





CENTRAL BANK
OF WEST AFRICAN STATES
BOLEAO



HISTORY
OF THE WEST AFRICAN
MONETARY UNION



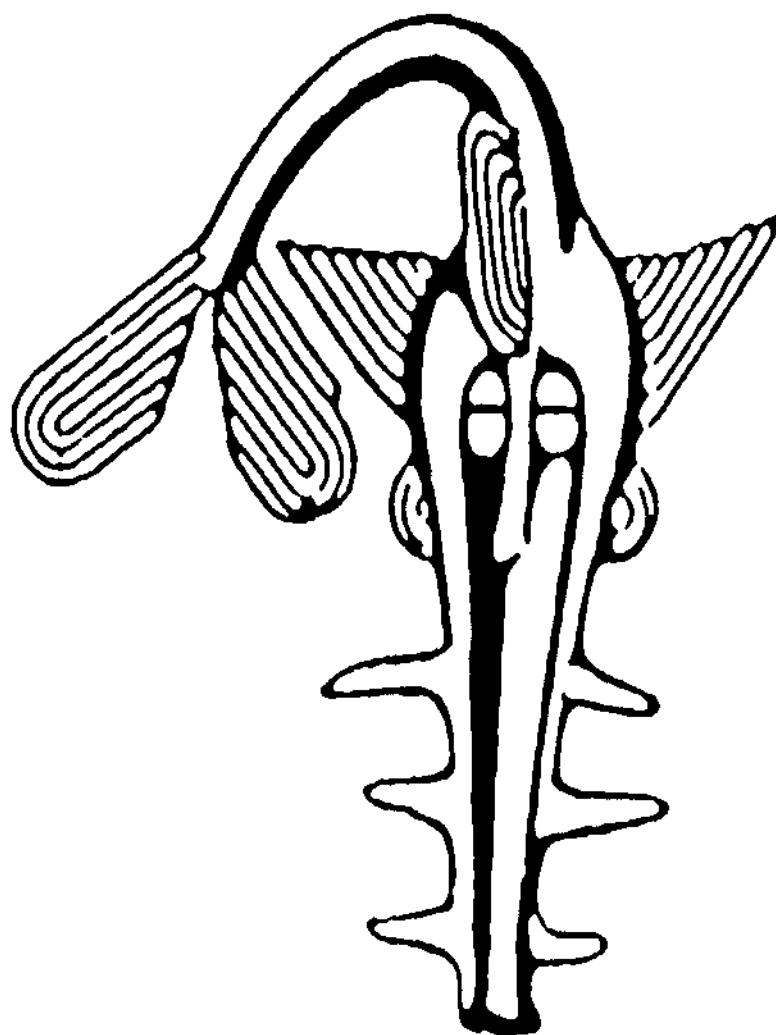
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"History is to Man what the tree is to the leaf, and to the nation what the root is to the tree. Without history, man would wander around like a leaf at the mercy of the winds and of time. Without history, the peoples of the Earth would be devoid of a foundation from which to brave sustainably the numerous aggressions from their environment. Whether written or oral, History is a part of us".

Charles Konan BANNY,
Governor of the Central Bank
of West African States

**HISTORY OF THE WEST AFRICAN
MONETARY UNION**



**VOLUME I
FROM THE ORIGINS TO 1958**

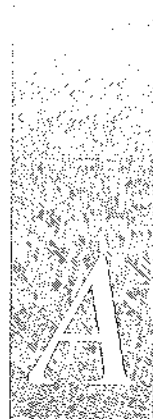
**CENTRAL BANK OF
WEST AFRICAN STATES
(BCEAO)**

**HISTORY
OF
THE WEST AFRICAN
MONETARY UNION**

**GEORGES ISRAEL - PUBLISHER
PARIS**

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ISBN : 2-9518272-0-2



ACKNOWLEDGEMENTS

This work was achieved at the initiative of Mr. Charles Konan BANNY, Governor of the Central Bank of West African States who, through decision n° 70-07-94 of 29 July 1994, established a Historical Committee composed as follows :

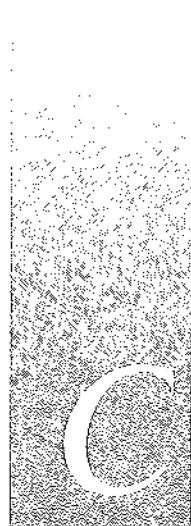
- Mr. Daniel CABOU, Special Advisor to the Prime Minister of Senegal,
Former Secretary General of BCEAO,
- Mr. Patrice KOUAME, Special Advisor to the Governor
and General Comptroller of BCEAO,
Former Minister,
- Mr. Guy S. André POGNON, Former National Director of BCEAO for BENIN,
Former Central Director of Inspection at BCEAO,
- Mr. Moussa KONE, Former National Director of BCEAO for
BURKINA FASO,
Former Secretary of Board Meetings.

The following gentlemen have been associated with the work of the above mentioned Committee :

- Mr. Daniel CISSE, Honorary Professor at the Faculty of Economics and Management of Abidjan University,
- Mr. Iba Der THIAM, Member of Parliament, Holder of a Ph. D. and of an "Agrégation" in History, Professor at the Cheikh Anta DIOP Dakar University, Former Minister,
- Mr. Abdoulaye DIAGNE, Holder of an "Agrégation" in Economics, Professor at the Cheikh Anta DIOP Dakar University,
- Mr. Saliou MBAYE, Archivist-Paleographer, holder of a Ph. D. in History, Assistant Lecturer at the Cheikh Anta DIOP Dakar University, Director of the Archives of Senegal.

This work has been produced with the assistance and logistic support of BCEAO Services, which put at the disposal of the Historical Committee all the required facilities.

The Central Bank expresses its gratitude to the members of the Historical Committee for their valuable collaboration.



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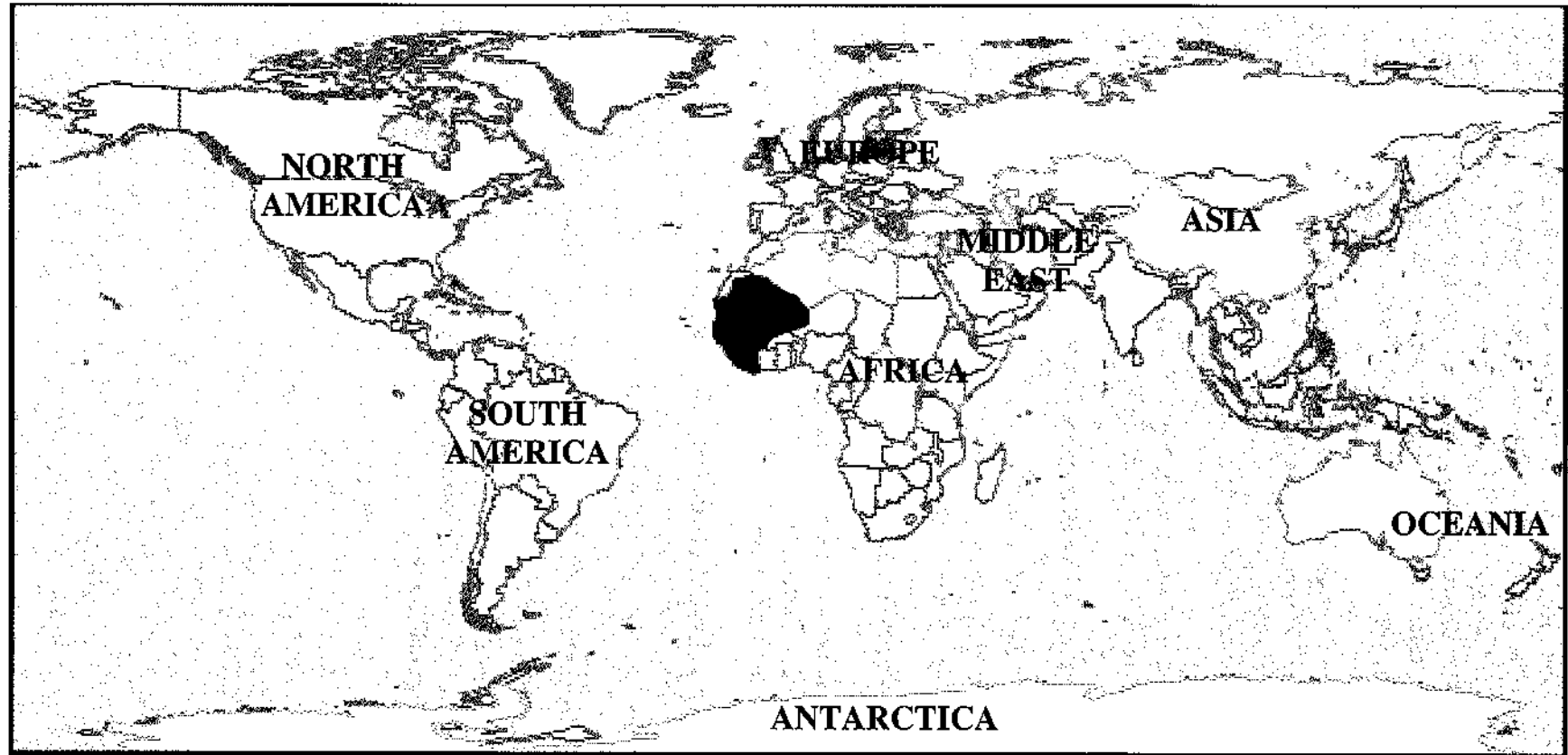
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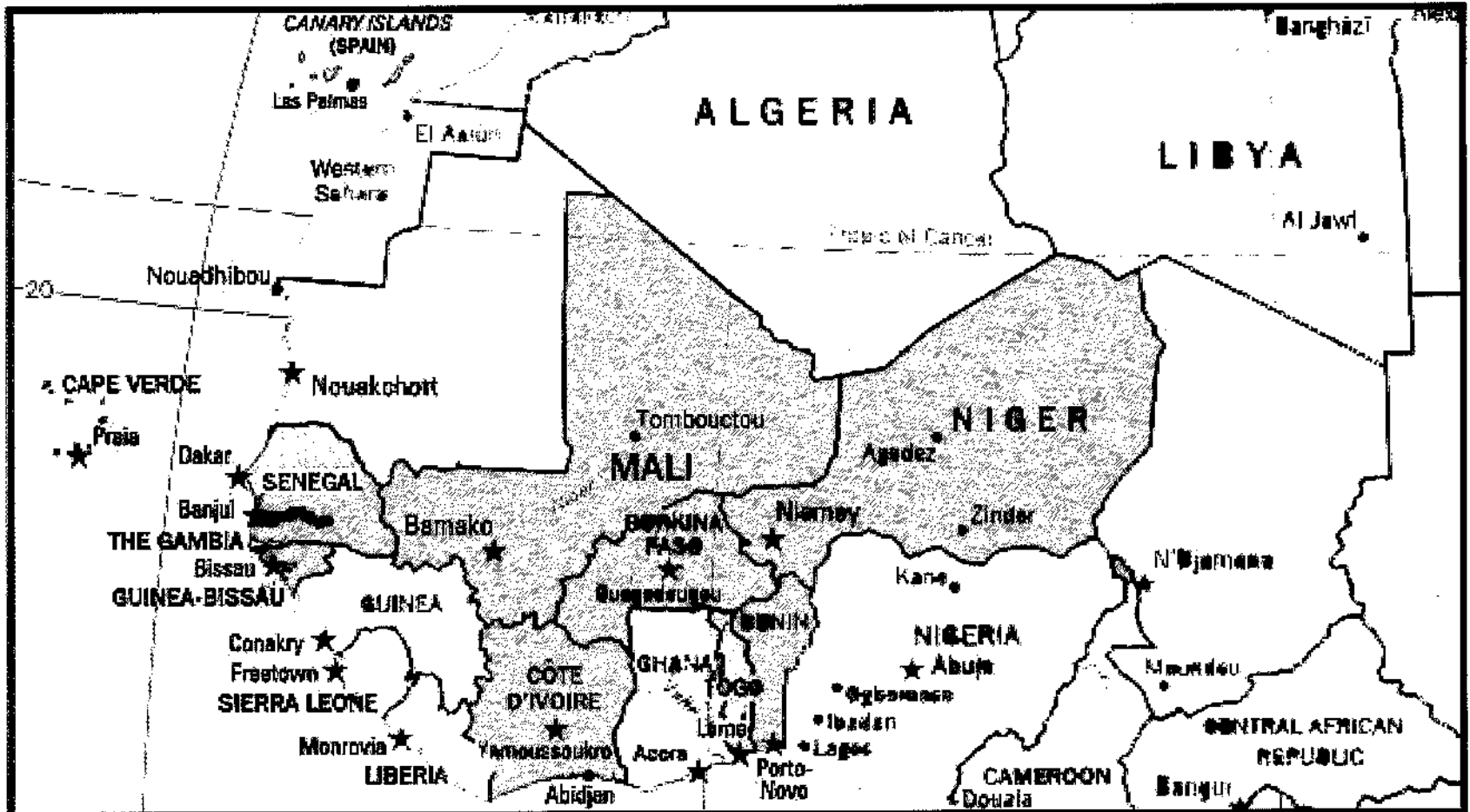
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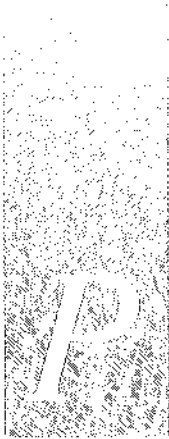
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WEST AFRICA IN THE WORLD

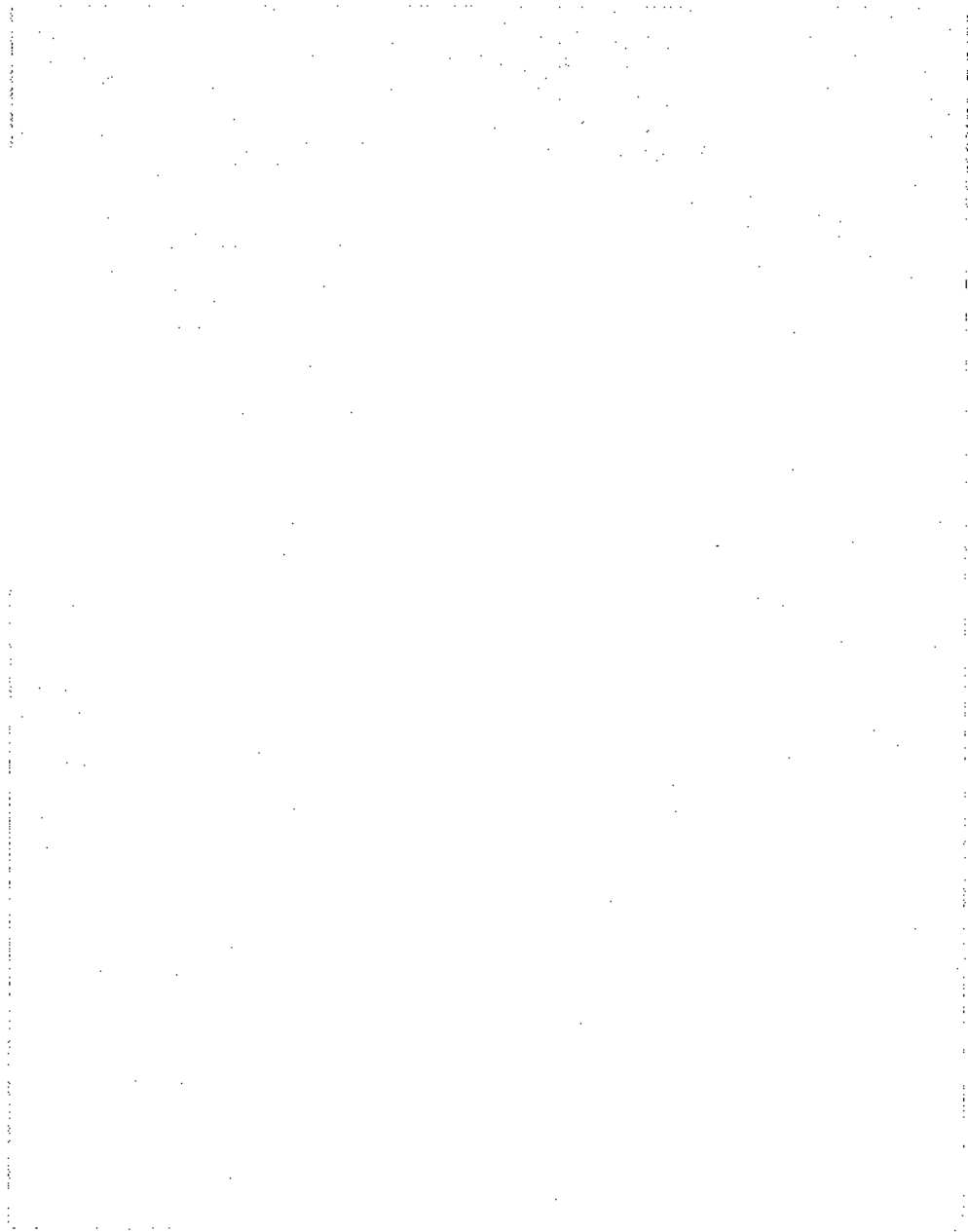


WEST AFRICA MONETARY UNION





REFACE



The Governor M. Charles KONAN BANNY

The work on the History of the West African Monetary Union from its origins to 1997 constitutes the fulfillment of a duty to memories of the past, the challenge being to reconstruct the history of our common currency, on the basis of an African reading of the course it has taken.

Indeed, by setting up on 12 November 1994, a multidisciplinary think tank, composed of authentic actors and witnesses of our history as well as of researcher-historians, politicians and economists, it was my desire to reconstitute and safeguard, on behalf of 60 million people, the historical heritage of our Union, so as to prevent the disappearance, with the retirement or death of those who witnessed the last years of this glorious era, of a priceless library.

My wish, above all, was to ensure that this long journey which has been conducted by way of successive sedimentations, remain the heritage of all.

The challenge was taken up and remarkably met.

This historical work depicts faithfully and objectively, the salient features of a long march of almost 150 years of a common currency. Harboring a wealth of experience and lessons for those wanting to construct, it enables us to go back to our past, to understand the present, so as to equip ourselves to face and meet the challenges of the future, which give rise undoubtedly to interrogations but above all to hopes.

The members of the Historical Committee had just one concern : to reconstruct the past of the Monetary Union, stage by stage, to revive the memory of those personalities no longer living, to shed light on their respective roles in the setting up of the common edifice, to bring back to mind important actions, speeches or decisions, to take cognizance of the trying moments encountered, of the anguish and the hopes experienced.

It gives me pleasure, in this connection, and at the risk of scorning their modesty, to pay a vibrant tribute to them. I refer here to our elder brother Mr. Daniel CABOU, Special Advisor to the Prime Minister of the Republic of Senegal and former Secretary General of BCEAO, my Special Advisor, Mr. Patrice KOUAME, Mr. Moussa KONE, Mr. Guy POGNON, National Directors of BCEAO, as well as the illustrious scholars Daniel CISSE, Iba Der THIAM, Abdoulaye DIAGNE and Saliou MBAYE.

The History of WAMU from its origins to 1997 will teach future generations that our common currency and institutions constitute a historical truth which neither numerous adversities nor centrifugal forces have been able to undermine.

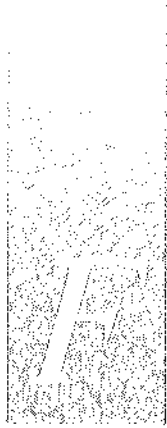
May this work be a source of inspiration to each one of us and to the generations to come, for history is to man what the tree is to the leaf, and to the nation what the root is to the tree. Without history, man would wander around like a leaf at the mercy of the winds and of time. Without history, the peoples of the Earth would be devoid of a foundation from which to brave sustainably the numerous aggressions from their environment.

We should therefore be faithful and grateful to our history and draw inspiration from its foundations to further strengthen our common currency and consolidate our economic integration.

Such are the ambition and vocation of this historical work.

The Governor of the Central Bank of
West African States

Charles Konan BANNY



FOREWORD

Money is a matter of concern for all of us, as it governs our daily life. Yet, it must be admitted that being restricted to a circle of insiders, monetary issues remain shrouded in mystery.

This work aims at putting an end to this state of things by bringing to the lay reader some benchmarks and some keys which will enable him to understand the challenges and participate in the big current debates such as the one concerning the monetary system of the West African Monetary Union (WAMU), at the end of this century and on the threshold of the third millennium.

In fact, the monetary organization of WAMU member States which are Benin, Burkina, Côte d'Ivoire, Mali, Niger, Senegal, Togo and recently Guinea-Bissau, has never ceased, from the start, to fuel heated controversies among specialists.

With the devaluation on 11 January 1994 of the CFA franc, their common currency¹ and its immediate effects on the cost of living, the public at large became suddenly aware of problems whose existence was not suspected in the context of stability which has always characterized the issue area.

Then, in addition, speculations were made concerning the advent of the single European currency and its impact on the monetary system of these countries.

It was in the context of these preoccupations and interrogations that the Central Bank of West African States (BCEAO) accepted to open its archives to a team of researchers by setting up, on the initiative of its Governor, Mr. Charles Konan BANNY, a Historical Committee composed of personalities appointed *intuitu personae*² :

- Mr. Daniel Cabou, graduated from the "Ecole Nationale de la France d'Outre-Mer" (competitive examination A, year 1953), Administrator of French Overseas Territories, Doctorate in Economics, Cabinet Minister - Special Advisor to the Prime Minister of Senegal, Former Secretary General of BCEAO,

- Mr. Patrice Kouamé, Doctorate in Economics (Paris-Dauphine), Graduate in Higher Studies in Economics (Paris, Panthéon-Sorbonne), Graduate in Higher Studies in Accountancy (Paris, Institut National des Techniques Economiques et Comptables du Conservatoire National des Arts et Métiers) ; Training in banking : "Centre d'Application Technique et Professionnel" (BCEAO) ; Special Advisor to the Governor and Comptroller General of BCEAO, Former Minister,

¹ African Financial Community for WAMU and African Financial Cooperation for Central Africa.

² Decision n° 70-07-94 of 29 July 1994 relating to the creation of a Historical Committee of BCEAO.

- Mr. Guy S. André Pognon, Former National Director of BCEAO for Benin, Former Central Director of Inspection,

- Mr. Moussa Koné, National Director of BCEAO for Burkina, Former Secretary of Board Meetings.

The following have been associated with the work of the Committee :

University Professors,

- Mr. Daniel Cissé, Honorary Professor at the Faculty of Economics and Management of Abidjan University,

- Mr. Iba Der Thiam, holder of a Ph. D. and of an "Agrégation" (high level competitive exam for recruitment of teachers in France) in History, Member of Parliament, Professor at Cheikh Anta Diop Dakar University, Former Minister,

- Mr. Abdoulaye Diagne, holder of an "Agrégation", Professor of Economics at Cheikh Anta Diop Dakar University ;

Messrs. :

- Saliou Mbaye, Archivist-Paleographer, holder of a Ph. D. in History, Assistant Lecturer at Cheikh Anta Diop Dakar University, Director of the Archives of Senegal,

- Emmanuel Nana, Former Director of the Office of the Governor and present Secretary General of the Banking Commission of WAMU,

- Théodore Gbokro-Bowy, Archivist, Junior Executive at BCEAO ;

Mrs. :

- Rose Marie Ndiaye, Secretary, Junior Executive at BCEAO,

- Adama Diao Sy, Secretary, Junior Executive at BCEAO ;

And :

- Miss Caroline Audibert, Executive Secretary at BCEAO.

The Committee conducted its study in a totally independent manner as regards the approach to the subject and the choice and articulation of the themes.

Therefore the views expressed here are those of members of the said Committee and do not in any way reflect BCEAO's official doctrine.

The members of the team express their great gratitude to the Governor of BCEAO and to BCEAO technical services for the facilities provided to them.

The proximity of the Archives of Senegal and the availability of the management have been of valuable help to the Committee which also expresses its gratitude to them.

Members of the Historical Committee have not yielded to the temptation to produce a purely descriptive work. They have attempted to encompass within their work a scientific and political reflection on the future of the societies constituting the west African region so closely bound together by a long history.

To achieve their task, they adopted an approach based on history, economics and prospective analysis.

The historical analysis, by recreating the *framework of the events that have marked the region*, shows how, in the beginning, the monetary system built by countries belonging to the issue area, formed part of a wider organization, namely the colonial economy and its project for the integration of the economies of the dependencies into the economy of the mother country.

The recourse to the tools of economic science aims at highlighting the *mechanisms of the system, its doctrinal and institutional bases* as well as the *policies implemented* during the different periods of this history.

For the future, the analysis of the major trends of international relations since the end of World War II, characterized both by the gradual liberalization of the movements of goods, capital, persons and ideas, as well as the expression of regional solidarities, led to the review of the organization of the system in a more open perspective to turn it into an efficient economic policy instrument and the anchorage point of a wider regional cooperation.

As regards the doctrinal and institutional aspects, the task has been arduous. Indeed, a considerable amount of literature has been published on the subject for a century³ ; but many comments remain fragmented ; many commonplaces are expressed, carried over from one work to another, without any in-depth analysis and too many obscure points remain unexplained.

A return to the sources was therefore necessary : a return to the preparatory work and to the debates that preceded the main decisions and explained them, to the original texts and the modalities of their application ; to the analyses and the comments made at the time.

All this information does exist. But it is sparse, geographically and literally dispersed and buried within a mass of documents of all kinds : official notes, correspondences, reports of meetings, activity reports, handwritten notes, annotations – sometimes furtive – dispatches of press agencies, periodicals, official gazettes, speeches, theses, other works...

They remain sometimes unwritten, carefully conserved in the recesses of the memory of some privileged actors or discreet practitioners.

It is, therefore, a real puzzle. It had to be reconstructed bit by bit, piece by piece ; an Ariane's labyrinth whose thread is all the more difficult to grasp for being as basically it is an empirical construction, responding to practical and changing necessities.

Indeed, reference to precedents and reasoning by analogy are still used ; but a coherent doctrine was formulated little by little when, in the course of time, after proceeding by trial and error and accumulating experience, the designers of the system set a guiding line and clear objectives.

³ The first theses presented on colonial banks date back to the 1900s (cf. "Banque du Sénégal" page 26, BCEAO Archives doc n° 4522).

In substance, according to this doctrine, *"while political and administrative developments tend to give greater autonomy to overseas territories, economic and financial developments tend on the contrary to strengthen the bonds which unite them to the mother country"*⁴.

And the entire debate on the system turns around the relevance of this project as well as the compatibility of the objectives that it assigned to itself.

We hope that the outcome of the investigations and analyses will help clear up some of the most persistent preconceived ideas and restore historical truth :

- No, the Bank of Senegal did not deliberately refuse to finance agricultural production ; its constitutional texts did not permit it to do so ;

- No, the Bank of Senegal was not dissolved because of misappropriation of funds ; it had handed down to its successor, the BAO, net assets amounting to 900,000 F accounting for 2/3 of the capital of the new bank ;

- No, the franc area did not come into being with the war in 1939 ; it had been existing for a long time when the franc was introduced as legal tender in the colonies ;

- No, the creation of individual currencies in this area does not date back to 1945 with the advent of the colonial francs ; but actually, a century earlier with the creation of the first colonial banks of issue ;

- No, the agreements establishing WAMU, after independence was gained, were not imposed to African States without discussions ; as a matter of fact, long and painstaking negotiations were conducted in the framework of several monetary conferences, at the end of which some States did not hesitate to express their disagreement ;

- No, the convention on an operations account is not a one-way agreement to the benefit of African countries ; but an agreement for reciprocal cash facilities and compulsory deposit, with the French Treasury, of these countries' foreign exchange assets ; as regards WAMU, deposits have been made regularly since the beginning, whereas Treasury advances have been granted exceptionally.

- Etc.

As for the historical framework of the study, the multidisciplinary collaboration between the historians, economists and bankers who composed the Historical Committee, has helped construct this history and highlight its salient features.

⁴ - Overseas countries - Extracts from the inventory of the financial situation (update in 1951 of the 1946 inventory) – Imprimerie Nationale, Paris, 1952, p 3.

This is therefore a collective work and it has been a pleasure for all the members of the Committee to participate in its production.

By chance, the Committee's work schedule was arranged in such a way that the final meeting took place in Dakar, on Monday 27 April 1998, and coincided with the 150th anniversary of the abolition of slavery in France in 1848. This is indeed a symbol !

The members of the Historical Committee



Daniel Cabou



Patrice Kouamé



Guy S. André Pognon



Moussa Koné

The associate members



Daniel Cissé



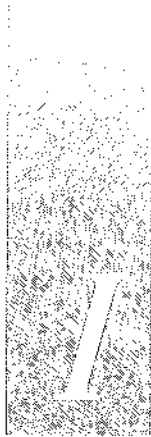
Iba Der Thiam



Abdoulaye Diagne



Saliou Mbaye



INTRODUCTION

In the light of the historical events which have shaped West Africa, this work aims at enlightening the reader, laymen particularly, on the construction of the monetary system of WAMU member countries from the colonial period till the present day, by highlighting the doctrinal and institutional logic underlying all developments, from those concerning colonial banks of issue, the organization of the franc area, the creation of WAMU, the withdrawal of some members, the adherence of new States, the successive reforms, to the policies implemented during the crisis of the 1980s and 1990s.

Some alternative future options have also been explored, on the basis of the evaluation of this experience, and keeping in mind the changes in the environment.

As he goes through the pages, the reader shall be enlightened on five main concerns :

1) To reply, thanks to the most detailed and faithful reconstitution possible of facts, to the basic questions that have always been asked about the historical dynamics and the circumstances of the construction of the monetary system of colonies, from the beginning till independence ; then of WAMU at the end of the colonial period, the psychology of the various actors of the time, their roles and respective views ;

2) To give the reasons which have motivated the adoption of the main rules, notably the provisions relating to operations concerning the issue of currency, in other words, the modalities for the production of currency in the area ; to reconstruct the debates they have generated to point out how these discussions are absolutely in line with the constant interrogations as to the role that currency should or should not be made to play, and therefore that of monetary policy, in an economy whether developed or developing ;

3) To shed light, on the basis of arguments derived from the analysis of the experience of WAMU compared to those of other monetary systems of the region, on two interrogations subsequent to the earlier one :

- On the one hand, the one concerning the monetary system which, thanks to its organization and its operating process, guarantees the quality of the currency produced, notably the stability of its purchasing power ; this is the important question raised by Milton Friedman (1968)⁵ called " *institutional solutions to the problem of currency management*" and which has been further explored by Patrice Kouamé (1984 and 1988)⁶ ;

- On the other hand, the one which concerns the optimal nature of the WAMU area judging by the criteria of quality of the currency produced, cohesion and stability of the monetary space, generally suggested by the theory of the optimal monetary area ;

⁵ - Friedman (Milton), *Inflation et systèmes monétaires*, Calmann-Levy, Paris, 1969.

⁶ - Kouamé (Patrice), *Monnaie, Intégration monétaire et Croissance économique en Afrique de l'Ouest*, thesis, University of Paris-Dauphine, 1984.

Idem. *Intégration monétaire et croissance économique en Afrique de l'Ouest*, Abidjan, NEA, 1988

4) To support, on the basis of the example of WAMU, the doctrine of integration through currency, by underscoring its limits and the conditions for its success ;

5) To suggest a plan for the future of WAMU concerning, both the present architecture of the system and its relations with the other countries of the region ; finally, its mode of integration into international monetary relations, that is to say, its exchange arrangements.

Besides these general preoccupations, members of the Historical Committee, some of whom are central bankers, have, throughout the course of the work, endeavored to share their experience with their junior colleagues by laying stress on the origins and the relationship between some of the techniques used by central banks. It is therefore to the younger generation in particular that the technical details of this work are directed.

Most of them being members of the teaching profession, they have been keen to make available to teachers, researchers and more particularly to students in economics, a work in which theory throws light on practice in a concrete manner, in a field wrongly considered to be complex.

Beyond this special audience, authors have attempted to recreate this dimension of African history and above all to make Africans and all those who take interest in this continent, aware of this dimension which should not become the preserve of a few specialists.

For didactic purposes, the work starts with a preliminary chapter devoted to the conceptual and historical framework of currency, of monetary organization and policy, and deals with them from the dual synchronic and diachronic perspective.

It provides a synoptic picture which gives the reader an overall view of the main themes and concepts related to the economic approach to currency, which are indispensable to understand the mechanisms and techniques described in the body of the work, as also the debates and controversies about the system.

Thus, through a historical overview, the different aspects of currency as a social institution are analyzed : the relationship between the bank, the production of currency and credit ; the theoretical controversy about the relations between currency, inflation, growth and their practical consequences on the conduct of monetary policy and the organization of the monetary system ; the use of gold as a currency in the history of man ; the models of organization of monetary relations between communities or exchange arrangements.

The models of monetary organization between communities are summarized at the end of this chapter in the form of diagrams, again for pedagogical purposes.

This work comprises three volumes including fourteen chapters, the first nine covering crucial periods for West Africa and analyzing for each of these periods, the developments in the political and social fields, the administration, the issue and credit policy, the exchange system, the organization of the public financial services.

The first volume starts from the origins till 1958. It contains three chapters (from 1 to 3).

Chapter 1 covers the period from Antiquity till colonization ; the place of West Africa in the major trade patterns, notably the supply of the international economy with African gold which was widely used as currency, has been highlighted in this chapter ; the pre-colonial monetary systems prevalent at the time are also described.

Chapter 2, which starts with the 19th century till the eve of World War II, deals with the birth and development of the franc area, the banking system as well as the public financial services, the colonial administration and its role in the history of the region.

Chapter 3, devoted to the evolution of the situation from World War II until the eve of the 1958 referendum, analyzes the organizing of the franc area and the various historical, economic and political factors which provoked or accelerated them.

Volume II, from 1958 to 1997, is divided into six chapters (from 4 to 9).

Chapter 4 closes the colonial period with the 1958 referendum establishing a Community between France and the African Territories. Guinea opted for Independence, but did not create immediately its own Central Bank. The Issuing House of AOF and Togo, converted into the Central Bank of West African States, continued its activity in the territory of the African States and of the Federation of Mali, members of the Community, and provisionally in Guinea. The countries of North Africa, on the contrary, gained their political and monetary autonomy.

Chapter 5 deals with the period from 1960 to 1962, and with the African States belonging to the Community and their monetary system.

It highlights all the activity and the technical work undertaken to convert the issue area into a monetary union. It was during this eventful period that the monetary institutions of Guinea, the Bank of the Republic of Mali and the Central Bank of Togo were created.

Chapter 6 is devoted to the implementation of the Treaty of 2 May 1962 establishing the West African Monetary Union and to the agreements that followed it.

Chapter 7 describes the evolution of the system which, after a decade of functioning, experienced a deep change in 1973, as the West African States became more involved in the working of the institutions, and their concerns in respect of regional development and economic integration were taken into account, with notably the creation of the West African Development Bank (BOAD).

Chapter 8 shows how the transfer of BCEAO headquarters from Paris to Dakar has given a fresh impetus to regional monetary cooperation particularly with Mali, then recently Guinea-Bissau, joining WAMU, as well as through the implementation of a program of monetary cooperation within the Economic Community of West African States (ECOWAS).

Chapter 9 analyses the mechanisms of WAMU when faced with the crises of the 1980s and 1990s, as well as the different policies implemented : the reform of the monetary policy, the adjustment of the exchange rate, the WAEMU⁷ project for economic and monetary integration as well as the coordination of the macroeconomic policies of the countries of the issue area.

⁷ West African Economic and Monetary Union.

Volume III makes an appraisal of the past and looks at future prospects. It takes stock of this unique experience and outlines some future paths.

It includes five chapters (from 10 to 14).

Chapter 10 analyses the results of monetary management on the basis of the monetary quality of the currency produced by BCEAO on the one hand, and the development and efficiency of financial intermediation on the other hand.

Chapter 11 highlights the economic performances of WAMU in terms of growth, investment, savings, foreign trade and external debt.

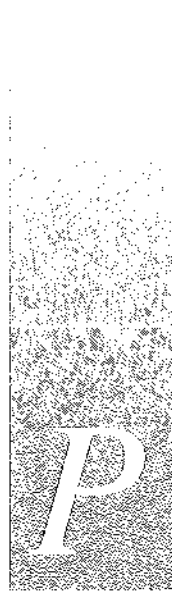
Chapter 12 makes an assessment of WAMU with relation to the theory of the optimal monetary area and the project for integration through currency.

Chapter 13 is devoted to the work of the successive leaders of BCEAO.

Chapter 14, which deals with future perspectives, examines the alternatives available to WAMU countries in the future.

This work contains some statistical annexes and information on some bibliographical and archive sources.

Some inserts, photographs, maps as well as charts serve as illustrations to the work, making it easier to read and understand.



PRELIMINARY CHAPTER

THE CONCEPTUAL AND HISTORICAL
FRAMEWORK OF CURRENCY,
OF MONETARY ORGANIZATION
AND POLICY

It is often said that *money is man's greatest invention, after fire*. Consequently, the underlying logic, the organization and functioning of monetary systems and the relations between them, can only be understood and appreciated on the basis of a good understanding of the monetary institution, its role in human society, its forms and methods of production and the problems which may arise from its use.

Section I - Money - An Eminent Social Institution

Due to its role as a unit of account, as an instrument for measuring value, as an intermediary in trade and a means of conserving wealth, money established itself as a key institution of human societies, as an organizational tool and a means for the unification and development of "humanized" areas.

Its remote origins are linked to trade, the transfer of goods against compensation, a social behavior which, according to historians, dates back to the time when groups of nomadic humans, living off hunting and gathering, settled down and, for their safety and survival, were obliged to domesticate plants and animals, build shelters and codify rules of conduct in society.

Trade, a decisive stage in the evolution of human societies, appeared as a factor that brought people together and a rational way of using often disparately distributed wealth and capacities in space, within groups and between different groups. Consequently, it is a factor of progress.

The natural and spontaneous trading procedure is to offer a particular item (goods) in exchange for another. It is customary to call this procedure bartering, in order to distinguish it from monetary trade – a good against money or money against a good.

In fact, whatever its particular features, *money is a good* and the trading procedure, in this case, is unique - *a good against a good*.

As a result, the exchange ratio or price reflects the relative rarity of the goods exchanged (or traded), including monetary goods. Hence, a surplus offer of *any good* in relation to its demand leads to a fall in its price - *its depreciation* - and vice versa.

The quality of any monetary system and the efficiency of the rules of production of money depend on the extent to which this economic law has been taken into account.

Concerning the advent of money itself, the diversity of the forms it has adopted in time and space - salt, shells, cattle, metal, cloth, etc. - seem to substantiate the hypothesis according to which, in human societies practicing trade, a good or certain goods are particularly prized and sought after at a given moment of time.

The motivations behind this kind of demand are always complex and emanate both from objective factors such as the intrinsic properties and qualities of the goods in question - durability, aesthetics, malleability, scarcity, nutritional properties, etc. - and subjective factors linked to the values and "collective representations" that these goods symbolize and with which people want to identify themselves - power, wealth, social standing, etc.

These goods, which constitute "natural value reserves", acquire an increasing mobility in trade, by force of circumstance, because *those who hold them are sure of being able to exchange them at any time against other goods*. Thus, in the course of time, their status as "free" trade intermediaries develops and is established, along with the barter system, since their relative scarcity necessarily limits their scope in transactions.

Hence, an important stage in the organization of a society is surmounted when, by virtue of an authoritative decision, a good or some goods are imposed as the *necessary* intermediaries in trade, within a given area.

There are several complementary motivations behind such a measure, which is essentially political in nature : the desire to control the production of the concerned goods, along with the resulting advantages - the seigniorage⁸, the concern for standardizing their external appearance and their content in order to turn them into a universal set of reference within the area in which they circulate ; as a means of political or economic domination, or both at the same time.

The good or goods in question, henceforth produced under control or under a monopoly, become the legal tender, which, within the territory concerned, acquires legal tender quality - in the sense that users are obliged to accept it in payment - and the power of full discharge, its acceptance extinguishing the debtor's debt.

The monopoly which all political powers reserve for themselves in this way, within a given area, with regard to "minting money", is called a regality or exclusive regal right, with reference to the rights enjoyed in all sovereignty, by medieval lords (seigniors) in Europe, within their fiefdoms, such as the right to declare war on their neighbors.

Just like "free" money, legal tender has taken several different forms in the course of human history, the most widespread forms used in today's modern societies being paper money, metal coins, currency entries or bank money.

However, the various goods or signs that take the place of "free" money or legal tender, both in time and space, do not all possess a monetary quality of the same degree. In fact, this depends on several factors: the *status* of the sign in question as a *unit of account* ; its use as an *instrument of payment* ; *convenience in transport and handling* ; *its divisibility* ; *its resistance to counterfeit* ; *its acceptance in an increasingly larger area* ; *its buying power - undifferentiated in time and space*.

When a currency has all these characteristics, it enjoys a high degree of monetary quality. It is then said to be a general equivalent (Hopkins 1973)⁹. Gold is the only good that man has universally and for a very long time endowed with this status.

This explains why, at the beginning, in several societies, the legal tender that was minted in a standardized manner, corresponded to a certain weight of gold or silver, as we shall see in Section IV.

⁸ The term represents the profit a European seignior of the Middle Ages used to gain from minting money, by "selling" it at a rate higher than its production costs. This meaning has been extended to cover the privileged position occupied by all issuers of money.

⁹ Hopkins (A. G.), *An Economic History of West Africa*, Longman Group Ltd, London, 1973.

If one or several of these attributes are missing in any good that is used as legal tender, its monetary quality is reduced : it then remains either a simple unit of account, or simply a payment currency, i.e. a specific equivalent for *specific transactions* - such as *feather money* - or is contained within a *limited area*, such as certain existing *unconvertible currencies* are today.

Box pr. 1

Feather Money - A Specific Equivalent

Feather money still coexists in Santa Cruz (New Caledonia) alongside modern paper money and coins. While the latter are used for daily transactions, feather money is indispensable for customary trade – buying a canoe, taking a wife, etc. Its value is determined by its length and width, so its production cost is expressed in labor time. In fact, production taking more than a few months is done only by specialized artists and sometimes requires the feathers of a thousand birds. The bird in question is small, with red feathers - the *Mysonela cardinalis Rubatra*. Feather money therefore looks like a long, reddish band, which is normally held rolled up, probably to make transportation and preservation easier. The model we had the opportunity of seeing at the “Musée de l'Homme” in Paris was about 10 meter long and 6 centimeter wide.

Patrice Kouamé, thesis quoted earlier, p. 91.

Hence, the monetary institution in itself summarizes the genesis of the formation and development of human institutions built out of necessity, by chance, due to interest, compulsion, ingenuity, imitation, the weight of habit, questioning, etc.

In this regard, bankers - themselves a category of merchants - are the ones who play a determining role in this development.

Section II - Banks, Production of Money and Credit

In spite of the desire of political authorities to standardize the monetary system within the area under their control, the gold and silver reserves whose minting they legalized and sometimes monopolized, were unable to meet the evolving and diversified needs of economic and social activities in all aspects and at all times, in both quantity and quality.

Consequently, *bankers*, who are basically merchants who *specialize* in trading money (*the bank*), a trade they practice by accepting their customers' assets in gold and silver reserves against remuneration and as a deposit, or by exchanging - *conversion* - the money that is presented to them, developed (by trial and error) simple, practical and speedy ways of settling transactions.

Among others, in exchange for the gold and silver reserves deposited by their clients in their coffers, they adopted the habit of delivering a deposit certificate or receipt (an acknowledgement of debt) to their customers. Through this certificate or receipt, they engaged to pay the bearer, at sight and in gold and silver reserves ; that is, any bearer. Thenceforth, the receipt could be assigned to a third party. However, it circulated with great difficulty because it was subject to prescription and because various formalities had to be observed at the time of transfer, such as the calculation of interest.

It was in order to counteract these disadvantages that bearer orders were issued, taking the place of deposit certificates but not bearing any interest or any maturity date.

Depositors could assign the order as payment to any creditor who would accept it, assured of the fact that they could obtain the equivalent in gold or silver reserves from the issuing bank, at any time.

Thus, the practice of circulating "banknotes" became a habit. These establishments, known as "circulation banks" were the ancestors of the issuing houses and central banks of today.

Thus, banknotes became a kind of "free currency", which did not bear the value of legal tender, but was accepted because of its convertibility into legal tender.

The circulation banks did not stop there. They crossed another decisive step when they noted that all the bearers of banknotes did not present themselves at the same time to claim their dues, and started offering credit to certain customers in need, by *giving* them, subject to remuneration (an interest rate or price of money), banknotes that did *not correspond to an advance deposit or the equivalent in gold and silver reserves deposited by them*.

Chronologically speaking, the Chinese were the ones who, as of 9th century AD, issued the first banknotes that played the role of currency. Marco Polo and other explorers after him have borne witness to this practice. Hence, certain authors claim that it was this practice that inspired Europeans¹⁰. For others, on the contrary, "it was due to a logical development that Europeans discovered the merits and the dangers of paper money, in the 17th and 18th centuries, far removed from any Chinese influence"¹¹.

¹⁰ Sédillot (René), *Histoire du Franc* (History of the Franc), Sirey, Paris, 1979 pp. 24-26.

¹¹ Rivoire (Jean), *Histoire de la monnaie* (History of Money), Q.S.J. No. 2237, PUF, Paris, 1985, p. 18.

How the Great Khan made people spend paper instead of silver

So know ye that he makes people make the kind of money that I will explain to you. He makes men pick the bark of the trees that we call mulberry trees, those whose leaves the worms that make silk eat... They take the thin layer between the external bark and the wood, which is white. Of this thin skin, he makes them make sheets similar to cotton paper, and they all are black. And when they are made, he makes them cut them in such manner that I shall describe : the smallest one is worth approximately the half of a small *tornesel* (the "tornesel", the "demi-gros" and the "besant" were medieval European currencies) and the following, a little larger, is worth a full *tornesel* ; the following, still a little larger, is worth a *demi-gros* of Venice silver... And thus it goes on up to ten *besants* of gold. All these sheets are imprinted with the seal of the Great Lord, or else they would be worth nothing. They are manufactured with as many guarantees and formalities as if they were pure gold or silver, because many officers designated to this end write their name on each note, each one stamping his seal, and when all is done as required, their Head, designated by the Lord, impresses the seal that is entrusted to him and presses it upon the note with cinnabar (red-vermilion ink used in China to seal documents) (...). Then, the money is valid. And if someone were to dare to counterfeit it, he would be punished by capital punishment until the third generation...

And when these notes are made (...), all payments have to be made and the notes have to be distributed in all provinces (...); and no one dares to refuse them, because it would cost them their life.

Extract from Marco Polo, *La description du Monde* (Description of the World), based on the L. Hambis edition, Librairie C. Klincksieck, 1955¹².

Nevertheless, in the 17th century in Europe, the *Bank of Venice* was the first one to systematically deliver to all depositors a receipt based on a uniform model. Then, Palmstruch, the founder of the Bank of Stockholm, had to issue banknotes around 1650¹³.

By doing so, circulation banks, being private companies, not only got involved in lucrative activity, but also enjoyed a *de facto* power of control over the entire economy.

For these reasons and others, in particular the difficulties certain banks encountered in reimbursing depositors, in the name of their regality and the maintenance of law and order, this activity attracted the interest of political authorities, since it normally had to do with the freedom of trade. So they granted an issuing monopoly or exclusive issuing right to a private bank under their control, or set up a public bank on which they conferred this exclusive right.

¹² M'Bow (A. M.), Ki-Zerbo (J.), Devisse (J.), *Hatier's History Collection, of the 7th to 16th centuries*, 1989, p. 179.

¹³ Dauphin-Meunier (A.), *Histoire de la Banque* (History of the Bank), Q.S.J No. 456, Paris PUF, 1975, p.84.

Thus, the Bank of England, a private company, was created in 1694 with the aim of offering advances to the government in exchange for the exclusive issuing right, which it was granted by a charter drawn up under the terms of a law. This exclusive right, initially limited, was extended at each renewal, in exchange for new loans to the State.

The other private issuing banks were only allowed to establish themselves beyond a 65-mile¹⁴ perimeter of London, whereas the Bank of England was authorized to open branches in all regions. In 1833, legal tender was granted only to banknotes issued by the Bank of England, while the banking law limited issuance by other banks and organized their demise.

Although the issue of banknotes was the characteristic of circulation banks, the term "issuing bank" would only be established with regard to the Bank of England, which most bank historians consider the first modern issuing bank to link the issuance of banknotes to discounted bills of exchange¹⁵.

In the same way, the concept of a "central bank" would later also be applied to the Bank of England (when it was realized that it was at the center of the banking system's operations) by the *implementation of suitable techniques for controlling banking activities and their effects on the general functioning of the economy*.

The model inspired other countries too. In 1800, the "Banque de France", established as a private company, issued banknotes freely in competition with several Parisian establishments.

A law of the 24 Germinal, Year XI (14 April, 1803) was to confer the issuing monopoly to it in Paris and oblige its competitors to amalgamate with it.

The extension, by the authorities, of the field of regality to banknotes, whereas it only applied to gold and silver reserves of a determined weight and title at the beginning, would sometimes be disputed, as we shall see, with the BAO (Banque de l'Afrique Occidentale) and the Issuing House of AOF and Togo, in 1955.

Since banknotes had become the legal tender by a decision of the authorities and private banking companies could no longer issue them, bankers - whose trade was involved - did not stop seeking simple, practical and easy methods of payment for transactions.

Recording their customers' deposits in their accounts registers, they would begin to allow them to use these funds without physically moving them, using forms that they would invent : transfer orders and checks.

In fact, since the beginning of the 17th century, transfer and deposit banks emerged even before circulation banks. Thus, the "Banco del Gino", more particularly specialized in transfer operations, is the ancestor of the Bank of Venice.

By applying this technique and, later, that of checks, these banks made it possible for their customers to transfer funds without moving them physically, thereby providing greater operational safety.

¹⁴ 1 mile equals 1,609 meters.

¹⁵ Dauphin-Meunier (A.) op. cit p. 87.

But it was later that their idea of associating the transfer technique and checks with credit, *after banknotes*, engendered a new *revolution* both in banking, the form of the currency and the mechanisms of the modern economy.

Indeed, according to a familiar reasoning, noting that their depositors did not all come at the same time to withdraw their assets in legal tender, deposit banks would start offering credit to their customers, subject to remuneration, by entering an agreed amount in their account, which depositors could then use through checks or transfers to acquire goods. The recipients of the checks could, in their turn, settle with their own creditors by transferring the checks to them by endorsing them. Recipients of transfers could also proceed to a further transfer to third parties.

By doing this, deposit banks invented another "free currency", known as bank money or currency entries, along with banknotes and coins, known as fiduciary currency¹⁶. Today, the two categories of currency together form the quantity of currency available in an economy, also called the money supply, with the lion's share going to bank money as economies diversified.

Being a source of profit for them, banks would proceed with credit operations on a large scale on the basis of the *means of payment* that they had developed - in other words, on the basis of *the resources that they created in this manner* - fiduciary currency for issuing banks, bank money for deposit banks and both for some of the more ambivalent banks, those that were both issuing banks and deposit banks.

Consequently, credit - the loan of a good or a sum of money, often against some remuneration - to a third party who engaged to reimburse it later, a transaction that had always been practiced in human societies, became an essential mode of financing economic activity, owing to the *currency creating power* acquired by the banking system through a refinement of its techniques.

When in fact, the advantage of recourse to credit lies in its "leverage effect" - the fact that borrowers can increase their income beyond the limits that finance against their savings alone would impose on them¹⁷.

However, the efficiency of a credit system depends on a comparison with its costs - the interest rate - the nature and form of credit granted, the type of intervening institutions and the system's liquidity.

Concerning the cost, in his *General Theory of Employment, Interest and Money*, where he stresses the key role played by investment in the economic growth process, John Maynard Keynes (1936) argues that entrepreneurs decide to invest only if the marginal efficiency of capital invested - its yield - is higher than the interest rate paid on the borrowed sums. By this, he demonstrated the importance of interest rates in the way an economy functions.

¹⁶ For Emile Mireaux, "although they denied it, these banks granted loans - from the beginning - and authorized recipients of these advances to carry out transfers between the credit accounts of traders who were customers of the bank". Given these circumstances, bank money would have emerged before banknotes". *L'organisation du crédit dans les Territoires d'Outre-Mer* (Organisation of credit in overseas territories), Sirey, Paris, 1954, p 66.

¹⁷ Rosa (Jean-Jacques), Dietsch (Michel), *La répression financière*, Bonnel, Paris, 1981 pp 18-19-21.

With regard to the nature and form of credit, a distinction is made, on the basis of the duration, between short-term, medium-term and long-term credit. From the point of view of the object, we have consumer credits, investment credits, export credits, etc. From the point of view of the recipient, we have personal credits, credit to companies, credit to the government, etc.

The function of short-term credit is to provide the economy with the working capital necessary for it to function. "Distributed advisedly, it simply follows the rhythm of production and trade by anticipating the revenue to be procured through the sale of products" (Emile Mireaux 1954)¹⁸.

In "colonial economies"¹⁹ where agriculture plays a predominant role, the most widespread form of short-term credit for financing product marketing is crop credit.

For this kind of credit, significant reserves of liquidity are required at the time of the cropping season, and they remain immobilized for several months. Also, only issuing banks have the elasticity of resources necessary for direct, or indirect financing through deposit banks²⁰, for this type of credit²¹, because of the legal tender conferred on the banknotes they issue.

In other words, *the preponderance of short-term credits necessary to finance the crop year, in predominantly agricultural economies, requires the intervention of an issuing bank.*

Thus, the option adopted for the first colonial banks, which had to finance primarily agricultural economies, can be explained by this economic and institutional reasoning.

Medium and long-term credits are intended for the investment necessary to start and maintain the process of development or growth of a developing economy.

To be sound, medium-term credit requires *suitable resources* - the capital stocks of banks or fixed deposits, so as to ensure the reconciliation of terms between resources and applications. Financed on the basis of monetary creation, it is a cause of inflation, a phenomenon that manifests itself through a rise in the price of goods. It shall be examined in greater detail in the following section.

Long-term credit requires long-term capital.

As for the system's liquidity, it can be ensured by refinancing, either from an external source or through the issuing bank.

In the case of the issuing bank, the mechanism consists of providing cash support to deposit banks, by placing at their disposal currency issued by it to make up the imbalance between their applications - credits - and their resources.

With this intention, the issuing bank acquires (rediscounts) or temporarily holds (or repurchases) *bills that are representative of the credits granted by deposit banks to their customers.* In this way, it indirectly takes part in financing the economy, while at the same time availing of a means of controlling the activities of deposit banks.

¹⁸ Mireaux (E), *op. cit.*, p. 3.

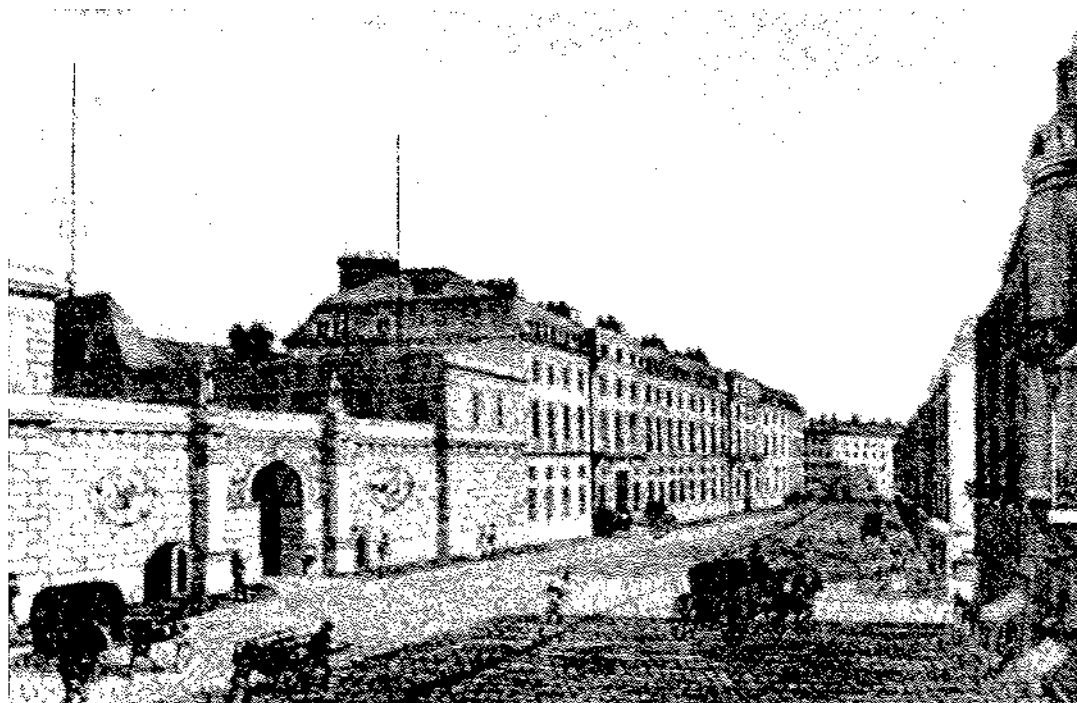
¹⁹ For Emile Mireaux "all the territories in which exploration and discovery play a key role ; where the resource inventory is far from over, where relational organs, access routes and transport are as yet inadequate, irregular, or even precarious..." p 2.

²⁰ By refinancing (cf following page).

²¹ *Idem* p 5.

While credit operations are undeniably in the interest of the economy, there is no denying the fact that they do present major risks both for the lending banker (such as the risk of illiquidity related to the duration of the credit and the risk of insolvency for the borrower) and at macroeconomic level : the risk related to a disproportion between the means of payments created and what is necessary for transactions, taking into account the quantity of goods and services that can be traded *in the short-term*. It can lead to a rise in domestic prices - inflation - and harmful effects on the balance of payments, and hence, *in fine*, on the internal and external value of the currency in question.

It is in these terms that the problematic of the monetary policy and its corollary - the organization of monetary institutions - is posed.



The "Banque de France" in 1800 (page 48)

Section III - The Relationship between Currency, Inflation, Growth and Monetary Organization

By conferring legal tender on banknotes, which are easy to produce compared to metal species that had to be extracted, procured and minted ; by adding the "free" currency known as bank money, even easier to produce, at the initiative of deposit banks, human beings acquired a very important power - that of creating currency at will and using it to various ends.

Dissension soon arose between analysts of monetary phenomena on the reasonable and objective limits of the exercise of this monetary power. The outcome of the debate would determine the actions of the authorities.

At the heart of the controversy were the relations between money, inflation, growth and its consequences with regard to the monetary policy, as well as the organization of the monetary system.

I - The Theoretical Controversy

Indeed, for classical economists (18th and 19th centuries), *money was "neutral"* as far as an economy functioning was concerned, in the sense that *it did not have any effect on the real variables* of the economy : production, employment, etc.

John Stuart Mill (1806-1873) summarized their opinion in a sentence that has since become famous : "Nothing is as indifferent as money".

In return for which, the effective production in an economy was determined, according to them, by the real factors - working population, technology, etc. - and the only effect of the money supply, i.e. the money produced by the banking structure, was to determine the general price level.

Hence, an increase in the money supply resulted in a rise in prices - inflation - and not in production.

The method of analyzing the economic reality that was applied by traditional analysts is known as dichotomic, since it separates the monetary sector from the real sector. The theory it adopted to explain the effect of money on the economy is called the quantitative theory.

When J. M. Keynes, in his *General Theory*, offered a new explanation for the way Western economies worked, he demonstrated that market economies, left to themselves, could establish themselves in conditions of under-employment.

He then provided the theoretical bases of counter-cyclic policies, which are trend-based policies and thus short-term policies, for Keynes believed that "in the long-term, we are all dead".

His objective was to achieve full employment. However, employment depends on the level of activity, i.e. domestic production. The entire key to the problem consists of managing the lever necessary for an increase in production.

According to Keynes, *investment* is the necessary lever, as it exerts a multiplier effect on production²². However, entrepreneurs agree to invest only if the marginal effectiveness (r) of capital (k), i.e. its yield, is higher than the interest rate (i) (cf. Section II).

Thus, the interest rate conditions investment, which, in turn induce a greater increase in production than initial investment.

However, the interest rate, in terms of price, is determined by the confrontation between the demand for money and the money supply.

By increasing the money supply through the banking system, the authorities thus have the capacity to stimulate investments and increase production, and consequently employment, by reducing the interest rate.

By doing so, from the viewpoint of the method, the Keynesian theory removes the dichotomy and brings together both the real and monetary sectors. As a result, this approach leads to the non-neutrality of money, since the latter actually acts on the real variables of the economy : production, employment, etc.

The controversy did not stop there. It was carried on by the contemporary disciples of the two schools of thought, in a long-term perspective.

Thus, for Milton Friedman and "neo-quantitativist" monetarists, while the growth of money supply affected the real variables in the short-term, these effects were transitory and disappeared in the long run. The only effect of an increase in the money supply's rate of growth was to increase the rate of inflation by just as much.

On the other hand, taking Keynesian analysis as a starting point, James Tobin, the first in 1955, Knut Wicksell and other authors, "integrated money" with economic growth models, affirming the positive effect of money supply on the long-term development of the economy.

As Pierre Mendès-France and Gabriel Ardant (1973)²³ underlined, "behind the technique, behind the institutions, one always finds a certain design of the economy".

The two great systems explaining the influence of money supply on economic equilibrium have practical consequences - on the one hand, on the control of monetary policy, and on the other, on the mode of organization of monetary systems or the institutional mechanism for the production of money.

II - Practical Effects on the Conduct of Monetary Policy

The lessons taught by the Keynesian theory had a considerable effect. For about thirty years, almost until the end of the 60s, they formed the basis for expansionist monetary policies - "active" policies aimed at maintaining interest rates at a low level, so as to stimulate investment and growth.

²² Production, according to Keynes, increases to a much larger proportion than the initial investment.

²³ Mendès-France (F.), Ardant (G.), *Science économique et lucidité politique* (Economics and political lucidity), Gallimard, Paris, 1973, p. 19.

They were also the basis for policies aimed at financing development through recourse to inflation, which were practiced in a number of underdeveloped countries, in particular in South America but also in Africa.

Placing itself in the *short-term*, the Keynesian analysis favors the influence of the "*liquidity effect*" of money supply on the interest rate.

However, in the *long run*, "return effects" appear ; nominal interest rates tend to rise with the increase in money supply, which then tends to slow down investment.

Hence, the monetarists proposed that in order to curb inflation, the increase in money supply should be slowed down.

"This is the basis of restrictive monetary policies used as an instrument to fight inflation"²⁴.

In practice, the provisions pertaining to the operations concerning the issue of currency that appear in the statutes of issuing banks reveal the orientation assigned to monetary policies : an expansionist or cautious policy, according to the nature and duration of authorized operations - short, medium or long-term, the limits placed on credit to the Treasury, etc.

The requirement of an issuance guarantee in the form of a coverage ratio, as we shall see further on, also constitutes a criterion for the appreciation of the prudential mechanism applied to issuing banks.

The same holds true for the contents of the rules governing its intervention in the banking system and their methods of application.

III - Practical Effects on the Organization of the Monetary System

A - The General Problem

Its degree of independence and its capacity to implement a cautious policy or its tendency to follow an expansionary monetary policy depend on the organizational model of the issuing bank and, over and above it, on the banking system as such, as well as its legal status.

Thus, the multinational character of an issuing bank governed by a treaty, or its status as a national, publicly-owned establishment whose independence is formally guaranteed within the framework of a State governed by the rule of law or its status as a private establishment, can confer a high degree of independence on the institution and guarantee a high quality monetary policy.

On the other hand, a national issuing bank with no guarantee of autonomy or with a purely formal guarantee, is more inclined to follow an expansionary monetary policy, under the pressure of events.

It is this fundamental concern to subtract the issuing bank from the temptation to implement - for any reason whatsoever - an inflationary monetary policy, through a suitable organization or institutional device, which is at the root of

²⁴ Serra (D), *Monnaie, Inflation et Croissance* (Money, Inflation and Growth), Economica, Paris, 1982, p. 6.

the famous historical models we have, such as the *Bank of England*, *colonial issuing banks* and *Currency Boards*.

Later, these models would inspire monetary systems founded on orthodoxy, in one way or another.

B - Historical Models

Indeed, from the very beginning of the 19th century, two schools of thought locked horns over the principles that, in their view, should guide issuing activities.

For the English economist, David Ricardo, who upheld the Currency Principle - the principle of circulation - the depreciation of Bank of England banknotes at the time (1808) was due to a surplus issue, since he was convinced that it was only its quantity that determined the value of a currency.

Hence, he claimed that to have a "safe" currency, *one could not rely on the government to regulate the issue of banknotes*, without placing precise and strict limits on it, legally. He therefore stated that banknotes had to remain convertible in gold at a fixed rate and that their quantity had to be entirely covered by gold and silver reserves.

This doctrine which was finally imposed in England, inspired Peel's Act in 1844, which *reorganized the Bank of England* : except for a certain amount of banknotes issued in exchange for Government bonds, the remainder of the issue had to be completely covered with gold reserves.

For the application of this provision, the Bank was divided into *two autonomous departments* : the Issuing Department and the Banking Department.

The Issuing Department handed over a first issue of banknotes worth 18.5 million pounds to the Banking Department, which the latter could use in its current operations, in particular, discount operations.

For all other issuance operations, the Banking Department was bound to hand over an equivalent amount in gold to the Issuing Department.

This institutional device, frequently criticized because of its rigidity, remained in force until 1928, that is to say, for 84 years.

On the other hand, the Banking Principle school, supported in England by certain authors and in France by Jean Baptiste Say in particular, advocated freedom of issuance.

According to this school, the bank could pledge its banknotes against its gold and silver reserves or against the loans it granted, since self-regulating mechanisms corrected any issue surpluses - by that is meant the public's demand for the reimbursement of its deposits in the event of a depreciation of the banknotes.

This was the system that prevailed in the European continent - in France, with the statutes with which the "Banque de France" was provided in 1802, which did not prevent it from constituting a significant gold reserve ; in 1871, with the Reichsbank in Germany. The Federal Reserve System of the United States also adopted it in 1913.

These two concepts regarding issues - English and French - were later transferred to the colonies, with the Currency Board system on the one hand, and the colonial issuing bank model on the other.

In consideration of which, the issuing system in the French colonies was characterized by the power granted to issuing banks to issue local currency, in order to *grant loans to the local economy* - especially short-term credit and/or to *acquire the metropolitan currency* or foreign currencies (exchange transactions), even though gold and silver reserves or assets in metropolitan currency were required as guarantees for their issue (*the rule of proportional coverage* of issuance).

As for the Currency Board of British colonies, it could only issue the local currency to *procure currencies* - pound sterling in this case, operating as a simple monetary office whose *issuance coverage rate was fixed at 100%*.

Consequently, the simplified assessment of the two types of institutions - *money issue and its counterparts* - looks like the chart below :

For colonial issuing banks		
Assets ²⁵	Balance sheet	Liabilities ²⁶
Gold and silver reserves	30	Banknotes in circulation ²⁷ 100
Assets in French Francs	10	
<i>Credit to the economy</i>	60	

For Currency Boards		
Assets	Balance sheet	Liabilities
Assets in Pounds Sterling	100	Banknotes in ²⁷ circulation 100

N.B. The figures are theoretical.

²⁵ Assets or deposits or counterparts to money issue.

²⁶ Liabilities or obligations.

²⁷ Banknotes in circulation or notes and money in circulation or fiduciary circulation.

While in both cases, the two systems played, overseas, the role of a "link" between the metropolitan economy and the local economy, the respective provisions governing the institutions explain why the former system, which was more flexible, was able to adapt and survive the political development of the colonies, whereas the second, which was more rigid, died out.

The remarks made by the rapporteur of the Overseas Commission of France during the renewal of the Bank of Madagascar's²⁸ exclusive issuing right, clearly illustrate the difference between the two systems (cf. Box).

Box pr. 3

On the expiry of the period fixed by the Act of 22 December, 1925, was it necessary to renew the current system while making certain modifications, and if so which ones, or would it have been better to adopt a completely different formula ? This is the question that is addressed first of all to your Overseas Commission of France. The idea of a *Currency Board* could only be set aside. It is an issuing house charged only with issuing currency, with no other banking role to play - a system that is operating in the English colonies.

With this kind of system, it should be noted, private banks are the ones that practically govern local credit. Thus, it can only be instituted in countries that already have a powerful and well-developed local banking organization.

That is not the case in Madagascar - no more so, one must admit, than in the majority of the territories of the French Union.

In this country, banks have to be able to renew their cash flow from a central rediscount establishment and the territory's economy should then be able to avail of the kind of "pilot storehouse", as regards credit, that an issuing bank represents.

J.O.R.F., Conseil de la République (name of the Senate at the time), 16 February 1950 session, p. 543.

On the whole, provisions for controlling monetary issues that provide a guarantee of issuance were applied according to various formulas from country to country, or within the same country. The quantitative ceiling system fixed a ceiling for the bank as regards the issuing of banknotes ; the proportional gold coverage system imposed a gold and silver reserve on the issuing bank, corresponding to a certain proportion of banknotes in circulation or demand liabilities - banknotes in circulation and credit accounts.

²⁸ Cf. Chapter 3 Section III.

Lastly, generally speaking, when the authorities were unable to slow down issuing pressure subsequent to an increase in expenditure, and when it became obvious that every banknote held by the users did not have a counterpart in gold and silver reserves in the coffers of the issuing bank, the authorities decreed the forced circulation of banknotes, thereby establishing its inconvertibility in gold.

The phenomenon, as we shall see, was to re-occur for the same reasons within the international monetary system, when, on 15 August 1971, the United States Government decided to suspend the convertibility of the dollar into gold, thus questioning the hegemony of gold in the monetary history of mankind.

Indeed, the most striking aspect of the monetary phenomenon is the universal use of gold as a standard of value until the middle of the 1970s. Hence, the following section highlights the objective reasons for the influence of gold on the attributes and on the various methods of its use as a currency.

Section IV - The use of gold as a currency and the organization of monetary relations between communities

After the Paleolithic Age - the Age of sharpened or chipped stone - and the Neolithic Age - the Age of polished stone, historians name the period in history dedicated to the use of metals by men, c. 5500 BC in Egypt and the Near East, as the age of metals.

The first metals used were gold and copper that could be found in their natural state. Later, c. 3500 BC, bronze was obtained by melting copper and tin ; being harder, it could replace stone in the production of certain tools and weapons.

Much later, iron, having greater resistance, replaced bronze. In tropical Africa, iron was used during the first millennium BC.

Although gold was not as hard as other metals, it was to occupy a special place in all human communities due to its specific properties, gradually becoming the universal monetary standard.

I - Metallurgical properties of gold

In an article entitled "Gold, a unique metal", Renaud de la Taille (1980)²⁹ shows how the universal and atavistic attachment to gold, besides its sentimental justifications, is objectively explained by its metallurgical properties.

According to de la Taille, "the practice of classifying prehistorical periods on the basis of the stone, bronze and iron ages is a mistake or, rather, an omission. The correct order is the stone, gold, bronze and iron ages".

²⁹ De la Taille (R.), L'or, un métal unique (Gold, a unique metal), *Science et Vie* (Science and Life)750, March 1980, pp. 40-45.

In fact, gold is the first metal to be handworked by humans. It appeared in the Neolithic Age, in Egypt, in the form of jewelry, decorative objects and as a payment medium.

Several old gold mines were found in the mountainous belt in the desert extending from the Nile to the Red Sea.

As compared to stone, which was only sharpened and whose form appeared only during production, giving it luster, gold was really worked on and the permanence of its luster made it a symbol of wealth and longevity. De la Taille feels that it still symbolizes the same things and that "it will retain its supremacy in the future, sure to last longer than petroleum or even uranium".

Three properties constitute the specificity of gold : its resistance to corrosion, its malleability and ductility and resistance to counterfeit.

A - Corrosion resistance

"What has always made gold an extraordinary metal, in fact an exception, is not only its color - a yellow luminous metal like the Sun - but also the permanence of its luster that ensured that it has been revered continuously till today".

It seems that all the other known metals, even silver, get dull when they come into contact with air : iron corrodes very quickly ; copper and its alloys - bronze - show low resistance over a period of time despite a luster resembling that of gold during the polishing process. Surely, silver offers much better resistance, but in the presence of sulfur-coated organic material, it blackens very quickly.

On the other hand, gold, even when alloyed with common metals, retains its luster even in the poorest atmospheric conditions - neither water, nor organic acids, nor oils, nor air can make it dull. Even sea water, which is so corrosive, does not affect it.

Modern experimental chemistry can prove this resistance to corrosion, which explains why *we find that jewelry that is several thousand years old, still looks new.*

Thus, of all the known elements, gold, subjected in research laboratories to all possible acids - potassium, iodine, bromine, sodium hydroxide, and the worst of mixtures of all these components - is the only metal which is completely and perfectly rust-proof.

According to modern corrosion theories, in the electrochemical classification of elements, gold possesses the highest potential - 1.38 volt. That is why it can withstand most chemical agents.

B - Malleability and ductility

Gold surpasses all other metals in its ductility and malleability - that is to say, this metal *can be shaped simply by cold working*, like one molds dough.

A single gram of gold, as big as an orange seed, can be stretched to a 2-km long thread. Beaten when cold, it can form an 80 cm square sheet !

No other metal can measure up to these extraordinary performances. This explains how nuggets could be worked without any difficulty since olden times, a rudimentary tool being used to shape them, depending on the artisan.

Too soft to make a broad sword, gold became the first metal for making decorative objects and jewelry.

C - Difficulty of imitation

Gold is difficult to imitate due to its golden hue and permanent luster, which it alone possesses, and mainly because of its density.

Indeed, certain well-polished copper alloys can give you the same color ; but apart from the fact that they dull quickly, they do not have the same weight at an equivalent volume : 1 liter of copper weighs 8.9 kg, 1 liter of gold weighs 19.3 kg, i.e. a density of 19.3, the water that is used as reference being 1 kg per liter.

Only seven metals possess densities close to that of gold: all are either rare or very difficult to work on. None is yellow.

Four amongst them surpass gold : osmium (22.5), iridium (22.4), platinum (21.5), and rhenium (21). All are very rare, very expensive, very hard to shape and very difficult to melt³⁰.

Hence, the sensitivity balance, the small, but very accurate, weighing scale used by currency dealers and goldsmiths, enabled detecting, on the basis of the weight, any imitated gold objects and even any object that was a little worn along the edges.

Rust-proof, malleable, rare enough to be precious but popular enough to be used, difficult to imitate, playing a decorative to monetary role, gold was only a step away from becoming a currency symbol - and it did not take time making that step.

II - Gold as money or a monetary standard

From early Antiquity to the second half of the 20th century, gold has remained a pillar of monetary systems not only in most human societies, but also at the international community level.

A - The origin : from weighing gold to minting gold

With all its properties, gold naturally entered in trade and was used as means of payment by the Egyptians since the beginning of their civilization, between 5000 and 3500 BC, according to the weighing system with the help of the sensitivity balance. On the other hand, in Mesopotamia, silver was used as the accounting currency.

Jean Rivoire (1985)³¹ wrote that in the 11th century BC, the Chinese replaced shells with bronze coins as a means of payment. Somewhat strange in shape, flat on one side and convex on the other, bearing engraved inscriptions, these coins had very picturesque names : "ant's nose" and "dog's head", among others ; other models followed, in the form of "spades" and "knives".

³⁰ The other three metals were tungsten (19.3), uranium (19), tantalum (16).

³¹ Rivoire (J.), op cit., p. 9.

In Anatolia, the Hittites, rich in silver, paid for their large purchases in metal, after what they had observed during the Babylon campaign (c. 1530 BC). *In order to facilitate trade dealings, they impressed a seal on the ingot bar indicating clearly the weight and title.*

A step was yet to be taken : to stop stamping ingot bars of variable dimensions, but to stamp identical coins.

This step was taken in the 7th century BC by a community neighboring the Hittites which had just missed being conquered by them, namely, the Lydians. *Gyges*, king of Lydia between 687 and 650 BC, took this step and is generally considered as the *inventor of currency in Western Europe*. Here, the *oldest coins*, egg-shaped, were minted in electrum, the natural alloy of gold and silver, found in nuggets transported by the Pactolus river in Lydia.

This currency, called stater, weighed 14.5 g, that is, a fixed metal weight *that no longer needed to be weighed again* but that one could count. This was an improved feature in the sense that the currency was *convenient to transport and handle*.

Its gold content was approximately 70%, which was the disadvantage of this alloy. Other coins appeared in Ionia, the Greek colony neighboring Lydia, followed by Argos in Continental Greece and in a number of other cities.

In the 6th century BC, when the metallurgists learnt how to separate gold from silver, King Croesus, successor of Gyges, founded a bimetallic monetary system based on pure metal. A stater of 10.89 g of silver, a stater of 8.17 g of gold in the ratio of one gold stater for 10 silver staters.

Thus, *metal currency* was born in Western Europe. It had an intrinsic value equal to that of the metal.

Since then, gold coins were minted concomitantly with silver, lighter in weight and available in greater quantity.

In France, in the 14th century, on 5 December 1360 to be more precise, King Jean II, popularly called Jean Le Bon, issued an ordinance dated in Paris, according to René Sédillot³², relating to the minting of a gold coin containing 3.877 g fine gold : "*the good "deniers" of fine gold that we have decreed for production, called and named francs of fine gold, should be taken and exchanged 20 "sols tournois" per coin*"³³.

The coin, representing the king on horseback, brandishing his sword, bore the caption "*Francorum Rex Johannes Dei gratia*"³⁴ (Jean, King of the French people, by the grace of God).

Called the "franc with a horse" in common parlance, this coin, which was one of several others, was highly successful and lasted a long time due to its quality - made of pure gold - and the convenience of its use. Issued for 20 "sous", *the payment currency*, it was exactly equal to a "livre-tournois" - *the accounting currency* - and thus, made it possible to use *both forms of currency* in a unique manner.

³² De Compiègne, according to Valance (Georges), *La légende du franc de 1360 à demain (Legend of the "franc" from 1360 till tomorrow)*, Flammarion, Paris, 1996.

³³ France owes the name of its Francs to one of the tribes inhabiting ancient Gaul.

³⁴ Sédillot (R.) op cit., p. 24

Other kings "subsequently minted new francs and remaining true to the first edition of this currency, they used the term only for designating quality coins"³⁵.

With the Renaissance in Europe and the dawn of modern times, the frantic search for gold by emerging nations was to become a determining factor, among others, for important geographical discoveries and the resulting socio-political upheaval all over the world.

B - From the 15th to the 18th century : The era of mercantilism or lust for gold in Europe

The mercantilist era in Europe, for economic historians, is the period between 1450 to 1750, and is marked by a fundamental rift in the thinking and ethics of Europeans, as compared with the preceding period, the Middle Ages.

Economic considerations, that used to be secondary to moral ends - justice, natural rights - now occupied the first place and had purely material objectives - the accumulation of gold, wealth and profits.

While men in the Middle Ages were well-versed in the virtues of agriculture and natural economy as described by Aristotle, preached moderation, appreciated the values of safety and stability, the mercantilists acclaimed the boldness of the pioneer and conqueror. They were part of a State less bothered about establishing law and order and more concerned about its presence, acquiring wealth and expansion.

The doctrine originated in the Iberian peninsula - Portugal and Spain - where, for the first time, American gold entered Europe and where people considered the accumulation of precious metals *the "supreme objective of the work of individuals, just as politics was for princes"* (Daniel Villey, 1964)³⁶.

While in its extreme form, chryshedonism linked happiness with gold, the practical objective of each European nation was to acquire the metal that symbolized wealth. To do so, each one tried to profit from its assets.

Thus, for Portugal and Spain, it was important to ensure that they could hold gold stocks to prevent it from leaving national boundaries and entering other European nations. This accounts for their so-called "bullionist"³⁷ policy of monetary protectionism by prohibiting gold efflux, compelling exporters to repatriate their profits, etc.

For other European countries, which did not work gold mines, it was necessary to attract the metal. The French mercantilists did so by encouraging export-oriented manufactures - Colbertism. The English resorted to selling more than they purchased abroad, thanks to the development of maritime transportation - commercialism.

³⁵ Idem, p. 26.

³⁶ Villey (D), *Petite Histoire des grandes doctrines économiques (Brief history of great economic doctrines)*, Génin, Paris, 1964, p. 83.

³⁷ "Bullion" in English : ingot.

Overall, "An ideal of happiness and peace was succeeded by a mentality of struggling for life, lust for success, wealth and power"³⁸.

A largely rural and cottage industry-based world was replaced by a manufacturing and marketing world. A typically continental civilization was replaced by a maritime civilization : ships invaded the seas and large fleets of ships attacked the oceans.

Therefore, a number of authors do not hesitate to contend that "gold was the motivating factor behind the great maritime expeditions undertaken by the conquistadors"³⁹.

In 10 years, the stock of precious metals, on which the Middle Ages had survived, was multiplied 8 times. This created inflation in Europe and gave rise to the first theoretical controversies on the causes of the phenomenon, in particular, the "*Answers to the paradoxes of Mr. de Malestroict*" by Jean Bodin, "a topical study that will defy the centuries"⁴⁰.

The movement continued into the 19th century, when major gold-bearing locations were discovered and enabled the extraction of enough gold to make it a unique international currency exchange standard.

C - In the 19th century : The gold standard

It was England, which, in 1816, did the pioneering work by being the first country to adopt the gold standard. It was followed by Portugal in 1854, Switzerland in 1860, Germany in 1871, Sweden, Norway, Denmark, Belgium and France in 1873, Italy and the Netherlands in 1875, Finland in 1877, Romania in 1890, Tunisia in 1891, the Austro-Hungarian Empire in 1892, Chile in 1895, Costa Rica in 1896, Russia and Japan in 1897, India in 1899, the U.S.A. and Ecuador in 1900, etc.

Thus, before the First World War in 1914-1918, most modern countries had adopted the gold standard.

The system required circulation of currencies in gold, making it necessary to coin huge quantities of the precious metal into money :

	(Tons)
In Great-Britain and in Australia (1816-1914)	6,489
In the United States (1873-1913)	3,477
In the German Empire (1872-1914)	1,903
In Russia (1800-1914)	1,287
In Austria - Hungary (1892-1913)	409

Source : Gold - Société de Banque Suisse (Swiss Bank Company), 1981.

Hence, according to the "Société de Banque Suisse" (Swiss Bank Company), these countries needed 13,565 tons of gold for minting their new currency, in other words, more than 12,300 tons of precious metal extraction throughout the 19th century.

³⁸ Villey, D. op. cit. p. 76.

³⁹ Or, *Société de Banque Suisse (The Swiss Bank Company)*, January 1981.

⁴⁰ Villey (D.) op. cit. p. 87.

In the exchangeable gold standard system, gold was freely imported and exported. The issuing bank was committed to buy or sell to any person, at any time, at a fixed price. Individuals were authorized, on the basis of coinage rights, to convert their gold into cash. Issuing banks were responsible for converting in gold the banknotes they issued for circulation, at any time. The legal reserve requirements imposed a gold reserve on them, to ensure that they could cover the issue.

Consequently, the economy's gold supply determined the level of money supply. The imbalances of the balance of payments were regulated by gold transfers - these transfers of gold resulted in the contraction of money supply in the deficit country and hence, a fall in domestic prices, subsequent to a deflationary effect of this contraction.

This, in turn, affected the Foreign Exchange market - the *currency conversion market* through demand and supply levels. With the rise in the foreign value of this rarefied currency, in the long-term, it once again, became more profitable for the country's foreign debtors to make their payments in gold, rather than in the currency whose value had gone up. This resulted in inflows of gold, which induced, in the long run, contrary effects and movements.

These automatic adjustments imposed a certain discipline on governments in respect of balance of payments, and ensured foreign exchange stability. On the other hand, domestic economies suffered cyclical fluctuations in domestic prices and employment.

Consequently, deep changes occurred in the system, after the two world wars that marked the first half of the 20th century.

D - In the first half of the 20th century : The gold bullion standard and the gold exchange standard

a - After the First World War

The disturbances resulting from the 1914-1918 war called for a review of the gold standard. Indeed, to finance war expenses, the warring parties reserved their gold for settling expenses incurred abroad and used *paper money*, whose printing depended on themselves, for domestic transactions.

To this end, they suspended the convertibility of banknotes into gold, decreed paper money as fiat money and legal tender. That is what the French government did, for example, on 5 August 1914.

Following these measures, the monetary situation at the end of the conflict was characterized by a depletion of the warring parties' gold reserves, an unequal distribution in all the countries, a rise in prices related to inflationary financing of war expenses while the gold stock worldwide did not increase in the same proportion.

Returning to the *status quo ante*, in other words, to the gold standard, necessitated either a considerable increase in the quantity of gold, which was not possible in the immediate future ; or a price adjustment in each country as compared to the existing

gold quantity, that is to say a massive deflation operation which the nations could not undertake due to its depressing effect on business.

The non-convertibility of most domestic currencies into gold meant the absence of links amongst them, and consequently induced a fall in commercial and financial transactions.

This situation led to the organization of a conference at Genoa from 10 April to 19 May 1922 to identify the best means for boosting transactions between the countries.

It was in the most important resolution of the conference that the design of an international monetary system was outlined.

Taking into account the inadequacy of the gold stock and its unequal distribution, participants agreed to adopt three solutions depending on the choice of the countries desirous of re-establishing the gold standard :

1) A country was free to institute, as in the past, complete convertibility with the circulation of gold coins, free minting of the metal and the right to exchange banknotes for coins : this was the gold specie standard ;

2) It could confine itself to limited convertibility : gold coins or banknotes are in circulation ; but the conversion of notes into gold by the issuing bank is allowed only for large sums corresponding at least to one gold bar⁴¹ and not coins ; which results in *reduction in gold requirements* taking into account the low average cash reserves of the public at large : this was the gold bullion standard ;

3) Finally, a country that did not have adequate metal for even instituting such a limited convertibility could enter the international monetary system by another way.

It could include in its monetary reserves currencies other than gold that were convertible into gold and was bound to sell to or buy from foreign operators, in the foreign exchange market, its currency at a fixed rate of exchange - *parity* - against gold or these currencies. In the country, the note remained inconvertible - it was forced legal tender : this was the gold exchange standard.

France, for example, alternately opted for the last two possibilities⁴².

b - After the Second World War

From 1936 onwards, all countries suspended the exchange rate systems thus conceived. The Second World War began in 1939 ; more devastating than the first one, it aggravated the imbalances : the major part of the world's gold stock went to the United States, which, subsequent to the destruction of European countries, and then of Japan, became the topmost industrial power.

Thus, a little before the end of the conflict, a conference was held in July 1944 at Bretton Woods, a small locality of the New Hampshire State in the United States, to organize the international monetary system.

⁴¹ The gold ingot often corresponded to a block of 1 kg gold

⁴² Jacoud (Gilles), *La monnaie dans l'économie (Currency in the economy)*, Nathan, Paris, 1994, p. 131.

The final formula accepted was related to the gold exchange standard :

1) Within the participating countries, the banknote was not convertible into gold - its forced legal tender character was maintained ;

2) However, each country ensured the foreign convertibility of its respective currency either into gold, or a currency that was convertible into gold at a fixed exchange rate in both cases - parity.

The country would do so by selling or buying on the foreign exchange market its currency against gold or the concerned currency convertible into gold ;

3) If a member country, while doing so, found it difficult to support the parity of its currency, the other participants would come to its rescue through a fund created to this effect, provided that it observed the rules agreed upon.

This fund, institutionalized under the name of the International Monetary Fund (IMF), was set up in Washington DC, the capital city of the United States, from where it organized any such assistance and ensured the observance of rules.

Besides the IMF, another institution, the International Bank for Reconstruction and Development (IBRD), was made responsible for mobilizing long-term funds to assist financing reconstruction activity in countries destroyed by the war⁴³ ;

4) In the statutes of the Fund, two possibilities were offered in clear terms to member countries to guarantee the foreign convertibility of their currencies, that is to say, to implement the foreign exchange system established by the agreements :

- They could either make a commitment to official foreign bodies - central banks, exchange stabilization funds - to buy from or *sell* them gold *against their currency, without restriction*, at a fixed exchange rate determined in advance - parity. The currency concerned would, therefore, be considered as an equivalent of gold ;

- Or they could engage to intervene on the foreign exchange market, by purchasing or selling gold or foreign currencies for maintaining the exchange rate of its currency as compared to gold or an equivalent currency, in the margin of $\pm 1\%$ of the parity.

The exchange rate system thus instituted was that of fixed exchange rates.

For its implementation, the United States opted for the first formula by guaranteeing to buy and sell gold at the official price of 35 dollars per ounce⁴⁴. This guarantee was only applicable to foreign central banks and did not apply to individuals or companies.

All the other members adopted the second formula.

In case of difficulty, irrespective of the formula chosen, the member country had three remedies :

- Control of foreign currencies used in the movement of funds,

- IMF drawings, that is, borrowing in gold or foreign currencies against its own currency,

⁴³ The World Bank group includes the IBRD, the International Finance Corporation (IFC), International Development Association (IDA), International Centre for Settlement of Investment Disputes (ICSID), Multilateral Investments Guarantee Agency (MIGA).

⁴⁴ 1 ounce of gold = 31.10348 grams. Gold is present in bars of 350 ounces and 430 ounces with the strength (gold content) of minimum 995/1000 to maximum 999/1000.

- The adoption, in last resort, of a new parity, that is, a devaluation in general, or a revaluation, with the prior approval of the IMF, if the difference between the old and the new parity exceeded 10%.

The system thus conceived, seemed to function during the 12 years following the war, and corresponding to the period of reconstruction of European countries and Japan.

The central banks of these countries, indeed, had no reason, at that moment, to want to acquire gold since their currencies (paper currencies) were not convertible in their territories. They just wanted to maintain foreign exchange reserves in the form of gold or foreign currencies, especially for financing their imports.

Under these conditions, the dollar was the ideal instrument since its value in gold was guaranteed, it was easy to handle and carried interest.

Thus, the United States had no difficulty in reaffirming the official price of 35 dollars per ounce, since the dollars issued and exported for various purposes - investment, assistance, imports, etc - did not affect its official gold reserves. Considered "as good as gold", the dollar dominated the international monetary system as reserve currency.

From 1958 onwards, and through the 1960s, the economies of the European countries and Japan picked up, enabling them to meet a major part of their requirements themselves and therefore, they were less anxious to own dollars, unlike in the past. The economic predominance of the United States gradually decreased. There was a reversal in the trend, in the sense that the American balance of payments deficit was increasing, the country becoming indebted to Europe and Japan.

It paid its debts by issuing its currency, which, as a reserve currency, was accepted by creditor countries ; the movement increased to such an extent that the amount of dollars held by foreigners was rapidly exceeding the United States' gold stock.

Concomitantly, the dollar's purchasing power was decreasing due to the inflation prevailing in the United States, slowly at first, then more rapidly after 1965, with the financing of the Vietnam War.

Hence, there was a growing feeling that gold was the real value, *and that it was better than the dollar*. The privileged status of the American currency was contested [Jacques Rueff - "Le lancinant problème des balances de paiements"⁴⁵ ("The crucial problem of balance of payments")] and also the fact that the dollar was considered as a standard and as a reserve instrument.

The quantity of dollars in circulation outside the United States exceeding by far the possibilities of conversion into gold, there was a rise in the conversion of dollars towards the end of the 60s. The holders got rid of them by selling them in exchange for gold or other currencies considered more reliable such as the deutsche mark.

After seven months of speculation from February-March to August 1971, on 15 August, the American authorities suspended the convertibility of the dollar into gold, by introducing a tax of 10% on imports and freezing salaries and prices for three months.

⁴⁵ Rueff (J), *Le lancinant problème des balances de paiements (The crucial problem of balance of payments)*, Payot, Paris, 1965.

President Richard Nixon contended in his speech that he wanted to "protect the dollar, the pillar of monetary stability in the whole world, from the speculators who had declared an open war on it, and at the same time, improve the balance of payments situation with an increase in employment".

He insisted that the countries "destroyed by the war", especially, Japan and Germany, had become powerful competitors, despite the considerable assistance (143 billion dollars) received from the United States. What he really meant was "that they would bear a fair share of the burden for détente, for the freedom of the world", concluded "that there is no reason for the United States to fight with one hand tied behind its back"⁴⁶. He proposed negotiations at the international level for a reform of the international monetary system.

This process led to the demonetization of gold.

E - Demonetization of gold

The pilot-currency of the international monetary system, which had become inconvertible, was first devaluated on 18 December 1971, by an increase in the official price of gold from 35 to 38 dollars per ounce, within the framework of a general realignment of parities, that was recorded in monetary history as the "Washington Agreements" or the "Smithsonian Agreement" as the Americans called it. It was hoped that through these agreements⁴⁷, it would be possible to save the fixed exchange rate system by bringing the fluctuation margins of currencies to $\pm 2.25\%$ of the central rates as against the earlier $\pm 1\%$, that is a range of 4.5% as against 2% earlier.

However, on the open market, the price of the metal rose by more than 40 dollars per ounce, a phenomenon that was very symptomatic of the wariness on the markets ; the pressure was so strong that the United States was forced to devalue its currency for a second time on 13 February 1973 ; an ounce of gold was thenceforth officially worth 42.22 Dollars as against the 38 Dollars earlier or 35 Dollars before the agreements.

This new devaluation did not help contain the massive sale of dollars. On the open market, the price of gold nearly crossed the 70-dollar mark. Central banks, therefore, stopped intervening on the foreign exchange markets and an exchange rate system linked to market forces was gradually established : that of *floating exchange rates*.

Faced with a *fait accompli*, the free fall of the Dollar and the vertiginous climb of gold, the IMF resolved to revise its statutes. The debate for establishing a new international monetary order within the Interim Committee of the IMF⁴⁸ was marked by differences between the United States, which wanted a system that would not be linked to gold, and France, which, on behalf of a certain number of European countries, advocated the maintenance of exchange rates fixed with reference to gold.

⁴⁶ Croissance et crises (Growth and crisis), *Le Monde*, (Special edition on Reports and documents), October 1996, p. 63.

⁴⁷ Concluded between the six countries of the European Economic Community (Belgium, France, Germany, Holland, Italy, and Luxembourg), the United States, Canada, Great Britain and Japan.

⁴⁸ The annual meetings of the IMF and the World Bank of October 1974 have established an "Interim Committee" of the IMF instead and in the place of a "Committee of twenty" set up on July 26, 1972. Discussions within the Interim Committee resulted in the adoption of new IMF statutes on 15 January 1976 at Kingston in Jamaica.

The American point of view won through and so the Jamaica Conference of 15 January 1976 at Kingston, institutionalized the floating of currencies, and gave up the official gold price, putting an end to the system established by the Bretton Woods Agreements.

As a result, according to the terms of the statutes as revised and enforced on 1 April 1978, (Article IV - Section 2) a member country thenceforth had three options from which it could choose its exchange system, within the framework of the IMF, without making any reference to gold : it could *define its currency in relation* to the Special Drawing Rights (SDR) ; to the *currency* or currencies of *other members (basket of currencies)* ; or according to other arrangements of its choice.

In the meantime, the six European member countries of the European Economic Community, involved in a process of economic integration since the Treaty of Rome of 25 March 1957, found the fluctuation margins permitted by the Washington Agreement too wide with regard to the relationship between their currencies, and on 21 March 1972, decided to fix the global range of fluctuation between these currencies at 2.25%, or half of what was established by the international system.

This brought about the "serpent" mechanism, a metaphor used by the press to denote the evolutionary curve on the foreign exchange market of this group of currencies, linked among themselves in the "tunnel" formed by the walls of the 4.5% range.

The system that came into effect on 24 April 1972 after an agreement signed by the Central Banks at Basle on 10 April 1972 faced a lot of difficulties and seemed unstable, with a number of exits and recombinations of currencies, revaluations and devaluations.

Hence, the promoters were desirous to have a zone of enhanced monetary stability and created a European Monetary System (EMS) that came into force on 13 March 1979.

