanding how the democratic process was hindered by the implementation of 'structural adjustment and the influence of international organizations promoting neoliberal polices, such as the IMF'.[32] Accordingly, Shock Therapy can be better grasped as the operational process of the broader structural adjustment policies—themselves deriving from the objectives of neoliberalism as a political strategy—promoting the liberalization of prices and the reduction or abolition of state subsidies, rapid privatization and liberalization of trade, and the internationalization of national economies.[33] In this respect, Eastern Europe's 'new democracies' tended to be considered 'democratic' to the extent of their progress in the 'marketization' of their society-state complexes. Yet, as pointed by Brown, it is precisely the effects of 'marketization', such as '"shallowing" of political citizenship and popular control over decision-making processes alongside a "narrowing" of the democratic agenda to exclude issues of socioeconomic participation and inequality', that is at the root of the process of de-democratization.[34]

The so-called revolutions in Eastern Europe, as Bohle points out, are examples of 'bourgeois revolutions without bourgeoisie'.[35] Under these conditions, neoliberalism could neither be based on established social groups nor be put forward in terms of

a specific national hegemonic project relying on the active consent of subordinate classes.[36] In this situation, US and EU, firms and consultants, as well as international financial institutions, such as the IMF and the World Bank, became the mainstay of Eastern European reforms.[37] While the CEE countries were forced into a 'capitalism without compromise' through IFI and EU conditionality[38]; postsocialist elites helped the implementation of this neoliberal model by pressing democratization into the service of reactionary politics, while feeding the 'there is no alternative' syndrome.

Rethinking 'transition' in Albania: the crisis of 'real socialism' and Albania's neoliberal passive revolution 1991–1998

How did coalitions between old and new elites embrace the neoliberal consensus? To better address this question, we have first to take into account the non-socialist character of the 'actually existing socialism' or 'real socialism' regime implemented in Albania after 1944.[39] This has been largely obstructed by accounts of 'a classless society' propagated by both approaches of 'totalitarianism' and self-descriptions of Hoxha's Stalinist regime. Although the Albanian government called its regime as 'the dictatorship of the proletariat', that is, a type of regime in which the working class is a ruling class in alliance with the peasants; in practice, Enver Hoxha's Stalinist regime developed from the beginning in the form of a 'redistributive Party-commanded state socialism'.[40] Since the Stalinist accumulation process was carried out through the state apparatus, it created the conditions for the bureaucracy to emerge as a 'caste-like ruling estate'.[41] While the radical transformations conducted in the course of 1944–46 such as the agrarian reforms, expropriation and the nationalization of production, trade and foreigner's capitals, changed the configuration of the social forces in Albania, and gave the regime a social base in the peasantry, they did not bring about the empowering of the working class, let alone the construction of socialism.[42] What the peasant based Albanian revolutionary struggle entailed was the transference of political power from the big landowners to a new class, mainly with social roots in petty bourgeoisie—the majority of the core members of the Party of Labour of Albania (PPSH) came from a stratum of professionals. As observed in other Eastern Bloc countries, in the case of Albania, the bureaucracy established and reproduced itself as a 'new managerial and professional elite'[43] due to its ability to seize the surplus obtained from the collectivity of direct producers, namely the working class and peasantry, through political power.[44] The distinctive feature of the Stalinist elite was not the accumulation of property as in capitalist systems, but the possibility of access to limited products and services.[45] On the other hand, low agricultural production exacted the burden of accumulation on the urban working class. Hence, the strained relations between the party-state bureaucracy and the working class have marked Albania's Stalinist model.[46] The ruling bureaucracy tried to resolve this structural tension—stemming from the organization of relations of production—by maintaining a low consumption standard. Yet, giving priority to a compulsory heavy industrialization caused serious problems in the production of consumer goods. In a situation where 'most of citizens were obliged to interact with civil servants for all their vital needs: employment, housing, health and education, and, in particular, the supply of material goods and services', the bureaucracy was often blamed for 'the numerous shortages of consumer goods in the market, the bribery in the distribution of housing and jobs, and the denial and violation

