Long-run perspective on colonial development: The story of French-speaking Africa as told through public finance

By Yannick Dupraz

A government able to raise taxes and implement efficient policies is key to economic development. While we know quite well the history of European states, we know much less about the history of states in developing countries, especially on the African continent.

MOST PRESENT-DAY AFRICAN states are the successors of administrative structures established by European colonisers. This is why understanding colonial states is key to understanding the challenges faced by African states today.

My recent research with Denis Cogneau and Sandrine Mesplé-Somps seeks to better understand the legacies of the colonial experience in Africa. Our work uses historical and contemporary public finance data for the colonies of the French colonial empire between 1830 and 1970 to provide a long-run perspective on economic development and public spending in states in French-speaking Africa.

Historians alternately describe colonial states as powerful and extractive, or as minimal and unable to project power away from the capital city. Both visions are, in fact, correct. In the French colonial empire, colonial government extracted a large share of GDP in taxes. At the same time, high civil service wages made public services costly. As a result, colonies were under-administered. The number of civil servants per head was low, and public spending concentrated in metropolitan capitals, where the colonists lived, rather than reaching rural areas in need.

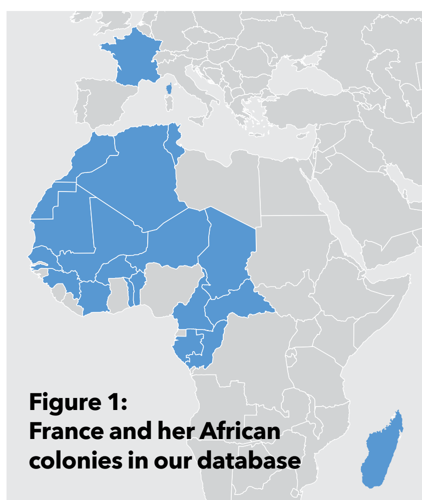


Figure 1: France and her African colonies in our database

Figure 2 shows the evolution of public revenue as a share of GDP in the French colonies of Sub-Saharan Africa and North Africa. Before World War II, public revenue represented about 5 percent of GDP in Sub-Saharan Africa and 10 percent of GDP in North Africa. These are high figures when we put them in comparative perspective. The tax revenue of the central government (excluding lower level administrative divisions like regions and municipalities) represented 5.5 percent of GDP in Sub-Saharan Africa and 4.6 percent in North Africa. By comparison, tax revenue of the central government represented 13 percent of French GDP, but only 7 percent of GDP in Argentina, then one of the

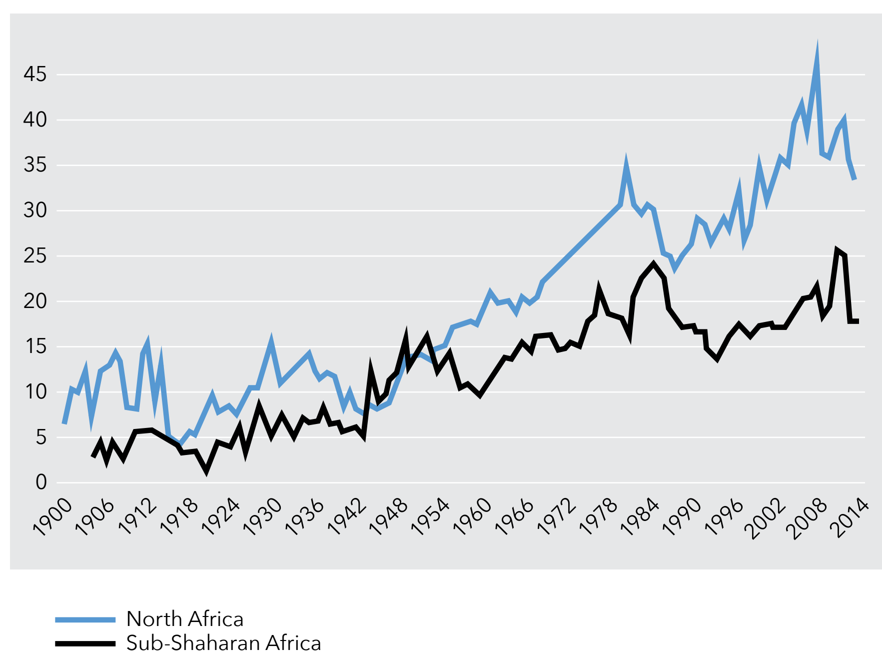
Public expenditures served the interests of French colonists first, rather than the native-born residents of the colonies.

richest countries in the world and less than 5% in China, a two thousand year old empire. Thus, we can see that in the French colonies of Africa, public revenues were already relatively high.

From there, colonial government revenue only continued to increase during the last 15 years of colonisation, starting just after World War II (Figure 2). The increase was particularly important in Sub-Saharan Africa, where public revenue nearly tripled, reaching 15 percent of GDP in the 1950s.