Here, an official role was accorded to gold, in the sense that it occupied a position that was at parity with the Dollar in the common reserve fund and it could be used at the market price to counterbalance transaction balances.

This system became the framework of the Maastricht Treaty establishing the European Union (7 February 1992), a monetary union on 1 January 1999 with the advent of a single currency – the Euro – in member countries.

In spite of the official demonetization of gold within the framework of the international monetary system, the gold reserves of the main central banks have practically remained stable in absolute values as illustrated in the attached table.

Gold reserves of the six (6) most industrialized countries from 1976 to 1997
(in tons)

Country	Years	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
USA		8 543.50	8 632.77	8 597.31	8 229.98	8 221.27	8 214.74	8 212.25	8 192.34	8 173.68	8 169.33	8150.20
Canada		672.15	684.59	688.32	689.88	652.55	636.38	630.16	627.36	626.42	625.49	613.36
Germany		3 658.08	3 679.54	3 690.12	2 962.61	2 960.43	2 960.43	2 960.43	2 960.43	2 960.43	2 960.43	2960.43
Japan		656.59	672.46	745.55	753.64	753.64	753.64	753.64	753.64	753.64	753.64	753.64
France		3 142.07	3 162.29	3 172.24	2 548.00	2 545.82	2 545.82	2 545.82	2 545.82	2 545.82	2 545.82	2545.82
UK		654.11	691.43	710.09	567.64	585.99	591.90	591.28	591.28	591.90	591.90	613.50

Country	Years	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
USA		8 150.36	8 160.93	8 145.07	8 146.93	8 146.31	8 146.31	8 144.13	8 142.58	8 143.71	8139.97	8137.90
Canada		613.36	576.04	533.11	500.77	459.09	403.10	309.17	188.18	120.99	106.06	106.06
Germany		2 960.43	2 960.43	2 960.43	2 960.43	2 960.43	2 960.43	2 960.43	2 960.43	2 960.43	2 960.43	2960.43
Japan		753.64	753.64	753.64	753.64	753.64	753.64	753.64	753.64	753.64	753.64	753.64
France		2 545.82	2 545.82	2 545.82	2 545.82	2 545.82	2 545.82	2 545.82	2 545.82	2 545.82	2 545.82	2547.07
UK		591.28	591.28	590.97	590.66	589.10	587.54	578.84	573.86	573.55	573.24	572.93

Source : IFC (IMF)

Total reserves of the six (6) most industrialized countries from 1976 to 1997
(in million US Dollars)

Country	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
USA																						
Reserves y.c. gold (1)	18750	19310	18650	18950	26760	30070	33960	33750	34940	43190	48510	45800	47800	74610	83320	77720	71330	73400	74330	85830	75090	69954
Reserves without gold (2)	11600	11720	11670	11170	11160	11150	11150	11120	11100	11090	11060	11080	11060	11060	11060	11060	11060	11050	11050	11050	11050	11047
R/Reserves (2)(1)%	61.9	60.7	62.6	58.9	41.7	37.1	32.8	32.9	31.8	25.7	22.8	24.2	23.1	14.8	13.3	14.2	15.5	15.1	14.9	12.9	14.7	15.8
Germany																						
Reserves y.c. gold (1)	35945	41392	57818	60455	55580	49790	50523	47700	44490	49942	58788	87412	66218	68772	77065	72031	99449	85570	86202	94555	91983	85226
Reserves without gold (2)	5926	6684	9344	7906	6988	6071	5761	5026	4349	5562	7054	8656	7690	8063	9163	9030	8482	7930	8839	9550	8805	7639
R/Reserves (2)(1)%	16.5	16.1	16.2	13.1	12.6	12.2	11.4	10.5	9.8	11.1	12.0	9.9	11.6	11.7	11.9	12.5	8.5	9.3	10.3	10.1	9.6	9.0
Japan																						
Reserves y.c. gold (1)	16604	23260	33500	20639	25718	29195	24269	25490	27260	27650	43294	82176	97869	85071	79707	73272	72789	99689	127098	184510	217867	220792
Reserves without gold (2)	858	919	1093	1117	1082	987	935	888	831	931	1037	1203	1141	1114	1206	1213	1166	1165	1238	1260	1219	1144
R/Reserves (2)(1)%	5.2	4.0	3.3	5.4	4.2	3.4	3.9	3.5	3.0	3.4	2.4	1.5	1.2	1.3	1.5	1.7	1.6	1.2	1.0	0.7	0.6	0.5
France																						
Reserves y.c. gold (1)	18460	22589	31618	51774	77331	56139	53379	50637	47772	54169	65389	74545	59050	58593	68099	62988	53341	53378	56987	58511	57164	55929
Reserves without gold (2)	12840	16717	22340	34195	49991	33877	36848	30786	26832	27580	33932	41496	33686	33982	31321	31704	26313	30729	30730	31658	30368	25002
R/Reserves (2)(1)%	69.6	74.0	70.7	66.0	64.6	60.3	69.0	60.8	56.2	50.9	51.9	55.7	57.0	58.0	46.0	50.3	49.3	57.6	53.9	54.1	53.1	44.7
United Kingdom																						
Reserves y.c. gold (1)	4260	21050	16990	23000	27640	22570	16960	17250	14920	17170	23320	47510	50570	40230	41090	46930	41410	41340	46320	47260	45380	37126
Reserves without gold (2)	890	940	960	3260	6990	7330	4560	5910	5480	4310	4900	5790	6470	5460	5240	5040	4770	4560	5310	5240	5480	4809
R/Reserves (2)(1)%	20.9	4.5	5.7	14.2	25.3	32.5	26.9	34.3	36.7	25.1	21.0	12.2	12.8	13.6	12.8	10.7	11.5	11.0	11.5	11.1	12.1	13.0
Canada																						
Reserves y.c. gold (1)	5843	4608	4566	3887	4030	4371	3793	4205	3182	3276	4096	8197	16198	16796	18580	16901	11909	12773	12484	15227	20577	17969
Reserves without gold (2)	879	936	1009	1023	937	834	782	739	691	773	845	920	807	741	735	649	478	292	198	178	155	146
R/Reserves (2)(1)%	15.0	20.3	22.1	26.3	23.3	19.1	20.6	17.6	21.7	23.6	20.6	11.2	5.0	4.4	4.0	3.8	4.0	2.3	1.6	1.2	0.8	0.8

Source : IFC (IMF)

In conclusion, the universal use of gold as a currency or monetary standard, was an efficient means of decompartmentalizing space and of bringing closer human communities that are geographically and culturally distant.

Man's desire to *extend the functions of currency beyond the borders of the issuing territory, to facilitate trade between communities, the movement of people and the circulation of capital*, has been fulfilled throughout history, with the use of various systems.

The latter constitute several models of organization of monetary relations between communities : regional monetary systems and international monetary systems. We can examine each one and find out whether they are optimal in nature, or not.



King Jean II, popularly called Jean Le Bon,
(page 61)



President Richard Nixon
(page 68)

Special Drawing Rights (SDRs)

In order to meet international liquidity requirements and diversify reserve assets, the International Monetary Fund (IMF) created Special Drawing Rights (SDR) in 1969.

The SDR's value has been defined many times. In the beginning, it was equivalent to one thirty-fifth of an ounce of gold, similar to that of the United States Dollar, which was itself linked to gold.

Once the Bretton Wood's system of parities collapsed, a new procedure was adopted from 1 July 1974, to determine the value of the SDR on the basis of a basket of currencies.

On 1 January 1981, the procedure was simplified and the value of the SDR was fixed by taking into account the currencies of the five most important countries of the world economy. Their proportions were as follows :

	1 January 1981	1 January 1991
United States Dollar	42%	40%
Deutsche Mark	19%	21%
Japanese Yen	13%	17%
French Franc	13%	11%
Pound Sterling	13%	11%

The SDR does not have any material support. It is basically a unit of account but can, however, be used for authorized representative payments by member countries and registered holders. The SDR's interest rate is the weighted average of the returns of certain short-term monetary instruments of countries whose currencies constitute the basket. It is adjusted every week.

Section V – Models of organization of monetary relations between communities : regional monetary systems and international monetary system

The significance of this section, and of modeling, lies in the fact that it brings to the fore the salient features of the forms of monetary organization between communities or monetary systems to which this work refers, their strong points and weak points, thereby providing *a rational foundation for all future solutions concerning WAMU*.

The models are based on mathematical analysis and economic theory, then applied to different experiences of monetary organization between communities as recorded in the history of human societies.

I – Theoretical foundations of monetary systems

François Perroux (1961)⁴⁹ made an important contribution to the study of the relationship between economic units by underlining that the relationship between social groups in general - and economic units in particular - be it firms, States or other groups, was characterized by the "domination effect", that is, the strategies and the asymmetrical and irreversible influence that some exert on others.

He noted, however, that the *application of a domination effect is never conclusive - it is always under threat and always reversible*.

Ever since then, owing to modern set theory, we have a more general and systematic analysis of the network of relationships that develops between the various elements of a given set. Thus, it appeared that the relationships were not only *univocal* as François Perroux affirmed ; they were either symmetrical, that is to say, reciprocal and egalitarian or asymmetrical, in other words, *inegalitarian* ; or even absent between certain elements of the set⁵⁰.

There are *many systems* - symmetrical or egalitarian, asymmetrical or *inegalitarian* or hierarchical - that result from these different types of relationships.

A rational system – founded on reason alone - consists of choosing a solution that has the greatest merit (Passet, R. p 106, Tome IV) from a set of possible solutions, i.e. the optimal solution ; in this case, the optimal system, since it involved selecting an option from among many systems.

The choice meant having recourse to a *choice criterion* or "*value criterion*", bearing in mind the objective aimed at.

The optimum theory⁵¹ in economic analysis is derived from this general notion of optimum, and forms an instrument for evaluating *the relevance of economic choices or economic policy measures*⁵² ; it helps assess the optimal character or otherwise of these choices, in terms of economic efficiency and institutional stability.

⁴⁹ Perroux (F.), *L'économie du XX^e siècle* (20th Century Economics), PUF, Paris, 1964.

⁵⁰ Passet, René, *Introduction aux mathématiques de l'analyse économique* (Introduction to Economic Analysis Mathematics), Volume I, Cujas, Paris, 1969.

⁵¹ *Optimum* comes from the Latin *optimus*, the best.

⁵² Henderson (J. M.) et Quandt (R. E.), *Microéconomie, formulation mathématique élémentaire* (Microeconomics, elementary mathematical formulation), Dunod, Paris, 1972 pp. 240-275.

According to economic theory, *the optimal system* is the one that comes from competition (Pareto's optimum) ; the worst is the one dominated by *monopolies* (asymmetrical system), due to the excesses that it inevitably entails ; *oligopolies or cartels* (symmetrical or egalitarian system), which incorporate the disadvantages of monopolies and the instability linked to the conflicts inherent in cartels (Pascal Salin, 1980)⁵³ are no better.

Applied to monetary organization, this classification helps identify three models of monetary organization or monetary systems : competitive systems; asymmetrical systems, said to be monopolistic or hierarchical ; or symmetrical systems, said to be egalitarian or oligopolistic. This is so because in this field, the *optimum* increases in accordance with the degree of *monetary quality* of the currency produced and the stability of the institutional device (Pascal Salin, 1980).

The area that is monetarily integrated in any of these three ways forms a monetary zone in the broad sense, that is, "*the area where one or many currencies circulate freely or almost freely*" (Pascal Salin, 1980). A monetary zone, in the narrow or everyday sense of the term, represents one of the forms of monetary organization, as we shall see.

The optimal monetary zone *is the one that, by its rules and functioning, guarantees the production of quality currency* (Pascal Salin, 1980) as well as the cohesion and stability of the zone concerned.

II - Application to the experiences of monetary organization between communities

A – Competitive systems

The model is the gold standard. The constraint of converting the banknotes issued by the countries using this system into gold at a fixed parity automatically makes the various currencies enter into competition, by giving the users a choice between gold - a common denominator - and each paper-money representing gold. Therefore, a discipline is imposed on each issuing country to ensure the quality of its issue. For this reason, certain authors feel that this system is the optimal monetary system. But it is evident that the United States had difficulty in abiding by its discipline in the course of the 20th century.

B – Hierarchical systems : The monetary zone model in restricted or generic terms

The monetary zone, in the narrow sense of the term, is the area constituted by a dominating nation or a main-country and its dependent units. There are two variants.

- a – The monetary zone constituted by a mother country and its colonies or a country and its former colonies

In such a zone,

- Either the dominating country imposes its currency (pilot-currency) *de facto* or *de jure* on the units in its sphere of politico-economic influence, thereby achieving the monetary unity of the zone ;

⁵³ Salin (P), The political economy of alternative approach of monetary integration, unpublished, 1980.

- Or each unit has its own currency, but all are linked to the pilot-currency by a fixed parity and are convertible among themselves, in an unlimited way, thus leading to monetary uniformity in their plurality.

We can cite a number of cases from history : the "Denarius zone" at the time of the Roman empire, the Sterling zone, the Franc zone, the Escudo zone, the Dollar zone, etc., right up to the contemporary period.

As opposed to the following system, this system had an element of a "Colonial Pact" about it (cf. box 2. 21).

Box pr. 5

The "Denarius Zone"

In its time, Roman currency used to circulate in all parts of the Empire, whence the famous rejoinder to its opponents, in occupied Palestine, attributed to Jesus by the Evangelist Saint Mark :

- "Is it lawful to give tribute to Caesar, or not ?
- "Bring me a penny [denarius], that I may see it.
- "Whose is this image and superscription ?
- "Caesar's
- "Render to Caesar the things that are Caesar's..."

Mark, Chapter XII, 15 to 17.

b – The system resulting from the Bretton Woods Agreements

This system used to form a monetary zone in the narrow sense of the terms, because of the fact that the currencies of the participating countries were linked by a fixed parity to that of the dominating country, the Dollar, which was itself theoretically linked to gold, and were convertible between them. *It was therefore a Dollar zone* but one in which *the rules of production of currencies were left to the initiative of each participant.*

Viewed from the perspective of an optimum system, the hierarchical organization or monetary zone in the normal sense of the term has a certain element of *efficiency and stability* for the dependent units, the supervisory role being played by the dominating country, on condition that the rules of money creation defined *a priori* were imposed on each one of the participants.

On the contrary, the discipline of the zone is not always observed by the dominating country ; this may cause some disturbance in the system, as can be seen by the examples of the suspension of the dollar's convertibility on 15 August 1971 or the numerous devaluations of the French Franc, the pilot-currency of the Franc zone.

C – Egalitarian systems

The partners are bound by the same commitments and the same rights. The outcome of this method is monetary co-operation and monetary union.

a – Monetary co-operation

It corresponds to the case where the currencies of the system are linked to one another by a fixed parity without the legal pre-eminence of one on the others and without the definition of common rules of production of the currency *a priori* - for example, the European Monetary System before the Maastricht treaty, the system prevailing formerly in East Africa (Kenya, Uganda, Tanzania).

b – Monetary union

In this method, many sovereign States reach an understanding to recognize a common currency and full legal tender within their respective territories : for example, the Latin Union - partially, the West African monetary union, the Caribbean monetary union and the European Union from 1 January 1999 onwards.

This currency can be issued by each issuing bank of the member States or by one chosen among the others ; that is, this system is not to be confused with that of the multinational Central Bank (common) but can be combined with it as in the case of WAMU.

From the point of view of the optimum, egalitarian systems - cartels - are weak, since there is no authority here to play the role of supervisor. They are therefore exposed to tension within the group - political or economic crises.

In practice, certain systems combine the egalitarian system and the hierarchical system. That is the case with the West African Monetary Union which is included in the Franc zone and has a common central bank.

D – Independent Multinational Central Bank

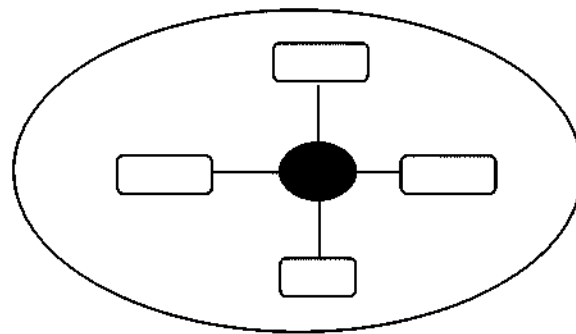
The Multinational Central Bank, even though it occupies a monopoly position, can be an efficient institutional device if it is accompanied by working rules that guarantee its independence and the production of quality currency (Patrice Kouamé, 1984 et 1988)⁵⁴ :

⁵⁴ Kouamé (Patrice), op. cit.

Models of monetary organization between communities : Regional monetary systems and international monetary system

I – Competitive systems

The gold standard : All currencies are linked to gold, each one representing a certain weight of gold (parity).



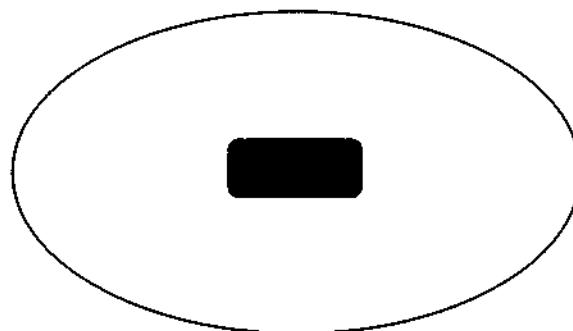
- Gold
- National currencies

II – Hierarchical systems

- A monetary zone in a narrow sense

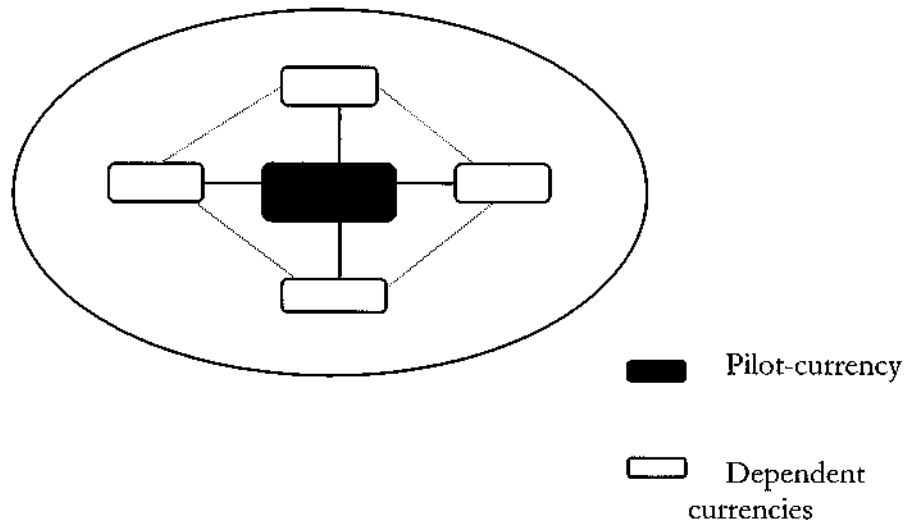
a – Formed by a mother country and its colonies or a country and its former colonies

- The currency of the dominating country (pilot-currency) circulates in the entire zone.



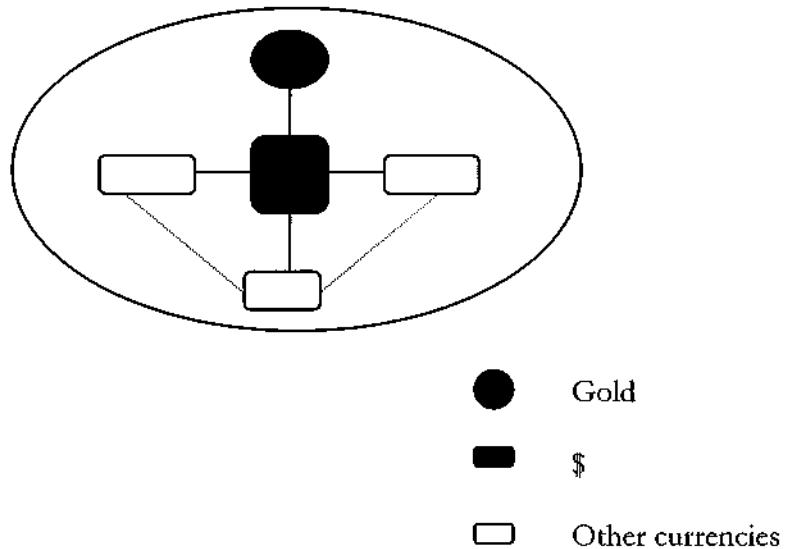
- Currency of the dominating country

- Each unit of the zone has its own currency linked by a fixed parity to the pilot-currency, all currencies being convertible in an unlimited way between themselves.



b – Formed by the system resulting from the Bretton Woods agreements

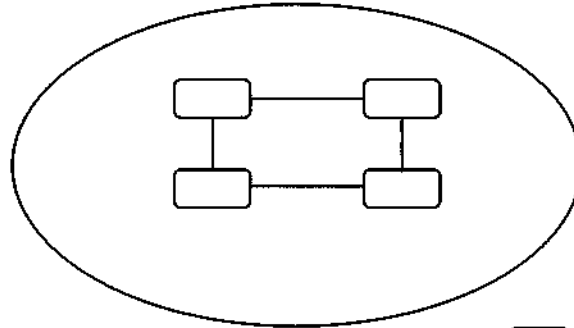
- The Dollar (in the middle) alone is linked to gold (on top)
At a parity of 35 Dollars = 1 ounce of gold, that is 31.10348 grams, the other currencies have a fixed parity with the Dollar and are convertible between them for current payments (mainly operations on goods and services).




III – Egalitarian systems

- Monetary co-operation

- There are national currencies linked between themselves by a fixed parity

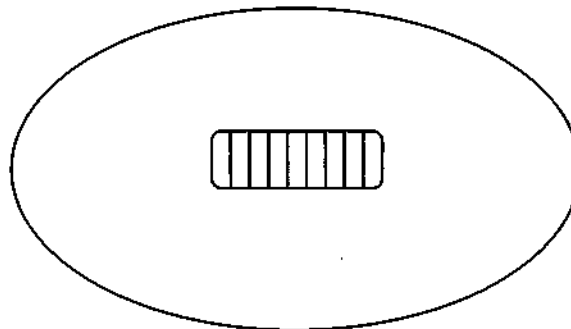



 National currencies linked between themselves

Monetary union

Many sovereign States grant legal tender to a currency on their respective territories.

IV – Independent Multinational Central Bank issuing a single currency for the entire zone



 Single currency

Falling within the scope of the evolution of the general history of the region, the monetary history of WAMU member countries as described in the following chapters is supposed to be an illustration in time – *from pre-colonial times to the present* – and in space – *West Africa* – of the founding and unifying function of currency in social organization.

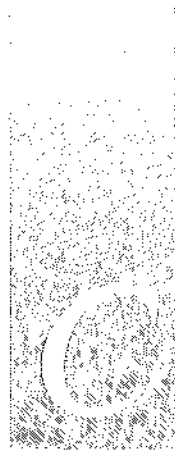
Under various and increasingly complex forms, it appeared, in the whole region, since pre-colonial times, as an intermediary in *domestic* trade and *foreign trade*.

In addition to this traditional function, with the colonial and imperial project, it also served as a tool for the integration of the colonies and mother country economies, first, within the rigorous framework of the gold-standard of the 19th century, then by the less constraining method of a foreign exchange standard or more precisely, "the Franc exchange standard"⁵⁵ with the technique of "operations accounts" after the first world war.

Thereafter, it became a privileged instrument of co-operation and economic policy for the independence of the concerned countries in the beginning of the 1960s.

Given the results of this experience, it could form the anchoring point of a larger regional co-operation in the future.

⁵⁵ Mireaux (E.), op. cit. p. 40.



CHAPTER 1

WEST AFRICA
IN THE MAJOR TRADE
MOVEMENTS FROM ANTIQUITY
TO THE COLONIAL PERIOD
AND PRE-COLONIAL
MONETARY SYSTEMS

Africa was never a continent closed in on itself. From Antiquity to the colonial period, it participated in the major trade movements, maintaining good relations with Greece, Rome, Carthage, Persia, China, the Arabs, Europe and America.

So, its Western region, relatively close to the North Mediterranean, opening onto the Atlantic, and rich in natural resources, developed a domestic economy, monetary instruments and was involved in foreign trade very early.

Section I – West Africa’s Trade with the Mediterranean World in Antiquity

I – Pre-colonial West Africa

A - Geographical and Political Perspective

"West Africa appears in maps as a fairly singular entity, because of its shape and its very distinct boundaries : in the North and East, the desert separates it from North Africa and East Africa. In the South-East, the high mountains of Cameroon rising from the South-West to the North-East, form a formidable barrier. Finally, in the South and in the West, the Atlantic lines its coasts. This block, however, presents aspects that are as diverse in their physical characteristics as in their human population and their economy". (Seck, A. and Mondjannagni, A.)⁵⁶.

This presentation, made in 1975, would fit - *mutatis mutandis* - the West Africa of Antiquity. Raymond Mauny, in his geographical description of West Africa, presented it in this way, while referring to the territories that we currently recognize. This would be the ensemble constituted by Mauritania and the (Moroccan) Sahara, the southern limits of Algeria, Sudan and the Niger valley, Niger, Chad, Senegambia (Senegal, The Gambia, Guinea-Bissau), and the following groups : Guinea-Sierra Leone and Liberia ; Côte d’Ivoire - Burkina Faso and Ghana ; and Nigeria-Benin and Togo.

It is a not very rugged area of 6 million sq. km, including a desert in the north, grasslands in the center and a forested area in its southern part.

It has been populated since Paleolithic times⁵⁷ by autochthonous and other populations who would have come from Asia after having transited through Egypt. Diverse archaeological sources - tumuli, collections of shells, pottery and glassware and rock paintings - attest to this human presence. But it is nevertheless difficult to quantify because of a lack of statistical data.

For lack of written sources before the arrival of the Arabs in the region in the 7th century, little is known about the political systems that existed.

⁵⁶ Seck (Assane) - Mondjannagni (Alfred), *L’Afrique occidentale* (West Africa), PUF, Paris, 1975, 300 p. (Magellan : geography and its problems).

⁵⁷ According to various discoveries - Raymond Dart (1924), Théodore Monod (1929), Louis and Mary Leaky (1959), Yves Coppens (1961 and 1963) - man appeared in Africa about 3 million to 3.5 million years ago.

It does seem, however, that before the advent of the great Sudanese empires described by Arab sources, the societies were hierarchical : they included men who were free by birth or emancipated, domestic slaves and slaves destined for trade ; likewise, clearly compartmentalized social groups also existed : headmen, shopkeepers, peasants and slaves. The kings were heads with often limited powers. A balanced judicial system operated.

Among the empires cited is Ghana, which was situated between today's Senegal and Niger. Its capital was *Koumbi Saleh*, situated in present-day Mauritania. Ghana was conquered by the Almoravids who seized *Aoudaghost* in 1054 and completed its occupation in 1076-1077.

Another empire, that of Mali, reached its zenith in the 14th century. It extended from Niger to the Atlantic Ocean, and included the area between the Sahara and the region just before the forests began, Senegambia and the Niger's curve. The main cities were *Timbuktu*, *Walata* and *Djenne*.

The Songhay empire, which flourished on the ruins of the Mali empire, occupied the axis of the Niger, "the region of the great curve that the river traces in the heart of the Sahel"⁵⁸ with *Gao* as the main city.

In 1468, the Songhay emperor annexed Timbuktu and Djenne. Little by little, Mali declined while the empires of Songhay and Bambara grew prosperous.

It was destroyed in 1591 by Moroccan soldiers, equipped with firearms, led by a Spanish eunuch, Djouder.



The Sankoré Mosque, (page 87)

⁵⁸ Mauny (Raymond), *Les siècles obscurs de l'Afrique noire* (The Obscure Centuries of Black Africa), Fayard, Paris, 1970, p.164.

The Cultural Blossoming of the Songhay Empire

The Songhay civilization is still called "Sudanese Humanism". The Askia, good patrons of art, encouraged the blossoming of a very dynamic religious and intellectual movement.

a – Religious Life

The Songhay civilization was strongly marked by Islam. It was a "Black Islam", colored by animism. The priests, or marabouts - great scholars - favored the construction of famous mosques all over the Sudanese-Sahelian zone. The most illustrious were in Timbuktu, namely :

- * The Jinguerber Mosque (under Kankou Moussa) ;
- * The Sidi Yaya Mosque built in the 15th century ;
- * The Sankoré Mosque, which would be converted into a university in the 15th century.

b – Intellectual Life : University of Timbuktu

Each great town had its temple of learning – the University. But the most famous is the University of Sankoré (Timbuktu).

Arabic was the medium of instruction. The professors and students were housed by the Askia who were very often assisted by important dignitaries of the country.

The education, which included three stages - primary, secondary and tertiary - was based on the Koran while the method was scholastic.

Higher education included grammar, rhetoric, logic, law (jurisprudence) and history. It was rewarded by a degree at the end of the course : the "Adjaga". Among the main scholars of the 15th century, one must mention :

- * Gao Zacharia - who mastered Aristotle's formal logic ;
- * Ahmed Baba - the most prestigious of all, called the standard of all standards ;
- * Ahmed Ben Omar - a jurisconsult and lexicologist ;
- * Mohamed Bakoyoko - an astrologer, poet and grammarian ;
- * Mahmoud Katy - an historian.

c – Songhay Architecture - The Sudanese Style

Islam, which is not really favorable towards sculpture, allowed architecture to blossom in an atmosphere of ideal prosperity.

The special style of buildings of the empire's big cities draws its originality from pyramidal motifs.

Cheikh Anta Diop would say, "the general form of the edifice is inspired by a truncated pyramid".

Clay and wood were the only materials used. The painting and the sculpture prohibited by Islam in places of worship were practically absent.

Moreover, in the Sudanese savannah, on the banks of Lake Chad, flourished the empire of Kanem-Bornou (11th-17th centuries), which reached its zenith in the 13th century, then declined because of civil wars and revolts.

All these countries developed economic activities and maintained commercial relations with the world indirectly through the Mediterranean world and East Africa.

Box 1.2

Whether it be from the economic, political or cultural point of view, the comparison of the European and African Middle Ages is often more favorable to the latter. This applies as much to the regions directly influenced by Islamic civilization as to those marked by an original Negro-African culture. The foundations of the Al Azhar University in Cairo go back to 988, greatly preceding the oldest European universities of Paris (towards 1150), Oxford (1167) and Montpellier (1181). Likewise, towards the end of the 10th century, the Black pagan empire of Ghana attained a remarkable social balance on the basis of specifically African political and religious concepts and thanks to a favorable economic situation.

At the beginning of the 14th century, at a time when Western Europe had been weakened by the start of the Hundred Years' War, Africa, as a whole, enjoyed a favorable economic climate and experienced a veritable blossoming.

Cornevin, R. et M., *Histoire de l'Afrique des origines à la guerre mondiale* (History of Africa from its Origin to the World War), 4th ed. Paris, Payot p. 191.

B – Economic Perspective

The sources are heterogeneous. Nevertheless, A.G. Hopkins⁵⁹ conducted an in-depth study of the economy of pre-colonial West Africa. He clearly shows that West Africa possessed a domestic economy based on human and natural resources, a system of production, of distribution and of trade - "in short a market economy".

West Africa was, in fact, conversant with and practiced agriculture, cattle-breeding, fishing, hunting and harvesting, exploited its mineral and manufacturing resources and maintained commercial relations with, for example, Greece, Rome and Carthage.

a - Agriculture

Western Africa, like the Middle East, practiced agriculture from Neolithic times⁶⁰. Here, mainly millet, rice and fonio were grown in the savannah, yam and oil palm trees in the forest zone.

⁵⁹ Hopkins (A.G.), op. cit.

⁶⁰ About 5000 years BC

One outcome of the contact with other parts of the world was the contribution in terms of plants and seeds. In this way, the yams of Asia, the taros, bananas and plantains reached the region between the 1st and 8th centuries AD.

The written sources available clearly indicate, according to Hopkins, that agriculture was practiced all over West Africa.

With the arrival of the Europeans in the 15th century, numerous crops were likewise introduced, notably corn, manioc, groundnuts, tobacco and, recently, cocoa as well as several varieties of fruits.

These crops, which originated from South America, the West Indies and the tropical colonies of Asia and the Indian Ocean were shipped to Africa either directly or via the Iberian peninsula. They contributed towards improving the nourishment of an increasingly numerous population and to the progress of African agriculture, which became more fertile and extensive with them.

b - Cattle-breeding

The frescos of Tassili, discovered by Henri Lhote⁶¹, in the Sahara, clearly show that cattle-breeding was practiced in Africa, at least since Neolithic times. Essentially, long-horned and short-horned cattle, but also sheep and goats were bred. The horses of the Sahara must also be mentioned, although they disappeared when the region dried up from the 2nd century AD onwards.

According to some authors, cattle-breeding would have been introduced from Asia via Egypt, even though a domestication center may also have existed in North Africa.

Contrary to agriculture that was present all over West Africa, cattle-breeding was practiced especially in the northern part of Western Sudan and south of the Sahara, where fewer plagues (trypanosomiasis) occurred and more pasture was available.

Mainly the Moors, the Tuaregs and the Peulhs (Fula) indulged in this activity.



The frescos of Tassili

c - Fishing

It flourished along the coasts, particularly in the region of Senegambia, the Gulf of Guinea, and regions with inland water, the two most important being Lake Chad and Niger, in Western Sudan.

The main communities indulging in fishing and related activities were the *Sorkama*, and the *Bozo*, inland ; the *Lébon* and the *Fanti*, along the coasts.

⁶¹ Exhibition, Dakar, Dynamic Museum. 1969 – Rock Art of the Sahara : The parietal paintings and engravings of Tassili-N-ajjet. Dakar : Dynamic Museum, 1969. - 10 p., cov. Ill.

No significant technical innovations seem to have been introduced in the fishing sector before the Europeans arrived on the African coasts in the 15th century.

d - Gathering

In the forest areas, Africans fed themselves with the products of gathering and hunting. Among these may be listed the baobab and tamarind tree fruits, jujubes, shoots of the palmyra palm, the shea butter tree, the Cayor apple and maybe palm wine.

Among the principal hunting products were hare, porcupine, gazelle, antelope and ostrich.

e – Mining Activities

Salt, gold and iron constituted the main mining productions of West Africa although copper, silver and tin were also extracted in small quantities.

Salt was the most interesting and the most important mineral product of West Africa. Like water, it is a biological necessity for human beings and animals ; regular consumption is indispensable for survival, especially in hot countries where nourishment is essentially based on cereals. So one can understand that the people of the forest exchanged salt for a metal as precious as gold.

Salt originated from several sources : sea-salt, rock-salt, non-marine salt obtained from exploiting salty, washed soil, which had undergone evaporation, as well as vegetal salt. Supplying it inland was difficult because the centers of production were distant. In Western Sudan, these centers were mines located in the Sahara. In Awlil, in the West, and at Bilma, salt was produced by drying the salty marshes. As for rock-salt, it came from Ijil, Toghaza and Taoudeni.

Gold "is very widespread in West Africa. It is found in the geological Birrimian layer that covers a large part of the Western Sudanese and Guinean zones. But, besides, a number of the small rivers flowing over Precambrian terrain carry gold-dust"⁶². It was found in abundance around Galam - Bambook - Tambaoura, around Bouré and Lobi, in Western Sudan and in Ashanti in the forest area.

According to certain sources, traces of its production can be found at least from the first millennium BC. It developed considerably about the 8th century AD, because of its fundamental role in commercial relations between Africa and the Arab world. Most of its production, in fact, was exported while a part was used for domestic purposes - jewels and monetary symbols.

The sovereigns of the territories where the deposits were located either controlled salt production or imposed a tax on independent producers, thereby acquiring a great wealth.

Knowledge of iron mining reached West Africa as early as the first millennium BC. It was, indeed, melted at Nok (Northern Nigeria), towards 500 BC and the techniques were diffused all over the region towards the 6th century AD.

⁶² Mauny (Raymond), *Geographical Table of West Africa*, p. 293.

Iron was known nearly all over West Africa. Extracted or collected from the surface, it was sometimes melted in high furnaces. The blacksmiths made arrow-tools, hoes and knives – which increased the efficiency of the hunters, facilitated the clearing of land for agricultural work and armed the builders and destroyers of the States' towns.

f – Manufacturing Activities

West Africa's artisans' manufacturing activities could be found in the fabrics, leather, metals, wood and pottery industries.

Cotton, according to some sources, would have been introduced in West Africa by the Arabs. It was processed very early and probably developed with the introduction of Islam from the 7th century onwards.

The Moslem influence would lead to the development of more important contacts with the Arab and European markets. It stimulated domestic demand.

In the 12th century, cotton goods of *Western Sudan* were well-known in Europe, to the extent that the terms "Bourracan" or "Buckram" derived from Mandingue were used to designate certain types of clothes.

Leather was particularly worked upon in the *Sabel* and *North Sahara* not only to make clothes, sandals, cushions and bags, but also for harnessing horses and animals.

Metals, notably gold and silver, were worked to make jewels : necklaces, bracelets, anklets and rings for women of the royal courts and of high society.

Pottery also flourished : jars, pots and funeral objects.

So West Africa manufactured a lot, first and foremost for its own needs, but also for its trade partners of the ancient Mediterranean world and of the Arab world, from the 7th century onwards.

II - Trade

The Greeks were acquainted with Africa and Africans. Numerous Greek authors have mentioned it, notably Herodotus, (480 - 425 BC), Strabo, (58 BC - 25 AD) and Diodorus Siculus (90 BC).

Africans were known in Greece where they lived and were welcomed. The figurations of Blacks on antique vases testify to this fact.

But actually, these contacts took place mainly with Egypt, Nubia and the kingdom of Axum (ancestor of present-day Ethiopia).

The Romans too were present in North Africa, from where came *annona*, "which corresponds to three months' supply of wheat for the city of Rome"⁶³. The Africans were present at the time.

⁶³ Cornevin (R and M.), op. cit., p. 76.

It seems, however, that Carthage *maintained maximum relations with West Africa*. A city founded in 814 BC by the Phoenicians at the most forward spot of the Eastern Mediterranean basin facing Europe, it became the establishment of the Phoenicians, the most important in the Mediterranean, because of its flourishing commerce and its maritime strength. It spread its influence to North Africa and definitely had trade relations with Black Africa. Herodotus, in 430 BC, mentioned that it was common practice for the Carthaginians to carry out commerce, along the Moroccan and West African coasts.

"The Carthaginians thus tell us of a region of Africa and of its inhabitants, beyond the Strait of Gibraltar. When they land on these shores, they unload their merchandise and lay it out on the beach. Then they return to their boats and send out a smoke signal. When the natives see the smoke, they descend to the beach, place a certain amount of gold in exchange, next to the merchandise. Then they leave. The Carthaginians again disembark and examine the gold. If they judge that its value matches that of the goods they have offered, they take the gold and sail away. Otherwise they again climb back and wait for the natives to bring enough gold to satisfy them. Neither party cheats the other. The Carthaginians never touch the gold until the quantity offered matches the value of their merchandise. For their part, the natives do not touch the merchandise till the Carthaginians have not carried away the gold"⁶⁴.

Such is the oldest description of barter, or "blind barter", according to Warmington⁶⁵, or "silent commerce" according to Daniel Cissé⁶⁶.

The authors, mostly Greek, reported several land or maritime expeditions or explorations originating from the Mediterranean world towards Black Africa.

Land contacts were made possible thanks to the use of horses and donkeys, but especially camels, with *Severus Septimius* from the 3rd century BC.

In this way, mention was made of the Garamantes, a Libyan-Berber people who would have used chariots drawn by horses or oxen.

Raymond Mauny identified what he called "the chariot route", which started in the Oranese and Moroccan South, then traveled across Western Sahara and Mauritania to reach the Niger's curve in the Goundam region.

As for Henri Lhote, he speaks of a "chariot route of Central Sahara" that started from the Carthaginian ports of the Libyan coast and reached Gao, on the Niger, passing through the Tibesti.

Herodotus also relates in his accounts, the voyage of five young Nasamons who would have left the Cyrenaica and gone towards the West, reaching a country inhabited by small-built black men.

⁶⁴ Herodotus, LXII, 39, *History*, 3rd edition, Paris, 1964.

⁶⁵ Warmington, B.H. *Carthage*, London, Robert Hales, 1969.

⁶⁶ Cissé, D. A., - *Economic History*, vol. II, P. 23, 1989.

As for the maritime expeditions recalled by these sources, they still continue to intrigue when one pictures the difficulties of navigation in the Atlantic and Indian Oceans at the time. However, it may be pointed out that Pharaoh Nechao II may have ordered a voyage around Africa, from the Red Sea onwards. This voyage would have lasted three years. Hanon's journey may likewise be recalled - he is supposed to have reached up to the Cameroon and Gabon in the 1st century BC.

Whatever the case may be, it must be borne in mind that it was because of the drying up of the Sahara in the 2nd millennium BC that West Africa was relatively cut off from North Africa, which then got integrated with the Mediterranean world. However, with the Arab conquest in the 7th century AD and the similarity of the habits of the Saharan nomads with those of the Arabic peninsula, Trans-Saharan trade resumed and expanded.

Section II – Trans-Saharan Trade from the 7th to the 16th Century

Before Hegira, some disciples of Prophet Mohammed, in order to find refuge from the repression that burst upon them, had emigrated to the Christian sovereign of Abyssinia, Negus Nejachi, who welcomed them, protected them and tolerated their religious practices.

After Mohammed's death in 632, the Arabs left the Arabic peninsula and scattered over Africa to spread the word of Islam. In 639, Amar Ibn Al As entered Egypt. The Arabs continued their victorious march through North Africa and crossed the Strait of Gibraltar in 711 to settle down in Spain. The Fatimids settled in Egypt while the Omayyads were in Spain and the Maghreb. Both sought - either directly or through vassal tribes⁶⁷ - to control the Trans-Saharan routes that led to "Bilad as-Sudan"⁶⁸, called Bilad at-Tibr, "tibr" designating native gold, melted into woven thread⁶⁹.

The Fatimids had the monopoly over the Eastern route (Ifriqiya, Tripoli and Egypt). "The Fatimids were the first North African regime to exercise a concerted effort to control the routes to Sudan and to exploit the gold trade for their own international designs"⁷⁰. They used this Sudanese gold to train and strengthen a conquering army and to constitute reserves for the royal treasury.

⁶⁷ The Zanata were supported by the Omayyads, settled in Spain since 711. The Fatimids of Egypt had the Zirids as allies.

⁶⁸ Bilad as-Sudan signifies "country of Blacks" and for Arab geographers, it represented the area located beyond the limes. For Arab historian and geographers, Bilad as-Sudan was the country that spreading South of the Sahara, from the Atlantic to Nubia. In 642, or ten years after Prophet Mohammed's death, the Arabs, commanded by Amar B. al-As, captured Alexandria. From there, they progressed to the Byzantine world, from Cyrenaica to Sous and for economic reasons, were increasingly attracted by the world beyond that of the Whites.

⁶⁹ Lombard, Maurice, *L'Islam dans sa première grandeur* (Islam in its early grandeur), p. 125.

⁷⁰ Messier, Ronald, *Muslim exploitation...* p. 35.

"The Fatimids were the first regime in North Africa to exert a concerted effort to control the routes that led to Sudan and to exploit the gold trade here, for their own international designs".

The Omayyads controlled the Western route (Sijilmasa-Awlil) and the central route (Sijilmasa-Teghaza-Awdaghost). They had supreme control over Sijilmasa "the nerve center for the gold trade" and the finishing point of the Trans-Saharan routes. Sijilmasa was coveted by all the Arabs and so, in 1054-1055, it fell into the hands of the Almoravids. In 1077, the latter seized the Empire of Ghana, thereby placing the gold trade directly under their control.

West Africa, which was henceforth the center of economic and military rivalry among the Arabs, thus found itself thrust into international trade.

Thanks to camels, which were able to withstand the harshness of the desert, the Arabs, in organized caravans, resolutely turned towards Black Africa where they progressed economically, culturally and religiously at the same time.

It was from this period onwards, that we have written information about the different empires that succeeded each other in this geographical area of West Africa, which we call "Sudan", contained between the Nile and the Atlantic, South of the Sahara : Tekrour (7th-11th century), Ghana (5th-11th century), Mali (12th-15th century) and Songhay (15th-16th century).

It was only towards the 15th century that sources written by the Autochthonous people appeared. The most well-known of these are the "Tarikh el Fettach", composed by Mahmoud Kati and his grandson between 1519 and 1665, and the "Tarikh es Sudan" by Es-Sadi, written between 1627 and 1655.

The Trans-Saharan routes ended in the cities of these empires, (*Awdaghost, Koumbi Saleh, Walata, Timbuktu, Gao and Agadès*).

The North-South trade was essentially composed of salt (fine and in bars), which the Blacks severely lacked. This trade also included food products (wheat, olive oil, sugar cane, dates and spices) as well as luxury products (scarves, paper and horses).

In exchange, the Arabs received slaves and gold that was "the real support of medieval Trans-Saharan commerce"⁷¹. "The capture of the Sudanese-Berber trade directed towards the Mediterranean and the Orient, the gold and Black slaves who were the plantations' laborers and whose martial qualities, furthermore, reinforced the power of North Africa's Berbers"⁷².

Gold is mentioned in all the writings that the Arabs devoted to Sudan. Al Masudi, in "Murj ad Dhahab", informed us that the astronomer, Al Fazari⁷³, writing towards the year 800, was the first to insist on the economic nature of the interest that the Arabs had in Western Sudan, since he qualified Ghana, the first known Sudanese entity, as "the gold country". The empire of Ghana remained, in fact, in the works of Arab geographers, the place of origin of the gold the Muslim empire needed since the Omayyad Caliph, Abd El Malick (685-705), adopted gold and silver bimetallism.

⁷¹ Mauny (Raymond), *Geographical Table of West Africa in the Middle Ages according to written sources, tradition and archaeology*, IFAN, Dakar, 1961. p. 587 (Memories of IFAN, no. 61).

⁷² Lombard (Maurice), *op. cit.*, p. 72.

⁷³ Fazari, in : "Murudj ad Dhahab" by Masudi, vol. IV, Translated by Charles Pellat, Paris, 1962-1971.

Where could this gold be found in West Africa ? Several authors considered this question. Al Idrisi gives us an accurate description of the techniques of gold-washing in the *Faleme Valley*. Closer to us, Abdoulaye Bathily wrote, "It is not possible to date the origin of gold at Gajaaga (Upper Senegal). We suggested that the yellow metal was extracted in the Faleme and the *Bambouxi* (North of Senegal's river) since the most ancient times"⁷⁴.

But it was Raymond Mauny who appears the most exhaustive in explaining to us that : "It is in the Birrimian and the alluvions of the rivers that flowed in the middle of these formations that we will encounter the main auriferous regions exploited in the Middle Ages, which are more or less the same as those known (sic) today - the *Galam*, the *Bambouk*, the *Bouré*, the *Lobi*, the *Lower Eastern Ivory Coast* and the Western "*Gold Coast*". Other groups that were much less important were elsewhere in *Portuguese Guinea*, *Sierra Leone*, the *Guerze country*⁷⁵, *Western Ivory Coast*, *North Dabomey* and *Nigeria*"⁷⁶. A part of this gold could have also come from *Volta* or *Ashanti* as there is nothing to prove that the mines of these regions, as has often been claimed, were exploited only in the 15th and 16th centuries.

Who controlled the exploitation and circulation of gold ? It seems that no Sudanese State succeeded in organizing gold-washing to its benefit. Opinions, however, differ widely. For some, it was always a private enterprise "all the more rebellious towards state protection as production was surrounded by magic secrets"⁷⁷. No state organization was able to control its circulation and, consequently, fix the price. It was the Dioula, the big traders of West Africa, who ensured the circulation of gold and fixed its value. For others, on the other hand, the sovereigns who had deposits on their territory managed production and imposed a tax on mine operators, thereby accumulating enormous wealth.

What purpose did this gold serve ? It seems that West Africa did not mint much money during this period. It was only between the 15th and 19th centuries that a very sophisticated monetary system was set up, in Ashanti country, with weights to measure gold. At the domestic level, this gold was used to make jewels and jewelry sets and to make up the chiefs' treasury, which would be spent in organizing and equipping the armies (arms and horses) and in paying State officials.

Outside the region, gold was used as the exchange currency. But it did not remain in the Maghreb. "It only passed through here, just as in the 16th and 17th centuries, gold and silver from America, unloaded at Cadiz, again left for the trading, banking and industrial centers - the centers that drove the economy at that time"⁷⁸. Thus, the gold from Sudan went towards Egypt, Mesopotamia, Spain and Central Asia (Samarkand, Turkey, China and India), irrigating a good part of the world and thereby giving an impetus to international trade of the time.

⁷⁴ Bathily (Abdoulaye), *Les portes de l'or...*(The Gateway to Gold...), p. 172.

⁷⁵ Guerze country = Today Guinea Conakry.

⁷⁶ Mauny (Raymond), *Tableau géographique*, (Geographic Table) p. 294.

⁷⁷ Bathily (Abdoulaye), *Les portes de l'or...* (The Gateway to Gold...) p. 177.

⁷⁸ Lombard (Maurice), *op. cit.* p. 132.

This gold enriched the courts of Cordova and Cairo, organizing the armies, beautifying the cities and building grand public buildings (mosques, palaces and souks). But it especially served to mint money inasmuch as it was qualified as "pure gold" by contemporaries because of its excellent quality : "A very large percentage of the gold ore entering into North Africa was absorbed by the staggering production of gold coinage by the Fatimid, Omayyad and Almoravid dynasties"⁷⁹.

Thus, with the monetary unification of the Arab world under the Omayyad Caliph, Abd el Malick (685-705), the gold "dinar" became the universal Muslim currency. Henceforth, it would take 20 "dirhems" of silver to get a "dinar". It could be seen in the entire Mediterranean circuit, but also in the Far East. As Raymond Mauny says "At one time, (7th, 15th century) when neither America, nor Australia, nor the Transvaal, gave their contribution, Sudan's gold provided much of the precious metal indispensable to the world economy" (p. 301).

What were the quantities of gold exported from Sudan to the rest of the world ? The question remains difficult to elucidate. Available statistics are not very reliable. However, estimates have been made. Authors like Marian Malowist or Jean Devisse relativize the range of the phenomenon ; Fernand Braudel believed that the gold was really important for the history of the Mediterranean only "as of the 14th century, perhaps starting with the noisy pilgrimage of Mansa Moussa, king of Mali, to Mecca in 1324"⁸⁰.

As for Raymond Mauny, he considers that in this period, approximately 900 tons of gold were exported from Sudan to North Africa. On the other hand, Ronald Messier estimates at 3500 tons the quantity of gold that left West Africa between Antiquity and the 15th century.

By way of comparison with a period for which altogether more reliable statistics are available, it was noted that between 1551 and 1560, Seville, which was the gold capital of Europe, received approximately 43 tons of American gold, that is to say an annual average of 4.3 tons. That means that African gold was, by far, much more significant than gold from America and this is all the more remarkable since it was extracted over about ten centuries. Whatever the case may be, it may be considered that between the 9th and 15th centuries, Sudanese gold would have been the principal engine for the world economy.

It would be inaccurate to think that since the "discovery" of America, African gold was completely diverted towards the coasts of the Atlantic. Admittedly, it is noted that between 1500 and 1520, at a time when American gold had barely begun to be extracted, Portugal received approximately 700 kg of gold every year. However, African gold continued to interest and be supplied to North Africa. Fernand Braudel notes in this respect that, "Attempts directed at the Sahara, like those of the Chérifs⁸¹ in 1543, 1583 and 1591 (the latter ended, as one knows, by the capture of Timbuktu) or that of Salah Reis, in 1552, against Ouargla, would be incomprehensible without the attraction of gold and slaves from the country of the Blacks"⁸².

⁷⁹ Messier (Ronald), *op. cit.*, p. 60.

"A major percentage of the amount of gold entering North Africa was absorbed by a stupefying minting of gold currencies by the Fatimid, Omayyad and Almoravid dynasties".

⁸⁰ Braudel (Fernand), *La Méditerranée et le monde méditerranéen...* (The Mediterranean and the Mediterranean World...) Vol. 1, p. 425.

⁸¹ Chérifs = Shorfa (plural).

⁸² Braudel (Fernand), *La Méditerranée et le monde méditerranéen...* (The Mediterranean and the Mediterranean World...) Vol. 1, p. 432.

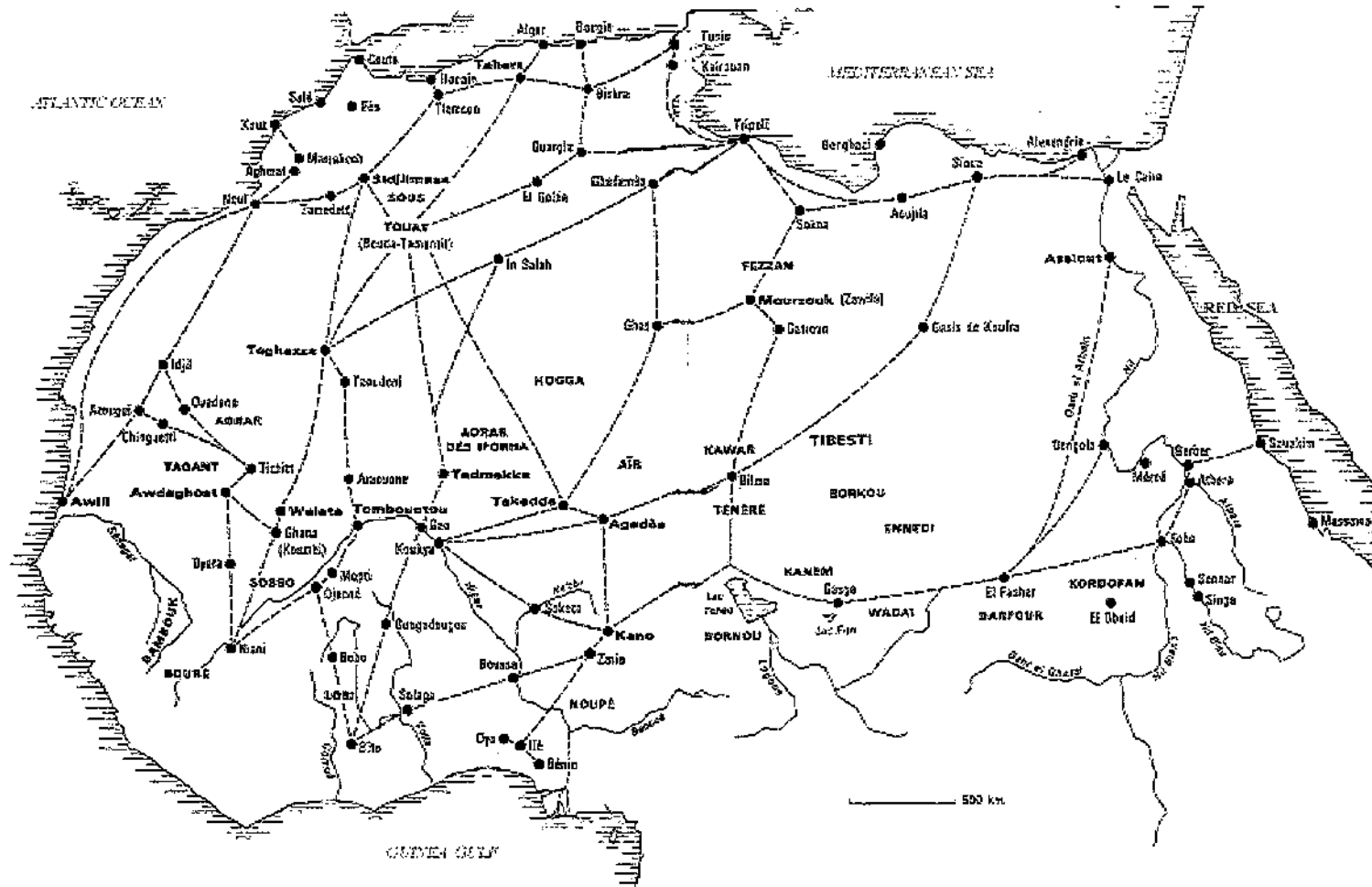
In fact, what did West Africa get from the trade of gold and slaves ? It opened up to the world by adopting Islam, which integrated it with the great family of the Moslem world and brought it new techniques and new knowledge (Universities of Sankoré, habitat, clothing, art of cooking, medicine, etc).

Moreover, this trade enriched the leading classes (aristocracy, warriors, tradesmen and ulemas or priests) and consolidated certain States, in particular Mali and Songhay. "Indeed, the royal extraction of gold provided the leading classes of the States with an important means of obtaining, through the Sahara, scarce luxury products (fabric, drugs and perfumes, dates and salt) on the one hand, but more especially the means of establishing and reinforcing their social and political powers (horses, copper, iron bars and weapons). This trade thus supported the development of social differentiation, the constitution of States and empires, as it stimulated the progress of productive forces (improvement of instruments, acclimatization of products, adaptation of techniques, etc)"⁸³.

On the other hand, West Africa lost a great quantity of gold, gum and ivory, and finally the strong arms that could have contributed to its own development. This led to the undermining of the foundations of its independence. Consequently, it is not surprising that in 1591, Timbuktu and the Songhay Empire fell to the firearms of the Sultan of Morocco. It was also the reason why a weakened West Africa became the theatre of Atlantic trade and the slave trade on a vast scale, since the 16th century, with the new maritime powers of Europe.

⁸³ Barry-Boubacar, *Le royaume du Walo : le Sénégal avant la conquête* (The Walo Kingdom - Senegal before the Conquest), pref. by Samir AMIN, Paris, Karthala, 1984, 421 p., pp. 14-15

TRADE ROUTES THROUGH THE SAHARA IN THE MIDDLE AGES



Section III - The Atlantic trade from the 16th to the 19th century and its impact on West Africa

I - The Europeans on the coasts of West Africa

As early as the Year 1000, Europe, faced with a considerable *population growth* and an "unfavorable trade balance"⁸⁴, launched crusades in the name of religion, to reconquer Christianity's Holy Land in the Orient. By doing so, it opened new outlets for its trade and, thereby, for its economic development.

Since that time, Europe did not miss any opportunity for economic expansion.

That was how most economic and trade activities took place in the Mediterranean right up to the 12th century, after contacts with the Moslem kingdoms had been established. Europe also witnessed the increasing emergence of Italian cities like Bari, Amalfi, Genoa, Florence and Venice.

In the 14th century, technical progress (*stern-post rudder, compass, Majorcan maps and lateen sails*) provided new tools to navigators, which allowed them to *leave the Mediterranean* and launch the conquest of the Hanseatic cities - Lübeck and Hamburg - and of the commercial areas of Northern Europe.

However, as of the 15th century, the center of gravity of trade moved from the *Mediterranean to the Atlantic*, thanks to a political will propped up by the underlying technical revolutions that took place in the nautical art. "There were major technical problems, but most of the progress (rudder, compass, cartography) took place in the Mediterranean, without setting off any revolutionary changes - the development of the caravel in 1439 was the only original event, significant because it was not possible to come back from Africa along the coasts, making it necessary to look further away for the trade wind route ; not all ships could have made the trip".

As for political will, it was manifest in Portugal and in particular, in the Infant Henry the Navigator. He *engaged his sailors to go on a discovery of the Atlantic*. 1415 marked the capture of Ceuta, on the Western coast of Morocco. In 1436, they went beyond Cape Bojador, in 1444 they were in Senegal, The Gambia and Guinea ; in 1460, they reached Sierra Leone and in 1469, Saint Georges de Mina (today's Ghana). In 1498, Vasco de Gama sailed around the Cape of Good Hope and set off towards the eastern coasts of Africa and the East Indies. But already, in 1492, Christopher Columbus, a Venetian navigator in the service of the most Catholic Kings of Spain, Ferdinand and Isabelle, had "discovered" America. The American treasure hunt was thenceforth on its way. The United Provinces (Netherlands), Great Britain and France set off for the American coast in the wake of Portugal and Spain.

⁸⁴ Villar, op. cit., p. 40.

The Portuguese

Portugal is a small country : 89 000 sq. km, 1,000,000 inhabitants in around 1400, 1,400,000 around 1520-1530, much less than Spain, France or Morocco (V.M. Godinho estimates that Morocco had 6,000,000 inhabitants at that time).

The country would take on an unexpected importance, due to its location at the crossroads of the Mediterranean, Africa and the Ocean, and moreover, the Northern countries. It was also due to its poverty : it became a country of emigrants as soon as the population increased.

According to Godinho⁸⁵, the reasons for Portuguese expansion may be summarized as follows :

a - the thirst for gold ; *b* - the political disturbances and monetary devaluations of the end of the 14th century, which ruined the knights and gave them an incentive to go adventuring ; *c* - the grain shortage, which incited people to go look for them ; *d* - the dynamism of the sugar economy, created in Portugal and in the Atlantic Islands ; *e* - the need for slaves for this economy ; *f* - the need for shellac (dyes and finishes) ; *g* - the need for leathers and skins ; *h* - the expansion of the Portuguese fisheries.

Reasons *a*, *b*, *c*, and *d* incited the capture of Tangiers, Ceuta, Ksar-el-Kébir and Arcila (Morocco), while reasons *b*, *c*, *d*, *f*, led people to populate Madeira and the Azores. Reasons *a*, *b*, *e*, and *h* were the cause of the push towards the South and the African coasts.

Vilar, Pierre, op. cit. P 60 and 61

⁸⁵ Vitorino Magalhes Godinho : The Economy of the Portuguese Empire in the 15th and 16th centuries, Paris, 1969.

The route to West Africa through the Atlantic Ocean

The crusades of the 11th to the 13th centuries resulted in the opening of Europe of the Middle Ages to the more advanced Moslem world - reaching Moslem ports, Venetian and Genoan sailors unloaded cargoes of Italian and Flemish cloth, wood, wheat and weapons, making all of Europe ring with activity.

Becoming the masters of the spice trade, they tried to reach themselves the sites of products the Egyptians were selling to them.

Indeed, "for the 15th century men, as was the case in the Middle Ages, gold was an African product, from a distant, faraway, unknown Africa that could only be contacted through Egypt or the Maghreb⁸⁶".

While the existence of the Mongol Empire in the 13th century made the exploration of the Asian continent easier, the barrier Islam posed in Africa seemed insurmountable. Furthermore, a major detour was necessary to go East, through the Black Sea and Iran, circumventing several areas before being able to reach a Christian country of which some vague rumors had been heard - perhaps the kingdom of the "legendary Priest John".

To the West, crossing the Moslem kingdoms by land was unthinkable. Hence, one had to wait for an improvement in nautical techniques before being able to take the sea route.

The much-awaited improvement took place in the 13th century, introducing several decisive elements - the invention of the rudder, the improvement in sails, the use of the compass and the astrolabe, the appearance of the first sea charts based on a real knowledge of the shores and no longer copied from those of Ptolemy.

But the prejudices and superstitions concerning the Atlantic Ocean remained a major obstacle. Several accounts affirmed that no one had ever returned from "the Ocean of darkness, peopled by monstrous animals and subject to terrifying storms... that beyond Cape Bojador, the Atlantic boiled and the sun shone so brightly that men turned black...".

It was only due to the prospect of several fruitful raids and of reaching Sudanese gold, monopolized by the Moslems that a few hardy sailors of the 14th century dared to set off into the mysterious and unknown seas.

The Canary Islands constituted the first stage of European expansion. In 1312 (or 1335), the Genoan, Lanzarote Malocello, discovered the island that bears his name.

Between 1364 and 1387, the merchants of Dieppe sent several expeditions to the coasts of today's Sierra Leone, where the Little Dieppe "lodge" was founded, and those of present-day Ghana, where the Mine colony was established (El Mina).

Subsequently, the various trading posts were abandoned.

The colonization of the Canary Islands and the few other journeys had no repercussions on the African hinterland.

⁸⁶ Vilar (Pierre), op. cit. p. 57.

Henry the Navigator, the Infant of Portugal, sent expeditions all along the coast of Africa as from 1416.

The first stage was the discovery of the Madeira Islands in 1420. There, in a clearing, the Portuguese founded the city that would one day grow to be today's Funchal. In 1431, Gonzalo Velho discovered the Azores, where Portuguese and Flemish colonists were immediately settled.

In 1433 or 1434, Gil Eanes, a sailor from Lagos, close to Sagres, reached Cape Bojador, to the South of the Canaries, and proved that the legends concerning the African coasts were all false. However, it took twelve more years (1445-46) for Portuguese sailors to reach the mouth of Senegal, after having set up a trading post in 1445 on Arguin Island to the South of Cape Blanc.

They reached the Cape Verde Islands in 1460.

The death of the Infant Henry the same year did not stop the advance of the explorers, who reached the Bijagos Islands and Sierra Leone in 1462, the latter country being named so because of the noise of the storms that used to echo from the mountains along the coast like a lion's roar.

In 1471, the Portuguese rediscovered the Mine in today's Ghana, which was soon to be called the "Gold Coast", and pushed on up to the bends of Niger.

On 16 August 1488, Bartholomew Diaz sailed beyond a cape in the midst of a tempest, therefore calling it Cape Tormentoso (Cape of Storms). It was later named the Cape of Good Hope by the King of Portugal. Hence, he opened the route to India via Africa, but the lack of supplies stopped him from going any further.

On 28 August 1499, Manuel, the King of Portugal, "Seigneur of Guinea and of the conquests, navigation and trade of Ethiopia, Arabia, Persia and India" made the Pope declare that his ships had reached Calicut.

Finally, in May 1500, Diego Diaz discovered Madagascar.

At the end of the 15th century, the entire contour of Africa had been discovered, but the explorations of the 18th century alone would make it possible to reach the heart of the continent.

In 1493, Pope Alexander VI Borgia had made the possession of Africa by the Portuguese legal in the eyes of the Christian world, through a Papal Bull entitled "*Inter Caetera*", which divided the discovered world and the world yet to be discovered into two areas, one Spanish and the other Portuguese, from a parallel fixed arbitrarily.

Sources : - Cornevin, R. and M., op. cit.

- *Histoire de l'humanité* (History of Humanity), Geneva, Edito Service, 1982

Henry the Navigator

The one who initiated the Portuguese's world discovery plans was the Infant Henry, the third son of King John Ist, born in 1394. Since his coming of age, he had participated with brilliance in the Ceuta expedition. Being the third son of the reigning king, he could not have any pretensions of rising to the throne, and John Ist designated him as "the administrator and governor of Jesus Christ's Order of Knighthood". Both a knight and a monk, as John of Aviz had been himself until he rose to the throne, he embraced celibacy and his income allowed him to surround himself with a substantial house, in which knights held first place.

The Infant Henry, nicknamed The Navigator, would withdraw to the tip of Saragossa, to Cape Sagres, a region of Portugal facing Morocco, and where the best conditions could be found for ensuring the success of reconnaissance attempts along and off the coast of Africa. He established a sort of seminary there, devoted to African studies. He attacked trade and navigation related problems with accurate information. He drew towards his establishment the most highly reputed Majorcan mapmakers in the West, particularly a certain Jafuda Cresque. He began to correspond with the most famous astronomers of the time. In 1431, in the University of Lisbon, which had so far been exclusively literary in the nature of its studies, he introduced scientific studies of the Quadrivium, which includes astronomy. Thus, young Portuguese were able to acquire the necessary theoretical training to attempt the distant expeditions he organized. He adopted a new kind of vessel : the caravel, whose superior maneuverability was the reason he was able to be the first to return from countries that suffered from disturbing winds.

After meticulous preparations, the Prince ordered a few of his squires to reach Madeira and the Azores, which were colonized between 1409 and 1420. The navigators explored the entire northern and southern coasts of Morocco thoroughly. Then, in the spring of 1433, Gilennes, one of his navigators, went around the famous Cape Bojador, also called Cape Juby, which constituted the mythical limits beyond which disturbing maledictions reigned. In 1435, Rio de Oro was reached, but since John Ist, the Infant's father, was totally opposed to any new expeditions, the latter was forced to wait for his elder brother Edward to rise to the throne before launching a major attack on Tangiers in 1437 - a place symmetrical to Ceuta, at the Western entrance to the Gulf of Gibraltar. But the attack failed. The Moroccans carried away the Infant Ferdinand, the youngest brother of the two princes, using him as a hostage. He would be liberated only on the condition that the city of Ceuta was returned to the Merenide Sultan. As the King of Portugal rejected the exchange, the young prince died in captivity, "a martyr of the Christian faith, a symbol of Portugal's desire for expansion in Africa".

Daniel Cissé, *Histoire économique de l'Afrique* tome 3 (Economic History of Africa, Volume III) pp. 212-213.

The advent of the Europeans on the Atlantic coast would change the prevailing situation regarding Africa's participation in the new trade currents sweeping through this part of the world.

Chronology of the European presence on the coasts of West Africa

A - Gorée

The Portuguese reached Arguin (Mauritania) in 1443, the peninsula of Cape Verde in 1444 (Denis Diaz) and the mouth of the Senegal river, in 1445.

They named the island of Bergueziche (local name - Gorée) Island of Palma. In 1481, they built a stone chapel there. They also created trading posts at Rufisque, Joal and Portudal.

In 1621, the Dutch arrived, with the Company of the West Indies. They occupied the Island of Palma, which they baptized Gorée. They built two forts there : the Fort of Nassau in 1628 and the Fort of Orange in 1639.

In 1658, the Dutch took Arguin, Joal, Rufisque and Portudal from the Portuguese.

In 1629 and 1659, the Portuguese took back Gorée.

In 1664, an English squadron seized Gorée, but ten months later, it was retaken by the Dutch.

In 1677, Admiral d'Estrées retook Gorée. Thus, the island passed under the control of France and the authority of the "Compagnie du Sénégal", established in Saint-Louis. The French also settled in Rufisque, Joal and Portudal. This occupation was confirmed by the Treaty of Nijmegen of 10 August 1678, signed between France, the United Provinces and Spain. In 1678, the French seized Arguin.

B - Saint-Louis

In 1626, the "Norman Compagnie or Association of the Merchants of Dieppe and Rouen" was formed. In 1633, Cardinal Richelieu granted trading privileges for a period of ten years to trade between the "two rivers" - the Senegal and the Gambia.

In 1638, Thomas Lambert, in the name of the Company, founded an establishment on the Isle of Bocos (perhaps today's Babaguèye), about ten kilometers from the mouth of the Senegal river.

In 1659, Louis Caullier, an agent of the company, transferred residence to the present Saint-Louis Island. It would seem that the occupation took place in exchange for payment of "customs" to a supposed landowner whom Norman sources call Jean Barre.

C - The Gambia

The French settled in Albréda, opposite Fort Saint-James that was built by the English between 1679 and 1697. The land would have been granted by the King of Barre, against the payment of a monthly "custom".

The English settled in Saint-James, in an island of the Gambia river, in 1651.

D - A few important dates

In 1693 : Saint-Louis is occupied by the British.

1758-1779 : British occupation of Saint-Louis taken from the French.

1758-1763 : British occupation of Gorée taken from the French.

1763 : The Treaty of Paris restores Gorée to France (end of the Seven Years' War).

1779 : The French, under the Duke of Lauzun, retake Saint-Louis from the English.

1809-1817 : Saint-Louis and Gorée are occupied by the English.

1817 : Saint-Louis and Gorée restored to France (Treaty of Paris of November 20, 1815).

I - West Africa in triangular trade and the rivalry between the European nations

Without drying up the Trans-Saharan trade, which continued to feed Mediterranean ports, the Atlantic trade captured the majority of West African resources. Thus, it is estimated that between 1500 and 1521, West Africa provided approximately 410 kg of gold annually to Europe.

But the "discovery" of America in 1492 and its progressive occupation by Europeans, would change the prevailing relations between Europe and Africa. Thenceforth, between the three continents - *Europe, Africa* and *America* - triangular trade or "circuitous" trade would take place, thriving between the 16th and 19th centuries against a background of rivalry between the European nations.

A - The triangular trade and its effects

On the African coasts, Europeans established bases in the form of trading posts from where they operated - the Portuguese first, followed later by the Dutch, the English, the French, and so on.

The French settled in Canada and the Antilles (the West Indies) in the 17th century - more precisely in 1635 in the latter - in Saint-Louis in 1659, their first sustained establishment in the area and in West Africa, in Gorée, Ouidah, Lahou, Grand Bassam, inter alia.

From Europe to Africa, the ships transported fabrics, hardware, small glassware, rifles for trading, powder and alcohol, which were exchanged for *slaves, ivory, spices* (cloves, pepper or malaguetta pepper), *gold powder, ostrich feathers, gum, wax, amber and wood*.

These African products, particularly the slaves, were sold in the Americas, the West Indies (Martinique, Guadeloupe, Guyana and Saint Dominic), especially when those were occupied by France.

The ships then headed for Europe, loaded with colonial produce : sugar, indigo, pepper, vanilla and other spices, tobacco, furs, precious metals, etc.

The term trading is generally used to indicate this rudimentary trade.

Operators who also did normal trade with the Far East, paid in cash for the purchases of spices, silks, precious stones, perfumes, tea, porcelain, etc.

Moreover, in India, they acquired two much sought-after products to pay for slaves on the African coasts : "guinea", a blue and white striped cotton fabric that was less expensive than European fabrics and cowries, shells of the Maldives Islands⁸⁷ used as currency in certain areas of West Africa.

What did the African, European and American colonist partners get out of this triangular trade ?

This trade would play an important role in the destiny of West Africa by changing its geopolitical map.

⁸⁷ Archipelago close to the Equator, located at about 650 km to the South-West of Sri Lanka.

The hinterland States became poorer while the coastal States, the main ones to profit from this trade, grew rich and broke - in many cases - the tributary links that linked them to hinterland States. Empires fell apart. That is what happened in the great Djolof Kingdom in Senegal, which was divided into several States (Cayor, Djoloff, Walo, etc.) and in Gabou straddling Guinea and Senegal, etc. The same also happened in the Yoruba Kingdoms and Benin.

Hinterland States, who knew about all the economic and financial profits they could draw from the trade, "decided to put an end to their continentality by opening counters on the coast to trade directly with the Europeans"⁸⁸. Such was the case of the Ashanti confederation and the kingdom of Dan-homey⁸⁹.

The Trade create a new elite in the Coastal States. The slave trade being a monopoly of the State, it was the King, his court and principal officials, the primary actors in this trade, who drew substantial profits from it. However, the new elite accumulated luxury products and, according to certain authors, did not reinvest in the development of the States.

On the European side, it was Spain and Portugal that extracted American gold and silver, although, from the 17th century, a deceleration in the inflow of American gold to Europe could be noted. But this gold only passed through the peninsula, going on towards the economic centers of England, France, Italy, Netherlands and Germany.

As for the rest, England, France and the Netherlands engaged directly in the Atlantic trade and drew some significant profits, thus increasing their commercial and industrial capacities.

For the development and management of the new trading posts, these nations created privileged companies or companies with a charter, which paid dues⁹⁰ to the State.

In France, in particular, the ports that took part in the trade derived enormous advantages : Dunkirk, Rouen, Le Havre, Saint-Malo, Lorient, Nantes, La Rochelle, Bordeaux and Marseilles. A middle-class appeared there. Fortunes were made. The rich and beautiful residences of the Quai de la Fosse, in Nantes, bear witness to this period of history.

But as from the 17th century, the mining of the precious American metal started showing signs of weakness. Europe had to find new products to compensate for the loss of earnings. France in the West Indies, claimed its rights on the crops it could get in tropical America and of which there was a cruel shortage in France : sugar cane, coffee, tobacco and indigo.

⁸⁸ Guèye (Mbaye), The slave trade inside the African continent – in : "la traite négrière" (the slave trade), op. cit. p. 157.

⁸⁹ However, the Trade provoked other reactions of a Moslem nature in the 18th and 19th centuries. That is how, in 1776, a theocratic Islamic revolution overturned, in Fouta Toro (Senegal), the warrior aristocracy and put an end to the trade. The Islamic renewal would be extended, in the 19th century, with the Peuhl Empire of Ousman Dan Fodio in present-day Nigeria, Cheikh Amadou's "Dina" in Macina and the Toucouleur empire of El Hadji Omar.

⁹⁰ In France, the *Compagnie des Indes occidentales* (1664) and the *Compagnie du Sénégal* (1673), in Holland, it was the Dutch West India Company (1621), and in England, the Royal African Company (1672) which followed the Royal Adventure into Africa (1660).

Of all plants, it was sugar cane that was the most highly prized, the more so since beetroot sugar was almost unknown at the time. However, sugar cane, which reaches maturity after eighteen months of working and waiting, is a plant that is highly labor-intensive. Indeed, a large labor force was necessary, one that was able to face the rigors of the sun, all day long. Moreover, since transporting the raw product was difficult, the cane had to be subjected to a preliminary processing on the spot, which also requires a great deal of labor.

Because of the fact that, since the 16th century (1511, officially), the Spaniards, to mitigate the shortage of labor, had introduced black slaves in the West Indies, other European nations - Holland, Great Britain and France, in particular - soon followed the trend, the more so as Africans were known to be stronger than Indians.

After the initial investment necessary to purchase the slaves, very little was needed for their maintenance and food requirements. Plantation-owners therefore found cheap labor, which, combined with the fertility of the soil, assured them substantial profits.

Thus, what was only an exception at the beginning of the 16th century, became the rule. The systematic trading of slaves was born and would last until the 19th century. Africa, a significant part of the "triangular trade", was reduced to the role of the provider of labor for America.

By doing so, "it began to be shaped according to requirements external to its needs - those of mercantilism"⁹¹ (cf. Preliminary Chapter).

Hence, from the 16th to the 19th century, peaking at around the 17th and 18th centuries, Africa essentially contributed to world trade through the slave trade.

What was the impact of the trade on the continent and particularly on West Africa and what did Europe and America derive from it ?

There is no doubt that Europe and North America realized a great deal of profits, which have today consolidated their advances in the technological and economic fields. During this period, trade, finance, maritime transport, manufacturing industries and so-called industrial crops witnessed a development that is still bearing fruit for Euramerica.

West Africa received and developed crops like groundnuts, cassava, corn and tobacco. On the other hand, with the Atlantic and Trans-Saharan trade combined, it lost several million individuals. The figures advanced go from a few hundred million to some three million, including the 11 million that Philip Curtin proposed.

⁹¹ Barry (Boubacar), op. cit., p. 16.

L. M. Diop, in a thoroughly documented⁹² article, estimates that due to the slave trade, Africa had probably lost 80 to 100 million individuals. According to her, "The estimates most generally allowed put the number of people lost to Black Africa because of the slave trade at between 80 and 100 million from the second half of the 15th century until the end of 19th century. Indeed, 20 to 25 million slaves are believed to have been transferred and most authors estimate at 4 or 5 the number of Africans who died for every one who reached America alive".

The true figures will, undoubtedly, never be known. However, as regards Africa South of the Equator, historians apparently agree that the Slave Trade resulted in the complete depopulation of the area roughly including Congo and Angola. But they do not agree with regard to the population of West Africa.

At all events, it is certain that the large labor force that was transferred to America and the depopulation⁹³ resulting from it destroyed the possibility of a greater concentration of populations and a better occupation and development of land in Africa. The trade also slowed down the development of ideas and delayed the accumulation of the riches.

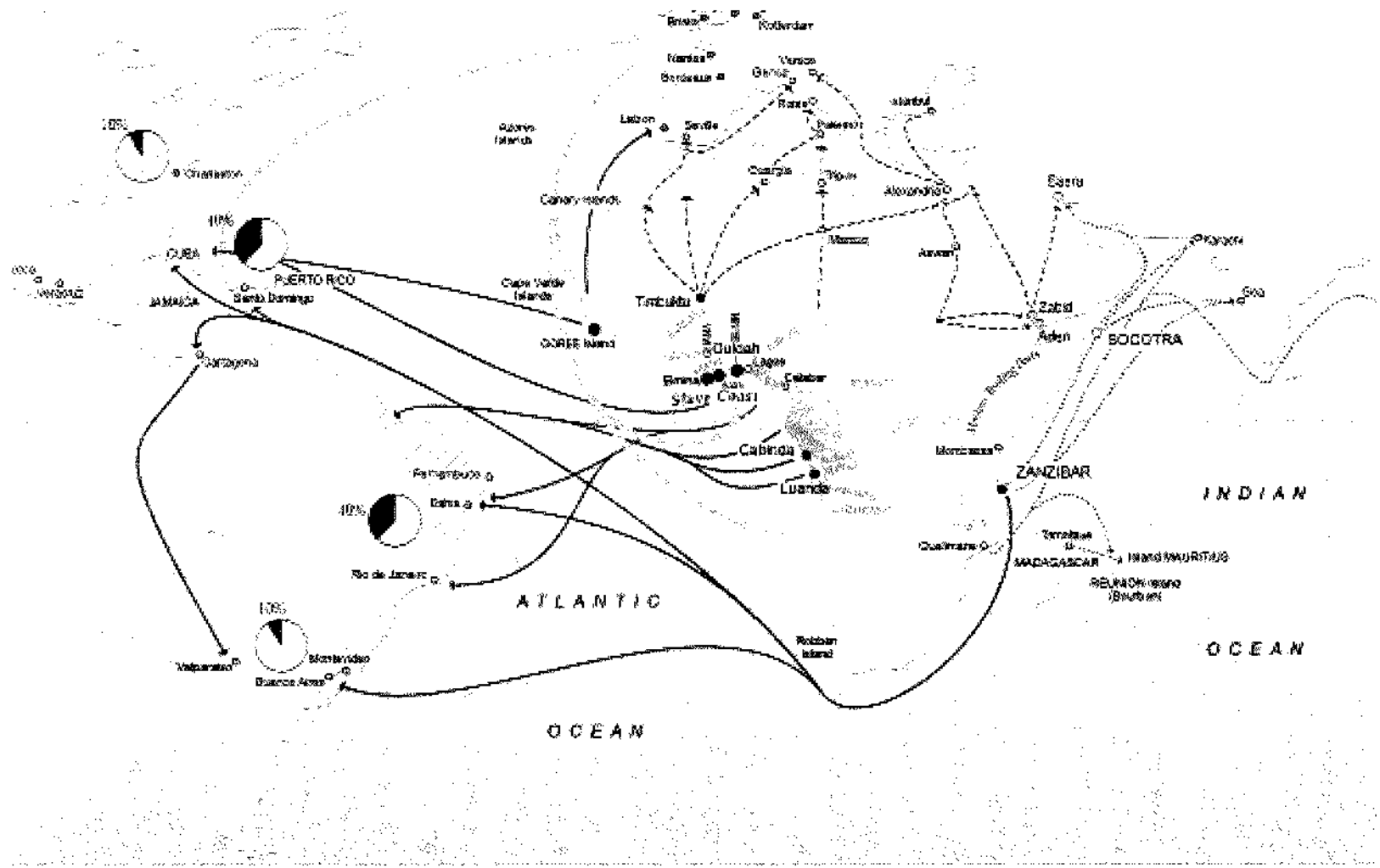
Moreover, it developed new attitudes and brought new techniques, in particular firearms, which contributed to the spread of war and to making them more fatal. Thus, vast regions that had, before the 16th century, made West Africa prosperous, were dislocated, giving rise to a multitude of small entities with after-effects from which contemporary Africa is still suffering. It also spread the use of alcohol, which had a harmful effect on public health.

But more especially, Africa on the whole was impoverished, although certain privileged classes did benefit from the Atlantic trade. All things considered, with the Trade, Africa entered a process of dependence on a trade impelled from the outside and over which it had no control, thereby also losing control of its destiny. The slave trade, given these circumstances, constitutes a turning point in the evolution of West Africa and the continent that the competition between the European nations would accentuate.

⁹² Diop (L.M.), *Le sous-peuplement de l'Afrique noire* (The under-population of Black Africa), BIFAN two, ser. B, no. 4, 1978, p.737.

⁹³ According to L. M. Diop, if Africa had not lost 20 million individuals in the 17th century, its population at the end of the 17th century could have been 120 to 200 million individuals rather than 95 million.

THE TRIANGULAR TRADE



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The Triangular Trade and the main regions where trade was practiced on the western coast of Africa

B - The Rivalry between European nations and its effects on the geopolitics of West Africa

We have seen that shortly after the great discoveries of the 15th century, the European powers of the time were busy battling with each other : Spain, Portugal and the United Provinces. Thus, in 1580, Spain finally annexed Portugal.

In the 18th century, it was England and France, the two powers of the era, which clashed on all the continents.

Then too, it was in North America, initially, that France owned Canada and North Louisiana, while Great Britain held an immense territory bringing together thirteen colonies, the outlines of the future United States.

Then, in the West Indies, England exerted its authority over Jamaica and some Caribbean islands, whereas France had established its influence in Santo-Domingo, Martinique, the Guadeloupe and Guyana.

The phenomenon was observed in the Indian Ocean also : there, France had Madagascar, the Bourbon Island, the trading posts of Pondichery Yanaon, Karikal, Mahé and Chandernagor in India, while England held sway over the trading posts of Madras, Calcutta and Bombay.

The Seven Years' War (1756-1763) opposed England and Russia to France, Austria and their allies. The origin of the war was the Franco-English confrontation in connection with their possessions in India and America, as well as Austria's desire to retake Silesia from Prussia.

The Treaty of Paris of 1763 established the victory of the English. France gave up the "trading posts it possessed in Senegal, Canada, part of the French West Indies and on the left bank of the Mississippi".

It also lost its possessions in India, except for the five trading posts mentioned earlier.

With its colonial and maritime supremacy clearly established, England's fleet undertook great exploratory voyages in the Northern Pacific, which led to the expansion of its colonial domains.

France took advantage from the uprising of the thirteen English colonies to rally to their side with the help of men of action like the Marquis de La Fayette.

In 1776, the thirteen colonies proclaimed their independence in a text that is still famous in the history of the emancipation of mankind, and is commonly called "The Declaration of Independence", which we present, in a text box, because of its symbolic character.

The unanimous Declaration of the thirteen United States of America,

When in the Course of human events, it becomes necessary for one people to dissolve the political bonds which have connected them with another, and to assume among the powers of the earth, the separate and equal station to which the Laws of Nature and of Nature's God entitle them, a decent respect to the opinions of mankind requires that they should declare the causes which impel them to the separation.

We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness.

- That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed,

- That whenever any Form of Government becomes destructive of these ends, it is the Right of the People to alter or to abolish it, and to institute a new Government, laying its foundation on such principles and organizing its powers in such form, as to them shall seem most likely to effect their Safety and Happiness.

Prudence, indeed, will dictate that Governments long established should not be changed for light and transient causes ; and accordingly all experience hath shewn, that mankind are more disposed to suffer, while evils are sufferable, than to right themselves by abolishing the forms to which they are accustomed.

But when a long train of abuses and usurpations, pursuing invariably the same Object evinces a design to reduce them under absolute Despotism, it is their right, it is their duty, to throw off such Government, and to provide new Guards for their future security.

- Such has been the patient sufferance of these Colonies ; and such is now the necessity which constrains them to alter their former Systems of Government. The history of the present King of Great Britain is a history of repeated injuries and usurpations, all having in direct object the establishment of an absolute Tyranny over these States. To prove this, let Facts be submitted to a candid world.

He has refused his Assent to Laws, the most wholesome and necessary for the public good.

He has forbidden his Governors to pass Laws of immediate and pressing importance, unless suspended in their operation till his Assent should be obtained ; and when so suspended, he has utterly neglected to attend to them.

He has refused to pass other Laws for the accommodation of large districts of people, unless those people would relinquish the right of Representation in the Legislature, a right inestimable to them and formidable to tyrants only. He has called together legislative bodies at places unusual, uncomfortable, and distant from the depository of their public Records, for the sole purpose of fatiguing them into compliance with his measures.

He has dissolved Representative Houses repeatedly, for opposing with manly firmness his invasions on the rights of the people.

He has refused for a long time, after such dissolutions, to cause others to be elected ; whereby the Legislative powers, incapable of Annihilation, have returned to the People at large for their exercise ; the State remaining in the meantime exposed to all the dangers of invasion from without, and convulsions within.

He has endeavored to prevent the population of these States ; for that purpose obstructing the Laws for Naturalization of Foreigners ; refusing to pass others to encourage their migrations hither, and raising the conditions of new Appropriations of Lands.

He has obstructed the Administration of Justice, by refusing his Assent to Laws for establishing Judiciary powers.

He has made Judges dependent on his Will alone, for the tenure of their offices, and the amount and payment of their salaries.

He has erected a multitude of New Offices, and sent hither swarms of Officers to harass our people, and eat out their substance.

He has kept among us, in times of peace, Standing Armies without the Consent of our legislatures.

He has affected to render the Military independent of and superior to the Civil power.

He has combined with others to subject us to a jurisdiction foreign to our constitution, and unacknowledged by our laws ; giving his Assent to their Acts of pretended Legislation :

For Quartering large bodies of armed troops among us :

For protecting them, by a mock Trial, from punishment for any Murders which they should commit on the Inhabitants of these States :

For cutting off our Trade with all parts of the world :

For imposing Taxes on us without our Consent :

For depriving us in many cases, of the benefits of Trial by Jury :

For transporting us beyond Seas to be tried for pretended offences :

For abolishing the free System of English Laws in a neighboring Province, establishing therein an Arbitrary government, and enlarging its Boundaries so as to render it at once an example and fit instrument for introducing the same absolute rule into these Colonies :

For taking away our Charters, abolishing our most valuable Laws, and altering fundamentally the Forms of our Governments :

For suspending our own Legislatures, and declaring themselves invested with power to legislate for us in all cases whatsoever.

He has abdicated Government here, by declaring us out of his Protection and waging War against us.

He has plundered our seas, ravaged our Coasts, burnt our towns, and destroyed the lives of our people.

He is at this time transporting large Armies of foreign Mercenaries to complete the works of death, desolation and tyranny, already begun with circumstances of Cruelty & perfidy scarcely paralleled in the most barbarous ages, and totally unworthy the Head of a civilized nation.

He has constrained our fellow Citizens taken Captive on the high Seas to bear Arms against their Country, to become the executioners of their friends and Brethren, or to fall themselves by their Hands.

He has excited domestic insurrections amongst us, and has endeavored to bring on the inhabitants of our frontiers, the merciless Indian Savages, whose known rule of warfare, is an undistinguished destruction of all ages, sexes and conditions.

In every stage of these Oppressions We have Petitioned for Redress in the most humble terms : Our repeated Petitions have been answered only by repeated injury. A Prince whose character is thus marked by every act which may define a Tyrant, is unfit to be the ruler of a free people.

Not have We been wanting in attentions to our British brethren. We have warned them from time to time of attempts by their legislature to extend an unwarrantable jurisdiction over us. We have reminded them of the circumstances of our emigration and settlement here. We have appealed to their native justice and magnanimity, and we have conjured them by the ties of our common kindred to disavow these usurpations, which, would inevitably interrupt our connections and correspondence. They too have been deaf to the voice of justice and of consanguinity. We must, therefore, acquiesce in the necessity, which denounces our Separation, and hold them, as we hold the rest of mankind, Enemies in War, in Peace Friends.

We, therefore, the Representatives of the united States of America, in General Congress, Assembled, appealing to the Supreme Judge of the world for the rectitude of our intentions, do, in the Name, and by Authority of the good People of these Colonies, solemnly publish and declare, That these United Colonies are, and of Right ought to be Free and Independent States ; that they are Absolved from all Allegiance to the British Crown, and that all political connection between them and the State of Great Britain, is and ought to be totally dissolved ; and that as Free and Independent States, they have full Power to levy War, conclude Peace, contract Alliances, establish Commerce, and to do all other Acts and Things which Independent States may of right do. And for the support of this Declaration, with a firm reliance on the protection of divine Providence, we mutually pledge to each other our Lives, our Fortunes and our sacred Honor.

Through the 1783 Treaty of Versailles, England recognized the independence of the United States, restored Senegal and some of the West Indian islands to France and Florida to Spain.

In 1800, England once again took over Gorée and constrained the island of Saint-Louis to surrender to it in 1807.

Two years later, all French possessions fell to the English.

Great Britain thus extended its authority over Senegal for a fresh five-year period.

The abolitionist views finally asserted themselves. Thus, the slave trade was abolished in 1807 in England ; it was officially abolished in 1815 by the Treaty of Vienna. It is another matter that the trade continued clandestinely during the better half of the 19th century and even beyond.

The slave trade and slavery

I - The slave trade

A - In Great Britain

In 1783, English Quakers petitioned Parliament to abolish the slave trade, soon joined by the Reformed Churches. William Wilberforce took the lead in this abolitionist crusade to which Prime Minister William Pitt also subscribed. In 1788, Wilberforce set up a Society for the abolition of the slave trade. In 1807, Great Britain abolished slave trading.

From participants in the Treaty of Paris (1814) and in the Congress of Vienna (1815), she managed to obtain an agreement for the unification of forces for the abolition of the slave trade and put her naval power at the service of the supervision of transatlantic trade.

B - In France

In the 18th century, certain philosophers of the Age of Enlightenment condemned slave trading. In 1788, Pierre Brissot, journalist and politician, created a Society of the Friends of Blacks in Paris with Abbot Gregoire, La Fayette, Mirabeau, Sièyes and Condorcet as members.

II - Slavery

A - France

After the 1789 French revolution, the Convention abolished slavery on 4 February 1794, at the instigation of Robespierre's friends. However, in 1802, Napoleon Bonaparte restored slavery in the colonies. But then, as from 1827, Victor Schoelcher, having discovered the condition of slaves in America, put all his energies and fortune at the service of the abolition of slavery.

The 1848 revolution reinforced his ideas, and on 27 April 1848, a decree by the provisional government abolished slavery in the French colonies.

B - Great Britain

In 1823, in England, an anti-slavery society was established. In 1831, the Crown's slaves were freed. On 8 August 1833, the British Parliament took the decision to abolish slavery.

C - Elsewhere

The Netherlands abolished slavery in 1860, Spain in 1872 and Brazil in 1888.

We may believe that Europe, having embarked on the path of industrialization, which had begun in the 18th century, needed less slaves for America and more outlets on the African continent.

Indeed, the industrial revolution would reinforce the region's dependence with regard to European nations.

III - West Africa and the industrial revolution in Europe

It was in England that the industrial revolution occurred in the 18th century, before extending to the rest of Western Europe, then the United States and later, Japan and Russia.

It was a revolution in production techniques, which resulted in the development of industrial capitalism and the search for outlets abroad in view of the competition and protectionism that prevailed between European countries.

A - The technical revolution and the development of industrial capitalism

A series of mechanical inventions appeared at the same time, and almost all of them in England.

According to estimates, the 15th century witnessed about fifty "key"⁹⁴ industrial inventions". In the 16th and 17th centuries, the figure fell down to about twenty ; it went up to 43 in the 18th century and increased to 108 in the 19th century.

Inventions essentially occurred in three sectors : textile, metallurgy and energy.

In *textile*, the major discoveries were silk throwing by Lomb in 1716 ; the fly shuttle by Kaul in 1733 ; the spinning frame by Arkwright in 1767 ; the weaving loom by Cartwright in 1785.

In *metallurgy*, Abraham Darby produced cast iron from iron and coke in 1735 ; Huntsman manufactured cast steel and created the first modern steelworks in 1750 ; Onions and Cart invented the puddling process in 1789.

However, the most decisive invention of the industrial revolution was in the *energy* sector, which dominated the entire 19th century : the steam engine by James Watt in 1764.

Human activity, as we know, is *dependent on the use of energy*. Until James Watt's invention, men had naturally recourse to *human energy*, in particular the muscular strength of slaves, and sometimes animal energy ; they then invented the water wheel and the windmill to transmit the *driving force* of running water and wind.

These last processes were still used at the beginning of the industrial revolution, which explains why workshops were built on the banks of rivers or in open country.

With its advent, the steam engine - the "mechanical slave" - independent of nature, became the center piece of any mechanized factory, and thanks to its transmission system, it increased the number of spinning mills, weaving looms, etc. in the same factory.

⁹⁴ Ashton (I.S.), *La révolution industrielle (Industrial Revolution)*, 1760-1830, Plon, 1955.

The consequence of all these inventions was an *increase* in production and labor productivity *in unknown and unsuspected proportions since the beginning of the human adventure*.