of various rights'.[47] Hence, the recession and the deepening economic crisis of the 1980s caused growing discontent, not only among the sections of intelligentsia but especially among the working class. While university students, forming the most active part of the intelligentsia at the time, started mass demonstrations against the Hoxhaist bureaucracy in December 1990, the regime surrendered to transitioning to a market economy only after the 'crushing pressure' of the working class of the main cities. Faced with an 'organic crisis', which, besides the exodus of thousands of citizens to Greece, consisted of a miners' strike in Valias near Tiranë (organized by the newly organized Union of Independent Trade Unions—BSPSH) and general labour unrest in several other cities in early January 1991,[48] bureaucratic socialist elites agreed on the need for change. The significance of this is that it enables us to understand the process of transformation as a structural phase whereby passive revolution offered the means and the ends to 'restoring' the subordination of working class without the embarrassment and inefficiency of state socialism. Yet, as will be demonstrated below, this process of managing change denotes not a 'restoration of class domination' of the Hoxha's 'real socialism'. Rather, the new class domination was a product of changing social relations shaped by the neoliberal accumulation strategy adopted and implemented in the 1990s.

In the early 1990s, the social forces in Albania displayed different attitudes towards change. The peasants, who made up the majority, either did not participate in the process of change or opposed it passively, out of fear of dispossession. Rural vote played a key role in the victory of PPSH, which changed its name to Socialist Party of Albania (PS) and campaigned under the conservative slogan of 'security and continuity', while promising a 'civilized' transition into capitalism, in the first multi-party elections of March 1991.[49] On the other hand, workers of big cities and strategic sectors actively supported change by joining university students and the pro-change intelligentsia. As a matter of fact, the working class of the big cities in May 1991 went into an organized struggle against PPSH, paralysing the economic life of the country and dismantling the ideological legitimacy of bureaucratic socialism. However, peasants and workers instead of being absorbed by the emerging new sphere of power were initially deprived of organic intellectuals or political leaders who would defend their interests. As will be discussed below, capitalist restructuring in Albania was achieved only partly by the incorporation of dissenting voices (co-opting of intellectuals and trade union leaders) and the granting of consent by subordinate social groups, and mainly by their exclusion.

Under the conditions of neoliberal restructuring and 'accumulation by dispossession',[50] which defined the first phase of neoliberalisation, exclusion prevailed over consensual incorporation of the masses into the new regime. Because of this process of 'primitive accumulation' – involving 'the separation of the direct producers from the means of production'[51] – peasants and workers were forced to either emigrate or become self-employed and dismantled within the country.[52] What remained of Albanian working class, and women in particular, ended up with fewer social rights than before.[53]

Managing change: how did the new ruling class integrate the centrifugal forces and prevent the emergence of a counter-hegemonic bloc?

The path to power for the Democratic Party of Albania (PD), whose founding cadres consisted primarily of intellectuals (former PPSH members, university professors and

students, journalists and writers), was opened by reaching a historical agreement with the PS on the question of land in June 1991 (Land Law No. 7051) – which preserved the equal distribution of land between rural families and thus dispelling peasants' fears over land—and due to the international support, as a result of the broader developments in the Eastern Bloc. Here crucial was especially the IFI's conditionality, which began with Albania becoming a member of the World Bank and IMF in 1991. During his visit to Albania in 1991, US Secretary of State James Baker stated that the United States would provide Albania with approximately 6 million USD worth of assistance, 'if Albania took concrete steps towards political and free-market reforms'.[54] The participation of the US Ambassador in Albania, William Ryerson, in the election platforms of PD and the promise of the USA to help the new Albania were instrumental to the victory of PD.[55]