How did the French manage to extract this revenue? The colonisers used fiscal tools adapted to the local political and economic contexts. In the poorer colonies south of the Sahara, the French resurrected old taxes like the capitation, a flat-rate head tax. They also relied very heavily on custom duties. In addition, they used forced labour for public works. ▶

Figure 2: Internal public revenue as a share of GDP in French-speaking Africa over the twentieth century

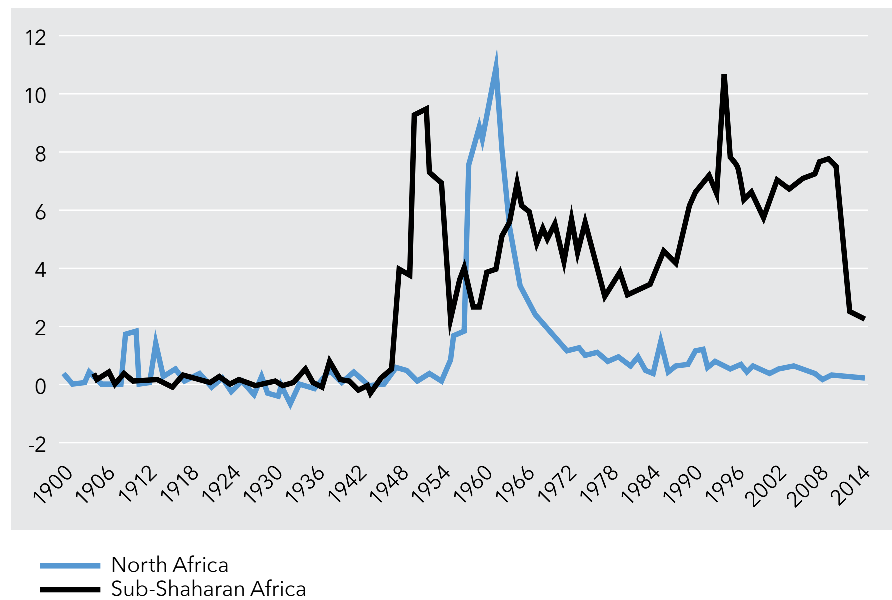


In the richer colonies of North Africa, where French settlers represented around 7 percent of the population, colonial governments relied on more modern taxes on income and production.

This important public revenue was not sent to France. (Net transfers from France were zero before World War II and positive after.) Nevertheless, the efficiency of public spending was low. Public expenditure served, first, the interests of French colonists, by favouring costly investments in railways and harbours to connect mines and plantations, and by providing settlers with public services at French standards, almost exclusively in capital cities. Colonial expenditure was also high because the wages of civil servants far exceeded local income levels. To attract French personnel from France, colonial governments paid large bonuses. In 1925, for example, French civil servants in Madagascar represented 11 percent of public employment but accounted for 56 percent of the public wage bill. The average wage of a French civil servant was more than 10 times the average wage of a Malagasy civil servant, and it was 1.7 times the average public wage in France (Table 1 below).

Therefore, in terms of public employment, colonial states were indeed small, and French colonies under-administered. For example, in French West Africa in 1925, colonial governments employed less than 1,500 teachers and 1,400 health personnel for a total population of 14 million. When public expenditure increased in the 1950s, wages increased as well, and public employment remained limited.

Figure 3: Net grants from France as percentage of GDP in French-speaking Africa over the 20th century



For example, in 1955, public employment in France reached a level of 21.6 employees per 1,000 inhabitants, while the comparable figure was 6.8 in North Africa, and 3.1 in Sub-Saharan Africa.

The inefficiency of public spending might explain why the developmental policies of the 1950s failed. After World War II, as the international community turned increasingly hostile towards colonialism, and as local political movements were organising, the French started to spend more in their colonies. Not only did internal revenue increase, net grants from France also increased, from a very low level, as seen on figure 3. This meant public spending was high in the 1950s (17 percent of GDP in Sub-Saharan Africa, 24 percent in North Africa). However, public spending remained biased, favouring cities and commercial agriculture, and costly.

The developmental era was largely a disappointment.

Decolonisation, around 1960, did not represent a big breaking point, especially in Sub-Saharan Africa. Public revenue increased during the commodity price boom of the 1970s, but then returned to 1950s levels soon afterwards. Dependence on external financing also remained a defining feature of African states (Figure 3). Though more research is needed on this question, the inefficiency of public spending remained an issue in newly independent countries. In particular, public sector wages remained high, giving birth to what Franz Fanon called a "bourgeoisie of the civil service", a bourgeoisie whose favourable situation depended on the state rather than on the market. ◀

Table 1: French and Malagasys in civil service in 1925 in Madagascar

	French	Malagasy
Share in total employment	11%	89%
Share in the wage bill	56%	44%
Average annual public wage (1937 Francs)	28,344	2,752
in unit of GDP per worker	28.1	2.7
Average annual public wage in France (1937 Francs)	17,049	

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