Europeans now had the means of mass-producing and dealing with scarcity. At the same time, the application of the results of agronomic research to agriculture and the implementation of certain practical measures such as the fencing of fields, resulted in the agricultural revolution, which also took place in England, before and during the industrial revolution. Thus, the thousand-year-old specter of famine was forever laid to rest.

In 1776, the Scotsman Adam Smith, in his "*Research on nature and the causes of the wealth of nations*", theorized English experience by putting forward mass production as a consequence of the specialization of tasks and the use of machines, and therefore of an improvement in labor productivity, as the source of a nation's wealth.

Indeed, the industrial revolution radically transformed the face of England and other European countries - the production structure changed, with industry's share becoming preponderant to the detriment of agriculture ; the demographic distribution changed with the rural exodus and an increase in the urban population ; new social relationships evolved between the class of factory owners (capitalist bourgeoisie) and that of the workers (proletarians).

Indeed, the economic system in which the industrial revolution was hatched was capitalism, which could be described as industrial to distinguish it from the commercial capitalism of the 16th and 17th centuries.

In the capitalist economy, the goal of any economic activity was the quest for profit as a reward for the risks undertaken by the entrepreneur and a condition for the survival and expansion of a company. The continuous conquest of new markets was, therefore, an inherent need in the system.

Thus, the competition and protectionist measures adopted by European countries led to the search for outlets abroad.

B - Protectionism in Europe and the search for outlets abroad

In principle, a capitalist economy is a liberal economy, with freedom of enterprise, freedom of work, freedom of prices, non-intervention by the State and private ownership of the means of production. These principles were championed by bourgeois businessmen and traditional economists.

In fact, while in a period of expansion, business circles managed without State intervention, they solicited its assistance when the economic situation became less favorable.

Thus, the great economic powers of the time - Great Britain, France and the German States - experienced a first protectionist period between 1815 and 1846-1860, which partially coincided with the long phase of decline between 1820 and 1850⁹⁵.

⁹⁵ Ambroisi (C.) and Tacel (M.), *Histoire économique des grandes puissances à l'époque contemporaine (Economic History of Super Powers in the Contemporary Period) 1850-1964*, Delagrave, Paris, 1963, p. 80.

"They adopted free trade with the expansion phase that lasted from 1850 to 1873 and Germany⁹⁶ continued to practice it until 1879, and France until 1892"⁹⁷.

In 1886, at the request of British businessmen, concerned by an increase in imports compared to exports, and especially the keen competition by German products in the world market, the House of Commons decided to undertake an investigation.

The Parliamentary Committee concluded that the relative decline of British trade was ascribable to its obsolete methods compared to the dynamism of its competitors ; but also due to the fact that extra-European markets were progressively shrinking with expansion overseas and across the Atlantic by European nations.

"It could not be expected that there would be any market expansion in Europe as long as protectionism ruled the roost. In this part of the world, the policy of outlets was combined with free-trade activities, the signing of trade agreements and prospecting of customers through World Fairs (1851, 1862)"⁹⁸.

From that moment on, the acquisition of territories in Africa, Asia and Latin America had emerged as a necessary condition for the continuation of trade and thus, the development of European economies.

Indeed, it was this that made Lenin (1916) say that "imperialism" was the "ultimate stage of capitalism". Imperialism, here, signifies a State's policy of expansion with the intention of putting other States under its dependence.

As in a number of societies, domestic trade or even foreign trade in pre-colonial West Africa was in the form of barter and with the help of monetary symbols.

Section IV - Monetary instruments used in trade⁹⁹

A variety of currencies were in circulation during the centuries preceding colonial penetration. The most significant of these were gold, cowries, strips of cloth, copper and iron bars.

Having described them, their degree of monetary quality should be analyzed.

I - Monetary symbols

A - Gold currencies

Gold was in common use in the entire Western Sudan and also in the central part of the forest belt such as the Ashanti country, before the 11th century.

Gold currency took two forms : *gold powder*, which was carried in small bags and measured with the help of a pair of portable scales and *mitskalls*, which were used both as coins and weights for weighing gold. *Mitskalls* were struck in *Nikki*, in the North of the current Republic of Benin. They were in circulation in the eastern half of Western Sudan at the beginning of the 19th century.

⁹⁶ In fact, German unity dates back to 1874.

⁹⁷ *Idem* p. 80.

⁹⁸ *Idem* p. 140.

⁹⁹ Kouamé (Patrice), thesis already cited above, pp. 86 to 96.

Captain Binger¹⁰⁰, who had been charged with the mission of exploring the curve of River Niger between 1887 and 1889, gave the following account : "As Ahmed Baba (sic) tells us in his *Tarikh es-Sudan*, Bitou (Bondoukou, a north-eastern city in present-day Côte d'Ivoire) was already known in the 11th century for its gold trade. Even today, we find this metal in this city. It certainly costs me to employ the vague sentence that precedes, and it would be preferable to be able to fix a figure. Unfortunately, it is impossible for me to evaluate this movement, and I fear that I might be mistaken and led astray. However, I can affirm that every person in Bondoukou has at least one pair of scales for weighing gold with *birita* (weights) and that there was not a single day when I did not see payments made in gold, either at my *diatigué* (host), or in the first hut that I came across and even on the street".

B - Cowry shells

Cowries constituted the main exports of the Maldives Islands¹⁰¹ for several centuries. They were used as currency in several parts of the world, including Africa.

In the beginning, cowry shells were imported into West Africa via North Africa and the Middle East. Since at least the 11th century, they had been used in the main Middle-Niger markets. Their use extended to Mauritania before the 15th century, to the Haoussas domain at the beginning of the 18th century and to the South of the forest between Côte d'Ivoire and the Niger delta, where they arrived at the same time as cowry shells that were imported by European merchants by sea, starting with the 16th century.

Cowries constituted the most widespread currency in West Africa. In fact, their number increased in quantity and their circulation kept extending to other areas until the end of the 19th century. Thus, they were used in the entire region except the coast of Upper-Guinea and its hinterland (from Senegal to Liberia), and Eastern Nigeria.

C - Cloth and metal currency

They were used in several parts of West Africa, but especially in areas cowry shells did not reach.

Strips of cloth were particularly significant in Bornou in the 14th century and in certain parts of Senegambia, in particular among the Wolofs until the 19th century.

¹⁰⁰ Captain Binger, *Du Niger au golfe de Guinée par le pays de Kong et le Mossi* (From Niger to the gulf of Guinea through Kong and Mossi countries) Hachette, Paris, 1892. Société des Africanistes, Paris, 1980, pp. 164-165.

¹⁰¹ Archipelago near the equator, situated about 650 km south-west of Sri Lanka.



Abbot Gregoire



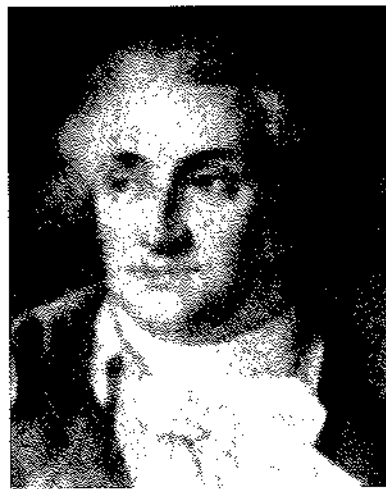
La Fayette



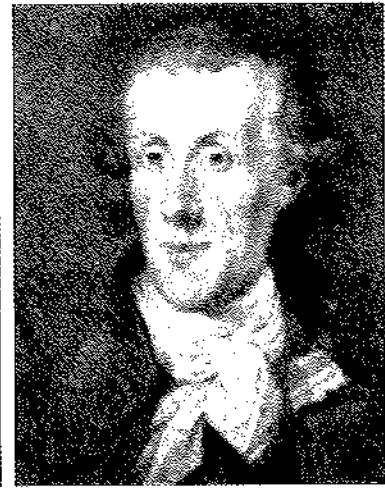
Mirabeau



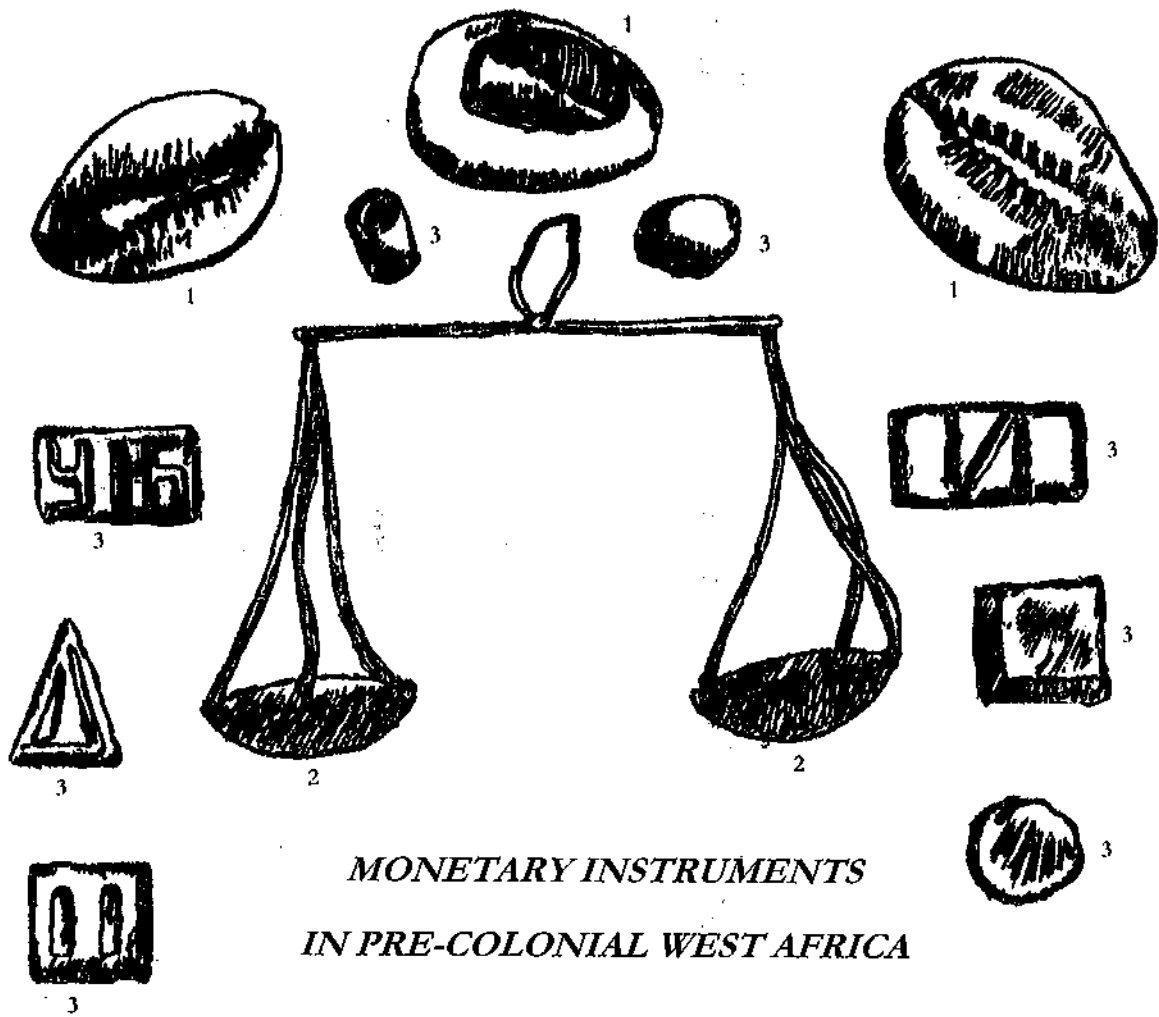
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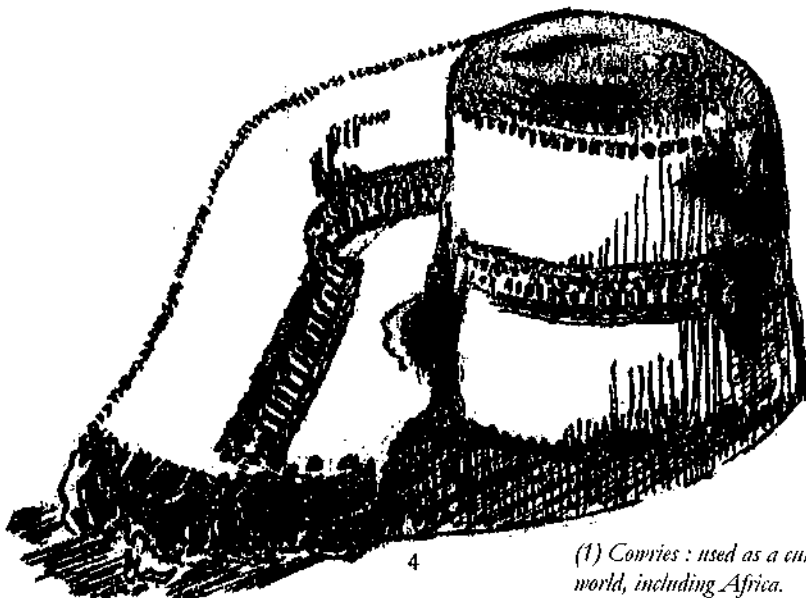
Condorcet



Pierre Brissot



*MONETARY INSTRUMENTS
IN PRE-COLONIAL WEST AFRICA*



- (1) Cowries : used as a currency in several regions of the world, including Africa.
- (2) Scales for weighing gold.
- (3) Weight for weighing gold, also used a coin.
- (4) Strip of cloth : cloth currency of the Wolofs in Senegambia.

Box 1.9

A copper currency, the manilla dates back to the 16th century. It was an alloy of copper, zinc, silver and gold ; its weight varied and could be between 2 to 6 pounds (English), its diameter 4 to 8 inches, and it was richly decorated with geometrical designs, circles, spiral lines, diamond shapes, etc. Used from the 16th century up to the Second World war, but miniaturized, the manilla, originating in the Gold Coast and Côte d'Ivoire, was also used in the Mossi country and the West African region in the form of an arm-band. It was not exclusively African, as this type of currency had also existed in Ireland since the Bronze Age.

In the Gulf of Benin, the copper manilla remained for a long time the principal basis of trade : 100 manilla were equivalent to 66.6 mitskalls of gold.

In Takkada, to the east of Gao, copper mines were worked. Since 1356, ore had been smelted¹⁰² there. The inhabitants manufactured more or less thick rods, of the length of a span and a half - 400 thick rods = 1 mitskall. They were used for the purchase of slaves, sorghum, shea butter and durum wheat produced in Gao where 700 thin rods = 1 mitskall.

Between the 17th and the 18th century, the iron bar was one of the principal objects in demand in West Africa, because it was used as currency. The heavy and cumbersome shapes that were adopted were small-scale model copies of weapons or tools (Som'pé in Côte d'Ivoire) or their stylization (Guinzé).

The Guinzé was a soft iron rod that was minted, 25 to 90 centimeters long with a square 3 to 4 cm section, twisted over the entire length, with a "tail" widening out in a more or less triangular, but oval segment at the base.

It was commonly used in West Africa : Sierra Leone, Guinea, Liberia, with varied values - often a unit was worth 10 heads of tobacco ; the exchange rate was 20 heads of tobacco in Sierra Leone and Guinea.

The Som'pé was the usual currency in Côte d'Ivoire, with the Gouro and Malinké from Mankono, Touba and Odienné. Som'pé was a piece of flat iron, rolled in the shape of a channel whose lower end was widened into a more or less triangular or oval, sharp or pointed segment. The upper end was in a rounded, very uneven tail. The entire 10 to 15 centimeters length weighed approximately 100 grams. They had to be assembled in 20s. A man's load was worth 15 to 20 French Francs (1905 value).

As for the Koungourou, it was a piece of an imported iron bar. It was a bar flattened into a 35-cm long segment, weighing between 200 to 300 grams and was equivalent to 1.5 *guinzé*. This currency was manufactured by the Malinké. In Congo, the currency, in the shape of a bell, was traded as follows : 5 to 6 bells = 1 oil pot ; 1 slave = 100 bells.

¹⁰² Porteres (R.), Monnaie de fer dans l'Ouest Africain au XX^e siècle : les Nzimbu, monnaie du royaume du Congo (Iron currency in Western Africa in the 20th century : the Nzimbu, currency in the Republic of Congo). Einzig (P.), - 1949-1966, Primitive Money Units, ethnological, historical and economic - aspects (p.55).

II - The monetary quality of pre-colonial currencies

We indicated in the Preliminary Chapter that when a currency fulfills all its functions perfectly, it is called a general equivalent, if not, it is a specific equivalent in the sense that its monetary spectrum is limited.

Some authors¹⁰³ consider that not all the currencies that circulated in West Africa constituted a general equivalent, but rather, a specific equivalent.

This would explain why pre-colonial West Africa was unable to reach a degree of monetarisation that would have been sufficient for its economic growth and development. Thus, it was with the introduction of currency in its modern form that a true process of monetarisation started in the region.

The so-called "substantivist" school's notion of considering Africa's currencies as specific equivalents is linked to the fact that these authors considered that the region did not have an economy that functioned according to market principles, according to Hopkins. They extrapolated this fact, based on studies, in particular those based on small communities in the Pacific. A specific example of a currency used by such communities is the feather currency that still coexists in Santa Cruz in New Caledonia (cf. Preliminary Chapter).

This idea, according to Hopkins, was ill-founded. Trade and market principles were indeed known in pre-colonial West Africa.

Hopkins¹⁰⁴ believed that the principal currencies in pre-colonial West Africa functioned as general equivalents and had the attributes of modern currency. Each functioned as a unit of account, a medium of trade, a reserve of account and means of deferred payment.

Cowry shells and gold constituted a single monetary system in a large part of the region, with the exchange rate between them being sometimes fixed and sometimes floating. This system was intended to promote trade and it was not by chance that it covered a zone where long-haul trade was particularly active.

Indeed, according to Binger's testimony, "At Bondoukou, the Mitskall has many subdivisions and the smallest payment that can be made in gold is 150 cowry shells or 0.225 FF. To weigh this quantity, a small coral red seed was used, which bears a black spot. The shrub that produces this seed first grows as a creeper, after which there grow bunches of pods containing seeds. It is very widespread in Casamance and the Diolas use it to decorate their war helmets".

Binger added, "Much further south, in the center of the gold fields, an even smaller subdivision is used - half of the damna : 0.10 or 0.11 FF ; this quantity is weighed with another small seed called 'pouassaba'. In case this seed is not available, average-sized grains of unhusked rice are used with three grains being equal to the damna ; you cut one or two, and a grain and a half of rice thus constituted the 'pouassaba' or 'kouassaba'".

¹⁰³ Uduebo (M.A.), *The West African Currency Board*, Banque Centrale du Nigéria (Central Bank of Nigeria), - Unpublished paper, 1982.

¹⁰⁴ Hopkins (A.G.), op. cit.

It is interesting to note that there was an exchange rate between gold, cowry shells and the Franc. In all cases, a high value was attributed to gold and, therefore, the exchange rate was a floating rate ; the explorer recounted for example that he had tried in vain to acquire a gold nugget of 130.5g against francs : "I wanted to buy this nugget of 130.5g , and I proposed to make a sacrifice of 50 Francs extra to procure it, but Sitafa (the owner) did not want to part with it, and the reason he gave me was that the entire village knew this nugget belonged to him ; that if he sold it, it would not bring him luck, because his father had given it to him".

Next to gold, the success of cowry shells was linked to their physical characteristics : their size and shape made them easy to handle, convenient to count and impossible to counterfeit, while their hardness made it possible to preserve them safely over several years.

Copper rods were valid for all goods and services, and were divided into small denominations with the aim of facilitating trade.

The cloth currency used by the Wolofs was available in standardized multiples.

Hopkins believed that the principal currencies of West Africa were used for developing trade and not preventing it. These currencies were adequate for the needs of the time.

He added that "it was only in the 19th century, when they became less effective, that they were replaced by the currencies of the industrialized world".

But why and in what way did they become less effective ? Hopkins did not provide an answer to that question. However, his answer would have allowed a better appreciation of the monetary quality of pre-colonial currencies.

The monetarization¹⁰⁵ theory makes it possible to provide a very partial answer. Pre-colonial currencies can be considered either as species in a calibrated barter system or as fiat money in species. In both cases, they constitute real progress compared to a pure barter economy.

But as the theory indicates, this type of currency presented serious limitations, in particular the constraint of transporting these species and with regard to information between the seller and the buyer. Therefore, we can speak of true monetarization only with the generalization of bank money, which grants everyone monetary ubiquity.

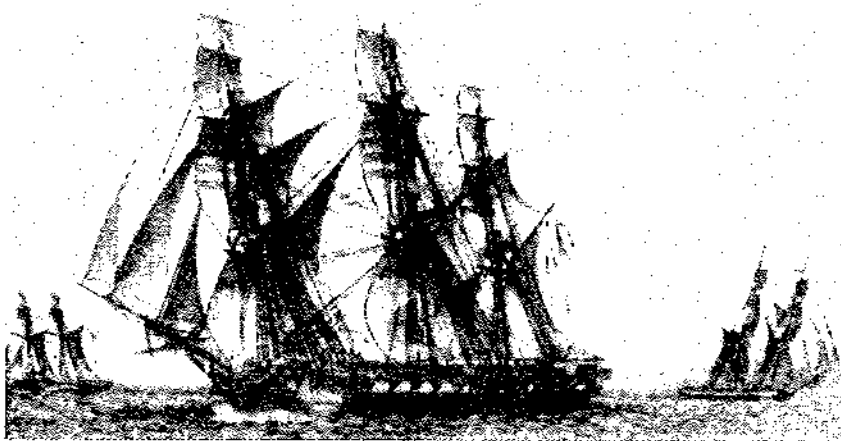
Apparently, this last stage could not be crossed in pre-colonial West Africa, thus limiting a veritable monetarization of the region, a necessary condition for economic growth and the dissemination of technical progress.

¹⁰⁵ St Marc (Michèle), *Monnaie, espace et incertitude*, (Currency, space and uncertainty) Dunod, Paris, 1972.

This situation could be explained by the fact that the advent of bank money would have supposed that, historically, two conditions had been satisfied - the use of paper and the generalized use of writing¹⁰⁶. However, since the African civilization south of the Sahara primarily relied on oral tradition, it would have been difficult for it to generate bank money. This was a major constraint for the development of the region. However, it should be added that it was with the advent of the colonial administration that the existing currency symbols disappeared, as we will see in the following chapter.



The tragic sinking of the "Medusa"
on the bank of Arguin in Mauritania
(page 129)



The "Medusa"
(page 129)

¹⁰⁶ Daste (B.), *op. cit.*, p. 88.

The case of Nubia and the Kingdom of Axum

African in language and civilization, the Egyptian, Nubian, Axumite and Ethiopian peoples and, further south, those of Central Africa, were in contact with each other, between the 3rd millennium in antiquity until the 7th century of our era, up to the conquest by Arabs and the progressive Islamization of Egypt.

In fact, there was continuous trade between these peoples.

According to old texts, the term Nubia seems to be drawn from the root "Noub" which means "gold". At the time of the old Empire, the wealth of this, whose influence surely extended as far as Central Africa, did not fail to arouse covetousness amongst the first Egyptian dynasties (3000 BC) – especially as far as Pharaoh Ménès was concerned, for gold, incense, ebony, ivory, oils, semi-precious stones and other luxury articles... It was undoubtedly in the 4th dynasty (2700 to 2600 BC), under Pharaoh Djoser, that Egyptians truly came to know Africa south of the Sahara.

As for Axum, it was recognized as the first sub-Saharan State to strike currency. The first sovereign to strike his own currency was King Endybis in the 3rd century of our era. Then, in the 4th century, King Ousanas put gold coins in circulation, bearing his effigy. The Axum monetary system was similar to that of Byzantium at the time, both as regards the weight as well as the shape - the regality of striking gold, silver and copper coins pushed the kingdom of Axum fully into world trade, because the striking of coins was both an economic and political act, thus attesting to independence, prosperity and at the same time, perpetuating the name of the monarchs and the currency used during their reign.

Between the 3rd and the 4th century, coins bore ethnic "sobriquets", specific to each monarch, constituted by the word "Beesi" (Men) and by an "Ethnonym" corresponding to the name of one of the Axumite armies ; thereafter, coins minted under the reign of Ezana and his successors carried a Greek motto meaning "May the country be satisfied".

Thereafter, Greek and Ethiopian versions of this motto gave way to pious Christian sayings.

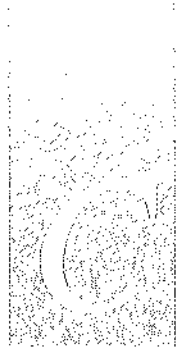
As for sub-Saharan Africa, Meroë maintained continuous trade relations with it and Axum exported cotton articles and iron to it. The Sassou and Bedja countries in Central Africa dispatched gold and incense ; spices came from Somalia ; North Africa also sent luxury goods.

In the beginning of the 3rd century, foreign merchants were obliged to send gifts to the King of Axum and the Governor of Adoulis – gifts that were worthy of their wealth : pots of gold and silver. In 524 AD, the Patriarch of Alexandria sent a pot of money to the King of Axum.

Among all these countries that were trading with Ethiopia, Arab writers particularly mention the Banu kuraish of Mecca and the book *Cosmas indicopleuste*, mentions the island of Socotra and India.

In the *Martyr d'Aretas* (Martyr of Aretas), the ships that dropped anchor at the Ethiopian port of Cabara during the summer of 525 AD have been listed. There were 73 ships that came from the Farasan-Alkaber island, Palestine, Egyptian ports, Clysmé, Bérénice and Thran.

Cissé, Daniel - *Histoire économique* (Economic History), 1989 - Vol. II.



CHAPTER 2

FROM THE 19th CENTURY TO THE EVE
OF THE SECOND WORLD WAR :
THE BIRTH AND EVOLUTION OF THE
FRANC AREA, THE BANKING
SYSTEM AND PUBLIC FINANCIAL
SERVICES, AS WELL AS THE COLONIAL
ADMINISTRATION

Following the fall of Napoleon's power, in 1815, France strove to recover the overseas territories that England had agreed to restore, especially some trading posts in Senegal. Besides, England, victorious and in full expansion, imposed the abolition of the slave trade on the European nations, although it continued to work clandestinely during a large part of the 19th Century.

In 1939, on the eve of the Second World War, the French colonial system, patiently conquered and organized in Africa, Asia and America, showed cracks indicative of a fall.

This period of a little more than a century is marked by the taking into possession of a large part of West Africa - the setting up of a pre-colonial administration in Senegal, the restructuring of trading post activity, the introduction of the Franc, the creation of the Bank of Senegal following the abolition of slavery and the conquest and colonization of new territories.

Section I – Establishment of pre-colonial administration in Senegal

The treaty of Paris, dated 30 May 1814, consequent to the collapse of Napoleon I's French Empire, reduced France to its 1792 frontiers, except for some territories of which it lost a part during the "Second Treaty of Paris", on 20 November 1815, in the wake of the Anglo-Prussian victory at Waterloo.

It is in accordance with these treaties that England restored to France all the establishments it possessed on the West African Coast before 1792.

The mission, in 1816, to retake possession of Senegal ended with the tragic sinking of the "Medusa" on the banks of Arguin¹⁰⁷, immortalized by the painter, Géricault¹⁰⁸, with the result that France had to wait till 25 June 1817 to make its presence felt once again in Senegal.

In 1817, Senegal and other dependencies were limited to Saint-Louis, Gorée and some trading posts on the Senegal river and at the mouth of the Gambia (Albréda).

An administration was then established and the King's commanding officer headed it, helped by a cabinet, heads of administration, an advisory committee which would assist him in the conduct of his mission.

From the beginning, in 1817, Senegal was governed by the King's commanding officer ; stationed in Saint-Louis, in 1828 he took on the title of Governor, which was in use in the West Indies colonies.

The organic order of 7 September 1840, which constituted the administrative charter of the French colonies of Africa till 1920, determined the organization of Senegal and decided the Governor's responsibilities.

¹⁰⁷ In Mauritania.

¹⁰⁸ *The raft of the Medusa.*

He was responsible for the civil and military administration of the colony. There were military governors till 1882, the year the first civil governor, René Servatius, was appointed.

The cabinet was administered by a Cabinet Chief and was composed of a civil cabinet and a military cabinet.

As head of administration, the Director was responsible for the administration of the Navy, War, Home and Treasury, the senior management of Public Works and general accounts for all the departments ; the Controller allowed the Central Administration to keep an eye on everything ; he interacted directly with the Minister responsible for the colonies to whom he submitted a report on the implementation of decisions, the application of laws and regulations and, in short, the management of the Governors.

The Political Affairs Office instituted by the decision of 28 September 1846 dealt exclusively with political matters, with purely administrative matters being delegated to the Director.

The Director of Political Affairs was responsible "under the direct and exclusive supervision of the Governor, for the examination of all proposals and complaints of the various internal tribes, the redress of atrocities committed against the inhabitants of Senegal, in a word, for all that could lead to peace or war between tribes".

The Judiciary was organized in 1822, 1832, 1844, 1847, 1891. The Public Prosecutor, chief of the judiciary had authority over all the other members of the judiciary and ensured the administration of all matters pertaining to justice ; he gave an account of his administration to the Governor.

The Governor took the help of the Military Commanding Officer who was the chief of armies. A special Commanding Officer, stationed in Gorée, represented the Governor there.

The other heads of department worked in collaboration with the Governor – Health, Education, Public Works, etc.

Instituted in 1819, the Committee for Government and Administration of Senegal was an advisory committee entrusted with helping the Governor in accomplishing his duties. The Governor was not obliged to follow their advice ; from 1830, it took the name of Private Council, in use in the French colonies of the West Indies.

Presided over by the Governor, it comprised civil servants, and one or two distinguished citizens.

At various times, the Committee included the Governor, who was President¹⁰⁹, the Director, the Controller, the Director of Internal Affairs, the Head of the Administrative Department, the Public Prosecutor, the Head of the Judiciary, the Military Commanding Officer, the Director of Public Works and the Head of Health Services.

¹⁰⁹ The Secretary General, Vice-President as from 1898.

The Director of Political affairs, the Navy Commanding Officer and the Director of Artillery could sit in the Committee when issues relevant to them were discussed.

The minutes were written by the Secretary-Archivist, a member of the Committee, not entitled to speak and vote.

The Assembly of inhabitants and eminent citizens is an organization consulted by the Authorities and is associated with certain bodies, like the Private Council.

At that time, it never occurred to anyone to extend French power to surrounding territories, but more to find means of subsistence for the trading posts that the abolition of the Slave Trade had condemned to misery.

Section II – The abolition of slave trade and the restructuring of trading post activities

Two directions were adopted : the introduction of crops responding to the needs of European industry and trade in local products and the opening of new trading posts.

In fact, the predominant idea in Europe was that since manual labor and land were both available in Africa, Europe should exploit them so that it was supplied with products that it needed for its industries. That was how an agricultural project for growing cotton (1819 - 1830) was started in the Walo ; it was a failure because the soil did not have the required fertility, and also because Senegal and the Senegalese were involved in trading gum, which they took from the river ports where it was brought by the Moors.

In 1836, the Governor of Senegal made Malavois, the special Commanding Officer of Gorée whose inhabitants suffered particularly from the abolition of trade, responsible for acquiring new trading posts in Casamance. He took possession of Carabane and Diembéring, and then of Sédhiou in 1838.

On the lower coast, France, following the footsteps of an enterprising England¹¹⁰, created "support points" where its nationals found refuge and the possibility of conducting commercial activities.

In November 1838, Bouët-Willaumetz was made responsible for the "Malouine"¹¹¹ expedition for an exploratory trading mission, for monitoring the slave trade and for reprisals against the kings of Bonny (Niger) and Gabon..." Bouët signed two treaties "*of offensive and defensive alliance*" with the kings of Gabon and Garroway. Between June and September 1843, three trading posts were created : Gabon, Assinia and Garroway.

As from then, France was present on the West African Coast.

¹¹⁰ England was present in The Gambia (1819), in Portendick (Mauritania), Sierra Leone, and Brunschiwig (H.) op. cit. p. 59.

¹¹¹ Name of ship.

With the industrial revolution and the expansion of large-scale industries, the Europeans, notably the French and the English, in search of new products for their economy, endeavored to obtain more and more advantages for their traders on the African Coast.

"They encourage African sovereigns to get heavily indebted to European banks and European adventurers with doubtful pasts. They manipulate debt servicing in order to acquire rights over agricultural production, for years in advance, and on earnings. They sign "inequitable agreements" for debt recovery and with all these advantages, besides others that have been awarded to their traders, they strive to weaken the economy of the States and above all the control African sovereigns could wield over economic mechanisms"¹¹².

Quite quickly, the European traders realized that trade in luxury products (gold, pepper, and ivory) or precious woods (ebony, sandal, and camwood) was not lucrative enough. This is why they turned to palm oil and groundnut, two products which met the European industries' growing needs of fats: oils, soaps, lubricants for the railways, candles, etc.

"Oil palms were available in plenty on the Western African Coast from Casamance in the North to Cameroon in the South, but the main areas of production at the time were, as always, today's Côte d'Ivoire, the Coast of Popos or Togo, the Coast of Benin from Ouidah to Lagos and Palma and, above all, the Niger delta where independent principalities, of which the main one was Bonny, collected palm oil originating from the area situated in the northern limits of the marshy delta of Niger. This delta supplied by far the largest quantity of oil"¹¹³.

The oil palm produces a reddish palm oil extracted from the pulp of the nuts as well as a whitish palm kernel oil obtained from ground kernels.

According to Brunschwig, "Palm oil was the first major product capable of replacing slaves in commercial relations between Africa and the world, the first that was not a luxury product and for which demand continues"¹¹⁴.

It was known in Europe, at least ever since the 16th century, but its industrial use began only in the last years of the 18th century "and above all the early years of the 19th century after the abolition of slave trade"¹¹⁵.

It was, in fact, used in the manufacture of soap and stearin candles and also for lubricants for railway companies.

¹¹² Histoire générale de l'Afrique, vol VI : *L'Afrique au XIX^e siècle jusque dans les années 1880* (General History of Africa, vol. VI : *Africa in the 19th century until the 1880s*), p. 842.

¹¹³ Schnapper (Bernard), *La politique et le commerce français dans le Golfe de Guinée de 1838 à 1871* (French Policy and Trade in the Gulf of Guinea) from 1838 to 1871, p. 120.

¹¹⁴ Brunschwig (Henri), *op-cit.*, p. 52.

¹¹⁵ *Idem*, p. 120.

It was England that gave a boost to the palm oil trade and it is estimated that in 1810, more than 10,000 tons, according to Bernard Schnapper, were unloaded at Liverpool. The trade continued to progress, at least till the 1870s.

However, the product was far less appreciated in France than in England because the soap made from it had a pronounced yellow tint, which the French did not like. But in 1852, an engineer named Rougier discovered a chemical process to discolor it. So, in Marseilles notably, soft white soap could be produced.

On the other hand, French interest in groundnuts grew. It is to be noted that in 1833, a trader from Gorée, Jaubert, drew the attention of the Marseilles Chamber of Commerce to the properties of the African groundnut. In 1840, an entrepreneur, Monteilliet, set up a project for constructing an oil extraction plant in Gorée.

From that date, gum, which was till then much sought after and highly prized in Europe for finishing fabrics, started being replaced by baize (felt).

In 1841, a customs Act¹¹⁶ lowered the import duties for groundnuts in France. The Régis brothers, particularly active in the Guinea coast trade, bought 300 t. of groundnuts in 1842 in The Gambia and entered it at Marseilles, bought 500 t. in advance for 1843.

From 1850 to 1873, "the value of palm oil imports quintupled, while in the same period, the value of groundnut imports increased tenfold"¹¹⁷ while England too continued to favor palm oil.

**Total Imports in France of palm oil, cocoa and touloucouna
from all sources
(Rounded up to a ton)**

Year	Tonnage	Value in thousand FF	Year	Tonnage	Value in thousand FF
1850	3403	2723	1862	4345	4345
1851	4171	3336	1863	7074	7374
1852	5091	4428	1864	6396	6396
1853	4613	2307	1865	4921	4921
1854	6310	7698	1866	6385	4788
1855	7838	9129	1867	4801	4801
1856	6180	6612	1868	7420	7049
1857	7725	8342	1869	7299	7299
1858	6071	6070	1870	6720	6720
1859	5399	5021	1871	8742	8742
1860	4403	4403	1872	13642	13642
1861	5517	5517	1873	11460	11099

Source : Decennial customs table.

¹¹⁶ An 1840 ordinance and a Customs Act in 1841 reduced customs duties on unshelled groundnuts and on palm oils originating from the West Coast of Africa if they were transported by French ships.

¹¹⁷ Schapper (B.), op. cit., pp. 140-141.

In the same period, the value of groundnut imports rose from 3.515 million in 1850 to 9.375 in 1856 ; 9.686 in 1861 ; 21.835 in 1865 and 35 million in 1873. As for palm oil imports into England, they represented £ 1,580,000 in 1860 - about 39,500,000 FF, nine times more than French imports in the same year.

Schnapper, Bernard – French policy in the Gulf of Guinea.

Between 1800 and 1848 small business organizations from Bordeaux, basically family-run businesses, were created in the colony to take an active part in the trade by barter through sea or land : “Maurel et Prom, Maurel et Frères, Chavanel et Fils, Vézia, Peyrissac, Devès et Chaumet, Buhau et Teisseire, Soucaïl Frères et Fils”.

Others would follow the first wave - business houses from Marseilles.

Three categories of traders took part in the trade : traders - Europeans - who organized trade between Europe and Africa ; merchants - Europeans in general - who did retail trade in the main localities (Saint-Louis, Gorée) ; and dealers - mulattos and blacks - who operated at trade points called "ports of call" situated notably in the Senegal river.

Free dealers were the owners of the goods, which they offered in trade ; debtor dealers took them at credit from one or more traders ; agent dealers operated on behalf of a trader and were paid for their services.

The mulatto dealers and blacks would in the end be completely destroyed by the European traders and be replaced by Lebanese-Syrians who reached the colony following the mandate France obtained over Syria and Lebanon.

Each year, trading took place like a ritual, which deeply marked the economic and social life of the colony (cf. Box).

Box 2.1

The annual trade in groundnuts, like that of gum, palm oil, bananas, oranges, coffee and cocoa, was like a mechanism which amounted to concentrate the purchase of seeds during certain months of the year, corresponding to the period immediately following the harvest of produce.

Also, after the hard field work, after the fatigue accumulated during the long days when farmers, subject to the vagaries of the intemperate climate and suffering the most frustrating deprivations and the most Spartan life, had an organized period of regeneration, months of rejuvenation and an active life during which he sold the produce to the local traders represented by business houses like Maurel et Prom, Maurel et frères, Vézia, Peyrissac, Devès et Chaumet, Compagnie Française de l'Ouest Africain (CFAO), Société Commerciale Ouest Africaine (SCOA), Nouvelle Société Commerciale (NOSOCO), etc.

This allowed farmers to obtain the species necessary for paying taxes and to participate in some frivolous, short-lived pleasures, by which they were expected to forget - merely through such ridiculous and fleeting pleasures - the considerable burden of hardships that were imposed on them.

Obviously, the system was never designed for them. In the period that we are discussing, African farmers sometimes counted for less than nothing. This trade mechanism had been set up for the exclusive benefit of big businesses and that of the administration. The real beneficiaries of the trade were the industrialists and merchants private cargo sellers. All the business houses of Bordeaux and Marseilles involved in this activity had branches not only in the Main City of the concerned colony, but also in most urban communities and sometimes in all the important railway stations and the main localities abutting trunk roads, river ports or seaports.

The date of the trade was never fixed without their consent, especially since 1895, when the "colonial party" was created, as a powerful pressure group bringing together the main champions of colonial interests and having – in the Parliament, the Government, the Ministry of Colonies, the High Council of Colonies and the Chambers of Commerce – influential allies and active supporters.

In anticipation of the opening of trade, bankers advanced the essential funds for the purchase of stock to business houses, thanks to which they replenished their stock, bought fabrics, kitchen utensils, tools like shovels, spades, hammers, groceries (sugar and rice, biscuits and sweets especially, so scarce then and so popular with the natives), alcohol, tobacco leaves, weapons, powder, glass jewelry and fancy goods, all well-stocked - with the intent of exciting interest – in the display stands and counters of shops where contact with customers was still very direct and imitation of consumer behavior easier to induce.

Some did not hesitate to use the services of touts, while others - by forging links through personal connections with a certain family or village or canton - managed to carve out an assured clientele that could easily be pressured particularly since the connections established promoted confidence.

Once the shops were equipped with various products, the same business houses, which held the monopoly in distributing manufactured products, fixed the prices for the trade products in agreement with each other.

The principle was that the trade price should never reach a sufficiently remunerative level to ever meet the needs of the farmers.

In 1887, the year of the Senegalese famine, the Sagou Fara Guedel Mbodje had to write to the colonial authority demanding that the price of groundnuts be raised substantially.

The same year, the Bour Sine Mbacké Kodou Ndiaye was compelled to prohibit all his subjects from selling their seeds, as long as the prices offered, which varied from 1887 to 1889 between 9 F and 15 F per quintal, were dirt cheap and unacceptable. Since local traders turned a deaf ear, he tried the same measures again, in 1888, without any more success.

Thus, unable to manage tax payments that could not be pared down, or important ceremonies like marriages and circumcisions that were conducted around these dates, or else to satisfy their personal needs heightened by the silent publicity of the gleaming displays of various products, farmers were forced into a debt trap to indulge some of their legitimate desires, not to speak those of their families. Hence, obliged to extend their farming operations, as of the following rainy season, in order to increase production, and thereby their income, to free themselves from the burden of the debts they contracted, they began the same scenario as the previous year, facing the same contradictions and finding themselves closer and closer to being enmeshed in a system of which they unknowingly became prisoner.

During this time, the colonial traders, always clever in playing with prices, weighing on the total volume of the harvest, in order to never increase farmers' revenues significantly, regulated the mechanism as they wished and enslave the farmers with the complicity of the administration, in their common interests.

The products of this trade, bought in this way, were mostly shipped through the railways and, in addition, by barges, trucks and animal carts, to the ports where they were dispatched via Marseilles, Bordeaux, Nantes, La Rochelle or Rouen, to other places where representatives of the same traders resold the goods at a considerable profit.

On this basis, not only did metropolitan traders prosper, since the contents of shops bursting with stocks before the trading took place - and which were stocked with goods provided by them - were practically all sold ; not only did European maritime traffic realize huge profits thanks to the transport of tropical products ; not only did metropolitan food industries - because of produce acquired at dirt-cheap prices - operate with high yields and resell capital and consumer goods, but local traders, who represented the colonial excrement of all these interests, made profits from the sale and redistribution of manufactured goods, because they resold them with no other controls, sometimes only their conscience. "The interests of trading companies", wrote M. Jean Surret-Canale, "were those of industrial suppliers. Tacit and explicit agreements united them, providing the latter with restricted but regular market openings at high prices".

Colonial trade remained the master of this system of exploitation. Everything was designed for it and arranged for its exclusive profit.

The tradition of trading was established little by little and was integrated in the tentacular mechanism - all the retail trade, crafts and social activities, including those of new socio-professional categories like the Lebanese-Syrians who began to flow into the colonies after the 1873-1895 crisis, and specially as of 1916.

Trading thus became a socio-economic institution, which brought to colonial life an air of festivity, a breath of psychological, economic and moral well-being, since it was during the trading period that commerce thrived and people enjoyed the joys of life. For this reason, they sometimes wanted to prolong its duration.

Farmers too started acquiring a taste for the game.

Cutting themselves off from their austere and rustic life, with just a few specie earned at the cost of painful work, they alighted from trains, barges or trucks at trading centers, where they could discover a relatively more comfortable life than the one to which they were accustomed. There, in thatch restaurants hastily set up by reputed housewives, they could savor European dishes, taste bread, sample sugar and biscuits ; there, they found shops where they could buy European shoes, bonnets, chéchias, hats and fabrics with which they could get new clothes made, wearing them in place of their old ones, frayed with use. They went from shop to shop, touching everything, fascinated by the quantity, the brilliant shine and the glitter of the goods.

They spent a few days in this artificial atmosphere in which they were a prey sought by all the sellers of shoddy goods, "griots" or roaming poet-musicians, parasites, prostitutes, pickpockets, shady policemen, village or canton head clerks, the village head himself and the administrator, whom they overwhelmed with gifts to get into his good graces.

Then, they took a photo here, bought a gift there, indulging a whim ; they bought things without considering their utility, before reaching their native village, with hearts full of memories, purses empty or almost, but content all the same to have been able to delude themselves about their status for a few weeks, to have lived like a city-dweller, dressed like a prince or a European, inspired everyone's interest and consideration, handled new banknotes.

The farmers' wives, too, rejoiced.

They, who more than any others, had experienced hard labor and deprivation, awaited the traders as if it were a privileged moment of their existence, a moment during which they would finally receive their gifts, travel afar, buy dresses in glittering colors, buy some jewelry - a part of the dowry they expected and which, due to the lack of means, they had not been given by those seeking their hand, saw themselves being offered the marriage bed and left, trunks full, hearts happy and at peace, already looking forward to the next trading season.

Thus, the trading season took the guise of a huge colonial village fair, a kind of festival of well-being, joy and consumerism, which established the rhythm of life in the colony during these few months, entertained trade, triggered economic activity, emptied the fields, filled the ports, ate up, in a few days, almost all the farmers' income, the fruit of a whole year of hard work, obliging farmers to get indebted to the same European, Lebanese-Syrian or African traders, in order to be able to survive.

It was obviously the moment the administrator chose to collect taxes and implement new taxation measures to which farmers paid scant attention because they believed they were 'rich' enough to face any situation. It was also during the trading season that fines were the most frequently announced.

To facilitate trade and also to mark the French presence, the Franc was introduced in French Overseas territories and rival currencies were eliminated. Thus, a monetary area was created, with a single currency and without any exchange problems : the Franc area.

Section III - Introduction of the Franc and formation of the Franc area

The first monetary symbols introduced in West Africa were coins (*specie*), which the people were ready to accept, unlike banknotes, which were only brought into circulation much later.

I – The implementation of coin circulation.

"It was the Ecu (5 FF silver coin after the Revolution) called "gourde" in Africa, which was imported from 1820 to Senegal, bearing successively the heads of Louis XVIII, Charles X and Louis-Philippe, then the Republic of 1848, of Napoleon III and of the IIIrd Republic" (Jacques Alibert, 1983)¹¹⁸.

¹¹⁸ Alibert (Jacques), *De la vie coloniale au défi international*, (from colonial life to World wide challenge) Chotard et associés, Paris, 1983, p. 26.

A little before the opening of the trading season, business houses used to bring the specie from Europe in order to purchase products. The coins were put in bags of a value of 1,000 FF, and transported in wooden crates, each containing 10,000 FF. From April-May onwards, at the end of the trading season, surplus earnings were sent back to France in the same conditions (Jacques Alibert, p. 26).

A directive dated 17 August 1825, ordered that the Parisian Mint was to mint coins of smaller denominations of 5 and 10 centimes in bronze, especially for Senegal, of a total sum of 30,000 F.

They were declared legal tender and forced exchange by virtue of a decree of 16 August 1826.

As of 1840, no more special colonial coins were made, not even small change ; they were replaced by Metropolitan coins issued by the Treasury.

It was only much later, in 1944, that the Treasury issued special coins for Overseas territories, which in reality were little different from the metropolitan coins. Those that were issued in AOF were facsimiles of the earlier metropolitan coins of 1939, the only difference being the replacement of "Liberty, Equality, Fraternity" on the reverse of the coin with "French West Africa".

The sous (shillings) were also introduced - bronze coins of 0.05 FF or 5 centimes, and 0.10 FF or 10 centimes, which helped eliminate cowries.

The railways made it possible to distribute large quantities of coins in the territories and to enforce their use, gradually.

In Madagascar, 5-Franc French coins were the most commonly used as change under the name of piastres or ariary, ever since the middle of the 19th century. Equivalent coins of the Latin Union and also the thalers of "Marie-Thérèse" were also in circulation (Leduc, M, p 14)¹¹⁹.

French banknotes were introduced in Madagascar, until the establishment of the Bank of Madagascar in 1925.

In West Africa, it was impossible to distribute banknotes amongst the people at large. They only recognized the "gourde" or Ecu of 5 FF.

In order to introduce the Franc, it proved necessary to eliminate other rival currencies.

II – The elimination of rival currencies

Several currencies were circulating in the region, both local currencies (Cf. chapter 1) and foreign currencies : English, Portuguese, Brazilian, Mexican and Austrian.

The use of these currencies had seeped into the habits, and the Franc found it difficult to establish itself, particularly since there was an acute shortage of French coins during certain periods for example, during the 1848 Revolution and the Empire.

¹¹⁹ Leduc (Michel), *Les institutions monétaires africaines, pays francophones* (African monetary institutions, French-speaking countries), Pedone, Paris, 1965.

Rival currencies had to be eliminated with the help of administrative measures and by the institution of a poll tax.

According to Michel Leduc, a regulation on the weights and measures of the "Administrator and Commanding Officer of Senegal and its dependencies" is the first known text on this subject.

Dated 15 June 1826, the way it is drafted implies the existence of earlier texts since its Article 2 provides that : "the use of accounting currency called "colonial money" has been forbidden for a long time and remains so. Statements in legal currency or French silver are the only ones accepted in administrative, judiciary and commercial deeds"¹²⁰.

A decree of 7 December 1826 specifies : "With effect from this day, foreign copper coins will cease to be considered legal tender in the colony ; no one can be compelled to take them"¹²¹.

However, for practical reasons, public cashiers had to accept rival currencies from time to time.

So in Equatorial Africa, a decree of 22 March 1895 granted legal tender to the thalers of Marie-Therese for a value of 3 FF in the "Haute-Sangha" or Upper-Sangha region.

In the new territories conquered in West Africa, such as Niger, it was necessary to provide the French troops with "Marie-Thérèse's" Austrian thalers. The Governor of Dahomey also fixed their value at 3 FF by a decree of 18 May 1898.

English coins, especially those in silver, were particularly popular in the neighboring regions of British colonies and in the Congo. The Treasury allowed them at rates fixed by territorial authorities.

The same phenomenon was observed for local currencies ; a decree by the Governor of Dahomey on 1 April 1899 stipulated that "the special agent of Savalou must fix the price of cowries coming from native taxes at the rate of 7 FF per bag of 20,000 cowries" (Leduc, M. p 14).

Poll tax, instituted in 1891, was decisive in the process of eliminating rival currencies. It had to be paid in cash and the Treasury decided in 1898 that it would be paid in French money (Alibert, J. p 27).

A decree of 28 January 1907 forbade the Treasury from receiving cowries in payment (Leduc, M. p 14).

With the elimination of competing local and foreign currencies, the Franc area was created – an area where the Franc circulated – encompassing the mother country, territories in West Africa, the West Indies, etc. This model of a currency zone was characterized by the absence of the problem of exchange (cf. preliminary chapter).

¹²⁰ Leduc (Michel), op. cit., p 13.

¹²¹ Idem.

III - The formation of a currency zone with a single currency and without exchange problems : the Franc area

The exchange technique, as we have seen, allows the indirect use of a currency beyond the place of issue after its conversion against other currencies from other places of issue.

The French Franc area or Franc area was created *de jure* with the introduction of currency coins of the mother country in the colonies, being legal tender.

In this regime, there were no exchange problems since only the currency issued by the central country circulated in the entire area formed by the mother country and its colonies (Cf. Preliminary chapter).

On the eve of the Revolution of 1848, this included Martinique, Guadeloupe and Guyana in the West Indies ; Senegal and dependencies in West Africa ; the Island of Réunion in the Indian Ocean, as well as the five trading posts in India.

The abolition of slavery in 1848 led to the creation of the first issuing banks, which resulted in the transformation of the Franc area into a multiple currency area and, thereby to exchange problems.

Section IV – The abolition of slavery, creation of the first issuing banks and transformation of the Franc area into a multiple currency area with exchange problems.

I – The abolition of slavery

A - Circumstances

The Revolution of February 1848 put an end to the reign of Louis-Philippe and proclaimed the Second Republic, a democratic and social republic, with distinctly leftist leanings.

A provisional Government was put in place, which included moderates like Lamartine, advanced republicans like Ledru-Rollin, a socialist theorist - Louis Blanc and a worker - Albert.

Under pressure from the revolutionaries, it had "three months to reform society"¹²² - universal suffrage was proclaimed ; access to national security, till then reserved for the middle class, was opened to all comers ; daily working hours were reduced ; a social reform commission was set up and national workshops were created for the unemployed...

The assembly, elected by universal suffrage, designated itself as a constituent and adopted a new constitution providing for a president of the Republic elected by the people for four years and who could not be re-elected.

¹²² Bainville (Jacques), *Histoire de France* (History of France), Fayard, Paris, 1966.

On 10 December, Louis-Napoleon Bonaparte, the nephew of the former emperor, was elected amongst other candidates.

The Prince-President, under the pretext of a refusal from the Assembly to revise the constitution, enacted a coup on 2 December 1851, annulled the parliamentary regime and established a dictatorship. He re-established the Empire on 21 November 1852 - the Second Empire – and became Emperor under the name of Napoleon III.

It was in the series of social measures that followed his advent that the *Provisional Government* abolished slavery, by the decree of 27 April 1848, at the end of a battle in which Victor Schœlcher played a part.

However, the black slaves who cultivated white settlers' plantations in the West Indies were attached to the soil. According to their legal status, they were fixed assets and their expropriation was not allowed by colonial legislation.

To find a solution to this problem, the principle of compensating the dispossessed white settlers was stopped by the abolition decree (article 5).

Box 2.2

The Black Law of 1685¹²³

Louis, BY THE GRACE OF GOD, King of France and of Navarre : Greetings to all present and those yet to come. As we owe our care equally to all people that divine providence has placed in our custody, we wished to examine in our presence the reports that were sent to us by our officers in the islands of America, through which we were informed of the need of our authority and our justice to maintain the discipline of the Apostolic and Roman Catholic Church, to settle what concerns the State and the status of the slaves in our said islands, and wishing to provide for them and make them understand that although they stay in places distant from our normal habitat, we are always with them, not only by the extent of our power, but also by the promptness of our application to help them in their need.

To these causes, and at the advice of our Counsel, and with our knowledge, power and royal authority, we have said, ruled and ordered, and say, rule and order and are pleased by what follows.

...

Article 2

All the slaves who are in our islands will be baptized and instructed in the Apostolic, Roman and Catholic religion. Let us enjoin upon the inhabitants who will buy newly arrived Negroes, to inform the governors and Senior Commissariat Officers of the said islands within eight days, who will give the necessary orders to have them instructed and baptized within a suitable time, failing which, they will pay an arbitrary fine.

...

¹²³ The Black Law of 1724 differs from the first on several accounts.

Article 6

Let us enjoin upon all our subjects, whatever be their quality and condition, to observe the Sabbath day and feast days, which are held by our subjects of the Roman, Apostolic and Catholic Church. Let us neither allow them to work, nor let their slaves work on the said days from midnight to the next midnight, in the fields for cultivation, in the manufacture of sugar, or in any other work, failing which a fine and arbitrary punishment against the masters and confiscation of all the sugar that the said slaves made will be imposed by the officers.

Article 7

We also prohibit holding a market for the sale of Negroes or any other merchandises on the said days, failing which all goods found in the market will be confiscated and a discretionary fine will be imposed against the merchants.

...

Article 15

We prohibit the slaves from carrying any kind of weapons, like big sticks, on pain of a whipping and the confiscation of these weapons to the benefit of those seizing them, except for those slaves sent on a hunt by their masters, and who will carry their placard or some known brand.

Article 16

We equally prohibit our slaves belonging to different masters from gathering together during day or night under pretext of marriages or otherwise, be it in any of their master's houses, even less on the roads or distant places, failing which corporal punishment would be meted out, by way of the whip or branding with the "fleur de lis"¹²⁴; and in case of frequently repeated offences and other aggravating circumstances, they are punishable by death, which will be left to the decision of the judges. We enjoin upon all our subjects to track down these offenders, and to arrest them and take them to prison, even if they are officers and there is nothing decreed against them.

...

Article 21

We permit all our subjects who are inhabitants of our islands to seize all that the slaves are carrying when they do not bear their masters identifying placard or known brands, to be returned immediately to their masters, if the dwelling is in the neighborhood of where the slaves were apprehended otherwise they will be sent at once to the hospital and held in custody till the masters come and claim them.

...

¹²⁴ Branding with red-hot irons of the "fleur de lis" (the King's symbol) on the shoulder or face.

Article 28

We declare that the slaves cannot have anything that is not their master's ; and what has come to them by work or by the generosity of other persons or otherwise for any reason is deemed to be the property of their master, which the children of the slaves, their father and mother, relatives or all other freemen or slaves cannot claim by right of succession, provisions by law to the living or due to their death. These provisions, we declare null and void, together with all the promises and obligations they may have made, as having been made by people who are not authorized to dispose or enter into such agreements on their own authority.

...

Article 38

The fugitive slave who has been in flight for a month from the day his master has informed against him to the court, will have his ears cut off and will be branded with a "fleur de lis" on his shoulder ; and if he repeats the offence once again counting from the day of his sentence, he will have the back of his knee cut off and will be branded with the "fleur de lis" on his other shoulder; and the third time he will be punished by death.

...

Article 44

We declare the slaves to be personal property, and to enter the community as such, not to be mortgaged, to be shared equally by the heirs without devolving upon any of the co-heirs over and above his equal share with the other (*no préciput (preference legacy)*)¹²⁵, no right of reservation for the eldest, nor subject to the usual dower, nor to feudal drawing (*retrait féodal*) or descent, nor to feudal or seigniorial rights, nor to the formalities of decrees, and nor to four-fifth annulments, in case of disposition due to death or will.

Article 45

Let us not hear of depriving our subjects of the right of stipulating these to themselves and to theirs on their side and lineage, the same way that it is practiced for sums of money and other movable property.

...

Robert Chesnais. *The Black Law ; L'esprit frappeur* No. 27 Paris, June 19 ;

¹²⁵ The "preciput" is the known right of a heir to reserve a part of his inheritance before any partition. The dower is a wife's right over the assets of her deceased husband. The feudal withdrawal (*retrait féodal*) is the right of a suzerain on the inheritance of his servant. The "lineage withdrawal" (*retrait lignager*) is the right of all the descendants to the inheritance from a common ancestor or descent.

27 April 1848

**Decree relating to the abolition of slavery
in French colonies and Possessions**

The provisional government, considering slavery to be an affront to human dignity ; that by destroying the free will of man, it would be suppressing the natural principle of right and duty ; that it is a flagrant violation of the republican dogma, *Liberty, Equality, Fraternity* ; considering that if effective measures do not follow soon upon the proclamation already made on the principle of abolition, it would only result in the most deplorable disorder in the colonies,

Decrees :

Article One Slavery shall be entirely abolished in all French colonies and possessions, two months after the promulgation of the present decree in the colonies, all corporal punishment, all sale of people who are not free, will be absolutely prohibited.

Article 2 The system of time-bound labor established in Senegal is abolished.

Article 3 The governors or general superintendents of the Republic shall be responsible for the application of all the measures to ensure freedom to Martinique, Guadeloupe and dependencies, Réunion Island, Guiana¹²⁶, Senegal and other French establishments on the West Coast of Africa, Mayotte Island and dependencies and Algeria.

Article 4 Former slaves condemned to afflictive or corrective punishment shall be pardoned for the mistakes, which, had they been attributed to a free man, would not have entailed such punishment. Deported individuals shall be recalled through administrative steps.

Article 5 The National Assembly will settle the indemnity quota to be granted to the colonists.

Article 6 Colonies purified of servitude and holdings in India shall be represented at the National Assembly.

Article 7 The principle that the soil of France liberates the slave who touches it shall be applied to the colonies and possessions of the Republic.

Article 8 In future, even in a foreign country, it shall be forbidden for all French people to possess, buy or sell slaves, or to participate directly or indirectly in trafficking or exploitation of this kind. Any violation of these provisions shall be entail the loss of status as a French citizen. However, the French who feel affected by these prohibitions, from the moment of the promulgation of the present decree, shall have a three-year time period to conform to it.

Those who will become owners of slaves in foreign countries, by inheritance, gift or marriage, being subject to the same rules and punishments, shall free them or send them away within the same time period, from the day when their ownership commenced.

Article 9 The Ministry of the Navy and the Colonies and the War Ministry shall be responsible...

¹²⁶ Spelling in that period.

Victor Schœlcher

Born to Marc Schœlcher, a porcelain factory owner from Fessenheim in Alsace, Victor Schœlcher received a very strict education, in an environment that was both commercial and artistic.

At 24, he became his father's partner in his factory for the manufacture and sale of luxury porcelain.

The concern for finding new markets openings, coupled with the desire to travel, took him to Mexico, Cuba and the United States.

At the age of 30, two years after the death of his father, Schœlcher joined "The Friends of Truth". He was always concerned about social justice, desirous of defending human rights.

An unconditional advocate of the freedom of individuals, marked by memories of his travels, Schœlcher threw himself into the fight against slavery as early as 1833.

Five years later, in 1838, he participated in the company's competition for the abolition of slavery with a report, which he would publish in 1840, entitled "Immediate abolition of slavery, critical examination of the prejudice against the color of the Africans and those of Mixed Blood". In 1840, he left for almost a year in the West Indies, and published two major works on his return. "French colonies, immediate abolition of slavery" (1842) and "Foreign Colonies and Haiti" (1843).

From 1843 to 1848, Schœlcher held the colonial column of the newspaper "Reform", a republican party vehicle, and published "History of slavery during the last two years" (1847).

On 3 March 1848, summoned by François Arago, Minister of the Colonies, he went to the Ministry.

Schœlcher managed to convince him to order an immediate abolition of slavery. Arago entrusted him with the responsibility of drafting the famous decree on the night of 3 and 4 March : "The Provisional Government of the Republic, considering that no French territory can hold slaves any longer, etc."

This decree that consecrated the victory of his ideas was signed on 4 March by the members of the provisional government : Dupont de l'Eure, Arago, Lamartine, Louis Blanc, Crémieux, Albert and Marrast. The same decree was adopted for definite implementation on 27 April 1848.

In 1852, he published his "History of the crimes of 2 December", and in 1853, "The Government of the Décembriseurs". In 1859, he refused the amnesty granted by Napoleon III.

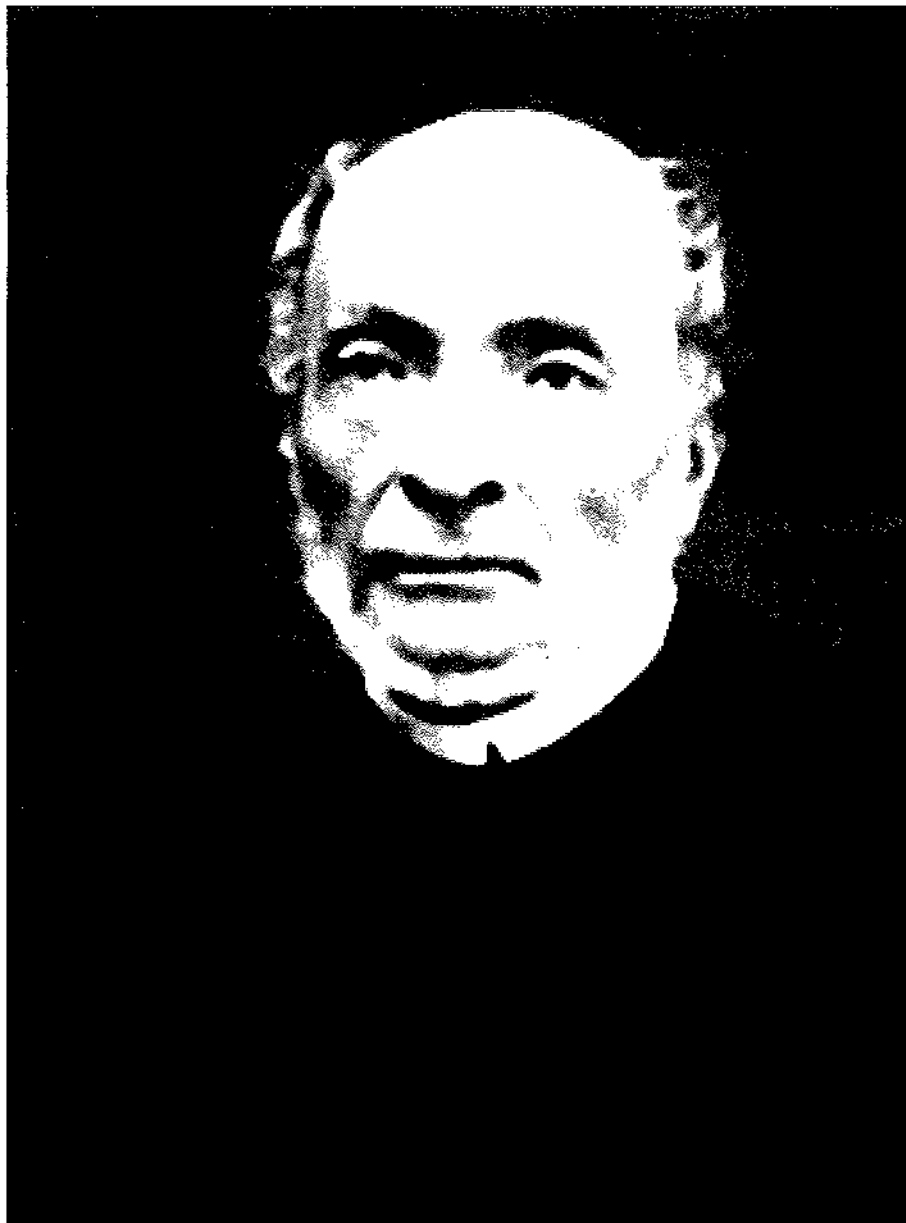
He only returned to France during the war of 1870.

In the elections that followed the armistice, he was elected to the assembly.

In 1871, he had to once again choose between two mandates - that of Deputy of Paris or Deputy of Martinique.

He voted in 1875 for the establishment of the Republic. In 1875, Schœlcher was elected senator for life. In 1882 and 1886, he published two major volumes of "Colonial Controversy".

He died on the night of 25 and 26 December 1893 at Houilles, where he had just settled down a short while ago.



Victor Scheleber , Deputy of Martinique and Guadeloupe, contributed to the adoption of the decree of 1848. He struggled during a long time for the abolition.

B – Colonial compensation and the origin of colonial issuing banks

In the West Indies, the colonies were prosperous. However, the absenteeism of the colonists and expensive credit constituted a potential threat to these economies.

The colonists, when they went to Europe after the harvest, ruined themselves with excessive expenditure. So much so that on their return, they were no longer in a position to feed the slaves, who were the engine of local agriculture.

They then sought the services of a person called a "*broker*" in the West Indies, who himself often did not have enough of the required funds and approached a rich man - "*a trader in a French port*" and served as an intermediary between him and the planter.

The judicial system inflicted upon the slaves, ensuring constant and forced work in the plantations, inspired the confidence of the metropolitan capitalists who granted the necessary credit to the planters.

Knowing nothing about the credit rating of his client, the rich trader took several precautions : a mortgage on the planter's assets, an agreement with him to send his harvest on consignment.

Further, he took responsibility for the sale of the planter's sugar and collected payment for this service, a commission, which, when added to the loan interest, sometimes reached a total of 18%.

In the last years of the Restoration (1814 -1830), the credit establishments set up in the Réunion Island and in Guadeloupe were all insolvent. According to the Government, "they were lost when they moved away from their statutes without the Government being warned in time to bring them back"¹²⁷.

Following this liberation measure, the plantations, deprived of their servile manual labor, fell to ruin. The need to re-start agricultural farms was taken into account when the colonists were given compensation.

The "Act of 30 April 1849 relating to the compensation granted to the colonists following the freeing of slaves" fixed the terms of this compensation under eleven articles :



Lamartine



Louis Blanc



Albert

(page 140)

¹²⁷ Colonial Banks, Laws, statutes, main documents, Paris, 1867, p 158.

**The Act of 30 April 1849, relating to the compensation
Granted to the colonists following the freeing of slaves**

Article One

In the colonies of :

Martinique,
Guadeloupe and dependencies,
Guyana,
Reunion,
Senegal and dependencies,
Nossibé and Sainte-Marie,

Compensation shall be allotted to dispossessed white settlers by execution of the provisional government's decrees of 4 March and 27 April 1848.

Article 2

The compensation stipulated above is fixed as follows :

- 1) – An annuity of five per cent of six million, registered in the General Register of Public Debts ;
- 2) – A sum of six million, payable in specie and within thirty days from the promulgation of the present law.

Article 3

All the freed blacks by virtue of the decrees of last 4 March and 27 April shall give the settlers the right to compensation.

The blacks brought to the colonies after the promulgation of the law of 4 March 1831 shall not be included.

Those employed for a committed time at Senegal, freed by the decree of 27 April, also give the settlers the right to compensation.

Article 4

On the annuity of six million, the distribution shall be as follows :

To Martinique	1,507,885.80 FF
To Guadeloupe and dependencies	1,947,164.85 FF
To Guyana	372,571.88 FF
To Reunion	2,055,200.25 FF
To Senegal and dependencies	105,503.41 FF
To Nossibé and Sainte-Marie	11,673.81 FF
	6,000,000 FF

On the sum of six millions to be paid in coins, the distribution is as follows :

To Martinique	1,507,885.80 FF
To Guadeloupe and dependencies	1,947,164.85 FF
To Guyana	372,571.88 FF
To Reunion	2,055,200.25 FF
To Senegal and dependencies	105,503.41 FF
To Nossibé and Sainte-Marie	11,673.81 FF
	6,000,000 FF

Article 5

The basis for the sub-allocation in each colony, the method of payment and the evidential documents required, as much from the colonists as from their creditors shall be determined by the orders of the executive power, after advice given by the Council of State.

Article 6

The six million payable in specie shall be distributed to the settlers in approximate proportion to their rights ; these payments will be made in the colonies, notwithstanding any opposition, if the debtor gives a guarantee which is accepted by the creditor or recognized by the court, taking a provisional order.

The beneficiary of this compensation, who shall transfer from his annuity a sum equivalent to the capital borrowed plus interests, shall be relieved from offering security.

Article 7

On the grant of six million payable according to the provisions of Article 2, an eighth of the portion accruing to the colonies of *Guadeloupe, Martinique and Réunion* shall be taken to help *set up a loan and discount bank* in each of the colonies.

The government bonds deducted from the six million in this way shall be deposited in the bank's vaults as security against the certificates that they are authorized to issue.

Colonists whose compensation does not exceed one thousand francs shall be exempt from the above-stipulated deduction.

All compensation-receiving colonists shall be issued shares of the colony's loan and discount bank not exceeding the amount of the deduction to which he is subject for his share of compensation.

The organization of the loan and discount banks shall be determined by public administrative regulations.

The Government may apply the present clauses to the other colonies.

Article 8

A credit of six million francs shall be open, in the financial budget of 1849, for the Minister of the Navy and Colonies, for the payment of the share of compensation payable in specie and in totality, thirty days after the publication of the present Act in each colony, by the colonial administration.

Article 9

For the execution of the above clauses, bonds of six million five per cent shall be open to the Finance Minister, which shall be entered in the General Register of Public Debts, with entitlement from last 22 March.

The records shall be issued to the entitled beneficiaries, with effect from 1 October 1852, after which the respective claims of compensation shall be fixed.

Article 10

Any treaty prior to the present Act, alienating the share of an entitled beneficiary, shall be deemed null and void, the supplier deemed responsible for the reimbursement of the capital received along with interest and costs.

The case for declaring the above null and void in these circumstances must be submitted under pain of forfeiture, within three months from the publication of the current Act in the colony where the compensation has to be paid.

Article 11

All judicial and extra-judicial deeds, relating to the compensation, shall be recorded free, as well as notarized deeds and judgments.

All actions related to the compensation shall be deemed summary, unless a State issue is involved.

In substance, half of the allowance of an amount of 12 million Francs granted to the settlers was formed by a 5% interest-bearing annuity, while the other half was formed by cash, to be paid immediately.

It was one-eighth of the 6 million revenues that were used for the capital formation of the lending and discount banks in the three colonies indicated by name.

These banks were intended to place at the disposal of the plantation-owners, the working capital necessary for paying the wages of the workers who had become free and for covering other running costs, while waiting for harvest.

According to a manager of the Bank of Senegal¹²⁸, since the allowance could be distrained, the colonists - most of whom were caught up in debt feared that it might be used for paying their metropolitan creditors rather than to enable them to re-start their business ; thus, some complained.

Without canceling the right of seizure, the government took account of this concern, by the recourse to an "expedient device", represented by Article 7.

The commission that was set up to record the number of slaves in the colonies, for the distribution of the allowance, reached the following results :

Martinique	74,447
Guadeloupe	87,087
Réunion	60,651
Guyana	12,525
Senegal	9,860
Nossibé and Sainte-Marie	3,500
Representing 248,070 slaves	

II - The creation of the first colonial banks of issue

The metropolitan authorities, at the time the first banks in the colonies were set up, modeled them after the "Banque de France", which had been functioning since 1800. It was, consequently, their main reference, although certain provisions were inspired by practices usually found in Europe, in particular those of the Bank of England, others were inspired by completely original ideas.

Thus, a description giving the broad outlines of the way the "Banque de France" was organized was likely to clarify the institutional device designed for the colonies.

A - The "Banque de France" model

With the failure in France of successive paper money issuing experiments since the beginning of the 17th century, since banknotes were discredited, the country was condemned to the exclusive use of coins.

¹²⁸ Gourmain (A.), Cornille, *Banques coloniales* (Colonial Banks), A. Thesis, Paris, 1902, quoted in "Banque du Sénégal" - BCEAO Archives, p. 12.

It was only towards the very end of the 18th century and the beginning of the 19th that banknotes were re-introduced, beside the metal species, "provided that they circulate without frightening anybody and emanate from private establishments"¹²⁹. Thus, in 1796, the "Caisse des Comptes Courants" (Current Account Fund) opened its counters in Paris ; in 1797, the "Caisse d'Escompte du Commerce" (Trade Discount Fund) also started *discounting securities and issuing notes*.

Also conceived as a private bank, the "Banque de France" was founded on January 18, 1800¹³⁰, right after Napoleon Bonaparte rose to power. Its capital of 30 million Francs was divided into 30,000 registered shares of 1,000 Francs. Bonaparte and the State were obviously interested in the new establishment, since the First Consul symbolically took a few shares and the Treasury underwrote 1,000 shares.

For its organization, the bank adopted a semi-democratic constitution : the 200 strongest French shareholders elected 15 Regents who designated 3 from amongst themselves to form the Central Committee. The Chairman of the Committee chaired the Regency Council and the Shareholders' Assembly ; 3 Censors, appointed by this Assembly, assisted the Regency Council.

These banknotes *could circulate like currency, but they were neither legal tender, nor forced rate*, the public was free to accept or refuse them, like those of the five other competing establishments, which, in 1802, discounted and issued notes in Paris : the "Caisse d'Escompte du Commerce" (Trade Discount Fund), the "Comptoir Commercial" (Trade Counter), the "Banque Territoriale" (Territorial Bank), the "Factorie du Commerce" (Trade Factory) and the "Caisse d'Echange des Monnaies" (Currency Exchange Fund). The "Caisse des Comptes Courants" (Current Account Fund) had amalgamated with the "Banque de France".

The notes of all these establishments that were in circulation did not exceed 70 million Francs, including 45 million for the "Banque de France". This *multiplicity of banks and notes* was deliberate and was in conformity with the principle of the freedom of trade and the hostility of public opinion to any privilege.

Soon, the "Banque de France" started cooperating with the Treasury by conducting the lottery service - that of annuities and pensions. The State did not take long to ask it for advances. In return, it accepted its notes in its reserves.

A proponent of centralization, on 4 April 1803, Bonaparte presented a bill to the legislative body, which conferred on the "Banque de France" an official and unique charter : "*Convinced of the need to restrict to just one bank the faculty of issuing notes in Paris and to thus constitute a privilege, the Government has had to make a choice between the existing banks. The "Banque de France" appeared to merit preference*"¹³¹.

The Act of 14 April 1803 (24 Germinal, Year XI), then ordered the withdrawal of the notes of other "associations" and conferred on the "Banque de France" "the exclusive privilege to issue notes" in the capital.

¹²⁹ Sédillot (R.), op. cit., p 75.

¹³⁰ Idem, p 76.

¹³¹ Sédillot (R.), op. cit. p. 78.

In order to guarantee its issue, Article 5 of the statutes enacted a general regulation : the notes had to "be issued in such proportions that by means of the cash reserved in the Bank's reserves and the maturity of the papers in its portfolio, it can at no time be exposed to defer the payment of its commitments".

This meant that it had to be able at any time to refund its notes in metal currency to the bearers.

However, in 1805, it faced difficulties in doing so when users, because of the war, rushed to its counters in order to claim species against the notes.

Once peace returned, in 1806, the bank underwent a major reform presented as if it was aimed at putting the bank at the service of the nation : Napoleon noted that it "does not belong only to its shareholders - it also belongs to the State, since the State grants it the privilege to mint money"¹³².

This doctrine, which was sometimes disputed as we shall see, would appear thereafter, as the basis for the right of issue and, consequently, for the relations between the State and the privileged banks of issue.

The Bank was placed under State control - the President and Central Committee elected were replaced by a Governor and two Deputy Governors appointed by the Emperor.

The Act of 22 April 1806 increased its capital from 45 to 90 million ; extended its right of issue by 25 years, beyond the fifteen years already envisaged ; brought down from seven to five the number of Regents to be chosen among the manufacturers, producers or traders ; and forced the Shareholders' Assembly to take three of the Regents from among the General Tax Collectors.

Lastly, a decree dated 16 January 1808 enabled him to open "discount counters in all the towns of Departments where the need is felt due to trade requirements".

Its right of issue remained, however, limited to Paris. In the provinces, where the use of banknotes had started to spread, private departmental banks were founded, which also issued notes and whose area of circulation was limited to the Department concerned : the "Banque de Rouen" (1817), the "Banque de Nantes" and the "Banque de Bordeaux" (1818), the "Banque de Lyon" and the "Banque de Marseille" (1836).

The success of these establishments finally encouraged the "Banque de France" to make use of the decree of January 1808 by entering into competition with them on their respective territories.

Then, a controversy arose between those who advocated the multiplicity of issuing houses, which were likely to diffuse credit widely by issuing their notes, and those in favor of a single issuing house or an issuing monopoly, exerted by a single bank, which was more easily controllable and allowed the standardization of the denominations in circulation¹³³.

¹³² Sédillot (R.), op. cit. p. 81.

¹³³ Jacoud (Gilles), *La monnaie dans l'économie* (currency in the economy), Nathan, Paris, 1994, p. 29.

Those in favor of a monopoly finally won, by default and by a Government action ; indeed, the 1848 revolution showed that the two types of banks could not manage their commitments in period of crisis, confronted with the flight of banknotes, whoever the issuer, and the massive demands for refunds in gold.

Thus, to avoid exhausting the gold reserves of the "Banque de France", the decree of 15 March 1848 exempted it from refunding its notes in cash by establishing its legal tender and forced rate : "*the banknotes of the "Banque de France" will be received as legal tender by public funds and private individuals*" (Article 1) ; "*the Bank shall be exempted from the obligation to refund its notes with species*" (Article 2)...

Ten days later, the same provisions were extended to the departmental banks. However, the notes of the "Banque de France" enjoyed legal tender all over the country, whereas those of departmental banks were valid only "in the district of the department where each one of these establishments has its head office" (Article 1, Decree of 25 March).

The competition was unequal. In few weeks, the "Banque de France" supplanted the departmental banks, then transformed them into branches, when the provisional Government announced their merger with it (Decrees of 27 April and 2 May 1848).

The privilege or monopoly of the "Banque de France" was thus extended to the entire territory.

In compensation, for guaranteeing its issue, its operating system changed, from the former total freedom, to a system of quantitative ceiling. In March, a ceiling of 350 million Francs was assigned for its issue and it was obliged to publish its statement of accounts every eight days in the "Monitor".

After the absorption of the departmental banks, its capital rose to a little more than 91 million Francs and the ceiling was increased to 452 million, then to 525 million in December 1849.

As an instrument of controlling the production of currency - a monetary policy device - the quantitative ceiling system proved to be ineffective. Indeed, the National Assembly raised the ceiling each time the amount of banknotes in circulation was about to exceed the fixed maximum.

On 6 August 1850, the emergency laws imposed by the 1848 crisis were abolished. Texts relating to the legal tender of the notes, their forced rate and the ceiling on circulation¹³⁴ were then all repealed.

Thus, it was on the basis of this model, except for a few nuances, related to their specific environment, that the colonial banks would be built.

B - The formation of the banks

Among the players in the task of formation, some personalities stand out: the Minister of the Navy and Colonial Affairs, Romain Desfossés, the project's initiator ; succeeded in the same post by Chasseloup-Laubat ; State Councilor Horace Say, the Council of State's rapporteur ; Deputy Chégaray, the Parliamentary Committee's rapporteur.

¹³⁴ Legal tender and forced rate would not be re-instituted, except between 1870 and 1878, a period marked by a serious economic crisis, and then again in 1914, with the advent of the First World War.

a - The institutional mechanism

1 - Drafting of the texts

Pursuant to the Act of 30 April 1849, a preliminary draft bill drawn up by the Government was presented to the Council of State for its opinion, then submitted to the National Assembly.

In turn, the various bodies evinced marked interest in this text and gave it a meticulous and thorough examination.

Having learnt from the problems encountered by the first credit institutions set up in the West Indies and by certain banks of issue in the mother country, all were concerned about setting up the "safeguards" that were indispensable for reconciling the desire to provide suitable financing to the planters with the need for guaranteeing the continuity of the establishments. They intended "to introduce into the constitution of these establishments a desirable and invaluable element of good and strict management"¹³⁵.

The Council of State made several constructive observations. In particular, the idea of the institution of a Central Agency of Colonial Banks, which was rejected by the National Assembly and taken up again by the Executive in a decree, emanated from the Council of State.

The Parliamentary Committee proposed many amendments to the draft and the text was examined a second, then a third time before being adopted. This was because successive Ministers insisted on the points that appeared essential to them for the coherence and effectiveness of the formation of these banks and, on the other hand, re-examined their draft to take account of the Parliament's concerns.

The result of these rich exchanges and debates was the Organic Act for Colonial Banks of 11 July 1851 and the statutes annexed to it. The two texts and subsequent rules of procedure organized the four banks identically, under the denominations of "Banque de la Martinique", "Banque de la Guadeloupe", "Banque de l'île de la Réunion" and "Banque de la Guyane", all reminding one of the "Banque de France", the "Banque de Rouen", the Bank of England, etc.

Conceived in the mid-19th century, this model of monetary organization, which bears the mark of the Gold Standard and its disciplines, constituted a laboratory for experimenting certain standards of monetary management that were later taken up in the statutes of most of the issuing banks in Africa and elsewhere.

This was so particularly in the case of the legal status of the establishments, their mode of organization, issuance guarantees and operations concerning the issue of currency.

2 - Their contents

1) The legal status of the banks

¹³⁵ Banques coloniales (Colonial Banks), Paris, 1867, p. 171.

The banks were established as limited companies for a duration of 20 years, each with its head office in the colony's capital city : Saint-Pierre, Pointe-à-Pitre, Saint-Denis and Cayenne. They could establish branches and agencies in other places in the colony.

The aim of the company was to conduct the bank operations authorized by their statutes, with the particularity that they were not only issuing banks, but banks holding the privilege to issue.

They were issuing banks.

Although Article 7 of the law on colonial allowances aimed at the establishment of a "Lending and Discount Bank", each one was authorized - in the colony where it was established - to issue bearer orders, refundable at sight, at its head office (Article 5 of the 1851 Act and Article 12 subparagraph 5 of the Statutes).

In its report to the Assembly, the Parliamentary Committee did not hesitate to use the term "circulation banks", to make the nature of these establishments clear. "No voice was raised in your Committee to dispute the utility - nay, the very necessity of establishing *Circulation Banks* in our colonies, at the same time as lending and discount banks. Indeed, at all times and under all regimes, these possessions have suffered from the insufficiency of capital, the scarcity of cash and increases in interest rates".

"The political and social crisis that they are undergoing could only have intensified this perennial scourge. There is no doubt that the Banks could not cure such an open and inveterate affliction by themselves alone. But they will, without any doubt, be able to contribute to attenuate it, provided that they are strongly organized and firmly governed"¹³⁶.

They are banks holding the exclusive privilege of issue.

Within the colony's territory, each bank was authorized to issue notes "to the exclusion of all other establishments". Consequently, they held the monopoly or privilege (or right) of issue. In addition, the notes thus issued were legal tender. "They shall be received as legal tender, in the territory of each colony, by the public reserves and by private individuals alike" (Article 5 of the Act).

However, as we saw, since 6 August 1850, the texts relating to the legal tender of the notes issued by the "Banque de France", to their forced rate, as well as to the issuing ceiling, were repealed. *It was thus necessary to justify the recourse to the provision of the exception that the legal tender constitutes in the organization of the issuing banks in the colonies.*

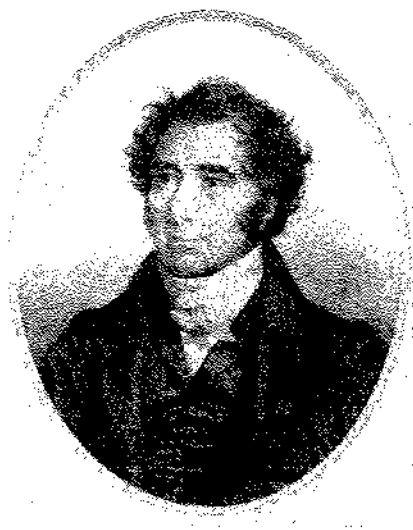
This is what the Government endeavored to do in the explanatory memorandum of the bill. In substance, it justified this clause by five considerations : the need for introducing currency in the more *simplified* and more *convenient shape* of banknotes in the colonies, to meet the needs related to the new working conditions ; the concern of ensuring, by doing this, a sound issue ; the interest in making banknotes play the role of

¹³⁶ Banques coloniales (Colonial Banks), 1867, pp. 108-109.

a trade intermediary ; the concern related to the possible hostility of certain businessmen in the colonies who were benefiting from usurious practices ; and lastly, the need to make the Colonial Treasury accept banknotes in its reserves.



Dupont de L'Eure
(page 145)



Arago
(page 145)



Crémieux
(page 145)

The legal tender of banknotes in the colonies

(Extract of the explanatory memorandum of the Organic Act of 11 July 1851)

In 1848, the banknotes issued by the "Banque de France" were declared legal tender. This measure, forced by circumstances, did not, it should be acknowledged, create any disorder in circulation in the country. It only resulted in extending and popularizing the use of a more convenient currency and providing undeniable facilities to sale and retail transactions.

Along with legal tender, there was another measure, which could have had much more serious consequences. It was the suspension of refunds in cash. Fortunately, this suspension, maintained in the legislation for more than two years, was removed by the bank as of the year 1848. One can say that the system applied since 1848 until the Act of 6 August 1850, actually rests on forced rate, accompanied by refunds at will.

Moreover, this system was one that had been established since a number of years in a country that has always preceded us in all matters concerning banking as well as in the development of credit. England's monetary system, as of 1833, has been founded on the dual principle of the legal tender of banknotes and refunds at sight.

This is the system, which, without the least disadvantages, has undergone the most difficult circumstances in France and has been tested by 17 years of practice in England, and which we propose to apply to the colonies, where special considerations make the need felt.

The current working conditions have created in the colonies the need for cash, which makes the creation of a currency essential. The currency in question is the banknote, supported by refunding at sight, which at the same time prevents any exaggerated issue or depreciation. So that the colonies may immediately avail of the advantages that they have the right to expect of this currency, it must necessarily circulate freely and be accepted for all transactions. It is thus advisable to thwart any maneuvers that may block the rise of banknotes. Since the principal objective of banks is to bring interest on money down to a reasonable rate, they will not fail to raise the antagonism of the capitalists who are benefiting from the current situation, and who, because of their small number and the restricted nature of the localities, would be able to unite and refuse to receive the paper issued. Any perseverance on their part in refusing this currency, a refusal which could only be malevolent, may have a troubling impact on populations little familiar with credit institutions, and create some hesitation in their minds, for the first few years. The legal tender will prevent such self-seeking resistance, and ensure to the banks, right from the start, the full development of their circulation.

From another point of view, the Colonial Treasury is the principal source of circulation in the colonies. If the Treasury refuses the bank's paper, nobody will want any ; if the Treasury accepts it, on the contrary, much of the hesitation will dissipate. However, without legal tender, the Treasury will not accept the bank's paper ; it will not accept it, because to accept it without being able to oblige its creditors to receive it, would be to expose itself to complete and immediate paralysis.

Such are the special considerations that have made the government decide to introduce in the draft bill the legal tender clause that had been set aside by the Council of State.

2) The formation of their capital

- Fixing its amount

The capital of the Banks of Guadeloupe, Martinique and Réunion was fixed at 3,000,000 F. That of the Bank of Guyana was fixed at 700,000 F before the final decision to create the bank.

It was divided into registered shares of 500 F, which could be split during the first issue into denominations of 50 F, only in favor of the associated beneficiaries.

The shareholders were, thus, the beneficiaries. But the Act had made a provision for allowing voluntary subscribers to enter in the capital, in order to associate "a class of capitalist shareholders" with the project, with the idea that they would be "probably more interested and more suited to manage these banks well as compared to the beneficiary shareholders, who may be too willing to push for credit facilities to which they would be constrained to have recourse, and too little concerned about the austerity and resistance that are essential for good management and the long duration of a discounting establishment"¹³⁷.

Each shareholder was responsible for the company's commitments to the extent of his share in the registered capital.

However, the Parliamentary Committee did not have any illusions about the attitude of the capitalists : "it would be imprudent to have any illusions about the chances of success of the appeal that has been sent to them", specifying that "no matter what happens, the capital found to be necessary for the banks must soon be formed"¹³⁸.

Indeed, the figure of 3,000,000 F fixed by the Government appeared acceptable to the Committee by cross-checking with the estimated average volume of businesses that these banks would have to finance, and taking into account the proposal contained in the preliminary draft to limit circulation to double the gold and silver reserves of each bank.

The Committee, which added a provision relating to the relationship between the banks commitments and its capital (to which we shall return), estimated that with a capital of 3,000,000 Francs, "for each colonial Bank, excluding that of Guyana, it will result in the possible authorization to push up the issue of banknotes to a maximum of 6,000,000 Francs, an amount that appears sufficient to face any business developments...".

In this respect, it noted that the average production of sugar in the three principal colonies - Réunion, Guadeloupe and Martinique - was 80,000 tons ; by taking account of other crops :

¹³⁷ Banques coloniales (Colonial Banks), op. cit. p 176.

¹³⁸ Idem, p 177.

The total value of production was estimated at	50,000,000 F
Total exports from France to the colonies amounted to	35,000,000 F
Transactions between colonies and abroad came to	15,000,000 F
Against estimated business amounting to	100,000,000 F

Assuming that the banks handled 3/5 of this amount, i.e. 60 million Francs, each bank's market share - the business expected from the Bank of Guyana being negligible - was estimated at 20 million Francs.

An issue representing double the capital provided *available resources* of 6 million. In Europe, such a sum would allow a bank to handle a business volume of much more than 20 million, because of the fast rotation of funds lent out.

However, instead of 6 to 8 rotations per annum, like the capital issued by the "Banque de France", which lent for 45 days on average, the capital issued by the colonial banks, obliged by circumstances to discount in the longer term, would only have 3, or at most 4 rotations per annum, i.e. :

$$6 \times 3 = 18 \text{ or } 6 \times 4 = 24$$

Thus, the issue would make it possible to finance a volume of businesses worth 18 million F or 24 million F at most, figures close to the estimated 20 million F.

Consequently, the Committee concluded that a capital of 3 million was not too much.

With an issue that represented thrice its capital, i.e. 9 million, the estimated financing capacity came to 27 million F or, at most, 36 million F.

It was apparently an assumption close to this one that was finally chosen, since, as we shall see, the authorized issue corresponded to three times the gold and silver reserves and the cumulated amount of *liabilities* - including notes in circulation - could go as high as *thrice the capital*.

- Its liberation

An eighth of the allowance corresponded to the amount hereunder, for each of the colonies :

Réunion	256,900.03 F of revenues
Guadeloupe	243,395.61 F
Martinique	188,485.72 F
Guyana	46,571.48 F

These figures had to be reduced by approximately a tenth, since the levy did not apply to allowances lower than 1,000 F¹³⁹.

The result of the combination of Articles 7 and 9 of the Act of 30 April 1849 was that the Banks could not begin their operations before the end of 1852, since their

¹³⁹ Banques coloniales (Colonial Banks), op. cit., p. 172.

capital had to be formed by levies against the revenues allotted to the beneficiaries, whereas the delivery of revenue entries was deferred until 1 October 1852.

It was to avoid the consequences of such a delay on the economy of the colonies, shattered by the emancipation of the slaves, that the law intervened again to ensure the prompt establishment of the Banks, by making available all or part of the entries of revenue that had to be used to constitute the capital.

Hence, Article 2 of the Organic Act of 11 July 1851 authorized the Finance Minister to issue 320,000 F of revenues - 5% - to be delivered in advance to the banks and to be deducted from the portion of the allowance they were to receive. This amount was distributed as follows :

Banque de la Réunion	100,000 F
Banque de la Guadeloupe	100,000 F
Banque de la Martinique	100,000 F
Banque de la Guyane	20,000 F

Notwithstanding Article 7 of the Act of 30 April 1849, *the banks could alienate or engage the revenues* that would be delivered to them ; this was essential for them to have a real basis for their issue.

"During the one-year deadline, which will run from the promulgation of the Act, the administration will receive voluntary subscriptions until the complement of the capital determined above is filled. These subscriptions can be made, according to the subscribers' wishes, either in cash, or in revenues, five percent at par".

"If, after the expiry of the aforesaid time, the capital of the banks or one of them is not completed by means of the voluntary subscriptions, the capital will be completed by means of a second levy on an eighth of the allowance, however, without the total deduction exceeding Fifty Thousand Francs of revenues for each of the colonies of Guadeloupe, Martinique and Réunion, and Thirty-five Thousand Francs of revenues for Guyana", (Article 3).

Lastly, Article 4 provided that "a later law shall rule on the use of the portion of the eighth of the allowance that could remain available after the deductions authorized by the two preceding articles".

Finally, as the Parliamentary Committee had envisaged, there was no voluntary subscription in cash in accordance with Article 3 ; thus, the assembly of capital did not provide liquidities in metropolitan Francs to the banks, since the notes that they were to issue were not legal tender in France.

Only the alienation or the hypothecation of their government bonds with future parties could get them liquidities or cash.

3) Their organization

The bodies each bank had were : the General Assembly of shareholders, the Board of Directors, the Director and the Censors ; in addition, a Monitoring Committee was envisaged for the colonial banks, along with a Central Agency for Colonial Banks.

- The General Assembly

It represented the universality of shareholders and was composed of the 150 shareholders who owned the greatest number of shares continuously over the six preceding months. However, no non-French shareholders could be a member if he had not resided for 5 years at least in the colony, in another French colony, or in France.

It met at least once a year, convened by the Director, to hear the report on all the bank's operations, to approve the expenditure account for the past year and to proceed to the election of the administrators or a censor.

The quorum was fixed at a minimum of 50 members, at the time of the first convocation. If it was not reached, the meeting was postponed by one month, and the members present at the second convocation could validly deliberate, whatever their number, but only on the subjects placed on the agenda of the first meeting.

Each member had one vote, whatever the number of shares owned. The Meeting could be convened to an extraordinary session. It had to be an extraordinary session in the following cases : the resignation or death of the deputy censor or of one of the three administrators appointed by the shareholders ; or in the event of the loss of half of the capital.