On the other hand, the main social forces opposing the regime from inside were themselves a product of it. These social forces formed a broad spectrum, ranging from the working class and intelligentsia, who demanded more welfare and social and political rights against a regime that was unable to provide them, to the political prisoners and the former landowners, who called for a restoration of property relations to their pre-socialist era. As Kajsiu states, considering that the first name suggested for PD, led at the time by Sali Berisha, a heart surgeon, was 'the Party of Youth and Intellectuals'; at this stage, PD appeared more as 'an anti-dictatorial front that brought together different opposition forces against communism', rather than a party with a clear ideological agenda or a certain social base.[56] Thus, PD was able to come to power due to a broad alliance, representing a popular front of social forces opposing the old regime—which claimed to represent the working class and the peasants' interests and be egalitarian, but in practice represented the interests of the *nomenklatura* (high-level party bureaucracy).[57] At this stage, as Qori notes, 'the nomenclature was not only accused in political terms, that is, as oppressing the people but also [in class terms] as economically privileged, exploiters of jointly produced assets'.[58] Due to this broad alliance, PD gave the impression that it would represent the interests of the whole society[59]; that is, it could build hegemony in a Gramscian sense. Yet, the social forces that supported PD's rise to power shared little in common, apart from the opposition to the bureaucratic regime. Moreover, they had conflicting class interests, as in the case of former big landowners and farmers, or persecuted political prisoners and the intelligentsia, preventing as such the formation of a hegemonic bloc.[60] As Shields noted, in a situation when the establishment of a hegemonic bloc in the society is not successful, capital accumulation strategies depend on the intervention of the elites.[61]

In the case of Albania, the 'revolution-restoration' situation points to a process of change in which the fractions of former Stalinist elites or their technocratic elements were transformed into the new bourgeoisie, rather than a renewal in which the big landowners before 1944 turned into the new ruling class.[62] As argued above, the massive land reform imposed during the state socialist era had undermined the social base of the big landowners. Thus, passive revolution in Albania was initiated by elements within an 'increasingly *de-proletarianized*' PPSH, 'that were best positioned to take advantage of marketization and capitalist forms of ownership'.[63] Under conditions where the largest source of capital was the state itself, capital accumulation occurred through the rapid privatization of the former state-owned assets, involving universities and other public utilities and public goods, including health care, 'but in the absence of an adequate stock

of domestic private capital'.[64] This stage was defined by the process of 'accumulation by dispossession' mentioned above, through which 'the commodification and privatization of land', and 'the conversion of various forms of property rights (common, collective, state, etc.) into exclusive private property rights' dominated.[65] In the words of Shields, this was a 'capitalism built [. . .] with the ruins of socialism'.[66]

Here, it can be useful to recall Holman's assertion that, the new power elites in CEE societies rather than form a propertied comprador bourgeoisie, denote a managerial and administrative elite, 'whose interests are entirely subordinated to those of foreign capital, and which functions as a kind of staging-post and direct intermediary for the implantation and reproduction of foreign capital in these countries'.[67] Yet this hierarchic relationship must not be understood as merely an imposition from the outside. As Shields argues, 'members of the party ruling class realized that operating in market conditions meant that their interests lay with foreign capital'.[68] In this context, a division of labour emerged between political elites and Albanian intelligentsia. While the former paved the way for the establishment of capitalism, the latter saw as its historic mission the legitimizing of capitalist reconstruction of Albanian society (as the reintegration of Albania with 'European civilization'), and the delegitimizing of 'communism' (as a foreign influence which artificially detached Albania from the West). While democracy, freedom, anti-communism and integration with the West become the new 'hegemonic' ideas of Albania's transition, they were used principally to legitimize the restructuring of Albanian society and economy along the neoliberal model and roll back what had remained of the social rights. Albanian intelligentsia, which will be relabelled as Albanian 'civil society', performed their political activities within the frameworks provided by NGOs, funded primarily through foreign donors, and mostly avoided dealing with the major social issues emanating from neoliberalisation. For example, Piro Misha, the then director of the Open Society Foundation in Tirana, concluded that 'capitalism is the price one has to pay for democracy and freedom'.[69] Yet, as will be argued below, it was the structural deterioration of the working conditions accompanied by the newly offered possibility to emigrate, which neutralized the agency of the working class. This also partly accounts for the continuation of neoliberal reforms despite the deep social dissatisfaction.