- The Board of Directors

The bank's administration was entrusted to a Board composed of the *Director* and *four administrators* : the General Treasurer of the colony, by right, while the three others were elected by the General Assembly.

When the city where the bank is established was not at the same time the colonial Treasurer's place of residence, he could be represented by a person he delegated.

Two censors assisted the Board of Directors, which had extensive powers to manage the bank. Under Article 41, it established the bank's rules of procedure, fixed the interest and discount rates, the exchanges, commissions and custody charges, the method to be followed for assessing ingots, currencies and gold and silver material, as well as goods and harvests.

It authorized, within the limits of the statutes, all the bank's operations and determined their conditions ; it chose the securities for bank liabilities that could be allowed for discounting, without needing to justify its refusal ; it ruled on the signatures the banknotes had to bear, on the withdrawal and cancellation of such banknotes ; moreover, it ensured that the bank conducted no operations other than those specified by its statutes and in the forms prescribed by the rules of procedure.

In addition, the Board fixed the way offices were to be organized, the salaries and wages of the agents and employees and the general expenditure that had to be determined each year and in advance.

It designated and revoked employees on proposal of the Director. Legal actions were exerted on its behalf by the Director.

The Board *met* at least *twice a week* and whenever the Director deemed it necessary or at the request of one or both censors.

Its deliberations were valid only if the Director, two Administrators and a Censor were at least present. The Censors serve in an advisory capacity. A register of the deliberations was maintained. The minutes, after approval, were signed by the Director and one of the members present.

The report to the General Assembly was drawn up by the Board and presented on its behalf by the Director ; it was printed and handed over to the Governor of the colony and each member of the General Assembly.

While taking up his duties, each administrator was required to show evidence of ownership of 10, free and inalienable shares, throughout his term of office (Article 53 of the statutes). Article 3 of the decree of 24 March 1852 on the participation of the Manager in the registered capital, exempted the colonies' Treasurers - called in this quality to sit in the Board of Directors - from this obligation.

The elective directors were appointed for a 3-year term and were renewed in thirds each year. They could be re-elected.

The Directors were paid attendance fees, whose amount was fixed by the General Assembly.

- The Manager

The Manager was appointed by order of the President of the Republic, from a list of three names presented by the Monitoring Committee, and on the basis of a report from the Minister of the Navy and Colonial Affairs as well as the Finance Minister.

The Presidential decree was countersigned by the Minister of the Navy and Colonial Affairs (Article 46 of the statutes). It could only be revoked in the same forms : a decree by the President of the Republic, issued on the basis of a report from the Minister of the Navy and Colonial Affairs ; however, he could be suspended by the Governor at a meeting of the Board.

In the event of the prevention or suspension in his duties for an unspecified reason, the Governor had to designate - in Privy Council - an Acting Manager, with the same powers as the Manager.

The Manager's salary was fixed by ministerial decree and paid by the bank.

He *chaired the Board of Directors* and ensured that its *deliberations were implemented*. To be enforceable, any deliberation had to bear his signature. No discount operation or one concerning an advance could be carried out without his approval.

He directed the services, offered employment, signed correspondence, receipts and endorsing of securities, drafts or pay orders to bearer ; he could not indulge in any trade, nor hold interests in any company ; no securities nor commitments bearing his signature could be allowed for discount.

In addition, in order to respect the spirit of Article 53 of the statutes and the practice in banking houses, the decree of 24 March 1852, in its Article 1, made it mandatory for the Directors of the Banks of Martinique, Guadeloupe and The Reunion to show evidence of the ownership of 20 shares - or of 15 in the case of Guyana alone.

The first three directors appointed by the decree of 31 May 1852 were :

- Hubert de la Massue, for Martinique,
- Adrien Daney de Marcillac, for Guadeloupe, and
- Jean Desse, for Réunion.

The decree of 22 January 1852 of the Minister of the Navy and Colonial Affairs fixed their annual salaries at 12,000 F.

The salary was distinct and independent of any possible share in the profits envisaged by Article 28 of the statutes.

Their European salary before their effective occupation of their posts was fixed at half this salary (decision of 15 July 1852 of the Minister of the Navy and Colonial Affairs).

- Control

Control was exerted by the Censors, a Monitoring Committee and the Administration.

- The Censors

The General Assembly elected a Censor for 2 years, who could be re-elected, as well as a Deputy Censor who fulfilled the functions of the incumbent in the event the former was prevented from fulfilling his duties.

The Colonial Controller¹⁴⁰ was the second censor.

The Censors ensured the implementation of bank statutes and payments. They exercised their control over all parts of the establishment ; ensured that they were regularly informed about the state of the bank's funds, its books of account and its portfolio ; they proposed all necessary measures, and if their proposals were not adopted, they could demand that they be transcribed in the records of the deliberations.

They reported to the General Assembly about their monitoring activities ; their report was printed and distributed with the one of the Board of Directors.

The colonial Controller, in his capacity as a censor, corresponded with the Governor of the colony and the Minister of the Navy. Every month, he reported at least to the Minister about his monitoring activities.

In the event of any difficulty in fulfilling his duties, the agent delegated by the Governor to deputize in his absence, would also replace him in his duties as a censor.

¹⁴⁰ The Colonial Administration's "eyes".

Like the directors, the Censors were also entitled to attendance fees.

- The Monitoring Committee of Colonial Banks

Envisaged by Article 13 of the Act, it consisted of 7 members :

- A State Councilor, elected by the Council of State in the General Assembly ;
- Two members designated by the Minister of Colonial Affairs ;
- Two members designated by the Minister of Finance ;
- Two members elected by the General Council of the "Banque de France".

The Committee elected its Chairman from among its members. It was informed of all documents sent to the ministers concerning the management of banks ; it was consulted on any Government action concerning them, initiated verification and monitoring missions, and every year, it reported to both the National Assembly as well as the President of the Republic concerning the results of its monitoring activities and the situation of various establishments. This report was published in the 'Moniteur universel' and in at least one Gazette in each colony.

The first Members of the Committee were :

- Armand Behic, State Adviser, Chairman ;
- Mestro, Director of Colonies ;
- Marbeau, General Treasurer of Navy Pensioners ;
- Rhouet, Senior Advisor at the "Cour des Comptes" (Audit Office) ;
- Le Maître, Director of the General Movement of Funds at the Ministry of Finance ;
- Legentil, one of the Regents (Managers) of the "Banque de France" ;
- James Odier, *idem* ;

Secretary : Le Pelletier of Saint-Remy, Head of the Political and Trade Regime Bureau of the Colonies.

- Specific controls

The Minister and the Governor, either *ex officio*, or at the initiative of the Monitoring Committee, could designate agents to check the bank's books of accounts, funds and operations.

- Central Agency of Colonial Banks of Paris

A Central Agency of Colonial Banks was instituted in Paris by the decree of 17 November 1852.

The explanatory statement described it as "one of the most significant wheels of the mechanism of Colonial Banks" in the sense that, through it, the Government could follow the progress of each establishment, and "will be able to remind it in time to observe its statutes when it deviates from them".

"The thinking behind this measure", as specified in the explanatory statement, "that the Council of State was basically inspired by was the unfortunate closure of credit institutions founded in Réunion Island and Guadeloupe in the last years of the

Restoration. It was recognized that these establishments, which had been created on the basis of excellent conditions, had lost out because they had deviated from their statutes without the Government being informed in time to bring them back into line"¹⁴¹.

The Central Agent represented the Banks as far as their operations with Metropolitan France were concerned. He exercised all judicial and extra-judicial activities, acted as the representative of these establishments at the office of the Minister of the Navy and Colonial Affairs as well as at the Colonial Banks' Monitoring Committee.

He followed the production of banknotes and effected all equipment purchases on the instructions of the Banks' Boards of Directors.

A public credit institution, designated by the Minister of the Navy and Colonial Affairs, realized receipts and payments for each Bank on the basis of the Central Agent's counter-signature. It kept a distinct and separate account for each of them, but could not directly operate for the Banks nor could it retain sums belonging to them, for any reason whatsoever.

The Banks' registered shares could be transferred to Paris, to the Headquarters of the Central Agency, in accordance with the formalities envisaged in Article 10 of the statutes.

The Central Agent was appointed by the Minister of the Navy "from a list of three candidates prepared by the Monitoring Committee". He could be dismissed by the Minister and, when taking up his post, he had to prove ownership of four shares in registered capital of each of the Banks of Martinique, Guadeloupe and Réunion. These shares were inalienable for the entire duration of his administration.

The Agency's staff and equipment expenditure was determined by a ministerial decree. Then, after taking the opinion of the Directors and the Monitoring Committee, they were borne by various Banks in proportion to their capital.

The Central Agent's salary had been fixed at 10,000 F (Article 23 of the decree of 4 December 1852 of the Minister and Secretary of State for the Navy and Colonial Affairs).

Another decree dated 4 December 1852 appointed the first Central Agent : Pierre-Marie - Romuald Pelletier de Saint-Rémy.

4) Their operations

Under no circumstances and on no account could the Banks undertake any other business than those they were authorized to do by their Articles of Association (Article 11).

Each Bank was entitled to issue currency for extending credit by way of discount. In addition, it also carried out cash and exchange transactions with its correspondents in France, thus playing the role of an intermediary between the colony and Metropolitan France.

¹⁴¹ *Banques coloniales* (Colonial Banks), 1807, mentioned above, p. 158.

Issue of currency

- Denomination of banknotes

Each bank was authorized to issue banknotes of 500 F, 100 F and 25 F, *which were valid only in the colony.*

This provision incited long debates on banknotes of small denominations of 20 F and 5 F. The 5 F note had not appeared in the Government's original bill. It was the Council of State that introduced it, following observations received from people concerned with the issue of colonial Banks. The Minister of the Navy, convinced by these arguments, included the amendment in the final bill.

Indeed, three elements had been taken into account. The fact that work that was earlier carried out free of charge now had to be paid for, called for payments of wages in installments, every month or every week. However, one of the aspects of the economic system of colonies was to maintain an almost constant scarcity of cash, i.e. metal specie.

Thus, the colonists insisted that the establishments, which were in the process of being created, place at their disposal *an instrument of circulation of a sufficiently reduced value to enable them to handle the maximum of transactions.*

To justify this request, they stressed the fact that at the height of the crisis related to the events of February 1848, lending banks issuing credit against deposits of agricultural produce had been set up in the West Indies. The Guadeloupe loan bank, in particular, had experienced a significant development. While its limited number of notes of high face value had difficulty in remaining in circulation, those with the lowest denominations were so much in demand that there was a premium on them.

The Loan Banks issued notes of the following denominations : 1,000, 500, 100, 50, 10 and 5 Francs.

The other consideration was the tendency of cash to leave the colonies and go towards foreign countries in the form of payments for imports, all exports being towards Metropolitan France. It was believed that one of the means of stopping this flow was to put notes of small denominations in circulation : "paper is just the same as monetary specie - the lower the value they represent, the less one feels inclined to change them in the ordinary transactions of life ; in a word, one finds the opportunity to circulate a full 5 F note more frequently than one of 500 F"¹⁴².

And lastly, the lower the denomination of notes, the less they are presented for reimbursement.

The Parliamentary Committee "did not feel disturbed by these arguments". It maintained that "it is a constant principle that paper circulation must seek to supplement metal circulation without ever claiming to replace it completely, because the disappearance of coins always defines or worsens the most disastrous of crises".

It asserted that the introduction of specific denominations of banknotes into circulation had the consequence of driving out metal change of the same face value.

¹⁴² The Organic Law of 11 July 1850, Explanatory Memorandum, National Assembly legislative session on 29 November 1850, in *Banques coloniales* (Colonial Banks), 1867 edition, p. 149.

Thus, the 500 F note resulted in the reduction of small change to 499 F ; the 100 F note would reduce it to 99 F, and so on ; a 5 F note, if it were introduced, would drive out or try to drive out the 5 F coin, only leaving coins of a lower value in circulation.

The lower one went down in the scale of values, the more this danger increased since a multitude of users would hold notes of small denominations, a situation that would lead to more frequent and more probable crises, insofar as the often little enlightened holders of these notes tended to panic at the least incident.

"It is after having experienced - to its detriment - these disadvantages and the dangers of notes of too small a denomination that England, otherwise so enlightened in these matters, ended up deciding to ban them. The lowest-denomination note issued by its National Bank is now 5 Pounds Sterling (125 F)".

The Committee, after having noted that "North America itself", so adventurous in matters of credit, "ended up by forgoing notes of smaller denominations", adopted the following quotation :

"In the United States, everyone now acknowledges", said a famous economist¹⁴³, "that, to develop a sound system of circulation, a certain quantity of gold and silver is necessary in the country. We know perfectly well that, as long as there are paper dollars, silver dollars will go away ; that banknotes of ten dollars will necessarily drive out the eagles (gold coins of five dollars), and that the half-eagles cannot endure where there are five-dollar notes, etc".

The Committee concluded its analysis in the following terms : "to sum up and conclude on this significant point, we believe that experience and theory, which, in this case, is just a resume of experience, agree that notes of small denominations should be forgone. Consequently, we did not believe that it was necessary to go below notes of 25 F, either because this will ensure the respect of 20 F and 5 F coins, or because the minimum of 25 F for small-denomination notes is justified by the experience of English colonies. Most of the commission members even said that having gone so far down, they believed they had made a concession, inspired by the desire to move away as little as possible from the bill approved by the Council of State and presented by the Government" (pp. 185-186).

- The guarantee of issue

The monitoring of currency produced by Banks or the monetary policy mechanism was based on three instruments : the convertibility of banknotes into gold or silver coins ; the obligation to abide by the relationship between the capital and the amount of notes issued and a cover ratio for the issue by stock in bullion ; the coverage of liabilities by capital.

- The convertibility of notes into specie

Indeed, under Article 7 of the law of 30 April 1849, only government bonds were to be used as cover for the issue of notes. These bonds, as one knows, were not liquid ; the notes thus issued could only be inconvertible.

¹⁴³ Chevalier (Michel), *Lettres sur l'Amérique du Nord t. 1* (Letters on North America, Vol. I), p. 130.

This was what the Council of State and then the Committee noted, when they observed that notes would not be reimbursed at sight ; they would be paper money, with forced rate, and whose issue would not be in proportion with trade needs. "Lack of confidence on the one hand, and excessive issuance on the other, would not take long to bring about a depreciation, and Banks, in the aftermath of the discredit that they would suffer, would lose any means of acting effectively on colonial production" (page 130).

It was thus necessary to base the institutions on "normal foundations" ; i.e. to oblige them to have a "real capital" and to lead them to adopt the rule of reimbursing notes at sight. This would be the legal tender system sanctioned by the Bank of England's experience.

Hence the exemption from Article 7 of the Act of 30 April 1849 by Article 3 of the organic law of 11 July 1851 that gave banks the possibility of realizing or pledging government bonds against advances from an establishment.

* The respect of a relationship between the capital and the amount of notes issued and a rate of coverage of notes in circulation by cash or a proportional coverage of the issue.

In its bill, the Government had proposed that the law fix a limit for the issue of notes.

Two points of view were expressed in the committee. A minority wished to leave it to the discretion of the Boards of Directors, that could extend or restrict the issue of currency according to circumstances. It felt that such a question could not be dealt with in advance by the law, which would either set too high or too low a limit, citing the example of the "Banque de France" which, since 6 August 1850, had unlimited issuing rights.

However, the majority opinion in the Committee noted that the legislator had shown himself much less trusting with Departmental (district) Banks. Invited to rule on the renewal of the exclusive right of the "Banque de Rouen", under the terms of the 1841 Act, "it had carefully limited the issue of banknotes to the double of the metal specie in the establishment's reserves and which belonged to it".

On the whole, the Committee agreed with the Government on the imposition of such a limit on colonial Banks "as a powerful means of putting obstacles in the way of weaknesses and impulses, from which it was important to safeguard them", given the fact that with a capital of 3,000,000 FF, each Bank, except for that of Guyana, could possibly push the issue of notes up to a maximum of 6,000,000 F, i.e. double its capital, which appeared sufficient to deal with the probable business flow.

It added that to counter any eventuality, it envisaged, through Article 3, the possibility of raising the issue to three times the capital, a proportion that was usually allowed by European Banks. This power would be accompanied by a rigorous procedure : a request would have to be formulated by the Bank's Board and authorization would be granted by a presidential decree, after taking the opinion of the

Governor and the Monitoring Committee, as well as obtaining the assent of the Council of State.

"These precautions appeared essential to us to ensure that the Government is well informed, particularly as regards the delicate and important question to know whether, by further expanding the issue of notes, we would be meeting real needs, without compromising in any way the highly essential service of reimbursing notes at sight" (p. 180).

Finally, the law that was voted maintained, without further ado, that "the amount of notes in circulation could not, under any circumstances, exceed three times the amount of stock in bullion".

In other words, *the stock in bullion must account for at least 1/3^d of the currency in circulation*, from whence the appellation "one-third rule" given to this provision. In 1928, it would be applied to the "Banque de France", whose bullion stock had to account for 35% of liabilities at sight, constituted by the cumulated amount of notes in circulation and the credit accounts on its books.

* The rule of covering liabilities by capital

According to this provision, the cumulative amount of notes in circulation, in current accounts and other bank debts, i.e. its liabilities, should not exceed three times the realized registered capital.

We will see later how these provisions were interpreted and applied in practice.

- Counterparts or operations concerning the issue of currency

These were primarily transactions providing credit to the economy, in addition to exchange transactions.

• Credits to the economy

These were authorized in the form of negotiable or non-negotiable bills or bond discounts.

* Discounted bills

The Banks were entitled to discount :

- Bills bearing the signature of two persons who were manifestly creditworthy and domiciled in the Colony, with a 90-day maturity date for bills payable at sight and 120 days if the maturity date had been fixed ;

- Treasury bills of exchange or those on the Treasury, the Ministries and public funds.

As regards this provision, the Committee noted that the "Banque de France" could only discount if there were three signatures, this precaution indisputably being one of the principal guarantees of the safety of its transactions.

Nevertheless, it agreed with the Government to authorize colonial Banks to accept two reliable and creditworthy signatures for two reasons : the low population of colonies (325,000 inhabitants) and the small number of economic transactions, which

would probably make the requirement of three signatures too rigorous and very expensive ; secondly, the desire to facilitate, within all reasonable limits, the activities of establishments about which "The Administrative authorities will know when to be prudently severe concerning the moral value of the signatures presented to it" (page 187)¹⁴⁴.

As for the limit fixed for the expiry of bills, the Committee found it wise and in conformity with the nature of transactions that colonial Banks had to face.

* Negotiable or non negotiable bond discount

In view of the fact that the discount of bills, an inherent operation natural to discount banks did not pose a problem of principle, the *Government went a little further in its draft articles of association* by offering colonial Banks the possibility to discount negotiable and non negotiable secured bonds. This could be done either through receipts of goods deposited in public warehouses ; or through *transfers of standing crops* ; or else through transfers of revenues or deposits of ingots, currencies and gold and silver material. Thus, one of the two necessary signatures could be replaced by one of these three guarantees.

The Committee had no difficulty in accepting the transfer of revenues and the deposit of precious metal as the equivalent of a signature, since this system was already being used by the "Banque de France", "which had no problems with it, nor could it have any problems, thanks to the precaution that it had always taken of only accepting deposits accompanied by transfers of revenue for just one portion of their value in account" (page 188)¹⁴⁵.

The draft Articles of Association of Colonial Banks limited the amount of loans on gold and silver material to four-fifths of the value, and loans on transfers of revenues to two-thirds of the value.

As regards loans or discounts with only one signature and guaranteed by receipts of goods deposited in public warehouses or by endorsements of bills of lading that followed these goods on their journey from the colonies to Europe, the Committee raised several objections on the precarious character of these pledges that would almost always consist of produce of local agriculture, especially sugar.

It insisted on the fact that "almost always, credit on goods have been, if not absolutely disastrous, at least extremely dangerous for banks that have practiced them".

However, it ratified the bill insofar as Article 20 in the statutes limited the loan or discount amount to two-thirds of the value of the goods and that Article 11 provided for a simplified procedure of recovery by the Bank, in the event of non-payment.

Indeed, "in the absence of the settlement of the amount lent on maturity, the banks are authorized, about eight days after a simple formal notice, to hold a public auction of either the goods or the gold or silver objects pledged, or transferred crops or income thereof, notwithstanding any objection, without prejudice to other proceedings

¹⁴⁴ *Banques coloniales* (Colonial Banks), 1867 ed., op. cit., p 187.

¹⁴⁵ *Banques coloniales* (Colonial Banks), 1867 ed., op. cit., p 188.

that might be initiated against debtors until the entire amount of the sum that had been lent - capital, interests and expenses - has all been fully reimbursed".

Lastly, the Commission had to acknowledge that the colonists, almost all farmers, could not offer any other, or better pledges than the realized income from crops.

Credit, guaranteed by a transfer of standing crops to the Bank and accompanied by the grant of an absolute right to it, allowed planters to obtain the necessary help for the payment of wages to their workers, and for meeting various running costs while waiting for the harvest.

This right, which did not exist in France, neither for the "Crédit Foncier" (Building and loan association) nor for the "Banque de France", had seemed indispensable for the agricultural economy of the Colonies and the organization of crop credit.

This original technique, presented as the keystone of the *colonial bank system*, reconciled the desire to provide appropriate financing to planters, with the need to guarantee the security of these establishments' operations and thus their survival, by arranging for them to pledge their crops as security.

The provisions for this mechanism were provided in particular by Articles 8 to 11 of the Act of 11 July 1851 ; and Articles 16 and 20 of the articles of association, as well as an additional statutory provision that had been omitted at the time of the transcription of the text.

The explanatory statement and the debates in the Assembly, which are being presented in extenso in the following box in view of the interest and topicality of the subject for the agricultural economies of West Africa, explain its organization.

Article 8 of the Act

All deeds that aimed at constituting securities by way of an obligation, a transfer of standing crops, of transport or otherwise, for the benefit of colonial banks, and establishing their rights as creditors, shall be registered at the fixed fee of two Francs.

Article 9

The registration officer shall maintain a record of : 1) the transcription of loan deeds against the transfer of standing crops, within the district of their respective offices ; 2) the statements and objections that these deeds may give rise to.

A landlord who desires to borrow from the bank, by transferring his standing crops, shall notify this intention by a written statement that shall be recorded, one month in advance, on a register especially opened for this purpose by the registration officer.

A creditor, with a mortgage on a building, or a right on standing crops, or who is the bearer of a writ of execution, can object to the loan. His objection shall be received by the registration officer, who shall mention it in the margin of the statement prescribed by the preceding paragraph.

The objection shall entail, under penalty of nullity, the election of residence in the district. Any request for withdrawal can be notified at the elected residence, and shall be submitted to a court of competent jurisdiction to rule on the validity of the objection.

After the expiry of a month, the loan can be made and the bank, as regards the instruments of transfer granted to it and which it will have got transcribed, shall be regarded as being vested with the standing crops.

It shall exercise its rights and actions on securities that emanate from it, notwithstanding the rights of all creditors who would not have expressed their objection according to the manner prescribed in the present Article.

Nevertheless, if there were a seizure of property transcribed before the loan, this seizure would have consequences for the crop, in accordance with ordinary law.

The registration officer shall be obliged to deliver to all those requesting it, an extract of the deeds transcribed in the registers that he has to maintain, in accordance with this article.

Article 10

If the debtor landlord neglects to harvest his crop or one of the operations that constitute it in good time, the bank can, after a formal notice and by a simple order of the Justice of the Peace, be authorized to harvest the aforementioned crop in lieu and place of the negligent landlord. It shall advance the necessary expenses, which will be reimbursed in addition to the principal of his debt, and by its rights on the crop or income thereof.

Article 11

In the absence of the reimbursement of the amount lent, on maturity, the banks shall be authorized, eight days after a simple formal notice, to proceed to a public auction of either the goods or the gold or silver material pledged, or of the transferred standing crops or income thereof, notwithstanding any objection, without prejudice to other proceedings that may be initiated against debtors until the entire amount of the sums lent - capital, interests and expenses - has been fully reimbursed.

Article 16 of the statutes

It takes up Article 11 of the Act in a different form :

"When the payment of a bill has been guaranteed by the handing-over of a receipt of goods, or by the transfer of a standing crop, the bank can, eight days after a protest or a simple formal notice through an extra-judicial process, sell the goods, to cover itself up to and not exceeding the due amount".

Additional Article

This provision, which formed the second paragraph of Article 16, was voted during the second reading, and, at the request of the Minister of the Navy, a separate number was allocated to it - it was not reproduced, due to an oversight, during the third reading :

"The bank can discount notes or bonds of any landlord who, by a special transfer deed, assigns to the guarantee of his debt a standing crop on his property. These

transactions can only take place for a period of one hundred and twenty days at most, and only when the standing crop has reached an adequate degree of growth for its realization to coincide with the maturity of the loan".

"The transaction shall be noted by a special commitment deed registered and transcribed on the register, maintained for this purpose by the registration officer, as it has been expressed, in its entirety, in Article 8 of the organic law".

Article 20

"... the loan on transfer of standing crops cannot exceed one-third of the value of the aforementioned standing crop. The bank can stipulate that the produce of the crop in question shall be sent, as and when harvested, to the warehousing stores designated for this purpose, in accordance with Article 4 of the organic law, so as to convert the loan on transfer into a loan on collateral".

In the bill presented by the government, the Article that was to correspond to Article 9 in the final text, was written in these terms :

"In all registration fee collection offices, a public register shall be maintained for the transcription of the contracting or transfer of rights over standing crops, in the district of the office".

"The banks, for deeds that they would have got transcribed, shall be regarded as having attached the crop contracted, in accordance with point No. 2 of Article 2101 of the civil code, and consequently, they shall exercise their rights and actions on this pledge, notwithstanding any contracting or transfer of rights whose transcription would not have preceded that of the contract constituted in their favor".

The explanatory memorandum expanded on the justification of this Article (cf. Box 2.7).

Explanatory Memorandum of the 1851 Organic Law on Colonial Banks

Article 6 contains one of the most significant provisions of the bill. It relates to the means for realizing loans to planters against the guarantee of their standing crops.

This operation, let there be no hesitation in saying it, is, so to speak, what a colonial bank is all about. If it were not to be carried out, this institution would not only be a dangerous superfluity, but public opinion in the colonies will once again say that it is an iniquity.

A dangerous superfluity, because colonial trade is and must be a trade of exchanges, which does not comprise too large a number of instruments of circulation.

An iniquity, because the interests of colonist planters, for motives that it would take too long to describe here, are too often opposed to those of tradesmen.

However, one should not lose sight of the fact that it is the planters' capital, and not that of trade, which must be used to form the capital of the colonial bank. To discount the signatures of tradesmen and not discount those of planters, or to discount the latter only by forcing them to resort to the expensive addition of the former would mean creating a situation that would lack equity : it would be going against the spirit of the law, which, by posing the principle of the foundation of colonial banks, especially intended to come to the assistance of planters whose conditions of production had been deeply disrupted in the aftermath of the abolition of slavery. What one wanted, in a word, was to put colonist producers in a position whereby they could meet the completely new expenditure that freed labor implied for their plantations.

Now, is this operation, which is obviously needed and extremely appropriate, really practicable ? In other words, how will the guarantee reserved for the bank be practiced ? What will be its rights as regards the appropriation of the pledge ?

The mechanism of the operation is clearly indicated in the drafting of the article. Once the law has been promulgated, all those who contract with a planter for the purchase or pledging of his standing crops, will have to get the deed transcribed in a special register maintained for this purpose. The banks will themselves be subjected to the same obligation. Such a formality will ensure that third parties will not be able to contract, to their prejudice, nor will the banks be able to do so to the prejudice of third parties. Entering into a contract will assimilate the standing crop that will be the subject of the contract, with the pledge to the creditor, and the right that this will grant the bank will be the one that stems from point No. 2 of Article 2102 of the Civil code, to which the proposed provision refers. Undoubtedly, this assumption does not create a privileged right dominating all others, in favor of the establishment. But apart from this, the bank's directors also have to deal with the issue of appreciating the moral standards, the intelligence and general resources of the borrower. This appreciation, that is so difficult to implement in the major European industrial centers, can be done effortlessly in countries where families succeed one another, almost without interruption, on the same heritage, and where the trading personnel is far from being closely linked to the business they are accomplishing.

Undoubtedly, such prudence and moderation will restrict the favorable action which one would like to see banks exert ; but everything obeys the laws of its conservation, and any claim of reviving colonial society, galvanically to some extent, by using these establishments,

which must develop only gradually, would obviously consist of condemning them to unquestionable ruin. Not all planters will be entitled to credit, just like not all traders are entitled to it. Indeed, in every colony, there are farms that are destined to decay, just as there are commercial firms that are destined to close shutters when faced with the refusal of aid by the bank.

Thus, the appreciation of individual creditworthiness is much easier in the colonies than in Metropolitan France. This, then, is a first significant point. Therein lies a difference that this colonial specialty emphasizes in a more significant manner and that one should not lose sight of even for a moment while examining this matter : colonial produce, the guarantee offered for credit, primarily consists of goods for export. Thus, while in France, the fruits of a harvest can disappear through a thousand doors when such a guarantee is practiced, in the colonies it all comes together, almost naturally, as it were, under one's control at the port of embarkation. The fact that it is an enormously bulky load adds further to the particular nature these goods offer as a pledge.

As for the issue of the risk that may be attached to this kind of transaction in the event of disasters and miscalculations to which a harvest is exposed, it is totally linked to the proportionality that is to be established, i.e. the margin of guarantee that the establishment will reserve for itself after evaluation of the crop offered in hypothecation. It will be declared in the articles that this margin will be half of this estimate. However, there are no examples of colonial crops suddenly suffering such a reduction.

Another objection can be drawn from the duration of the operation, which must necessarily be longer than that of discounts, and which thus tends to immobilize, at least relatively, the bank's working capital. But this again will be a question of moderation and appreciation.

The administration of each establishment will start by determining what share of its capital will be assigned to loans on standing crops ; and once this figure has been established, it will be rigorously maintained within its limits. It would be impossible to establish this proportion as of this moment : it will only be on the spot, and after the nature of the business that is likely to arise has been examined, that one will have the necessary elements. This significant point will have to be submitted for the approval of the governor in privy council.

Banques Coloniales (Colonial banks), 1867 edition, pp. 154 to 158.

Report of the National Assembly Committee

The Assembly Committee, in the report it presented on 5 April, believed it had to refuse to grant consent to this part of the government draft bill ; the gist of its reasons were :

- 1) That loans against harvest, in the terms that the government proposed to authorize them, did not offer the banks any real material guarantee that was considered suitable, and so they were being lent against a single signature alone ;
- 2) That the draft bill did not take any precautions to reconcile, in case of a loan against harvests, the rights of the Bank with the creditors' just rights, and particularly those creditors with mortgages against real estate and those with pledges against the harvest itself, such as the workers whose work had produced or conserved the said harvest.

Since, Mr. Chasseloup-Laubat, new Minister of the Navy, has requested the Commission to reexamine this part of its conclusions. "The Minister (these were the terms of Mr. Chégaray's second report) insisted on the extreme importance the colonies gave to the authorization of loans against harvests. He was cognizant of the gravity of the objections raised by your Commission, but he thought it would be possible to satisfy them on authorizing this kind of loan, against reserves and guarantees that would satisfy the various interests of all those involved in this issue. It appeared to him that this objective would be attained, if the loan were allowed only during the four months before the harvest. That is, a period that was sufficiently advanced and close to the harvest to be considered a real security ; if, further, the loan could be made against only a third of the estimated value, in order to allow a free guarantee to legitimate creditors, the means of making themselves known or even opposing a loan that could only be done in case of inaction or silence on their part, after issuing formal notice of payment, or even, in certain hypothetical situations, only with the consent of the concerned creditors.

Your committee, Gentlemen, in keeping with the desire of the honorable Minister of the Navy, has seriously examined his new proposal. Enthused with the sincere desire to grant colonial banks all the prerogatives, and all suitable facilities to private creditors, with prudence, it has looked for means to satisfy the pressing demands which the Minister of the Navy has put forward, but without, however, diverging from the rules of circumspection which is its duty to maintain intact in the higher interests of the existence and duration of the establishments that it is working towards establishing.

The modifications to be introduced, consequent to what precedes, in the draft bill submitted to you, should refer to :

- 1) The section of the statutes relating to bank operations (1st heading, section 3) ;
- 2) Various articles of the draft bill where the indispensable legislative sanctions are found for the functioning of the operations authorized by the statutes.

We will first look into the modifications proposed by the statutes.

Article 12 – We propose to modify the 2nd paragraph of this article, so that it reads as follows :

The bank operations consist of :

1)...

2)...Discounting negotiable or non negotiable bonds,

or guarantees, whether they are through receipts of goods deposited in public shops, or on the basis of impending transfers of harvest, or transfers of bonds or bullion deposits, etc. This is the principle of loans against harvests ; we thought, along with the Minister, that since the harvest remained necessarily in the hands of the borrower, the loan would be better secured by a transfer which would make the bank the owner rather than by using it as collateral, since the liquidation of the collateral, in this case, is impossible by the nature of things.

The modifications of the draft introduced in the Articles 14 and 16 are simply the consequences of the principle given in Article 12, as we have just formulated.

Article 17 limits the duration of the loan against transfer of harvest to a maximum of one hundred and twenty days or four months ; it states that the loan can only be made when the harvest is on the verge of taking place, at an advanced stage, so that it doesn't exceed the maturity of the loan. The sugar cane should, therefore, be a year old approximately, to be the subject of such an operation. They would constitute from then onwards not a hope or an eventuality of value, but a definite value, susceptible to a positive evaluation, and also exposed to very few chances of destruction. A loan made on the basis of this guarantee, and for four months at the most, cannot be considered an adventurous proposition, because of all the further precautions that we shall be taking and about which we shall inform you.

Article 21 states that loans against the transfer of a harvest cannot be beyond a third of its estimated value ; it gives the bank the ability to stipulate that the food products resulting from the harvest will be, as and when it takes place, deposited in the depots designated for this purpose, conforming to article 4 of the Act, and thus convert the loan against transfer to a loan against collateral.

These modifications to the statutes appear sufficient to present the principle of loan against transfer of harvest, considered to be one of the operations of the bank, and at the same time to limit this capacity in order not to endanger these establishments.

But as we have said, to meet all the provisions required by this innovation, some modifications to the draft bill as such seem indispensable to us.

Their objective is :

1) to protect the third party rights ;

2) to institute some serious legislative sanctions to this particular kind of operation, in the interest of the bank. An additional article, which will take the No. 8 and will replace the former Article 5 of the government, prescribes that each registration officer shall maintain registers meant to hold the transcriptions of loan deeds against transfers of harvests and the statements or opposition to which these deeds lead to. The same article compels owners who wish to borrow against transfer of harvest to record the said statement one month in advance in the registers that have just been discussed.

Consequently, it opens to a certain class of creditors, the right of opposition to a loan, who have to mention their opposition on the margin of the statement that was just discussed. This right of opposition will be open to :

1) creditors with hypothecation or mortgage against the fixed assets ;

2) creditors with pledges against the harvest ;

3) creditors, bearers of enforceable bonds, that is to all those who may be considered, for various reasons, as having a given right or an enforceable immediate right on the harvest that is to be pledged to the bank's credit against the productive assets of that harvest. But the draft bill stipulates that on the failure of these categories of creditors to manifest their opposition, the bank, after having duly transcribed its contract, will exercise its rights and shares on the harvests or the value arising from them, notwithstanding the rights of all previous creditors.

As for the workers who, through some later work, would have acquired a pledge against the harvest, their rights will have for security the last two-thirds of that harvest in excess to the fraction committed to the bank.

A sole exception is made in the rule in the case where, prior to the loan, a distraining creditor had transcribed a property seizure against the fixed assets. In this case, in fact, through the transcription alone, third parties are warned that according to the terms of Article 682 of the Civil Code, the products or the price resulting from it are immobilized by right and distributed along with the price of the real estate by order of mortgage.

In order to complete the system of required bank guarantees, in case of a loan against transfer of harvest, it seemed suitable :

1) to authorize the establishment to carry out the harvest by itself and against advanced costs, in case of desertion or neglect by the owner : an additional Article, no. 9, provides for such a case and determines the summary procedure to which its realization may be subject ;

2) to declare a penalty in case the owner embezzles or wastes, to the detriment of the lending establishment, all or part of the value allocated to the surety of the loan. A third additional Article, which will be the last one in the draft bill, declares that the provisions of Article 408 of the penal code should be applied to this special misdemeanor.

It appears that, because of all these clauses, the colonial banks will be protected from loss, as far as possible, that the rights of all will be managed and safeguarded as much as possible, without however, agriculture being deprived of a right to which its representatives and organizations attach a great value. The drafting of your committee has obtained the complete consent of the present Minister of the Navy.

Exchange operations with the mother country

They are organized by the statutes, the decree of 17 November 1852 and the decree of 4 December 1852.

According to the terms of Article 26 of the Statutes, the banks can furnish drafts or orders on a credit establishment of the mother country, provided a prerequisite provision has been constituted.

In more precise terms, at the request of their customers or on their own account, they can convert the currency issued by them into the franc in the mother country – i.e. to exchange the currencies – on condition that they already have assets in metropolitan francs in a bank in France.

It is recalled, moreover, that Article 8 of the decree of 17 November 1852, establishing the Central Agency, specifies that a public credit establishment, designated by the Minister of the Navy and Colonies, will effect encashments and payments for each bank, on the signature of the Central Agency.

It is the Ministerial Order of 4 December 1852 on the organization of the Central Agency that describes, in an exhaustive manner, the operations of the Colonial Banks in the mother country through the intermediary of the Agency.

According to Article 2, a distinct and separate current account shall be opened at each bank by the designated credit establishment.

This account shall be independent of the investment account for treasury surpluses held by the "Caisse des Dépôts et Consignations" (Deposit and Consignment Office).

To the credit of the current account are added (Article 3) :

- 1) The sums withdrawn from the Deposit and Consignment Office ;
- 2) The amount of bills collected in Europe ;
- 3) The sum of bills rediscounted in Europe ;
- 4) The sum of interest arrears from the registered bonds belonging to the Banks, or resulting from their transactions ;
- 5) The realized amount possible against the said registrations ;
- 6) The sum of all other payments.

The account will be debited of the sum of drafts or orders issued in Europe by the Banks to the benefit of :

- 1) The Deposit and Consignment Office ;
- 2) Third parties ;
- 3) The credit establishment itself ;
- 4) The Central Agency itself.

In the beginning, the "Banque de France" was the credit establishment appointed for the five Banks¹⁴⁶. But in conformity with its internal rules, the "Banque de France" did not allow overdrafts. However, with the crisis that affected the West Indies following the withdrawal of foreign coins from circulation, the Bank of Martinique and Guadeloupe saw their cash balance threatened by the presentation of refund notes.

Then, through the personal initiative of Chasseloup-Laubat, Minister of the Navy, an arrangement was made, which permitted interested Banks to *issue overdrafts on the Comptoir d'Escompte (Discount Bank) of Paris, not exceeding a determined credit.*

Thus the three Banks of the West Indies established relations with the Discount Bank, while those of the Reunion and the future Bank of Senegal remained with the "Banque de France".

Various transactions

The Banks encashed notes for their customers ; they receive, against the payment of holding dues, voluntary deposits of all kinds, bullion, currencies, gold and silver material.

¹⁴⁶ Including the Bank of Senegal after its establishment.

5) Income statements

Every six months, on 30 June and 31 December, Banks will draw up their account statements and the profit and loss would be determined (Article 28 of the statutes).

Outstanding debts will be provisioned up to 80%. On the net profits of the semester, a deduction of one half per cent of the initial capital shall be made to constitute reserve funds. A first dividend, equivalent to 5% of the share capital, will then be distributed to the shareholders.

Surplus profits will be shared in two equal parts : one part will be allocated to the shareholders as an additional dividend ; of the other half, 8/10th will be attributed to the reserve funds, 1/10th to the Director and 1/10th to the employees of the bank as a token of appreciation. However, none of these allocations can be made without the prior approval of the Governor in privy council. The dividends shall be paid as soon as the approval is received, either to the Bank's cashiers' desks, or through the intermediary of the Central Agency in Paris.

When the reserves reach half of the share capital, all deductions shall stop. The allocation to the Director and the employees shall remain fixed, in the proportions indicated, on half the profit exceeding interest, at 5% per year of the share capital.

6) Publication of accounts

Article 27 of the statutes provides for the publication of the Bank's accounts every fifteen days in the bulletin indicated by the Governor to this effect.

7) The promulgation of the Act

The organic Act and the statutes were promulgated

- In Martinique, on 14 October 1851,
- In Guadeloupe, on 14 November 1851,
- In Guyana, on 12 November 1851¹⁴⁷,
- In Réunion, on 16 July 1853.

Similar establishments were created in Algeria, Guyana and Senegal.

¹⁴⁷ No doubt prematurely, by mistake.

Organic Act of Colonial Banks

(11 July 1851)

The National Assembly has adopted the Act whose contents are as follows :

Article One

Banks established under the Act of 30 April 1849 in the colonies of Guadeloupe, Martinique and the Reunion, shall have to conform to the Statutes annexed to the present Act.

A bank in the colony of Guyana shall be established on the same terms.

Article 2

The capital of each of the Banks of Guadeloupe, Martinique and Réunion is fixed at three million francs (3,000,000 francs).

The capital shall be formed in the following manner :

The Minister of Finance shall be authorized to issue three hundred and twenty five thousand francs, to be deducted on one-eighth of the compensation allocated to the colonies by the above-quoted Act.

Of this issue, one hundred thousand francs of bonds, with a capital of two million francs, shall be transferred towards the first formation of each of the Banks of Guadeloupe, Martinique and Réunion ; twenty-five thousand francs of bonds, with a capital of five hundred thousand francs, for the first formation of the Bank of Guyana.

The arrears produced by each of the registered bonds transferred to the colonial banks, from 22 March 1849 till the day of remittance of records, shall be paid by the Finance Minister into the hands of these Bank Administrators. The products of the said arrears shall be added to the assets of the profit and loss accounts, and shall be used to cover, not exceeding the cost, the first establishment to which the Minister of the Navy shall be authorized to provide immediately, as an advance, service bonds of the local service of each colony.

Article 3

During the period of one year from the promulgation of this law, the administrative Authorities shall accept voluntary subscriptions not exceeding the additional capital determined above. These subscriptions may be made, as the subscribers wish, in species, or in five per cent equal installments.

If, after the expiry of the said period, the Banks' capital or one of them is not completed by way of voluntary subscription, this capital shall be completed by way of a second withdrawal against the one-eighth of the compensation, on condition that the deduction does not exceed one hundred and fifty thousand francs of bonds for each of the colonies of Guadeloupe, Martinique and Réunion, and thirty-five thousand francs of bonds for that of Guyana.

As an exception to article 7 of the Act of 30 April 1849, Colonial Banks may transfer or pledge the bonds delivered to them.

Article 4

A decision shall be made, by a later Act, on the use of the portion of the one-eighth of the compensation that shall remain available after the deductions authorized by the two preceding articles.

Article 5

Each of the Banks to which this law relates (to the exclusion of all other institutions), shall be allowed to issue bearer orders for five hundred, hundred, and twenty-five francs, to the exclusion of all other establishments, in each of the colonies where it has been instituted.

These notes shall be encashable at sight at the head office of the Bank that issued them.

They shall be received as legal tender, within the entire area of the colony, by the Treasury as well as by individuals.

The cumulative amount of the notes in circulation, of the current accounts and of the other Bank debts cannot exceed thrice the amount of the liquidated share capital.

The sum of the notes in circulation cannot in any case exceed thrice the amount of the gold and silver holdings.

Article 6

No opposition shall be allowed concerning the funds deposited in current accounts in the colonial Banks.

Article 7

The customs depots and all other shops that would come to be designated to this effect by the Governor, in privy council, shall be considered public shops where goods that are deemed collateral are deposited. The goods shall be represented by an order receipt, which can be transported by way of endorsement.

Article 8

All deeds with the intent of constituting collateral commitments, transfers of harvest, transport or otherwise, to the benefit of Colonial Banks, and of establishing their rights as creditors, shall be registered at a fixed rate of two francs.

Article 9

Registration officers shall maintain records, 1. - of the transcription of the loan deeds on transfer of impending harvests, within the jurisdiction of their respective offices ; 2. - of declarations and oppositions that these deeds may lead to.

Any landlord who would like to borrow from the Bank against the transfer of his impending harvest, shall make known his intention through a written declaration, two months in advance, in a special register maintained to this effect by the registration officer.

Any creditor who has a mortgage on fixed assets, or a pledge against a harvest, or is the bearer of an enforceable deed, may oppose such a loan. His opposition shall be received by the registration officer, who shall mention it on the margin of the declaration prescribed by the preceding paragraph.

The opposition will entail, on pain of nullity, the election of domicile within the administrative district. Any request for withdrawal may be communicated to the elected domicile, and will be submitted to the relevant tribunal to obtain a ruling on the validity of the opposition.

At the end of the month, the loan can be granted, and the Bank shall be considered as having foreclosed on the harvest, for the pledges of transfer of harvest that it may have transcribed.

It shall exercise its rights and shares on the values arising from it, notwithstanding the rights of all creditors who may not have expressed their opposition according to the form prescribed by the current article.

However, if there is a fixed asset foreclosure transcribed earlier to the loan, this foreclosure shall have its effect on the whole harvest, in conformity with ordinary law.

It shall be the registration officer's responsibility to deliver to all those who request it an extract of the deeds transcribed in the register whose maintenance is prescribed by the current article.

Article 10

If the owner and debtor neglects to proceed with the harvest or any harvesting operations in due time, the Bank, after a summons or an order from the conciliation magistrate, shall be authorized to carry out the said harvest in place of the negligent proprietor. It shall advance the funds necessary, which shall be reimbursed in addition to the principal of the claim, and on the basis of the pledge of the harvest or its products.

Article 11

On failure of repayment, on maturity of the borrowed amount, the Banks shall be authorized, eight days after a summons, to sell by public auction, notwithstanding any opposition, either the goods, or the gold and silver reserves offered as collateral, or the surrendered harvests or their products, without prejudice to other further recourse to law, which may be taken against the debtors till the entire repayment of the loan is recovered - capital, interest and costs.

Article 12

The subscribers, acceptors, endorsers or guarantors of the goods subscribed in favor of the Colonial Banks or negotiated in these establishments, shall be amenable to the jurisdiction of Commercial courts as a result of these commitments and collateral or other related securities.

Article 13

A committee shall be established under the Minister of Colonies, for the surveillance of Colonial Banks.

This committee shall consist of seven members, i.e. :

A State Councilor, elected by the Council of State in its General Assembly ;

Two members appointed by the Minister of Colonies ;

Two members appointed by the Finance minister ;

Two members elected by the General Board of Directors of the “Banque de France”. The Committee shall elect its President among its members.

This Committee, whose responsibilities and mode of action will be specifically determined by a public administration regulation, shall receive communication of all documents reaching the Minister on the administration of the Colonial Banks ; it shall be consulted on all the Government instruments which concern it ; it shall conduct such measures of verification and inspection that it deems appropriate, and shall submit an income statement of its surveillance of the situation of the establishments each year, to the National Assembly as well as to the President of the Republic. This statement shall be published in the 'Moniteur universel' and in at least one newspaper of each colony¹⁴⁸.

Article 14

The colonial Banks may establish branches or trading posts in the colony to which they belong, but only by virtue of a decree by the President of the Republic, taken on request of their Board of Directors, with the advice of the Governor in council, that of the Monitoring Committee and the Council of State.

Article 15

Article 408 of the Penal Code shall be applicable to all proprietors, usufructuaries, directors, administrators or any other representatives of the proprietor, who misappropriate or waste, in full or in part, the impending harvest owed to this establishment, to the detriment of the Bank.

Discussed in a public sitting, in Paris, on 25 April, 26 June and 11 July 1851.

¹⁴⁸ One should not look herein for the public administration regulation mentioned in the present Article. The provision remains without issue, no doubt because the political mentality that had inspired it had changed. All the same, today it is to the Emperor that the Commission submits its accounts. It has submitted six, which bring the issue up to date, leading up to the financial year 1864 – 1865. Refer to page 57 for information on the members of the Monitoring Committee.

STATUTES¹⁴⁹

(Annexed to the Act of 11 July which precedes)

TITLE I

Constitution of the Bank and nature of operations attributed to it

Section I – Constitution, Duration and Head Office of the Company

Article One

In.....¹⁵⁰, in execution of Article 7 of the Act of 30 April 1849, a loan and discount Bank shall be established under the name of the Bank of.....

Article 2

This Bank shall be constituted as a public limited company. The company is composed of : 1) all the compensation receivers to whom the deduction prescribed by the above cited law will be applied ; 2) and, as the case may be, the subscribers who would have exercised the capacity reserved for them by Article 3 of the organic law of Colonial Banks. Each member of the company shall only be responsible for the company's commitments to the extent of and not exceeding his share in the share funds.

Article 3

The duration of the company is fixed for twenty years, from the day of promulgation of the law in the colony, and, except in the cases provided for, on the grounds of the general clauses.

Article 4

The Head Office of the company shall be in the town of.....¹⁵¹.

Article 5

The Bank's administration can set up branches and agencies in other parts of the colony.

An organization plan for such branches and agencies shall be prepared by the Bank's general board, and submitted for the approval of the Minister of the Navy and Colonies¹⁵².

Section II – Capital and Shares

Article 6

The share capital shall be composed of : 1) the sum of the payments to be made against the compensation due to the colony's inhabitants, in conformity with Article 2 of the Act on the Institution of Colonial Banks ; 2) and, as the case may be, the amount of the subscriptions, mentioned in Article 3 of the same Act, and in Article 2 of these statutes.

The operations shall commence as soon as the Minister of Finance makes the registration of hundred thousand francs of funds available, meant for the initial formation of the Bank, according to Article 2 of the Establishment Act.

¹⁴⁹ Model Statutes.

¹⁵⁰ Can be applied indiscriminately in Martinique, Guadeloupe, Réunion Island, the Statutes being absolutely the same for the three main colonies. The same goes for Guyana and Senegal, except for the exceptional modifications consigned in the decree of 2 December 1854 (v. p. 103).

¹⁵¹ Martinique : Saint-Pierre ; Guadeloupe : Pointe-à-Pitre ; Réunion Island : Saint-Denis ; Guyana : Cayenne ; Senegal : Saint-Louis.

¹⁵² No local branches or agencies were established for the colonial banks.

Article 7

The Bank's capital shall be divided into shares of five hundred francs each, which can be split at the time of first issue into units of fifty francs.

The split share units will only be delivered as odd shares to make up the balance of Five Hundred Francs or for conversion into securities for payments smaller than that value. Gathered together in one person's hands, they will have to be converted into shares before 1 January 1855. After that date, they shall not be entitled to dividends.

Article 8

When, after this remittance of shares, a minor balance of less than fifty francs remains of the payment amount, the said balance shall be represented by a provisional bearer certificate.

The provisional certificates shall not be entitled to any dividend ; but when they are gathered together to form an adequate sum by the same person, they shall be exchanged for shares or share units.

Article 9

The Bank's shares shall be nominative – they shall be recorded in a counterfoil register, and the detached certificate carries the signatures of the director, an administrator and a censor. The share units shall belong to the bearer.

Article 10

Shares shall be transferred by a transfer declaration signed by the owner or his proxy and countersigned by an administrator, on the special register meant for this purpose.

Nominative shares can be transferred to Paris, to the Head Office of the Central Agency.

If there is any registered opposition at the Bank, the transfer can only be made after the opposition is withdrawn.

Old certificates returned following transfers shall be cancelled in the forms determined by the Administration Council.

Section III – Operations of the Bank

Article 11

The Bank shall not, in any case and under any pretext, undertake operations other than those permitted by these statutes.

Article 12

The Bank's operations shall consist of :

- 1) Discounting letters of exchange and promissory notes, as well as Public Treasury drafts or banker's drafts drawn on the Public Treasury, Ministries and Public Funds ;
- 2) Discounting negotiable and non-negotiable bonds, guarantees, either by receipt of goods deposited in public shops, or by transfers of impending harvests, or by transfers of funds or deposits of bullion, currency or of gold or silver material ;
- 3) Undertaking, on behalf of individuals or of public establishments, the encashment of stocks that are remitted, and paying all orders or transfers ;
- 4) Receiving, subject to custody account charges, voluntary deposits of all certificates, bullion, currency and gold and silver material ;
- 5) Issuing demand drafts payable to the bearer, promissory notes and bills of exchange or payment orders.

Article 13

The Bank shall receive discounted promissory notes bearing the signature of two persons, manifestly solvent or domiciled in the colony ; the maturity of these notes should not exceed ninety days after sight or have more than hundred and twenty days to run, if the maturity is determined.

These instruments should be stamped, in the case where the legislation on the stamping of promissory note or letters of exchange is brought into effect in the colonies.

The Bank shall refuse to discount so called 'accommodation bills' created illusorily between the signatories without reason or actual value.

Article 14

One of the signatures required according to the terms of the preceding Article can be substituted by the remittance of either a bill of lading made over to the Bank, or an acknowledgement of receipt of goods, or by transfer of an impending harvest, on the terms and conditions determined hereafter.

Article 15

In case of remittance of a bill of lading as an additional guarantee for a letter of exchange, the goods should be properly insured.

If the sender has taken the insurance, the policy should be remitted to the Bank. If the policy is not in the hands of the maker, the Bank should be authorized to withdraw it from the hands of those who are responsible for covering the risk ; in this case, the Bank shall retain from the loan the necessary amount to effect the withdrawal of the insurance policy.

In all cases, the Bank or its Agent in Europe, shall always remain free, if the insurance taken does not appear to have to be certified or does not appear to be sufficiently proper, to provide it anew, on behalf of the debtors.

If the goods have not been insured, the Bank shall retain the necessary amount to provide for the accounts, cost, risks and dangers of the debtors.

Article 16

When the payment of an instrument has been guaranteed by the remittance of a receipt of goods, or by the transfer of an impending harvest, the Bank may, eight days after the protest or after a simple formal notice through an extra-judicial deed, have the goods sold to cover the amount not exceeding it.

Article 17

The guaranteed instruments or bonds, either by remittance of receipts, or by the transfer of harvests, cannot be made out to order and, in this case, the debtor shall have the right to expect to be freed and interest shall be remitted to him for the remaining period till maturity.

Article 18

The additional guarantees given to the Bank shall not hinder proceedings against the signatories of the securities ; such proceedings can be continued concurrently with those intended to realize the special guarantees provided in favor of the Bank and until full repayment of the sums advanced as capital, interests and costs.

Article 19

Discounts shall be applied for the number of days remaining and even for a single day.

For instruments payable several days after sight, the discount shall be calculated on the number of days after sight ; and if the instruments are payable, either outside the place of discount, or outside the colony, the number of days shall be increased by the time taken, calculated according to the distance concerned.

Article 20

The relation of the value of the objects furnished as an additional guarantee, with the sum of the promissory notes or bank liabilities that can be discounted in the cases provided by Article 12, shall be determined by the Bank's rules of procedure.

This proportion cannot exceed – in case of collateral in gold and silver material - four-fifths of their value in weight and, for collateral in the form of deposits of goods, two-thirds of the value.

Loans against transfers of harvest cannot exceed a third of the value of the said harvest.

The Bank can stipulate that the food products resulting from the harvest shall be, as and when produced, deposited in the deposit stores indicated for this purpose, in conformity with to Article 4 of the organic Act, for the purpose of converting the loan against transfer into a loan against collateral security.

Article 21

The sums of money that the Bank encashes on account of individuals and public establishments, or which are paid on the grounds of deposits, shall not earn interest. These sums can be withdrawn at the wish of the proprietor of the funds ; on request, they can be sent immediately by bank transfer to another account.

Article 22

The Bank can accept for discounts or current accounts, any person who is manifestly creditworthy, domiciled in the colony and whose application is supported by a member of the Board of Directors or by two persons who are already account holders in the Bank.

Shareholders shall not be entitled to any preferences.

Article 23

The Bank shall furnish receipts for voluntary deposits that are made with it ; the receipts shall specify the kind and value of the objects deposited, the depositor's name and address, the date the deposit was made and the date of withdrawal ; and finally, the record ledger number.

The receipt shall not be made to order and cannot be transferred by way of endorsement.

The Bank shall immediately collect custodial account charges on the estimated value of the deposits against which no advances have been made, whose quota shall be settled by the Board of Directors.

When, on the depositor's request, advances are made to him before the fixed period for the withdrawal of the deposit, the custodial account charges collected shall remain with the Bank.

Article 24

In cases where the Government believes it necessary to set up a Public Deposit and Consignment Fund, if such a condition is imposed on it, the Bank will have to open and manage the said fund.

Article 25

The quota of the various notes in circulation shall be determined by the Board of Directors, within the limits fixed by law, subject to the approval of the governor in privy council.

Article 26

The Bank can only supply bills of exchange or payment orders when prior provision has been made.

Article 27

The Bank shall publish its statements every month in the newspaper indicated for this purpose by the Governor.

Section IV – Dividends and Reserve Funds

Article 28

Every six months, on 30 June and 31 December, the books and accounts shall be established and balanced ; the profit and loss statement of the Bank's operations shall be drawn up.

Pending debts of a figure exceeding one-fifth of their nominal value cannot be included in the assets account.

A deduction of half a per cent of the primary capital on the net realized profit earned during the semester shall be made. This deduction shall be used to form reserve funds.

An initial dividend, equivalent to five percent per annum of the share capital, shall then be distributed to the shareholders.

The surplus of profits shall be divided into two equal parts : one part shall be distributed to shareholders as an additional dividend ; eight-tenths of the other half shall be allocated to the reserve funds, a tenth to the Director and a tenth to the Bank's employees as a token of appreciation.

However, none of these allocations shall be made without the prior approval of the Governor in privy council. The dividends shall be paid soon after the approval is obtained.

Article 29

As soon as the reserve account reaches half the share capital, all deductions to the credit of this account shall stop.

The allocations to the Director and employees shall remain fixed in the indicated proportions on half of the profits exceeding the interest at five percent per annum of the share capital.

Article 30

The dividends shall be paid as soon as the approval mentioned in Article 28 is received, either to the Bank's funds, or to the Agency established in Paris.

TITLE II

The Bank's Administration

Section I – The General Assembly

Article 31

The General Assembly shall represent the universality of shareholders.

The General Assembly shall be composed of one hundred and fifty shareholders who, according to the Bank registers have been, over the preceding six months, the owners of the greatest number of shares. In case of parity in the number of shares, the earliest registered shareholder shall be preferred.

However, no non-French shareholders shall be a part of the General Assembly, if they have not been residents of the colony or of another French colony or of France for at least the past five years.

Article 32

Until allocation of the shares can be made, beneficiaries of the highest settled accounts shall be considered shareholders for admission into the General Assembly, not exceeding the number fixed by the preceding article.

Article 33

Proxies, who should themselves be shareholders, can represent the members of the General Assembly. The Board of Directors shall determine the form of their powers.

Apart from the personal right that they may have, no proxies shall have the right to more than one vote in this capacity.

Article 34

Each of the members of the General Assembly shall have only one vote, whatever the number of shares they possess.

Article 35

The General Assembly shall meet at least once every year, in the course of the month of July.

It shall be convened and presided over by the Director.

The three most powerful shareholders shall constitute the provisional board and shall appoint a secretary.

The Meeting proceeds immediately to form its permanent board.

The board's secretary, both provisional and permanent, shall be chosen from among the three shareholders composing the board.

Article 36

The General Assembly shall be given an account of all the Bank's operations.

The administrative expense account for the past year shall be submitted for its approval.

It shall then proceed to elect the administrators and a censor, whose functions are determined hereunder.

These nominations shall take place by secret ballot, on the basis of the absolute majority of votes cast by the members present.

After two rounds of polling, if an absolute majority cannot be found, the Meeting shall proceed to a second ballot between the candidates who received the maximum number of votes in the second round.

When there is an equality of votes in the second ballot, the oldest shall be deemed elected.

Article 37

The deliberations of the General Assembly shall only be considered valid, in the first meeting, if at least fifty members have participated themselves or through their proxies.

In case the number is not reached, the Meeting shall be postponed by a month and the members present at the new meeting can deliberate, in all validity, whatever be their number, but only on matters which had been put in the agenda of the first meeting.

Article 38

The General Assembly can be convened extraordinarily every time that - on a proposal by one of the members - the Board recognizes it as necessary.

It shall always be convened in case of the resignation or death of the censor or deputy censor, or of one of the three administrators, for nomination by the shareholders. The member elected in place of another shall remain in office for the duration of his predecessor's term.

The General Assembly shall be convened extraordinarily : 1) when the shareholders, together representing at least a tenth of the shares, have submitted a written request to the Director or to the Governor of the colony ; 2) in case the losses incurred by Bank's operations have reduced the capital by half.

Article 39

Ordinary and extraordinary meetings shall be convened by individual letters, addressed to the members of the General Assembly, to the residential addresses indicated in the Bank registers, and by an announcement inserted, at least one month before the day fixed for the meeting, in one of the colony's newspapers indicated for this purpose by the Governor.

The letters and the announcement shall provide a brief summary of the objective of the meeting.

Section II – The Board of Directors

Article 40

The Bank's administration is entrusted to a Board composed of a Director and four administrators.

The colony's Treasurer is by right an administrator of the Bank, the three others shall be elected by the shareholders meeting.

When the town where the Bank is set up is not also the place of residence of the colony's Treasurer, he may be himself replaced as administrator of the Bank by a person he will have delegated.

Two censors, of whom one shall be the colonial inspector or his delegate, shall assist the Board of Directors ; the shareholders meeting shall elect the other.

Article 41

The Board of Directors frames shall adopt all the regulations of the Bank's internal systems.

It shall fix, within legal limits, the discount and interest rates, the exchange rates, commissions and custodial account charges, the method to be followed for the assessment of bullion, currency and gold and silver material, goods and harvests.

It shall authorize, within the limits of the statutes, all the Bank's operations and determines their terms and conditions.

It shall select the securities or bank liabilities that are considered eligible for discount, without being required to offer any explanations for refusals ; it shall decide on the signatures on the banknotes, as well as the withdrawal and cancellation of these notes.

It shall ensure that the Bank does not undertake any operations other than those determined by the statutes and only in the forms prescribed by the Bank's rules of procedure.

It decides on office organization, the salaries and bonuses of agents and employees and general administrative expenses, which shall be determined each year in advance.

The Board shall appoint and dismiss employees on the basis of a proposal by the Director.

Legal actions shall be conducted on its behalf, through proceedings and at the request of the Director.

Article 42

The deliberations of the Board of Directors shall be recorded.

The minutes, approved by the Board, shall be signed by the Director and by one of the administrators present.

Article 43

The Board of Directors shall meet at least twice each week.

It shall meet extraordinarily each time the Director considers it necessary or such a request is made by the censors or by one of them.

Article 44

No discussions shall be valid without the presence of the Director and two administrators, and of one at least one of the censors.

Censors shall only have an advisory capacity.

Article 45

The accounts of the Bank's operations, which have to be presented to the General Assembly on the day of the periodic meeting, shall be established by the Board of Directors and presented on its behalf by the Director.

This account shall be printed and handed over to the Governor of the colony and to each of the members of the General Assembly.

Section III – The Director

Article 46

The Director shall be appointed by the order of the President of the Republic, out of a list of three available persons issued by the Inspection Commission, instituted by virtue of Article 11 of the organic Act governing Colonial Banks, and on the reports both of the Minister of the Navy and the Finance Minister. The order shall be countersigned by the Minister of the Navy and Colonies.

The Director's salary shall be fixed by a ministerial order and shall be paid by the Bank.

Article 47

The director shall preside over the Board of Directors and shall have its decisions executed.

No deliberations shall be implemented unless they bear the signature of the Director.

No discount or advance transactions shall be made without his approval.

Article 48

He shall direct the offices, supervise the hiring of all employees, sign the correspondence and receipts and endorse securities, bills of exchange or money orders.

Article 49

The Director shall not indulge in any trade, nor get involved in any commercial enterprise. No securities or bonds bearing his signature shall be discounted.

Article 50

The Director shall only be dismissed by an order issued by the President of the Republic, on the basis of a report from the Minister of the Navy and Colonies.

The Governor can suspend him in council.

Article 51

Whenever the Director is prevented from exercising his duties, or if he resigns, whatever the reason, the Governor in privy council shall appoint an interim Director who shall have all the responsibilities of the incumbent Director.

Before discharging his duties, the Director shall have to show evidence of the ownership of twenty shares.

Section IV - Administrators

Article 52

The administrators shall be appointed by the shareholders' General Assembly in conformity with Article 40 above.

Article 53

Before discharging their duties, each one of the four administrators shall be expected to show evidence of the ownership of ten shares. These shares should be free and unassignable during the tenure as administrator.

Article 54

The elected administrators shall be appointed for three years.

They shall be appointed each year, one-third at a time.

A draw shall determine the order in which these administrators leave for each of the first two years.

They shall be re-eligible.

Article 55

The administrators shall receive attendance fees, the amount of which shall be fixed by the General Assembly.

Section V - The Censors

Article 56

The duties of the censor, elected by the shareholders' General Assembly shall cover a period of two years.

He shall be re-eligible.

He shall possess the same number of unassignable shares as the administrators.

Article 57

Censors shall specially monitor the execution of the statutes and regulations of the Bank ; they shall extend their surveillance to all parts of the establishment ; they shall apprise themselves of the status of the Bank's funds, registers and portfolio ; they shall propose all measures that they believe necessary and, if their proposals are not adopted, they may call for their registration in the discussion register.

They shall report to the General Assembly, at each of its annual meetings.

Their report shall be printed and distributed along with the accounts presented by the Board of Directors. They too shall have a right to attendance fees, like the administrators.

Article 58

A deputy censor shall be appointed by the shareholders' General Assembly.

In case the elected censor is unable to perform his duties, the deputy censor shall carry out all the duties delegated to the censor by the preceding articles. He shall be bound by the same obligations and enjoy the same prerogatives. He shall be appointed for a period of two years and shall be re-eligible.

Article 59

The colonial inspector, in his capacity as a censor, shall correspond with the Governor and the Minister of the Navy. He shall report on his surveillance each month or more frequently if required, to the Minister.

Article 60

In case the colonial inspector is unable to perform his duties, the agent delegated by the governor to replace him in his main duties, shall also replace him in his duties as censor.

Article 61

The Minister and the Governor, either by office or at the suggestion of the Monitoring Committee, can, when it is deemed appropriate, have any registers, funds or operations of the Bank inspected by agents whom they appoint.

TITLE III
General Provisions

Article 62

In cases where, following losses on operations of the Bank, the capital is reduced by two-thirds, the company shall be liquidated as of right.

In cases where, for the same reason, the capital is reduced by one-third, the meeting of all the shareholders convened extraordinarily could ask for liquidation. This request shall be valid only if they have the majority number and if they hold two-thirds of the capital.

The Government shall examine the issue to see whether the overall interests of the colony and those of third parties allow for the dissolution of the company, which can only take place on an order from the President of the Republic, preceded by a notice from the Monitoring Committee and from the Council of State.

In case of dissolution, the Government shall determine the method to be followed for the liquidation and shall appoint agents for this task.

Article 63

Two years before the date fixed for the expiry of the company, the General Assembly shall be called to decide whether the Government should be requested to renew the company.

EXTRACT OF THE ORDER
The organization of colonial banks
(22 December 1851)

TITLE III
Administrative measures concerning the supervision
of colonial banks

Article 15

Local supervision of colonial banks shall be placed under the authority of the Governor, under the terms of reference of the Director for Internal Affairs.

This administration Senior officer shall correspond directly with the Bank's administration, serve as an intermediary between this administration and the Governor, and fulfill, as regards this part of the service, the responsibilities which have been assigned to him by articles 113, 114, 115, 116 and 117 of the organic order of 9 February 1827 for Martinique and Guadeloupe ; 97, 98, 99, 100 and 106 of the organic order of 21 August 1825 for Réunion Island ; 91, 92, 101, 102, 103, 104 and 110 of the organic order of the 27 August 1828 for French Guyana.

Article 16

The administrations of the colonial banks shall send to the Director of Internal Affairs of the colony, within eight days from their date of occurrence, the following :

The minutes of the discussions of the shareholders General Assembly and all the documents offered by the administration of the Banks for the perusal of that meeting ;

The expense budget, the in-house system regulations and the deeds of any kind drawn by the Board of Directors by virtue of Article 41 of the statutes.

They shall send the following documents every month to the said administration Senior officer :

An account balance statement of the general ledger supported by progress reports ;

Cash balance and portfolio accounts ;

The account statements published in the local newspaper, in conformity with Article 27 of the statutes ;

A statement of notes printed, issued, returned, cancelled and in circulation in part and in sum ;

A nominative list of subscribers of securities allowed for discount, their beneficiaries and presenters ;

A copy of the register of the Bank's Board discussions.

All these documents should be sent in two copies and certified by the censors.

One of the two copies shall be sent to the Minister of the Navy and Colonies, with the observations of the Director of Internal Affairs and the Governor.

Article 17

Independent of the items required by the preceding article, the Minister of the Navy's orders and the decisions of the Governors in privy council can require Colonial Banks to provide all communications necessary for State monitoring of these establishments.

Article 18

Orders from the Minister of the Navy and Colonies, and decisions of the Governors shall fix the form of the documents that have to be generated by the administration of Colonial Banks, according to the conditions of the preceding articles.

Drawn at the Palace of Saint-Cloud, on 17 November 1852.

Signed : LOUIS-NAPOLEON BONAPARTE

By the President of the Republic :

The Minister and Secretary of State for the Navy and Colonies,

Signed : Theodore DUCOS

Box 2.12

**Additional Order of the Organic Legislation of Banks establishing
the Central Agency
(17 November 1852)**

LOUIS-NAPOLEON, President of the French Republic,

On the report from the Minister of the Navy and Colonies,

In view of the Act of 30 April 1849 on the compensation granted to colonists following the abolition of slavery ;

In view of the Act of 11 July 1851 on the organization of Colonial Banks and the Statutes annexed to it ;

Considering that the said statutes of the colonial Banks need to be modified or completed in several of their clauses ;

Considering that it would be useful to centralize in a common Agency the action of each colonial Bank on the operations of these establishments that have to be carried out in Europe ;

That at the same time this centralization is indispensable to the surveillance entrusted to the Commission instituted under the Department for the Navy and the Colonies by Article 13 of the above-quoted Act of 11 July 1851 ;

After hearing the Supervision Committee of the Colonial Banks,

Decrees :

I – Modifying clauses¹⁵³

Article One

The 2nd and 3rd paragraphs of Article 7 of the statutes annexed to the act of 11 July 1851 on Colonial Banks, are and remain modified as follows :

"The division of shares shall only be delivered as odd shares to make up the 500-Franc share blocs or for conversion into smaller securities for payments of that value. Gathered together in the same hand, they can be converted into shares before 1 January 1855. From that date, they shall cease to be entitled to dividends".

Article 2

Article 27 of the statutes is and remains modified as follows :

"The Bank shall publish its statement of accounts every month in the newspaper indicated for this purpose by the Governor".

Article 3

Article 35 of the statutes is and remains modified as follows :

"The General Assembly shall meet at least once every year, during the month of July.

"It shall be convened and presided over by the Director.

"The three most powerful shareholders present shall form the provisional board and appoint a secretary.

"The assembly shall immediately proceed to form the permanent board.

"The provisional as well as permanent secretary of the board shall be chosen from the board's three shareholders".

Article 4

Article 50 of the statutes is and remains modified as follows :

"The duties of the censor appointed by the shareholders' General Assembly shall last for a term of two years.

"He shall be re-eligible.

"He should have the same number of unassignable shares as the administrators".

Article 5

The 1st Paragraph of Article 19 of the Decree of 22 December 1851 is completed as follows :

"The Director shall preside over the General Assembly of liquidated beneficiaries".

II – Additional clauses

Article 6

A Central Agency of Colonial Banks shall be instituted in Paris.

Article 7

The Central Agent shall represent the Banks in the operations that they have to carry out with the mother country. He shall execute all the judicial and extra-judicial actions.

He shall act as the Delegate of these establishments at the office of the Minister of the Navy and Colonies and at the Supervision Committee established by Article 13 of the Act of 11 July 1851.

¹⁵³ Although these modified clauses are already found (in italics) in the statutes, it is believed appropriate, given the importance of the order, to reproduce them here in their entirety.

He shall direct the printing of notes for circulation and provide for the purchase of equipment, on the instructions of the Boards of Directors of the Banks.

An order from the Minister of the Navy and Colonies, given after receiving the opinion of the Supervision Committee, shall determine the rules to be followed for the organization and the mode of action of the Central Agency¹⁵⁴.

Article 8

An establishment of public credit, appointed by the Minister of the Navy and Colonies, shall carry out encashments and payments for each Bank on the basis of the signature of the Central Agent. This establishment shall hold a distinct and separate current account for each of them.

Article 9

The nominative shares of the Colonial Banks can be transferred to Paris to the Head Office of the Central Agency, following the additional formalities of Article 10 of the statutes, which shall be determined by the ministerial order to be received.

Article 10

The Central Agent of the Colonial Banks shall be appointed by the Minister of the Navy from a list of three candidates drawn by the Supervision Committee. The Minister can revoke the appointment.

He shall on assuming his duties, show evidence of the ownership of four shares in the share funds of each of the Banks of Martinique, Guadeloupe and Réunion. These shares shall remain unassignable during the tenure of his administration.

Article 11

The Central Agency's expenses on personnel and equipment shall be determined by the ministerial order provided by Article 7, the Directors and the Supervision Committee being included.

These expenses shall be disbursed by the different Banks in proportion to their capital.

Article 12

The latter expenses as well as those mentioned in Paragraph 3 of Article 7 and the payment of dividends in Europe shall be provided by means of individual credits that each Bank shall open with the Central Agent in the public establishment mentioned in Article 8 given above.

Article 13

The Minister of the Navy and Colonies shall be responsible for the execution of the current order, which shall be inserted in the Bulletin of Acts.

Drafted at the National Elysee Palace, on 22 December 1854.

Signed : LOUIS-NAPOLEON BONAPARTE

By the President of the Republic :

The Minister of the Navy and Colonies,

Signed : Théodore DUCOS.

¹⁵⁴ Refer to this order, on the following page.

**Ministerial order on the organization of the Agency
(4 December 1852)**

The Minister of the Navy and Colonies,

Considering the Act of 11 July 1851 on the organization of Colonial Banks and the statutes annexed thereto ;

Considering the order of 17 November 1852, additional to the said statutes, and constitutive of the Central Agency of Colonial Banks in Paris ;

After hearing the Monitoring Committee of the Colonial Banks,

Orders :

First Section - Operations of the Central Agency

Article One

The relations to be established through the intermediary of the Central Agency of Colonial Banks, between the said Banks and the credit Establishment to be appointed by the Minister of the Navy, in conformity with the terms of Article 8 of the 17 November 1852 Decree, shall be based on the foundations established by the following articles.

Article 2

The designated Credit Establishment shall open a distinct and separate credit account for each bank.

Article 3

To the credit of this current account shall be added :

- 1) The amounts withdrawn from the Deposit and Consignment Fund out of those placed at the disposal of the Banks by the said Fund ;
- 2) The amount of collections from the portfolio paper of the Colonial Banks in Europe ;
- 3) The amount of the same paper that has to be discounted in Europe ;
- 4) The amount of the bond registration arrears belonging to the Colonial Banks, or resulting from their operations ;
- 5) The realizable sum of the said registrations ;
- 6) The sum of all other transfers that may be made to the credit of the said Banks.

Article 4

The current account debit shall be composed of the sum of bills of exchange and payment orders issued on Europe by the Colonial Banks :

- 1) In favor of the Deposit and Consignment Fund ;
- 2) In favor of third parties ;
- 3) In favor of the Credit establishment itself ;
- 4) In favor of the Central Agent himself.

Depending on whether it is necessary to increase or reduce the Colonial Banks' account at the Deposit and Consignment Fund, the Central Agent shall issue, in favor of the Credit establishment against this Fund, and reciprocally in favor of this Fund against the Credit Establishment, payment orders and transfers of funds. He shall remit these orders to the concerned establishment and shall make the arrangements that the transaction may require ¹⁵⁵.

¹⁵⁵ In the original text, the Banks themselves had to issue orders for the transfer of funds. The article was modified as indicated earlier, by an order of 31 March 1855.

Article 5

Letters of exchange, bills of exchange or payment orders from the portfolio of Colonial Banks recoverable in France shall be passed to the order of the Credit Establishment to be designated by the Minister of the Navy and addressed by the concerned Bank to the Central Agency, which shall provide for the formalities of acceptance and shall make the remittance to the said Establishment.

Article 6

In case of non-acceptance, the Central Agent shall annul the endorsement made in favor of the Credit Establishment and carry out the conservatory and executive measures in the name of the Colonial Bank.

To this end, the Central Agency shall safeguard the bills of lading of goods established to support securities bearing a single signature.

Article 7

In case of non-payment on maturity, the Credit Establishment, after having annulled the endorsement made in its favor, shall make the protest in the name of the Colonial Bank. The file shall be remitted to the Central Agency for follow-up.

The collections made consequent to the proceedings shall immediately be paid to the Credit Establishment.

Article 8

When the securities to be collected, sent by the banks, are to be discounted, on the advice of the Banks, the presentation shall be made to the Credit Establishment by the Central Agency.

Article 9

The registration of allocations representative of the capital of the Banks or arising from their operations shall remain deposited at the Credit Institution, or the Central Agency, which, in this case, shall remit them to the Credit Institution at the end of the semesters. The Credit Institution shall collect the arrears.

Article 10

When the realization of the said registrations takes place, it shall be by virtue of special powers granted by the concerned Bank to the Central Agency. For the exchange agent responsible for the transaction, these powers shall imply the obligation of remitting the realized sum to the reserves of the Credit Institution.

Article 11

Bills of exchange or payment orders payable in France and issued by the Colonial Banks shall be presented by the bearer on the basis of the Central Agent's signature and paid by the Credit Institution, which shall receive advice from the Agency within ten days prior to maturity.

Article 12

The Credit Institution shall be responsible for the dispatch to the Colonial Banks of the gold and silver coins of the national type that they had asked for. The request shall be sent by the Central Agency who shall remit at the same time a payment order drawn by the Colonial Bank against the Credit Institution, in its own favor. The monetary denominations shall be counted by the Credit Institution, in the presence of the Central Agent, and remitted to the freight agent chosen by him. The Central Agent remains responsible for providing insurance and for withdrawing the bill of lading.

Article 13

The Colonial Banks shall issue payment orders on the Credit Institution in favor of the Agency for :

1) The purchase and dispatch of foreign gold and silver coins which they feel they need to stock up ;

2) The settlement of dividends to be paid in France, according to the terms of Article 30 of the statutes ;

3) The settlement of supplies of equipment for which they had made a dispatch request ;

4) The settlement of the Agency's administrative expenses as defined by Article 23 of this order.

Through the opening of these credits, the Central Agency shall provide for the operations or settlements specified above.

Article 14

The Central Agency shall maintain distinct and separate ledgers as well as a register of correspondence for each of the Banks, whose operations should never be mixed with each other.

The Central Agent shall, in addition, have to be the bearer of a special booklet for each Bank, which shall be handed over to him by the Credit Institution and which shall bear the statement of accounts of each Bank.

Article 15

The Central Agency shall, every month, address to each Bank an account of its operations and a status report concerning the credits which shall be put at its disposal according to the terms of Article 13 of the present decree.

Section II – Administrative Reports

Article 16

The Central Agent of the Colonial Banks shall address to the Minister of the Navy and Colonies, all useful communication of interest to these institutions.

He shall address all similar communication to the Supervision Committee instituted under the Department for the Navy by Article 13 of the Act of 11 July 1851, in the capacity of its Chairman.

The Supervision Committee may at any time call the Central Agent in, in a consultative capacity, and ask him about the progress of operations, information and productions, which may seem necessary for its monitoring duties. It may proceed to all inspections of ledgers and correspondence either by itself or through members it designates for this purpose.

The Central Agent shall produce the booklets mentioned in Article 14 of the present order at the office of the Supervision Committee, each time he is called for discussions.

Article 17

The central Agent shall have to take the advice of the Supervision Committee each time the printing of notes is done for circulation in the service of the Banks. He shall be responsible for following the operation through and shall withdraw for this purpose, counterfeit notes, if any, which are deposited in the reserves of the accountant of the Ministry of the Navy and Colonies.

Section III – Transfer of shares to Europe

Article 18

The bearers of nominative shares of Colonial Banks or of instruments convertible into shares, who would like to render them transferable in the mother country, shall deposit them with a suitable declaration at the Head Office of the Bank. Against the deposit made by them, they shall receive a notice to be presented to the Central Agency, which shall entitle them to a share certificate transferable only to Paris.

Article 19

The share certificates to be delivered by the Central Agency shall be taken from the counterfoil register like those issued in the colonies. They shall bear the signature of the Administrator of the Agency and that of the Secretary of the Supervision Committee, who shall ask for a prior representation of the announcement notice mentioned in Article 18, and shall sign it.

Article 20

The Central Agent shall receive all declarations of transfer for the instruments that he would thus have delivered, and shall effect the transfer. In this regard, following the method stated by Article 10 of the statutes, the signature of the Central Agent shall be taken, replacing that of the administrator whose intervention is anticipated by the said article.

Old certificates shall be struck out with cancellation stamps by the Central Agent and by the Secretary of the Supervision Committee.

Article 21

When shares transferable only to France have to be taken in a colony, the procedure followed shall be in conformity with the provisions of Articles 19 and 20. The declaration and the deposit statement mentioned in Paragraph 1 of Article 18 shall be submitted to the Central Agency, which shall remit a notice for the Bank to the concerned party.

Article 22

Notices of opposition to the transfer of European shares shall only be validly served to the Central Agency ; in cases where notices of opposition of this kind are served in the colony, the Director of the Colonial Bank shall mark on the said notice of opposition his refusal to pursue it, along with the reasons for doing so.

Section IV – Settlement of Expenses

Article 23

The salary of the Central Agent is fixed at Ten Thousand Francs.

Each Bank's Board of Directors, soon after its constitution, shall determine and settle the amount of credits and allocations that shall have to be opened to the Administrator of the Agency for the salaries of the employees placed under its orders, including rents and office expenses.

The Central Agent shall appoint the employees.

Their salary shall be paid on the basis of pay sheets.

When the Central Agent has to visit one of the banks on special business, the travel expenses shall be borne by the concerned Bank.

Article 24

On start-up, the supplies required, such as office furniture, cash boxes and ledgers, could be bought by the Central Agent, after the agreement of the Supervision Committee, in the form adopted by the Colonial Banks themselves.

Article 25

Until each Bank is normally constituted, the Minister of the Navy shall exercise, with regard to the Central Agency, the provisional administrator's powers conferred on him with respect to the Banks by virtue of Title One (First Heading) of the Decree of 22 December 1851.

Paris, 4 December 1852.

The Minister and Secretary of State for the Navy and Colonies,
Signed : Théodore DUCOS.

On the basis of the last sub-paragraph of Article 7 of the Act of 30 April 1849, similar establishments were created in Algeria, Guyana and Senegal.

b – The Bank of Algeria

The Bank of Algeria was created by the Act of 4 August 1851 as a "Discount, Circulation and Deposit Bank". It was a modest establishment, of the same kind as the other Colonial Banks, with Articles of Association similar to theirs. Its capital was also fixed at 3 million Francs.

It received exclusive issuing rights in the three Algerian departments, to which Tunisia was added in 1904.

c – The Bank of Senegal

Being the first issuing bank in the whole of West Africa, the specific events that marked its birth, its organization and activity, are more fully described hereafter.

1 – The additional bills to the Act of 4 August 1851 relating to Guyana and Senegal

For Guyana and Senegal, the order of 24 November 1849 on the distribution of colonial compensation, stipulated that the deduction of one-eighth for the establishment of Banks would be done provisionally and would be paid back to the concerned party if the Banks were not set up before 1 October 1852, or if the Government dropped the idea of establishing them, before that date (Article 51).

With the hesitation manifested in the two colonies, this time period was successively extended till the constitution of the establishments by the decrees of 21 December 1853.

In the meantime, the Organic Law of 11 July 1851 had fixed the capital of the hypothetical Bank of Guyana at 700,000 F, at the same time as that of other Banks (article 2).

The decree establishing the Bank of Guyana (21 December 1853) reduced the capital to 300,000 F because of the uncertainties as to the creation of this establishment, since the planters estimated that it was impossible to set up a Bank in their colony.

By the decree of 5 August 1854, the first Director was appointed - Jean Baptiste Ballamay.

According to the terms of the decree of 2 December 1854, adapting the Articles of Association of the Colonial Banks to those of Guyana and Senegal, *the General Assembly* was composed of the fifty biggest shareholders in the preceding six months ; the quorum at the first meeting was fixed at fifteen members ; the Meeting was convened in an extraordinary session at the request of ten shareholders holding one half of the shares, addressed to the Director or the Governor of the colony ; on taking up his duties, each one of the four *administrators* had to prove the ownership of five shares ; the appointment of the 50 highest beneficiaries residing in the colony or holding representative rights for members of the *General Assembly* was entrusted to the Governor by order ; the Directors of the Banks of Guyana and Senegal had to prove each the ownership of 10 shares.

The Bank of Guyana started operating on May 1855.

In view of its excellent results, the planters changed their position and requested from the Government a capital increase, which was doubled by the decree of 5 July 1863 (600,000 F), and the Director's salary was raised from 8,000 F to 10,000 F (decree of 30 June 1864), as distinct and independent of his share in the profits (Article 28 of the Articles of Association).

2 – Its creation

Saint-Louis, at the end of the 18th century, had 7,000 inhabitants : 600 Europeans, 2,400 half-castes and free blacks and 3,000 domestic slaves¹⁵⁶.

The iniquity of the pro-slaver system was that it appeared to be a normal socio-economic system from which the class of owners of native slaves benefited, along with the European traders.

Thus, "the possession of slaves was most often the doing of the inhabitants". The census at Saint-Louis and Gorée of owners of more than 20 slaves showed that the natives headed the list¹⁵⁷.

This singular situation could only complicate the emancipation issue.

Indeed, as of 1844, a commission presided over by Larcher, Head of the Judiciary Department of the Colony, was entrusted to conduct an enquiry on the freeing of slaves and, in addition, on the creation of a Discount Fund. While the general opinion was in favor of the Fund, the moneyed class was opposed to the emancipation project that would signify their ruin, which neither the Fund, nor promises of fair compensation could prevent¹⁵⁸.

During the session of the Board of Directors of the Colony, held on 27 April 1848¹⁵⁹, the Governor agreed to a trade petition requesting the setting up of a Discount Fund with a capital of 600,000 F in Senegal, "with State funds", and for the standing crop.

It would grant loans for 3, 6, 9 and 12 months on instruments bearing the signatures of two or three creditworthy people, at an interest rate of 5%.

This Fund would sustain the trade, which suffered from the crisis in the Mother country.

The Council, after recalling that "the Colonial Governor cannot in any way dispose of Treasury funds, contrary to budget law", indicated that in case of agreement with the Minister of the Colonies on the creation of the Fund, the Administration should not interfere in its management.

¹⁵⁶ Fallot (E.), *Histoire de la colonisation française du Senegal*, (History of the French Colonisation of Senegal), Paris, 1884, p. 34 in "Banque du Senegal" doc. archives BCEAO, p. 9.

¹⁵⁷ "Banque du Senegal" p. 13.

¹⁵⁸ E. LYDON (Ghislaine), *Les péripéties d'une institution financière : la Banque du Senegal* (The vicissitudes of a French Institution - The Bank of Senegal) 1844-1901 - Seminar on French West Africa, Dakar 16-25 June 1995.

¹⁵⁹ Deliberations No. 15, Archives of Senegal.

According to the Council, in fact, the Treasury would remit funds to a certain number of creditworthy traders and offer all required guarantees. These traders would alone administer the funds, following the rules established by a commission, and would be responsible to the colony's Treasury.

A commission appointed by the Governor was entrusted to prepare a settlement project.

Following the work, the local administration proposed to the Minister of Colonial Affairs that a Discount Fund be set up with a capital of 600,000 F, taken from the Treasury funds, while a portion would be deducted from the reserve funds.

Through message no. 224 of 5 September 1848, the Minister notified his refusal on a question of procedure and also because of the low level of reserve funds (see following box).



Ecu : Heads of Louis XVIII, Charles X and Louis Philippe
(page 137)

Paris, 9 September 1848

Citizen Commissioner,

Captain Baudin has sent me, through a letter dated 29 April, a request from the Senegalese traders to set up a Discount Fund by means of the reserve funds.

In the same letter were attached the deliberations of the Board of 27 April, and I have received since then, along with the following deliberations of 15 May, the draft Articles of Association that were the subject of examination at that session.

The administrative Authorities have judged, and rightly so, that they cannot comply with the request and decide on the issue, without referring to the metropolitan government. This issue does not seem free of difficulties.

The appropriation of the reserve funds for this establishment raises serious objections of principle that I cannot resolve by myself, without the formal support of my colleague, the Minister of Finance ; it is not certain that we would have the right to authorize a deduction of this kind without a vote by Parliament, for whom the request could once again question the legality of the reserve funds in the subsidized colonies, a legality that has already proved controversial in the financial committees of the former legislature.

This explanation shall give you an adequate understanding of the fact that it is not, in any case, possible for you to reach a solution before the expiry of the 1848 bill, as requested in Mr. Baudin's letter. A very material obstacle impedes even an examination of the affair within the time indicated ; it resulted from the late arrival of the original copy accompanied by the appended documents, of which duplicate copies were not attached with the first duplicate as received.

I therefore send, on this day, a letter to the Minister of Finance ; the letter's main objective is to clarify the prejudicial issue mentioned earlier.

In the most favorable case, the examination of the scheme that we would have to support shall be disregarded. But as of now, I can only tell you that while I share all the solicitude of the local administration for the conditions of Senegalese traders, they should not count on the possibility to provide a capital of 600,000 F from reserve funds for the setting up of a Discount Fund.

The actual situation of the reserve funds as of 1 January 1847, after the rectification of the errors contained in the previous accounts furnished by the colony's administration, presents assets of only 566,611.80 F. The surplus earnings of 1846 are included in this calculation. However satisfying the profit and loss statement of the fiscal year 1847 may have been, that for the fiscal year 1848 shall no doubt compensate. For 1849, we shall ensure a deduction of 150,000 F for the reserve funds. Committing the entire surplus of the reserve funds would be far from prudent.

Thus, all other issues being presumed resolved, it appears evident to me that the subsidy to be provided to the Discount Fund by the reserve funds cannot be raised beyond 250,000 F. In this case, the local trade would have to meet the difference.

At first my idea was to link this matter to that of compensation. But the solution of this last issue has itself been subject to delays, which would not have allowed any acceleration in the measures requested by Senegal ; and besides a sum of so little significance, which, according to the latest schemes, could be made immediately available, would have been an obstacle leading to its annulment.

Such is the state of the issue, citizen commissioner, about which Captain Baudin met with me with all interest of which it is really worth, in my view. I shall write to you again.

Greetings and fraternity.

The Minister of the Navy and Colonies

For the Minister and by his order

The General Secretary

Three years later, at its session of 9 May 1851¹⁶⁰, the issue relating to the institution of a Bank in Senegal was submitted to the colony's Administrative Council.

Those present were :

Protet, Governor, President,

Vérand, Head of the administrative department, official with power to authorize expenditure,

Féraud, Assistant Commissioner, deputy to the colonial Inspector,

Carrère, Interim Head of the judiciary department, Public Prosecutor,

Seignac, Leading Citizen,

Dumont Blaise, Leading Citizen,

Brun, Secretary-Archivist.

The session opened at 1:00 P.M.

Broaching the second point in the agenda, the official with the power to authorize expenditure indicated that by Message No. 283 of 26 August 1850, the Minister of Colonial Affairs had notified to the Governor that the Council of State had not included Senegal in the Articles of Association it had prepared, for the institution of Colonial Banks, by deducting one-eighth of the compensation granted to the colonists by the Act of 30 April 1849.

The Governor was made responsible for examining the situation of the country to see if the needs requested the creation of a credit institution.

The official with the power to authorize expenditure avowed that if only commercial interests were to be taken into consideration, he would not have hesitated to say, "Senegal needs capital for its life to pick up a little, because it is dying".

But before giving a logical opinion, the level of resources that could be allocated for capital formation had to be obtained, "to revive and extend the country's trade relations".

However, on the basis of available figures, the deduction of one-eighth of the colonial compensation would bring in a sum of 185,086 F, which would be insufficient to create a credit establishment in Senegal, a minimum sum of 400,000 F being necessary.

It appeared that the colony did not have the means to bring in the indispensable additional amount, not having any more reserve funds ; even if it had, they could not be used, in accordance with the 5 September 1848 message.

The official with the power to authorize expenditure ended his speech by adding that if a Bank were established in Senegal, the clauses of the Articles of Association prepared by the Council of State for the other colonies would be perfectly applicable, "except for those concerning advances on standing crops".

¹⁶⁰ Deliberations No. 12, Archives of Senegal.

The Council unanimously shared this analysis. Leading Citizen Seignac specified that taking into account the establishment costs, a capital of at least 600,000 F was required ; besides, it was not possible to rely on private shareholders to subscribe ; they were few in number and would refuse.

To this resource constraint the Public Prosecutor added another - the generalized practice of barter in the transactions.

"A Bank", he said, "cannot render actual service to a country unless the basic method of operations is extensively modified. In fact, the traders buy and the vendors sell Guinea cloth, mostly payable in gum, at the end of the transaction. It is a purely unpredictable operation, a kind of speculation, rather than normal trade. If the price of gum is high, at the end of the transaction the trader earns a lot. If products are dirt-cheap, the trader loses".

"Such results would not occur if the transactions were payable in cash ; that is when the Bank would provide an important service to the country. But till now, it has been impossible to make traders understand the usefulness of changing their habitual methods of trade".

This resulted in a vote, after the discussions, whereby the Council admitted unanimously that it was impossible to establish a bank in Senegal in the given conditions.

The Governor, who had just taken up his duties, refrained from giving an opinion and stood by the general opinion, notifying it as it was, to the Minister of the Navy.

Eighteen months later, on 2 November 1852¹⁶¹, the subject was raised again on the agenda of the Administrative Council, still presided over by Governor Protet.

Those present were :

- Vérant, Head of the administrative department, the official with the power to authorize expenditure,
- Carrère, Interim Head of the Judiciary department, Public Prosecutor,
- Lhoumeau, Interim Colonial Inspector,
- Guillaume Foy, Leading Citizen,
- Rabaud, Leading Citizen,
- Fontaine, Secretary-Archivist.

The session was opened at 1:00 P.M. The floor was given to Public Prosecutor Carrère, who went into great details in favor of setting up the Bank, estimating that, ever since a year, European trade had deemed it opportune to rid itself of old practices.

"He thought – and rightly so, in my opinion - that it was more useful in his interest to sell goods payable in cash : this radical change has been generally put into practice at the last opening of trade ; everything led one to believe that this measure will be maintained this

¹⁶¹ Administrative Council. Deliberations No. 25, National Archives of Senegal.

year too ; once well established, it will never be abandoned, and from then, the barter trade would have ceased to exist and a profound revolution will take place in the system of transactions in the market".

"Having established that, one feels that the reasons that supported the opinion that I expressed in the discussions held on 9 May 1851 are no longer valid and I find no contradiction in supporting today, as I did then, the usefulness of a credit institution".

The Prosecutor emphasized the need for cash with the modification of old practices ; he underlined the other advantages of the use of cash : regularity of transactions, emancipation of the "inhabitants" who would benefit from the competition between traders, transparency of the market and, thus, fair prices ; and the lowering of interest rates.

With regard to the interest rate, he emphasized that, "at this moment, no one can get money except on offering one percent per month¹⁶² ; even then, one would not find anyone who would want to give any, even with the most solid guarantees ; certain lenders even insist that the interests be paid before the capital, and handed over to them before the loan sum is given, which makes them gain an even greater profit because in this manner, they can earn interest on the interest paid in advance".