Initially, after coming to power, PD met some of the demands of the subordinate classes, including the privatization of dwelling houses, consumption, and free movement demands, while absorbing the leaders of the former opposition forces. As Callinicos contends, passive revolution already 'refers to socio-political processes in which revolution-inducing strains are at once displaced and at least partially fulfilled'.[70] For the first time, in 1991, the shopkeepers in the cities become owners of their shops, while the privatization of dwelling houses made all adult citizens apartment owners.[71] On the other hand, in a situation where it was not possible to follow welfare policies because of IMF conditionality—IMF and World Bank as the two most important financial creditors until 1997,[72] had put strict restrictions on public expenditures—all governments turned a blind eye to cases of 'social banditry'. This included ignoring particularly the illegal use of electricity and water by farmers, shopkeepers, small and medium businesses, and accommodation of 'land seizure'. These concessions, taking the form of a tacit 'class compromise' were seen as 'politically necessary to create the minimum of social consensus for neoliberal restructuring'.[73]

Neoliberal restructuring put Albania in the position of a country integrated in the periphery of 'the capitalist world system characterized by a process of de-industrialization, small economy of survival, mass migration of labour, remittances, progressive sale of public property, creation of a bourgeoisie mainly commercial and compromised with the state, etc'.[74] The share of industry and construction in GDP declined from 47% in 1990 to a mere 21% in 1995, causing a substantial change in the sectorial structure of production and employment.[75] In a situation where '68% of the total workforce (760,000 persons) were employed in agriculture in 1996, compared to only 11% in industry and 21% in services',[76] the sudden privatization of the agricultural sector created a chaotic situation; production fell dramatically and unemployment increased significantly.[77] Removal of all restrictions on foreign trade led the industrial sector, which had to compete in domestic and foreign markets, to lose both domestic and foreign markets. Furthermore, the removal of state support and subsidies from the industrial sector, carried out in line with the recommendation of the World Bank[78] accelerated the bankruptcy of production.[79] The austerity policies implemented within the scope of the IMF's stabilization programme[80] led to a dramatic contraction in the public sector. The number of public employees, which was 790,000 in 1992, was reduced to 296,000 in 1995.[81] While 'the private sector employment accounted for over 75 percent of the domestic workforce by 1996',[82] the majority of this workforce had to work under severe precarious conditions. As King and Vullnetari put it, in this setting of economic chaos where 'state's safety-net of employment and welfare' were totally removed, the phenomenon of large-scale emigration emerged as 'a route out of poverty'.[83] Nearly 400,000 Albanians, representing about 12% of the total population were working abroad in 1993.[84]

Managing the neoliberal crisis: the 1997 crisis and the collapse of the neoliberal social formation

Given its reckless implementation of Shock Therapy recipes prepared in collaboration with the World Bank and the IMF during 1992–1996, the Berisha government in this period was strongly supported by international actors and organizations. Until 1994, Albania was considered as the only CEE country that met every IMF criterion.[85] At this stage, economic issues were expressed as technical problems beyond politics. As argued by Gramoz Pashko—a Professor of Economics at the University of Tirana and cofounder of PD, and also the most vocal defender of Shock Therapy in Albania at the time:

> When dealing with big changes in institutions, lack of knowledge amongst the people about the nature of changes and about future developments stimulates their desire for no change at all. That is why the government must press ahead speedily with privatization and liberalization of investment.[86]