"If a credit institution armed with a sufficient capital fixed the rate of interest at 6%, each present cash holder would definitely be obliged, instead of leaving his capital inactive, to follow the Bank's path. Trade will benefit from any lowering of rates produced, great benefits would be realized, and even the fact that certain private interests would be bruised would not allow any bending or abandonment of the principle, which, when put into practice, would affect the general interest to such a degree".

The prosecutor concluded by emphasizing that the law on Colonial Banks and the Articles of Association could be applied with the modifications that the nature of business and the state of the country demanded.

After this speech a long debate ensued, when all the opinions were expressed.

The members of the Council, who did not share this opinion, thought that it was too early to consider the use of cash in transactions permanently ; they also believed that it was the merchants who would need a Bank in Senegal. But then, their number was low ; apart from three or four business houses that worked for their account and who did not need a Bank since they had enough of their own resources, while the others were branches of Metropolitan business houses ; they received goods from France, traded them with local products or money which they sent to their principals.

Certainly, in these circumstances, the Bank could provide some services to them ; "but it is not for individuals that a credit institution is established in a country. It is in the interest of all".

¹⁶² Maybe 12% per year.

They further noted that five months of the year, from February to August, business came to a standstill in Saint-Louis¹⁶³. The volume of activities then would not be enough to make a credit establishment cost-effective ; the cost of administration and the interest to be paid to the shareholders would progressively absorb the capital.

Finally, they thought that the amount of deductions to be made from the compensation to form the capital was insufficient ; and it was not possible to count on future subscribers. The State would have to put in the additional money.

It was V erand, the official with the power to authorize expenditure, who intervened first to express a contradictory opinion in these terms : "It is essential that my conviction be deep enough not to be swayed by the opinion of the Public Prosecutor after having heard the remarkable speech that he has just given in favor of a credit institution for Senegal. But on such a serious issue, each one has to question his conscience and only say what is in the best interests of the country ; it is on the basis of such feelings that I am going to develop my opinion here".

"The main argument that changed the opinion of the Public Prosecutor and made him favorable to the Bank project, is that all the sales of Guinea cloth are today payable in cash and no longer payable in gum in return for trade".

"This important change in trade transactions no longer places the trader in a position of dependency on his creditor as was the case earlier".

"Allow me to reply that while agreeing to accept the assertion made, one can only consider this improvement as a test, since we have only gone through one season so far, and there is no guarantee that this state of affairs will not change in the future".

"Let us consider for the moment that this system is in place. What benefit will the trader draw from it ? On returning from the trade, he is the real owner of the rubber, he sells it if the prices are good or he stores it to sell when it suits him ; but the moment of the due dates arrives and if he does not want to sell his rubber, and since he has to pay his creditors, he can carry his goods to the Bank and get money in exchange, but what profit does he get from this exchange" ?

"I now suppose the price of gum may rise¹⁶⁴ ; he will come then, but the interest on the money that he had borrowed, the warehousing dues that he will have to pay, the deterioration in the gum during its stay in the warehouse - won't all this offset the benefits that he may earn from this increase in prices" ?

"If the contrary happens, if the expected price rise does not happen, this will add the resulting losses due to low prices of rubber to the costs that we have just mentioned".

¹⁶³ The traders were absent from Saint-Louis, as they were trading at the ports.

¹⁶⁴ Increase.

"In our opinion, the small trader's advantage would lie in selling the gum on returning from the port if that is the moment of these exchanges. All other methods would be ruinous for him, in view of the costs he would incur in any warehouse ; if, as we think, this system were followed, the inhabitant does not need the Bank.

"Who then", he pursued, "needs a Bank in Senegal ? The merchants ! But the number of merchants is very small, because apart from three or four business houses that work for their own account (and they don't need a bank - they have enough funds and credit for themselves), the others are only branches of Metropolitan business houses ; they receive their goods from France, trade them and take either products out of the country or money in exchange, which they send to their principals. This is how, every year, about twelve hundred thousand Francs worth of bills are sent to the Treasury, without taking into account the securities that the merchants procure and the cash that they send by ship and which they receive for their consignments".

"I do not want to say that in certain circumstances, the bank would not render some services ; but it is not for individual cases that a credit institution should be set up in a country, it is in the interest of all, and in my opinion, neither the traders nor the merchants need it. I see a real danger in putting credit facilities in the hands of the inhabitants, unless a radical change takes place in the customs and habits of population of little intelligence of the country".

"An observation which, in my opinion, seems to me to be of some bearing is the following : during five months of the year, the traders are at the ports, there is no trade and business is suspended in Saint-Louis. What will the Bank do from the month of February to the month of August ? Nothing or nothing much. I do not see enough business going on in Senegal to keep a credit institution going - administrative costs and the interests to be paid to the shareholders would absorb the capital little by little".

"I think", concluded V érand, "that given the provisions of the Council, my opinion has no value here. I think we should then inform the Governor that the amount available to form the capital amounts to only 189,298.39 F and that one would not find shareholders outside the deduction of the compensation. In case the government believes it necessary to establish a credit institution in Senegal, it will have to make up the capital, which cannot be less than 400,000 F".

Leading Citizens Foy and Rabaud affirmed that "the sale of Guinea cloth is generally only done against cash today and the sale of good stock is always done this way".

Inspector Lhoumeau thought that "if, today, sales are made against cash, it is because the traders for the most part no longer offer the guarantees of creditworthiness that they used to do earlier, when they owned captives".

"Then, the merchants did not fear giving them advances against goods payable at the end of the trade, because even if the harvest was bad and the traders were unable to deliver the quantity of gum that they were committed to pay in exchange of goods, the merchants were certain of getting payment (the value represented by the captives), while today this payment has disappeared, following emancipation".

"It is true that some traders propose houses as a guarantee ; but they are very small in number, and these houses, whose value is not high, are not always free of mortgage".

"Given all this, it is not surprising to see sales being made against cash today ; it is because of the fact that since creditworthiness has ceased to exist, the merchants do not want to expose themselves to any possible chances in the trade, nor to the raising or lowering of prices of gum in French markets ; they prefer to realize an immediate and definite profit, which would help them expand or renew their commercial operations, leaving the trader to his trade at his own risks".

Leading Citizen Rabaud spoke again in support of the project by reading out a note that he had prepared for this purpose :

"The question of establishing a Loan and Discount Bank in Senegal, demanded by traders in 1848 and so widely controversial today, seems, at first sight, fraught with pitfalls and difficulties, resulting principally from the nature of ordinary transactions, the habits of inaccuracies and, as one would have to say, from the fact that all too frequently, the established principles for credit and finance are forgotten".

"The results that one could expect from a credit institution - if not immediately, then successively and gradually - if it based its operations on real needs and the regular pace of business, and if it were surrounded by strict vigilance and endowed with a competent administration, would be the following : making the traders in our localities begin to observe the basic principles I spoke of, making them abide by them and the institution because of the great advantages that they would find in disposing of the natural resources that today lie unproductive in their hands, develop the means at their disposal by increasing their security, and so on".

"I spoke of pitfalls and difficulties. I share several points of view concerning the opinion expressed by the chambers of commerce of Rouen and Bordeaux, whose well-informed members know the situation in Senegal so well".

"However, it would be appropriate to observe that quite a large number of our merchants in Saint-Louis and some in Gorée are associates of business houses from our main ports in France - of the best creditworthiness ; that the signatures of a certain number of merchants, traders and inhabitants, themselves present a condition for the responsibility called for ; that the situation of merchants, those from Europe above all, can easily be appreciated in general ; and finally, that the custom of exchanging European goods directly against the products of the country, which serve as cash, seems to be disappearing visibly over the past several years, as our trade keeps expanding and becoming better established. Hence, there is hope that, with help and care, it will progress in any case, in the near future".

"I will divide into three main categories the securities likely to nurture the discount Banks in Saint-Louis, by favoring the various branches of commerce and industry of the colony and in this way responding to the objective of the institution".

"Goods are generally sold in the third, fourth and even the sixth month by the retail trade and the river trade, payable on pre-determined dates but mainly on 31 July, on the closure of the gum trade, 31 October for the end of the Galam harvest or 28 February for small trade settlements".

"In practice, almost none of these transactions is settled in banknotes, which would be of no use in the hands of the vendors, but it is obvious that the effect of the discount of these values, undertaken with prudence and at a moderate rate of interest, would be to produce payments - for the largest of such sales - that would sooner or later feed the operations of the Banks".

"It is wrong to think that the cash deposited annually on the market, almost only by Treasury funds, and then taken back in a large part by the same funds against the delivery of bills of exchange, would suffice for the flow of business in the Colony. One portion is imported by the natives¹⁶⁵ of Cayor in exchange for their groundnuts. The captains of ships also often maintain this form of price for their freight".

"A great deal of exports take place when trade slackens, when the prices of food products are high or at times of crisis. It may well be believed, therefore, that transactions payable in cash would become increasingly scarce, without looking further for a reason for this custom of trading by way of exchange".

"On the whole, this situation results in the regrettable fact that the best and most powerful business houses of Saint-Louis, who have certain and considerable resources, do not dare to indulge in any operation that might engage even a portion of their resources, if that portion is to be liquidated against cash, and also, in this no less vexing fact that at the time of major trading, at the end of the trading season for example, the prices of gum are no longer established as they should be - i.e. by conditions that could be regulated by cash - but by way of an often irritating argument between the merchant who is forced to pay in gum and the trader who is deprived of any other means of discharge".

"Secondly, the Bank will have to satisfy, to a certain extent, a legitimate strong interest - that of traders returning from the river with commitments to fulfill, with their only means for doing so being products that are devalued for the moment or unsold guineas. This return would be of great advantage to all, if they could, by pledging stocks as collateral, obtain the means to fulfill their obligations, in the forms and terms to be established by the rules of procedure of the Bank".

"Bank discounts could be of further service by multiplying, in the hands of our few capitalists, the capital that they now invest by weighing interests and operations in a manner that cannot be addressed directly to the Bank ; this is more or less the service that the bankers of the "Banque de France" offer".

¹⁶⁵ Nationals.

"To these daily operations that could put the Bank's resources to good use, could be added - as an accessory after the port of Gorée has been freed - a circulation of our two possessions, meant, on one hand to facilitate the purchase of foreign goods at the port of Gorée whose entry into Senegal is permitted, and, on the other hand, to help with the dispatch, at the same point, of funds meant for changing of ships at the coast and the transfer of funds of Saint-Louis business houses with branches in Gorée".

"The relations of the Bank of Senegal with France, if the experience leads us to believe that it would be suitable to establish them, would supply each other on one hand with bills of exchange requested by individuals, and on the other, the increasing number of captains of ships who come to load our groundnuts and could scarcely manage to equalize except with advances against bills of lading. Such operations should only be undertaken within limited proportions, until they become a convention and introduce innovations in their method of settlement between creditors in France and debtors in Senegal, which would benefit both the Bank and trade".

"I think it will be useful to arrange that demands for advances against gold and silver material by any person not in the trade should be examined by a member of the Administrative Council and approved by the Governor, in order to avoid the abuse that this facility may engender, by the families who all own such securities".

"Advances on standing crops, for which there are no grounds in Senegal today, could never be part of the Bank's attributions because of the impossibility of insuring them and the risks of pilferage.

"I would have wanted the Bank to be authorized to grant loans on first mortgage in order that the native inhabitants whose fortune is almost totally in fixed assets would be able to participate more widely in the benefits that it is supposed to provide ; but I realize that, besides the disadvantage of committing this capital in operations necessarily longer than normal for loan banks, the greater disadvantage is that of placing within reach of a population that is generally lacking in foresight and disposed to attempt everything to recover the commercial credit that they lack. These facilities would only serve to hasten their ruin prematurely and I do not hesitate to propose that this kind of loans be banned in the Bank of Senegal".

"It is by coming back to reality, taking the example of those who only depended on order, thrift and hard, unrelenting and persevering work to ensure their success, rather than resorting to extraordinary means all the time, that this population will see an improvement in its fortunes and will begin to receive its share of the growth and improvements that Senegalese trade seems to promise".

"Let me summarize. In an elaborate work undertaken last year by several of my colleagues, the November 1851 petition, the so-called commerce enterprise, aimed at obtaining the emancipation of our trade exchanges in the lower part of the river, it has been proven by exact figures for the last ten-year period of 1841 to 1850 - during which great success was soon followed by a local crisis that quickly spread, becoming the most calamitous and most prolonged one that could be experienced - that the Colony had more than covered the sum of its imports by that of its exports ; that to me seems to deserve some attention at this moment and militate in favor of the relations that a bank could entertain with European commerce ; already, from this point of view, the native inhabitants would not fail to feel the positive effects".

"I have said how, in my opinion, this credit institution could help more directly without committing the Bank to operations outside its attributions. The daily operations entrusted to the black traders who are not very creditworthy and for which our consignors are so often criticized, besides the fact that they are constantly decreasing in number, would necessarily remain outside the purview of all instruments presentable to the Bank. Indeed, their income statements, whether they translate into profits or losses, are quite quickly known thanks to the surveillance of the merchants involved in this kind of business".

"Constrained to abide strictly by its Articles of Association, the Bank of Senegal could only realistically offer low dividends to its shareholders in a few years time and I have not tried to conceal the difficulty of finding in the Colony administrators who would be firm enough and distant enough from being influenced by old habits and local influences, to be able to handle the strengthening of this benevolent institution, to help it grow without encumbrances and, concerned less about the present than the future, during the first few years of its existence, that is all that I could ask for the institution, convinced that in that case, everyone would hasten to support it as one of the most powerful levers of civilization in Senegal".

"These doubts that I express, and I am not alone to nourish them, are above all the fruit of a fair assessment of our inexperience, that all of us feel, if not of our false notions about the subtleties of credit. One cannot suddenly become a financier and nothing could be less suited to the development of one than the usual trading customs in our country ; hence, one frequently sees the most adept merchants of the Colony fail and lose their reputation, when they have to exercise their abilities amidst the customs and trade principles in Europe".

"It is then from the Government alone that we expect the means and the impetus. It is true that it is a lot to ask, but once the first obstacle has been overcome, the results would be manifest and nothing better or more decisive could be attempted for the advancement of Senegal. We also need to count on the services of the Department for the Navy, which knows the terrain well and will not abandon it ; let us follow the advice of our worthy Governor, let us not desert an issue of such great importance without examining all its aspects, let us look for the practical means with which Senegal could be equipped, without him and almost in spite of him, with what it lacks the most. Success is often closer than one thinks and here, in my thoughts, it has an immense scope for the future of our Colony".

The Governor intervened in his turn to approve the project.

"The first time the question of the institution of a credit establishment in Senegal was presented to the Council, I had not formulated any opinion - I abstained from it. I had much less experience of the country's business matters than I do today ; since I had only spent 7 or 8 months in the post and I heard a considerable amount of opposition to this institution from men who had lived in Senegal for a long time and were running major commercial enterprises here or from heads of administration who had been associated with the interests of this Colony, had followed them closely, studied and understood them, without getting involved in anything other than whatever was relevant to the sphere of their service and duties".

"From that time, that is to say over the last 18 months - why not say so - I have often, in the administration of this colony, found reasons to rectify my first impressions. The interests of the inhabitants, whether they are European or Natives, are so diverse, so many, that they do not always appear in the same way. And the advantage of the creation of the Senegalese Bank, which concerns us now, did not impress me then, as it impresses me today".

"Such is the reason that made me write in manuscript form, a year ago, to the Department for the Navy, siding with the opinion of the majority of the members of my Council, that there was no reason to establish a credit institution in Senegal".

"Without any doubt, the notes we have just heard are very remarkable. Without any doubt, they are better able to allay the fears that may exist in the minds of the members of the Council who are still hesitant. As for me, my convictions are in favor of trying out a Senegalese Bank and, I admit, in the considerations that have just been developed in these notes, in the mechanism of any bank that has just unfurled before my eyes, new guarantees of success for this institution have been presented - at least, such is my opinion".

"Besides, can we not say, are we all not convinced that at this moment, we are addressing a kind of renaissance of the commercial system, the trials that the country has faced under the sway of thousand links that took it over and prevented it from expanding, the favorable reception by the Department of a work called for by the Minister himself, the work of Senegalese merchants - doesn't all this indicate at this moment that in the small marketplace of Saint-Louis, the bad old customs will give way to more serious commercial operations, to more regular contracts, referring to what is being done in the markets of our major Colonies and our main ports of commerce for the form, the content and the objective to be chosen ? Thus, if it is recognized - and I believe that there are no longer any doubts about it - that a credit establishment would facilitate and consequently promote trade, why shouldn't we enjoy the advantages of such an institution here ? Particularly as we can see in Cayenne - where neither difficulties nor misfortune were lacking - a Bank functioning without danger, with a turnover much lower than that of Senegal".

"I believe that it would perhaps be too futile to be overly concerned about the dangers faced by those who use the facilities of which I just spoke, and that would be provided by a Senegalese Bank, without sufficient information, without any foresight about the future, without order and without thrift. I find, to the contrary, that the merchants in general - and here I am referring to the 3 categories of inhabitants who constitute our commerce - who would work with prudence and use the new credit facilities that will be offered by the institution with considerable reserve, deserve our concern and our recommendations even more".

"I will not repeat here, the reasons that led the Public Prosecutor, Mr. Rabaud, and Mr. Foy to offer a favorable opinion about the institution, as they have no doubt made them clearer than I could myself. I will only say that I find that the considerations that these gentlemen have examined are conclusive. I would end by adding that if the

misuse of the institution itself is feared, nothing could stop us from imposing even more severe credit conditions, and as this new severity could reduce the Bank's operations without changing its administrative costs at all, we would probably, I believe, entrust to the administrators, to the Treasurer of Senegal who deserves all confidence, to add to the responsibility and the work of this bank, if he finds it possible with the new salary he would receive, as a way of obtaining good advice and compensation for the new responsibilities which would be incumbent on him".

Inspector Lhoumeau expressed a contradictory opinion and shared Mr. V erand's point of view. While he had no doubt that the Bank would render some services, on the other side, its functioning will be tarnished by serious disadvantages, notably the problem of the creditworthiness of the borrowers. It would be impossible to ensure their creditworthiness and very few people were actually creditworthy.

The Public Prosecutor thought that there was nothing to fear if one conformed strictly to the Articles of Association of other Colonial Banks.' It would be enough to carry out some modifications to smoothen out the difficulties their application could raise.

The Council shared the same view - "the Articles of Association will be modified in a way to be able to avoid all the fears expressed by several members".

In conclusion to these debates, the Council, with the exception of Mr. V erand and Inspector Lhoumeau, was of the opinion that "the institution of a Bank of Senegal will be an asset for the Colony".

After dealing with the other points on the agenda, the session was adjourned at 6:00 P.M.

On 18 November 1852¹⁶⁶, the Council met again at 1:00 P.M. "*to revise the Articles of Association that will be applied to a Bank of Senegal, in case this credit institution is established*".

The same members were all present.

The objective was to propose amendments to the draft Articles of Association in order to take into account the Bank's own environment.

Mr. V erand presented the report drafted on this subject, taking up the statutory clauses, article by article, followed either by "without modifications" or "delete these words".

Thus, on the subject of the Bank's operations, any reference to the "*transfer of a standing crop was deleted*" (Articles 12, 14, 16, 17 and 41).

Concerning the administration of the Bank, it was proposed that the composition of the General Assembly be reduced to 50 shareholders instead of 150, because "in big colonies, it will be easy to gather a hundred and fifty shareholders but in Senegal, one would not find them" (Article 31).

¹⁶⁶ Administrative Council. Deliberations No. 26, National Archives of Senegal.

For the same reasons, the discussions of the General Assembly were not held valid in the first meeting unless as many as 15 members at least were present instead of 50 (Article 37).

For the composition of the Board of Directors, it was proposed that the colony's Treasurer be an administrator by right. Of the other three members, two were to be elected by the shareholders Meeting and the third, to be selected by the Governor in Privy Council, could be taken from among the Colony's civil servants (Article 40).

The reason was that the State was supposed to own the biggest share of the Bank's capital and should thus be represented by as many persons as the shareholders were.

In Senegal, since civil servants did not own captives, they could not be shareholders. To this end, it was proposed that while taking up their duties, each of the administrators appointed by the General Assembly should be accountable for the ownership of 10 shares. These had to be free.

The two administrators of the Government were exempted from this obligation (Article 53).

The Administrators would fulfill their duties free of charge (Article 55) because of the low resources of the Bank.

The rapporteur wrote : "I would like to believe that the men chosen will be men who are selfless enough to see in the duties entrusted to them only a mark of great confidence in them and that they will carry out with zeal and devotion the difficult task imposed on them".

The remark applied equally to the Censors, which led to the idea of deleting Article 57.

The Council unanimously approved these amendment proposals.

Following this discussion, and in consultation with the Minister of the Navy and Colonial Affairs, by the decree of 21 December 1853, Louis-Napoleon Bonaparte created the Bank of Senegal, thereby blazing a new path in the monetary history of West Africa.

The amendments proposed by the colony's Administrative Council were taken into account by special decrees.



Foy (page 216)

Decree establishing the Bank of Senegal
(21 December 1853)

NAPOLEON,

By the grace of God and the will of the nation, Emperor of the French,

Greetings to all present and those yet to come :

On the report of our Minister and Secretary of State at the Department for the Navy and Colonies,

In view of Article 7 of the Act of 30 April 1849 on the compensation granted to the colonists, following the abolition of slavery ;

In view of Article 51 of the decree of 24 November 1849, and the decrees of 28 September 1852, 23 March and 1 October 1853, relating to the period within which the Colonial Banks should be set up ;

In view of the orders dated 22 December 1851, 22, 28 March and 17 November 1852, concerning the execution of the 11 July 1851 Act ;

In view of the deliberations of the Privy Council of Senegal on 18 November 1852,

In view of the opinion of the Supervision Committee of Colonial Banks, on 20 September 1853 ;

After hearing our Council of State,

Has decreed and does decree the following :

Article One

A Loan and Discount Bank shall hereby be set up in Senegal.

Article 2

The capital of the Bank of Senegal is fixed at 230,000 Francs.

This capital shall be raised by the deduction of one-eighth, taken from the compensation granted to the inhabitants of Senegal, following the abolition of slavery, and the arrears due from the registration of the funds representative of this deduction.

The start-up costs, which our Minister of the Navy and Colonies is authorized to provide immediately, shall be paid, by way of advances, against the funds from the Colonial Fund, and repaid later by the Bank, from the arrears to fall due and from the reserve funds, as provided in Article 28 of the Articles of Association.

Article 3

The Act of 11 July 1851, and the orders, decrees and regulations concerning Colonial Banks, shall be applicable to the Bank of Senegal, in all that is not contrary to the present decree.

Article 4

Our Minister and Secretary of State for the Department for the Navy and Colonies, and our Minister and Secretary of State for the Finance Department, shall be responsible, each in his field, for the execution of the present order, which shall be inserted in the *Law Bulletin*.

Drafted at the Tuileries Palace, on 21 December 1853.

NAPOLEON
BY THE EMPEROR
The Minister and Secretary of State

Articles of Association of the Bank of Senegal
(annexed to the preceding Act of 11 July)

Title I
Constitution of the Bank and nature of operations
Attributed to it

Section I - Constitution, Duration and Head Office of the Company

Article One

A Loan and Discount Bank under the name *Bank of Senegal*¹⁶⁷ shall be set up in *Senegal*, in application of Article 7 of the Act of 30 April 1849.

Article 2

This bank shall be constituted as a public limited company. The company shall be composed of, 1) all the beneficiaries to whom the deduction, prescribed by the law quoted above, will be applied ; 2) and, as the case may be, the subscribers who will have exercised the faculty reserved by Article 3 of the Organic Law on Colonial Banks. Each company member shall be responsible for the commitments of the company only in so far as his share of the registered capital is concerned.

Article 3

The duration of the company is fixed at twenty years, which shall be calculated from the promulgation of the law in the colony, and except in the cases provided for in the general clauses.

Article 4

The head office of the company shall be in the city of Saint-Louis.

Article 5

The Bank's administration may establish branches and agencies in other parts of the colony.

An organizational plan for these branches and agencies shall be prepared by the Bank's General Board, and submitted to the approval of the Minister of the Navy and Colonies.

Section II – Capital and Shares

Article 6

The registered capital shall be composed of, 1) the amount of deductions to be made on the compensation to be paid to the inhabitants of Senegal, in conformity with the law on the Institution of Colonial Banks ; 2) as the case may be, the amount of the subscriptions mentioned in Article 3 of the same law, and in Article 2 of the present Articles of Association.

Article 7

The Bank's capital shall be divided into shares of five hundred Francs each, which can be further split at the time of first issue into units of fifty Francs.

¹⁶⁷ The above-quoted decree of 21 December 1853.

The share units cannot be delivered except as odd shares to make up the five hundred Franc shares or for conversion into payments that are smaller in value. Gathered in the same hand, they will have to be converted into shares before 1 January 1857. From that date onward, they shall not be entitled to dividends ¹⁶⁸.

Article 8

If, after the remittance of shares, a remainder smaller than fifty Francs will remain from the deduction amount, it shall be represented in the form of a provisional bearer certificate.

The provisional certificates shall not be entitled to any dividend ; but, when they are gathered together in a sufficient amount in the same hand, they can be exchanged against shares or share units.

Article 9

The bank's shares shall be nominative ; they shall be registered in a counterfoil register, and the detached certificate shall bear the signatures of the manager, a director and a censor. The share units shall be made out to the bearer.

Article 10

The transfer of shares shall be done through a transfer statement signed by the owner or his proxy and countersigned by a director, on a special register meant for this purpose.

The nominative shares can be transferred to Paris to the Head Office of the Central Agency ¹⁶⁹.

If opposition is notified to the bank, the transfer shall only be done after the opposition is removed.

The old certificates returned following transfers shall be cancelled in the forms determined by the Board of directors.

Section III – Bank Operations

Article 11

The Bank shall not, in any case or under any pretext, conduct any operations other than those permitted by the current Articles of Association.

Article 12

The Bank's operations shall consist of :

1) Discounting bills of exchange and other promissory notes, as well as Treasury drafts or instruments drawn against the Treasury, ministries and public funds ;

¹⁶⁸ Article 1 of the additional order of 17 November 1852 and 2 of that 2 December 1854.

¹⁶⁹ Article 9 of the above quoted order of 17 November.

¹⁷⁰ Article 7 of the additional order of the 17 November 1852.

¹⁷¹ Article 2 of the special order of the 2 December 1854.

¹⁷² Article 3 of the additional order of the 17 November 1852.

¹⁷³ Article 3 of the additional order of the 17 November 1852.

¹⁷⁴ Article 3 of the special order quoted above.

¹⁷⁵ Article 4 of the special order quoted above.

¹⁷⁶ Article 6 of the special order quoted above.

¹⁷⁷ Article 4 of the additional order of the 17 November 1852.

2) Discounting negotiable and non-negotiable bonds, guarantees, either by the receipt of goods deposited in public warehouses, or by transfers of standing crops, or by transfers of funds or deposits of bullion, currency or gold and silver material ;

3) Being responsible, on account of individual or of public establishments, for the encashment of instruments remitted to them, and for paying all pay orders or transfers of funds ;

4) Receiving, in exchange for custody charges, voluntary deposits of all certificates, bullion, currency and gold and silver material ;

5) Issuing notes payable at sight to the bearer, promissory notes and bills of exchange or pay orders.

Article 13

The Bank shall receive at discount promissory notes bearing the signature of at least two persons, manifestly creditworthy and domiciled in the colony ; the maturity of these instruments should not exceed ninety days after sight or have more than one hundred and twenty days to go, if the maturity date is determined.

These instruments shall be stamped, in the case where legislation on the stamping of the promissory notes or bills of exchange comes into effect in the colonies.

The bank shall refuse to discount instruments in circulation that are illusorily created between the signatories, without reason or real value.

Article 14

One of the signatures required according to the conditions of the preceding Article may be substituted by the remittance of either a bill of lading made out to the order of the bank, or a receipt of goods, or by the transfer of a standing crop, under the terms and conditions that shall be determined hereafter.

Article 15

In the case of the remittance of a bill of lading as an additional guarantee for a bill of exchange, the goods shall be duly insured.

If the consignor has taken the insurance, the policy shall be remitted to the Bank. If the policy is not in the hands of the drawer, the Bank shall be authorized to withdraw from the hands of those who are responsible for covering the risk ; in this case, the bank shall retain the necessary amount from the loan in order to effect the withdrawal of the insurance policy.

In all cases, the Bank or its Agent in Europe, shall always remain free, if the insurance taken does not appear to be certified or does not appear to be sufficiently regular, to provide for it once again, on the account of the debtors.

If the goods have not been insured, the Bank shall retain the necessary amount to provide for it on the accounts, expenses, risks and perils of the debtors.

Article 16

When the payment of an instrument has been guaranteed by the remittance of a receipt of goods, or by the transfer of a standing crop, the Bank can, eight days after the protest or after a simple, extra-judicial formal notice, have the goods sold to cover the due amount not exceeding it.

Article 17

The instruments or guarantee bonds, either by remittance of receipts, or following transfers of harvest, may also not be done in order form, and, in that case, the debtor shall have the right to be released early, and interests shall be remitted to him for the remaining period till maturity.

Article 18

The additional guarantees given to the Bank shall not hinder proceedings against the signatories of the instruments ; these proceedings may be continued, concurrently with those intended for the realization of special guarantees constituted in favor of the Bank and until the entire sum advanced as capital, interests and costs, is repaid.

Article 19

The discount shall be applied for the number of days remaining and even for a single day.

For instruments payable several days after sight, the discount shall be calculated on the number of days after sight ; and, if the instruments are payable either outside the place of discount or outside the colony, the number of days after sight shall be increased by a period calculated on the basis of the distance.

Article 20

The ratio of the value of the objects furnished as additional guarantee, with the sum of the notes or commitments that may be discounted in the cases provided by Article 12, shall be determined by the Bank's rules of procedure.

This proportion shall not exceed, in the case of collateral in gold and silver material, four-fifths of their value in weight, and, in the case of collateral in the goods deposited, two-thirds of the value.

Loans against the transfer of harvests cannot exceed a third of the value of the said harvest.

The Bank can stipulate that the produce resulting from the harvest shall be, as and when ready, deposited in the warehouses designated to this end, in conformity with Article 4 of the Organic Law, in order to convert the loan against transfer into a loan against collateral.

Article 21

The sums that the Bank encashes on account of individuals and public establishments, or that are paid in as deposits, shall not bear interest. These sums shall be withdrawn at the wish of the proprietor of the funds ; they can, at his request, be sent immediately by bank transfer of funds to another account.

Article 22

The Bank may allow for discount or a current account, any person who is manifestly creditworthy, domiciled in the colony, whose request is supported by a member of the Board of directors or by two persons who are already account holders in the Bank.

Shareholders shall not be entitled to any preference in this regard.

The Bank shall furnish receipts for voluntary deposits that are made with them ; the receipts shall mention the kind and value of the objects deposited, the name and address of the depositor, the date the deposit was made and the date of withdrawal ; and finally, the number in the record register.

The receipt shall not be in order form and could never be transmitted by way of endorsement.

The Bank shall immediately deduct custody charges on the estimated value of the deposits on which it has not made any advances, whose quota will be settled by the Board of directors.

When, at the depositor's request, advances are made to him before the fixed period for the withdrawal of the deposit, the custody charges deducted shall remain with the Bank.

Article 24

In case the Government believes it necessary to set up a Public Deposit and Consignment Office, if the condition is imposed on it, the Bank shall open and manage the said Office.

Article 25

The quota of the various notes in circulation shall be determined by the Board of Directors within the limits fixed by law, on the approval of the Governor in Privy Council.

Article 26

The Bank shall supply bills of exchange or pay orders only when prior provision for them has been made.

Article 27

The Bank shall publish its statement of accounts *every month* ¹⁷⁰ in the newspaper indicated for this purpose by the Governor.

Section IV – Dividends and Bank Reserve

Article 28

Every six months, on 30 June and 31 December, the books and accounts shall be balanced ; the profit and loss statement of the Bank's operations shall be drawn up.

The accounts receivable cannot be included, in the assets account, for a figure exceeding one-fifth of their nominal value.

A deduction of half per cent of the primary capital, on the net, realized profits earned during the semester, shall be made. This deduction shall be used to form a reserve fund.

A first dividend, equivalent to five percent per annum of the share capital, shall then be distributed to the shareholders.

The surplus of profits shall be divided into two equal parts : one part shall be distributed to shareholders as additional dividend ; eight-tenths of the other part shall be allocated to the bank reserve, one-tenth to the Manager and one-tenth to the Bank employees, as a bonus.

However, none of these allocations shall be made without the prior approval of the Governor in Privy Council. The dividends shall be paid soon after this approval is obtained.

Article 29

As soon as the reserve account reaches half the share capital, all deductions to the credit of this account shall stop.

The distribution of profit to the Manager and the employees shall remain fixed in the indicated proportions against half of the profits exceeding the interest at five percent per annum of the share capital.

Article 30

The dividends shall be paid as soon as the approval mentioned in Article 28 is obtained, either to the Bank's reserves, or to the Agency established in Paris.

Title II

The Administration of the Bank

Section I - The General Assembly

Article 31

The universality of the shareholders is represented by the General Assembly.

The General Assembly shall be composed of *fifty*¹⁷¹ shareholders who, according to the Bank registers, have been, for the preceding six months, proprietors of the greatest number of shares. In case of parity in the number of shares, the earliest registered shareholder shall be preferred.

However, no non-French shareholder shall be a part of the General Assembly, if he has not been a resident of the colony or of another French colony or of France for at least the preceding five years.

Article 32

Until the allocation of the shares can be made, the beneficiaries of the highest settled accounts shall be considered shareholders for their admission into the General Assembly, not exceeding the number fixed by the preceding article.

Article 33

Proxies, who should themselves be shareholders, can represent the members of the General Assembly. The Board of Directors shall determine the form of powers granted to them.

Independent of the personal right that he may have, no proxy in this capacity shall have the right to more than one vote.

Article 34

Each of the members of the General Assembly shall have only one vote, whatever the number of shares he owns.

Article 35

The General Assembly shall meet at least once every year, in the course of the month of July.

It shall be convened and *chaired*¹⁷² by the Manager.

The three most powerful shareholders present shall constitute the provisional board and appoint a secretary.

The Assembly then proceeds immediately to form its permanent board.

The secretary of the Board, both provisional and permanent, shall be chosen from among the three shareholders who form the Board ¹⁷³.

Article 36

The General Assembly shall be given an account of all the operations of the Bank.

The administration's expense account for the past year shall be submitted for its approval.

It then shall proceed, to elect the directors and a censor, whose duties are determined hereunder.

These nominations shall take place by secret ballot, to the absolute majority of votes of members present.

After two rounds of polling, if an absolute majority is not found, the assembly shall proceed to a second ballot between the candidates who received the maximum votes in the second round. When there is equality of votes in the second ballot, the oldest candidate shall be deemed elected.

Article 37

The deliberations of the General Assembly shall only be valid in the first meeting, if at least *fifteen* ¹⁷⁴ members had participated by themselves or through their proxies.

In case the number is not reached, the Assembly shall be postponed for a month, and the members present at the new meeting can deliberate satisfactorily, whatever their number, but only on matters that had been placed on the agenda of the first meeting.

Article 38

The General Assembly can be convened extraordinarily every time that one of the members proposes it and the Board of directors recognizes it as necessary.

It shall always be convened in the case of the resignation or death of a censor or a deputy censor, or of one of the three directors nominated by the shareholders. The member elected in place of another shall remain in office only for the remaining duration of his predecessor's term.

The General Assembly shall be convened extraordinarily :

- 1) When *ten* shareholders, together representing at least *half* ¹⁷⁵ of the shares, make a written request to that effect to the Manager or to the Governor of the colony ;
- 2) In case losses incurred by Bank operations have reduced the capital by half.

Article 39

Ordinary and extraordinary assemblies shall be convened by individual letters, addressed to the members of the General Assembly, to the addresses indicated in the Bank's registers, and by a notice inserted, at least one month before the day of the meeting, in one of the colony's newspapers designated for this purpose by the Governor.

The letters and the notice shall contain an indicative summary of the subject of the meeting.

Section II - The Board of Directors

Article 40

The administration of the Bank is entrusted to a Board composed of a Manager and four Directors.

The Colony's Treasurer shall be a Director of the Bank by right ; the three others shall be elected by the shareholders meeting.

When the town where the Bank is set up is not also the place of residence of the Colony's Treasurer, he may have himself replaced as Director of the Bank by a person he will have delegated.

Two censors, of whom one shall be the colonial inspector or his delegate, shall assist the Board of Directors ; the shareholders meeting shall elect the other.

Article 41

The Board of Directors shall adopt all the regulations for the Bank's internal system.

It shall fix, within legal limits, the rate of discount and interest, the exchange rates, commissions and custody charges, the method to follow in assessing bullion, currency and gold and silver material, goods and harvests.

It shall authorize, within the limits of the Articles of Association, all the Bank's operations and determine the conditions.

It shall make a choice of the bonds or agreements that hat may be considered eligible for discount, without the need to explain any refusal ; it shall decide on the signatures to be borne by the Bank's notes, on the withdrawal and cancellation of these notes.

It shall ensure that the Bank does not conduct any operations other than those determined by the Articles of Association and only in the forms prescribed by the Bank's rules of procedure.

It shall fix the organization of the offices, the salaries and bonuses of agents and employees, and general administrative expenses, which shall be determined each year in advance.

The Board shall appoint and dismiss employees, on the proposal of the Manager.

Legal actions shall be conducted in its name, on the actions and proceedings of the Manager.

Article 42

A record of the deliberations of the Board of Directors shall be maintained.

The minutes, approved by the Board, shall be signed by the Manager and by one of the Directors present.

Article 43

The Board of Directors shall meet at least twice each week.

It shall meet extraordinarily each time the Manager considers it necessary or the request is made by the censors or by one of them.

Article 44

No discussion shall be valid without the presence of the Manager and two Directors, and of one at least one of the Censors.

The Censors shall only have an advisory status.

Article 45

The account of the Bank's operations, which has to be presented to the General Assembly on the day of the periodical meeting, shall be drawn up by the Board of Directors and presented on its behalf by the Manager.

This account shall be printed and handed over to the Governor of the Colony and to each of the members of the General Assembly.

Section III - The Manager

Article 46

The Manager shall be appointed by a decree of the President of the Republic, on the basis of a list of three presentations submitted by the Supervision Committee, instituted by virtue of Article 11 of the Organic Law on Colonial Banks, and on the basis of the report of both the Minister of the Navy and the Minister of Finance. The Minister of the Navy and Colonies shall countersign this decree.

The Manager's salary shall be fixed by a ministerial order and paid by the Bank.

Article 47

The manager shall preside over the Board of Directors and ensure that its deliberations are implemented.

No deliberations shall be implemented unless they bear the signature of the Manager.

No transaction involving discounts or advances shall be conducted without his approval.

He shall administer the offices, supervise the hiring of all employees, sign the correspondence, receipts and endorsements of instruments, bills of exchange and money orders.

Article 49

The Manager shall not practice any trade, nor get involved in any commercial enterprise. No instrument or bond bearing his signature shall be discounted.

Article 50

The Manager shall only be dismissed by a decree from the President of the Republic, issued on the basis of a report from the Minister of the Navy and Colonies.

The Governor in council can suspend him.

Article 51

In case of hindrance or suspension of the Manager's duties, for whatever reason, the Governor shall appoint, in Privy Council, an interim Manager who will have all the attributes of the incumbent Manager.

Before discharging his duties, the Manager shall furnish proof of the ownership of ten shares ¹⁷⁶.

Section IV - The Directors

Article 52

The Directors shall be appointed by the shareholders' General Assembly in conformity with Article 40 given above.

Article 53

Before discharging their duties, each one of the four Directors shall furnish proof of the ownership of *five* shares. These shares shall be free and remain inalienable during the tenure of their duties as directors.

Article 54

The elected Directors shall be appointed for three years.

They shall be appointed each year, one third at a time.

A draw shall determine the order of exit of these directors for each of the first two years.

They shall be re-eligible.

Article 55

The Directors shall receive attendance fees whose amount is fixed by the General Assembly.

Section V - The Censors

Article 56

The duties of the Censor elected by the shareholders General Assembly shall last for two years.

He shall be re-eligible.

He has to own the same number of inalienable shares as the directors ¹⁷⁷.

Article 57

The censors shall specially monitor the execution of the Articles of Association and regulations of the Bank ; they shall extend their surveillance to all parts of the establishment ; they shall apprise themselves of the status of the reserves, the registers and the portfolio of the Bank; they shall propose all measures that they believe necessary and if their proposals are not adopted, they can call for their transcription in the discussion records.

They shall give an account to the General Assembly, in each of its annual meetings, of the monitoring duties they conducted.

Their report shall be printed and distributed with the account presented by the Board of Directors. They too shall have a right to attendance fees like the directors.

Article 58

An alternate Censor shall be appointed by the shareholders' General Assembly.

In case of prevention from work of the elected Censor, the alternate Censor shall carry out all the duties delegated to the Censor by the preceding articles. He shall be bound by the same obligations and enjoy the same prerogatives. He shall be appointed for two years and shall be re-eligible.

Article 59

The colonial inspector, in his capacity as a censor, shall correspond with the Governor and the Minister of the Navy. He shall give an account of the surveillance he carries out each month or more frequently if required, to the Minister.

Article 60

In case he is prevented from fulfilling his duties as the colonial inspector, the agent delegated by the governor to replace him in his main duties shall replace him equally in his duties as a Censor.

Article 61

The Minister and the Governor, either by virtue of office or at the suggestion of the Supervision Committee, could, when they deem it appropriate, have any registers, reserves or operations of the Bank inspected by agents whom they appoint.

Title III **General Clauses**

Article 62

In cases where, following losses in the Bank's operations, the capital is reduced by two-thirds, the liquidation of the company shall take place as of right.

In cases where, because of the same reason, the capital is reduced by one-third, the meeting of all the shareholders, convened extraordinarily, could ask for liquidation. This request shall be valid only if they are a majority in number and are holders of two-thirds of the capital. The Government shall examine and decide whether the overall interests of the colony and those of third parties allow the dissolution of the company, which can only result from a decree by the President of the Republic, preceded by a notice from the Supervision Committee and from the Council of State.

In case of dissolution, the Government shall determine the method to be followed for the liquidation and shall appoint agents responsible for it.

Article 63

Two years before the date fixed for the expiry of the company, the General Assembly shall be called to decide whether the Government should be requested to renew the company.



*Louis-Napoléon Bonaparte , President of the IInd Republic from 1848 to 1851.
Emperor ('Second Empire') under the name of Napoleon III from 1852 to 1870.*

Source : La Documentation Française. Reproduced by Jossé-Lalancé/ Compiègne Museum.



Chasseloup-Laubat



A provisional Government - 1848

L.Blanc / Flocon / Crémieux / Marrast / Albert / Garnier-Pagès
Arago / Ledru-Rollin / Dupont de l'Eure / Marie / Lamartine
(page 140)

On this basis, the Bank of Senegal could raise its capital, organize itself and begin its business.

3 - The structure of its capital and its shareholding

In the beginning, the capital was fixed at 230,000 F, half in cash and half in 5% government annuities ; it would be raised to 300,000 F in January 1876, by the incorporation of 70,000 F of reserves, and then to 600,000 F in July 1888.

Its initial distribution between the shareholders was in keeping with the number of slaves owned or received in transfer. Small landowners, because of the difficulties they experienced in fulfilling the required formalities, preferred giving up their certificates to buyers against cash or goods¹⁷⁸.

By such transfer of ownership, with a total of 303 shareholders, the Maurel business house, the biggest dealer, could hold 73% of the capital, i.e. 169,330.86 F out of the 230,000 F, occupying a predominant position in the functioning of the Bank¹⁷⁹.

4 - Its organization

At the same time as the Manager of the Bank of Guyana, the decree of 5 August 1854 appointed Pierre Rey, Manager of the Bank of Senegal.

At the beginning, the Bank's organizational chart had five members :

- . The Manager,
- . A cashier and bookkeeper,
- . A secretary of the board, a secretary archivist,
- . A collecting clerk,
- . A watchman, office boy.

It began operating on 4 August 1855¹⁸⁰.

The Board of Directors met on 17 August 1855 to adopt the Rules of Procedure, which fixed the hours of opening and indicated the modalities for implementing the operations.

The offices would be open from 8:00 to 10:00 A.M. and from 2:00 to 5:00 P.M., every day, except Sundays and Holidays ; employees started work at 7:00 A.M. and at 1:00 P.M.

For operations with the mother country, two correspondent accounts were opened : one for the investment of treasury surpluses, in the Deposit and Consignment Office¹⁸¹, according to an agreement concluded on 15 November 1854 between the Minister of the Navy and Colonial Affairs and the Director General of the establishment ; the other, in the "Banque de France", for remittances and withdrawals, following a convention between the Minister and the Governor of the establishment.

¹⁷⁸ BCEAO, Bank of Senegal, op. cit., p. 13.

¹⁷⁹ Idem.

¹⁸⁰ BCEAO, Bank of Senegal, p 2.

¹⁸¹ Idem.

RULES OF PROCEDURE

OF THE

BANK OF SENEGAL

ORDER

BY THE BOARD OF DIRECTORS

AT THE SESSION OF 17 AUGUST 1855

GOVERNMENT PRINTING PRESS

1856

Extract of the Rules of Procedure of the Bank of Senegal
Circulation of Banknotes

Article 74 – The Banknotes, payable at sight to the bearer, shall be printed in Paris under the direction of the Central Agent of Colonial Banks (Decree of 17 November 1852, Article 7).

They shall be sent to the Bank through his offices.

Article 75 – On the arrival of the banknotes in the colony, the packets shall be unsealed and checked by the Manager, in the presence of the Board of Directors, then deposited in the central vault.

They shall be registered in the banknotes order registers. These registers shall mention :

The details of the letters of the series ;

The order numbers ;

The issue dates ;

The names of the signatories ;

The cancellation dates ;

The dates when they were burnt.

Article 76 – For each issue, the Board of Directors, in an initial discussion, shall determine the amount and denominations of the banknotes.

The Manager shall submit the information to the Governor of the Colony.

Article 77 – On the approval or modification notice from the Governor, the Board, in a second session, shall process the issue.

Article 78 – The banknotes shall bear the signature of the Manager, or that of the Censor or that of the Cashier.

Article 79 – The notes that enter the Bank, in a state of deterioration that disallows their use, shall be cancelled.

For this purpose, the cashier shall prepare a slip, which shall be presented along with the banknotes to the Board of Directors ; the cancellation shall be decided and they shall be struck with one word : cancelled.

Article 80 – The cancelled banknotes shall be put in packets in the order of the numbers and series ; the packets shall be sealed and bear on the envelope :

The number and date of the slip ;

The number and kind of banknotes that they hold.

The Manager shall then place them in the central vault, in a specific box.

Article 81 – The slip shall be certified by the Manager, by the secretary of the Board and by one of the censors ; a reference shall be made of it in the minutes of the meeting.

Article 82 – The central vault's register and the order register shall be signed, in conformity with the list.

Article 83 – When a series of cancelled banknotes is complete, it shall once again be verified, in the presence of the Board, and the notes shall be immediately burnt.

Article 84 – The replacement of the notes shall be done on all working days, during office hours.

Extract of the Rules of Procedure

Article 113

Payments shall be made on vouchers ; before a voucher is paid, it shall be necessary to :

- 1) Check the signature, the identity and the amount in words and figures as well as the counterfoils, if any ;
- 2) In addition to this, for current accounts, check to ensure there are sufficient funds ;
- 3) Check whether the voucher is countersigned by the Manager.

After payment, each voucher shall be stamped with the word PAID.

Article 114

The Bank's running expenses shall be discharged on vouchers and transactions decided and countersigned by the Manager.

Article 115

The daily checking of the cash box shall be done by the Manager and the Censors, together or separately, each time they deem it necessary.

Article 116

The accounts opened on the cash registers shall be closed at the end of each month, and the cashier is responsible for representing the resulting values of the trial balance.

d – The renewal of the Colonial Banks' exclusive issuing rights

With a duration fixed at 20 years, the exclusive issuing rights expired in 1871 ; it could not be renewed, because of the situation created by the war of 1870 ; successive decrees then extended the existence of the banks by 3 years till 11 September 1874.

Before this expiry date, the process of drawing up texts for implementation led to the Act of 24 June 1874 and the Articles of Association annexed to it.

1 – Drawing up of texts

The Government, through the President of the Republic, Thiers, and the Minister of the Navy and Colonies, Vice-Admiral Pothuau, submitted to the National Assembly a bill on the extension of the exclusive issuing rights of the Colonial Banks and the Articles of Association of the said banks.

In an explanation of the reasons, the Government emphasized that "the investigation of this matter has been as thorough as possible" : the Boards of Directors and shareholders of the establishments, meeting in a General Assembly, formulated various requests for the modification of the law and the Articles of Association that govern them ; the General Councils expressed their wishes ; the local Administrations and additionally the Chambers of commerce and agriculture of the concerned colonies examined the drafts.

It was the same with the Supervision Committee of the Colonial Banks, which advised in favor of "observing a great deal of circumspection in the changes to be carried out on the regulations that have for a long number of years ensured the prosperity of these establishments and that everything points in favor of maintaining most of the clauses that contained the operations of these Banks without impeding them".

The Council of State made very few changes in the general economy of the bill and in the original Articles of Association ; in particular, it proposed that the denominations of the banknotes be lowered to 10 and 5 Francs, as in the case of the "Banque de France" ; that establishments be allowed to make investment from their easily realizable reserves, by subscribing to loans guaranteed by the State and the colonies, not exceeding $\frac{4}{5}$ th of their reserve funds.

The Banks could, moreover, in their issue, exceed by three times the registered capital, every time the counter-value of the current accounts and other debts was represented in cash, to add to the bullion reserve and in proportion to this excess.

The facility of borrowing from the Bank against the transfer of harvests, granted to proprietors, was extended to the farmers, sharecroppers and tenants, subject to their being provided with the support of the landowner.

The representation of the Colonies' interests within the Supervision Committee was ensured by the addition of two leading colonists, residing in Paris and chosen by the Minister of the Navy and Colonies.

The bill presented at the Assembly's office took into consideration these changes.

The report of the Parliamentary Committee responsible for examining it was presented by Ducuing, its secretary.

Before explaining the structure of the bill, article by article, the rapporteur gave the deputies some general information on the banks : their income statements, rates of interest, refunding of notes at sight, the fixed limits for circulation and credit operations.

Concerning the income statements, the rapporteur stated that "while it is true that the profits of a credit establishment are in exact proportion to the services that it renders in the environment in which it operates, it is indisputable that the Colonial Banks are extremely useful".

He then gave the statement of the dividends distributed over the last three fiscal years, affirming that "these profit and loss statements have been obtained without the banks having abused their exclusive right" (cf. Table hereunder).

Dividends distributed

(In francs)

	1870		1871		1872	
	1 st semester	2 nd semester	1 st semester	2 nd semester	1 st semester	2 nd semester
Bank of Martinique	3,765	3,105	3,965	4,085	4,640	7,235
Bank of Guadeloupe	2,325	2,250	2,425	2,800	3,000	3,600
Bank of Réunion	1,807	2,024	2,204	2,219	1,984	2,087
Bank of Guyana	2,830	2,740	2,360	3,165	1,670	3,250
Bank of Senegal	1,600	2,400	2,775	3,000	3,400	3,300

Source : Colonial Banks – Central Agency of Colonial Banks, Paris 1877
Parliamentary Documents p. 123 and 126.

The rapporteur emphasized that the interest on money was raised in the colonies before the advent of the Banks. They brought a certain moderation in their discount rate, which was the reason for their success.

As for repayments at sight of the notes issued, they were carried out regularly in all the banks except in the Bank of Senegal.

Finally, he concluded, the circulation limit had never been reached by any of the banks, which proved that their field of operations was restricted.

Cash balance and circulation of each Bank

(In francs)

	Specie in reserves	Notes in circulation
Bank of Martinique		
■ As of 31 December 1871	2,051,666.49	4,763,750
■ As of 30 June 1872	1,969,024.54	5,900,100
Bank of Guadeloupe		
■ As of 30 June 1872	2,564,461.78	5,251,225
Bank of the Reunion		
■ As of 31 December 1871	6,40,915,987	8, 412, 650
■ As of 30 June 1872	5,021,571.67	6,246,650
Bank of Guyana		
■ As of 30 June 1872	593,777.05	863,025
Bank of Senegal		
■ As of 31 December 1871	474,350.69	845,630
■ As of 30 June 1872	359,562.61	807,915

On the whole, according to the reporter, "ever since the Colonial Banks have been instituted, the day after the emancipation, great transformations have taken place in the colonies. They have rendered great service to the colonies : our hope is that they will render even more, thanks to their modified articles of association, in conformity with the law, which we propose to you".

The text was presented for an initial examination in plenary session on 21 May 1874, without discussions, then discussed on 29 May and adopted during the third session on 24 June.

2 – The contents of the law

The new Organic Law of Colonial Banks of 24 June 1874, on the extension of their exclusive rights, was promulgated on 5 July 1874.

The essential clauses of the Act of 11 July 1851 were preserved, with some improvements or specifications.

The exclusive rights were extended by 20 years, as from 11 September 1874 (Article One).

The capital of the Bank of Guyana was lowered from 600,000 F to 450,000 F, i.e. 1,200 shares of 375 F each, because of the lull in activity linked to the transfer of prison establishments ; the Bank was authorized to repay 125 F per share to its shareholders.

The Bank of Senegal, on the contrary, saw its capital raised from 230,000 F to 300,000 F, by the incorporation of 70,000 F of reserve funds (Article 2).

For the issue of notes, to the denominations of 500 F, 100 F, and 25 F was added the denomination of 5 F, but repayable at sight in batches of 25 F.

With the incorporation of changes in the law, the sum of the notes in circulation, current accounts and other assets could not exceed three times the realized capital *unless the exchange value of the current accounts and other debts was represented by specie in addition to the bullion reserve* (Article 4).

No opposition would be allowed concerning funds deposited in the current account or concerning credit lines opened by the Banks and resulting from a transfer of standing crop operation executed in accordance with Article 6 (Article 5).

In respect of credit, in conformity with the proposals of the Council of State, the clauses related to loans against transfers of standing crops, which only concerned the owners, were extended to farmers, sharecroppers and tenants, on the condition that they were supported by the landowner, which fact would be recorded in the concerned register maintained for this purpose by the registration officer at the same time as the statement related to the loan (Article 6).

All premises whose keys were remitted to the lending Bank were accepted as a legal hypothecated depot, in view of the lack of public warehouses in the Colonies or their inadequate number (Article 9).

Two members were added to the Supervision Committee of Colonial Banks, whose members increased from 7 to 9 :

- 1 State Councilor ;
- 4 members of whom at least 2 shareholders residing in Paris and appointed by the Minister of Colonial Affairs ;
- 2 members appointed by the Finance Minister ;
- 2 members elected by the “Banque de France”.

The articles of association were subject to minor modifications such as the name of the Bank, which now became a "Discount and Issue Bank " (Article One).

Ministry of the Navy and Colonial Affairs
National Assembly
Year 1874

Act on the extension of the exclusive rights of Colonial Banks, and Articles of Association of the said banks of 21 and 29 May, and 24 June 1874

The National Assembly has adopted the Act whose contents are as follows :

Article One

The exclusive right of banks founded by Acts of 30 April 1849 and 11 July 1851, by the decrees of 21 December 1853 and 1 February 1854 in the colonies of Guadeloupe, Martinique, Reunion, French Guyana and Senegal, shall be extended by twenty years, as from 11 September 1874.

These banks shall abide by the articles of association annexed to this Act.

Article 2

The capital of each of the Banks of Guadeloupe, Martinique and Réunion shall remain fixed at 3 million francs.

The capital of the Bank of Guyana, which presently stands at 600,000 francs, shall be fixed at 450,000 francs and represented by twelve hundred shares of 375 francs each. The Bank of Guyana is authorized to reimburse 125 francs to the shareholders per share.

The capital of the Bank of Senegal, now 230,000 francs, shall be raised to 300,000 francs.

The capital of each of the banks shall only be increased or reduced in case a modification is considered necessary after the deliberations of the shareholders' General Assembly, convened expressly for this purpose, the said deliberation being approved by the Governor in Privy Council and sanctioned by a decree on the public administration's regulation.

If it concerns an increase in capital, the deliberations shall determine the portion of reserve funds that can be allocated.

If it concerns a decrease, it shall be done by the repayment of a portion of the capital on each share, without the repayment exceeding one hundred and twenty-five francs per share.

Article 3

The Boards of Directors of Colonial Banks shall be authorized to alienate or commit the securities constituting their capital, under the control of the Minister of the Navy and Colonial Affairs.

Article 4

Each of the banks to which the current Act refers, shall be authorized to issue bearer banknotes of 500 francs, 100 francs, 25 francs and 5 francs, in the colony where it is instituted, to the exclusion of all other establishments.

These banknotes shall be payable at sight, at the head office of the bank which issued them.

For denominations of 5 francs, the banknotes shall only be payable at sight in batches of 25 francs.

They shall be taken as legal tender in each colony by the public reserves as well as by individuals in the territory of each colony.

The amount of the banknotes in circulation shall not in any case exceed three times the gold and silver holdings.

The total amount of banknotes in circulation, current accounts and other bank assets cannot exceed three times the registered capital, unless the contra value of the current accounts and other debts are represented by specie in addition to the gold and silver holdings.

Article 5

No opposition shall be admissible with regard to funds deposited in the current account of Colonial Banks or to credits opened by the Bank and resulting from a transfer of standing crop transaction executed under the conditions determined hereafter.

Article 6

The registration officers shall maintain a register of : 1) the transcription of the loan deeds on transfer of standing crops, within the district of their respective offices ; 2) the statements and oppositions to which these deeds may give rise.

All landowners, farmers, sharecroppers, land tenants or plantation managers desirous of borrowing from the Bank against the transfer of standing crops, shall make known this intention by a registered statement one month in advance, in a register specially maintained for this purpose by the registration officer.

Any farmers, sharecroppers, land tenants or plantation managers desirous of borrowing against transfers of standing crops, shall have the support of the landowner, which shall be registered on the register maintained for this purpose by the registration officer at the same time as the statement relating to the loan.

Any creditor with a mortgage on fixed assets or holding a pledge against a standing crop, or the bearer of an authentic deed against the owner, can oppose the loan requested by one of those concerned mentioned above, provided that the credit of the opposing party is due on some portion whatsoever or only on the interest, at the time of opposition, or for a term not exceeding three months. The holder's creditors, at will, shall not offer any opposition unless their credit was due by virtue of an authentic deed. In all cases, opposition shall be received by the registration officer, who is obliged to mention it in the special register in the margin of the statement relating to the loan.

Any creditor with a mortgage on fixed assets or holding a pledge against a standing crop, or the bearer of an authentic deed against the owner, can oppose the loan requested by one of those concerned mentioned above, provided that the credit of the opposing party is due on some portion whatsoever or only on the interest, at the time of opposition, or for a term not exceeding three months. The holder's creditors, at will, shall not offer any opposition unless their credit was due by virtue of an authentic deed. In all cases, opposition shall be received by the registration officer, who shall be obliged to mention it in the special register in the margin of the statement prescribed in the preceding paragraphs.

The opposition shall state the nature and date of the deed, as well as the sum. It shall contain, under penalty of nullity, election of residence in the district of the office concerned.

Any request for withdrawal can be notified to the elected residence, and can be taken before the court that is competent to give a ruling on the validity of the opposition.

The registration officer shall be obliged to deliver extracts of the deeds transcribed in the registers to all those who ask for them, the method for which is prescribed in the current article.

Article 7

On the expiry of the month following the borrower's statement, the loan shall be realized by the bank ; in return for the transfer deed that it has had transcribed, the bank shall be considered as having attached the concerned standing crop.

It shall exercise its rights and actions on the securities proceeding from it, notwithstanding the rights of any creditor who has not expressed his opposition in the form prescribed in the preceding article.

However, if there is a fixed asset seizure transcribed earlier to the loan, this seizure shall have a bearing on the entire standing crop, in conformity with common law.

Article 8

If the debtor neglects to carry out the harvest on time or fails to fulfil one of the operations that form part of the harvest, the Bank shall, after a formal notice or a simple order from the conciliation magistrate, be authorized to carry out the said harvest in place of the negligent debtor. It shall advance the essential costs, which will be repaid in addition to the principal of the loan and by right, which is due to the pledging of the harvest or its product.

Article 9

The customs warehouses and all other stores indicated for this purpose by the Governor in Privy Council shall be considered public stores, in which may be deposited any hypothecated goods that additionally cover the portfolio of the Bank's securities. The goods shall be represented by a receipt or warrant which can be transferred by way of endorsement. Besides, the remittance of the keys of a particular store to the Bank, shall be sufficient to effect the legal tradition of security deposited therein, when this remittance is observed regularly at the time of negotiation by a resolution of the Board of Directors.

Article 10

If there is a default in repayment on maturity of the borrowed amount, the Banks shall be authorized, eight days after a simple formal notice, to sell by public auction, by any public officer, notwithstanding any opposition, either the goods, or the gold and silver material given as collateral, or the surrendered standing crops or their product, without prejudice to any other proceedings that may be initiated against the debtors until the entire repayment of the loan is recovered - capital, interest and costs.

Article 11

All deeds with the object of constituting collateral by way of commitment, of transferring standing crops, transport or otherwise, in favour of Colonial Banks and of establishing their rights as creditors, shall be registered at a fixed rate.

Article 12

The subscribers, acceptors, endorsers or guarantors of the goods subscribed in favor of Colonial Banks or negotiated with these establishments, shall be amenable to trade tribunals, in relation to these commitments or other related securities.

Article 13

Article 408 of the Penal Code shall be applicable to all landowners, usufructuaries, managers, directors or any other representative of the landowner, any farmer, sharecropper, land tenant or plantation manager, who has misappropriated or wasted fully or in part the standing crop owed to the Bank, to the detriment of this establishment.

Colonial Banks can set up their branches or agencies in the colony to which they belong or its dependencies.

The branches shall only be set up by a decree issued in the form of a public administration regulation.

The branches shall be created by virtue of Government orders, in Privy Council, after the deliberations of the shareholders in the General Assembly.

Article 14

The Supervision Committee of Colonial Banks, attached to the Minister of Colonial Affairs, shall be composed of nine members, i.e. :

A State Councilor elected by the Council of State in the General Assembly ;

Four members, of whom at least two shareholders are in residence in Paris, appointed by the Minister of Colonial Affairs,

Two members, appointed by the Minister of Finance,

Two members elected by the General Council of the "Banque de France".

The Committee will elect a Chairman from among its members.

The Supervision Committee, whose responsibilities and method of action are more specially determined by a public administration regulation, shall receive communication of documents reaching the Ministers on the management of the Colonial Banks.

It shall be consulted on Government action concerning it, it shall undertake the inspection and control measures that it deems suitable and shall provide a report on its monitoring activities and the situation of the establishments each year, to the National Assembly as well as to the President of the Republic.

This report shall be published in the *Journal Officiel (Official Gazette)* and in at least one newspaper in each colony.

Discussed in public sessions at Versailles, on 21 and 29 May 1874.

The *President*

Signed : L. BUFFET

The *Secretaries,*

Signed : Francisque Bouvet, Vandier, Félix Voisin, Cazenove de Pradines

The President of the Republic promulgates the present Act

Signed : Marshall De Mac Mahon,

Duke of Magenta

The Minister of the Navy and Colonial Affairs, Signed Montaignac.

However, Europeans soon realized that to increase the volume of business, it was necessary to circumvent the intermediaries that they encountered on the coasts, and to reach the hinterland directly. Hence, they initiated explorations (Cf. Box).

The Explorations

Whether they were individual initiatives or missions desired and supported by the Governments, the explorations allowed a better understanding of Africa and therefore facilitated the conquest of the continent.

At first in 1795 and then in 1805, the English Government entrusted the exploratory mission of the waterway of the Niger to Mungo Park. He went from The Gambia to Bamako and died there. On the French side, in 1818, Gaspard Mollien traveled through Senegal, crossed the Fouta Djallon and went up to Portuguese Guinea. In 1827, it was René Caillé who went from Guinea to Timbuktu.

Two Englishmen, Denham and Clapperton, crossed the Sahara in 1822, discovered Lake Chad and stayed at Bornou and Sokoto. The German, Heinrich Barth, from 1850, traveled through Chadian and Nigerian Sudan, from Baguirimi to Timbuktu, for five years. In 1854, Doctor Baikie went up the Lower Niger using quinine as a preventive medicine. There were no lives lost for him to regret. Thenceforth, the road to Africa was opened to Europeans who were armed against malaria.

Besides, European countries were growing more and more irritated by the "customs"¹⁸² that local chiefs of the regions claimed from them in places where their citizens practiced trade. Besides, the trading posts had a high cost while the results did not always justify the investment.

All these elements, added to the necessity of conquering captive markets, made the European presence on the West African Coast turn into a territorial conquest and colonization.



René Caillé



Heinrich Barth

¹⁸² Customs : all the presents that the trader should give to the king or to his representatives to have the right to practice trade.

Section V – The colonial period

In 1842, England had set up an enquiry commission, the "Select Committee", which advocated the occupation of a part of the land and the creation of support points and not colonial establishments.

In 1850, France, in its turn, set up a "trading post commission" formed by parliamentarians, traders and civil servants, ordering it to "*to prepare an inventory of French resources and hopes in tropical Africa*". This commission recommended the conservation of the African trading posts on the coast.

Fortified with this new data, Faidherbe, appointed Governor of Senegal in 1854, put all his energy, with the support of the business house Maurel, into carrying out the expansion policy defined by Bouët-Willametz : the conquest of a vast territory in West Africa.

I – The conquest of Senegal and other territories

A - Senegal

The project was to start with the conquest of Senegal while forcing back the Moors to the Right Bank of the river.

In 1857, Dakar was occupied. Through *protectorate treaties* and *military operations*, the French troops completed the conquest of Senegal, towards 1887.

In 1861, England was present in Nigeria.

From Senegal, considered as the springboard, the units turned towards the South, East and North of West Africa.

Generally speaking, it may be considered that it was towards 1878-1880 that the policy of "course au clocher" or "scramble" was implemented, through which European nations looked for ways to materialize their occupation of African territory. Each flew its flag on the fort that its nationals had built.

As far as France was concerned, under the government of Jules Ferry, the years 1880 and 1885 were crucial. It was this period, in fact, that marked the beginning of the conquest of regions located South and East of Senegal.

B – The Southern regions

On the side of the "Rivers of the South" (from South of Bissau to the North of Sierra Leone), the advance of the French, starting from Gorée, carried on. Between 1866 and 1868, Pinet-Laprade signed several protectorate treaties with local chiefs. Thus, military posts were set up at *Boké* on Rio Nunez, *Boffa* on Rio Pongo and *Benty* on Rio Mellacorée. These support points constituted *Guinea's* embryo.

In 1881, the Almamy of the Fouta Djallon signed a *treaty of friendship, trade and protectorate* with Doctor Bayol and the explorer, Ernest Noirot. In 1882, the "Rivers of the South" constituted an autonomous colony managed by a Governor stationed at Gorée.

In 1887, the town of *Conakry* was founded. On 17 December 1891, the colony of "French Guinea and dependencies" was organized. It included *Guinea*, the *Gold Coast* and *Dabomey* till 1893. It grew in October 1899 with the Malinke country of Upper Senegal-Niger, detached from French Sudan : *Kouroussa*, *Kankan* and *Siguiri*. The outlines of the frontier between Guinea and Sierra Leone were fixed by the Franco-English agreements of 26 June 1891 and 21 January 1895.

By the decree of 10 March 1893, the Gold Coast, which would go on to become Côte d'Ivoire, was set up as an autonomous colony. In October 1899, it grew with the circles of Odienné, Kong and Bouna, detached from Soudan (or Sudan). The agreement of 8 December 1892 fixed the outline of the frontier with Liberia, while the Franco-English conventions of 26 June 1891 and 12 July 1893 marked out its frontiers with the English colonies (Sierra Leone and the Gold Coast). In 1900, the capital was transferred from Grand-Bassam to Bingerville.

In 1882, King Toffa accepted the French protectorate for Porto-Novo. The African party denounced this protectorate and they had to wait till 1890 for Béhanzin to accept the protectorate once again, and the occupation of Cotonou. But he retracted the agreement and in 1892, a column led by Colonel Dodds, appointed Supreme Commander of the French establishments of Benin, undertook the conquest. Béhanzin surrendered in 1894 and was exiled at first to Martinique and then to Blida, in Algeria, where he died in 1906. In 1894, the French created the colony "of Dahomey and dependencies". In 1898, *Porto-Novo* became its *capital*.

The Germans were also present in Togo since 1884, when Nachtigal signed a protectorate treaty with King Mlapa II of Togodo. Between 1885 and 1897 some conventions were signed between France and Germany to fix the borders of their respective colonies.

C – The Eastern regions

Towards the East, in 1864, Mage and Quintin were sent to Ahmadou, the son of El Hadji Omar, at *Ségou*. They came back in 1866, with a large amount of information on the Toucouleur Empire. In 1876, Brière de l'Isle became the head of the government in Saint-Louis and established a real expansion policy towards Niger.

In 1878, Paul Soleillet was sent on an exploratory mission. He brought back a great deal of information that was to be synthesized in a book : "*Voyage to Ségou 1878 - 1879 - Paris Challamel 1887 - 516p*". From 1878 to 1898, various columns¹⁸³ were led towards Upper Senegal and Upper Senegal-Niger. Their intentions were to destroy Ahmadou's powers, as he opposed access to the commercial highways of the North through Ségou and Niore, and those of Samory, who, to be able to put up a stronger resistance, entered into relations with the English in Sierra Leone.

¹⁸³ Amongst the columns, one may name : Galliéni (1879 ; 1880-1881 ; 1886-1887 ; 1887-1888), Borgnis Desbordes (1881-1883), Boileve (1883-1884), Combes (1884-1885), Frey (1885-1886), Archinard (1888-1893), Humbert (1891-1892), Combes (1892-1893), Bonnier and Joffre (1893-1894), de Trentinian...

Little by little, the resistance was vanquished. Mamadou Lamine Dramé was killed in 1887, at the border of Senegal and The Gambia. In 1890, Archinard put an end to the Toucouleur Empire of Ségou that Ahmadou was forced to abandon in spite of the help brought to him by Alboury Ndiaye of Djoloff, in Senegal. In 1891, Samory suffered his first setback and was made prisoner on 29 September 1898 at Geulé (Côte d'Ivoire¹⁸⁴). He was exiled to Gabon, where he died, in 1900. Sudan was now conquered.

It was Binger who, setting out from *Bamako* in 1887, reached *Kong* in 1888 and continued his exploration through *Bobo-Dioulasso* and *Ouagadougou*. In 1889, Doctor Crozat who crossed the Mossi country continued his mission. In 1896-1897, the Voulet-Chanoine mission conquered the Mossi country, committing many atrocities. By the Franco-German convention of 23 July 1897, Gourma was recognized as French. The Franco-English convention of 1898 established that what would become Upper Volta was a possession of France.

The French had been present ever since 1841-1842 in Lower-Niger. But it was in 1896, that Lieutenant Hourst explored the Niger from Kabara to Say. In 1897, the occupation by France of the territory included between Say and Boussa was effective. The Franco-English convention of 14 June 1898 completed the sharing of the Niger curve and fixed the limits between English and French possessions around a line leading from Say to Barroua, in Chad. In 1899, the Joalland-Meynier mission set up a post at Zinder. Niger was born.

D – The Northern regions

In the north, it was Xavier Coppolani who occupied Mauritania. In 1898, he was put in charge of a mission to "successively break up, simply through political action" the Moorish communities. With the help of marabouts Cheikh Saad Bou and Cheikh Sidya, he obtained the protectorate of the Moorish country. Through the Franco-Spanish agreement of 27 June 1900, France gained possession of the territories situated between the Rio de Oro (Western Sahara now) and the Senegal river.

England, on its part, multiplied and fortified its positions. It was present in the West (The Gambia, Sierra Leone, the Gold Coast and Nigeria), in the East (Kenya), in the South (Rhodesia) and in the North (Egypt and Sudan).

As regards the demarcation of territories, on the English side, a *Franco-British convention* of 5 August fixed, as a border between the French and British possessions, a line leading from Say on the Niger, to Barroua, on Lake Chad, drawn in such a way that it left on the British side "all that belonged equitably to the Sultan of Sokoto".

A *Franco-Portuguese convention* of 12 May 1886 also outlined the frontiers between French and Portuguese possessions. Also, on 27 June 1900, France signed an *agreement with Spain*, which recognized its sovereignty over the territories between the Rio de Oro and Senegal. It also signed *agreements with Germany*, the sovereign in Togo and Cameroon.

France had thenceforth conquered an entire area in West Africa. The European expansion extended to the rest of the Continent and to other regions of the world.

¹⁸⁴ Géulé according to Yves Person, Guélérou according to other sources.

E – Other conquests

In the rest of the African Continent, France had established itself in the North, in Tunisia, after the Treaty of Bardo signed in 1881 and the Marsa Convention, two years later. It clashed swords with England in Egypt. The latter triumphed and extended its authority to Sudan.

At the beginning of the century, France established its protectorate over Morocco. Italy obtained Tripolitania and Cyrenaica, while Great Britain took over Afghanistan.

In Central Africa, a few years earlier, through the actions of Savorgnan de Brazza and Sergeant Malamine, France had penetrated the Congo Basin and established its authority over the countries on the Right Bank of the Congo river.

Leopold II, the Belgian King, had taken over the country on the left bank at the initiative of Stanley, while Nachtigal, acting on behalf of Germany, placed Cameroon under the occupation of this country.

This simultaneous presence of rival foreign powers in the central part of the continent was a source of conflict. In spite of the convention signed by England and Portugal in 1884, the face to face encounter between Captain Marchand and Kitchener at Fachoda in 1898, for example, almost provoked an armed confrontation.

In East Africa, the Germans and the English competed to establish their influence in Zanzibar, Uganda, and in Kenya, while the Italians concentrated their efforts on Somalia and Ethiopia, where they lost a battle in 1896, at Adoua. The French took possession of Madagascar.

In the South of the Continent, the English and Germans competed with each other especially after the discovery of the Gold mines of Transvaal, in 1886.

On the Asian continent, the French were present in Indochina, obtained Annam and Tonkin and set up their protectorate over Laos.

Great Britain, established in India, extended its influence over Burma and tried to prevent the Russian intrusion between India and Central Asia through Turkestan, Persia and Afghanistan.

Tibet returned to the Chinese while Persia managed to preserve its territorial integrity.

It was to avoid quarrels between the European countries engaged in the process of occupying African soil that the Conference of Berlin was organized.

II – The Conference of Berlin

It was held from 15 November 1884 to 26 February 1885 in Berlin.

It was the rivalry caused by the occupation of Congo that triggered off the "*course au clocher*" (scramble). In 1876, Leopold II, the Belgian King, convened an International Conference on Geography, which gave birth to the International African Association (IAA). In 1879, Leopold II hired Stanley and gave him the assignment of negotiating with the people of Lower Congo to set up Independent States under the aegis of the Committee of Studies of Upper Congo, which he had created earlier.

Concerned about protecting the fruit of his explorations in the Congo basin, Savorgnan de Brazza was assigned by AIA's French Committee, to find a way for France to penetrate Congo. In 1881, accompanied by Sergeant Malamine, he signed a protectorate treaty with Makoko, ratified in November 1882.

Portugal, worried by the French and Leopoldian presence in Congo, made England recognize its sovereignty over both sides of the mouth of the Congo, in 1884.

It was to put an end to these rivalries that Bismarck (1862-1888) decided to organize an international conference. But prior to that, he acquired the recognition of the Reich's protectorate over Togo, Cameroon, South-West Africa and Tanganyika.

France, Germany, Australia, Hungary, Denmark, Spain, the United States, Great Britain, Italy, Netherlands, Portugal, Russia, The Kingdom of Sweden and Norway, as well as Turkey, took part in the conference.

The conference adopted resolutions ratified by the participating countries, and the major ones were :

- . The trade of slaves was forbidden.
- . The freedom of navigation on the Congo and the Niger and its tributaries was acknowledged.
- . The Congo basin was neutral territory.
- . By virtue of Article 34 of the Act of Berlin, any European nation thenceforth taking possession of a territory elsewhere on the African Coasts or assuming a protectorate, had to inform the signatories of the Act of Berlin so that its claims could be acknowledged.
- . Article 35 recommended the effective occupation by adequate troops.

Thus, it may be seen that the Berlin Conference did not really divide Africa. The divisions had already been made. But the conference established an internationally accepted legal base to the actual situation that prevailed.

"The Conference of Berlin was accompanied by negotiations that demarcated the Independent State founded by Leopold II and the coastal territories acquired by the other powers. It specified that thenceforth, any new establishment elsewhere, on the coast, had to be notified and followed by an effective occupation"¹⁸⁵.

However it was also stated that the Conference had helped preserve and enhance freedom of trade. *"In Berlin, far from sharing Africa, the powers made an ultimate effort to maintain the freedom of trade and equal access to all their citizens in the regions that had not yet been seized by any one of them. But in vain... The scramble had already begun. It intensified at the turn of the year 1889-1890"¹⁸⁶.*

¹⁸⁵ Brunschwig (Henri), op, cit., p.175.

¹⁸⁶ Bouche (Denise), Histoire de la colonisation française (History of French Colonization), p. 68.

Whatever the case may be, it may be remembered that the Conference of Berlin "*decided on the covetous desires and managed an amiable allocation of the areas of influence and occupation*"¹⁸⁷.

It was the beginning of colonization.

It can be also noted that during these years, 1880-1890, Europe accumulated capital and developed new technologies, which supported the development of its industry. It was the era of imperialism, since politics and commerce were thenceforth intertwined and European administrations offered their support to industrialists and traders in their quest for new markets in Africa.

Box 2.21

Imperialism

Several reasons have been put forward to explain the change from liberalism that prevailed until then to imperialism that took over inexorably as from the 1880s. Imperialism may be defined as the practice of a powerful State wishing to extend its political, economic, cultural and military hegemony over other weaker nations. Among the various reasons, the following may be evoked :

- The industrial revolution : Europe was looking for new outlets for its products and sources for the raw materials required by its industries. This trend was even more marked as Europe faced an economic crisis between 1873 and 1896. France and Germany went for protectionism while the United Kingdom remained faithful to the practice of free trade despite the crisis it was facing and despite Joseph Chamberlain's efforts (1836-1914)¹⁸⁸ while, at the same time, continuing to look for captive markets abroad.

- Italy under Cavour, and Germany under Bismarck, had succeeded in achieving unity between 1816 et 1870 for Italy, and 1862 et 1871 for Germany. Conflict between the European nations began to rear its head. Each one wanted to establish colonies abroad, the argument being that if it did not capture territory abroad, the others would.

- France, its self-esteem shattered by the defeat of 1870, tried, after a brief respite, to recapture its previous position through colonial expansion. Germany urged it on, in order to distract attention from its own designs on Alsace and Lorraine ; it hoped, at the same time, to put France in the wrong with other nations bent on colonization, particularly Italy in Tunisia and England in Sudan.

- Establishing colonies could have been a solution to counter the dangers of revolution ; the process could also provide an outlet for demographic problems and social tensions. Victor Hugo suggested that "proletariat" could be transformed into "proprietor" by urging the former towards emigration. The European population, that remained almost unchanged until about 1750, suddenly began to increase rapidly and in a sustained manner. It went up by 90 per cent between 1750 et 1850 as against 40 per cent between 1650 and 1750, an increase, in absolute terms, of 126 million people as against 40 million. Thus, the population of France doubled between 1700 and 1850 while in Great Britain, it quadrupled during the same period.

¹⁸⁷ Rémond (René), *Le XIX^e siècle de 1815 à 1914* (The 19th century from 1815 to 1914), p 226.

¹⁸⁸ Chamberlain (Joseph), British politician, Minister of Commerce (1880-1886), then Colonial Secretary (1895-1903). He was an ardent advocate of imperialism.

- Moral and cultural reasons : The Europeans were convinced that the white man was of a superior species. He had, therefore, a duty to carry civilization, particularly the spirit of scientific thought and Christianity, to other men and countries. This was the ideal vehemently defended by Rudyard Kipling¹⁸⁹.

- Political ambitions : In the technical and technological fields, Europe was way ahead of other continents. It boasted several inventions and discoveries made towards the end of the 18th century and during the course of the 19th century : Chappe invented the *telegraph* in 1794 ; the first *Ordnance Survey Map* dates back to 1817 ; Pelletier and Caventou discovered *quinine* in 1820 ; in 1825 appeared the *high explosive shell* that replaced the old metal canon balls and gave the artillery a much greater striking force, and the railways were developed by Stephenson, the *wireless* was discovered by Morse (1844), the rifle made its appearance in 1870, followed by the Mauser *repeating rifle* and the *machine gun* in 1883. Europe was bent on conquering new territories and appropriating stopovers or ports on the great maritime routes. It had, without a doubt, the means to do this, more so as Africa had been considerably weakened by three hundred years of slave trade.

Once the Europeans had conquered these vast territories, they had to develop an administrative, economic, financial and monetary organization based on the doctrines and ideologies that underpinned the colonial adventure.

III - The colonial doctrine

Several definitions have been applied to the practice of colonization. According to François Luchaire : "*Colonization is a state enterprise that results in a migration of the colonizing peoples and their domination of the lands and peoples colonized*"¹⁹⁰.

It was therefore the State, and not a private organization, which took the initiative to colonize another people by imposing its power upon them.

It was also "the emigration of the colonizing people". This assertion must however be qualified for, if Algeria was a settler colony, Black Africa, on the other hand was, because of its inhospitable climate as far as Europeans were concerned, primarily a colony for exploitation.

The colonial administration had of course to call upon European civil servants, armed personnel and businessmen to manage their new territories and render them productive. But the Europeans were, in effect, a very small minority in comparison to the enormous mass of natives.

Charles Lavollée, on the subject of the objectives of colonial policy, says, "It is above all most important to increase the supply of raw materials and create outlets for the finished product. The colonies satisfied this dual need by activating the progress of cultures, consumption and trade across the globe".

¹⁸⁹ Rudyard Kipling (1865-1936) : British writer. His poetry and prose are a blend of childhood memories and a celebration of colonialism.

¹⁹⁰ Luchaire (François), *Manuel de Droit d'Outre-Mer* (Manual of Overseas Law), Sirey, Paris, 1949, p. 574.

Some theoreticians of colonialism have relegated to the background the essential aim of this enterprise, which was the exploitation of colonial resources, by upholding philosophical, humanitarian or racist arguments.

Thus, Ernest Renan (1823-1892) asserted that *"there is nothing shocking about the conquest by a superior race which takes over and governs a country of inferior race"*. J. Duval wrote that colonization was *"the moral education of young societies, or at least in so far as their industrial education is concerned"*. Georges Hardy presented colonization as *"a birthright"* and the teaching of French as *"a moral conquest"*. Rudyard Kipling spoke of the *"the white man's burden"*.

"Only the civilized peoples colonize", wrote Leroy-Beaulieu in 1874 in his book *"De la colonisation chez les peuples modernes"* (Colonization amongst modern people)¹⁹¹.

Jules Ferry defended the same concept before the Chamber of Deputies on 28 July 1885 : *"I repeat that the superior races have a right because they have a duty. They have a duty to civilize the inferior races"*.

The colonial enterprise was not, however, a project shared by the French population in its entirety. There were virulent debates between "colonialists" and "anti-colonialists".

Some amongst the latter felt that it was more important to recapture Alsace and Lorraine, occupied by the Germans since the war of 1870. Paul Déroulède defended this point of view prior to the Conference of Berlin : *"Before going off to install the French flag in places it has never before been seen, we should reinstall it where it has fluttered in the past and where we have all seen it hold sway with our own eyes"*¹⁹².

There were those who felt that the colonies were indeed a "burden", and found it totally indefensible that France was not only spending so much money on them but was also shedding the blood of her citizens to defend these overseas territories.

Then there were others who were hostile to the idea of the French emigrating when they should be reproducing, and increasing the population to sustain the comparison with other European nations.

The colonial concept did, despite all these definitions, finally impose itself through military might backed by industry and trade.

The colonial administration rested, therefore, upon the idea that *"the colony has neither liberty nor sovereignty. Sovereignty belongs entirely to the home country"*¹⁹³. And further :

*"Colonial domination is the most widespread, and also the most structured formal connection between the continents ; its most distinctive characteristic is the fundamental and permanent inequality between the mother country and the colonies"*¹⁹⁴.

The native populations were subjected to laws that were different from those that governed the people of the mother country.

¹⁹¹ Remond (René), op. cit., p. 213.

¹⁹² Leroy-Beaulieu (Paul), *De la colonisation chez les peuples modernes* (Colonization amongst modern peoples), fifth edition, revised and enlarged, Paris, 1901.

¹⁹³ Bouche (Denise), op. cit., p. 55.

¹⁹⁴ Luchaire (François), *Manuel de Droit d'Outre-Mer* (Manual of Overseas Law), Sirey, Paris, 1949, p. 574.

With the exception of the people of Saint-Louis, Gorée, Dakar and Rufisque who have French citizenship according to the Act¹⁹⁵ of 24 April 1833, the people of the other colonies are "French subjects" governed by the "Native Code" (decree of 30 November 1887) and the "Native Jurisdictions".

It was not till 7 May 1946, when the Lamine Guèye Act was passed, that French citizenship was conferred on all nationals of the French Union. But did this mean that they were French citizens, or were they citizens of the French Union ? This was not a clear cut solution for, even after the act was voted in, French Union nationals were divided between "citizens with civilian status" (former citizens) and citizens with "personal status" (former subjects).

With regard to the economic relations, the implications of the affirmation according to which "the colonies are at the service of the mother country", are referred to in the economic literature of the time as the concept of the "Colonial Pact" (cf. Box 2.23).



Joseph Chamberlain
(page 251)

¹⁹⁵ Quoted by Michel (Marc), Colonisation, Chap V in : *Histoire des droites en France* (History of the Right in France), edited by J. F. Sirinelli, NRF, Paris, 1992, pp. 124-163.

The Native Codes

To avoid trouble, and any challenge to its authority, the Colonial Administration gave the district of Commanders and the subdivision Chiefs, the authority to punish "guilty" natives by imprisonment, imposition of fines or assignment to public services. Instituting an arbitrary system was, for the Administration, a question of "maintaining order".

The Decree of 30 September 1887 established disciplinary action to be taken in cases of special offences committed by the natives. The maximum penalty was 15 days in prison and a fine of 100 Francs.

The Order of 12 October 1888 listed the special offences and fixed penalties for the natives. These are divided into abstentions and actions. The following fell within the heading of "abstentions" : negligence in the payment of taxes and in the handing over of payments in kind ; refusal to answer a summons by the Government, etc. Amongst the "actions", one could include : disrespectful or offensive acts performed against a representative or agent of the Government, killing cattle outside the designated areas, etc.

The Order of 6 September 1891 authorized the Administration to promulgate the Act of 22 July 1867 with reference to civil imprisonment in Senegal.

The powers with regard to native policy that had, hitherto, devolved upon the Governor were, after 1902, given over to the Governor General of AOF. The latter was thus empowered to order 10-year prison sentences and the confiscation of estates belonging to "natives guilty of insurrection against the authority of France, of serious political agitation or of actions likely to compromise public security".

This plethora of texts and rules pertaining to the subject was, by the Decree of 7 December 1917, amalgamated into a "Code for the Natives".

The end of the First World War brought about a certain flexibility in the Code, but the system remained in force.

It finally disappeared with the Decree of 22 December 1945 that abolished common sanctions against the natives in the AOF and in the AEF (Afrique Equatoriale Française).

Saliou Mbaye, *Histoire des Institutions coloniales françaises en Afrique de l'Ouest* (History of French Colonial Institutions in West Africa).

The "Colonial Pact"

When the great European colonial powers : Spain, Portugal, Holland, England and France established their empires from the 16th century onwards, they tried to integrate the economies of their colonies into their own in order, on the one hand, to ensure a monopoly in their economic relationship with their colonies and, on the other, a monopoly over the major part of the benefits that accrued from trade.

The implementation of this doctrine, that was termed the "Colonial Pact", was relatively complex. It rested on four main principles :

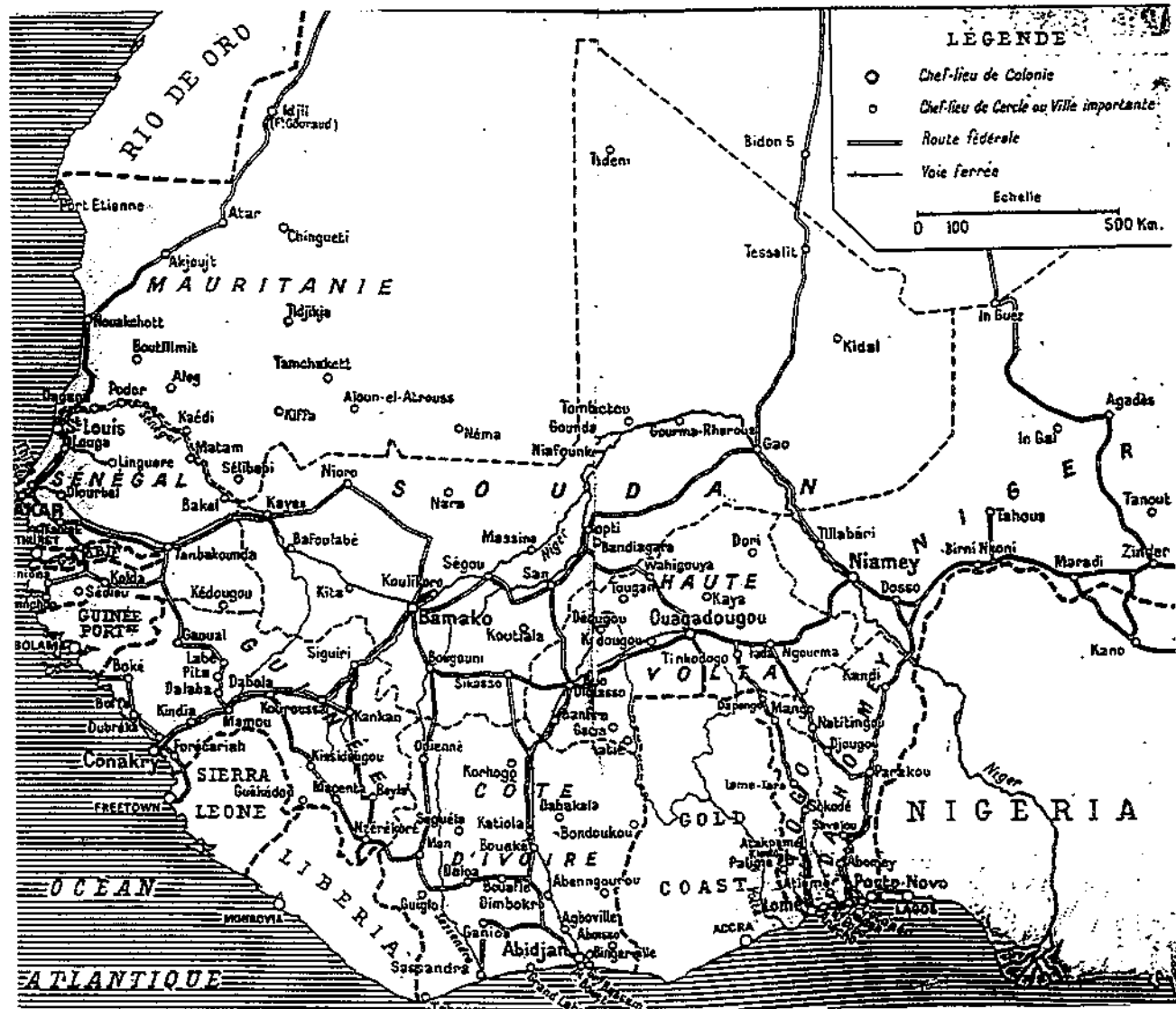
- 1 - The colonies could not buy or sell other than from or to the home country ;
- 2 - They could not set up manufacturing units because the mother country reserved the monopoly rights to transform raw materials into finished products ;
- 3 - They could neither receive nor expedite goods except by way of the mother country's ships ;
- 4 - In return, the home country received colonial goods either exempt from customs duty, or at least at reduced rates of duty.

The system that, under one form or another but with progressive mitigations, remained in force from the 16th to the 20th centuries, resulted undeniably in a certain economic integration. But if this integration, based on force, was to the advantage of the home countries, it did a great deal of harm to the development of the colonial economies.

It led the 13 British colonies of North America to declare independence in 1776. The same pattern was repeated in the Spanish colonies in the 19th century. The movement for independence was almost completed with the break up of all the great colonial empires after the Second World War¹⁹⁶.

Allais (Maurice), *La libéralisation des relations économiques internationales* (The Liberalization of International Economic Relations), Gauthier-Villars, Paris, 1972, pp. 37-38.

¹⁹⁶ In fact, maintaining monetary zones constituted, in the narrow sense, a survival of the colonial pact concept.



Map of French West Africa

IV - The Administration

Once their borders were defined, the colonies, under the authority of the central government in Paris, were regrouped into "federations" and given an administrative structure.

A - The territorial development of AOF

The Union of Indo-China came into being in 1887 ; the General Government of AOF was established in 1895, followed by Madagascar in 1896-97 and then in 1910, AEF was formed with the inclusion of the colonies of Congo, Gabon, Oubangui-Chari (present day Central Africa) and Chad.

The Government of AOF composed of eight territories : Senegal, Sudan (present-day Mali), Upper-Volta (now Burkina), Niger, Guinea, Côte d'Ivoire, Dahomey (now Benin), Mauritania was, in effect, created by the Decree of 16 June 1895. Togo, a United Nations mandate, was annexed to AOF from 1936 to 1946.

The territory of AOF covered an area of 4,701,500 sq. km and had a population of 18,674,000 inhabitants in 1954¹⁹⁷ (cf. table).

This population was estimated at, respectively, 11,674,000 in 1916, 12,422,000 in 1921, 13,499,000 in 1926, 14,576,000 in 1931, 15,955,000 in 1945 and 17,124,500 in 1950.

As an entity, French West Africa lay between Morocco and Algeria in the north, Spanish Rio de Oro in the northwest and the Atlantic Ocean to the west. It was bordered in the south by the enclaves of The Gambia, Sierra Leone, Liberia and the Gold Coast ; in the east by British Nigeria and French Equatorial Africa and in the north east by Libya.

Amongst the reasons that have been evoked to justify the creation of AOF, it must be recalled that it was necessary to establish an administrative, political and military unity to cover the different possessions, along with a financial solidarity and, of course, a coordination in the economic field.

The report on the presentation of the Decree of 17 October 1899, bearing on the reorganization of the General Administration, was explicit on the subject : "It is in the economic field, which is of necessity the prelude to any close assimilation of interests, that it is useful at the highest degree to shortly prepare and start work in the French African territories".

It was thus evident that each of the colonies was specialized in the production of the commodity or goods that would, first and above all, be of use to the home country. Senegal produced groundnuts, Dahomey cabbage palmetto ; there were bananas in Guinea and coffee and cocoa in Côte d'Ivoire, etc.

¹⁹⁷ Richard-Molard (Jacques), *Afrique Occidentale Française* (French West Africa), Berger, Levrault, Paris, 1956, p. 182.

Estimate of the area and population per territory in French West Africa in 1954

Territories	Area Thousand sq. km	Population (estimate)	Number of inhabitants per sq. km
Senegal including delegation of <i>Dakar</i>	209.0 0.5	2,292,000 300,000	11.0 600.0
Sudan	1,193.0	3,631,000	3.0
Upper Volta	274.5	3,322,000	12.1
Niger	1,281.0	2,326,000	1.8
Guinea	275.0	2,501,000	9.0
Côte d'Ivoire	319.4	2,450,000	7.8
Dahomey	113.7	1,578,000	14.0
Mauritania	943.0	573,000	-0.6
Entire AOF (rounded figures)	4,701.5	18,674,000	3.7

Estimate of the European population in 1954

Delegation of Dakar	28,000
Senegal	10,200
Sudan	5,800
Mauritania	800
Guinea	6,900
Côte d'Ivoire	10,500
Upper Volta	2,300
Dahomey	2,200
Niger	2,000

Source : Richard - Molard op. cit.

a - Senegal

With an area of 209,000 sq. km, Senegal had a seaboard that stretched for about 500 km.