As such, strategic decisions regarding the economy were excluded from political participation and discussion. The Berisha government, despite its increasingly authoritarian rule, political repression of opposition, and controversial victory in the May 1996 elections—not to mention the accusations that it was using privatization to garner political support by rewarding political loyalty—was still supported by international actors. Although the Berisha administration's willingness to adapt to the demands of the IMF

and the World Bank led foreign experts to present Albania as a success story, the exemplary economic growth in appearance was largely a consequence of immigrant workers' incomes, widespread smuggling and money laundering, and the short-term deceptive gains from the Pyramid schemes.[87] In this setting, 'factors such as mass unemployment, connections with migration, and increase in income from migrant workers created a favourable situation for citizens to turn into "adventurous" renters for the solution of poverty'.[88]

Contrary to the accounts that try to explain the Pyramid Crisis by insulating it from the neoliberal restructuring, the dramatic events of 1997 can be better understood as the result of 'deep social discontent' caused by economic and financial deregulation imposed by international financial institutions through the conditioning programmes.[89] Because of agreements signed with international institutions, such as the IMF and the World Bank, the Albanian government was put into a 'straitjacket'.[90] Public expenditures were restricted to such an extent that the authorities could not decide on building public infrastructure or hospitals without the consent of its creditors. The latter 'not only become the "brokers" of all major public investment projects', they also decided on what type of public investment was appropriate for Albania.[91] A combination of factors, including the outbreak of discontent among people, the increase of unemployment, the collapse of industrial production, the inadequacy of the banking system, the limited foreign investment, the failure of mass privatization, the decrease in living standards and the increase in poverty were instrumental to the emergence of the Pyramid Crisis in Albania.[92] At a time of deep socio-economic changes triggered by neoliberal reforms, the Pyramid schemes 'mediated the privatization of state property and enabled the transformation of important forms of wealth by attracting the informal flow of immigrant money'.[93] Thus, the implementation of neoliberal reforms combined with a systematic refusal of workers' social rights prepared the ground for social rebellion.[94]

Trasformismo in Albania: making democracy safe for the market

How did neoliberalism become the only alternative in Albania? During the crisis of 1997, PS would emerge as *a deus ex machina*, representing the contrived but decisive intervention that saved the neoliberal restructuration from the scrutiny of the democratic forces, precisely when the popular resentment against what had happened since 1991 was at its highest. This process of *trasformismo* – which involves managing the crisis of neoliberalism and legitimizing the continuation of neoliberal structuring, by effectively co-opting opposition and insulating economic policies from political accountability—took place during the incumbency of PS, which rose to power after the 1997 crisis.

In the electoral platform of June 1997, PS not only advocated the deepening of the privatization process but also advocated Albania's Euro-Atlantic integration and fulfilment of obligations arising from membership in international political, financial and military organizations.[95] More importantly, by linking the problems in the post-1990 transition period, and especially the Pyramid Crisis, to the authoritarian practices of the Berisha government and its corruption, PS implicitly paved the way for neoliberal reforms to be relaunched in the post-1997 period.[96] In other words, PS's critique of government had nothing to do with the latter's programme of neoliberal structuring of

the economy, but with the 'corrupt' way in which the government used this 'virtuous' model.

The events that transpired between February and March 1997, characterized by a general rejection of authorities and acts of destruction against public buildings and enterprises, can also be interpreted as a mass popular protest movement against the neoliberal economic restructuring. As professed by Vaughan-Whitehead[97]:

> The fact that not only government offices and buildings were destroyed but thousands of enterprises all over the country is another clear sign that the rebellion was partly directed against management, or at least against a particular form of management characteristic of the transition period.

As was documented by the ILO report: 'Since 1992, Albanian workers and their families have not only had to face falling living standards, but also to bear the heavy burden of growing unemployment'.[98] Indeed, even in regions that were not included in anti-government resistance, such as Shkodra, we find cases of luddism, to avenge the way workers were treated in some enterprises.[99] Yet, this political protest movement did not develop 'a clear political position on the macroeconomic reforms that had served to destroy the national economy and impoverish the Albanian people', hence failed to question the role of the international institutions and actors in the restructuring of Albanian society.[100] In this setting, PS will come to the fore as the new protagonist of neoliberal restructuring in the post-1997 period.