In the 1950s, its population was estimated at 2.2 millions inhabitants, a population that was composed of Woloffs, Poulars¹⁹⁸, Sérères, Diolas, Mandingues, Sarakolés, Peuls, Mankagnes, Manjaques, Bainounks, Bassaris, Koniaguis, Pépels and some Europeans.

The French presence in Senegal dated back to 1659. The principal resistance to French occupation was vanquished in 1887 and, in 1900, Senegal attained, *more or less*, its present day frontiers.

The Atlantic Ocean ran along the *western coast* of the country. The Decree of 1900 fixed its frontiers with Sudan on the east. The General Order of 1915, modified by the Decree of 13 December 1933, placed Guinea (Conakry) to the south ; the civil territory of Mauritania fell to the north by the Decree of 25 February 1905, that was abrogated by the Decree of 8 December 1933 by which the frontiers of Senegal and Mauritania were reestablished.

The *Franco-Portuguese Convention of 12 May 1886 established the frontiers between Senegal and Portuguese Guinea* (Bissau). In the same year, Ziguinchor and the region surrounding it, which had been a Portuguese territory since 1457, was annexed to Senegal. Following the work of several missions between 1889 and 1905, the frontiers of Senegal, on the Gambian side, were confirmed by the Anglo-French Convention of 8 April 1904.

Senegal was unified in 1887 and the territory finally consolidated in 1904. Saint Louis was the capital city of the country.

It was the only country in AOF where, until 1956, there still existed *full-fledged districts*, - Saint-Louis, Gorée, Rufisque, Dakar - with their original inhabitants and their descendants being recognized as having French citizenship. Until 1946, they elected a member of parliament to the French National Assembly. And again, until 1946 they also had a *local representative assembly* (*General Council*, 1840-1848, 1879-1920), Colonial Council (1920-1946).

Besides *Saint-Louis*, Senegal possessed an ancient urban network composed of Dakar, Rufisque, Thiès, Kaolack, Ziguinchor, Sédhiou, Kolda, Louga, Tambacounda, Oussouye, Dagana, Podor, Matam, Bakel, Diourbel and Foundiougne.

The city of Dakar, being the seat of the General Government, was of particular interest to the authorities. Thus, from 1924 to 1946, the Dakar constituency and its dependencies comprised the districts of Gorée, Dakar and its suburbs. It was governed by an administrator of the rank of Governor who is directly answerable to the Governor General. From 1946 to 1958, the constituency became the Delegation of Dakar and its Dependencies, and was governed by an Administrator under the authority of the Governor of Senegal.

The economy was notable for the production of groundnuts, but other cultivation included rice, millet, corn, cassava and several other foodcrops. There was also cattle breeding, fishing, and phosphates. Several ports served the country : Dakar, Saint-Louis, Kaolack, Ziguinchor ; and a road and rail network, completed in 1885, connected Dakar to St Louis, and another, completed between 1903 and 1933, connected Thiès-Kayes-Niger.

¹⁹⁸ Alpoularé.

SENEGAL



b - Sudan

Including two mountainous regions, Sudan was irrigated by the rivers Niger and Senegal and their tributaries. The country was formed by three great natural regions to the north and the south. There was the Saharan region proper that fell between Algeria and Mauritania, with notable places like Taoudéouit, Tessalit, Fessalite and Kidal ; then there was a Sahelian zone and a Sudanese zone.

Sudan became completely occupied in the years 1890-1898. In 1899, the region was broken up and some districts were attached to Dahomey, others to Côte d'Ivoire, Guinea and to Senegal. By the Decree of 10 October 1902, Senegal, in its turn, was divided into administrative districts, directly under the authority of the Governor, and into protectorates. The latter were detached from Senegal and made up the Senegambia-Niger region along with the Sudan circles under the direct authority of the General Government.

The Decree of 18 October 1904 divided up this very large territory. Thus, the districts situated to the west of Kayes, on the right bank of the River Senegal, were attached to Senegal; the rest constituted the Upper Senegal-Niger area, a vast country that went all the way to the Mossi Kingdom (which later became Upper Volta) and to the Songhay Kingdom (which was to become Niger).

Bamako was the new capital. Niger was separated from Sudan in 1911, and Upper Volta in 1919. In 1920, it was renamed Sudan. From 1933 to 1947, the western districts of Upper Volta were reattached to the country.

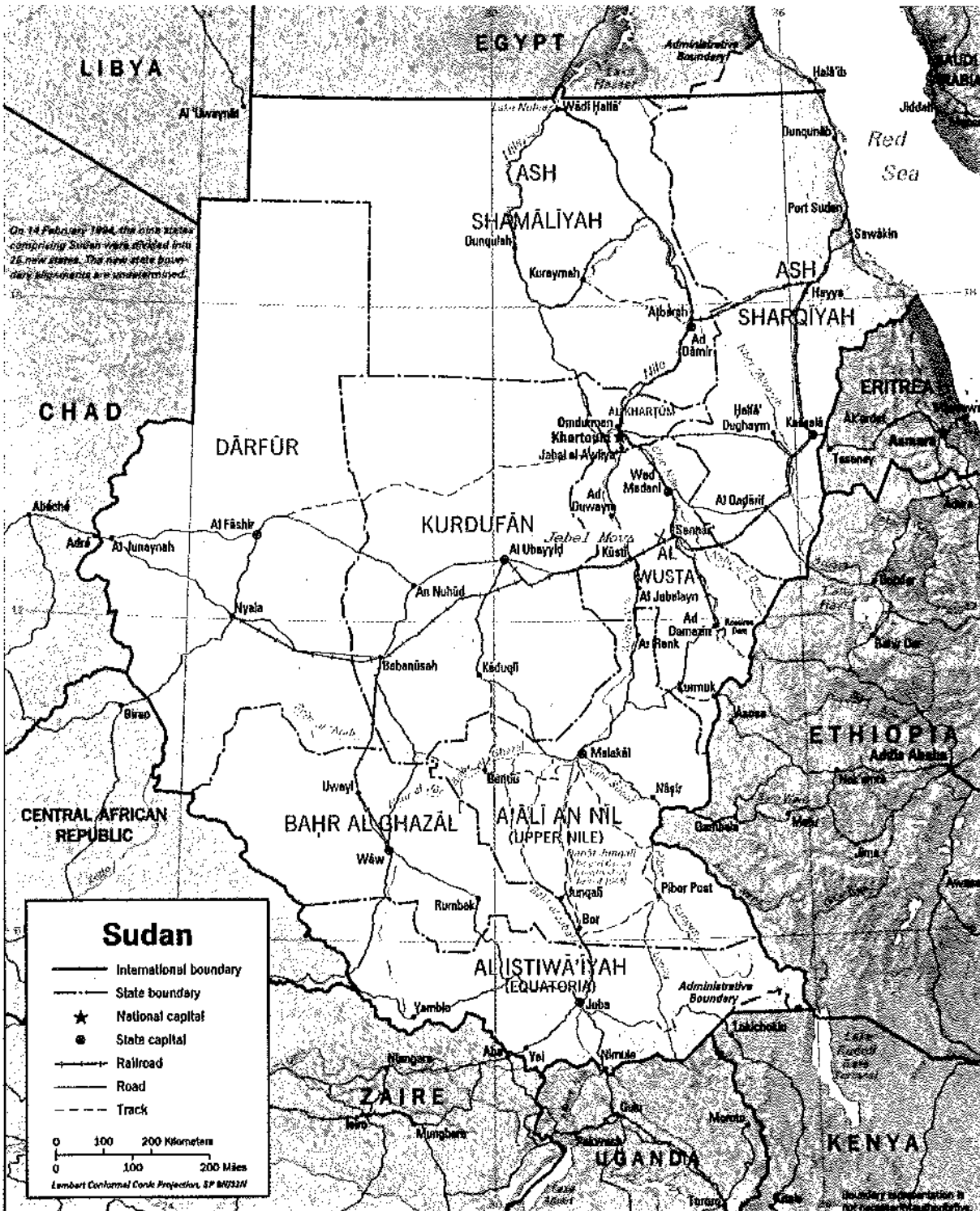
Sudan covered an area of 1,193,000 sq. km. It was bordered in the *east* by Niger, to the *west* by Senegal, with Mauritania and Algeria to the *north* and Upper Volta and French Guinea in the south. With a population of more than 3,618,000 inhabitants in the 1950s, it was *the most populated colony in the AOF*. Other than the Bambaras and the Poulars, there are the Markas, the Songhaïs, the Touareg, Malinkés and Sénoufos along with people of European origin.

Besides Bamako, Sudan comprised several other cities like Kayes, Kita, Ségou, Bougouni, Nioro, Sikasso, Koutiala, Timbuktu, Gao, Mopti and Bandiagara.

The country produced groundnuts, cotton, gum, leather and skins, shea, sisal. The minor produce included wool, wax and tobacco. Sudan was one of the largest exporters of cattle in the AOF and one of its principal producers of rice and millet.

In 1932, engineer Bélime created the Niger Agency for the cultivation of cotton and rice.

SUDAN



c - Upper Volta

With an area of 274,500 sq. km, Upper Volta was made up of an immense plateau of laterite cut up by valleys and traversed by several waterways and rivers flowing north to south. These included the Black Volta, the White Volta, the Red Volta and the Sourou. A Sudanese country, its climate was in general quite dry with, in the south, a tendency towards much greater humidity.

Upper Volta was annexed to the Sudan in 1899. On 1 March 1919, it became part of the eastern (Ouahigouya) circles of the Colony of Upper Senegal-Niger. The Decree of 5 September 1932, that became law on 1 January 1933, divided the territory between Sudan, Niger and Côte d'Ivoire. It was reestablished as a colony on 4 September 1947.

With a population of about 3,00,000 inhabitants in the 1950s, its people were made up of the Mossis, Gourounsis, Yarcés, Peuls, Dagaris, Bobos, Lobis, Senoufos, etc. Besides the capital city in *Ouagadougou*, the other cities were : Bobo-Dioulasso, Banfora, Dédougou, Fada-Ngourma, Dori, Ouahigouya, Tenkodogo, Kaya, Koudougou, etc.

The country produced cotton, groundnuts, shea butter, millet, sorghum and sesame. Vast herds of cattle and gold were also available in the region of Gaoua.

d - Niger

Stretching between the river Niger and Lake Chad, Niger was bordered on the *east* by the frontiers of AEF, on the *north* by Libya, Algeria and Sudan, to the *west* by Upper Volta and to the *south* by Dahomey and Nigeria. It had a population of 2,058,277 inhabitants in the 1950s and covered an area of 1,281,000 sq. km.

This immense territory, the largest of the eight that made up AOF, included desert country and savannah belts that were inhabited by the Haoussas, Gourmanches, Djermas, Toubbous, Sudies, along with the Beri-Beris, the Moors, Kourteys, Dagaras and Arabs.

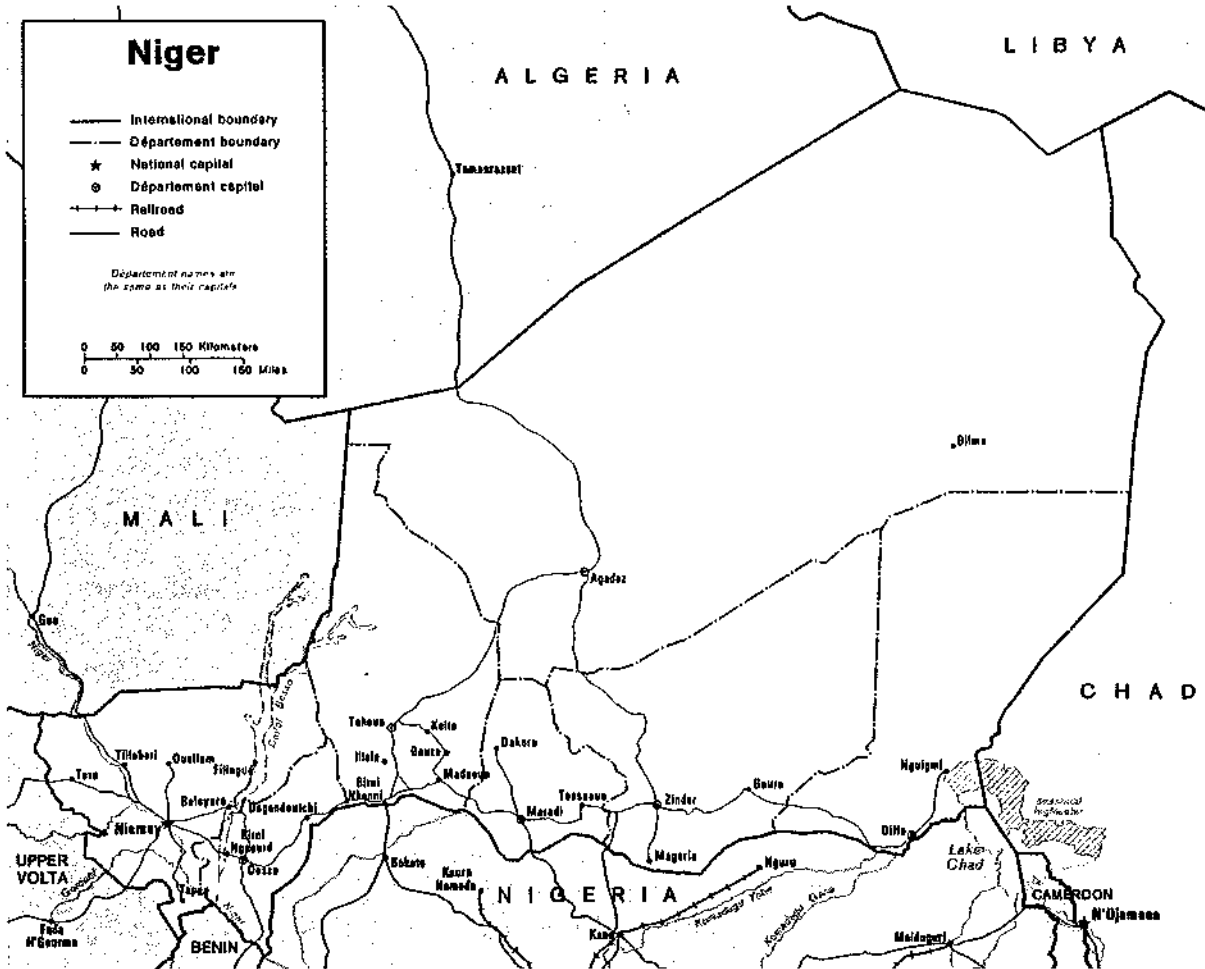
The third military territory of Zinder was created on 23 July 1900 and annexed to the Senegambia-Niger region. In 1904, the territory was under the command of a senior officer who was directly under the authority of the Governor of Upper Senegal-Niger. In 1911, the military territory was separated from Upper Senegal-Niger and was placed directly under the Governor General. On 4 December 1920, Zinder became a civilian territory of Niger that, in 1920, became the colony of Niger. In 1926, the capital was shifted from Zinder to *Niamey*. The colony grew, with the inclusion of the territories on the right bank of the Niger in 1927, and then, in 1933, with the addition of the circles of Dori and Fada Ngourma that were detached from Upper Volta.

In addition to Niamey, Niger included several other cities : Agadès, Birni Nkonni, Dogon Douchi, Dosso, Filingue, Gouré, Zinder, Madaoua, Maradi, Nguigeni, Tahoua, Téra, Tillabéri, etc.

The colony essentially produced cattle, sheep and goats, leather and skins, millet and other food products.

It also had large deposits of natron.

NIGER



e - Guinea

Guinea stretched over an area of 275,000 sq. km. It was bordered on the *east* by Côte d'Ivoire, on the *west* by the Atlantic Ocean, in the *north* by Sudan, Senegal and Portuguese Guinea and, in the *south* by Liberia and Sierra Leone.

The mountain range of Fouta-Djalou was in Guinea, a regular water shed, source not only of the two great rivers, the Senegal and the Niger, but also of numerous smaller waterways.

The country's coastline and its forested areas both had a humid climate. In the mountains, it was generally cold but Upper Guinea was hot and dry.

The colonies of the "Rivers of the South" were created by the Decree of 12 October 1882. The settlements of the Gold Coast and the Gulf of Benin were attached to them in 1886. But, in 1889, the Gold Coast and Benin settlements were taken away from Senegal and, thereafter, the Rivers of the South Colony gained administrative and financial autonomy and was placed under the authority of the Governor resident in Conakry. The Decree of 17 December 1891 renamed the colony "French Guinea and Dependencies", now under the direct control of a governor with the assistance of a General Secretary in Conakry (Guinea), a Resident in Grand-Bassam (Gold Coast) and a Lieutenant Governor for the Gulf of Benin (Dahomey) settlements.

The Decree of 10 March 1893 dismantled Guinea and created three distinct colonies, each under the control of a Governor : French Guinea, Côte d'Ivoire, and Dahomey. In 1896, the territory of Guinea was enlarged with the annexation of Fouta-Djalou and, in 1904 by the addition of the Islands of Los ceded by the British. The Franco-Liberian Accord of 1911 demarcated the frontiers between Guinea and Liberia and, in 1915, its boundaries with Senegal were established. They would be modified by the Decree of 13 December 1933.

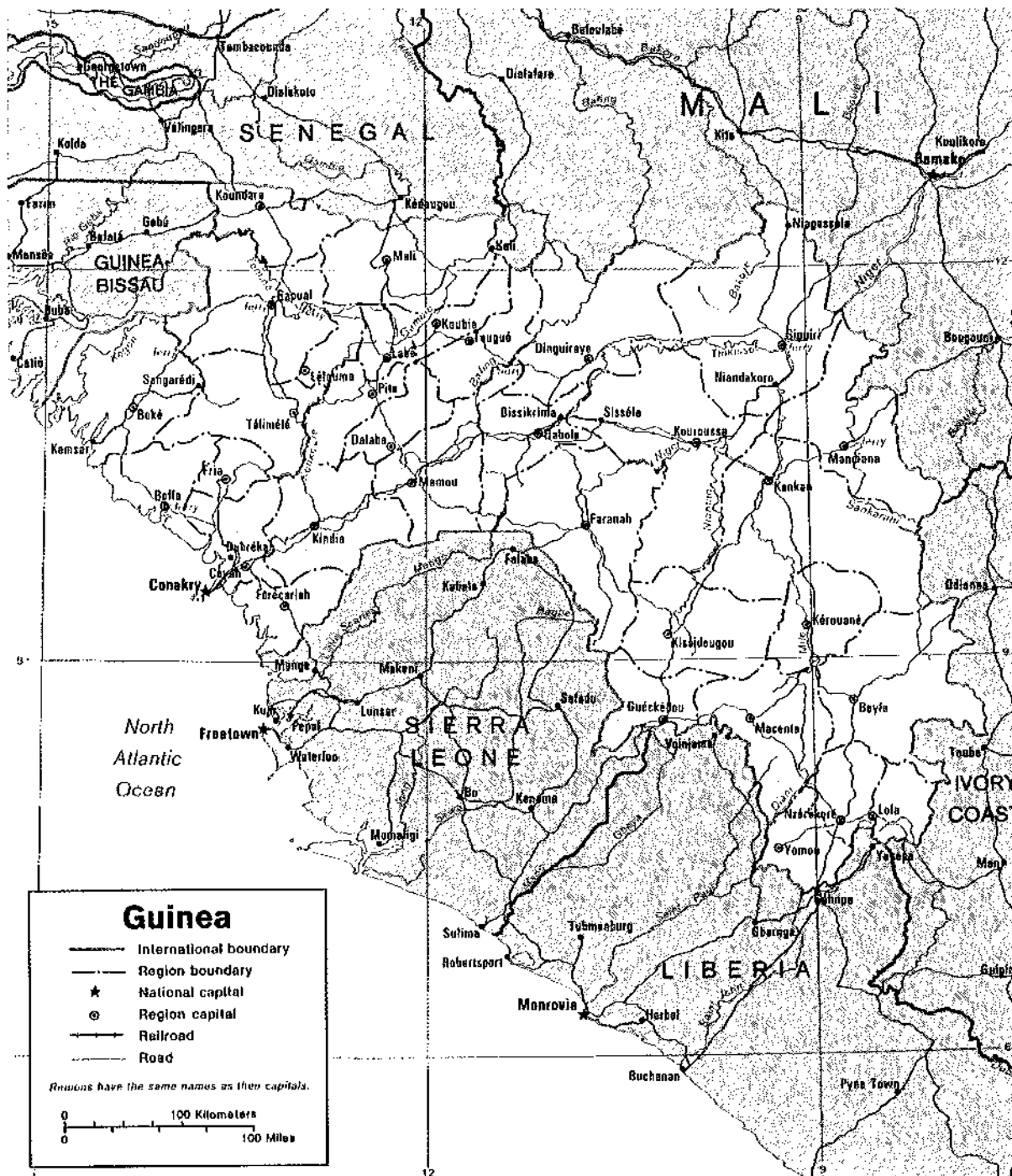
In the 1950s, its population was estimated at 2,163,521 inhabitants and was composed of Foulhas, Malinkés, Soussous and to a lesser degree of Kissins, Guerzes, Koulankos, Diakhankes, and Koniaguis, etc. to which was added a small population of European origin.

Besides the capital city in *Conakry*, Guinea had several other cities : Kankan, Nzérékoré, Beyla, Boké, Dabola, Dalaba, Kindia, Kouroussa, Labé, Macenta, Mamou, etc.

A country rich in natural resources, Guinea was well-known for its bauxite deposits in the regions of Kindia and Boke, as also its hydro-electric projects with, notably, the dams at Koucane. Guinea also possessed the first aluminum factory set up in AOF.

Agricultural production also was very varied and went from groundnuts to millet, wax, citrus trees, in particular oranges, bananas, coconuts, cola, cabbage palmetto, sesame, and, of course, rice and tobacco. Other food products included fonio, corn, sweet potatoes, cassava and yams along with millet and rice.

GUINEA



f - Côte d'Ivoire

With an area of 319,400 sq. km, Côte d'Ivoire was bordered by the Gold Coast on the *east*, French Guinea and Liberia on the *west*, by Upper Volta and Sudan on the *north* and in the *south* by the Atlantic Ocean.

A sandy coast stretched in the south of the country, but 2/5 of the land mass was covered by dense forest.

Its population in 1950s was estimated at about 2,400,000 inhabitants and comprised the Baoules, the Dioulas, Atties, Ebries, Adioukrous, Aladians, Agotas, Agnis, Ehoutifés, Koulangos, Lobis, Abrons, and the Malinkés, etc. along with a small white population.

In 1882, the Gold Coast was part of the "Rivers of the South". It was separated in 1883 and reattached to Gabon from which it separated again in 1886 to be reassigned to Senegal. It became an autonomous colony in 1893 and was renamed Côte d'Ivoire. The two Accords of 1893 established the boundaries of Côte d'Ivoire with Liberia and the Gold Coast. Between 1901-1903, the boundaries between the Gold Coast and Côte d'Ivoire were reviewed by a Joint Franco-British Commission. In 1934, the capital in Bingerville was shifted to *Abidjan*.

Besides Abidjan, Côte d'Ivoire comprised several other cities amongst which are : Bouake, Dimbokro, Grand-Bassam, Daloa, Korhogo, Man, Odienné, Gagnoa, Sassandra, Tabou, Séguéla, Katiola, Aboisso, Agboville, Dabou, Abengourou, Toumodi, Tiassale, Divo, etc.

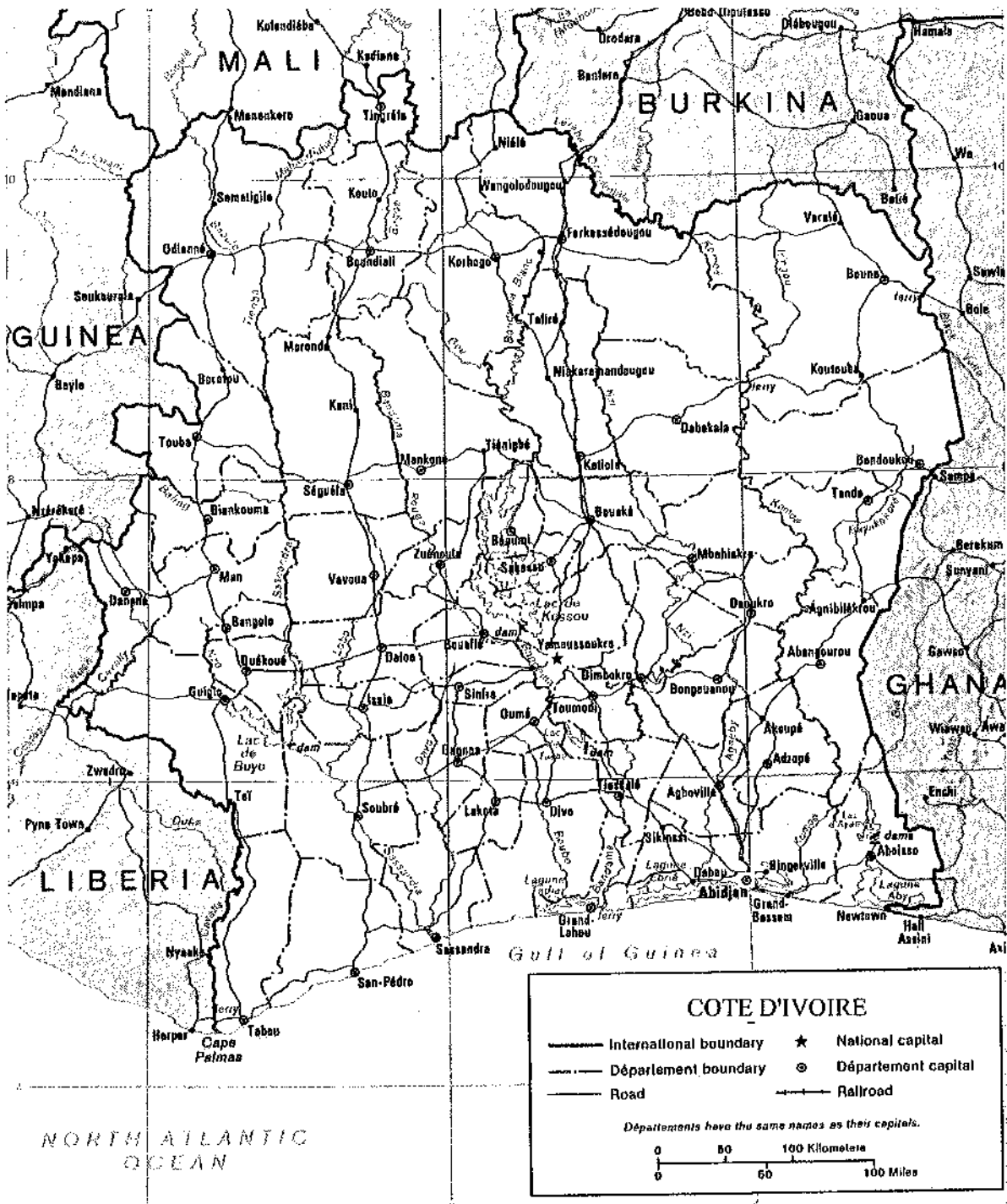
Côte d'Ivoire was a large exporter of wood, cocoa, coffee, bananas, pineapple, cola, palm oil, cabbage palmetto, copra and cotton.

The country also produced poyo bananas, cassava, yams, rice, taro, plantains, beans, corn and other vegetables.

Livestock included cows, goats and sheep.

The country also possessed deposits of gold and bitumen, granite quarries, etc.

COTE D'IVOIRE



g - Dahomey

Dahomey had an area of 113,700 sq. km. Bordered on the *east* by Nigeria, on the *west* by Togo, in the *north* by the River Niger and the Upper Volta and, in the *south*, by the Atlantic Ocean, the geography of Dahomey was characterized by a series of rocky heights notable for the Atakora mountains and a number of waterways amongst which was the Mono in the lower Dahomey area. There was also the Couffo which constituted the Ahémé Lake, and the Ouémé that flowed over 540 km before it reached Lake Nohoué where it joined the Mékrou and the Alibory, tributaries of the River Niger and the Pendjari, a tributary of the Volta.

The population in the 1950s was estimated at 1,600,000 inhabitants and included Fons, Nagos, Baribas, Peuls, Sombas, Pila-Pilas, Dendis, Yoroubas, Minas, Adjás, Pédahs, Gouns, Hollis, Haoussas... as also people of white origin.

Separated from Guinea in 1886, and reattached to Senegal, the Gulf of Benin became autonomous in 1893 and was renamed Dahomey and its Dependencies in 1894. It remained outside the area of AOF in 1895, but became a colony of the entity in 1904. Franco-British (1899) and Franco-German Accords established its frontiers with Nigeria and the Gold Coast on the one hand and with Togo on the other.

The principal cities, other than the political capital in *Porto-Novo*, were Athiémé, Cotonou the financial capital, Abomey, Bohicon, Dassa-Zoumé, Savé, Allada, Nattitingou, Zangnanavo, Djougou, Kandi, Ouidah, Parakou, Savalou, Nikki, Agoué, Malanville, Lokossa, Grand-Popo, Pobè, Kétou, Covè.

The country mainly exported cabbage palmetto, almonds and shea butter, palm oil, shelled groundnuts, cotton, green coffee, copra, coconuts, kapok, tobacco, salted and dried fish, leather and skins and, to a lesser degree, raw tobacco, vegetables, cassava flour, tapioca and soya beans.

Other cultivated products included corn, potatoes, cassava, yams, beans and groundnuts.

The country possessed large herds of livestock and deposits of granite, notably in the area of Dassa-Zoumé, Savalou, Savé, Banté, Tchetti and Lokossa.

h - Togo

With an overall area of 56,000 sq. km, Togo had a coastline that stretched 70 km east to west, and then a hinterland that formed a band, 150 km wide and 600 km long, that lay between the rivers Mono and Volta.

The population of about 1,000,000 inhabitants in the fifties was composed of Ewés, Ouatchis, Minas, Fons, Cotocolis, Cabiés, Gourmas, Lambas, Tambernans, Akpous, Anas, Adélés, and a small population of European origin.

Occupied by Germany in 1884, its boundaries were fixed by various conventions signed between Germany, France and England between 1897 and 1904. In 1912, Togo was considered a German colony. But, in 1919, following the defeat of Germany, the territory passed to France and, from 1936 to 1946, Togo became a part of AOF. In 1945, Togo was placed under the protection of France and in 1946, it was made into an associated territory of the French Union.

With its capital city in *Lomé*, the country possessed several other cities : Anécho, Atakpamé, Dapango, Bassari, Palimé, Lama-kara, Mango, and Sokodé.

Its economic activity was concentrated around the production of cocoa, cotton, copra, coffee, cabbage palmetto, groundnuts, shelled kapok, tapioca and risto. Phosphates were processed not far from Anécho along with lime stone and some other products like chromite.

Togo also produced asbestos and cultivated foodcrops such as cassava, groundnuts, beans, corn, and sweet potatoes, and possessed a vast livestock where the majority of animals were pigs and wart-hogs.

DAHOMEY - TOGO



i - Mauritania

Mauritania covered an area of 943,000 sq. km, and bordered upon French Sudan in the *east*, the Atlantic Ocean and Rio de Oro in the *west* ; in the *north* it touched the boundaries of Morocco and Algeria, and in the *south* it was bounded by the River Senegal. A desert country with a dry, hot climate, Mauritania was generally very arid except in the more humid southern reaches corresponding to the Sahelian border region.

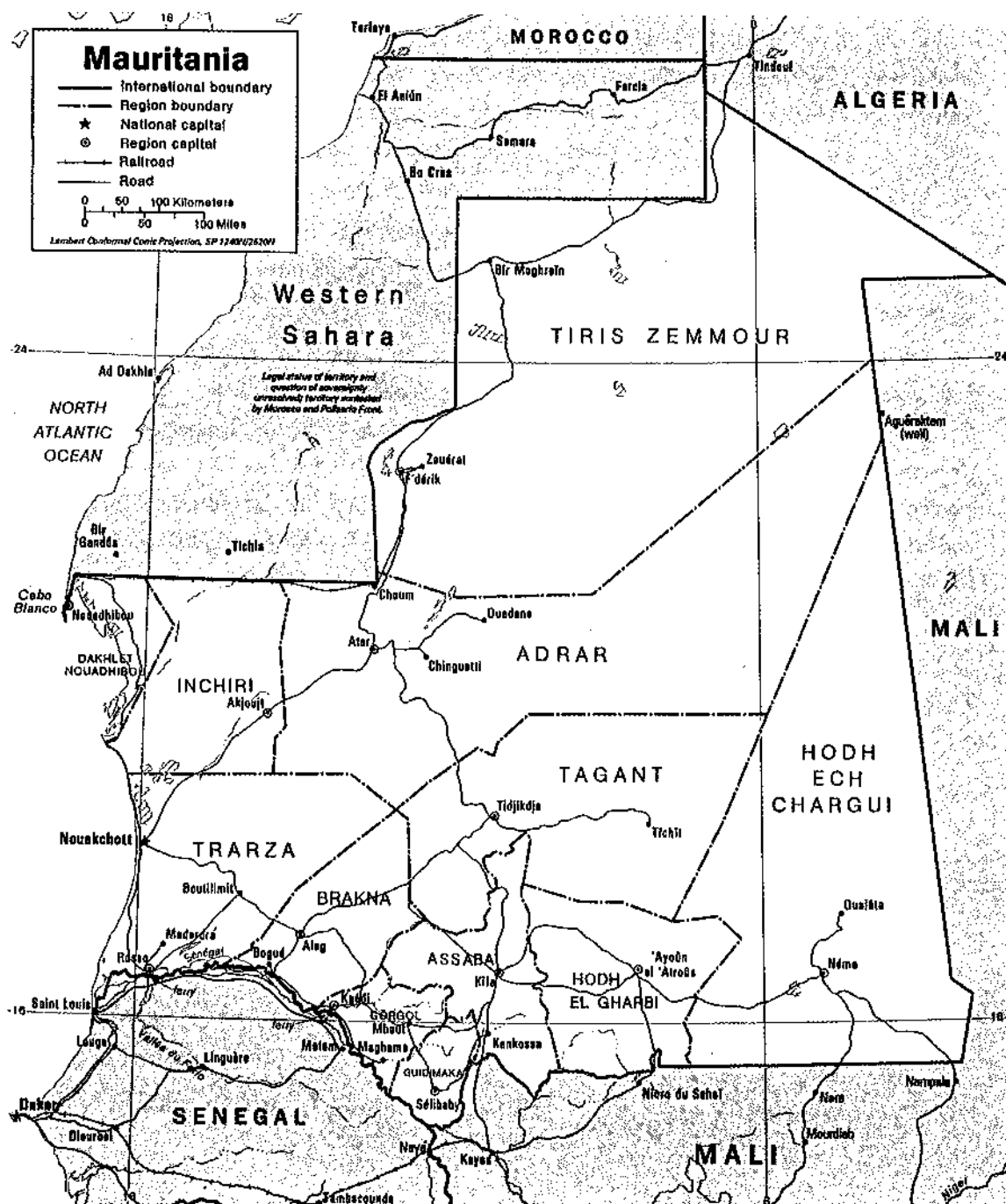
In the 1950s, its population of about 600,000 inhabitants was essentially composed of Moors, Poulars, Sarakolés and Bambaras with a small population of foreigners, mainly of European origin.

Mauritania was peacefully occupied by Xavier Coppolani. In 1903, it became a protectorate of the Mauresque country of Lower Senegal and, in 1904, it was separated from Senegal to become a civilian territory under the control of a Commissioner of the General Government. On 1 January 1921, Mauritania became a colony with its headquarters in *Saint-Louis*. In 1957, *Nouakchott* was named the capital city. Mauritania's boundaries with Upper Senegal-Niger were fixed in 1913, with Senegal in 1933 and, in 1944, with Sudan from which the Hodh, and its population of Moors, was taken away.

A country that bred sheep, goats, cattle, horses, donkeys and camels, Mauritania also exported steel, leather and skins, gum and salt, along with small quantities of millet. The country's sea coast was particularly rich in fish.

The cities included Rosso, Kaédi, Kifa, Boutilimit, Aïn El Atrouss, Tidjigia, Nouakchott, Akjoujt, Port-Etienne, Atar, Fort-Gouraud, Macina, etc.

MAURITANIA



B - The administrative organization of colonies

The French, having taken over vast territories in Africa, America, Asia and Oceania, set up a central colonial administration in Paris to implement and follow-up colonial policies. While regrouping the colonies into "federations", France also organized them administratively at the territorial and local levels.

a - At the center : Ministry of Colonial Affairs

The colonies, from the beginning, were within the purview of the *Ministry of the Navy* in the form of a special *bureau*. In 1786, this bureau was elevated to the rank of one of the four Departments of the Ministry. In 1881, Gambetta created the post of Under-Secretary of State responsible for the colonies attached to the *Ministry of Commerce*. Subsequently, the Under Secretary was sometimes attached to the Ministry of Commerce, sometimes to the Ministry of the Navy.

However, during the 1890s, the Colonial Administration was endowed with its own infrastructure, completely autonomous of the Navy. Already, in 1881, the admirals had been replaced as heads of colonies by *civilian governors*¹⁹⁹. In 1887, the *Colonial Academy*²⁰⁰ was set up to train colonial administrators. The same year the *Official Bulletin of the Colonies*²⁰¹ was published and a corps of *colonial inspectors* and *colonial administrators* was set up. *Private associations*, supportive of colonial action, appeared on the scene : the *Committee for French Africa*²⁰² was founded in 1890, and the *Colonial Union*²⁰³ in 1893. The latter was a "sort of private colonial office" founded by the traders of Marseilles.

It was in this context that Reinach, the Minister, presented a bill on the setting up of a *Ministry of Colonial Affairs*²⁰⁴. The bill was adopted on *20 March 1894*.

The Ministry of Colonial Affairs had two particularities in comparison with other ministries. The first was that it was geographically distant from the colonies that it was responsible for, and that the colonies covered a vast area that was both multiple and diverse. The second was that the Ministry covered the totality of the political, economic, social, financial and military functions of the colonies. It was for this reason that the "*Ministry of Colonial Affairs must act as an instrument for liaison and control*"²⁰⁵.

¹⁹⁹ Servatius was designated the civilian governor of the colony of Senegal in 1882.

²⁰⁰ By the Decree of 21 December 1934, it was renamed the "Ecole Nationale de la France d'Outre-Mer" (ENFOM or National Academy of Overseas France).

²⁰¹ The Official Bulletin of the Colonies (BOC or Bulletin officiel des colonies) was an autonomous publication distributed by the Ministry of Colonial Affairs. Until 1887, the official texts pertinent to the colonies were published in the "Official Bulletin of the Navy" (BOM or Bulletin officiel de la Marine).

²⁰² The Committee for French Africa was founded by Prince of Arenberg and Harry Alis. It branched out into specialized committees (Egypt, Madagascar, Ethiopia). It published the Bulletin for the Committee for French Africa.

²⁰³ The Colonial Union was founded by Chailley-Bert. It brought together bankers and business people working with the overseas territories. The Union weighed heavily upon overseas economic policies.

²⁰⁴ This was the only ministerial department ever created by the passage of an act. The Minister was looking for the backing of the people's representatives.

²⁰⁵ Report on the presentation of the Decree of 20 May 1911 with regard to the organization of the Ministry of Colonial Affairs.

This peculiarity would have an incidence on its organization. Preferential treatment was given sometimes to an *area of geographic distribution* (Africa, America, Asia), sometimes to an *area of technical distribution* (political affairs, military service, economics, etc.). It appears that from the year 1920, technical distribution was most favored. The Ministry thus accounted for six large departments²⁰⁶, amongst which, the Department of Economic Affairs and Planning which was in charge of colonial credit.

The Department was endowed with several *committees* set up to assist the Minister in the exercise of his functions. It must also be noted that there was a *Special Council for Colonies* (Conseil supérieur des colonies) (1883-1939) amongst the Minister's *consultative organizations*. Composed of deputies in charge of overseas matters, representatives from the colonies and designated administrators, the Special Council assisted the minister in achieving his mission, particularly in matters relating to the economy.

The Ministry of Colonial Affairs was in charge of the colonies as a whole, except for Algeria that fell within the purview of the Ministry of the Interior. With regard to the protectorates (Morocco, Tunisia), it was the Ministry of Foreign Affairs that held charge. After 1946, the Ministry looked after only the affairs of the Overseas Territories (AOF, AEF, Madagascar) and the associated territories (Togo and Cameroon).

Within the colonies, the Ministry was in charge of everything except defense. The colonial troops were, in effect, under the orders of the War Ministry.

The colonies were not subjected to the same laws that prevailed in Metropolitan France, the rule of law being almost nonexistent here. The *Senatus Consultum* of 3 May 1854 established the "Constitution" of Martinique, Guadeloupe and the Reunion Islands, but it clarified that the other colonies would be controlled by decree of the Emperor until such time as a ruling was passed on these colonies. The Imperial Senate never did take up the question and "the other colonies" continued to be controlled by decree, even after the fall of the Empire²⁰⁷. Thus, it was by the decrees²⁰⁸ signed by the President of the Republic, on presentation by the Minister of Colonial Affairs, that the colonies were administered.

The French Administration, for its part, wished to appear unvarying, rational and hierarchical in order to achieve a maximum of efficiency. This then was, *more or less*, the system adopted in the colonies. "The Restoration imposed on the administration of the colonies a centralizing and authoritarian orientation that would prevail until the last days of the Empire"²⁰⁹. The colonial administration was thus conceived as a pyramid with, at its base, the native element, and at its summit the Governor General.

b - In the colonies

Except for a few differences, the pre-colonial administrative organization had been improved and renewed.

²⁰⁶ The six departments are : Political Affairs, Economic Affairs and Planning, Military Affairs, Management, Budgets and Disputes, Personnel and Administrative Affairs, and Health. It must also be noted that there was also a Public Works Inspection Department.

²⁰⁷ Bouche (Denise), op. cit., p. 106.

²⁰⁸ In the colony itself, the Governor General, or the Governor could only issue orders, decisions and circulars. He could prepare draft decisions, but only with the approval of the Ministry of Colonial Affairs.

²⁰⁹ Bouche (Denise), op. cit., p. 14.

1 - The General Government of AOF

From 1902²¹⁰ onwards, AOF had been administered by a Governor General, resident in Dakar. The Decree of 4 May 1946 gave him the title of High Commissioner of the Republic in AOF. He was nominated by the President of the Republic in the Council of Ministers. He played a dual role : he was both the representative of the State and representative, also, of a group of territories.

In his role as representative of the State, he was the "authorized depositary of the powers of the Republic". In effect, he was very much a "proconsul". He represented the President of the Republic and all the ministers. His powers were diminished after the adoption of the Constitution of the French Union in 1946. They were further curtailed with the implementation of the institutions created by the Framework Law of 23 June 1956, till his role was simply that of coordination. In 1959, his role was limited to that of just being the representative of the French State.

As the representative of the group, he ensured the administration of the entire territory and the management of the general services of the group of which he regulated the attributions. He had the power to authorize expenditure, manage the general budget (instituted in 1904), and the associated budgets²¹¹ that were adopted by the Council of the Government before being submitted for the Minister's approval. From 1947 onwards, the general budget was voted by the Grand Council of the AOF²¹². The Governor General was alone empowered to correspond with the Minister of Colonial Affairs.

The Governor General was assisted by a Cabinet and a Secretary General ; he was also guided by the advice of the Government Council.

The Cabinet, led by a Principal Private Secretary, was divided into a civilian cabinet and a military cabinet.

The Secretary General was the Governor General's deputy.

He took over his functions in case of death, absence from the post, or if the Governor General was hindered from attending office. He held the rank of governor and had authority over the totality of the departments and services of the General Government. Amongst these the following need mention :

. *the General Department of Finance*, responsible for the study and settlement of all financial or fiscal questions of interest to the General Government and the colonies of the group ;

. *the Department of Economic Services*, responsible for the study and management of all economic questions of interest to the group, amongst which trade and production ;

Production, it must be understood, meant agricultural problems, native contingency societies, banks, chambers of commerce, industrial matters ;

²¹⁰ Bouche (Denise), op. cit., p. 14.

²¹¹ Associated Budget : budgets of the decentralized organizations of the General Government: railways, federal schools, etc.

²¹² The Grand Council of AOF (1947-1959) was the deliberating assembly of AOF. It was composed of the 40 members elected on the basis of five per country from the assemblies of the group's territories. It had the authority to vote on the budget.

. *the general Department of Planning and Statistics* established in 1945. The Department was split in 1946, following the setting up of the "FIDES"²¹³, into a Planning Department responsible solely for planning and a Section for Statistics. In 1957, the Department for Economic Services and the Planning Department were amalgamated to become the Joint Coordination Section for Economic Affairs and Planning.

The other departments and general sections were : the General Treasury, Financial Controller, the Departments of Land and Property, Customs and Excise, Agriculture, Political Affairs, the Controller of Administrative Affairs, the Department of Internal Security, the Public Works Department, Posts and Telegraphs, the Meteorological Section, the Department of Education and the Department of Health, the Labor Inspectorate, the Department of Social Affairs and Technical Services (ORANA²¹⁴, IFAN, the French Institute for Black Africa, the Pasteur Institute).

Each department or section periodically submitted a report on its activities to the Governor General who, in his turn, made an annual report to the Ministry of Colonial Affairs on the political and economic situation of the group of territories under his control.

The Governor General was the Chief Justice and also the Supreme Commander of the armed forces.

The Council of the Government was the Governor General's consultative organization. It met once a year in Dakar, and was presided over by the Governor General. Present at the meeting were the governors of the various territories, the principal administrative heads and important inhabitants from each of the colonies. The Council adopted the general budget, the budget for the territories and the associated budgets as well as the program for large public works.

It had a Permanent Commission that ruled on all questions, even of minor importance. The Commission had a limited membership and met in Dakar or in one of the other cities of AOF.

By appointing two councilors to the Court of Appeal, the Permanent Commission constituted itself into a Council for Administrative Disputes responsible for judging litigations between the Administration of AOF and others. The Council passed judgement also on electoral disputes.

2 - The Government of the Colonies

Each Colony of the group was administered by a Governor who was directly answerable to the Governor General.

The Governor was assisted by a Cabinet, a Secretary General and an Administrative Council.

The Cabinet was led by a Cabinet Chief who coordinates the activities of the civilian and military cabinets.

The Secretary General replaced the Governor in case of absence, death or hindrance to attend his post. He coordinated the activities of technical sections.

²¹³ FIDES : Fonds d'Investissement pour le Développement Economique et Social des territoires d'Outre-Mer or Investment Fund for the Economic and Social Development of the Overseas Territories.

²¹⁴ Organization for Research into African Diet and Nutrition Patterns.

The Administrative Council was the *consultative organization* of the Government. Presided over by the Governor, it was composed of the principal heads of administration and important inhabitants. It advised the Governor on the function of his duties. In Senegal, it was called the *Privy Council*, an appellation that would soon spread to the other colonies from 1946 onwards.

By appointing two magistrates, the Administrative Council constituted itself into a Council for Administrative Disputes, with the responsibility to pass judgement on cases of litigation between the administration of the colony and third parties. From 1944 onwards, the Councils for territorial disputes were abolished in favour of the Council for Disputes in AOF.

Each colony was divided into circles that were, in effect, administrative entities governed by a colonial administrator called a Circle Commander, a veritable kingpin of the colonial administrative system. There were 132 circles in French West Africa in 1957. The Commander was judge, officer of the judicial police, administrator and mayor in the joint communes²¹⁵, all at the same time. He was responsible for military recruitment, collected taxes, and oversaw agricultural development in his area. He was advised by the Council of leading persons composed of the Chiefs of each canton. This system came into being in 1919, particularly with regard to works to be undertaken within the circle and to fix income tax rates.

The circles were further divided into sub-divisions governed by a Colonial Administrator who was known as the Subdivision Chief. There were 205 subdivisions in the AOF in 1957.

The subdivisions were divided into cantons under the charge of Canton Chiefs who were, generally, natives selected by the Administration within families, wherever possible, who had distinct leadership qualities. In Senegal, the chiefs were trained at the School for the Sons of Chiefs²¹⁶. The Chiefs of the canton used to be nominated but, they began to be elected²¹⁷ since 1947.

The cantons were composed of several villages of which the chiefs were chosen by the Circle Commander. They participated in the running of the administration, especially as tax collecting agents and representatives of law.

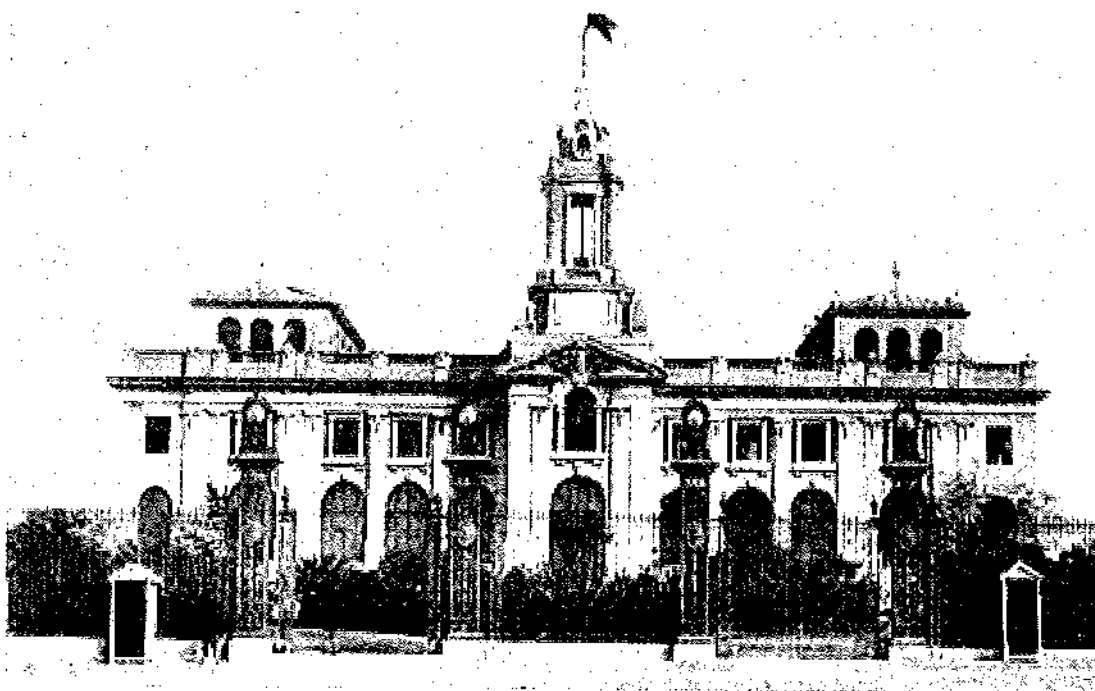
²¹⁵ The joint communes were instituted in Senegal in 1891, and in the rest of AOF after 1912. They were presided over by the Circle Commander. The Municipal Commission was composed of natives and citizens.

²¹⁶ The School of the Sons of Chiefs was set up by Faidherbe in 1856 under the name School for Hostages. It was closed in 1871 as an economy measure, reopened in 1894 under the name : School for the Sons of Chiefs and Interpreters. From 1903 to 1908, it was appended to the teacher's training college. From 1909 to 1922, it functioned as the Moslem College of Saint-Louis. From 1922 to 1927, it became once again the School for the Sons of Chiefs and in 1927, it was appended to the Blachot teachers' higher training college.

²¹⁷ In Senegal, in 1922, the chiefs became civil servants with a fixed salary but with a possibility of changing jobs and rising in rank. From 1947, the chiefs were elected by a rural electoral college composed of village chiefs, military personnel and leading persons.

The Canton Chief was advised by the *canton commission*, composed of the principal village chiefs. Several cantons could be grouped into a *province* run by a Province Chief. He worked under the advice of the provincial commission composed of the chiefs of the provincial cantons.

Colonial banks with small means were attached to this colonial administration that associated the natives with its functioning, but which was entirely geared to satisfying the requirements of the mother country.



Headquarters of the General Government of AOF in Dakar

V - The activities of colonial banks

A - The Bank of Algeria

a - Its resources

The Bank of Algeria suffered for a long time because of its low capital and its capital base that was too weak for such a large population and such important missions, without taking into account that its capital was fully paid-up only in 1857. Meanwhile, the Bank had to have recourse to a Government subsidy.

An Imperial Decree of 30 March 1861 helped correct this situation by taking the capital up to 10 million, and later up to 20 million in 1881 and to 25 million in 1907.

b - Its applications

The pressure of credit requirements, not only on the part of the business community, but also from agriculture, led the Bank to progressively violate, if not the letter, at least the spirit of the law.

It extended its operations into the interior, organized crop credit while systematically renewing the discounts of trade papers deposited on this occasion. From 1877 onwards, it financed the development of Algerian lands and provided credit for agricultural and land improvement.

This immobilization policy, conceivable only if the Bank had adequate capital and reserves at its disposal, was to lead to a fairly serious crisis. The situation was rectified by the absorption of all reserve funds. This permitted the renewal of its right of issue.

The new Act of 5 July 1900 made the norms governing issuance more flexible by decreeing a very general arrangement - a liquidity rule : the cash reserves in the bank, and the maturity periods for the securities in the portfolio should serve to guarantee payments of liabilities.

On the other hand, a tax on agricultural credit was imposed on the Bank in order to meet local requirements that were responsible for the crisis. On the other hand, it was decided to transfer the headquarters to Paris.

Three lessons were learned through this experience : the necessity for a bank to have adequate resources, particularly if it was to participate in development operations that demanded long-term investment (cf. preliminary chapter) ; its financial independence and its liberty of action in order to appreciate, on its own, the risks that might need to be faced.

B - The Bank of Senegal

Since 1855, when it started its operations, the Bank of Senegal, whose field of activity remained limited to Saint-Louis and Gorée, was the sole banking establishment in AOF.

It had very little resources yet it continued to function for 46 years despite a difficult environment.

a - Its socio-economic environment

In several letters addressed to the authorities in the Colony, the Bank's directors emphasized the difficulties they regularly confronted in their management.

One of these letters stressed²¹⁸ the point that the Bank functioned in a less favorable environment than its counterpart in the West Indies.

It indicated, in particular, that through the three principal banking operations permitted by the law--discounts, loans, pay orders--the annual turnover was between 15 and 30 million Francs for the West Indies Bank as against one to three million Francs for the Bank of Senegal.

Loans against crops were not permitted ; but, even had they been authorized, they would have been impossible to recuperate because of *the embryonic state of the country's agriculture*.

In the West Indies, business was spread through several cities ; it was in the hands of several merchants, distributed between several agents, large grocers, retailers. The former sold European goods in wholesale against four month credits ; the others often did as much and the instruments drawn were discounted at the Bank.

The merchants, and sometimes the planters, exported sugar, coffee, etc. to France and carried out documentary operations with the Banks.

Each of these colonies, excepted Guyana, accounted for 20 to 30 communes with, on an average, 300 plantations each, that is 900 groupings or hamlets where the whites, yellows, and blacks received banknotes as means of payment, assured that they would be able to use them in all transactions.

On the other hand, the few business houses in Senegal were localized in Saint-Louis and Gorée. More often than not they had the same parent organization in France. They were at the same time consignees, wholesalers and owned one or several retail outlets in each locality. This meant that there were no bills that had to be discounted at the Bank.

The merchants engaged, above all, in barter, offering imported goods in exchange for local products ; thus they had no need for money except for some exceptional necessities. Everything went from the branch to the parent organization.

Banknotes, by virtue of the law, was the legal tender in the whole territory. But, in reality, it was legal tender only in Saint-Louis and, moreover, it was limited to a very small number of people.

"In effect", stressed the Director, "at the trading posts along the river and the coast, the Moors and the blacks delivered gum, groundnuts, the béref, etc. against the Guinea cloth, powder, glass bead jewelry, etc. Business was done on the basis of barter, far from the Bank's purview.

²¹⁸ Letter dated 10 October 1869 from the Bank Director to the Governor, BCEAO Archives.

b - Its operations

1 - Monetary issue : application of the one-third rule and the resource crunch

Haurigot, the Director, wrote in a report, that "each colonial bank can transfer banknotes being legal tender of a sum equal to three times its capital in notes of 500, 100 and 25 Francs, and it could circulate these notes for three times the sum of its gold and silver reserves. It was estimated that this proportion would suffice to face the eventual demands for settlement for an exchange against cash"²¹⁹.

A little further on, the Director shored up his thesis : "But the Bank of Senegal, with a minimal capital of 230,000 Francs, could never issue notes worth 690,000 Francs, of which approximately 2/3, that is 450,000 francs, could be in circulation..." (p.10).

This interpretation was confirmed in another undated document, but which was dated later than 1874 and from an anonymous author : "With 300,000 Francs as capital, the Bank found itself with right of fiduciary issue for 900,000 Francs. But this right was limited by Paragraph 5 of Article 4 of the above quoted Act (11 July 1851) by which the amount of banknotes in circulation must not go beyond a third²²⁰ of its gold and silver reserves²²¹".

It is necessary to provide some precisions with regard to the notions of issue and circulation to correctly understand this ruling.

Banks of issue made, in effect, a distinction between "banknotes issued" and "banknotes in circulation" or "fiduciary circulation".

The stock of new notes made by or bought from a manufacturer and deposited in a safe location - the conservatory or the cellar - was considered as not having been issued or followed - up by any kind of stores accounting.

Issuance consisted, in case of need, of replenishing the cash box with new notes from the conservatory.

These bills would then serve to satisfy economic needs, in terms of fiat money, necessary for transactions, by the play of discounts, rediscount of bills as well as advances made to private customers, banks and the Treasury.

It was this part of bills issued and put in circulation that made up the fiduciary circulation.

In this process, the colonial Bank was subjected to three constraints : the necessity to possess assets in Francs in Metropolitan France for the purchase of notes ; a constraint linked to its capital, not being in a position to issue more than a sum equal to a third of one's capital ; and then, whatever be the pressure of the demand on notes, it could put into circulation a sum higher than three times its gold and silver reserves.

²¹⁹ A report on the Bank of Senegal, presented by the Director, Mr. Hautigot to Colonel Valière, Governor of Senegal and Dependencies, Saint-Louis, 20 October 1869, p. 2, Senegalese Archives Q 38.

²²⁰ It was question here of three times.

²²¹ BCEAO, Bank of Senegal doc. Q 38.

"The concern of the Bank of Senegal was to defend its gold and silver reserves in order to maintain a mass of notes in circulation that would be proportionate to local needs. Indeed, this problem existed for all colonial banks ; but local circumstances that you can appreciate yourself, by sight and by touch, make it more difficult in Senegal than elsewhere"²²².

Now, the importance of the needs in terms of payment media during the crop year was a major problem for trade in Senegal in the second half of the 19th century. The Bank's capital, even when it was later raised to 300,000 Francs, was too low to meet these needs.

The people, as we have seen, did not wish to accept notes and preferred coins - cash - the 5 Franc silver coin alone being used in all transactions with farmers.

All these constraints resulted in a need to import massive quantities of coins from Metropolitan France.

To do this, the Bank resorted to the assistance of its correspondent, the National discount bank of Paris (Comptoir National d'Escompte de Paris).

Through the treaties of 1889-1890 and 1896-1897, it imported, under these conditions, coins worth on average 1,456,500 Francs each year.

But the operation did not run smoothly. The Bank had to suffer delays both of disbursement from the "Comptoir d'Escompte", and shipping, with the result that it often lost business during a period crucial to achieving a certain turnover.

"Last year, out of transactions worth at least 10 million Francs, the Bank supplied only about 1,500,000 Francs, and the delays caused by the Comptoir in its expedition of coins made us incur losses on bills of exchange worth at least 2 million, which is the sum sent directly by the banks to our regular customers... if we receive the help I have asked for from the "Comptoir", I am convinced that the Bank of Senegal will double its turnover during trading this year and we will do much better next year with business having been convinced that it will find, with us, the necessary inputs according to its needs", wrote the Bank's Director.

Thus, the banking establishment often found itself in an irregular situation with regard to the ratios that were imposed on it ; in particular, it had put into circulation more notes than the sums authorized by its gold and silver reserves.

As an example, the Bank's situation (in Francs)²²³ was as follows as of 3 February 1877

Notes in circulation	657,000
Gold and silver reserves	166,400
Three times the Gold and silver reserves	499,200
Notes in excess	157,800
Cash deficit	52,600

²²² An anonymously written undated note on the Bank of Senegal, Senegalese Archives, doc Q. 38.

²²³ Bank of Senegal, op. cit., p 23.

An amount worth 52,600 F in cash was missing to cover the totality of notes in circulation.

Without a doubt, and more than any other consideration, this resource crunch motivated the credit policy of the Bank.

2 – Operations concerning the issue of currency

1) Credit to the economy

The various writings and commentaries on the Bank of Senegal served often as an inspiration to defend theses on the colonial banking structures of the early 1900s. The document of BCEAO entitled "The Bank of Senegal" and mentioned earlier made reference to six of these theses²²⁴ from which are extracted the passages on the "*The role played by the Bank of Senegal in financing economic activity*" (pages 26 to 32), and "*The attitude of the Bank towards the merchants*" (pages 33 to 43).

On the role played by the Bank in financing economic activity, it was stated that "the Bank of Senegal, unlike the colonial banks in the West Indies, was totally uninterested in financing agricultural activity undertaken by native farmers. It had always refused to grant credit even to the rare European planters engaged in cotton cultivation as a result of the consequences of the American Civil War. The Bank thus refused a loan of 2,400 Francs against transfer of standing crop on 8 September 1868 to Cassinie. Utterly uninterested in agricultural production, the Bank turned above all to commercial activities".

In its relations with the commercial sector, it must also be stressed that "big business always stood in the way of the Bank of Senegal's growth. It always refused to make it work for its deposits and remittances to Europe. The Bordeaux business houses had their own banks in Europe - Piganeau, Sarla, de Tricard, etc. - or firms like Desmarais and Co., Marchand, who sent them the cash required by way of ships owned by Maurel and Prom, reexporting it at the end of trading".

The reality was that the low level of the Bank's resources and the ban on granting loans against transfer of standing crops did not enable the bank to finance agricultural production.

The same resource constraints, independent of the strategies used by the big business firms, necessarily limited its participation in financing commercial activity.

"It would therefore be both stupid and cruel to force this small establishment to carry the burden of supplying the colony with funds by means of dispatches that the

²²⁴ Denizet (P.), *Les Banques coloniales* (Colonial Banks), thesis, Paris, 1899. Renaud (E.), *Les Banques coloniales* (Colonial Banks), thesis, Poitiers, 1899. Goumain Cormille, *Les Banques coloniales* (Colonial Banks), thesis, Paris, 1903. Buan (L.), *Les Banques coloniales* (Colonial Banks), thesis Rennes, 1908. Mingot (R.), *La question des Banques coloniales* (The Issue of Colonial Banks), thesis, Paris, 1912. Vally (R.), *Les Banques coloniales françaises d'émission* (French Colonial Banks of Issue).

Central Agency would send it as it does in the case of Guadeloupe or Martinique. Were it to withdraw even a sum of 200,000 francs from the Discount Bank to this end, its whole relationship with Metropolitan France would be completely compromised".

It was due to all these reasons that the impact of the Bank's operation on the colony of Senegal remained very limited, whereas "the institutions helped social, agricultural, and industrial transformation ; they saved the colonies"²²⁵.

Under the title "What services does the Bank of Senegal provide" ?, the Director, Mr. Haurigot noted that the Governors, Messrs. Faidherbe and Pinet Laprade, felt that the Bank should have contributed to the emancipation of the "natives" by allowing them to set up in business for themselves, "instead of spending their lives vegetating in the employ of some rich merchants".

"But", he averred, "the traders... have remained as ignorant as they were when they were slaves... The role of the Bank, although modest, is not entirely useless as the detractors of the establishment, who base their judgement on rumor rather than on facts, would have believed".

With regard to the five elements that, to him, appeared to militate in favour of maintaining the institution, and for "the goodwill of the administration, both colonial and that of Metropolitan France", he confirmed that "the Bank has reduced the rate of interest from 12 to 6 per cent".

He also noted that "until the disaster that hit the Bank in 1866" (a case of misappropriation of funds), deposits in the bank had attained a very high level. There was a general panic, erroneous in fact, because the capital had to answer for everything that was deposited and the shareholders alone lost 54,000 Francs, of which I was able to recuperate about 7,000 Francs".

"At the time I came on duty, the deposits which amounted on average to 200,000 Francs had dropped to 48,000 Francs, but they rose quickly to 80,000 Francs... the situation cannot but improve...".

The renewal of the Bank of Senegal's privilege for another 20 years, decided upon by the Act of 24 June 1874, which also applied to four banks in the West Indies, proved that the reasons behind its closure later in 1901 had nothing to do with the events of 1866.

In 1874, the total amount of loans granted by the Bank went beyond one million Francs. The portfolio structure indicated that these loans were constituted essentially by discounted bills with two signatures, and by loans against gold and silver material. The latter "pawn bank" operations were aimed at the workers, small shop keepers and natives.

The activity of the Bank expanded with the completion of the Dakar - Saint-Louis railway line in 1885, and later with the development of the groundnut cultivation.

²²⁵ Report by the Director, Mr. Haurigot, op. cit. p. 1.

In 1885, the total amount of credit reached 2,261,700 Francs and, five years later, five million Francs of which 4,880,000 Francs for local bills.

Thanks to a reduction in its rate of discount, the Bank, in 1896-1897, succeeded in discounting local bills to the tune of 7,415,000 Francs.

Nonetheless, in a petition dated 5 August 1901, that is after the closure of the Bank of Senegal, it was accused, by a group of 41 people of importance from Saint-Louis, of imposing rates that were frankly "usurious for an establishment that enjoyed certain privileges".

The petition, which included several other points, was addressed to the Deputy Ursleur from Guyana who was on a visit to Senegal. (cf. Box).

Box 2.24

The 41 voters, authors of the petition are : Bala Diop, Ndiaye Gurane, Fara Jacques, Boubacar Ba, Saër Mbaye, Youkhouné Diagne, Fara Faye, Bakary Touré, Samba Peul, Madiop Bouky, Moctar Seck, Elimane Vade, Amadou Ly, Mécresse, Makhary Faye, Salam Ngoné, Ségoumane, Bekary Silla, Amadou Mbaye, Seyni Mbaye, Momar Diack, Meïssa Dieng, Bédiène Dieng, Abdoulaye, Mesickh Dièye, Oumar Ndoye, Matar So, Souleymane Diagne, Amadou Diop, Amadou Dia, Alioune Kane, Aly Sant, Lèye Samb, Massamba Ngoné, Meïssa Diop, Moctar Fara, Niokhor Thiam, Poulou Kane, Amadou Sakho, Makane Diagne, Ogo Kane.

2) Foreign exchange transactions with Metropolitan France

As we have already seen, the correspondents of the Bank in Paris are the Deposit and Consignment Office (la Caisse des Dépôts et Consignations) where it placed its surplus funds, and a bank where it made its deposits and withdrawals. This bank was, in the beginning and until 1880, the "Banque de France". The accounts were later transferred to the "Comptoir d'Escompte". According to a convention, a special account in the name of the Bank of Senegal was opened at the "Comptoir National d'Escompte" (National Discount Bank) along with a line of credit.

The special account

It received to its credit :

- pension and annuity arrears or securities deposited by the Bank ;
- commercial drafts or Treasury bills remitted for collection or discounting by the Central Agency that acted as an intermediary of colonial banks ;
- sums deposited by the Bank or on its account.

The following were debited :

- drafts or money orders issued by the Bank and transferred by the Central Agency ;
- checks issued on the "Comptoir d'Escompte" by the Bank of Senegal ;

- sums of money transferred to the credit of the dividend account for the payment of the Bank's share coupons that were payable in Europe ;
- payments made to the Central Agency on the bank's order, or sent by pay order by the Agency ;
- transfers made to the credit of the Bank at the Deposit and Consignment Office when the Central Agency estimated that the assets at the National Discount Office were excessive ;
- the payments of annuitization in order to use available funds ;
- disbursement of any nature made on behalf of the Bank.

The line of credit

It varied according to the deposits of annuities hypothecated to the bank forming its registered capital and the Bank's receivables that constitute their pledge. Thus, as we will see later, this was a useful method to compensate the insufficiencies of the Bank's own means of exchange.

At the end of the 19th century, the Bank of Senegal, with its capital at low ebb and its limited resources, was not in a position to respond to the necessities of development in the territories that composed the Federations of AOF and those of AEF.

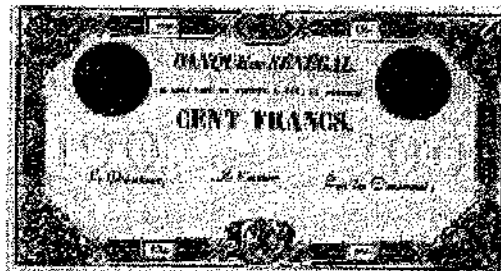
A new credit institution with larger means had become a necessity. The Bank of Senegal, controlled by the traders of Bordeaux who, to all intents and purposes, held a monopoly on the economy of Senegal, was closed down and replaced by the BAO which belonged to the second generation group of banks of issue.



The Bank of Senegal in Saint-Louis

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BANK OF SENEGAL



Bank of Senegal banknotes

VI - Second generation banks of issue : the model of private banks

In the 19th century, the period leading up to the First World War was dominated by very liberal ideas on economic matters. It was also during this period that private banks of issue were constituted under State control.

The precursor of these banks was the Bank of Indochina that would serve as a model for BAO in Black Africa and for the State Bank of Morocco in North Africa.

A - The Bank of Indochina

a - Its creation and organization

The Decree of 14 January 1875 brought into being "a Bank of issue, loan and discount in the colonies of Cochinchina and the French possessions in India".

It conferred "all the rights and privileges decreed by the Act of 24 June 1874 in favour of colonial banks", on the Bank of Indochina for a period of 20 years starting 21 January 1875.

The statutes attached to the decree provided for the creation of two branches, one at Saigon, the other in Pondichery, with headquarters in Paris ; they also stipulated that the *notes could be denominated in local currency*, and that the Bank would have the authority to grant loans against crops not only to individuals, but also to communities.

The Bank was a private institution constituted by a group of establishments based in Paris : the National Discount Bank of Paris ("Comptoir National d'Escompte de Paris"), the Industrial and Commercial Credit Bank (Crédit Industriel et Commercial), the Bank of Paris and the Netherlands (Banque de Paris et des Pays-Bas).

The Bank functioned under State control, which exercised its supervision through a Government Commissioner, who would be present at all the meetings of the Board of Directors, and two administrative censors established in each branch. However, it remained independent.

The management of the Bank was entirely in the hands of a Board of Directors composed of at least eight members, or a maximum of 15 members, who appointed, with the approval of the Minister of Colonial Affairs, the Directors responsible for managing the bank, under his authority.

b - Activity

The Bank had continuously expanded its field of action. The privilege originally granted for a period of 20 years was extended for 10 years as from 21 January 1895 by the Decree of 20 February 1888, then again for a period of 15 years as from 21 January 1905 by the Decree of 16 May 1900.

The first enlarged the scope of the Bank's privilege to cover Cambodia, Annam, Tonkin and New-Caledonia ; they also authorized the Bank to extend its field of action to the many ports in China, Japan, the Indian Ocean and the Pacific.

The second empowered it to acquire an interest in business enterprises within its field of activity. In 1904, the privilege was further extended to French establishments in Oceania and, in 1907, to French Somaliland.

According to Emile Mireaux (1954), a firm believer in the model, soon after the first World War, and at a time when its privilege was about to expire, the Bank of Indochina, established on a very liberal basis, had, in the monetary field, introduced and made people accept the "commercial piastre" in Indochina ; accustomed to the use of banknotes, and in a very short period of time a population that was used to hoarding cash, reduced usury by popularizing the credit system.

On the economic side, the Bank cooperated in launching and developing public works projects, plantations of hevea, coal mining, and nickel (in New Caledonia).

To accomplish its work, the Bank had succeeded in raising the necessary capital. From 8 million Francs in the beginning, its capital rose to 12 million Francs in 1888, 24 million Francs in 1900, 36 million Francs in 1905, 48 millions Francs in 1910, and to 72 millions francs in 1920.

It was not surprising then that it served as the model for the organization of BAO which was called upon to play the same role in Black Africa.

B - The BAO (Banque de l'Afrique Occidentale) according to the Decree of 29 June 1901.

The BAO was set up by the Decree of 29 June 1901 to which the statutes were annexed.

The bank's organization was contained in these two documents that regulated its activities and established the modalities of its constitution.

a - Organization

The Decree established the BAO as a "Bank of issue, loan and discount" with the legal status of a limited company governed by the Act of 24 July 1867 relating to joint-stock companies and subjected it to government supervision.

The Bank's Head Office was located in Paris, unlike the Bank of Senegal. It was governed by a Board of Directors composed of at least five members, or eight at the maximum, all of whom were nominated by the shareholders at their annual General Assembly.

The Board of Directors nominated the Directors, with the approval of the Minister of Colonial Affairs. They were responsible, under his jurisdiction, for the management of the company.

In each branch office, there was a Discount Council (Conseil d'Escompte) whose composition, attributions and emoluments were determined by the Board of Directors.

A Government Commissioner, designated by the Minister of Colonial Affairs, attended the meetings of the Board of Directors and saw to it that the statutes and regulations of the Bank were respected.

The amount of the notes in circulation of each branch should not exceed three times its reserves in gold and silver by virtue of the rule of proportionate cover of the issue, in other words, the "one-third rule".

The total amount of bills in circulation, current accounts and the Bank's other debts should not exceed three times its authorized capital and reserves.

As a result, the Bank assets in Metropolitan France comprised two major elements "cash resources held as security" which were not available ; and the cash that served mainly to ensure transfers of funds from Africa to France.

- Operations concerning the issue of currency

1 - Credit operations

The BAO, as a bank of issue, was above all a "provider of short-term credit", which was its *principal activity*.

The length of the loan was in principle 180 days.

With regard to the guarantees required, in order to be eligible for the discount, or in terms of an advance guarantee, the securities had to carry two signatures of people known to be solvent.

The range of real guarantees that could replace the second signature, was fairly large : warrants or goods receipts, transfers of standing crops, bills of lading, pledging stocks and shares, deposit of goods in silver and gold, hypothecation.

On this basis, the Bank carried out its various operations : direct discounts, rediscounts, the acquisition of bills discounted by deposit banks, advances made on a current account with or without a bank guarantee, operations based on treasury bonds. But these were undertaken mainly with other banks.

2 - Foreign exchange operations

The Bank managed the monetary relationship between the area of issue and Metropolitan France in two ways : it carried out transfers of funds in both directions between France and Africa, acting concurrently with the postal service, the deposit banks, and enterprises ; locally, it provided cover to the beneficiaries of remittances that were settled in Metropolitan France ; it also covered beneficiaries in France awaiting clearance of remittances from Africa.

France-Africa transfers resulted simultaneously in increasing the Bank's assets in Metropolitan France and the local money supply ; transfers the other way round, Africa to France, led to a concomitant reduction.

The operations of the second category - discounts with documentary proof in France, simple discounts in France with or without bank guarantees - gave rise to an issue of banknotes in Africa at the clearance stage and contributed to increase the Bank's assets in Metropolitan France.

The Bank also managed the relationship between the issuing zone and other territories in exactly the same way as it worked with countries abroad.

- Various operations

The Bank received deposits, carried out transfers from place to place, either between agencies or with other local banks. It dealt with receipts and collections.

c - Constitution

The BAO's authorized capital was fixed at 1,500,000 Francs, that is 3,000 shares of 500 francs each ; it was constituted by the contribution of the net assets of the Bank of Senegal, and by means of a subscription in cash.

In effect, on the basis of the situation as of 31 August 1900, the net assets of the Bank of Senegal had been evaluated on a lump-sum basis at 900,000 Francs that corresponded to the sum of the shareholders' equity itself :

- Capital	600,000 F
- Reserves	140,000 F
- Building appreciation	30,000 F
- Appreciation of annuities and pensions	130,000 F

In fact, the Bank of Senegal continued to function, under the authority of its liquidator, until 30 June 1901.

In the meanwhile, a Commissioner of Contributions (Commissaire aux apports) was appointed to evaluate the various elements of the net assets and certify the figure of 900,000 F on the basis of the balance sheet dated 30 April 1901.

The Board of Directors was entrusted to present the Bank's closing balance as of 30 June 1901 before the General Assembly of Shareholders, on the one hand, keeping in mind the operations that had been undertaken between 30 April 1901 and 30 June 1901 ; on the other, it had to present the opening balance of the BAO as of 1 July 1901.

In effect, the assets and liabilities of the Bank of Senegal, destined for the new bank, were as follows as of 30 June 1901 :

(in Francs)

Assets

Cash	1,090,585.46
Portfolio	348,764.60
Various annuities	1,358,748.00
Commercial borrowings	94,172.68
Expenditure to be regularized	94.05
Furniture	14,171.54
Building	50,000.00
Comptoir d'Escompte (Discount Bank)	806,528.65
	3,763,064.98

Liabilities [to be deducted]

Notes in circulation	1,032,930.00
Current accounts	82,505.81
Various correspondents	87,484.06
Outstandings	1,516,876.78
Profits and losses to be distributed	115,986.52
Miscellaneous	25,790.22
	2,861,573.39
	901,491.59

In other words, the net assets added up to 901,491.59 Francs, and were rounded at 900,000 Francs by reverting 1,491.59 Francs to the Bank of Senegal's shareholders ; 1800 shares compensated this contribution against 1200 shares for the subscriptions in cash.

The new bank was constituted under the aegis of the "Comptoir National d'Escompte" (National Discount Bank) and several Marseilles based companies such as the Marseilles Credit Company, the firm of "Mante et Borelli", the French Company of West Africa, the firm of Cyprien Fabre and Co²²⁸.

The Extraordinary General Assembly of Shareholders was held on 26 September 1901 at 10 a.m. at the Bank's Head Office at 78, Rue de Provence in Paris to hear the report of the Commissioner of Contributions (Commissaire aux apports) and that of the Board of Directors with regard to the closure of the Bank of Senegal as of 30 June 1901, and the opening balance of BAO as of 1 July 1901.

Box 2.25

BAO (Banque de l'Afrique Occidentale)

Extraordinary General Assembly of Shareholders, 26 September 1901

Mr. E. Maurel, Chairman of the Board of Directors, declared that he was one of the largest shareholders of the Bank of Senegal and, in view of this, requested Mr. A. Rostand to chair the Meeting.

The Chairman declared the session open and, in conformity with Paragraph 2, Article 39 of the Statutes, Messrs. Le Cesne, Managing Director of the French Company of West Africa, and Th. Mante served in the capacity of scrutineers. The bureau nominated Mr. Nouvion as secretary. Mr. Gabri , the Government Commissioner, attended the Meeting.

The Bulletin of Public Notices issue, dated 24 August 1901, was produced and confirmed that the Meeting had been convened within the legal time framework.

138 shareholders, all present or represented, answered the roll call. The members between them owned 2793 shares.

The Chairman made the apologies of Messrs. F. Bohn and G. Dev s who were unable to attend the meeting.

The Chairman asked Mr. Parri re, Director of the Marseilles Company and the Commissioner nominated by the Board of Directors at the 6 July meeting to examine the contributions, to present his report.

²²⁸ Dieng, Amadou Aly, *Le r le du syst me bancaire dans la mise en valeur de l'Afrique de l'Ouest* (The role of the Banking system in the Development of West Africa), Nouvelles Editions Africaines, Dakar, 1982, p. 45.

ANNEX B

Bank of Senegal Statement of Financial Position as of 30 April 1901

ASSETS				LIABILITIES				
PORTFOLIO	Cash in coins		652.432	25	Notes in circulation		902,430	»
	{Bills receivable	145,865}			Current accounts	62,530 83}	67,317	33
	{Liabilities – shares	21,290 »}			Deposit balance sold	4,786 50}		
	{Advances on gold and silver objects	100,535 »}			Total of current liabilities		969,747	33
	{Advances paid on goods		320.620	90	Capital		600,000	»
	01deposits	16,450 »}			Comptoir national d'escompte de Paris		440,156	36
	{Advances on annuity certificates	2,100 »}			Central Agency		778	24
	{Draft for collection	19,380,90}			Profits {Premiums & interests	81,389.69}		
	{Commercial drafts	15.000 »}			And {Discount agio	43,266.41}	134,893	59
					Losses {Income arrears	10,237.50}		
	Registration of 3% depreciable annuities		600,000	»	Recovery of depreciated overdue bills		4,207	55
	Municipal {city of St-Louis. 118,339.34}				Statutory reserves		140,000	»
	Borrowings {city of Rufisque. 20,000 »}				Dividends to be paid		3,062	50
	Agencies		78	15	Subscription stamps		227	08
	Expenditure to be regularized		17	40	Profits and losses		36,418	07
Furniture		14,171	54	» Bearer bonds		27	85	
Bank building		20,000	»	Unclassified receipts		4,475	»	
Administrative Expenses		30,250	29	» Various Correspondents		55,744	54	
Protest bills		5,325	»	Banque de l'Afrique Occidentale		66,250	»	
Acquisition of gold and silver		2,100	86			2,455,989	01	
Registration of various annuities		627,163	71					
Transport and insurance		45,399	57					
		2,455,989	01					
CERTIFIED.					CERTIFIED			
					Saint-Louis, 8 May 1901.			
					<i>Director of the Bank P.I</i>			
					<i>Legal Censor</i>			

Banque de l'Afrique Occidentale – Opening Balance as of 1 July 1901

ASSETS			LIABILITIES		
Shares (1800 shares of the Bank of Senegal)	900,000	»	Capital (3000 shares worth 500 Francs fully paid)	1,500,000	»
Registration of annuities	1,358,748	»	{1800 shares Bank of Senegal 900,000»}		
			Shareholders {Payments on shares to be made at 64,500 »}	835,500	»
Comptoir national d'escompte	1,336,028	65	Bank of Senegal {Profits and losses to be distributed 115,986.52}	117,478	11
			In liquidation {Excess net assets as of 30 June 1,491.59}		
Accounts of the Saint-Louis Branch			Outstandings	1,516,876	78
Cash 1,090,585.46}			Accounts of the Saint-Louis Branch		
Bills receivable 159,284.85}			Notes in circulation 1,032,930»}		
Drafts for collection 41,519.75»}			Current accounts 82,505.81}		
Advances on deposit of			Sold Deposits balance 4,523.50}		
Goods 16,450 »}			Dividends to be paid (Bank of Senegal) 712 50}	1,222,710	09
Advances on securities 2,100 »}			Bearer Bonds 27 85}		
Advances on collateral 21,290 »}			Unclassified receipts 14,526.37}		
Municipal {Saint-Louis 79,172.68}	1,597,788	33	Correspondents 87,484.06}		
Borrowings {Rusfique 15,000 »}					
Furniture 14,171.54}					
Building 50,000 »}					
Expenses to be regularized 94.05}					
Depreciated overdue bills representing partially recoverable debts worth approximately 450,000 Francs (memorandum item)					
	5,192,564	98		5,192,564	98

Decree of 29 June 1901 establishing BAO

The President of the Republic of France,

On the advice of the Ministers for Colonial Affairs, Foreign Affairs and Finance,

In view of the senatus-consultus of 3 May 1854 ;

In view of the Act of 24 July 1867, modified by the Act of 1 August 1893, on joint-stock companies ;

Having heard the Monitoring Committee of Colonial Banks

Decreases that :

Article One

A Bank of Issue, Loan and Discount is established under the name "Banque de L'Afrique Occidentale".

Its purpose is to undertake all those banking operations authorized by its statutes in Senegal, French Guinea, Côte d'Ivoire, Dahomey and in Congo, as well as in the protectorates dependant on the colonies and in the foreign countries of the West African Coast.

Article 2

The duration of the privilege is fixed at 20 years from the day of its definitive constitution.

However, in the course of the year 1911, a decree announced on a proposal made by the Ministers for Colonial Affairs, Finance and Foreign Affairs, could bring to an end the privilege on 31 December 1912.

Article 3

In the colonies or in the French protectorates where it has branches or agencies, BOA shall be empowered with the rights and privileges decreed by the law in favor of colonial banks, as also the right to issue, exclusive of all other establishments, banknotes reimbursable to the bearer at sight. It must also be understood that in countries abroad, the Bank may not rely upon the provisions contained in this decree should they be contrary to local rules and regulations.

Article 4

The Bank may be obliged to open new branches or agencies in countries to which it extends its operations.

Article 3 of this Decree shall become fully applicable in the colonies and French protectorates where the Bank may be called upon to establish business.

Article 5

The branches and agencies created shall be by virtue of the decrees passed on the proposals made by the Minister of Colonial Affairs, the Minister of Finance, the Colonial Banks Supervision Committee. They can only be closed under the same conditions.

The establishment of branches and agencies in foreign countries, in conformity with the provisions stated in Article 4, shall be dependent on the approval of the Minister of Foreign Affairs.

The Board of Directors of the Bank shall be first requested to give its opinion on setting up new branches.

Article 6

The Bank shall issue notes of 1.000, 500, 100, 50, 25 and 5 Francs.

5 Francs notes cannot be issued except with the authorization of Minister of Colonial Affairs after approval from the Minister of Finance.

Article 7

In the colonies or French Protectorates, no banknotes may be issued except by the branches. The branches and agencies located in foreign countries may be authorized to issue notes on approval from either the Minister of Foreign Affairs or the Minister of Finance.

The notes shall be reimbursable at sight by the branch or agency that issued them and, besides, by all the branches and agencies designated by common accord by the Minister of Colonial Affairs and the Bank.

Article 8

The amount of the notes in circulation at each branch must, in no case, exceed three times the value of its gold and silver reserves, in which are included those of the attached agencies.

This ceiling shall also apply to each agency set up abroad and authorized to issue banknotes.

Article 9

The total amount of the notes in circulation, current accounts and the Bank's other debts, must not exceed three times the value of its authorized capital and reserves.

Article 10

In the colonies and French Protectorates where the Bank owns other establishments, the notes shall be legal tender and payable in the districts where the branches exist.

Article 11

The type of notes must be approved by the Minister of Colonial Affairs and by the Minister of Finance, on advice from the Minister of Foreign Affairs with regard to the denominations to be issued in foreign countries.

The tools of fabrication shall be placed in safe custody with the "Banque de France".

Article 12

No opposition shall be admissible on the funds deposited in a current account at the Bank, nor on the line of credit opened by it as a result of a banking operation undertaken on the transfer of crop and made according to the conditions stated in the statutes.

Article 13

The Bank must, at the request of the Minister of Colonial Affairs, and in accordance with the conditions agreed upon by common accord, undertake treasury services in the colonies and French protectorates where the branches are located.

Article 14

All deeds with a view to constituting securities by way of collateral, transfer of crops, conveyance or otherwise, made out in favour of the Bank and establishing its rights as a creditor, must be registered on payment of fixed dues, whether it is a guarantee specified by the Statutes or an additional guarantee, whatever its nature.

Article 15

The subscribers, drawees, endorsers or those providing bank guarantees and endorsing bills in favor of the Bank, or negotiated sureties at the establishment, are subjected to the jurisdiction of the Trade and Commerce Tribunals by reason of these pledges, collaterals or other relevant sureties.

Article 16

The Colonial Banks Supervision Committee exercises vis-à-vis BAO, the prerogatives provided for in the Incorporating Laws concerning Colonial Banks.

Article 17

The statutes of BAO, attached to this Decree, are approved.

Article 18

The Ministers for Colonial Affairs, Foreign Affairs and Finance shall be in charge, each within his own competence, of implementing the clauses of this Decree which shall be included in the *Law Bulletin* and published in the Official Journal of the French Republic, the *Official Bulletin* of the Ministry of Colonial Affairs, and in the official gazettes of the colonies concerned.

Signed in Paris on 29 June 1901

By the President of the Republic :

Emile Loubet

The Minister of Colonial Affairs

Albert Decrais

The Minister of Finance

J. Caillaux

The Minister of Foreign Affairs

Delcassé

**BANQUE
DE
L'AFRIQUE OCCIDENTALE**

Public Limited Company

CORPORATE HEADQUARTERS IN PARIS : 78, RUE DE PROVENCE

=====
ARTICLES OF ASSOCIATION

Title One (First Heading)

The Bank's Constitution and the nature of operations ascribed to it

Section I – Constitution – Duration and Head Office of the Company

Article One

A public limited company, held by the subscribers, owners of stocks created hereafter and stocks that may be added later on, has been formed for the purpose of transactions such as issue, loans and discount as defined in the present Articles of Association.

The name of the Company shall be “Banque de l’Afrique Occidentale”.

Article 2

The Company's term shall be of twenty years from the date of decree.

Its head office shall be in Paris, at any place decided by the Board of Directors.

Article 3

The “Banque de l’Afrique Occidentale” shall have branches or agencies in Saint-Louis, Dakar, Rufisque and Conakry.

It can open branches or agencies in Senegal, French Guinea, Côte d'Ivoire, Dahomey and French Congo, as well as in protectorates dependent on these colonies and in foreign countries on the West African coast.

Section II – Equity Contribution

Article 4

The Bank of Senegal, in the process of liquidation, shall transfer all its assets to the “Banque de l’Afrique Occidentale”, except the part that constitutes its cash holdings, which can be retained, in the manner defined hereafter. It shall be responsible for terminating all its liabilities, in such a manner that this equity contribution as of 30 June 1901 shall stand at a net amount of 900,000 Francs (the net assets of the Bank of Senegal as of 31 August 1900, the date of the last known statement of accounts, taken as being worth 900,000 Francs).

The assets and liabilities of the Bank of Senegal as of 30 June 1901 and having, consequently, to be shown in the balance sheet of the said bank, drawn up on this date, shall be evaluated, with the concurrence of the official assignee of the Bank of Senegal and the Board of Directors of the “Banque de l’Afrique Occidentale”, on the basis that made it possible to consider the value of the net assets to be 900,000 Francs as of 31 August 1900.

The income from this exercise, which shall end on 30 June 1901, shall be reserved for the shareholders of the Bank of Senegal, and shall not be included in the assets that will form the equity contribution.

If, after the evaluation on 30 June 1901 described above, the net assets, that shall be the equity contribution, exceed 900,000 Francs, the official assignee of the Bank of Senegal shall retain in cash holdings a sum equal to the surplus assets found and distribute this sum to the shareholders of the Bank of Senegal.

If, on the other hand, the net assets that shall be the equity contribution stand at less than 900,000 Francs, the official assignee will have to make up the difference if necessary from the profits ensuing from the exercise described above.

And in order to ensure the implementation of the previous clause, no distribution of the surplus shall be made to the Bank of Senegal's shareholders until a meeting of BAO's shareholders, to be held at the latest before 1 October 1901 and representing at least one-fourth of the registered capital, approves the original balance sheet of the said "Banque de l'Afrique Occidentale" drawn up as of 1 July 1901, accounting for the assets and liabilities transferred to this company by the Bank of Senegal, as the infusion of its equity capital.

In return for the Bank of Senegal's equity contribution, 1,800 fully paid-up shares of 500 Francs each representing a total of sum of 900,000 Francs will be allotted to the said Bank.

These shares shall be given to the said Bank only on 1 October 1901, after settling all accounts pertaining to the said capital. Until this date, the shares shall remain in the counterfoil book and shall be non-negotiable.

Section III – Corporate capital - Shares

Article 5

The registered capital is fixed at 1 million 500,000 Francs, divided into 3000 shares of 500 Francs each.

As mentioned above, 1,800 of these fully paid-up shares shall be allotted to the official assignee of the Bank of Senegal as payment of the equity infusion by the said bank.

As for the remaining 1,200 shares, they shall be subscribed for in cash, and only the first quarter, that is 125 Francs per share, shall be actually paid. The residual balance, that is 375 Francs per share, will be made in a single payment, latest by 1 July 1901, when called for by the Board of Directors.

The registered capital can be increased up to 3 million Francs, in one or several issues of new shares of 500 Francs each, by a decision of the Board of Directors fixing the sum of the increment and the terms and conditions of the share issue.

The corporate capital can be increased beyond 3 million Francs by a decision of the General Assembly, approved by the Minister of Colonial Affairs.

Article 6

The Board of Directors can decide to sell the shares on which the residual payment has not been made.

This sale shall be made one month after publishing a notice to the defaulting shareholders, in two newspapers, in Paris, designated for this purpose in the memorandum of association, or in the colony's official Gazette.

The sale shall take place at the Paris stock exchange through a stockbroker at the risk and peril of the defaulting shareholder without having to obtain a judicial order or to give a formal notice.

The shares thus sold shall become null and void in the hands of the holder and new shares shall be allotted to the buyer with the same numbers.

The measures authorized by this article shall bar simultaneous legal action taken by the company against the subscriber.

If the proceeds of the sale leave a surplus after the payment of the defaulted amount, this surplus shall belong to the original shareholder.

Any share on which the residual payment has not been made shall become non-negotiable.

All delayed payments shall automatically attract an interest in favor of the corporation, at the rate of 6% per annum, from the due date without having to take legal recourse.

Article 7

Registered securities shall be transmitted by a transfer regulated by the Board of Directors.

A simple transfer shall suffice to transmit the bearer shares.

Article 8

The shares, until they are fully paid up, shall remain registered securities. After they are fully paid up, they shall be either registered securities or bearer shares according to the option exercised by the holder. The Company seal shall be affixed on them.

They shall be extracted from a register with counterfoils and the detached certificate of shares shall bear the signature of two directors.

Article 9

All shares shall be single entities (indivisible). The company shall recognize only one owner per share.

Article 10

The rights attached to the share shall be transferred along with the title to the person who holds them.

Article 11

Ownership of a share shall automatically entail adhesion to the Company's articles of association and the decisions of the General Assembly.

Article 12

Every share shall bear a right over the ownership of the assets and distribution of income in proportion to the number of shares issued.

Every shareholder shall be responsible for the commitments of the corporation only up to the aggregate of his shares in the capital.

Article 13

The dividends of all shares, whether registered securities or bearer shares, shall be paid to the security holder.

Article 14

The shareholder's heirs, representatives or creditors, cannot under any pretext, carry out the sealing of the company's properties and securities, demanding an apportionment or sale by auction in one lot of property held *indivisum*, nor intervene in any way in its administration.

Section IV – Bank operations

Article 15

Under no circumstances or pretexts, can the bank transact any business other than those permitted by the present articles of association.

Article 16

The only objective of the Bank's transactions shall be financial transactions incidental to the countries where it has its establishments. They consist, in these countries, of the following :

1) To issue demand notes and promissory notes according to the conditions laid down in the Bank's constitutive decree ;

2) To discount bearer orders or local bills, bearing two or more signatures, and manifestly creditworthy and whose redemption date does not exceed six months ;

3) To create, negotiate, discount or buy bills of exchange, pay orders or bankers and bearer checks in the colony, in France or in foreign countries ;

The redemption date of these bills of exchange or pay orders should not exceed six months ;

4) To discount negotiable and non negotiable bonds guaranteed by :

a) Warrants or acknowledgement vouchers for goods deposited at public warehouses or stores belonging to the bank or rented by it ;

b) Transfers of pending harvests ;

c) Duly endorsed orders of bills of lading along with the due insurance documents ; on docking of the ship the bills can be converted into warrants or acknowledgements of the whole or a part of the cargo under the conditions of deposit stipulated above ;

d) Regular hypothecation consisting of French securities on which the "Banque de France" has made advances or in securities created or guaranteed by the governments or municipalities of the countries in which the bank's branch or agency has been established, or in the Bank's shares ;

e) Ingots, cash, or gold, silver or copper deposits ;

f) Maritime mortgages on French ships or those registered as French in countries where the French law on maritime mortgage is applicable ;

5) To buy and sell gold, silver and copper metals ;

6) To give advances on ingots, moneys, gold, silver and copper material ;

7) To receive voluntary deposits of any sum in current accounts, with or without interest, any securities, money and gold, silver and copper material.

These transactions shall be undertaken in Paris as well as in the branches or agencies;

8) To act on behalf of personal account holders or public establishments, for encashment and recovery of securities remitted, to pay all pay orders and allocations ;

9) To receive, on authorization of the minister or the governors of the colonies, the proceeds of open public issue subscriptions, either in the colonies or in France ;

10) To issue promissory notes, bills of exchange or pay orders ;

11) To deliver letters of credit against guarantees ;

12) To discount in France or in a foreign country, on its account, bills of exchange or pay orders with two commercial signatures or guaranteed by duly endorsed bills of lading along with the due insurance documents ;

13) To buy gold, silver and copper material.

Besides this, the Bank can participate in Government loans issued in countries where it has establishments, without however the total amount exceeding half of its reserves save under special authorization of the Minister of Colonial Affairs and the recommendation of the Minister of Foreign Affairs when the loan is issued by a foreign government.

It can also, under the same terms and limits, participate in the creation or constitution of financial, industrial or commercial enterprises that operate in countries where it has its establishments.

The Bank can also process third party accounts and represent them.

Article 17

In the case of local securities or non-negotiable bonds, one of the signatures required according to the provisions of the preceding article, can be replaced by the deposit of movable property mentioned in Article 16 or by remitting a warrant, a receipt or a deed of deposit of goods, or by the transfer of standing crops, under the conditions specified hereafter, or by deposits of ingots, money, gold, silver or copper material, or by the regular

transfer of due guarantees by legally authorized municipalities, by the colonial government, or the administration of protectorates ; and in the case of bill of exchange or pay orders, by a bill of lading specially dedicated to the goods along with insurance documents.

The second signature on the bill of exchange can also be replaced by a declaration of early acceptance sent by the drawee to the Bank or by notifying the Bank about a credit opened by the drawee in favor of the drawer.

Article 18

Standard rules of procedure issued by the Board of Directors shall determine the quota and the value of the valuables or deeds meant to replace one of the statutory signatures specified for notes, bills of exchange or bonds to be discounted by the Bank, or on which advances are to be extended, can be accepted by the Bank.

In the case of goods or cargo deposits the pro rata cannot exceed the market value determined by the stockbrokers or by the Chambers of Commerce ;

In the case of gold and silver holdings and ingots, it shall be the full value ;

In the case of gold and silver material, it shall be the value based on the weight and the fineness ;

In the case of standing crops, it shall be one-third of the crop value ;

In the case of a Government Annuity or securities guaranteed by the Governments or Municipalities where the Bank has its branches or agencies, it shall be 80% of the value of the said security according to the latest official value quoted in the colonies, and 75%, in the case of French securities on which the Banque de France gives advances ;

In the case of shares, it shall be 60% of the average value quoted for the last six months.

The owners shall have to insure the consigned goods or cargo with an insurance company approved by the Bank.

Article 19

The different securities discounted by the Bank should be stamped, if the related law is in force in the countries where it has its establishments.

The Bank shall not discount "accomodation bills" created between the signatories without consideration or actual value. No instrument or commitment bearing the signature of one of the establishment's agents shall be taken for discounting. Moreover, these employees cannot engage in any commercial activities or enterprises.

Article 20

The Bank cannot issue instruments or warrants unless provisions have been already made for them.

Instruments, representing the totality or a part of the registered capital and reserves, can be hypothecated to a bank in France designated for this purpose by the Minister of Colonial Affairs, with the understanding of the supervision committee. The credit opened by this establishment shall be considered as estimated liability but it cannot exceed the amount of the instruments pledged as guarantee.

Article 21

The Bank can agree to grant loans against standing crops either to individuals or to agricultural co-operatives having civil personality according to the conditions laid down by the organic law of colonial banks.

When these loans are disbursed with the concurrence and guarantee of the local administration, they will be disbursed under the terms and conditions agreed to by the said administration and the Bank.

Article 22

The non-negotiable bonds supported by a transfer of standing crops and permitting the opening of a current account can be deferred, on their maturity, till the assigned harvest is over.

The Bank can stipulate that the produce resulting from the harvest should be delivered as and when harvested to the warehouses designated for this purpose, in conformity with the legislative requirement, in order to convert the loan on transfer of standing crops into a loan on collateral.

Article 23

Bonded warehouses, stores belonging to the Bank and any other stores designated for this purpose by the Government in the Privy Council shall be considered as public stores or warehouses, where the goods to be pledged can be consigned as an additional security for the Bank's portfolio instruments. The goods shall be accounted for by a receipt or warrant that can be transferred by endorsement.

Article 24

In case of default on repayment of loans, the Bank shall be authorized to sell, by public auction, eight days after a simple formal notice, through a government official, notwithstanding any opposition, either the goods or the gold and silver material pledged with it, or the transferred standing crops or their produce or the title deeds pledged as guarantee, without prejudice to any other proceedings that can be initiated against the debtors until the entire capital, interests and costs of the loan amount is realized.

Article 25

When the payment of an instrument is guaranteed by one of the securities described in Articles 16 and 17, the Bank can, eight days after protest or a simple formal notice, sell the goods or securities to cover itself, not exceeding the sum due ; in the case of standing crops, the Bank can either have a standing sale or procure the crops for production.

Article 26

If the bonds or instruments guaranteed by one of the values described under number Article 16 are not to order, the debtor shall have the right to anticipate its release and it shall be restored to him with interest for the days remaining until its maturity.

Article 27

Additional guarantees given to the Bank shall not prevent action being taken against the signatories of the instrument ; these actions can be undertaken concurrently with other actions to realize the special guarantees established in favour of the Bank until the entire capital, interest and costs of the loan amount is realized.

Article 28

Discounted calculation shall be based on the number of days remaining - even one single day shall be taken into account. For instruments payable several days after sight, the discount shall be calculated on the number of days after sight, and if these instruments are payable either outstation or they are presented for discount outside the colonies, the number of days after sight shall be increased according to the distance.

Article 29

The Bank's standard procedure instruction lay down the conditions to be fulfilled to open a discount account or a current account.

Article 30

The Bank shall give acknowledgement vouchers for voluntary deposits ; the voucher shall carry the following information : nature and value of the deposit, name and address of the depositor, date of deposit, date of withdrawal and registration number.

The acknowledgement voucher shall not be a note of hand and cannot be transferred by endorsement.

The Bank shall charge a fee on the value of deposit on which advances have not been made immediately on the right of custody. The terms shall be fixed by the standard rules of procedure. When the depositor asks for advances before the due date of withdrawal of the deposit, the right of custody fee shall not be refunded.

Article 31

The Bank shall publish its monthly statement in the *Journal officiel (official gazette)* in Paris.

Each branch or agency shall also publish its monthly statement in a newspaper in the colony designated for this purpose by the governor.

Section V – Dividend and Bank Reserve

Article 32

Every six months, on 30 June and on 31 December, the books and accounts shall be closed and the balance sheet shall be drawn up ; the statement of accounts of the Bank's transactions shall be prepared.

A maximum of one-fifth of the face value of accounts payable can be included in the asset account.

A deduction of ½% of the paid up capital shall be made on the net income earned during the semester.

This deduction shall be used to establish a reserve fund.

A first dividend of 5% per annum of the paid up capital shall be distributed to shares.

Article 33

After these deductions, the surplus income shall be shared in the following manner :

10% for contingency funds ;

10% for the Board of Directors ;

80% for the shares.

The General Assembly on the advice of the Board of Directors can decide to create special or temporary reserve funds from this last allotment of 80% made to the shareholders.

In case the shortfall of income does not permit the allocation of a 5% dividend per annum for the paid up capital, the amount necessary to make good this 5% difference can be withdrawn from the special or temporary reserve funds.

None of the allocations described in the present Article and Article 32 can be made without the approval of the Minister of Colonial Affairs.

Article 34

Any unclaimed dividend within the five-year time limit shall be reverted to the Company.

Article 35

The dividends shall be paid immediately after the approval mentioned in Article 33 is obtained, to the Bank in Paris or in its branches.

Title II Administration of the Bank

Section I – General Assembly

Article 36

The General Assembly shall represent the universality of shareholders. The General Assembly shall be constituted by all shareholders possessing at least ten shares.

Shareholders with less than ten shares can form groups to attain ten numbers of shares and choose one representative from amongst them.

However, no non-French shareholder can be a part of the General Assembly, unless he has been a resident of France or one of the colonies for at least five years.

Article 37

Those who hold transferable shares should deposit them at least five days before the General Assembly ; a non-transferable receipt that represents an admission card shall be given to them.

The list of shareholders that have deposited their shares shall be drawn up ; it shows the names and addresses of the shareholders and the number of shares held by each. It shall be produced on the day the General Assembly meets.

The Meeting's bureau shall certify the attendance sheet.

No one can be represented at the General Assembly unless it is through a proxy who is a member of the Meeting. The only exception being in the case of a representative of a Company holding shares without himself being a shareholder.

Article 38

The resolutions shall be passed by a majority vote of the members present. Ten shares shall give right to one vote. However, no person can hold more than ten votes in his name or as a proxy.

Article 39

The General Assembly shall duly meet every year, during the second semester, at the company headquarters or any other place notified in the meeting notice. It shall be convened by the Board of Directors and presided over by the Chairman of the Board of Directors, and by default, by the vice president or a director designated by his colleagues.

Two of the largest shareholders shall act as returning officers and, if they decline to do so, by those who follow them in the order of listing till the posts are accepted.

The bureau shall nominate the secretary.

Article 40

The General Assembly shall listen to the Board's report on the situation of company affairs and the questions on the agenda.

It shall discuss, approve or reject the accounts.

It shall fix the dividends to be shared in conformity with Articles 32 and 33 of the articles of association.

It shall elect the directors.

Election shall take place by secret ballot if so demanded, and the directors shall be elected on absolute majority of votes of members present.

If, after two rounds of voting, no one has an absolute majority, the General Assembly shall then proceed with a run-off ballot between the two candidates with the largest number of votes in the second round.

If there is a tie in the run-off ballot, the older of the two shall be deemed elected.

It shall deliberate on all questions submitted by the Board, especially on the increase or decrease of the registered capital, the expansion of corporate affairs, upon satisfaction of the stipulations made in Article 5, on the creation of new branches, on modifications to be made in the articles of association, on the anticipated extension or dissolution of the Company, for changing it into a different type of company, especially in the case of discontinuance of the rights extended by the constitutional decree and generally on all matters provided by and not provided by the statutes.

Article 41

The General Assembly should be constituted by shareholders that represent at least one-fourth of the paid up capital.

If this quorum is not available, another General Assembly shall be called within a month's time. This General Assembly may validly deliberate, whatever be the proportion of the paid up capital represented at the meeting, but only on the items listed on the original meeting's agenda.

Article 42

An extraordinary General Assembly can be called whenever the Board deems it necessary.

An extraordinary General Assembly can be called :

- 1) When shareholders representing at least one-third of shares make a written request to the Board of Directors on justifiable grounds for calling a General Assembly. In this case, the General Assembly should be held within two months ;
- 2) When losses due to the Bank's transactions reduce the capital by half.

Article 43

The General Assemblies called for deliberating on modifying the Articles of Association, on proposals for the continuance of the company beyond its fixed term or its dissolution before its term, shall be regularly constituted only if they represent shareholders holding at least half the paid up capital. The notice for the meeting shall indicate summarily the purpose of meeting.

If the General Assemblies called for deliberating on modifying the Articles, on proposals for the continuance of the company beyond its fixed term or its dissolution before its term, is not made up of shareholders holding at least half the paid up capital, a second meeting shall be called within a month and can validly deliberate on the matter in hand whatever be the number of shareholders present in person or by proxy.

Article 44

Notice of ordinary and extraordinary meetings shall be sent through individual letters to General Assembly members owning registered shares, to the residential address furnished by them in the Bank's register. For all other shares, the notice shall be given through two Parisian newspapers designated for the publishing of Company action at least fifteen days before the meeting and in the Official Gazette of West Africa at least one month before the meeting.

The letters and the notice shall give the broad outlines of the purpose for calling the meeting. Any shareholder wishing to submit a proposal should communicate the same to the Board of Directors at least five days before the meeting. The Board shall decide whether the proposal should be included in the agenda. Only the items included in the agenda by the Board and written in the record of proceedings shall be taken up for deliberation. A summary of the Banks statement of accounts shall be available to the shareholders at the Company headquarters eight days before the meeting.

Article 45

The resolutions made by the General Bodies in conformity with the statutes shall be binding on all shareholders even on absent and dissenting members.

The resolutions shall be placed on record by writing the minutes in a special register duly signed by the Chairman, the returning officers and the secretary. This register shall be kept at the Company Headquarters. An attendance sheet, to place on record the number of members attending the meeting and the number of shares held by them, shall be placed as an annex to the recorded minutes ; this shall also be signed by the same persons.

Article 46

Explanations to be made to third parties about the resolutions of the General Assembly shall be given by a certified copy or extract signed by the Chairman of the Board of Directors or by two Directors.

Section II – Administration – Management – Monitoring

Article 47

The Bank shall be managed by a Board of Directors composed of a minimum of five members and a maximum of eight members. The Directors must be French.

The Government Commissioner shall assist the Board of Directors.

Article 48

The shareholders General Assembly shall appoint the Directors.

However, as an exception, the first Board of Directors shall consist of the following five persons designated below, till the first ordinary meeting of the General Assembly :

Messrs. Emile Maurel

Gabriel Devès

F. Bohn

Théodore Mante

Alexis Rostand

These five Directors can enlarge the Board to eight members by co-opting three new members.

In case of vacancy of the first statutory Director, either through resignation or demise or for other reasons, the remaining members shall provisionally appoint a member to make up the required minimum of five Directors, till the first General Assembly decides on the appointment.

Article 49

Once this transitory period is over, the shareholders General Assembly shall appoint the Directors for a term of five years.

The Board shall be renewed by one-fifth every year. The directors shall be eligible for reelection.

The withdrawal of a one-fifth of the Directors shall be done by drawing lots.

In case of a vacancy in the Board, it shall be filled up provisionally by a substitute by the Board of Directors till the following General Assembly, which shall decide on the appointment.

The Director appointed in case of a vacancy can hold office only till the expiry of his predecessor's term.

Article 50

Every Director shall have to show proof of owning twenty shares when taking up office. These shares should be fully paid up and remain inalienable during his term in office.

Article 51

The Directors shall receive an attendance fee. The General Assembly shall determine this amount.

Half the share of the earnings allotted to the Directors by Article 33 shall be distributed as attendance fees.

Article 52

The Board shall be vested with comprehensive powers to manage the company's affairs ; it shall decide on all business transactions, lay down all the Bank's rules of procedure ; determine the rates of discount, interest, exchange, commissions and custody charges, the process of appraisal for ingots, money or gold and silver materials, goods or harvests.

Within the limits of the Articles of association it shall authorize all banking operations and determine the conditions attached to them.

It shall decide on the use of the reserve and contingency funds mentioned in Articles 32 and 33.

It shall decide which instruments or liabilities can be offered discount, without having to justify any refusal.

It shall authorize buying of papers in France and in foreign countries with the available funds.

It shall decide on the signature to be affixed on the Bank's notes, withdrawals and cancellation of notes.

It shall authorize all bills of exchange, transactions, use of funds, transfers of Government annuities and other securities, purchase of debts and other incorporeal rights, transfers of the same rights with or without guarantee, waivers of mortgages and charges, surrender of a right in personam or a right in rem, release of all registrations or objections, fully, with or without payment ; it shall undertake all legal actions both as petitioner as well as defendant, participate in voluntary or judicial bankruptcy, acquisition or alienation of properties, loans and mortgages.

It shall authorize applications for all concessions on immovable property and others, under the condition laid down by lease deeds and orders, all operations and works that constitute the Company's business, collection of receivables and renewal of loans, commercial paper and all types of securities belonging to the Company ; it shall ensure that the Bank does not transact any business not determined by the statutes and in the manner specified in the rules of procedure ; it shall convene the General Assemblies, determine the agenda and the questions that will be taken up for discussion.

It shall fix the organization of offices, determine the salaries, remuneration and bonus of agents and employees and the general administrative expenses.

It is hereby explicitly agreed that the powers that have been described above shall be purely declaratory in nature and not limiting and do not lay any restriction on the principle that confers full powers to the Board of Directors.

Article 53

The Board shall appoint a Chairman, a Vice-chairman and a Secretary from its members.

A record of the proceedings of the Board of Directors shall be maintained. The Chairman and the Secretary shall sign the approved minutes of the proceedings.

The Chairman or a Director shall sign the copies or extracts to be produced in court or elsewhere.

Article 54

Ordinarily, the Board shall meet at least once a month at the Company headquarters.

Extraordinary meetings shall be called whenever required in the interest of the Company or when the Government Commissioner asks the Chairman for one to be convened.

Article 55

Resolutions shall be passed on the majority vote of members present and, in case of a tie, the chairman shall have the casting vote.

The absentee Directors can be represented on the Board by one of their colleagues for a special or specific purpose. In no case, does this give the same Director more than one vote apart from his.

Any resolution shall be valid only when at least three Directors have participated in the discussion.

Article 56

The account of the Bank's operations that has to be presented to the General Assembly, shall be drawn up by the Board of Directors ; it shall be printed and sent to the Minister of Colonial Affairs ; it shall be given to every member of the General Assembly.

Article 57

The Board of Directors, with the concurrence of the Minister of Colonial Affairs, shall appoint the directors delegated under its authority for managing the Company's affairs. These directors shall represent the Company with respect to third parties for executing the Board's decisions.

The Board shall decide on their salary.

Article 58

Every branch shall have a Discount Committee. The Board of Directors shall determine the composition, terms and emoluments of this committee.

Article 59

Legal actions shall be initiated on behalf of the Board of Directors, on the proceedings and at the discretion of the Manager.

A petitioner can choose to take legal proceedings against the Bank either under the jurisdiction of its Company headquarters or under the jurisdiction of the branch involved in the action, except for cases covered by Article 69.

Article 60

While taking up office, the Manager shall have to show proof of ownership of twenty inalienable shares. These shares should be deposited with the Bank.

Section III – Government Commissioner and Administrative Censors

Article 61

The Minister of Colonial Affairs shall appoint a Government Commissioner to the "Banque de l'Afrique Occidentale".

Article 62

The Government Commissioner shall be invited to all the Board meetings and the shareholders General Assembly. He shall ensure the execution of the Bank's Articles of association and its regulations. He shall monitor all departments of the establishment. It is mandatory to present the cash statement, registers and portfolios as well as all copies and extracts of the Bank's books to the Commissioner.

He shall propose any measures he deems useful and as a right, enter his proposals and observations in the Board's minute book.

Article 63

He shall submit a monthly report to the Minister on the Bank's functioning. A certified copy of the Board's record of proceedings and the monthly statement of the Bank and all its branches shall support this report.

The Minister of Colonial Affairs shall appoint a replacement in case of absence or impediment of the Government Commissioner.

Article 64

The Minister of Colonial Affairs can appoint an administrative Censor for every one of the Bank's branches ; for branches located outside the Republic's territory the appointment shall be made on the advice of the Minister of Foreign Affairs.

Article 65

The administrative Censors shall perform, in the branches, the duties the Government Commissioner performs in the head office, described in Article 62. As of right, they shall note their observations on a register specially maintained for this purpose. They shall correspond with the Governor of the colony and the Minister and submit a report once a month, more often if required, of their supervision. In case of an administrative Censor's death, resignation or impediment the Governor of the colony shall appoint an interim censor.

Article 66

The salaries of the Government Commissioner and the Administrative Censors shall be fixed by an order of the Minister of Colonial Affairs and paid by the Bank.

Article 67

The Minister and the Governors can, either by virtue of office or at the request of the Supervision Committee, order an audit of all the registers, cash on hand and the Bank's transactions. This shall be done through the agents appointed by them and at the time they deem appropriate, in their judgement.

Title III

General Provisions

Article 68

In case the Bank's capital is reduced by two-thirds due to operational losses, it shall be liquidated ipso facto.

In case the capital is reduced by half due to the same reason, an extraordinary General Assembly can demand its liquidation.

This demand shall be valid only if it is supported by a majority of shareholders representing two-thirds of the paid up capital at the Meeting. The Government shall examine whether the dissolution of the Bank is in the interest of the public and third parties. The Bank can be dissolved only by a decree of the President of the Republic preceded by a notification of the colonial banks Monitoring Committee and the Council of State.

Article 69

In case of a legal challenge, all shareholders should make Paris their choice of residence.

Failing any special choice of residence, all acts and notifications, all summons and extra judicial actions can validly be served to the Public Prosecutor to the Civil Court of first instance of the "Département de la Seine".

The Courts of the Seine shall be alone competent to order and adjudge on any differences that may exist between the shareholders and the Board of Directors.

Article 70

The General Assembly shall be called two years before the expiry of the exclusive rights extended to the Bank to decide whether to apply for the renewal of these exclusive rights to the Government.

Certified to be annexed to the decree of 29 June 1901.

The Minister of Colonial Affairs

Albert Decrais.

C – The State Bank of Morocco (1907-1959)²²⁹

On 16 January 1906, a meeting between delegates of thirteen countries (twelve from Europe and one from the United States) and the representative of Morocco was held at Algieras. The record of proceedings was signed on 7 April. Chapter three of these records was devoted to the creation of the State Bank of Morocco as a public limited company regulated by French laws.

The Bank's capital was shared between the signatory countries of the Act of Algieras (except the United States, which refused to participate in the venture) and its management was entrusted to the "Banque de Paris et des Pays-Bas". France became the majority shareholder after the First World War by buying back the shares of the other members.

The State Bank of Morocco was established for a period of forty years with its headquarters in Tangiers according to the terms of the Act of Algieras. It enjoyed the monopoly of minting coins and the exclusive privilege of issuing entirely redeemable banknotes accepted by "the Treasury of the Moroccan Empire".

Created on 28 February 1907, the State Bank set up office at Casablanca, Essaouira and Tangiers in the buildings of the "Comptoir National d'Escompte" (National Discount Office), which it took over.

A Board of Directors represented by various establishments that contributed to the capital formation managed it. This Board appointed its Office and Directors. An International Council of Censors and a "Chériefian" (Moroccan) High Commissioner monitored its management.

This controlled independence of management was due to the international character of the institution.

The Bank transacted normal banking operations – discounts, advances, etc. – and besides this, it was the financial agent of the Moroccan Government.

In 1911, it took up the responsibility of minting hassani coins²³⁰ for the Moroccan Government, and in the same year, on the 2nd of December it put in circulation the first banknote for 20 hassani ryals.

The first years of the operations of the State Bank of Morocco were strewn with difficulties : public mistrust vis-à-vis paper currency, insignificant amount of bills in circulation, currency crisis following massive withdrawals by depositors after the declaration of the first world war.

The first bills of the State Bank began circulating on 15 November 1920. They were issued in denominations of 100, 50, 20 and 5 F. The denominations of 10 and 1000 F were issued from 1921 and the denominations of 500 in 1922. From this date onwards, the French and Algerian currencies were no longer legal tender in Morocco.

²²⁹ Bank Al-Maghrîb, Rabat, 1987.

²³⁰ Moroccan coins.

The exclusive issuing rights conferred upon the State Bank in 1907 and confirmed on 14 January 1915 would be renewed in 1946 for twenty years. The use of the new currency at first prevalent in the towns where the Bank's agencies were established, became prevalent in the rest of the kingdom. Except in the Northern zone where the Spanish currency was alone accepted for circulation along with the hassani, which had practically disappeared due to lack of new minting and Tangiers, the international zone, where both the Moroccan Franc and the Spanish peseta were in circulation. However, the Bank had opened several agencies in this zone where it acted as Treasurer and paymaster.

As we have already pointed out, the institution of banks of issue in the colonies from 1851 onwards, issuing the Franc with the same definition as the French Franc but whose legal tender was limited to the issue territory and the denominations customized by the issuing establishment, *de jure*, introduced a plurality in the Franc area.

From then, started the practical problem of conversions between the French Franc and the Colonial Franc for settling reciprocal debts and liabilities.

The solutions brought to this problem at different periods would mark the evolution of the Franc area.

VII – Monetary plurality and solutions to the problems of exchange within the Franc area

Exchange operations were subject to fluctuation due to the structure of exchange between the colonies and France. As a consequence, the colonial banks had a flexible exchange rate and an arrangement with their correspondents in France.

A – The colonies' balance of payment deficit and the flexible exchange rate solution

We have seen that in order to play the role of intermediary between the colonial and the French economies, colonial banks kept their equity capital with their correspondents in France in French Francs.

The conversion of the local currency into French Francs or the conversion of the French Francs into local currencies was operated from these accounts on the clients' transfer orders or encashment of instruments (checks, pay orders, etc.).

In the Colonies-to-France transfer operation, the colonial banks sold the French Francs to those placing orders, against the Francs issued by them ; on the other hand, they bought the French Francs against the Francs issued by them in the reverse operation.

Thus, the local Francs/French Francs exchange operation was all the more easy to achieve, since the level of the colonial bank's equity capital in French Francs made it possible to manage conversion requests.

On the other hand, "the exchange rate was the dominant question in the colonies for a long time" ("Bank of Senegal" pages 16 to 20), in the sense that the transactions were marked by large exchange variations between France and the colonies.

These "exchange crises" were frequent, especially in sugar cane-based colonial economies where the rate of the French Franc could appreciate by 25 to 50% (as in Guadeloupe in the years 1897 - 1898) vis-à-vis the local Franc.

This situation was linked to these colonies' structural deficit in the balance of payments due to the "high propensity of planters for consumption, their absenteeism, their frequent trips to France, single cropping (sugar cane) and the absence of industrialization".

The "exchange crisis" was aggravated, if by any chance, there was a bad harvest or a decline in prices or fall of exchange rates".

In fact, colonial banks that bought and sold commercial papers abroad (bills of exchange, pay orders, checks), negotiated and applied a price determined by offer and demand to their clients. This price was therefore higher, due to the deficit, and in order to protect their equity capital in Francs lying with their correspondents.

This resulted in the rise in the prices of imported goods and thus the cost of living itself, although exporters took advantage of this situation.

For this reason certain banks entered into an agreement with their correspondents in France in order to stabilize the exchange rate.

B – Special arrangements between the colonial banks and their correspondents in France

Till the First World War, there were arrangements between colonial banks and their correspondents in France, like the type agreed upon by the Bank of Senegal and the "Comptoir d'Escompte" (Discount Fund), which "contributed to absorb the violent fluctuations in exchange rates".

As we have already seen, "the credit opened by the "Comptoir d'Escompte" was a useful way of compensating the Bank's deficiency in local exchange rate means. Up to the credit available, the Bank could draw from the "Comptoir", obviously negotiating withdrawal rates that went higher and higher as the bills of exchange became more and more scarce".

"As such, the accounts receivable were an excellent index of the colony's balance of payments, that is to say, the trade situation on the whole. When it was a debtor, it meant that balance of payments was in favor of the colony and the amount figured in the assets of the bank's balance sheet".

"On the whole, the "Comptoir d'Escompte" contributed in absorbing the violent fluctuations of exchange rates".

"Also, the Treasury was asked to take a lenient view towards certain colonial banks to avoid putting them in difficulties. Often, the Bank of Senegal, finding it impossible to procure commercial bills, was forced to make its remittances in treasury bills in Paris" ("Bank of Senegal" pages 19 and 20).

Michel Lelart, as we shall see later, explained how, for example, the French Treasury came to the aid of the Bank of Algeria.

Better placed financially, the second-generation banks, ensured through their own means, the convertibility of their currency into French Francs. Sometimes to meet their demands, they made a fixed amount advance to the local treasury without quid pro quo : it was the advance account system practiced by the Bank of Indochina.

When the BAO took over from the Bank of Senegal, it assumed the responsibility of converting the currency it issued into French Francs, within a margin ; the French Franc/local Franc parity was therefore flexible and the BAO defended it by applying an exchange commission on Africa-France transfers and by playing on the interest rate.

On the public finance front, measures were taken just before the First World War to ensure the integration of the local Treasuries with the Government Treasury in France ; these measures constituted a decisive step towards an institutional solution to the exchange problem in the Franc Area, which would arise after the war.

C – The decree of 30 December 1912 and the organization of an homogenous reserve between the French Treasury and local Colonial Treasuries

It was the decree of 30 December 1912 that organized the colonies' financial regime by ordering the integration of the local Treasuries with the Government Treasury in Paris.

Articles 50 and 51 stipulated especially :

"Revenue collection and expense payments contained in the State's budget shall be executed in the colonies, on the direction of the Minister of Finance, by the Paymasters-Treasurers or on their behalf by the treasury accountants (representatives)" (Article 50).

"Every colony has a Paymaster-Treasurer who shall be responsible for the revenue and expenditure both for the State's and local services".

"The Paymasters-Treasurers make collections or get them made for their account and centralize all revenue realized either for the State or for the Colony. They provide for the payment of all public expenditure in conformity with the provisions of the rules.

"They shall be responsible for the flow of funds and other services carried out outside the budget..." (Article 51).

In substance, the principle of the homogeneity of the State Treasury applicable to local districts in France was also put into effect for the colonies ; the colony and the State had, in situ, the same accountant with a single pay desk.

In practice, the central Treasury held a current account where it posted the concerned transactions for every one of its "correspondents" (communities, industrial and commercial public bodies, public enterprises).

It took into account either all the revenue and expenditure operations as in the case of communities and colonies integrated with the Treasury or only the deposit balance variations of the correspondent ; or else, only the part of the assets deposited in the Treasury.

In the Treasury's accounting heads, a group of current accounts, called special accounts, were used to post "expenditure and revenue carried out outside the budget by State departments that have neither a juridical personality nor financial autonomy" (Bloch-Lainé p 64).

In fact, the scope of special accounts seemed to be wider, even including institutions with a juridical personality and financial autonomy.

Thus, we shall see that the covenant determining the relations between the Government Treasury and the Issuing House of AOF and Togo, explicitly targeted the special Treasury accounts : "as per Article 14 of law no. 51-1508 of 31 December 1951 pertaining to the special Treasury accounts for the year 1952, it was agreed that...".

The account head of the special accounts consisted of commercial accounts, consignee account, settlement accounts with foreign governments, monetary operations accounts²³¹, advances accounts and loan accounts.

Certain monetary operations accounts "traced the operations carried out in accordance with international arrangements approved by law" (Bloch-Lainé).

In principle, a current account could not show a debit balance. But on the basis of the close Treasury relations the correspondent enjoyed with the Government Treasury, the correspondent could be granted an advance when it was likely to be in debit.

This relationship with the Treasury was all the more appreciable given the liberty enjoyed by the correspondent for borrowings and placements of funds.

The central Treasury's aid came with a low interest and was reimbursable.

²³¹ One may believe that in the Treasury's accounting nomenclature, the term "*monetary operations account*" was already in function before its application, later, in colonial issuing banks (cf. p. 433). This would explain why the notion "*operations account*", which would be used in 1921 for the State Bank of Morocco, was derived from the generic term "*monetary operations account*".

Historical perspective of the establishment of the French Government's Treasury and its present day organization

History shows us that a State cannot exercise full authority or sovereignty unless it has successfully managed to centralize in its hands all its financial services and to realize all its revenues throughout its territory.

Financial organization should go hand in hand with political organization, that is to say, *financial organization should follow closely the progress made by the political organization in order to consolidate this progress*. One of the reasons for ancient Greece's durability and prosperity, at the time of Pericles, was due to the fact that all the allied nations had finally consented to centralize their treasuries in the hands of Athens at Acropolis, in spite of the strong opposition this policy evoked at that time. The evolution of Rome's finances offer a similar example : the Empire's Treasury was centralized at Rome and divided under two heads - two heads only : the Prince's account and the State's account, managed by two high officials, thus covering the entire fiscal network of the Empire.

Thus, the role vested today with the French Government's Treasury and its organization seem quite normal. Nowadays we cannot imagine the State not being the master and chief executive of all financial operations undertaken on behalf of the community. We think that any good sovereign ought to have instituted unity of financial operations right from the beginning in France, but it took forty kings, two Empires and the first two Republics to achieve this and with much difficulty. It took a lot of time and effort in France, as elsewhere, to establish the rules and practices that made the Treasury a non feudal, well-managed and monitored institution, an institution that was not under the sway of any sort of vested interests.

Bloch-Lainé and Voguë, *Le Trésor Public et le mouvement général des fonds* (The Public Treasury and the general flow of funds), pp. 12-13.

The consequences of the First World War would lead, in the framework of a recovery policy, to the systemization of the entire mechanism of the Franc Area in order to ensure greater cohesion.

VIII - The First World War and the beginnings of the "valorization" policy of AOF colonies

A - Changes due to the war

The European nations' expansionist policy, weaponization and formation of hostile blocks, especially the Triple-Alliance (Germany, Austro-Hungary and Italy) and the Triple-Entente (France, Great Britain and Russia), following the Balkan wars (1912-1913), created a climate of tension in Europe where the smallest incident could provoke an armed conflict.

Thus, the assassination of the Archduke François-Ferdinand of Austria by a Bosnian student triggered the 1914-1918 war.

It came to an end after a heavy death toll : 9,000,000 civilians and soldiers killed, 1,390,000 French, 1,950,000 Germans, 1,000,000 Austro-Hungarians, 780,000 British, 114,000 Americans, etc²³². The European nations were comparatively weakened by this conflict, which, by its magnitude, marked a turning point in history.

From the upheaval sprung forth new ideas and new attitudes.

In politics, the colonized countries' war effort, their soldiers' awareness, the American President Wilson's speech on the "*self-determination of people*" as well as the similar stands taken by the communist movement, encouraged the first aspirations for independence.

Several national movements were born in British and Dutch India, North Africa, in the Arab world, in Indochina, in the black African milieu (the negritude movement, especially with Lamine Senghor and Marc Codjo Tovalou Quénum) to oppose colonial rule.

On the economic front, liberal ideas were demolished and the reinforcement of the State's role in the country's economy – the interventionist policy – appeared to become a necessity.

While protectionist measures were being taken by France in this context, a program for the "*valorization*" of colonies was drawn up, with a more planned economy in matters of monetary and fiscal systems as a corollary.

These measures would have a favorable impact on the AOF economy before the big crash of the 1930s.

²³² Dictionnaire encyclopédique (Encyclopedic Dictionary), Larousse, Paris, 1979, p 651.

B - Colonial empires and the European Nations' temptation to implement a policy based on autarchy

Following the war, there was a "broadening of the colonial conscience"²³³ in Europe.

In fact, "due to the strong involvement of "indigenous" troops during the war (India provided nearly a million soldiers for Britain), a sense of gratitude, even solidarity with the colonies, prevailed immediately after the war".

"Besides the relative fraternity born in the trenches and the exaltation of the bravery of "indigenous" troops, many believed that it was thanks to their colonies that Britain and France were able to win the war.

...To these images that took root in collective memory was added the fascination for the overseas, where certain countries - Morocco for example - were seen as "virgin territory", in contrast with France, "weighed down by a heavy past"²³⁴.

The first regular air links between Europe and Africa were opened, major transcontinental automobile rallies were organized : "the Black cruise" (1925), "the Yellow cruise" (1933).

The colonial powers endeavored to lay stress on their civilizing mission overseas : "Just as the Roman Empire laid the foundations of modern civilization and led the barbaric savages of these islands to the path of progress, we are repaying our debt to Africa today and we bring to this dark continent, where barbarism and cruelty exist, the torch of culture and progress, concomitantly ensuring the needs of our civilization"²³⁵.

Behind these views, lay hidden the idea of an "imperial economy", capable of making every colonial power assume a form of economic independence thanks to a better exploitation of the colonies' natural resources.

In 1921, it was in this perspective that Albert Sarraut, Minister of Colonial Affairs (former Governor of Indochina), passed a decennial program of economic and social investments in the colonies. He gave a summary of its objectives in the book he published in 1923 (*La mise en valeur des colonies françaises* - Valorization of French colonies) :

"To repair the ruins and ravages of the war", wrote Albert Sarraut, "the home country can extract from its colonies the more or less unlimited means of material and commercial strength... We must make the colonies capable of providing, for the rebuilding of our motherland, the considerable resources of all kinds that they possess".

C - Albert Sarraut's program for the "valorization" of AOF

With the war effort and the disintegration of its economy, AOF underwent, in the immediate aftermath of the war, in 1919 to 1923, a profound economic and social crisis.

²³³ Economie mondiale et grandes puissances au XX^e siècle (World Economy and Superpowers of 20th Century), Cahiers français no. 265 March-April 1994, p.27.

²³⁴ Idem p. 27.

²³⁵ Lord Lugard, *The Dual Mandate in British Tropical Africa*, London, 1922, re-ed. Franck Cass, 1965, p. 618 in Economie mondiale (World Economy), op. cit., p. 26.

West Africa's role in the First World War

1914 – 1918

The contribution of the colonies grouped together in French West Africa, to the 1914 - 1918 wars, was manifold : military, financial and economic.

a – Military participation

AOF provided France with the biggest military contingents. On 1 August 1914, 32,000 Africans were fighting under the French flag. In 1915, 34,000 more men joined them. When the 28 September 1915 Financial Act provided the War Ministry the necessary funds, another recruitment provided 45,000 troops, which very soon reached 50,000 men.

On the whole, the French West African contingent would rise to the figure of 110 to 120,000 men.

In other colonies, Indochina provided 20,000 infantrymen ; Madagascar, French Equatorial Africa (AEF), New Caledonia, Tahiti, French Somaliland and French territories in India send a contingent 10,000 recruits.

Reunion, Martinique, Guadeloupe and Guyana provided 15,000 soldiers.

During the first years of conflict, the colonies would have sent about 170,000 men, of which 70% came from AOF. They also manufactured 75, 90 and 80-mm mountain and field guns, 155 short range guns, 340 with projectiles, plus 40,000 rifles and 11 million cartridges, as well as military equipment, while retaining the minimum necessary to defend their population.

b – Financial participation

Funds for war victims were raised in the colonies throughout the war. In 1915, the colonies sent more than nine (9) million Francs to Metropolitan France, as shown in the table below.

Moreover, AOF participated in the different "day events" instituted since 1915, to help diverse charities for soldiers, the wounded, evacuees and refugees.

On 13 February 1916 and not including the two days dedicated to "Infantrymen" and "French soldiers", the colonies collected 1,085,450 Francs.

c – Supply of foodstuff and other produce

The quantity of foodstuff and other produce imported for various organizations until June 1917 amounted to hundreds of millions of tons, as shown by the examples given below as a sample :

	(in tons)
Cargo and broken rice	190,000
Corn	65,000
Tapioca	6,000
White rice for the army	60,000
Paddy	10,000
Corn	12,000
Madagascar and AOF leather for the army	500,000 ²³⁶

²³⁶ ANSOM, Internal memo on the use of oleaginous products for national defense in Political Affairs, June 1917.

A first firm order placed with the AOF by the Administration of Colonies on behalf of the Ministry of General Supplies, was for cereals and oilseeds to make seed cakes for cattle feed :

	(in tons)
Groundnuts	250,000
Millet and sorghum	25,000
Paddy	6,000
Corn	150,000
Palm seeds	30,000
Beans	1,000

Authorized by the Ministry of Finance, payment would be made by internal entries in the Treasury, the combined and only counting house for France and the colonies.

Upstream, the Circle Commanders acted directly either to requisition or buy from the local merchants or producers, either to engage the local workers to harvest or pluck products or commodities, gratis.

In the opinion of the General Government Department, AOF provided, right from the beginning of hostilities, "the most effective aid to the Motherland".

In addition, AOF especially produced, gum, copra, rubber, cotton, precious and common woods, as well as cattle.

Rubber came from French Guinea and Côte d'Ivoire.

In addition to frozen meat and canned food, 5,000 heads of cattle were made available to the Administrator to be sent immediately or slaughtered in the factory at Lyndiane in Senegal.

Cotton was processed into cellulose by the army's technical services.

Thus, the Colonial Administration took steps to increase production.



Albert Sarraut
(page 329)

**Subsidies, contributions and donations raised in the French colonies
for war victims
(In CFA Francs)**

Colonies	Received by the official subsidies, contributions and donations allocation committee	Transmitted directly by the colonies to charities or used on the spot	Amount
AEF	57,483.00	20,173.10	77,656.10
AOF	1,086,490.77		1,086,490.77
French Somaliland	33,079.75	2,500.00	35,579.75
Guadeloupe	101,436.96		101,436.96
Guyana	81,361.40		81,361.40
French India	121,314.15		121,314.15
Indochina	5,112,401.33		5,112,401.33
Madagascar	1,344,005.05	103,822.70	1,447,827.75
Martinique	256,941.39	99,000.00	355,941.39
New Caledonia	179,890.95	11,000.00	190,890.95
New Hebrides	16,000.00		16,000.00
Reunion Island	68,285.63	146,890.34	215,175.97
Saint-Pierre and Miquelon	7,095.00	-	7,095.00
French South Seas Territories	187,400.00	43,400.00	230,800.00
Miscellaneous contributions	33,552.00		33,552.00
Total			9,113,523.52

This amount did not include contributions to National Defense grants, bonds and loans, whose sum had not yet been calculated, in 1915, due to the many private and public funds that participated in the operation. Subscription to the national borrowings received by the colonies' Chief Treasurers and Paymasters was in excess of 10 millions in 1915. To this should be added donations in kind, in vast quantities, such as clothes, various goods, cigars, cigarettes, tobacco, etc.

Evolution of groundnut exports from AOF

(In tons)

Destination	1913	1914	1915
France and Colonies	1,77,925.23	154,011.10	236,308.31
England and Colonies	3,541,321.00	8,720,135.00	26,142,232.00
Belgium/Belgian Congo	2,783,446.00	2,628,226.00	
Portugal and Colonies	1,282,701.00	1,101,187.00	1,104,506.00
Spain and Colonies	9,836.00	4,341,558.00	8,213,454.00
Liberia	3,038.00	3,000.00	16,430.00
Denmark	2,430,430.00	2,524,100.00	
Holland	27,482,780.00	31,398,122.00	33,716,668.00
Germany	25,640,700.00	66,984,049.00	
Ship Stores	1,002,990.00	7,905.00	
Italy		2,558,100.00	
Austria		2,541,000.00	
Total	64,355,167.23	122,961,393.10	69,429,598.31

Source : ANSOM - Political Affairs – War Economy

Supply of Rubber
(In kilograms)

Destination	Year 1913	Year 1914	Year 1915
France	1,432,720	675,596	892,790
England and English Colonies	876,085	303,016	821,716
Holland		7,266	
Belgium	3,499		
Belgian Congo		27,494	
Portuguese Guinea	4		101
Germany	294,884	83,695	
Total	2,593,192	1,097,067	1,714,607

Rubber production fell due to the war: from 1914, it was less than half of 1913 tonnage ; it recovered slightly in 1915.

Rubber supply from AOF
(In kilograms)

Destination	Year 1913	Year 1914	Year 1915
France	1,332,022	421,720	1,184,669
England and English colonies	78,170	46,476	171,538
Belgium	335,862	132,883	-
Belgian Congo	26,568	27,494	18,352
Germany	172,437	50,483	
Total	1,945,059	679,056	1,374,559

Supply of green leather

	Number	Weight (in kg)	Value (in Francs)
1917	58,348	110,4774	1,938,260.47
1918	36,860	734,845	1,208,540.86
1919	7,500	140,126	241,253.73
Total	102708	1,979,745	3,388,055.06

Supply of crusted leather

	Number	Weight (in kg)	Value (in Francs)
1917	175,910.00	674,215.00	2,297,599.10
1918	87,439.00	394,740.00	1,372,555.20
1919	2,193.00	10,071.00	37,152.10
Total	265,542.00	1,079,026.00	3,707,306.40
Grand total	368,250.00	3,058,771.00	7,095,361.46

Before the war, the colonial Administration encouraged the culture of indigo from 1825, sugar cane between 1827 and 1910, tobacco in 1928, peanuts in Senegal (1840), sisal between 1900 and 1907, bananas (1903) citrus fruits in Guinea, logwood (1908) treated in the Lyndiane factory set up during the war, tinctorial plants such as annatto, sorghum, dyes, Fayar roots ; cocoa (1909) in Côte d'Ivoire and irrigated cropping of cotton and rice.

At the instance of the engineer, Bélime, the Niger Agency would be created in Sudan in 1932, to harness the Niger River.

The execution of Albert Sarraut's project of repairing the ruins and ravages of France by the "valorization" of the colonies, made the Government raise three loans amounting to 3,247 millions Francs between 1929 and 1932.

This revenue was used to finance infrastructural works, which, with the industrial culture already introduced, encouraged the setting up of processing industries, mining and major commercial concerns.

a – Execution of infrastructural works

The Thiès-Dakar section of the *Dakar-Niger* railway line, begun in 1907 and suspended during the war, was completed in 1923. In the following years the Benin-Niger line took shape and work on the Porto-Novo/Cotonou line was brought to fruition ; Parakou was reached in 1936. The Abidjan-Niger line connected Abidjan and Bobo-Dioulasso (1954) and was to be extended up to Ouagadougou.

The Federation's telegraphic equipment reached Bamako, Rufisque, Aaroun and Tessalit between 1918 and 1924.

With the increase in the number of vehicles, the road network was modernized. Development works were undertaken in Dakar and Abidjan, built up as the capital city of Côte d'Ivoire in 1934, after Grand-Bassam and Bingerville.

The wharves of Grand-Bassam, Port-Bouët, Rufisque and Saint-Louis were also modernized.

b – Establishment of processing industries, mining and commerce

The introduction of cash crops and the execution of development work encouraged the establishment of an industrial sector.

These included, in particular, oil mills in Senegal, yarn mills in Gonfreville at Bouaké and the Fisheries company in Port-Etienne.

The Unilever group extended its activity to AOF.

In the mining sector, it was the beginning of diamond mining in Guinea.

As for commercial activities, they were dominated by Bordeaux and Marseilles companies : « Peyrissac, Compagnie Française de l'Afrique Occidentale (CFAO), Société Commerciale de l'Ouest Africain (SCOA), Nouvelle Société Commerciale (NOSOCO), Maurel et Prom, Devès et Chaumet, Niger-France, Buhan et Teisseire.»

The State's control over monetary and credit policies appeared to be indispensable for executing the valorization program.

c – State intervention in the organization and functioning of the fiscal and monetary system

This involved several measures : financial obligations imposed on issuing banks, signing of the so-called convention on an operations account with the State Bank of Morocco (1921), the Daladier doctrine (1924), establishing a mixed economy bank at Madagascar (1925), the convention between the State and BAO (1927), the renewal of BAO (1929) ; and the creation of a public financial services network comprising the savings bank (1920), postal checks (1925) and agricultural credit funds (1926).

- Imposition of financial obligations on the banks in consideration of the renewal of their exclusive issuing rights

Already, the renewal of the exclusive issuing right of the Bank of Algeria right in 1900, 1911 and 1918, was subject to an annual charge on circulation, at first at a flat rate, then proportional and progressive, as well as the grant of advances without interest, all of it for the benefit of farm credit²³⁷.

²³⁷ Mireaux (E), op. cit., p. 32.

The Act of 21 March 1919 renewed for 25 years, the exclusive issuing rights of the Banks of Martinique, Guadeloupe, Guyana and Réunion, as of 1 April 1919.

The privilege was extended by the Acts of 13 December 1901, for 10 years, from 1 January ; of 30 December 1911, for one year, from 1 January 1912 ; of 24 December 1912, from 30 December 1913, for one year, from 1 January 1914 ; of 30 December 1913, for two years, from 1 January 1915 ; of 30 December 1916, for two years, from 1 January 1917.

The main provisions were extended.

The banks' capital remained fixed at 3,000,000 F and 600,000 F for Guyana.

As in the previous provisions, the amount of bills in circulation could not exceed three times the bullion reserve.

In the same way, the cumulative amount of bills in circulation, current accounts and other bank debts could not exceed three times the registered capital and bank reserve, unless the contra-value of the current accounts and other debts was accounted for by specie in addition to the guaranteed bullion reserve.

Tools of manufacture were entrusted to the "Banque de France".

The President of the Republic appointed the Chairman by decree ; the latter presided over the Board of Directors ; he could neither engage in any commercial activity nor have interests in any commercial enterprise.

Besides, financial obligations were imposed on the banks for the State's benefit.

Thus, every bank had to make remittances to the State, which could reassign to the concerned colonies a contribution of 500,000 F payable on 1 April 1919, meant as aid for existing or prospective local farm credit institutions. This amount was fixed at 150,000 F for the Bank of Guyana (article 15).

They also had to remit to the State, every year and every semester, a levy calculated on the basis of 50 centimes per 100 F of the average of the total circulation figure exceeding the amount of cash in hand and was allocated in the same manner as the previous contribution (Article 16).

From 30 June 1919 onwards, any distribution by the Banks of Martinique, Guadeloupe and Guyana of an annual *dividend* above 125 F per share after tax, and 90 F after tax for the Bank of Réunion, obliged the banks to pay an amount equal to the net surplus shared to the State, which would reassign the amount to the concerned colony.

The proceeds were allocated as indicated above.

For the fiscal services, the banks ensured gratis the service and custody of the transferable securities belonging to the colonies from where they operated their exclusive right.

They paid, without charges, concurrently with public funds, acting on behalf of the Treasury, bearer coupons of French annuities and the French Treasury securities at their counters.

At the request of the Minister of Finance, they opened their counters gratis for issuing French annuity bonds and French Treasury securities.

- Resolution of exchange rate problem by the convention on an operations account of 20 December 1921 with the State Bank of Morocco.

In 1914, a metal money shortage and difficulties in money supply due to the war resulted in a sharp rise in the exchange rate of the hassani. Subject to intense speculation, the metal money disappeared.

Vain attempts were made to maintain the parity between the hassani coin and the French Franc. After the depletion of the hassani reserves and faced with the continuous rise of the money, the parity was officially suspended on 15 October 1919.

A veritable financial crisis followed. The Government decided, on 19 March 1920, to withdraw from circulation and demonetize all hassani money. A little later, it introduced "a Moroccan Franc whose parity was maintained automatically, as of December 1921, through the transactions of a so-called "operations" account between the State Bank and the French Treasury"²³⁸.

According to Michel Lelart, the Finance Minister and the Chairman of the State Bank signed this convention after an elaborate and very interesting process, the first of its kind²³⁹.

It integrated the Government Treasury's reserves and those of the issuing Bank, after the integration of the Government Treasury and certain local Treasuries had already been established by the decree of 30 December 1912 ; by doing so, the convention brought an institutional solution to the exchange problem between France and Morocco and, as a consequence, within the Franc Area.

Michel Lelart retraces this mechanism to the relations between the Government Treasury and the Bank of Algeria.

The Algeria-France transfers made by mail and therefore by the Government Treasury being more voluminous than the other way around, the Treasury accumulated the local currency, "Algerian" Francs, in Algeria, which it could use for a part of its local expenditure.

On its side, the Bank of Algeria, carried out transfers through its correspondents in France.

The Government Treasury opened an account with the bank where it deposited its cash holdings in "Algerian" Francs. The Government Treasury could claim this due from the Bank of Algeria in French Francs ; this would have led to a depletion or drying up of the Bank's assets in France and resulted in exchange variation.

The Government Treasury did not do so and limited itself to claiming an interest on its deposits. It thus helped the Bank of Algeria to carry out a stable rate for transfers and thereby *maintain the parity between the "Algerian" Franc and the French Franc*.

²³⁸ Al-Maghtib Bank, op. cit., p. 29.

²³⁹ Lelart (Michel), *L'origine du compte d'opérations* (The origins of the operations account), Laboratoire d'Economie d'Orléans, Law, Economics and Management Faculty, 1997.

In 1921, the *convention* with the State Bank of Morocco *formalized* and institutionalized this informal practice, noting the reciprocal obligations between the French Treasury and the Bank.

As Michel Lelart recalled :

"The Bank was obliged to credit to this account (no. 20.077) all its cash flow from outside Morocco by remittances coming from the French Moroccan zone" (Article 2). All the Bank's France-Morocco transfers had to be credited in this account. It was self-evident that the account was debited of the amounts transferred to France. Nothing like this was put in practice with the Bank of Algeria where the Treasury could deposit its cash holdings in Algerian Francs".

"This account was credited with remittance to France and consequently, its credit balance corresponded to its cash holdings in French Francs. This was why it could be used, if required, to supplement the reserves the Bank had to maintain vis-à-vis the notes in circulation (this was the one-third rule)²⁴⁰.

When the account was in credit, the Treasury would pay an interest that could not be lower by more than two points than the discount rate of the "Banque de France", the minimum being 3% (Article 2). Things were very different with the Bank of Algeria : it only had to pay an interest on the Treasury's account that would always have a credit balance²⁴¹.

The debit balance was only exigible in Morocco, while the credit balance was only exigible in Paris (Article 1). Above all, this meant that the debit balance was exigible only in Moroccan Francs, in the debtor's currency, while the credit balance was exigible in French Francs, again in the debtor's currency. This provision was an exemption to ordinary law. Normally, it was always for the debtor to pay his creditor, that too not in his currency but in the creditor's currency. In the case of a non-resident, he had to exchange the currency. But it was nothing of this sort in this case. The operations account opened with the Treasury was in French Francs, but if it was in debit, the Bank of Morocco could be asked to settle the dues only in Moroccan Francs. This mechanism – or privilege – guaranteed the Moroccan Franc's exchange rate, avoiding any exchange rate variation with the French Franc²⁴².

A French government commissioner was nominated by the Minister of Finance in agreement with the Board of Directors of the Bank of Morocco. His mission was to set up an ongoing monitoring process on the convention's application. He could not interfere in the management of the Bank's business, but he could supervise its activities and especially keep track of its cash flows in France and abroad (Article 5). He could thus monitor the account's progress.

²⁴⁰ Article 4 enjoins the Bank to credit to another account with the Treasury the difference between a third of its circulation and the amount of its gold reserve, as long as the forced rate remains in force.

²⁴¹ The credit balance of the Bank of Algeria with the Treasury corresponded to a debit balance of the Bank of Morocco with the Treasury. But the former meant that the Treasury had ceded its Algerian Francs to the Bank, the latter meant that the Bank owed the Treasury for its clients' transfer transactions to France.

²⁴² Reynier (A.), P; cit. pp. 87-88.

More than the articles the convention contained, it was the fact that such a convention existed that itself constituted a radical change. The convention was signed by the two parties for a duration of three years ; either party could revoke it by a three-month notice ; otherwise it was renewed by tacit agreement (Article 7). It continued to be extended until the war disturbed monetary relations between France and its colonies. It was also extended to other colonial banks, but not all of them".



Joseph Caillaux
(page 345)

The Origin of the Operations Account

by Michel Lelart

All the Overseas Issuing Institutions created after the war had an operations account with the Treasury. During the war, the Central Reserve of unoccupied France then the Overseas French Central Reserve also had an operations account. But before the war, in the times of colonial issuing banks, things were not so smooth.

The origin of the operations account is bogged down a little in the history of our colonies. We have tried to find an answer to this question : *When was this great operations account born ?* We referred to the archives in the Ministry of Economy and Finance, but it was a tedious job because at first, we could not target the period to be studied. We rather referred to the old treaties on colonial law and colonial legislation and theses submitted at the beginning of the century and, sometimes, even theses submitted at the end of the last century. These were theses written by candidates who were or had been government officials in the Ministry of Colonial Affairs or French overseas Administrators and submitted to the University of Paris or even in the Provinces. These were persons who had handled relations between France and its colonies or who had hands on experience and who explained how things really used to be done.

And we ended up finding the answer. The first operations account convention was signed on 20 December 1921, by Paul Doumer, the Minister of Finance, and Stéphane Derville, Chairman of the Board of Directors of the State Bank of Morocco. In fact, this mechanism satisfied very specific needs, which, we may say, constituted the very basis of the system. But it was practiced earlier, under different modalities, for the benefit of the Bank of Algeria. It was also used when other colonial banks were established later, at least for some of them.

Lelart (Michel), op. cit., pp. 2-3.

- The Daladier doctrine

When the BAO's exclusive right, established for twenty years by the decree of 29 June 1929, came to an end, seven successive decrees extended it : 18 June 1921, 22 June 1922, 24 May 1923, 25 June 1924, 19 June 1925, 9 December 1925, and 26 June 1926.

Decisions of this magnitude, taken for shorter and shorter periods - one year for the first four, six months for the fifth, one month for the sixth and five months for the last one - evidenced the Government's hesitation and the perplexity of the authorities in selecting an issuing system.

Finally, in a letter dated 20 December 1924, addressed to the Chairman of the Board of Directors of BAO, the Minister of Colonial Affairs, Mr. Daladier, laid down the broad principles, which, according to him, had to govern the relations between the authorities and issuing banks.

This correspondence established the foundations of a state-controlled doctrine for issuance and credit, which succeeded in imposing its institutional model in France as well as in the colonies.

Daladier wrote thus :

"Mr. Chairman,

The exclusive issuing right of BAO is coming to an end on 27 June 1925, and it appears the right moment to decide, as of now, on the conditions to which the grant of a new exclusive right will be subject.

However, it seemed to me after examining them that the drafts already drawn up did not fully satisfy the ideas that, in my opinion, should inspire the action of the Minister of Colonial Affairs on the system of issuing banks with exclusive issuing rights.

In the already advanced stages of development of our colonies, it is impossible for the Government to renew a right as important as the exclusive issuing right without stipulating in return certain specific guarantees and economic and financial advantages for the concerned colony.

By its very nature, an issuing bank is a credit provider ; therefore its field of activity should be limited and its activities restrained to its basic function. But this condition can be put into effect only if the government appoints the Bank's Chairman as well as some of the Directors. It is also important, in the interests of commerce and especially to bring down the cost, to restrict the discount rate and ensure transfers gratis. Lastly, the colonies should get a large share of the substantial profits made in their territory, a share that is indispensable at the moment when their revalorization is of vital interest for France.

Based on these considerations, I ordered the preparation of a new draft to regulate the conditions under which the fiduciary circulation has to be organized in the colonies where the BAO has establishments at present. I am sending you the broad outlines of this proposal.

I request you to be kind enough to let me know, in the shortest possible period, whether you would be willing to accept the clauses enclosed herewith, which I consider essential, and also send me your proposals at the same time.

Regards...¹¹²⁴³

In substance, the principles laid down were :

- The Bank's activities would be restricted to its primary role of impartial credit provider ;
- The Government appointed the Chairman and some of the Directors ;
- Moderation in the discount rate ;

Doing away with the exchange rate between France and the colonies and vice-versa, wherever the bank operated ;

²⁴³ Journal officiel (Official Gazette) of the French Republic, 31 January 1929, p. 144.

- The Government's share (or substituted by the colonies) of the profits.

The draft convention enclosed with the letter dated 20 December 1924 also stipulated the financial charges imposed on the Bank :

- A levy on fiduciary circulation ;
- The Bank was obliged to grant advances for agricultural purposes. It also reserved the right of the concerned colonies to contribute to any increase in the capital.

This doctrine would be applied especially in the Act establishing the Bank of Madagascar (1925), the convention between the Government and the BAO (1927), and the law pertaining to the exclusive right of BAO (1929).

- The Bank of Madagascar based on the Act of 22 December

The Act of 22 December 1925 established the Bank of Madagascar as a public limited company and conceded, for a period of twenty years, the exclusive right of issuing banknotes payable at sight to the bearer, in the Colony of Madagascar and its dependencies. Its capital was fixed at 20 million F.

Its currency enjoyed the benefit of forced rate as long as the currency of the "Banque de France" enjoyed the same.

The notes could be converted into the currency of the "Banque de France" in the framework of the current account convention governing the bank and the Treasury : "As long as the enclosed current account convention between the bank and the Treasury is in effect, the currency can be exchanged over the counter against a reimbursable transfer to France, at par, in the currency of the "Banque de France"" (Article 15).

On the expiry of the forced rate period, they would be reimbursed, at sight and to the bearer, in currencies being legal tender in France.

At least one-third of the amount of bills in circulation would have to be deposited in the reserve under the conditions stipulated by the statutes. Article 15 of the statutes specified that the reserve should be either in gold on the basis of the monetary definition of the Franc, or in metal money considered legal tender in France, or in deposits at sight of foreign currencies convertible in gold, on par with the Franc, or in credit in the special account with the Treasury without interest.

The Bank discounted demand notes or local securities signed by two manifestly creditworthy persons whose maturity period did not exceed 120 days.

It also granted advances on current accounts under the same conditions, the loan period not exceeding six months ; discounted bonds that were negotiable or not guaranteed by warrants, or receipts of goods deposited with public stores or private stores whose keys were with the Bank, or stores owned by the Bank, or on transfers of standing crops.

The General Assembly represented the universality of the shareholders ; the Board of Directors was vested with comprehensive powers for company management ; the Chairman of the Board of Directors, appointed by decree, was the Bank's chairman.

The bank was monitored by the Colonial Bank's Monitoring Committee ; for this purpose, a governmental Administrative Commissioner was appointed by the Minister of Colonial Affairs after taking the Minister of Finance's opinion ; an administrative Censor was also appointed by the Minister of Colonial Affairs at every branch.

The State had been allotted 3,000 promoters shares so that it drew an income from the Bank's profits.

The banks were free to fix their discount and advance rates in the colony ; the only condition being that they could not exceed the rate of the "Banque de France" by more than 1%.

If circumstances justified exceeding this rate, a committee, composed of the representative of the Minister of Colonial Affairs, of the Minister of Finance and the Bank's Chairman or his deputy, sent the proposal to the Minister of Colonial Affairs.

Every quarter, the Bank had to remit a levy calculated on the amount of bills in circulation to the Treasury. This deduction was made from the statutory cash holdings and the charge-free or reduced-rate advances made to the State or the Colony.

Provisions were made, as in the case of the State Bank of Morocco, to establish a current account between the bank and the Treasury on the basis of the operations account convention (cf. box).

In substance, *"As long as the enclosed current account convention between the bank and the Treasury is in effect, notes can be exchanged over the counter against a reimbursable transfer at par in the currency of the "Banque de France" (Article 15 of the Act of 22 December 1925 that established the Bank of Madagascar).*



Daladier
(page 341)

Convention on an Operations Account

Between the undersigned : Mr. Caillaux, Minister of Finance, acting in this capacity on the one hand ;

The "Banque de Paris et des Pays-Bas", acting both on its own behalf and on behalf of a group of financial establishments, businessmen and industrialists that it has constituted for founding the Bank of Madagascar, on the other hand ;

The following provisions that shall take effect after the promulgation of the Act approving the present convention :

Article one

The account opened with the Bank of Madagascar by the Treasury's central Paymaster, under the name of operations account shall be debited of all recoveries and credited with all the payments made in the colony by the Bank of Madagascar, the party of the second part ;

Under the clauses that follow, the debit balance shall be payable only in the colonies and the credit balance only in Paris.

Article 2

The bank shall be obliged to credit to the operations account all its cash flow from outside the colony, on its own account, by remittances coming from the colony, with the exception of funds meant either for acquiring gold ingots or metal money being legal tender in France and for the establishment of deposits at sight of foreign currencies convertible in gold, or to be credited in the temporary account as defined in Article 4.

The Treasury shall receive interest on the debit balance, the rate being fixed as follows :

On the 0 to 20 million Francs tranche : a rate equal to the fiduciary circulation levy rate, as specified in Article 6 of the Convention concluded with the Minister of Colonial Affairs.

On the 20 to 25 million tranche, 2 p. 100.

On the 25 to 30 million tranche, 2.50 p. 100.

On the 30 to 35 million tranche, 2.75 p. 100.

On the 35 to 40 million tranche, 3 p. 100.

Above 40 million, at the average rate of Treasury bills, during the semester preceding the account statement's opening date, with a stipulation that this rate cannot be less than 3 p. 100.

The rate can be modified by a decision of the Minister of Colonial Affairs and the Bank of Madagascar, under the condition that it cannot exceed the discount rate of the "Banque de France".

Article 3

When the balance is in credit, it shall remain deposited with the Treasury ; under the condition that the rate of interest fixed for the bank cannot be less than the average rate of Treasury bills during the semester preceding the account statement's opening date and that this rate cannot be less than 3 p. 100.

The balance shall only possibly be availed of for crediting it to the provisional account specified in Article 4 to make up any deficit, if necessary.

Article 4

The Bank of Madagascar shall establish and deposit in its provisional account with the Treasury's central fund, in Paris, the difference between the third of its circulation on one hand and, on the other, the amount of its metal money, minted or not, and of its deposits at sight in foreign currency convertible in gold, the gold ingots being taken for their minting value based on the monetary definition of the Franc, and the foreign currencies at the exchange rate.

Article 5

The amount exceeding the difference in the provisional account specified in Article 4 shall be credited to the operations account. When it is necessary to replenish the provisional account, the bank shall first make use, for as much as is necessary, of the cash flow from outside the colony that it shall obtain as of that moment through remittances from the colony itself. If there is a temporary delay in such remittances the Bank shall advance from its own resources the amount to be credited to the provisional account ; and shall later redeem the same from the first remittances made from the colonies and that it shall later obtain.

Article 6

The Bank of Madagascar shall be empowered to issue postal pay orders payable at post offices in France if these orders are issued in conformity with the administration's rules and regulations.

Article 7

The agents designated by the Minister shall have the right to supervise the bank's management ; they shall especially supervise the bank's funds in France and abroad, but they cannot interfere in the management of business. The monitoring shall remain in force even after the convention's expiry, till such time the accounts are reconciled.

Any costs pertaining to the supervision activities shall be covered through bank payments, which shall be fixed annually by order of the Minister of Finance.

Article 8

The Bank of Madagascar shall choose to reside in Paris to execute this convention.

Article 9

This convention shall take effect on the date the company is constituted and shall be for a period of three years. On the expiry of this period it shall be renewed by tacit agreement, unless a notice of termination is issued by the Finance Minister, after a six-month notice.

Done in Paris, on 1 July 1925.

The Minister of Finance

Signed : Caillaux

Representative of the « Banque de Paris et des Pays-Bas »

Signed : L. Attilaly

On analyzing this convention, Emile Mireaux (1954) pointed out that the Treasury became the bank's exclusive correspondent in Metropolitan France. The "operations account" that was opened for the bank by the Treasury's Central Paymaster-Cashier, did not limit itself to recording recoveries and payments the Bank made in the colonies on behalf of the Treasury ; in addition to them, it received all the funds the Bank constituted outside the colony, except funds meant for buying gold or foreign exchange convertible in gold.

Moreover, the Bank had to constitute at the Treasury's Central Fund a provisional account equal to the sum of the difference between the third of its circulation (legal tender) and the sum of its holdings in cash or convertible foreign exchange.

All these provisions made the Treasury the colonial institution's banker in Metropolitan France. Due to this, any of Madagascar's surplus balances of payments was automatically converted into a loan. Any deficit, on the other hand, obligated the Treasury to make advances equal to the deficit.

Emile Mireaux noted that the balance sheet as of 31 December 1938 showed that the Bank's liabilities (548 million) were covered in assets up to 55% (302 million) by receivables from the Treasury ; three-fourths of Madagascar's circulation (302 of 398) was thus "secured" by Francs circulating in France.

The consequence of these arrangements was "inflationary credit stacking and the draining of metal and foreign exchange reserves towards Metropolitan France, since the Franc in the colonies was reduced to a reflection, or more precisely, a subdivision of the Metropolitan currency".

"It is", he wrote, "on the margin of the already questionable gold standard that the Franc exchange standard was taken to its most artificial and most dangerous point of perfection because it was based just on accounts receivable in France".

By this solution, in case of need, the Treasury made advances to the issuing institution of the necessary cash flow to meet the demand for transfers to France. Reciprocally, the Institution made local advances to the Treasury, in the currency it issued, for the required amount, to cover its needs.

The Institution was obligated to deposit all its assets in Francs and other foreign currencies with the Treasury in France. This formula implied an integration of funds between the Treasury and the Issuing Institution and inferred a fixed parity between the local currency and the French Franc and their unlimited inter-convertibility, without any exchange commission and with an absolute freedom of transfers.

After the Bank of Madagascar, it was with BAO to which the Daladier doctrine was applied in toto when the bank's exclusive right was renewed.

- The convention of 24 February 1927 between the State and BAO

1 – Preliminary work

1) Report of the Parliamentary Committee

The Chamber of Deputies met in an extraordinary session and was seized of the report of the Committee on Algeria, its colonies and protectorates, responsible for examining the bill on the renewal of the exclusive right of issue to BAO during its second session on 19 November 1926²⁴⁴. Deputy Auguste Brunet presented the report.

The rapporteur indicated that "in conformity with the resolution motion adopted by the Chamber on 31 May 1917, reserving the right of Parliament to enact laws pertaining to the organization of colonial banks in the future", the Government submitted a bill on the renewal of the exclusive issuing right of BAO.

A convention signed between the Minister of Colonial Affairs and the Bank on 1 March 1926 and the institution's Articles of Association were annexed to this text, prepared at the Government's initiative ; these two documents were embodied in the bill whose Article 4 requested the members to grant their approval.

With regard to this bill, the Committee was very critical of the procedure that had been followed in 1901 while conceding the exclusive right of issue to BAO :

"Given that in the beginning, a simple decree conferred upon a private organization - for that is the rightful status of BAO and that is what distinguishes it from the right of issue granted in the old colonies - the quasi-regalian right to issue legal tender currency (and even with forced rate since the war), throughout the general governments of West Africa and Equatorial Africa, making it both the discount arbiter and the master of economic destinies of these two groups of colonies, it appears that such an initiative goes beyond the legislative powers that the *senatus-consultum* of 3 May 1854 had vested with the Government for the colonies subjected to its decrees. The resolution of 31 May 1917 was aimed specifically at reacting against this procedure that is exceptional in the history of our colonial issuing institutions and which was decreed only in the cases of the Bank of Indochina and BAO. At the minimum, in the case of the latter, the intervention of the Council of State was absolutely essential in the very framework of the colonial banks organic law of 11 July 1851.

In fact, BAO has replaced - as far as the exclusive issuing right is concerned - the former Bank of Senegal, created by the Imperial Decree of 21 December 1853 ; it was placed in the Council of State in execution of Article 7 of the Act of 30 April 1849, which decided that "the organization of lending and discounting banks in the colonies should be determined by public administration rules and regulations", in application of an organic law (which ought to have been the law of 11 July 1851 mentioned above). This means that the transfer of the exclusive right from the Bank of Senegal to BAO, could only be put into effect under the terms of a deed in conformity with the colonial banks' legal charter and in the form of a ruling to be decided compulsorily by the Council of State in its General Assembly.

"These principles were not followed..."

²⁴⁴ J.O.R.F., Parliamentary proceedings, Chamber, Annex no. 3561, p. 111.

Basically, while elaborating on them, the Committee reopened the principles enunciated in the Daladier correspondence as well as the proposals contained in the convention's first version, after having specified that the former banks' operating conditions and their use of the exclusive right, met the legislator's concern for stipulating, in return for the monopoly benefits conceded, specific guarantees in the State's interest, since the State was the licensing authority for the concerned colonies.

The Committee added, "the origin of the Bank itself explains the approach that is so different from that of the first kind of establishments.

Established under the aegis of the Discount Bank, by a consortium of Bordeaux²⁴⁵ traders who had taken active part in the development of Senegal's commerce, born of private initiative, BAO, albeit responsible for a public service ceded to it by the State in lieu of the Bank of Senegal, remained a private business, free to seek gains from its activities and the prosperity of an investment firm, on the basis of its company objectives.

Highlighting its character as a profit-making company does not mean that we do not acknowledge the services it rendered in the valorization of the colonies where it exercised its exclusive right, as that conforms to its statutes".

Finally, to get an exact idea of BAO's policy, the report examined its activities operations-wise - drawings from Europe, advances, etc. - after having highlighted that "a privileged bank's basic functions - which justify its privilege - is to make available to the territory it serves a monetary instrument that is simpler than metal money. But in new countries, where it is proper to encourage settlers and indigenous people in their activities, the bank should, over and above this function, help in agricultural and industrial growth through adequate advances and provide credit facilities to business, stimulating large scale competition, which is another means of stimulating production".

On this, the rapporteur remarked that the bank did not allocate any funds for loans against standing crops, "which was the original feature of former colonial banks".

"Apparently", he concluded, "such advances freeze the capital for long periods, but they represent one of the most valued forms of aid for colonial agriculture. It was the duty of privileged banks to limit the chance factors these operations exposed it to by setting up an effective and reliable monitoring of the pledge".

Deputy Brunet then spoke about the principles and applications of the new system.

The principles were those defined by Daladier, the former Minister of Colonial Affairs. He recalled the tone of his letter dated 20 December 1924 addressed to the Chairman of the Board of Directors, BAO.

He then passed on to the new convention signed on 1 March 1926, between Léon Perrier, Minister of Colonial Affairs, and the Chairman of the Board of Directors, BAO, as well as the statutes annexed to the agreement ; he presented in detail the clauses and the amendments proposed by the Committee.

²⁴⁵ In fact, as has already been mentioned, Marseilles companies held majority interests.

In substance, under the terms of agreement, the State contributed to the Bank's capital, gained financial advantages, and imposed the elimination of commission on exchange ; within the statutes' framework, it participated in the bank's management.

- Capital contribution

The BAO undertook to increase its capital from 6 to 35 million, one-fourth being fully paid up.

On the 58,000 new shares to be issued, 20,000 were reserved for the colonies and territories where it enjoyed the exclusive right ; 24,000 for old shareholders, and 14,000 to new subscribers.

The 14,000 shares reserved for new subscribers were issued at a premium of 500 F, in a public issue and preferably reserved for the inhabitants of the concerned colonies and territories.

7,000 founders' shares were remitted to the State.

- Financial advantages

• Circulation levy

As in the case of the former colonial banks, the Bank had to remit to the Treasury, every quarter, a levy calculated on productive circulation, i.e. the amount of currency in circulation, after deducting cash holdings fixed at a third of the total circulation, advances made to the colonies and the Bank's credit balance with the "Banque de France".

The levy varied between 0.175 to 0.625% per quarter according to the discount rate :

0.175 for operations transacted at 5% and above ;

0.25 for operations transacted at a rate higher than 5% but not exceeding 5.5% ;

0.325 for operations transacted at a rate between 5.5 and 6% ;

0.40 for operations transacted at a rate from 6 to 6.5% ;

0.475 for operations transacted at a rate between 6.5 and 7% ;

0.55 for operations transacted at a rate higher than 7% up to 7.5%.

In practice, the complex calculation was done in the following manner :

The statement of accounts for productive circulation was drawn up every day and at every branch and total sum was calculated every quarter. This total was divided by the number of working days for the quarter to arrive at the average daily productive circulation for the trimester ; the total agio based on the nature of operations and actual rate applied to the different operations was then calculated for the same period.

The agio total was divided, in each category, by the corresponding rate ; thus, they arrived at the pro rata coefficients into which the daily average circulation for the quarter was distributed.

In its report, the Parliamentary Committee concluded after a simulation :

"The Bank's unsecured currency circulation, under the conditions of the bill, would be as on date, approximately 300 million. The distribution of this circulation on transacted operations pro rata during the previous exercise for the four quarters would approximately amount to :

one third for 100 million realized at 5% and above

one third for 100 million, realized at 6.5%

one third for 100 millions realized at 7.5%

that is to say, for one year :

$$\frac{100,000,000 \times 0.175 \times 4}{100} = 700,000$$

$$\frac{100,000,000 \times 0.475 \times 4}{100} = 1,900,000$$

$$\frac{100,000,000 \times 0.55 \times 4}{100} = 2,200,000$$

$$\text{Total} = 4,800,000$$

As one can see, this levy is already quite high. It is equal to nearly half the net profit of 10 million in the 1924-1925 financial year.

In fact it is the gratuitous nature of the privilege that is eliminated..." the Parliamentary Committee pointed out, all the more so since Article 6 of the convention specified that "the levy shall be raised without prejudice to the tax to be paid by the Bank according to existing laws".

Profit sharing

The State (or the Colonies that replaced it) shared in the profits of the privileged institution.

The 7,000 founders' shares entitled them to a share of the rapidly growing profits, after deduction at source for reserves, an 8% dividend payment to the paid up capital and an 8% interest to the contingency fund.

The excess profits were shared as follows, after deducting 10% in favor of the employees :

- * up to 4 % of the authorized capital - 50% for shares, 50% for founder's shares ;
- * above 4% of the authorized capital and not exceeding 8% - 45% for shares, 55% for founder's shares ;

* above 8% of the authorized capital and not exceeding 12%, 35% for shares - 65% founder's shares ;

* above 12% of the authorized capital and not exceeding 16%, 30% for shares - 65% for founder's shares ;

* above 16% of the authorized capital, 25% shares - 75% for founder's shares.

Thus, the State's share of the excess profits, which was the same as the shareholders' up to 4% of the authorized capital, kept increasing beyond that percentage and exceeded, beyond a specified profit figure, the totality of profits distributed to shares in the form of dividends, interest and surplus dividends.

The Parliamentary Committee concluded that "it was *a public ownership with private management*, where the State's share of profits – which it should have undertaken to divert in favour of the colony where the exclusive right was being exercised – constituted a quid pro quo for the regality-related consideration whose renewal was being proposed for ratification by the House".

- The right to a share of the reserves

In case the company was liquidated, the reserves were shared in the same proportion as the earnings, except the income obtained by the issue of premium.

- Allocation of lost bills to the Treasury

Lost bills are denominations that the public did not present for exchange because they were destroyed, lost or preserved as collectors' items.

Article 7 of the convention provided that "the bank shall pay the Treasury, during the month following the promulgation of the law approving the convention, a sum representing the amount of old currency not yet exchanged for the new one.

These bills shall be deleted from the circulation amount and the Treasury shall take the responsibility of reimbursing the said bills that could be presented at the bank's counters at a later date.

One year after the expiry of the privilege, the bank shall be debited of the amount of non-reimbursed bills and the State shall take the responsibility of reimbursing the bills presented for exchange.

- Interest-free advances to the Colonies

"*The valorization of African colonies, agricultural development - an essential factor*", wrote Governor Carde, "in West Africa's economic transformation - medical aid, agricultural loans and so on, require large contributions that cannot always be met by the local budgetary resources" (Report of the Parliamentary Committee).

Article 11 of the convention provided to this effect, that "the Bank shall agree to disburse interest-free advances of ten million Francs to the colonies and territories where it exercises its exclusive right.

"This advance shall be meant for agricultural development and medical aid".

- Low interest advances for agricultural loans

"The bank shall, in addition, open a discount account for any agricultural credit funds constituted within the general framework of the French Legislation. This account can be at the maximum, a sum equal to their paid up capital and up to 5 million Francs. The discount rate applicable for this account cannot exceed 6% per annum" (Article 11, Clause 4).

- Free Financial Services for the Treasury:

The Bank provided, free of charge, service and custody of the immovable property of Colonies or Territories where it exercised its privilege.

It encashed without charges, on behalf of the Treasury, French Annuities' bearer coupons, French Treasury securities, National loans and borrowings of the concerned Colony or Territory.

At the request of the Minister of Colonial Affairs, it had to open its counters free of charge for issuing French Annuities and securities of the French Treasury or the concerned Colony or Territory.

It received free of charge the Treasury's payables ; realized bills of exchange and checks drawn in favour of the Treasury ; honored pay orders, etc.

At the request of the Minister of Finance, it ensured, free of charge, in its branches and agencies, the custody of the metal money and cash securities of the Treasury, as well as the Treasury's funds and cash flows between its branches and agencies within the concerned colonies.

- Benefits favoring trade

- Elimination of exchange rate

As we have seen, the Bank applied, *a transfer commission*, to Africa-France transactions. It justified this operation by the necessity to prevent mobilization of a capital, for investment in France or abroad, that should normally be invested in the Colonies.

This exchange rate was eliminated for Franco-Algerian, Franco-Moroccan and Franco-Madagascan transfer operations.

Article 8 of the convention stipulated that the Bank had to carry out all postal²⁴⁶ and telegraphic transfers at par and without any ceiling, between the colonies and France and vice versa ; the charges for these transfers could not exceed the postal or telegraphic money order tariff.

It would transact, under the same conditions, postal²⁴⁷ or telegraphic transfers between its different branches and agencies.

- Proposal for discount rate ceiling

A clause in the draft convention had also proposed a ceiling on the discount rate under the following conditions :

²⁴⁶ Postal Transfers.

²⁴⁷ Idem.

"The bank shall be free to fix interest rates on discount and advances granted in the territories where it exercises its exclusive right as long as the same does not exceed by more than 1%, the respective rates of the "Banque de France" for discounts and advances, the corresponding operations entailing no commission.

If the administration or the Bank feels that circumstances justify exceeding this margin, their proposals are transmitted to the Minister of Colonial Affairs, who shall convene an emergency session of a committee composed of one of his representatives, a representative of the Minister of Finance and the Bank's Chairman or his delegate. In the case of the committee's favorable ruling, the Minister can authorize the proposed increase".

In its report, the Parliamentary Committee estimated that the Article's first clause established a direct link between the rates of the "Banque de France" and the BAO ; the second clause provided for the severance of this link under certain circumstances.

The Committee specified that the discount rate was determined by the total volume of commercial operations of a country, foreign trade balance, size of loans applied for, guarantees offered, etc.

In fact, the committee added, during the preceding ten years, the BAO's interest rate had been constantly maintained on par with the interest rate of the "Banque de France".

Besides, since there were no charges imposed on transfers, the discount rate variation seemed to be the correct measure to stop speculation on all withdrawals from Europe.

Finally, the Committee thought that the consultation and decision-making procedure provided for in case of need took a long time and was likely to compromise the smooth functioning of the Bank.

It concluded that for the reasons cited above, this provision was rejected ; in the eyes of the Committee, the relevant guarantee laid in the fact that it was the State itself that would direct the bank's operations in the future, in the capacity of "impartial credit provider".

The structure of this convention would be taken up in the 1929 Act.

Participation in the Bank's management.

These provisions, which were taken up by the statutes and not by the convention, brought BAO under the framework of the 1851 Act by giving back to the Government the control that the decree of 29 June 1901 had placed in the hands of a Board of Directors duly elected by the General Assembly of shareholders.

Thus, from then onwards, the Chairman of the Board of Directors was appointed by decree and dismissed in the same manner. No motion passed by the Board could be carried out unless he had signed it ; no discount or advances transactions could be carried out without his approval.

He managed the head office, appointed or dismissed employees in the head office as well as in the branches and agencies, fixed their salaries within the scale specified by the Board ; signed all correspondence, contracts and conventions, payments received, instruments endorsed, checks, bills of exchange, etc.

Besides, he could neither undertake any commercial activity nor have interests in any commercial enterprise ; no instrument or obligations signed by him could be discounted.

The same applied for the Executive Director and managers of branches and agencies.

"Gentlemen", concluded the rapporteur, "these are the provisions of the bill and annexed statutes that we have the honor to request you to adopt on behalf of the Committee on Algeria and the Colonies.

The new texts (convention - statutes - bill), which organize the exclusive issuing right of BAO meet the Government's legitimate concern about providing our West African colonies with a sufficiently flexible credit organization that is suitable for the immediate requirements of their valorization and for the conditions to be created for their future development, a 'circulation' instrument strong enough to ensure the monetary stability they require.

The advantages that the community can draw from the implementation of the new formula, which also reserves the eminent rights of the State, in our eyes, justify the Parliament's approval".

Before being submitted for approval, the texts would have to be adopted by the Government and BAO's General Assembly.

2 – Signing of the convention

On 24 February 1927, the shareholders' extraordinary General Assembly gave its approval to the new convention and the articles of association amended on the suggestions of the Committee.

On the same day, 24 February, the convention was signed by Léon Perrier, Minister of Colonial Affairs, on behalf of the State and Paul Boyer, Chairman, Board of Directors, BAO.

By the letter of 26 February, the Minister informed the Speaker of the Chamber of Deputies that "the new convention and the new articles of association, taking into account your Committee's report, have been approved by the Extraordinary General Assembly held by the bank's shareholders on 24 February instant".

During the ordinary session of 18 March 1927, the committee's supplementary report updating the file²⁴⁸ was submitted to the Chamber.

But the discussion on the bill as well as the approval of the convention and its articles of association would take place only a year later, in 1928, and the promulgation in 1929.

²⁴⁸ J.O.R.F, Parliamentary Proceedings, House, Annex no. 4169, p. 386.

- The BAO according to the Act of 29 January 1929

The question was on the agenda of the first session on 21 February 1928 in the Chamber of Deputies, just before the legislative elections were to take place, two weeks after the Legislature was adjourned.

The *Government* was represented by Léon Perrier, Minister of Colonial Affairs, Blaise Diagne was chairing the *Committee on Colonies*, de Tinguy was the *Finance Committee's* spokesman.

The Parliamentarians, the Government and the Committee passed the buck between themselves for the delay in submitting the bill.

Box 2.32

"When Mr. Daladier had arrived at the figure of 10,500,000 F²⁴⁹, he thought that the bill would be voted in three months. We are now at the beginning of 1928. Three years have passed by" observed Deputy Archimbaud.

- "Please remember that the bill has been lying in the Parliament's office for two years" retorted the Minister of Colonial Affairs.

- Jacques Duboin : "But it cannot be found, Minister".

- Minister of Colonies : "It is not to me that you should complain".

- Jacques Duboin : "Our colleagues have not yet been properly briefed to be able to study this issue".

- Committee's Chairman : "The report was submitted in November 1926 and the supplementary report has been here since March 1927".

- Jacques Duboin : "They too cannot be found".

- Archimbaud : "Mr. Duboin is right. The Government bill and Mr. Brunet's report cannot be found, just as the counter proposal I submitted and whose only other printed copy is under my eyes also cannot be found. I challenge my colleagues to get hold of another one".

- The Minister of Colonial Affairs : "I assure you that I would have been happy if the reports could have been read. We would not have committed all the errors we have heard about concerning this project..." (interruptions).

- The Speaker : "Gentlemen, please do not interrupt. Is silence too not to be found" ? (Laughter).

- Join Lambert : "We are too few in number to discuss this important question".

- Archimbaud : "It is small meetings that do good work".

- Charles Desjardins : "We are happy to hear your appreciation".

- Archimbaud : "Gentlemen, I need all your attention for this difficult question".

- Charles Desjardins : "We shall gladly give it".

²⁴⁹ The new bank's reserve funds.

Basically, the communist deputy, André Berthon, who spoke first, called for a preliminary question, requesting the Chamber to suspend the examination of this bill taken up just a few weeks before elections and before "a house of empty seats".

Charging that "the exclusive issuing right of BAO, like any exclusive issuing right, constituted a real scandal as it meant that the State had abandoned its sovereign right", he observed that for an initial capital of one and a half million, the BAO had distributed, in 1925, a profit of 28 million.

"The State", he said, "has given up one of its basic prerogatives. Colonial banks have been allowed to mint money and have grown rich. With the right to print paper money, money that cost them nothing, they could lend it at extremely high rates of interest that were practically usurious.

"... It's really a great gift you have given to BAO's directors and shareholders", began the member, before concluding that the national²⁵⁰ block's legislature "had frittered away the time necessary to thoroughly discuss this matter and the issue of the nationalization of banks, which had been promised by the parties in power".

"... It will be up to the new majority in government to assume its responsibilities. Either it will reinforce the capitalist system, or proclaim the nationalization of banks..."

The Speaker put the preliminary question to vote.

Out of 408 voters, a majority of 283 voted against the preliminary question, the required absolute majority being 205.

Deputy Berthon reiterated the question by moving an adjournment motion worded thus : "*The house adjourns the debate till the day the laws giving the indigenous people their civil liberties, which is the essence of freedom, are voted in this house*".

The speaker allowed him to speak only for the ten minutes prescribed by the rules to explain the motion (Article 49 b of the regulation).

Berthon then painted a critical picture of the colonial policy : "The Chamber has held me wrong and the communist faction is now raising a motion demanding that the debate be adjourned till the day the Chamber would have voted a bill giving the indigenous people their constitutional rights and liberties that they do not have.

I do not want to address the issue of colonial rule as a whole in the short time that has been allotted to me. It would be easy, however, by reminding you of the long discussion we have had, to point out that as far as the colonial policy is concerned, you have always been concerned with business policies, but have always neglected to grant the indigenous people the liberties that are rightfully theirs because they are human beings.

This legislature is therefore going to be dissolved without any of the bills, supported by members of all parties, concerning rights of the indigenous people to parliamentary representation, seeing the light of the day.

²⁵⁰ The majority coalition.

This legislature is going to be dissolved and the scandal is going to continue.

As for us, we want to assume our responsibilities. I would like to remind you very briefly of the political rights that the colonies do not enjoy.

No freedom of the press, preventive censorship, a regime of decrees - these were the rules. And it is another scandal that the *senatus-consultum* of 1854 that assembled under the Napoleonic regime permitted the legislation of colonies by decrees.

...It is only when liberties are reinstated that you can think about the banking policy.

But I am not worried - if the liberties were reinstated, we would not find such banking policies as seen presently.

Gentlemen, you are going to lose a great opportunity to decide on the question of nationalization. As the exclusive right of BAO is coming to an end, you have the chance, without indemnity, without expenditure, to recover millions in favor of the State. But you do not want to do so. Let the onus be on you !

We request you to vote for the adjournment of this bill".

The speaker put to vote the adjournment motion : out of 520 votes, 130 were in favour and 390 against, the absolute majority being 261.

The general debate began with Deputy Archimbaud speaking on behalf of the radical and radical socialist group. He opposed the bill renewing the exclusive issuing right of BAO, as he had submitted to the Committee an alternative proposal, which had not been taken into account in its report.

The spokesman of the group, to which, incidentally, the Minister of Colonial Affairs belonged, declared that it was necessary to raise strong objections to prevent the renewal of the exclusive right that he still found was against the public interest.

In substance, he said :

"I had submitted an alternative proposal, which seems to have sunk into oblivion... While submitting the alternative proposal, to which the report of the Committee of Colonies does not even allude, I had given the general reasons, which, according to me, determined why we should oppose the renewal of this right to the "Banque de l'Afrique Occidentale Française".

Reminding them that the exclusive issuing right constituted, by its nature itself, a regality, I claimed that the State itself should exercise this privilege.

The main reason being that the income generated, in the exercise of this right, by a private establishment, whatever it may be, is obtained to the detriment of the nation.

... The severest criticism of this government bill is therefore a criticism on a matter of principle...

... The proposals submitted by the Committee will result in maintaining this exclusive right.

Of course, compared to the previous statutes, this bill... succeeds in reducing the advantages enjoyed by the "Banque de l'Afrique Occidentale Française", which allowed it to earn the profits I just mentioned in the financial year 1925-1926.

But in spite of these colossal profits, it is still proposed that the principle be maintained".

Referring to the passage in the Committee report, which observed that "it is the fact that the exclusive right is granted free of charge that is, in fact, eliminated", the member pointed out that, "This privilege can cease being gratis without, however, ceasing to be profitable. I ask that it should not exist at all. This is the only difference between us and therein lies the debate".

"Besides, as I have said, the new charges imposed on the bank are more notional than real. The bank itself accepts the fact.

After having regretted at length that certain obligations have been imposed on the bank as *quid pro quo*, after having especially deplored the removal of the Board's percentage, the report presented in the extraordinary General Body Meeting on 25 February 1926 concluded as follows :

"However, in spite of all these reservations, we recommend the approval of the convention and the new statutes, which would come into force only after Parliament enacts the law. What pushes us to recommend it is primarily the consideration of your interests..."

Having said this, once you remember the general considerations I mentioned earlier, the detailed examination of the proposal, as you can see, becomes secondary..."

After some observations on the provisions of the new convention in favour of the State, the member drew attention to the following : "Instead of the public ownership with private management proposed by the Government and the Committee, I claim on behalf of the State total ownership of the business, in consonance with national interests and in consonance, also, with the Parliament's wish, since it has always been against ceding monopoly rights..."

To conclude his speech, deputy Archimbaud added, "... the bank earns 28 million per year ; by renewing its exclusive issuing right for 20 years, you are allowing it to earn 560 millions. Even if you take half this amount from it, it will still have 280 million.

I contend that when you permit the bank to increase its capital six fold... to raise its capital from 5 to 35 million, you are permitting its earnings to grow six-fold... at the end of 20 years you will raise them from 560 million to 3 billion 360 million ; I am very well aware that you take half this amount from it, but there will still remain 1 billion 680 million with the Bank.

Evidently, these are hypothetical figures and we cannot debate over them ; but there is a real figure - that of a 28 million net profit per annum. It adds up to 560 million in 20 years ; even if the State deducts half the amount, there still remain 280 million with the Bank.

This is the gift we want to give to BAO. The Chamber shall decide whether we want to do so".

The Speaker gave the floor to the Government's representative. The Minister of Colonial Affairs observed that deputy Archimbaud's alternate proposal was inspired by a "State-control favoring conception" that would lead to establishing a "State issuing agency".

Pointing out that the concept of direct State issuance could be defended and debated, he was of the opinion that it was a question of whether the present solution was advantageous, and felt that the problem should be seen from a technical point of view rather than a political one.

"What, after all, is an issue" ? asked the Minister. "It is" he answered, "a purely commercial operation. Putting notes into circulation is not undertaken for the pleasure of doing it, but for a certain consideration in a commercial transaction".

"And", he continued, "it seems to be much more reasonable for this commercial transaction to be undertaken by BAO than by the agency Mr. Archimbaud would like to see established, which entails that the operations be carried out by a specialized institution rather than by government officials".

Deputy Berthon replied that that was the radical party's theory.

Continuing his speech, the Minister of Colonial Affairs recalled the two main criticisms of these statutes of BAO : insufficient State control over the Bank, as it was limited to the supervision by the Government Commissioner and, secondly, the fact that the State received no financial returns in exchange for the exclusive issuing right.

After the bill was voted, he pointed out, the State would appoint the Chairman of the Board of Directors, designate three Directors and benefit from financial advantages ;

"Supposing" he said, "in the one of the coming years, the profits are in the order of 29 million, with an average productive circulation of 600 millions. The distribution between the shareholders, the Colony and the State would be as follows.

The State and the Colonies, which would first realize 9 million on circulation, then 10 million on profits, would have a share in the distribution of profits representing a total sum of 19 million. The shareholders would get 5 million, the bank reserve 3 and a half million and the employees 1 million and a half.

Can we say that such a proposal, which brings so many advantages to the State and the Colonies, does not stoutly defend public interests" ?

"This convention is much better than the one signed with the Bank of Algeria" added Deputy Emile Morinaud.

The Minister of Colonial Affairs continued his speech, pointing out that the agency proposed by Mr. Archimbaud would not have only the responsibility of issuing banknotes. It would also have to undertake all banking operations ; with a Board of Directors composed only of government officials, serious snags would develop.

"If the latter", the Minister specified, "could assume the responsibility of issuing banknotes, their role would soon become difficult, if not impossible, if they found themselves at the helm of an establishment disbursing loans against securities, mortgage transactions, etc.

Their independence would soon be suspect and they would be virulently attacked for these varied operations..."

Wondering why Mr. Archimbaud had approved the bill pertaining to the Bank of Madagascar, which was identical to the one being debated, he was of the opinion that Madagascar was 'virgin territory' :

"There were neither issuing banks, nor an established situation, nor control over the colony and Mr. Archimbaud could have defended his notion of creating a Government agency, backed by many more reasons of policy and of fact.

Therefore, if Mr. Archimbaud's concept could be executed, it is on the question of the Bank of Madagascar that he should have brought it up.

But whatever the case may be, the time has come to take a decision. I can see very well how BAO would benefit from an adjournment of this motion. In fact, it will continue to make the colossal profits you spoke about, Mr. Berthon, and that you recalled, Mr. Archimbaud, whereas the government's proposal, when enacted, will secure for the State and the Colonies two-thirds of these profits.

Our African Colonies are waiting with impatience for the vote on the bill and the Parliament's decision, which will give them all the advantages I spoke about. They expect, through this, to obtain the means to continue and expand their magnificent efforts. The House, I am sure, will meet their expectations", concluded the Minister of Colonial Affairs.