The political repositioning of PS went hand in hand with the restructuring of social relations. In the early 1990s, PS increasingly tried to position itself not as the party of a particular class, but as the party of the broad masses, with the common denominator being their exclusion in terms of participation and benefits within the new social formation.[101] On the other hand, when PS came to power in 1997, it could no longer address the social groups it was addressing in the early 1990s, for several reasons.[102] As mentioned above, the process of 'accumulation by dispossession' caused a significant portion of the workforce to emigrate abroad or to split within the country as self-employed by establishing small businesses. At such a situation where the typical class contradictions in the workplace were dispersed, PS's political discourse, abandoned class contradictions by replacing them with a new emphasis on the contradiction between government and people.[103]

In this setting, PS would arise as the representative of the nascent Albanian bourgeoisie interests. The majority of PS elites came from the educated and privileged sections of the old bureaucratic socialist regime. Indeed, the new entrepreneurship class that emerged consisted, on the one hand, of managers of the old state enterprises, who generally benefited from the 1990–1991 liberalization policies and established private businesses using the state enterprises they managed—management and employee buy-out was the primary method of privatization applied in Albania, followed by mass privatization—and on the other hand, of a new born bourgeoisie formed from below. The latter generally emerged from the 'criminal-political nexus and nepotistic networks'[104] that developed during the first stage of the neoliberal accumulation process, where social mobility rose and 'accumulation by dispossession' prevailed. Indeed, 'many major businesses not only were supporters of the Socialist Party but also were represented in government'.[105] During this period, the Democratic Revival (*Rilindja Demokratike*)

newspaper, the official media organ of PD, wrote headlines such as 'they lost political power, but they are taking over economic power' thus, denoting how former bureaucrats benefited from public property and turned into businessmen.[106] Whereas PD maintained that Albanian capitalism must—at least in part—be based on the restoration of pre-socialist property relations, PS, lacking a connection to the pre-socialist past presented itself as the guardian of young Albanian capitalists. Indeed, the privatization process and the IMF-led neoliberal restructuring were seen by PS 'as an obstacle to the privilege of those who in the PS worldview emerged as the *ballist* [far right] wing of the PD'.[107]

Since 1995, PS began to endorse market economics; it changed its political discourse from 'democratic socialism' to 'free entrepreneurship plus social solidarity' in line with Tony Blair's New Labour manifesto. The Socialist Party electoral platform of 1996 openly stated that PS:

> will extend privatization to all sectors of the economy and will seek its implementation through various methods ... The PS will implement a fiscal policy based mainly on the principles of proportional taxation, which is 'neutral' to the accumulation of capital and the development of the economy, harmonizing it carefully and prudently with a progressive tax with a soft rate ... [PS] will continue and strengthen cooperation with international financial and monetary institutions such as the IMF, World Bank, EBRD, UNDP.[108]

With the advancement of neoliberal restructuring after 1997, 'social solidarity' was replaced by a commitment to 'standard reforms', hence neoliberal reforms writ large. In the words of Prime Minister and PS chairman Fatos Nano: 'The political bible of the future activity of the PS is the political program of the new Government, which is of the centre-right...Brothers, get involved in *standard reforms*!'.[109] Prime Minister Nano presented the 1997 new Government programme as a 'draft on Albania's recovery on the road of development' to the Rome Conference held on 31 July 1997, which ensured that 'the new Albanian leadership and members of the opposition [would] work together for political reconciliation and *sound economic policies*'.[110] Indeed, with the adoption of the 1998 constitution, neoliberal order in Albania gained a constitutional status. Thus, the so-called 'transition' period politically ended with the adoption of the constitution of 1998, whose Article 11 clearly states that 'the economic system of the Republic of Albania is based on ... market economy and on freedom of economic activity'. Thus, by succeeding at integrating the subordinated classes into the framework of the new neoliberal order, PS demonstrated how 'domestic' actors become the transmitter through which 'national' agencies are linked to the global neoliberal economy.

Conclusion

The argument of this article has been that the failure of democratization in Albania during its first decade of 'postcommunist' transformation cannot be understood through a model that detaches it from the broader processes of structural change accompanying neoliberal restructuring in the global capitalist economy. Despite growing interest in exploring the essential incompatibility between democratization and neoliberal restructuring, many scholars focusing on Albania's 'postcommunist transition' have ignored, or downplayed the intricate relationship between them. By reducing the failures of Albanian democratization to its internal conditions of backwardness, communist legacy, and

authoritarian political culture, existing literature has failed to recognize the intrinsically contradictory relationship between neoliberalization and democratization. The concept of passive revolution provides not only a useful conceptual framework for understanding how the institutional forms of neoliberal capitalism are constructed in former state socialist countries and how the social forces here are integrated into the broader neoliberal order. It also reveals how and why revolutionary ideas and processes such as democratization or movements towards a freer society can be pressed into the service of reactionary goals, such as the disenfranchisement of the working class, promoting de-democratization.

We have explained how emphasis on the structuring conditions of neoliberal passive revolution can uncover the contradictory dynamics underlying Albania's transformation. This process of incorporation, coordination, and alignment (political, economic, and ideological) is described theoretically as the central pathway of neoliberal passive revolution. The process of change conceptualized by passive revolution implies the development of capitalist social relations through means of restricting the public sphere and assimilating the democratic impulses by diminishing the capacity of the large masses to take part and influence political decisions on economic matters. Indeed, what made Albania so socially volatile during its first decade of transition was not its 'uniqueness of communist legacy', but its far more radical embracement of market reforms which rapidly led to exceptionally large increases of inequality alongside unemployment and a further decline in living standards. Revoking the mainstream assumption that neoliberalism promotes democratization, it has been demonstrated that the transition to a market economy in Albania, by taking place under neoliberal imperatives, only enabled the development of a formal or minimalist democracy, while shrinking the democratic space. Thus, neoliberalization hinders the process of democratization by reconfiguring the operation of democratic processes in regard to the organization of the economy alongside the submission of workers to capital. In Albania's case, *trasformismo* revealed how a bipartisan consensus was formed between the political parties, such as PD and PS, regarding the implementation of the neoliberal model, whereby 'democracy' was reduced to little more than a means to rule more effectively the subordinated classes. Based on this analysis, we argued that the crisis of 1997 signalled the second time within a decade where a near revolutionary situation produced its opposite, namely the reconstitution of class domination. Yet, this does not suggest that neoliberal restructuring was somehow completed by 1998, only that it entered a new phase, whereby neoliberal reforms gained 'hegemonic' acceptance as a consequence of the neutralization of the agency of the working class.

Based on the results of our analysis we conclude that the historical complexion of Albanian transition to neoliberal capitalism does not suggest a one-dimensional relationship, whereby the World Bank and the IMF forced Albania to do something against its will—a 'revolution from the outside' one would add. Indeed, passive revolution offered to political elites both the means and the ends of establishing a new class rule, hence 'restoring' the subordination of the working class under a more 'solid' accumulation strategy such as neoliberalism. A crucial difference though, is that neoliberal accumulation strategy, both by causing a structural deterioration of the working conditions and an ideological legitimization for the disempowerment of the working class was much more effective in producing the political resignation of the working class, than 'real socialism'.

Thus, rather than focus on political elites' capacity or incapacity to defy neoliberal doctrines, it was demonstrated how Albanian managerial and administrative elites' interests were interwoven with those of transnational actors, functioning as an intermediary for the implantation and reproduction of neoliberal social relations.

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Disclosure statement

No potential conflict of interest was reported by the authors.

Funding

This work was not supported by any Grant.

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