Deputy Jacques Duboin was given the floor next and he highlighted the questions pertaining to the underwriting commitment :

"Are we talking about a proper issuing institution or, on the contrary, about an institution that cannot function for the simple reason that the draft convention does not talk about the necessary underwriting of the banknotes issued ? And we are being asked to ratify this" ? To answer this question, the member began by dwelling upon issuance mechanisms.

"The Issuance House", he pointed out, "enjoys the exclusive right to issue banknotes that everyone has to accept²⁵¹ and that are, on the other hand, legal tender. In that case", he added, "this is a very serious issue that is being put to vote and we should support the issue of these banknotes with all possible guarantees".

Jacques Duboin opined that this was all the more important as "it concerned the colonies and, consequently, natives who, even a short while ago, understood only the most rudimentary forms of exchange such as barter and trade in goods. They had to be taught the usefulness of metal money little by little - that is to say, they had to be made to understand that they could divest their products against these intermediate goods that would store and preserve the value of the goods they delivered, till the day they exchanged them for the goods they desired to purchase.

²⁵¹ Legal tender.

Next, we had to make them cross another bridge and make them accept paper as the equivalent of the metal money. All the more the reason, then, for this paper to be indisputable and as stable as possible".

The member stressed that the issuing institution being discussed would enjoy a considerable privilege ; it could manufacture capital as and when the Colony's trade needed it. Unlike ordinary banks that borrowed money in the form of deposits and loaned it in the form of discount, "issuing banks do not even have to seek deposits".

"Authorized by law, thanks to the exclusive issuing right, they create their own capital, print banknotes that they put in circulation for discount purposes. It is a very secure transaction, under normal conditions, because the capital thus created should come back to it automatically when the discounted instruments are due, i.e. at the end of two or three months.

But, during the period when the notes thus created are in circulation, they should be accepted by everyone. Hence, it is imperative that their value be as stable as metal money".

The member continued his explanation by stressing that the risk taken by the issuing institution is the possible demand for redeeming its currency in specie.

To do this, the law imposed on all issuing institution an obligation to always have in reserve certain gold and silver reserves to meet redemption²⁵² demands.

The member therefore considered the principle agreed upon in the convention between the State and BAO that a ratio (33% at least or the one-third rule) should always be maintained between the amount in circulation and the gold and silver reserves as an "excellent measure".

He, however, thought that this provision and limiting the issue to 1 billion were "contradictory" and explained if this measure was applied to the "Banque de France" it was because it was not constrained by the one-third rule.

The member's harshest criticism was reserved for the insistence on the 33% cover. According to Article 15 of the convention, he pointed out, the cover could be constituted by the bank in four ways : either by gold, or by a metal money being legal tender in France, or deposits at sight in foreign currency convertible in gold, accounted at par, or a credit in a special Treasury account, without interest.

Jacques Duboin deemed the first three means "sound", but not applicable, as they were too expensive. He wondered *how a debt to the Treasury could serve as a pledge for the currency*.

"Our monetary policy", he affirmed, "for the past few years, has only one goal : to dissociate the credit granted by the "Banque de France" from the State's credit, in order that our currency is inviolable and safe from all political vicissitudes and all the trouble they could bring to bear upon our finances.

²⁵² At the time of the discussion, the "Banque de France" was not restrained by this obligation.

To this end, we are repaying our advances to the "Banque de France" that had poisoned our currency and are still poisoning it.

However, at a time when the Treasury is repaying its advances to the "Banque de France", it is going to contract new advances vis-à-vis the issuing institution whose creation is being proposed and these advances are going to swell in proportion with the Colony's development.

Thus, at a time when we are trying to cure our currency, vitiated by advances from the Bank to the State, we are taking advantage of the creation of a new issuing institution in one of our Colonies only to hasten the spread of this virus to the money we are creating...".

Referring to the Finance Committee's text, he read aloud : "The lessons learnt during the years that followed the upheaval of 1914-1918 showed us that it becomes more and more necessary to isolate monetary questions from Treasury issues.

If all European currencies have been degraded, this phenomenon is due, in a large measure, to the fact that issuing banks came in to help endangered public finances and that they used up all their credit to facilitate the war effort and the motherland's defense".

The member said that it could be understood in times of war, but now the war was over and it was time to create a new issuing institution ; he concluded his speech by submitting a motion of adjournment :

"Having spoken up for the principle of a sound currency under all governments, I cannot vote for the proposed text... This text is a heresy. At a time when we are putting in enormous efforts to free our currency, we cannot deliberately create a currency elsewhere and put the Treasury in debt...

I submit the following motion :

"The Chamber, refusing to ratify a convention whose aim is to create an issuing institution whose currency will have a cover guaranteed by a new Treasury liability, decides to commit the bill to the Committee".

The speaker adjourned the session, which was reconvened at 3:30 p.m. ; after examining other items on the agenda, he called upon the Finance Committee's rapporteur, Mr. Tinguy, to resume the general debate on the proposal.

The rapporteur agreed with the observations made by deputy Jacques Duboin on the first three means of ensuring the issuance guarantee, even if, according to his information, BAO's reserves still had "some appreciated foreign exchange and also some metals that had appreciated".

On the latter means - the account opened with the Treasury, he admitted that he had criticized it in the Finance Committee, though not exactly from the same perspective as deputy Duboin.

Indicating his understanding of the new monetary system being set up, he specified that :

"I tried to show to the Finance Committee, and I think I succeeded in doing so, that the currency we are going to establish in the colony will have no other support for its value and for its tender than the assets of the "Banque de France" established for the French Franc.

Thus, we have here a currency, which, if left in isolation, would be somewhat up in the air. You criticized me, Mr. Duboin, for having brought up, on this point, the obligation of transfers of the guarantee system.

Well, no ! For me, these texts mean that the value of French West Africa's currency is so closely linked to the Franc that it has the Franc's value, neither more nor less. It is guaranteed by one-third, constituted by the funds paid to the Treasury".

Jacques Duboin intervened : "The main point of this convention is that you are creating a currency. This currency should be guaranteed by gold and silver holdings, like any other currency in circulation.

You have foreseen - and you were right - that the currency issued should be covered up to 33% by a corresponding reserve.

But how are you going to constitute this reserve ?

Four means have proposed in the convention".

The member then resumed his morning demonstration on the illusory characteristics, because of the cost involved, of the first three means and reiterated that the fourth one - credit in the special Treasury account, without interest - would mean spreading the virus of advances to the State, to the currency to be created.

Mr. de Tinguy, the rapporteur, specified that "*Before the Treasury opens a credit, something has to be paid first*, so that there is not just a credit operation - a Treasury debt. *There are also remittances in favour of the Treasury, which you neglected*".

Jacques Duboin : "No. That is what I am criticizing".

De Tinguy : "I will tell you why I do not criticize it. We are still in a period where the Franc's value can be subject to variation and where the only way to create a guarantee for a currency born out of the Franc is to have deposits in Francs.

You will say, "*Make the deposits to the "Banque de France*"."

Jacques Duboin : "Yes".

De Tinguy : "As long as the Franc is subject to variation, I do not think it would be very advantageous".

Regarding the ceiling fixed at 1 billion, the rapporteur opined that it was a transitory system, which, during the period of instability, would provide "the State Treasury with elasticity within the colony".

"When the billion mark is reached, the State would acquire, under this head, 333 million²⁵³, which would, in difficult periods, give its Treasury some temporary elasticity within the colony. Moreover, it does not represent such a big amount that the Treasury would find it difficult to repay".

²⁵³ Through entries of advances to the Treasury done by the issuing bank to cover its issue.

De Tinguy concluded his speech by appealing to deputy Duboin not to insist on committing the report to the Committee ; he made the same appeal to deputy Archimbaud. "We are coming to the end of this legislature and we would be found wanting on this point, which would be painful for everyone, but surely not for the Bank itself.

"... Let us give our French West African Colonies all the means they need for development, all the means to enhance their economy and, at the same time, let us give France, by this fact itself, one more means for recovery".

Deputy Duboin took the floor again to question the Minister of Colonial Affairs :

"I like the Committee's Chairman and the Rapporteur very much, but it is the Minister who should give an undertaking in this matter. I would like to hear the Minister of Colonial Affairs say that he consents to the removal of this Treasury debt, which will guarantee the currency we are going to issue.

You told us that it came to the same thing, that we will deposit it with the Treasury, which will send it to the "Banque de France". My answer is, No ! It is not the same thing at all. When you would have received your deposits, in fact, nothing tells me that you will give them to the "Banque de France". You can do it today, since your cash position allows you to do so.

But tomorrow, if the cash position doesn't allow it, you will not give the "Banque de France" the deposits made by BAO.

I would go even further. The solution I am advocating presents surer advantages. In the solution proposed²⁵⁴, since the cover would have been deposited with the Treasury, the latter has to deposit it with the "Banque de France" or make use of it, whereas if you oblige the "Banque de l'Afrique Occidentale" to constitute its reserves with assets with the "Banque de France", the latter, which is not authorized to get a definite percentage of the reserves, in relation to its circulation, could, with its Francs, buy foreign exchange or buy gold, which, as I have shown you, cannot be done by the "Banque de l'Afrique Occidentale".

Mr. De Tinguy tells me that he seeks to link the West African Franc with the French Franc. I would answer that with my system, which is infinitely more rational - I am sure he is convinced of it - the link shall be even stronger, for the holdings shall always be in French Francs".

De Tinguy retorted that during this period, the shareholders would continue to take home the money meant to fill the Colony's reserves.

Jacques Duboin : "Now that interruption was even more inopportune than the others.

²⁵⁴ By the rapporteur.

I am not asking you to modify the rest of the convention.

I find it absolutely justified for the State to take a much higher share. I consider, as you do, the shareholders' profits are too much. But this situation has been going on for eight years !

You presented us with a text only this morning and you want the House to adopt it by this evening itself, without giving us the right to present our views !

No ! I do not accept this haste. And after Mr. De Tinguy's remarks, I insist on committing the proposal to the Committee".

The Speaker then called upon Blaise Diagne, Chairman of the Committee on Colonies. He gave the genesis of the bill submitted by the Minister of Colonial Affairs and the Minister of Finance to the Parliament Office on 18 March 1926 ; the two reports of the Committee on Colonies submitted on 19 November 1926 and 18 March 1927 ; the alternate proposals of Archimbaud, rapporteur for the Finance Committee on the creation of a State bank ; his resignation when the Finance Committee rejected his proposal and De Tinguy substituting him, the submission of Archimbaud's counter-proposal on 28 June 1927, the review of both proposals by a committee of the two Houses that gave its consent to the Government's proposal on 12 January 1928.

Blaise Diagne then recalled the contents of the new bill and concluded, hoping that the bill would be voted quickly : "... this precarious situation", he said, "is a big obstacle. It impedes the growth of the new organization whose development is nevertheless linked to the Colony's prosperity. Finally, it deprives the Treasury of income that, in the preceding months, exceeded, I reiterate, 1 million and a half per month.

...I reiterate today, from this podium, for, among today's speakers, those who are opposed to this bill specifically and paradoxically, presented all the arguments justifying the vote on this bill without delay.

French West African colonies are expecting it because it would give them the funds needed for developing their agriculture, creating farm loans and economic growth in general. Therefore, I cannot believe that there can be members here, who, on the pretext of a doctrine, would want to delay the voting of this bill".

The Minister of Colonial Affairs, in his turn, took the floor to observe that deputy Duboin, who approved the bill, only had reservations about Article 15 pertaining to the opening of a special account with the Treasury as a guarantee for issuance, considering the other means as illusory.

The Minister did not agree with this analysis, giving the example of the State Bank of Morocco, whose system", he said, "is similar to the system proposed for French West Africa".

He explained that for a circulation of 417 million, the total holdings of the State Bank of Morocco were 144 millions (more than a third of its circulation), constituted by gold and currencies for 88, silver for 11 million and only by 45 million in the special account with the French Treasury.

Hence, stating that BAO would not be able to use its reserves for buying gold and currencies was contradicted by the situation of the Bank of Morocco.

He added that adopting the member's proposal would mean modifying BAO's statutes, submitted for approval ; this would entail resuming discussions with the Bank, "conversations - sometimes difficult and long drawn out, especially when the bank's statutes are as favorable as the ones it has right now and when we want to impose others that are far less favorable".

"Withdraw their exclusive issuing right" I said Jacques Duboin. The Minister continued with his speech, pointing out that for modifying statutes, the matter had to be taken to the General Assembly of shareholders. A long delay would ensue because most of the shareholders lived far away ; that was why the Government opposed the commitment of the bill. "I repeat that I can very well see the advantage the Bank would enjoy by such an adjournment, but I cannot see any advantages for the State and the Colonies".

The Speaker gave the floor to deputy Duboin again. He retorted, "I confess, Minister, I cannot follow your reasoning and I regret it".

You were talking about the "Banque Française du Maroc"²⁵⁵.

Do I have its statutes before me ? Is it the convention with this Bank that's being debated ? You talk about matters that have not been taken up for debate. Give me that text and I shall see if, according to the convention, it is possible for the Bank of Morocco to buy gold or currencies. It may be possible and I do not contest it. But we are not debating that convention ; we are discussing the convention with the "Banque de l'Afrique Occidentale".

I have shown you twice that this Bank can neither buy gold nor currencies because that would be more expensive than the value of the notes it would issue.

You tell us that we must act quickly, but who is against that ? We have been waiting for this bill for eight years".

"The bank is only asking for one thing - and that's to delay the bill further", interrupted Deputy Joseph Paganon.

Jacques Duboin : "Accept the amendment I propose and I will vote for the bill at once.

I will go further - withdraw the exclusive issuing right granted to the "Banque de l'Afrique Occidentale Française" if it is opposing you with inertia and I shall be with you.

You will see that at this moment, it will take the path shown to you. But, I beseech you, bring your authority to bear rather than putting the Treasury in debt".

The Speaker gave the floor to Deputy Vincent Auriol (socialist)²⁵⁶. He declared : "Gentlemen, my friends and I shall vote for the commitment of the bill. We have had serious discussions over this issue in the Finance Committee that Mr. Archimbaud spoke about this morning. We are coming to the end of this legislature; the Chamber will be dissolved in a few days. I will not be so indiscreet as to calculate the percentage of members present in relation to all those responsible. All I can say is that amongst our colleagues present in the Chamber, only a few were in possession Mr. Brunet's report. We asked for it, but in vain...".

²⁵⁵ The State Bank of Morocco.

²⁵⁶ The future first President of the Fourth Republic.

Committee Chairman : "I have it in my file".

Vincent Auriol : "Obviously the Committee Chairman has it. But if I asked my colleagues, in a sort of referendum, you will see how few have this report with them.

We do not know anything about this report.

We have Mr. De Tinguy's opinion.

What did happen in the Finance Committee ? You are holding it responsible for this situation. I no longer have the honor to speak on his behalf, but as a member of that Committee - the rapporteur can confirm that - allow me to recall that as soon as we received Mr. Brunet's report, we discussed it for two days.

Mr. Archimbaud submitted a proposal for organizing a State Bank. We were defeated. Mr. Archimbaud resigned. Mr. De Tinguy accepted the report and has given us his remarks.

A sub-committee, comprising the members of the Committee on Colonies and the members of the Finance Committee, was appointed ; it worked and received modifications, which are in the report and we are extremely pleased with that fact.

The day after, the Finance Committee was to discuss the sub-committee's report, Mr. De Tinguy was presenting his report, on which the Finance Committee was voting. There is no reason to blame it".

Committee Chairman : "I did not blame it for anything".

Vincent Auriol : "You told us that we are losing 1 million and a half per month, and you want a Chamber whose powers are coming to an end to commit, for twenty years, the West African Colonies ! It is not possible for us to take that responsibility. Let us leave this task to the new legislature.

I therefore insist, gentlemen, that you vote for sending the bill back.

You, Mr. Minister said, "If I enter into discussion, the bank will withdraw its consent".

What sort of discussion is that" ?

Minister of Colonial Affairs : "I said the discussion would again take much more time".

Vincent Auriol : "You possess the regality of issuance and you speak like a little boy to the Bank to whom you can refuse to concede this right.

Such arguments are unacceptable, especially when they are presented on behalf of the Finance Committee, the Committee on Colonies and the Government.

Given that we have only fifteen days to discuss this issue, you do not have the right to commit France and the Colonies for twenty years.

That is why, I ask and I shall vote with my friends, to send the report back to the committee".

The counter arguments made by other members were summarized in a speech delivered by André Hesse :

"We are now - I am turning the argument around - just fifteen days away from the end of the legislature ; it is materially impossible, if this project is sent back to the Committee, for it to be presented again before us ; we shall not see it for years to come...".

The Speaker : "I ask the House to vote on the motion committing the bill to the Committee passed by Mr. Duboin and opposed by the Government and the Committee".

The results of the counting showed :

Number of voters	523
Absolute majority	262
For the motion	213
Against	310

The Chamber did not pass the commitment motion ; as nobody else wanted to take the floor, the general debate was over.

The Speaker asked the Chamber whether they could move onto the discussion of articles ; it was thus ordered.

"Article 1 - the privilege granted to the "Banque de l'Afrique Occidentale" by the decree of 29 June 1901 and extended by successive decrees from 1921 to 1928, is extended for twenty years from the date of promulgation of this law, to be applied in the territories belonging to the general governments of West Africa and Equatorial Africa and in Cameroon and Togo".

The Speaker recalled that Deputy Archimbaud had submitted a counter-proposal whose Article 1 read as follows :

"Article 1 - The exclusive right to issue banknotes redeemable at sight and to the bearer in Senegal, French Guinea, Côte d'Ivoire, Dahomey and Congo, as well as the protectorates dependent on these colonies, will henceforth be exercised only by an administration endowed with juridical personality acting on behalf of the State. This organization will be a government establishment distinct from the Ministry of Finance, albeit reporting to this Ministry. It will be called the National French Office for Colonial Banks' Operations.

This exclusive issuing right will come into force on 1 October 1927".

The Speaker gave the floor to deputy Archimbaud. He explained that if he had submitted a counter-proposal, it was because the Government's proposal was not satisfactory as he was of the opinion, as he had mentioned earlier, that it was not possible to renew BAO's exclusive right, since the new clauses of the sub-committee, even if they were an improvement on the bill, did not allow the State to control the Bank sufficiently.

He therefore asked the Chamber to vote for his counter-proposal.

After many interventions, the Speaker put the counter-proposal, opposed by the Government and the Committee, to vote :

Number of voters	520
Absolute majority	261
For the motion	200
Against	320

The alternate proposal was, thus, rejected. Article 1 of the bill was put to vote and passed ; the other articles followed and were passed with or without amendments.

To conclude, the Speaker put to vote the entire bill ; the result of counting votes showed a majority of 370 for and 150 against the motion.

In substance, the adopted bill extended BAO's exclusive issuing right for a further 20 years, from the date of its promulgation (29 January 1929), in the territories reporting to the General governments of West Africa, Equatorial Africa as well as Cameroon and Togo.

The new aspect introduced as regards the banknotes was that they were forced rate "as long as the currency of the "Banque de France" was forced rate" (Article 4).

On the expiry of this period, they would be redeemable at sight and to the bearer, in a money being legal tender in France.

At least a third of the value of the amount of bills in circulation would always have to be represented by a reserve. The statutes specified that, based on the Franc's definition, the reserve would either have to be in metal money considered legal tender in France, or other currencies convertible at par, or a credit in the Treasury's books.

Article 4 fixed an issuance ceiling of 1 billion. On a justifiable request from the Board of Directors, the Ministers for Colonial Affairs and of Finance could authorize, by decree, an increase of the ceiling by a maximum of 200 millions.

Article 5 approved the statutes and the convention of 24 February 1927.

Article 19 of the statutes specified that the Bank could advance loans against standing crops, either to individuals or to agricultural communities having the quality of an artificial persons, under the conditions laid down in the law of 21 March 1919 on colonial banks.

The Government Treasurers and the Treasurers-Paymasters of every territory had a current account with the bank. These current accounts - always credit accounts - recorded the revenue, expenditure and movement of public funds, which, under the terms of Article 10 of the Convention of 1927, the Bank was beholden to transact without costs.

On the whole, this establishment resulted in accepting as cover for issuance in the colonies, credits given in French Francs in France. Which, in practice, meant the institution of a "Franc exchange standard" between France and its colonies, a modality for the application of the gold exchange standard that resulted from the 1922 Genoa Conference (Cf. Preliminary Chapter), and which would be enshrined by the currency bill of 1 October 1936 (Article 7) :

"Notwithstanding any adverse legislative, statutory or conventional clauses, the issuance banks of Algeria and the colonies can hold reserves in French Francs"²⁵⁷.

The renewal of BAO's privilege coincided with the 1929-1930 crisis, which would affect its activities and would have more serious consequences on private local banks. It was involved in rescuing the latter.

- The Convention of 26 June 1931 between the State and BAO rescuing commercial and deposit banks

Two commercial and deposit banks functioning in the area during this period - the "Banque Française de l'Afrique" (BFA) and the "Banque Commerciale Africaine" (BCA) - would, in fact, face difficulties.

1 - The « Banque Française de l'Afrique » (BFA)

Created in 1904 as a commercial bank, a branch of Metropolitan banks, it could not invite deposits.

The years 1930 and 1931 witnessed the crumbling of global market prices of raw materials. The market price of groundnuts then constituting 4/7th of AOF exports fell from 200 in 1928 to 66 F in 1935. An economic slowdown ensued.

In October 1930, on the eve of the beginning of the trading season, BFA faced difficulties. The Government came to its rescue by mobilizing all possible support to avoid having the Bank stop payments :

- It obtained aid from the "Banque Bauer-Marchal" to the tune of 50 million ; half the amount was paid immediately ;
- It invited the General governments and territories under its control to participate in the bailout operation for a sum of 25 million, withdrawn from the reserve fund ;
- It asked BAO not only to stop recovering its dues from the Bank, but also to increase its discount facilities.

Thus, with the help of the working capital thus infused and the facilities extended, BFA could continue operating till mid-1931 ; after that, it had to stop all payments and filed bankruptcy.

On 26 June 1931, a convention was concluded between BAO and the Government - approved by the law of 12 April 1932 - to regularize the operations carried out in this bailout attempt²⁵⁸ :

- BAO was authorized to open a special account showing :
- On the debit side, all the instruments it held with the endorsement or signature of the BFA, i.e. 195,000,000 F ;

²⁵⁷ Article 7 of the currency bill of 11 October 1936, O.G. of the French Republic of 20 October 1936, p. 10402.

²⁵⁸ BAO Government Commissioner's report, 1929-1949, pp. 39-41.

- On the credit side, a 75,000,000 F fund constituted by drawings under the head "Issuance of bearer bills". This fund represented the pre-computing of future receipts anticipated by the Treasury, corresponding to the value of lost bills (1927 convention, Article 7).

- The balance, i.e. 120,000,000 F would have to be covered, at least partially, by recoveries carried out on BFA's portfolio up to 30 June 1936.

- On this date, the recoveries amounted to only 48,923,510 F and, as foreseen by the convention, the residual balance, i.e. 71,076,490 F, was also drawn from the "Issuance of bearer bills", under the same conditions as above.

- Besides, BAO had agreed to a 25,000,000 F advance without interest, under the same modalities provided in the convention, to cover their contribution to the bailout operation.

- Finally, though not in the convention, at the specific request of the Government, BAO eventually accepted to advance under the same conditions, the amount necessary to pay BFA's African creditors. These payments amounted to 49,299,880 F.

On the whole, the BFA operation, was carried out by the pre-computing of the amount of lost bills for :

220,375,370 F (75,000,000 + 71,075,490 + 25,000,000 + 49,299,880).

The second bank would be facing the same problems.

2 – The « Banque Commerciale Africaine » (BCA)

Created in 1924, it too was a commercial bank ; "only after the 1929 crisis did it become a deposit bank"²⁵⁹.

It was established in Senegal (1924), Dahomey (1924), Côte d'Ivoire (1925) and Sudan (1926).

BCA found itself facing difficulties at the same time as BFA. The Government asked BAO to open three discount sheets amounting to 34 million F for this bank.

The first 15 million was covered by the payment retained by BAO on the currency circulation levy in AOF and in AEF up to the amount due. The concerned territories forewent all recovery from this portfolio from BCA, except for the distribution of one thousand founders' shares.

The two portfolios of 10 million and 9 million were subject to adjustments.

²⁵⁹ Amadou Aly Dieng 1982, p. 45.

Convention of 24 February 1927

Between the undersigned : Mr. Léon Perrier, Minister of Colonial Affairs, acting in this capacity,

On the first part,

Mr. Paul Boyer, Chairman, Board of Directors, "Banque de l'Afrique Occidentale", acting on behalf of the said bank and authorized as such, by the decision of the Board on 29 September 1925 and by the extraordinary General Assemblies of 25 February 1926 and 24 February 1927,

On the second part ;

The following provisions, taking effect on the promulgation of the law approving the present Convention, were agreed upon.

Article one

The "Banque de l'Afrique Occidentale" undertakes to raise its capital within three months, from the date of promulgation of the above-mentioned law, to thirty five million Francs, one-fourth of which shall be paid up.

On the fifty eight thousand new shares to be issued, twenty thousand shall be reserved for Colonies and territories where they exercise the exclusive right of issue - twenty four thousand to old shareholders - fourteen thousand to new subscribers.

The fourteen thousand shares reserved for new subscribers shall be issued at a premium of five hundred Francs. It shall be in the form of a public issue and reserved preferably for the inhabitants of Colonies and territories where the bank exercises its exclusive issuing right ; subscriptions of less than twenty thousand in nominal capital shall be reduced only if their total amount exceeds the issue and in this case, the reduction shall be made at prorate on the basis of the applications.

Article 2

The bank shall immediately constitute a contingency fund amounting to seventeen million five hundred thousand Francs, as follows :

1) Ten million five hundred thousand Francs, in drawings from the already constituted reserves of the "Banque de l'Afrique Occidentale", as shown in the balance sheet drawn up under the supervision of the Minister of Colonial Affairs, as on the last date of the month of promulgation of the law approving this Convention ;

2) Seven million Francs, in the five hundred Francs premiums from the new subscribers of the fourteen thousand shares of the public issue.

Article 3

After withdrawing ten million five hundred thousand Francs allotted to the new contingency funds, the balance reserves shown in the balance sheet provided for in the preceding Article 2 shall be shared between the old shareholders, after the consent of the Colonial Banks Monitoring Committee and the Minister of Colonial Affairs.

Article 4

The seven thousand founders' shares, created according to Article 13 of the statutes, shall be remitted to the State by the Bank, within three months from the promulgation of the law approving this Convention.

Article 5

The "Banque de l'Afrique Occidentale" can have only four branches in Africa : one in the General government of West Africa, one in the General government of Equatorial Africa and one each in the territories of Cameroon and Togo.

The Equatorial Africa Branch shall be opened at the latest within three months of this convention coming into force.

The Bank shall be authorized to open auxiliary agencies and offices, either in the territories where it exercises its exclusive issuing right, or in neighboring foreign countries, for the latter, after the concurrence of the Minister of Foreign Affairs.

The Government can, if the colonies needs so require, impose the opening of new agencies at places designated by the Minister of Colonial Affairs, except during the last five years preceding the expiry of its exclusive issuing right.

The branches and agencies shall be created or closed down by decrees issued on the advice of the Minister of Colonial Affairs and the Finance Minister, with the consent of the colonial banks Supervision Committee. The auxiliary offices shall be established or closed down by the order of the Governor General or the Commissioner of the Republic.

Article 6

From 1 January or 1 July following the promulgation of the law approving this Convention, the "Banque de l'Afrique Occidentale" shall pay the Treasury, every quarter, every year, a levy as specified below :

The levy shall be calculated on the amount of notes in circulation, after the deduction from the statutory holdings, as specified in Article 15 of the statutes, of its credit balance with the "Banque de France" and advances given gratis or at a reduced rate to the State or the colonies.

The levy amount shall be calculated at a different rate for each category - discount, advances or temporary investment, and the total interest earned by the bank during the quarter for the concerned transaction category and the sum of this interest shall be divided by the corresponding rate. Different prorata coefficients for distributing the average daily productive circulation for the quarter will thus be obtained.

Each part of the average circulation thus determined shall attract a levy based on the corresponding rate as specified in the following paragraph :

The levy tariff shall be :

0.175 F during the quarter for the part of the circulation representing transactions at a rate not exceeding five percent per annum ;

0.25 F for the part representing transactions at a rate higher than five percent, but not exceeding five and a half percent ;

0.325 F for the part representing transactions at a rate higher than five and a half percent, but not exceeding six percent ;

0.40 F for the part representing transactions at a rate higher than six percent, but not exceeding six and a half percent ;

0.475 F for the part representing transactions at a rate higher than six and half percent, but not exceeding seven percent ;

0.55 F for the part representing transactions at a rate higher than seven percent, but not exceeding seven and half percent ;

0.625 F for the part representing transactions at a rate higher than seven and a half percent.

The amount of productive circulation for the quarter, as specified above, shall be calculated by dividing the total sum of productive circulation arrived at for each of the working days by the number of working days.

The levy shall be raised without prejudice to taxes to be paid by the bank, according to the existing laws. However, from it will be deducted the amount of the tax surcharge and taxes created to be paid on the levy transactions when this surcharge or taxes come into force after the promulgation of the law approving the present Convention.

Article 7

The bank shall pay the Treasury, during the month that follows the promulgation of the law approving this Convention, a sum representing the amount of old bills not yet redeemed.

Consequently, these bills shall be deducted from the amount in circulation ; the Treasury shall take the responsibility of redeeming the said bills that can be later presented at the bank's counter.

The same operation can be renewed during the period of the exclusive right, for new banknotes whose issue date dates back to more than twenty five years, so that with every operation, the amount of notes not yet redeemed are debited. These operations shall be done on the request of the Minister of Colonial Affairs, at the time and under the conditions determined by him. However the interval between two successive issues cannot be less than five years and the payment corresponding to each operation can be made in five installments spread on a yearly basis. One year after the expiry of the exclusive right, the bank shall be debited for the amount of non-redeemed notes and the State shall take up the responsibility of redeeming these notes when they are presented for redemption.

Article 8

The bank shall have to carry out, from the colonies to France or vice-versa, at par, and without any limitation, all postal and telegraphic transfers ; the charges for these transfers cannot exceed the postal or telegraphic money order tariff.

It shall carry out, under the same conditions, postal or telegraphic transfers between the different branches and agencies.

Article 9

The bank shall ensure free of charge service and custody of the securities of the colonies or territories where it exercises its exclusive right.

Concurrently with government banks, it shall encash without charges, on behalf of the Treasury, bearer coupons for French Annuities, French Treasury securities, Government bonds and borrowings of colonies or territories where it exercises its exclusive right when these are presented at its counters.

On the request of the Minister of Finance or the Minister of Colonial Affairs, it shall open its counters for issuing without charges French Annuities or the securities of the French Treasury or the treasuries of the colonies or territories where it exercises its exclusive right.

Article 10

The bank shall receive without charges cash payments made to the Treasury, realize bills of exchange or checks drawn in favour of the Treasury's account, pay payment vouchers endorsed by authorized agents, transferring them to the accounts of the creditors opened either at the bank, or a lending institution holding an account in the Bank and, finally, check and transfer payments issued by public accountants on the Treasury's account.

It shall also transact without charges payments made abroad by its branches on behalf of the colonies or territories where it exercises its exclusive right.

On the request of the Minister of Finance, the bank shall provide, free of charge, the custody of metal money and cash holdings of the Treasury in its branches and agencies, as well as the movement of funds and cash belonging to the Treasury between its branches and different agencies within the colonies or the territories where it exercises its exclusive right.

Article 11

The bank shall disburse a ten million interest-free advance to the colonies and territories where it exercises its exclusive right.

This advance shall be utilized for agricultural development and medical aid.

The modalities and repayment of this advance shall be decided jointly by the Ministers for Colonial Affairs and Finance, on one hand, and the bank, on the other hand.

Besides, the bank shall open to all agricultural credit funds constituted under the general framework of French Law, a maximum discount credit equal to their paid up capital, up to five million Francs. The discount rate for this paper shall not exceed six percent per annum.

Done in Paris, on 24 February 1927.

Minister of Colonial Affairs

Signed : Léon Perrier

Chairman, Board of Directors,
The « Banque de l'Afrique Occidentale »,
Signed : P. Boyer

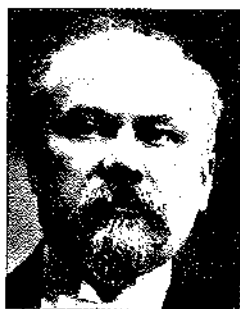
Certified as annexed to the bill of 29 January 1929, on the renewal of the exclusive issuing right of BAO.

Prime Minister,
Raymond Poincaré

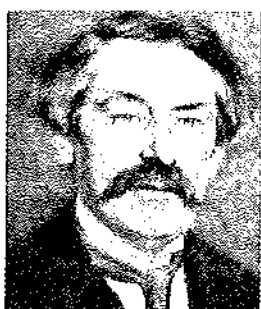
Minister of Finance,
Henry Chéron.

Minister of Foreign Affairs,
Aristide Briand.

Minister of Colonial Affairs,
André Maginot.



Raymond Poincaré



Aristide Briand



Henry Chéron



André Maginot

Act of 29 January 1929
Granting the “Banque de l’Afrique Occidentale” renewal of its
exclusive issuing right

The Senate and the Chamber of Deputies having adopted,

The President of the Republic promulgates the law whose contents are as follows :

Article one

The privilege conceded to the “Banque de l’Afrique Occidentale” by the decree of 29 June 1901, extended by successive decrees from 1921 to 1928, is extended for twenty years from the date of promulgation of the present law, to be carried out in the territories reporting to the general governments of West Africa and Equatorial Africa and of Cameroon and Togo.

Article 2

The banknotes of the “Banque de l’Afrique Occidentale” shall be accepted as legal tender by the public funds, as well as by individuals, throughout the colonies and territories under French rule where it has its establishments.

They shall enjoy forced rate as long as the currency of the “Banque de France” enjoys the same.

On expiry of the period of forced rate, they shall be redeemable at sight and to the bearer, in currency being legal tender in France, by branches and agencies designated in concurrence with the Minister of Colonial Affairs and the Bank.

Article 3

The amount of the notes in circulation should always be represented, at least for a third of its value, by holdings constituted in the conditions specified in the annexed statutes.

Article 4

The notes put in circulation by the “Banque de l’Afrique Occidentale” cannot exceed the sum of one billion.

However, if the Board of Directors of the Bank is of the opinion that the authorized issue is not sufficient for the requirements of the territories it serves, it shall make a request with explanations to this effect to the Minister of Colonial Affairs who shall examine the request, in concurrence with the Finance Minister.

A decree countersigned by both Ministers can increase the issue of bills by two hundred million at the maximum.

Article 5

The following shall be approved to come into effect from the time this law is promulgated, as given in the annexed texts :

- 1) The articles of association (statutes) ;
- 2) The convention agreed on 24 February 1927 between the Minister of Colonial Affairs and the “Banque de l’Afrique Occidentale”.

The said convention shall be exempted from registration and stamp duties.

Article 6

In case of liquidation, the Minister of Colonial Affairs, in agreement with the Minister of Finance, shall determine the conditions of circulation and repayment of the banknotes.

Article 7

All rights and privileges in the matter of loans against standing crops, or against any goods or material given as a pledge, or title deeds given as guarantee, and in the matter of hypothecation constituted in favour of banks governed by the Act of 21 March 1919, shall be conferred upon the "Banque de l'Afrique Occidentale".

Article 8

No adverse claim can be made either on funds deposited in the bank's current account, or the credits it opens as a result of transfers of standing crops.

Drawers, subscribers, drawees, endorsers or guarantors of instruments underwritten in favor of the bank or negotiated with this establishment are justiciable in commercial courts, for any disputes arising from undertakings and hypothecation or other sureties pertaining to them.

Article 9

The twenty thousand new shares reserved by Article 1 of the convention of 24 February 1927 for the colonies and territories where the bank exercises its exclusive right cannot be divested by these territories or colonies.

Only French citizens or subjects can buy the fourteen thousand shares reserved for new subscribers under the terms of the same Article. For five years from the closure of the issue they shall remain inalienable and remain in the counterfoil book.

Any transaction carried out in violation of the present clause shall be considered null and void and deemed not to have taken place. However, the Board of Directors shall have in its comprehensive rights conferred by Article 5 of the statutes the right to sell the shares for which the payment due is not forthcoming. In this case, the purchasers shall assume the rights and obligations of the original shareholders, in their place.

Article 10

Resources from the levy on fiduciary circulation shall be used for creating and operating farm loans meant to encourage agricultural development in the colonies where the bank exercises its exclusive right.

Revenue on founders' shares shall be allotted in a similar manner. The conditions under which this revenue will be shared between the local governments of Equatorial Africa and West Africa shall be determined by decree, countersigned by the Minister of Colonial Affairs, who shall act within six months of the promulgation of this law. The colonies cannot reassign the advantages granted to them, except to the State.

In case of liquidation, the rights accruing to the State from the equity capital of the assets, founders' shares, shall be entirely reserved under Article 73 of the statutes.

Every year, the local governments shall submit to the Minister of Colonial Affairs a report on the utilization of the sums accrued from the levy and founders' shares.

The amount paid by the Bank to the Treasury, in application of Article 7 of the convention, shall be allotted to the budgets of the colonies where the notes not yet redeemed were issued, making the said budgets responsible for the redemption of notes that may be presented at the bank's counters at a later date.

Article 11

The provisions of Article 10 of the Act of 6 October 1919 shall not be applicable in the case of government officials or former government officials called upon to occupy posts whose appointment are reserved for the government by the conventions and annexed statutes.

However, officials who are still in service cannot continue to exercise, alongside, supervisory, management or decision-making posts in the French or colonial administration. Their acceptance of the appointment to the Bank's Board of Directors shall entail, by law, their resignation from the post they were holding at that moment.

No member of Parliament can be a member of the Board of Directors of BAO for a period of five years after his term is over. This prohibition shall also apply for the duration of their mandate.

This Act, discussed and adopted by the Senate and the Chamber of Deputies, shall be executed as a State Act.

Drawn up in Paris, on 29 January 1929.

Gaston Doumergue
By order of the President of the Republic,

Prime Minister,
Raymond Poincaré.

Minister of Finance,
Henry Chéron

Minister of Colonial Affairs,
André Maginot.

Minister of Foreign Affairs,
Aristide Briand

ARTICLES OF ASSOCIATION

Approved by the Act of 29 January 1929 and modified by the Act of 12 April 1932

Title One (First Heading)

Constitution of the bank and nature of operations which are attributed to it

Section I - Constitution, duration and head office of the Company

Article One

The "Banque de l'Afrique Occidentale" is constituted as a Public Limited Company. The Company shall be made up of all shareholders. Each member shall only be liable for the Company's commitments up to the amount of his share in the registered capital.

Article 2

The Company's head office shall be located in Paris. Its exclusive right shall stand extended by forty years, starting from 29 June 1921.

Article 3

The "Banque de l'Afrique Occidentale" shall have branch offices in Dakar, Brazzaville, Douala and Lomé, and agencies in Saint-Louis, Rufisque, Conakry, Grand-Bassam, Porto-Novo, Bamako, Kaolack, Cotonou, Pointe-Noire, Port-Gentil and Libreville.

It shall set up agencies and sub-offices in West Africa, Equatorial Africa, in the French mandate territories of Togo and Cameroon, as also in the neighboring countries, according to the conditions laid down in the Convention annexed to the Act.

Section II - Registered Capital

Article 4

The registered capital, initially fixed at six million Francs, shall be hereby raised to thirty five million Francs, divided into seventy thousand shares valued at five hundred Francs each, with only one hundred and twenty Francs being fully paid. Three hundred and seventy five Francs shall constitute the surplus amount of the said shares and shall be payable by virtue of decisions taken at the Company's Board of Directors meeting, which shall fix the value of the sum called for, as well as the payment schedule.

The call for payments shall be made by the means of registered letters sent to the residence of each shareholder at least two months in advance.

The registered capital can be raised to fifty million Francs either at one go or over several occasions, as per the decision of the Board of Directors and the approval of the Minister of Colonial Affairs and the Minister of Finance. It can be increased beyond fifty million Francs or reduced, only by an Extraordinary General Assembly sanctioned by a decree, with the consent of the Colonial Banks Supervision Committee.

In case of capital increase, the bank shareholders shall always get priority rights for subscribing to new shares. This right shall be exercised according to the forms and conditions laid down by the Board of Directors.

The shares shall be non-transferable. The registration certificates shall be taken out from a counterfoil register, the detached shares shall carry the signatures of two Board members and the Company stamp.

The bank cannot be expected to undertake transfers during the fifteen days preceding the ordinary or extraordinary General Assemblies.

Article 5

The Board of Directors may order the sale of shares for which the stipulated payment has not been made. This sale shall be carried out one month after an injunction by registered letter and the publishing of a notice in a legal notice gazette in Paris and in the official gazettes of the colonies where the bank exists.

It shall take place at the Paris Stock Exchange, through a stockbroker, at the risk of the defaulting shareholder, no legal permission being required.

The shares thus sold shall become invalid in the hands of the holders and new shares with the same numbers shall be issued to the buyers.

The measures stated in this Article should in no way prevent the Company from simultaneously exercising ordinary legal means against the subscriber.

If the sales returns yield a surplus after the settlement of late payment, then this sum shall belong to the original shareholder.

All shares for which the due payments have not been made, shall cease to be negotiable.

All late payments shall *ipso jure* bear interest in favor of the Company, at the rate of 8% per annum, beginning from the maturity date, without claim action.

Article 6

Shares shall be handed over by transfer, whose form shall be decided by the Board of Directors.

Article 7

All shares shall be indivisible. The Company shall recognize only one shareholder per share.

Article 8

The rights attached to the share shall belong to the shareholder to whom the share is allotted.

Article 9

The possession of a share shall imply *ipso jure* adhesion to the Company's Articles of Association and to the decisions of the General Assembly.

Article 10

Each share shall entitle the holder a share in the Company's assets and its profits, proportional to the number of shares issued.

Article 11

The dividends on each share shall be paid legitimately to each shareholder.

Article 12

The heirs, representatives or creditors of a shareholder can under no circumstances, provoke the affixing of seals on the goods or the values of the Company, ask for a share thereof, sell them or interfere in any manner in its administration.

Section III – Founders' shares

Article 13

Seven thousand bearer founders' shares shall be floated without face value, each one giving the right to a seven thousandth share in the profits arising from these shares as laid down in Articles 31 and 73 hereafter :

The share certificates shall be handed over to the State within three months following the promulgation of the Act to which these Articles of Associations are annexed.

They shall be torn from counterfoil books, shall be numbered one to seven thousand, bear the Company's stamp and the signature of two Board members or of one Board member and a Board representative ; the signature of a Board member could be printed or affixed by a signature stamp.

The stamp duty shall be borne by the Company.

As for the other taxes and duties to which these shares are subjected, they shall be the responsibility of the shareholder.

Subject to the provisions of Article 73 hereafter, the founders' shares shall not confer any ownership rights in the Company's assets, but only the right to share in the profits of the Company even if its rights are extended.

The shareholders in this capacity shall have no right to interfere in the Company's affairs nor the right to take part in the General Assemblies of the shareholders. In order to exercise their rights, they must rely on the company's inventories and on the decisions of the shareholders' General Assembly, notably for determining profit distribution.

They cannot contest the sovereign decisions of the shareholders' General Assembly, notably in the event of dissolution, merger or total or partial transfer.

In no case, however, shall any fresh founders' shares be floated.

The shareholders in this capacity cannot oppose any modifications in the Articles of Association by the shareholders' General Assembly, as long as they do not encroach on their rights to profit sharing as defined in what precedes.

Section IV – Banking Operations

Article 14

The bank cannot, under any circumstances and on any account, undertake any operations other than those allowed in these Articles of Association.

Article 15

The sole objective of the bank's operations shall be financial operations related to the countries in which it has branch offices and agencies.

These shall be as follows :

1 – To issue in the Colonies and territories where it exercises its rights, bills payable on demand and bills payable at sight, the type shall be approved by the Minister of Colonial Affairs and the Minister of Finance. These notes shall enjoy the status of legal tender for as long as the notes issued by the “Banque de France” do so. Thus, during this period, they shall not be reimbursable in cash but can be exchanged at bank counters, in the Colonies and in the territories where it exercises its rights, against a transfer on France.

The amount of notes in circulation shall have to be always represented to the tune of one-third at least of cash reserves, consisting either in gold on the basis of the monetary definition of the Franc, or in coins being legal tender in France, either in sight deposits of currency convertible in gold, valued at par, or as credit in an interest non-bearing special account with the Treasury.

The bank shall issue notes in the denomination of thousand, five hundred, hundred, fifty, ten and five Francs.

The Board of Directors of BAO shall fix the quota for the different denominations of notes to be issued.

2 – To discount promissory notes or local notes with two or more signatures of manifestly solvent people, with the maturity period not exceeding hundred and eighty days ; to approve under the same conditions current accounts' advances, with the term of the loan not exceeding six months.

3 – To create, negotiate, discount or buy bills of exchange, pay orders, direct checks or order checks on the Colonies, Metropolitan France or other countries. The maturity period for the bills of exchange or money orders, in the event it is fixed, should not exceed hundred and eighty days and in case it is not fixed, ninety days after sight for bills of exchange of local consideration and one hundred and eighty days after sight for those based on far away operations.

4 – To discount negotiable bonds and non negotiable guarantees :

a) By warrants or receipts of goods laid in stock either in public warehouses, or in private warehouses, whose keys have been regularly deposited at the bank, or in warehouses belonging to the bank ;

b) By the transfer of standing crops ;

c) By order bills of lading endorsed lawfully and accompanied by customary insurance documents ; on arrival of the ship, the bills of lading can be converted into warrants or receipts for all or part of the cargo, under the deposit conditions stipulated above ; in exceptional cases and when local practices provide for it, be issued to the drawees of documentary bills on their sole guarantee ;

d) By lawful collateral securities consisting of French securities against which the “Banque de France” gives advances, or by drawn up values or pledged securities by the Governors of the countries in which the bank has set up branches and agencies ;

e) By deposits of gold and silver ingots, coins or material ;

f) By maritime and river mortgages constituted on French ships or ships registered as French, in countries where French legislation shall be put into force in the matter.

5 – To buy or sell gold, silver, copper and nickel substances.

6 – To grant advance against gold or silver ingots, coins, and materials, and on commercial papers with two signatures or one signature accompanied by an order bill of lading.

7 – To accept voluntary deposit of all amounts in current account, without interest in the countries where it exercises its right of issuance, all securities, gold and silver ingots, coins and material or precious stones, without the bank's responsibility extending, in case of a force majeure, to renting out bank lockers under the same conditions.

8 – To assume responsibility on behalf of individuals or public establishments for the collection and recovery of bills that are submitted to it and for the payment of all pay orders and allocations.

9 – To accept, with the permission of the Minister of Colonial Affairs, the Governor General or the Governors, receipts from open public issues either in the Colonies where the bank exercises its rights, or in Metropolitan France.

10 – To issue promissory notes, bills of exchange or pay orders.

11 – To issue letters of credit against guarantee.

12 – To discount bills of exchange or orders with two commercial signatures or guarantees by order bills of lading duly endorsed and accompanied by customary insurance documents on its account in France or in other countries.

13 – To ensure purchase of gold, silver, copper or nickel coins or materials in France or in other countries.

14 – To put through all stock market transactions on behalf of its clientele through the intermediary of regular officials at a coverage charge fixed beforehand.

15 – To contribute towards loans by the French State or the Colonies provided that the total amount of these contributions does not exceed fifty per cent of its reserves, except with the special permission of the Minister of Colonial Affairs : to also contribute in the setting up and constitution of financial, industrial, commercial, agricultural or maritime undertakings concerning the countries where it has establishments, ensuring that these contributions shall not, except with special permission from the Minister, exceed a quarter of its reserves ; however, the contribution of up to ten million Francs that the "Banque de l'Afrique Occidentale" could eventually make towards the constitution of a colonial credit concerning the regions where the "Banque d'Afrique Occidentale" exercises its issuance rights, shall not be taken into account in the restrictions stated here above.

The Bank can acquire buildings for setting up offices, dependencies and warehouses. Acquisitions of buildings for any other purpose shall be prohibited, except in the case of compulsory sale to recover debts or shares as payment. In any case, all buildings acquired in auctions or accepted as payment shall be sold at the earliest possible moment.

The Bank can also make deals on behalf of a third party or represent it as an agent or business manager, without binding itself personally.

Article 16

One of the signatures demanded in pursuance of the preceding Article can be substituted if it concerns local bills or non negotiable bonds, be it by depositing transferable shares referred to in Article 15, or by the remittance of a goods deposit warrant, receipt, or deed, or by the transfer of a standing crop, according to the conditions which are determined hereafter, that is by depositing gold ingots, coins, materials or precious stones, or by a lawful transfer of all debts, to the Colonial Governments provided that they are done in cash or accepted, either by a lawful transfer of due debts by the municipalities legally authorized by the colonial government, or the local government if it concerns bills of exchange or orders, by a special bill of lading of goods, in which case the number of advances shall not be limited.

The second signature on the bill of exchange can also be substituted by an anticipated notification of acceptance sent by the drawee to the bank or by notification to the bank of credit issued by the drawee to the drawer.

Article 17

The rules of procedure, laid down by the Board of Directors, shall determine the quota and the value of the objects or securities earmarked for the substitution of one of the statutory signatures prescribed for bills, bills of exchange or bonds discounted by the bank or against which advances can be given, to be accepted by it.

The proportion cannot exceed three-quarters of the current prices drawn up by the brokers or the chambers of commerce, if it concerns deposited goods or loaded goods.

The integral value, if it concerns gold coins.

The value according to the weight and standard or fineness, if it concerns substances in gold and silver.

Half the value if it concerns ships.

One-third of the value of the harvest.

Four-fifths of the value of the last list of securities in the Colonies, if it concerns government stock or pledged securities by the governments of the countries where the bank has its branches and agencies and three-fifths of this value if it concerns other securities against which the government has made advances.

The deposited or loaded goods shall be insured on behalf of the owners under the care of the bank, unless the owner has already done it and through an insurance company approved by the bank.

Article 18

The various bills discounted by the bank shall have to be stamped if stamp laws are applicable in the country where it sets up establishments.

The bank would have to refuse discounts on accommodation bills, created between signatories without consideration or real value. No bill nor agreement with the signature of one of the agents of the establishment shall be accepted for discount.

These employees cannot engage in any other business nor show interest in any other business establishment without the authorization of the Bank's Board of Directors.

Article 19

The bank may grant loans against crops either to individuals, or to agricultural communities having civil personality, as per the Act of 21 March 1919 on colonial banks.

When these loans are granted with the support or the guarantee of the local administration, they shall be undertaken according to the forms and conditions established by a common agreement between the administration and the bank.

Article 20

The non-negotiable bonds supported by a transfer of crop and leading to the opening of a current account can be extended till the completion of the sale of the harvest on maturity.

The bank can stipulate that, till the reimbursement of the loan that has been granted, the commodities that are harvested shall be put into warehouses, earmarked for this, as and when they are realized, in conformity with the prescriptions of the Act and this, in order to convert the loan on transfer of crop to a loan on collateral.

Article 21

The customs warehouses, the warehouses belonging to the bank and all other warehouses earmarked for this purpose by the Governor General in the Government Council or the permanent Commission of the Government Council or by the Governor in Privy Council, shall be considered to be public warehouses where goods allocated for loans on collateral, covering in addition the bank's bills in portfolio, can be deposited. The goods shall be represented by a pre-receipt or a warrant which can be transferred by endorsement ; besides the handing over of keys to a particular warehouse to the bank shall be sufficient to carry out the legal tradition of leaving something as security, when this handing over is lawfully noted, at the time of negotiation by a receipt from the director of the branch or the agency certified by the administrative Censor.

Article 22

In case of failure to repay the sum lent on expiry, the bank shall be authorized eight days after a simple injunction, by registered letter, to auction, by all public officers, notwithstanding any opposition, either the goods, or the gold and silver materials given as collateral, or the transferred crops or their proceeds, or securities given as guarantee without prejudice to any other legal proceedings that can be taken up against the debtors till the entire sum lent as capital, interest and charges is repaid.

Article 23

When the payment of a bill has been guaranteed by one of the securities stated in Articles 15 and 16, eight days after the protest or after a simple injunction sent by registered post, the bank may sell goods or securities to cover itself up to the due amount. If this concerns standing crops, the bank shall have the right to sell the crop while it is still standing or attach it at once.

Article 24

If the bonds or the bills guaranteed by one of the securities stated in the fourth paragraph of Article 15 are not in order, the debtor shall have the right to anticipate redemption and he shall be remitted the interest in proportion to the time accruing before maturity.

Article 25

The additional guarantees given to the bank do not create an obstacle to the legal proceedings initiated against the signatories of the bills ; these proceedings can be carried on simultaneously with those whose objective is to realize the special guarantees constituted in favor of the bank, till the complete repayment - capital, interests and charges - of the amount advanced.

Article 26

The discounts shall be collected on the basis of the number of days accruing and even if it is for a single day. For bills payable several days after sight, the discount shall be calculated on the basis of the number of days after sight, and if the bills are payable either outside the area where they are presented for discount, or even outside the colonies, the number of days after sight shall be calculated on the basis of the distance.

Article 27

No opposition shall be allowed as far as the funds deposited in current account in the bank are concerned, neither on credit issued by it and resulting from an operation of transfer of crop under the conditions determined above.

Article 28

The bank cannot borrow against promissory bills to which it has subscribed.

Article 29

Every six months, the bank shall publish its statement in the "Journal Officiel de la République Française" (the Official Gazette of the French Republic) and in the "Journal Officiel des colonies et territoires" (the Official Gazette of the Colonies and the Territories) where it is established.

Section V – Dividend and reserve funds

Article 30

Every six months, on 30 June and 31 December, the books and the accounts shall be closed and balanced, the operating profits of the bank shall be drawn up.

The unpaid debts for more than a year cannot be included in the asset account for a figure exceeding a quarter of their face value.

Article 31

The net income, all expenses paid for shall constitute the profits.

From these profits, the following amounts shall be deducted :

1 - 5% for legal reserves ;

2 - The necessary amount for bringing back to 17,500,000 Francs, if necessary, the contingency fund belonging to the shareholders ;

3 - 10% for the constitution of a supplementary reserve fund ;

4 - The sum required for distribution amongst the shareholders :

- a) A first statutory dividend of 8% on the capital paid up ;
- b) An 8% interest per annum on the contingency fund laid down in Article 2 of the agreement drawn up with the Minister of Colonial Affairs on 24 February 1927 ;
- c) An 8% interest per annum on the paid up premiums by the shareholders at the time of an increase in capital.

The 8% statutory dividend and interest here above shall be calculated free of present and future French taxes, an exception being the transfer tax, the amount of which would be deducted from the payment of bearer securities' coupons if they were floated.

5 - If there is a surplus, 10% would be deducted from it, which shall be placed at the disposal of the Board of Directors for allocation to the staff, as per the conditions laid down in Article 69 ;

6 - The remainder shall be distributed between shares and founders' shares in the following manner :

A - For the portion not exceeding 4% of the nominal capital, the distribution shall be:

50% to shares ;

50% to founders' shares.

B - For the portion greater than 4% of the nominal capital and not exceeding 8%, the distribution shall be :

45% to shares ;

55% to founders' shares.

C - For the portion greater than 8% of the nominal capital and not exceeding 12%, the distribution shall be :

35% to shares ;

65% to founders' shares.

D - For the portion greater than 12% of the nominal capital and not exceeding 16%, the distribution shall be :

30% to shares ;

70% to founders' shares.

E - For the portion greater than 16% of the nominal capital, the distribution shall be :

25% to shares ;

75% to founders' shares.

Article 32

When the supplementary reserve funds laid down in no. 3 of the preceding Article attains the quarter of the registered capital, the deduction made at the time of its formation could be reduced or suspended. However, these funds would again revert to their original figure if it went below the said quarter.

In case of profits being insufficient to give the shareholders the first statutory tax free dividend of 8% and a tax free interest of 8% from the contingency and bonus funds, laid down in Article 31, the Board of Directors can, in conformity with Article 49, decide that the additional resources shall be drawn from the supplementary reserve fund.

No allocation of dividends can take place without the approval of the Minister of Colonial Affairs.

Article 33

The dividends shall be paid, following the approval referred to in the preceding Article, at the counters of the bank in Paris, in the branch offices and in the agencies, as also at the counters of the banks named by the Board of Directors.

Title II (Second Heading)

Administration of the Bank

Section I – Annual General Assembly

Article 34

The Annual General Assembly, lawfully constituted, shall represent the universality of shareholders.

The Annual General Assembly shall be made up of all the shareholders that have at least five shares.

All shareholders that have less than five shares can unite to arrive at the number five and choose one amongst them to be their representative.

However, no non-French shareholder may take part in the Annual General Assembly if he has not lived at least five years in France or in a French colony.

A list of the shareholders has been drawn up ; this gives their names, their place of domicile and the number of shares, which each one holds.

This list shall be made available to all shareholders that would like to have a look at it, five days before the Annual General Assembly. On the day of the Meeting, it shall be placed before the Officers.

The Annual General Assembly's officers shall certify the attendance sheet ; it shall be deposited at the head office and must be conveyed to all the applicants.

Article 35

None other than a member of the General Assembly can represent one in the General Assembly. As an exception, a delegate of a shareholder company may legitimately represent the company without being a member himself.

The Board of Directors shall fix the mode of proxy to be adopted in favor of the shareholders of the colony so that they can be represented in the General Assembly.

Article 36

All decisions shall be taken by a majority of the members present.

Five shares shall give the right to one vote.

Article 37

The General Assembly shall take place by right, each year, before 1 December at the Head Office of the Company or at the place indicated in the notice of meeting. It shall be convened by the Board of Directors and presided over by the Board Chairman, and in the absence of the latter, by the Vice-Chairman or a Board member nominated by colleagues.

The functions of a scrutineer shall be fulfilled by the two biggest shareholders present, and in case of their refusal, by those who shall be next, as per the order of registration, till acceptance.

The Committee officers shall appoint the secretary and for this function they may choose a non-shareholder.

Article 38

The report of the Board of Directors on the state of company affairs and on the items on the agenda shall be presented at the General Assembly.

It shall discuss, approve or reject the accounts.

It shall fix the dividends to be distributed, in conformity with Articles 31 and 32 of the Articles of Association.

It shall deliberate on all matters put before it by the Board, in particular the increase in registered capital, the extent to which the business activities of the Company should be expanded, the creation of new agencies, modifications to be made in the Articles of Association, the extension or the early dissolution of the Company and generally all the provisions stipulated or non stipulated by the Articles of Association.

It shall appoint Board members, except the ones who are to be appointed by the State, by virtue of Article 50.

The appointments shall be decided by secret ballot, if a request thereof is presented, and by an absolute majority of the members present.

If, after the second round, there still is no absolute majority, the General Assembly shall organize another ballot for the two candidates who have acquired the greater number of votes in the second round.

If the number of votes is the same after this round of ballot, then the more senior in years shall be deemed elected.

Article 39

The proceedings in the General Assembly shall not be valid unless, at the first meeting, there are at least twenty members, present or represented who take part, and who account for a quarter of the shares issued.

In case this number and this proportion cannot be attained, a second meeting shall be convened at an interval of fifteen days at least, and the members present at this new Meeting can deliberate legitimately, irrespective of their number, but only on those items which had been put on the agenda of the first meeting.

Article 40

An extraordinary General Assembly may be convened each time the Board of Directors deems it necessary.

The General Assembly shall be convened extraordinarily :

1)When the shareholders holding a third of the shares between them, make a legitimate request in writing, in which case the meeting shall have to be convened within two and a half months ;

2)In case the losses resulting from the bank's operations reduce the capital by half.

Article 41

The General Assemblies convened to deliberate on modifications to the Articles of Association, on proposals regarding the continuance of the Company beyond the stipulated term or its dissolution before this term or the increase or decrease in registered capital can be lawfully constituted and deliberate legitimately if they are composed of a number of shareholders who are representative of at least half the registered capital. The notice of meeting shall state in brief the objectives of the Meeting.

If the General Assemblies convened to deliberate on issues such as the increase or reduction in registered capital, modifications in the Articles of Association, proposals as regards the continuance of the Company beyond the stipulated term, or of its dissolution before the expiry of the term, do not have the requisite number of shareholders representative of at least half of the registered capital, a second meeting shall be convened within a month and shall deliberate legitimately, whatever be the number of shareholders.

Article 42

The notice for an ordinary or extraordinary meeting shall be done by individual letters addressed to the shareholders, members of the General Assembly, at the address indicated by them in the Bank's register and by the publication of a notice, at least a month before the meeting, in two Paris newspapers known to publish incorporation deeds and in the "Journal Officiel des colonies et territoires" (the Official Gazette for Colonies and Territories) where the bank exercises its rights.

The notice letters must contain a brief indication of the subject of the meeting. All shareholders wanting to submit a proposal to the General Assembly must send it to the Board of Directors who shall decide whether it shall be included in the Agenda or not. No item other than those entered in the agenda drawn up by the Board of Directors and entered in its minute-book can be taken up for deliberation. Eight days before the meeting, a summary presenting the position of the Bank shall be made available to the shareholders at the Company's head office.

Article 43

The proceedings of the Meetings taken in conformity with the Articles of Association shall bind all shareholders ; absentees and dissidents, both included.

The proceedings shall be taken down in the minutes written in a special book and signed by the Chairman, a scrutineer and the secretary. This book shall remain at the Head Office of the Company. An attendance sheet, with the purpose of noting down

the number of members attending the Meetings as also the number of shares owned by them, remains attached to the minutes ; it shall carry the same signatures.

Article 44

The justifications to be made towards third parties, concerning the proceedings at the General Assembly, shall be based on copies or extracts certified by the Board Chairman or a Director.

Section II - Administration, Management and Supervision

Article 45

The charge of Bank Administration shall be given to a Board comprising a minimum of ten members and a maximum of fourteen, including the Chairman of the Board of Directors.

The Directors and the Managers must be French.

The Government Commissioner shall attend the sessions of the Board of Directors.

Article 46

Save the exception laid down in Article 50, the Board members shall be elected by the General Assembly of the shareholders. They shall be nominated for five years. The renewal of members shall take place by retiring one-fifth of the members each year.

A draw of lots shall decide the exit order of the Board members.

They may stand for reelection.

In case of vacancies in the Board, it shall be able to appoint a maximum of fourteen members provisionally, till the next General Assembly that shall give a ruling on the final appointments.

A member elected as a substitute for another shall remain in office only during the term for which his predecessor is elected.

In case of vacancies amongst the Board members appointed by the government, in conformity with Article 50, the Board of Directors shall notify the Minister of Colonial Affairs who shall do the needful.

Article 47

When taking office, each Board member must own twenty shares. The shares must be free, they shall be inalienable and shall remain deposited in the Company's funds during the Director's term in office.

Article 48

The Board members shall receive appropriate fees and their amount shall be fixed by the General Assembly. The proceedings by which the Board members' fees shall be fixed for the first time, as well as all future proceedings to modify the amount, shall be submitted to the Minister of Colonial Affairs for approval.

Article 49

The Board shall be vested with the most extensive powers for the administration of the Company's affairs. It shall deliberate on all matters, it shall determine all administrative regulations for the Bank ; it shall fix the rate of discount and interest, the exchange rates, commissions and handling charges, the process to be followed for the valuation of gold and silver ingots, coins or material, goods and crops.

It shall authorize, within the limitations of the Articles of Association, all Bank Operations and determines the conditions.

It shall determine the use of the contingency fund and the supplementary reserve fund mentioned in Articles 31 and 32, it shall decide which bills and liabilities shall be eligible for a discount, without having to justify a refusal ; it shall authorize the use of funds for the purchase of paper from France and other countries ; it shall give a ruling on the signatures that the Banknotes must bear, withdrawal and cancellation of the Banknotes.

It shall authorize all bills of exchange, transactions, use of funds, transfers of Government stocks and other bills, debt purchase and other incorporeal rights, transfer of the same rights with or without guarantee, withdrawal of mortgages or rights, renunciation of one's personal or real rights, release from mortgage or caveat, all with or without payment ; it shall exercise all judicial functions, both as a plaintiff and defendant, participation in amicable and judicial settlements, acquisitions and alienation of buildings, loans and constitution of mortgages.

It shall authorize the requests for all building concessions and others, according to the conditions that will be laid down by acts and decrees of concession, all operations and tasks concerning the Company, the renewal and collection of all debts, bills of exchange and securities belonging to the Company.

It shall ensure that the Bank does not undertake any other operations other than those determined by the Articles of Associations and under the forms laid down in the Bank's Rules of Procedure.

It shall convene General Assemblies, lay down the agenda and decide upon the questions to be deliberated upon.

It shall determine the organization of the offices, the appointments, salaries, remuneration and agent and employee incentives and the general administrative expenses.

It is being specifically agreed upon here that the powers, which have been indicated, shall be purely enunciative and non-restrictive, and shall not impose any limitations on the principles that confer all powers on the Board of Directors.

The Board can delegate all or a part of the powers and attributions that precede.

Article 50

The Chairman of the Board of Directors shall be appointed by a decree of the President of the Republic on the proposal of the Minister of Colonial Affairs and the Finance Minister.

Three Board members shall be appointed by decree, of which two on the proposal of the Minister of Colonial Affairs and one on the proposal of the Finance Minister. On principle, they shall be appointed for a five-year term, save dismissal in the same form.

The Board shall appoint a Vice-Chairman from within its members and a secretary.

Article 51

The Board shall meet at the Head Office at least once a month.

It shall meet extraordinarily each time that the interests of the Company so demand or that the Government Commissioner addresses the request to the Chairman.

A minute book shall be maintained for the proceedings of the Board of Directors.

A Board member and the Board Secretary shall sign the minutes after approval by the Board.

A Board member shall sign the copies or extracts to be produced in courts or elsewhere.

Article 52

No proceedings shall be valid without the support of at least five Board members. The decisions shall be taken by a majority vote of the members present, in case of a division, the Chairman shall have the casting vote.

The absent Board members may get themselves represented during the Board proceedings for a specific object determined by one of their colleagues. However, in no case this right can give to the same Board member more than one vote in addition to his own.

Article 53

The Board of Directors shall prepare the Bank's working account, which has to be presented before the General Assembly. This account shall be printed and addressed to the Minister of Colonial Affairs and to the Finance Minister, it shall be handed over to each member of the General Assembly.

Article 54

The Chairman of the Board of Directors appointed by a decree shall be in charge of the management of the Company's matters, under the authority of the Board of Directors. He shall represent the Company before a third party for carrying out the Board's decisions.

He must be French.

The Chairman's remuneration, fixed by an order of the Minister of Colonial Affairs, in keeping with the opinion of the Finance Minister, shall be paid by the bank.

The Chairman must substantiate that he is the owner of twenty-five shares of the bank ; these shares must be free and remain inalienable during his term.

Article 55

The Chairman of the Board of Directors shall preside over the Board and all the committees ; no proceedings shall be considered having been executed without his signature ; he shall see to the wide-ranging execution of laws relating to the bank, the Articles of Associations and the deliberations of the Board of Directors.

No discount or advance transactions can take place without his approval.

He shall administer the Head Office, appoint and dismiss employees, from the Head Office as also the branches and agencies, fix their salaries within the limitations imposed by Article 49, sign all correspondence, contracts and conventions, receipts or endorsement of bills, checks, bills of exchange or pay orders, as well as all transfers.

The Chairman shall see to the seizure of movables, do all registrations of mortgage, take the necessary measures of conservation.

A Chief Executive Officer (CEO) whose appointment shall be subject to the approval of the Minister of Colonial Affairs and the Minister of Finance shall assist him.

He can, for the execution of the service, delegate part of his attributions to the CEO and constitute special representatives.

Article 56

The Chairman of the Board of Directors cannot indulge in any kind of trade, nor take interest in any other commercial undertaking ; no bill or commitment affixed with his signature shall be entitled to discount.

Article 57

The Chairman of the Board of Directors can only be dismissed by a decree of the President of the Republic delivered on the proposal of the Minister of Colonial Affairs and the Minister of Finance.

Article 58

The appointments of branch directors shall be subject to the approval of the Minister of Colonial Affairs.

Article 59

The CEO, the branch and agencies' directors cannot indulge in any kind of trade, nor have a share in any other commercial undertaking, without authorization from the Board of Directors of the bank ; no bill or commitment carrying their signature shall be entitled to discount.

Article 60

In the branches and in each agency shall be established a consultative committee whose composition, attributions and emoluments shall be determined by a rule of the Board of Directors approved by the Minister of Colonial Affairs.

Section III – Control

Article 61

The Bank shall be subject to the control of the Colonial Banks Supervision Committee instituted under the Minister of Colonial Affairs.

Article 62

In the “Banque de l’Afrique Occidentale”, shall be established, a Government Commissioner appointed by a decree of the Minister of Colonial Affairs in keeping with the opinion of the Minister of Finance.

Article 63

The Government Commissioner shall be convened for each session of the Board of Directors and the General Assembly of shareholders.

He shall see to the execution of the Bank's Articles of Association and Rules of Procedure ; he shall supervise all parts of the establishment ; he shall ensure that the cash statement, books and portfolios are shown to him, and shall call for all extracts and copies of the bank books.

He proposes all measures that he deems necessary and may legally enter all the proposals and observations in the record of the Board of Directors' proceedings.

He shall continue to discharge his duties, even after the dissolution of the Company, till the final settlement of the realization account.

Article 64

He shall send each month to the Minister of Colonial Affairs, a report on the working of the bank, backed by the certified copies of the minutes of the Board of Directors and of the monthly statement of the Bank, branches and each one of its agencies.

In case the Government Commissioner is absent or prevented from fulfilling his duties, the Minister of Colonial Affairs shall nominate a substitute.

Article 65

The Minister of Colonial Affairs shall appoint an administrative Censor to the various branches. The Governor General or the Governor can appoint a censor to each of the local offices. For the offices located outside the Republic, this appointment shall be made by the Minister of Colonial Affairs, after advice from the Ministry of Foreign Affairs.

Article 66

The administrative censors assigned to the different branches and agencies shall fulfil the functions attributed by Article 63 to the Government Commissioner at the Head Office. They shall be required to note down their observations in a register maintained for this purpose. They communicate with the Governor, the Governor-General and the Minister and give a report each month, and more often, if there are grounds to do so, on the basis of their supervision.

In case of death, resignation or other impediments affecting the administrative censor, the Governor General or the Governor of the Colony shall appoint a caretaker.

Article 67

The remuneration for the Government Commissioner and the Administrative censors fixed by an order of the Minister of Colonial Affairs shall be borne by the Bank.

Article 68

The Minister of Colonial Affairs, either as a matter of course or at the request of the Colonial Banks Supervision Committee can, when he deems it appropriate, undertake through agents appointed by it, the audit of Bank registers, cash and operations.

The audit expenses entailed shall be borne by the Bank.

The Finance Minister shall also supervise the management of the Bank, the modalities of which shall be fixed by an order. All expenses relating to the control shall be covered through payments by the bank fixed annually by an order of the Minister of Finance.

Title III (Third Heading) **General provisions**

Article 69

A superannuation or contingency fund shall be created for the staff ; the Minister of Colonial Affairs shall fix the rules thereof. The fund shall be constituted by equal contributions made by the staff and the bank.

The deduction on profits as laid down in Article 31, shall be either put into the superannuation fund or attributed directly to the staff, according to the proportion fixed by the Board of Directors.

Article 70

In the case where, following a series of losses incurred on banking operations the capital is reduced by two-thirds, closing-out shall take place *de jure*.

In the event where the reduction is half, the shareholders convened extraordinarily may call for the closing-out.

This request shall be valid only if it brings together the majority in numbers and two thirds of the concerned parties' capital. The Government shall examine if the general interests of the Colony and those of the third parties allow the dissolution of the Company which can only happen through a decree by the President of the Republic, preceded by the opinion of the Colonial Banks Supervision Committee and the Council of State.

Article 71

In case of dispute, all shareholders must make choice of residence in Paris.

Failing a special choice of residence, all acts and notifications, summons and all extrajudicial acts shall be legally notified to the Office of the Public Prosecutor to the Civil Court of First Instance of the Seine.

The Courts of the Seine alone shall be of competent jurisdiction to give a ruling on any difficulty that might exist between the members and the Board of Directors.

Article 72

Two years prior to the date of termination of the Company's rights, the General Assembly shall be called to decide whether one should request the Government for the renewal of this right.

On termination of rights, closing-out shall take place *de jure*.

Article 73

On termination of the Company or in case of early dissolution, the liquidation of the Company shall be carried out, unless decided otherwise by the General Assembly, under the care of the Board of Directors in office, vested, in the capacity of the Settlement Board, with the same powers and attributions conferred on it during the existence of the Company in addition to the powers of a liquidator.

In case of refusal or impediment by the Board of Directors, the closing-out can be carried out by one or more liquidators appointed by the General Assembly.

The General Assembly shall settle the mode of closing-out and determine the powers and the remuneration of the liquidators.

In case the liquidators resign or are prevented from fulfilling their duties, an Ordinary General Assembly, convened by the most diligent shareholder, provides for their replacement.

The General Assembly, constituted lawfully, shall preserve the same powers during liquidation as during the existence of the Company.

The net income from the closing-out, after receipt of liabilities and the extinguishment of the company's commitments, shall be attributed to the shares, without preference to any, up to the amount of their paid up capital and not redeemed, including the share premium paid effectively by the shareholders at the time of increase of capital, and the balance of the contingency fund belonging to capital.

Any surplus shall constitute profits and shall be distributed in the following manner :

- 1) For the surplus portion not exceeding half of the nominal capital, at the rate of :
Fifty percent to shares ;
Fifty percent to founders' shares.
- 2) For the portion of this surplus greater than half of the nominal capital and not exceeding the amount of the nominal capital, at the rate of :
Forty-five percent to shares ;
Fifty percent to founders' shares.
- 3) For the portion of this surplus greater than the nominal capital and not exceeding by one and a half times this amount at the rate of :
Thirty-five percent to shares ;
Sixty-five percent to founders' shares.
- 4) For the portion of this surplus greater by one and a half times the amount of the nominal capital and not exceeding the double of this amount at the rate of :
Thirty-five percent to shares ;
Sixty-five percent to founders' shares.
- 5) For the portion of this surplus greater than the double of the nominal capital at the rate of :
Twenty-five percent to shares ;
Sixty-percent to founders' shares.

In case the assets to be distributed include elements other than cash, their value shall be determined by the General Assembly, which shall order its distribution.

The distribution laid down above shall be subject to the prior approval of the Minister of Colonial Affairs.

The conversion of reserves into shares shall be prohibited.

Article 74

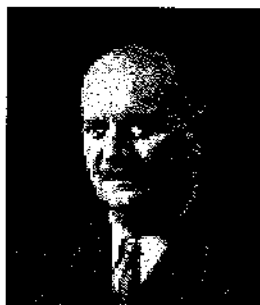
Modifications can be brought to the present Articles of Association only by a decision of the General Assembly sanctioned by law.

However, all modifications to the Articles of Associations voted by the General Assembly may be authorized by decree in the State Council, on a proposal by the Minister of Colonial Affairs, if they pertain to the Articles enumerated below :

Articles 2 to 12, 34 to 44, 69 to 71.



Paul Reynaud



Pierre Etienne Flandin
(page 402)



Paul Doumer

Convention of 26 June 1931

Between the undersigned :

Mr. P.E. Flandin, Minister of Finance, acting in this capacity and Mr. Paul Reynaud, Minister of Colonial Affairs, acting in this capacity on the one hand,

and Mr. A. Duchêne, Chairman of the Board of Directors of the "Banque de l'Afrique Occidentale", acting in the name of the aforementioned Bank and authorized, for this purpose, by the Board of Directors' meeting of 27 March 1931, on the other hand ;

The following provisions, which shall come into effect on the promulgation of the act approving this Convention, were adopted.

Article One

The "Banque de l'Afrique Occidentale" shall be authorized to withdraw, as of 30 June 1931, by debiting from its account of "Issue of bearer notes", a sum of 75 million Francs, and to deposit it in an account to be opened in its books under the heading "Special Provision for doubtful debts".

This provision must be assigned only to guarantee all types of liabilities that may be incumbent upon the "Banque de l'Afrique Occidentale" due to the "Banque Française de l'Afrique" (French Bank of Africa).

On this same date, 30 June 1931, the "Banque de l'Afrique Occidentale" shall be able to debit from a special account the amount of capital and interests as of 30 June 1931, of all bills existing in its portfolio, with the endorsement or the signature of the "Banque Française de l'Afrique" and amounting to a total of approximately 195 million.

Article 2

All capital receipts, carried out on account of the following shall be carried to the credit of this special account :

1. Payments made by drawees or drawers of discounted bills taken over by the special account designated in the preceding chapter ;

2. Payments, irrespective of the origin, made by the "Banque Française de l'Afrique".

The amount of the agios and interests actually received on account of the liabilities mentioned above shall alone be excluded from the above-mentioned provision and shall be credited to the "Interests and Commissions" account of the "Banque de l'Afrique Occidentale".

Article 3

This special account shall be closed at the end of five years, that is to say on 30 June, 1936. If, on this date, the payments credited to this account are equal or higher than 120 million Francs, the surplus of this sum, along with all subsequent capital receipts, shall be credited every year to the accounts in the books of the "Banque de l'Afrique Occidentale", the General Governments of AOF and AEF and the mandate Countries of Cameroon and Togo, up to the amount of 75 million Francs, with the requirement that the first payment, if need be, must be made on 30 June 1937.

If, as of 30 June 1936, the total amount credited to this special account is lower than 120 million Francs, the "Banque de l'Afrique Occidentale" would be authorized to again debit its "Issue of bearer notes" account of a sum equal to this difference and credit it to its "Special Provision for doubtful debts" account.

All receipts made later than this date shall be credited to the account of the General Governments and mandate Countries mentioned above, as mentioned in the first paragraph of this Article.

Article 4

If, upon the expiry of the exclusive issuing right of BAO, and in the event it is not renewed and the total amount of notes issued and not yet reimbursed since more than twenty-five years and whose exchange value has to be paid by the "Banque de l'Afrique Occidentale", on this date, to the Treasury, under the conditions envisaged in Article 7 *in fine* of the Convention of 24 February 1927, is lower than 75 million Francs, the "Banque de l'Afrique Occidentale" would be authorized to present the amount of the difference between the sum of 75 million Francs and the amount resulting from calculations stipulated in the said Article 7 as debts due against the Treasury.

In the event of the renewal of the exclusive issuing right of BAO, and if the Convention of renewal of this exclusive right envisages quinquennial payments identical to those indicated by Article 7 of the Convention of 24 February 1927 the payment of this difference shall be transferred to these new quinquennial payments ; otherwise, this payment shall have to be made, at the latest, five years after the renewal of the exclusive right of the "Banque de l'Afrique Occidentale".

Article 5

The "Banque de l'Afrique Occidentale" agrees to grant the above-mentioned General Governments and mandate Countries, an interest-free advance of 25 million Francs ; it is authorized to debit the amount of this advance from its "Issue of bearer notes" account and place the contra-value of this sum in the "Provision for reimbursement of lost notes" account.

The above mentioned General Governments and mandate Countries shall hand over the founders' shares allotted to them at the time of the reorganization of the "Banque Française de l'Afrique" to the "Banque de l'Afrique Occidentale", as a guarantee for this advance.

Article 6

The limit on discount credits in the "Caisses de Crédit Agricole" (Agricultural Credit Funds), as authorized in accordance with subparagraph 4 of Article 11 of the Convention of 24 February 1927, could be increased to a maximum of 10 million Francs ; these credits may be used within the framework of the decree of 26 June 1931, regulating Agricultural Credit in French West Africa.

Article 7

If the amount used, of the advance of 25 million Francs stipulated in Article 5, added to the transfer of 75 million Francs envisaged in Article 1 of this Convention, is higher than the amount of the sums that the "Banque de l'Afrique Occidentale" would be liable to pay to the Treasury in 1950, under Article 7 of the Convention of 24 February 1927, the "Banque de l'Afrique Occidentale" would be authorized to continue to try and recover it from the Treasury, and, in particular, in the case of non-renewal of its exclusive issuing right, by deducting it from the amount of the notes that it would be liable to pay one year after the expiry of the aforesaid privilege.

Article 8

If the Minister of Colonial Affairs requests it, the Bank shall continue to prepare pro forma the quinquennial statements laid down in Article 7, Paragraph 3 of the Convention of 24 February 1927, but it shall not be obliged to give the Treasury the exchange value of notes withdrawn from the "Issue" account, until the total of quinquennial statements is higher than 75 million Francs.

When this figure is reached, the sums due to the Treasury shall be charged to the provision constituted by Article 5 and applied directly to the depreciation of the balance used from the interest-free advance granted to the General Governments and mandate Countries mentioned above by Article 5 of this Convention.

Only once this advance has been fully amortized, may the sums due to the Treasury by virtue of Article 7 of the 1927 Convention be actually paid.

Article 9

In the event notes that have been definitively deducted from the amount of circulation are presented subsequently for reimbursement, the Bank would make the payment, but the amount would be written off in the following quinquennial statement.

Article 10

Article 15 of the Statutes of the "Banque de l'Afrique Occidentale", currently in force, shall be modified and supplemented as follows :

"1 -

The Bank issues notes of thousand Francs, five hundred Francs, one hundred Francs, fifty Francs, twenty-five Francs, ten Francs and five Francs.

.....

"6 - To agree to advance against ingots, currencies, gold and silver material, and bills of exchange with two signatures or with one signature accompanied by a bill of lading to order.

.....

"15 - To share in the French State or Colonies' borrowings, without the total amount of the share exceeding half of the reserves, except upon special authorization by the Minister of Colonial Affairs ; to also take part in the creation or constitution of financial, industrial, commercial, agricultural or maritime companies, of interest to the countries where it has Establishments, without the amount of these last interests exceeding the quarter of its reserves, except upon the special authorization of the Minister. However, the share that the "Banque de l'Afrique Occidentale" may possibly take, shall not be accounted in the above-mentioned limitations, up to a maximum amount of 10 million Francs, in the constitution of a colonial Credit Fund in the regions where the "Banque de l'Afrique Occidentale" exercises its exclusive issuing right.

Article 11

The "Banque de l'Afrique Occidentale" undertakes to proceed, as early as possible and after the act approving this Convention has been voted in, with the successive call up of three-quarters of the funds that have yet to be paid into shares that constitute its authorized capital. It also undertakes to increase this capital from 35 to 50 million Francs soon after the capital has been paid up, as mentioned above, and not later than 31 December 1931 ; the modalities of this operation must be fixed in agreement with the Ministers of Finance and Colonial Affairs.

Done in Paris, on 26 June 1931, in as many originals as there are parties.

Minister of Finance,

P.E. Flandin

Chairman of the Board of Directors

Of the « Banque de l'Afrique Occidentale »,

A. Duchêne.

Minister of Colonial Affairs,

P. Reynaud.

Box 2,37

**Act of 1 April 1932
approving the Convention of 26 June 1931**

The Senate and the Chamber of Deputies have adopted :

The President of the Republic promulgates the Act whose contents are as follows :

Article One

The Convention of 26 June 1931, as annexed to this Act, concluded between the Ministers of Finance and for Colonial Affairs, on the one hand, and the "Banque de l'Afrique Occidentale", on the other hand, stands approved.

Article 2

In order to guarantee to the "Banque de l'Afrique Occidentale" the discount of the additional fifteen million necessary for stabilizing banking in Africa, and notwithstanding Article 10 of the Act of 29 January 1929, which, moreover, stipulates its retrocession to the State, the Minister of Colonial Affairs shall be authorized to assign to this guarantee, up to a sum of fifteen million Francs, the amount of the royalty on fiduciary circulation of the Bank of issue, attributed to General Governments of AOF and AEF.

This act, deliberated and adopted by the Senate and the House of Commons, shall be executed as an Act of the State.

Done in Rambouillet on 12 April 1932.

By the President of the Republic,

Paul Doumer.

Minister of Finance,

P.E. Flandin.

Minister of Colonial Affairs,

De Chappedelaine

Along with banking houses and in addition to them, the State created a network of public financial services.

- Public financial services

These included : the "Caisses d'Epargne" (Savings Bank), "Services des Chèques postaux" (Postal Checks Office) and "Caisses de Crédit agricole" (Agricultural Credit Fund).

1 - Savings Banks

It was the decree of 27 April 1848 that stipulated the setting up of savings banks in the Colonies following the example of Metropolitan France.

The project was only consolidated with the decree of 22 July 1920 and the decree of 16 March 1922 instituting a Savings Bank and Provident Fund in AOF.

1) Its organization

Opened to the public on 1 October 1922 by order no. 2933 (a) of 30 September 1922, the Savings Bank functioned with a State guarantee and under the authority of the Administration.

It was placed under the authority of the AOF Director of the Post Office Department that administered it and represented the General Government in its relationship with the depositors. It had an accountant and a controller from the postal department's staff, under its orders.

The Bank had a two-level structure : the Central Office in Dakar and branches in the main city of each Colony in the group. The post offices were used as branches.

The Central Office was set up on 1 October 1922 ; branches in Guinea on 1 October 1923, Saint-Louis on 1 January 1924, Dahomey (Porto-Novo) on 15 April 1924, Niger (Niamey) on 1 October 1928, Bamako on 1 May 1930, Upper Volta (Ouagadougou) on 1 April 1930 (Upper Volta was later annexed to Côte d'Ivoire) on 1 September 1933, Côte d'Ivoire (Abidjan) on 1 April 1931 and Togo (Lomé) on 1 April 1953 (this territory had its offices attached to the Dahomey branch).

As of 1937, the AOF Savings Bank was to be placed under the authority of a Board of Directors established by order no. 3066 of 28 October 1937. Its composition was fixed by a decree of the Governor General.

2) Its activity

It was at the request of the Governor General that the Savings Bank was created "to get back into circulation the increasingly significant reserves of cash that the natives had constituted and that remained unproductive in their hands".

The increase in the monetary income of the population was related to the sale of unprocessed produce and the payment of signing bonuses at the time of enrolment in the army.

The Savings Bank placed the monies thus collected with the "Caisse des Dépôts et Consignations" (Deposit and Consignment Office) in Paris²⁶⁰ against returns.

It paid interests to the depositors at a rate fixed by a decree of the Governor General and varied according to the interest received on investments.

The interest rates paid to depositors changed as follows, between 1922 and 1950 :

1922 : 3.75% ; 1926 : 4% ; 1927 : 3.75% ; 1928 : 3.5% ; 1936 : 3% ; 1948 and 1949 : 2.5% ; 1950 : 3%, and so on.

The surplus amount collected as interest against interests paid out constituted the reserve fund of the Savings Bank with an initial ceiling of 300,000 Francs.

In addition, in the absence of an initial grant, the Government General placed premises at the disposal of the Bank and gave it an annual grant of 18,000 Francs until the reserve funds reached the fixed ceiling (Articles 3 and 6 in the 22 July 1920 decree).

In 1922, the deposits rose to 179,000 Francs, in 1929 to 27,906,892 F with 7,282 depositors.

The decree of 9 August modified Article 13 of the decree of 22 July 1920 by withdrawing the prohibition imposed on the transfer of funds between the AOF Savings Banks and those of Metropolitan France.

In 1931, the authorized maximum deposit was raised to 20,000 F for private individuals and 150,000 F for companies. The number of depositors increased to 28,022 including 20,508 Africans in 1936 with a total deposit amount of 38,316,574 F. The reserve funds reached the figure of 1,979,680 F.

The decision was then taken to put an end to the annual subsidy that was granted to the Bank but also to make it take over its administrative expenses.

Thus, the decree of 27 August 1937 provided it with a Board of Directors and an autonomous budget. The Board of Directors also included the accountant, postmasters and telecommunications agents dependent on the Central Office in Dakar, branch officers in the main cities of the colonies, the General Treasurer representing the Deposits and Consignment Office.

The budget was prepared by the Director General of the Post Office Department, deliberated at the Board of Directors' meeting and decreed by the Governor General at a Government Council or in a Standing Committee.

²⁶⁰ A public establishment founded in 1816 to provide a cash deposits service, receive cash deposits with interests from public establishments and individuals, hold deductions from public service officers in a retirement fund. It was also a depository for savings banks' funds.

The AOF Savings Bank took part in the conference of savings banks of the French Union instituted in 1949. Viewed as "the bank of the middle class", it proved to be, on the whole, a prosperous institution.

Trends in the Savings Bank Reserve Fund

Year	Amount (in Francs)	Year	Amount (in Francs)
1922	18,000	1939	2,430,846
1923	28,791	1940	2,610,566
1924	42,549	1941	2,660, 635
1925	74,378	1942	3,053,179
1926	108,940	1943	3,290, 131
1927	151,225	1944	3,751,703
1928	206,235	1945	4,258,715
1929	275,446	1946	4,556,209
1930	370,612	1947	4,335,700
1931	527,657	1948	5,093,679
1932	799,430	1949	5,093,679
1933	1,144,752	1950	7,055,474
1934	1,526,177	1951	10,706, 289
1935	1,740,363	1952	12,717,511
1936	1,979,680	1953	16,494,949.
1937	2,090,967	1954	19,779,760
1938	2,284,416		

Trends of Deposits

Years	Number of savers	Deposits (in Francs)
1922		179,000
1929	7,282	27,906,892
1930	9,659	13,811,180
1932		35,571,000
1936	28,022	38,316,574
1942		72,459,000
1943		136,848,000
1944		187,367,000
1945		195,000,000
1946		179,489,000
1947		230,762,000
1948	65,734	314,488,000
1949	74,016	289,765,000
1950		332,340,000
1951		419,061,268
1952		608,352,000
1953		636,044,904
1954	96,388	716,155,996
1955	10,822	842,752,748
1956	110,784	1,011,544,127
1957	119,860	1,186,823,508
1956		1,264,385,875

Source ARS : 2 G51/33 - 2 G52/22

2 - The Postal Checks Office

A decree of 13 March 1925 created a current account and postal checks office with the objective of "placing sophisticated means of payment within everyone's reach, reducing money circulation and removing transfer of cash, as well as the possibilities of losses and errors of all kinds inherent in liquidations into banknotes by these means.

Moreover, it has the objective of making capital that constitutes the working capital of private individuals and which had remained uninvested, productive²⁶¹.

It ensured that one or several current accounts in the name of a person, an association, a company, etc. could be opened and maintained.

1) Its organization

The Postal Checks Office was placed under the authority of the Government General and its management was entrusted to the regional Management of Postal and Telegraph Offices in Dakar.

It consisted of a Central Office, Postal Checks Offices and Postal Offices.

The Central Postal Checks Office in Dakar, set up by a decree of the Government General on 31 October 1927, apart from attributions devolved upon the Offices of ordinary postal checks, was entrusted with the centralization of their operations.

The Head of the Office was nominated by a decree of the Governor General and accountable to the Audit Office ; he was obliged to pay a bond of 5,000 F before he could take office.

The Postal Checks Offices were established at the headquarters of each Colony of the group ; placed under the supervision and immediate control of heads of postal and telegraph departments, they were responsible for individual current accounts.

As for Post Offices, they issued local pay orders and acted as intermediaries between the public and the postal checks offices with regard to deposit and payment operations.

No limit was imposed on the deposits, nor did they bear any interest.

2) Its activities

The Postal Checks Offices started functioning on 1 November 1927. From this date onwards, all post offices participated in the issue and payment of pay orders/checks.

As of 31 December 1927, 20 accounts were opened for an amount of 477,402.55 F. There was thereafter an increase in activities : 353 accounts for deposits worth 95.9 million F as of 31 December 1928 ; 623 accounts and 209.1 million F as of 31 December 1929, etc. (cf. annex).

²⁶¹ ARS. 2G 29 1, Annual report of post and telegraph departments, 1929.

The opening of current accounts to licensed public accountants in AOF was authorized by the decree of 19 March 1937. Various taxes as well as receipts of various colonial, general and local budgets could be collected through postal check offices.

Similarly, accountants could pay the surpluses of receipts devolving on to these budgets by transfers to the Treasury.

In 1952, this service was extended to the entire territory ; it was placed under the authority of the head of the territory who himself designated the cities where postal checks centers were established.

With 7,097,000 F in deposits in 1958, this department emerged as an invaluable auxiliary of the Colony Treasury.

Trends of the activities of Postal Checks Offices

Number of accounts	Year	Deposits (in Francs)
20	1927	477,402.55
353	1928	95,924,278.99
623	1929	209,111,234.30
954	1930	
1,392	1931	
2,315	1935	384,730,710.95
2,901	1938	31,300,000.00
10,525	1943	639,600,000.00
16,807	1946	665,100,000.00
20,239	1947	
24,117	1948	1,287,000,000.00
27,553	1949	1,470,644, 000.00
32,068	1950	1,935,919,000.00
38,086	1951	2,863,283,922.00
37,432	1952	3,662,607,611.00
41,351	1953	4,251,793,000.00
48,301	1954	4,685,872,000.00
55,109	1955	4,861,000,000.00
62,104	1956	5,374,300,285.00
69,551	1957	5,393,000,000.00
74,767	1958	7,097,000,000.00

Source : ANS: 2G29/12 - 2G30/24 - 2G58/8

3 - Agricultural Credit

The decree of 23 May 1926, whose conditions of implementation were fixed by the decree of 25 February 1927, stipulated that the "Caisses de crédit agricole mutuel" (Mutual agricultural credit banks) could be set up in the AOF Colonies.

The purpose of these banks was to promote agricultural production while granting individual or collective members short, medium and long-term loans.

1) Principles of organization and operation

The decree envisaged an organization at two levels : a central bank in each colony and affiliated local banks.

The local banks were private companies. Their capital was made up of shares subscribed by members. At least 7 individual or collective members having paid at least a quarter of subscribed capital were necessary for the constitution of a bank.

The granting of short and medium-term loans was a matter for local banks ; they transmitted, under their responsibility, long-term loan applications to the central bank.

Each central bank was run by a General Assembly, a Board of Directors and an Executive Officer nominated by a decree of the Governor of the Colony, at the suggestion of the Board.

It discounted, at the local banks, bills representative of short-term loans, approved medium-term loans and provided the resources necessary for setting them up, and granted long-term loans.

An Agricultural Credit Advisory Committee was set up under the Governor General. It consisted of 40 members in the beginning. This number would be brought down by the decree of 21 November 1935 to 18 members, all residing, preferably, in the same locality, thus simplifying procedures.

2) The functioning of the system

The local banks, as described, were to constitute the basis of the system.

In reality, many problems were faced in constituting local banks, in view of the lack of sufficiently well-to-do native farmers, capable of freely forming companies and ensuring their management.

The decree of 26 June 1931 implemented by order no. 1683 of 21 July 1931 made it optional to set up local banks. The Central Agricultural Credit Bank in each Colony was empowered to realize all lending operations.

Moreover, Agricultural Credit Banks became publicly-owned establishments endowed with financial autonomy instead of the private companies that they were.

The members were constituted by the Provident societies²⁶² of indigenous chiefs or notable persons affiliated to these companies and who had asked to be admitted as individual members.

The central bank drew its resources from subscriptions of its members, grants by the General Government, subsidies, gifts, legacy, liberalities, deposits, investment income, etc.

The loans carried an interest rate that varied according to the term.

Thus, conditions fixed in 1932 in Senegal were 5% for short-term credit and 6% for medium-term credit²⁶³.

The 1935 decree indicated the beneficiaries of loans. These were : indigenous provident societies ; groups, (indigenous agricultural associations, agricultural associations of colonists with a metropolitan status or a comparable status, agricultural cooperative societies, general interest agricultural associations, agricultural mutual reinsurance and insurance companies) ; French farmers who were members of such groups ; indigenous farmers who were also members of one of the associations given above. These farmers had to hold land rights ; French companies engaged in agriculture, animal husbandry, provided that they were affiliated to one of the groupings indicated above.

It was with subsidies that central banks began their operations. Thus, for example, the Central Mutual Agricultural Credit Fund in French Guinea, set up in September 1931, began its operations in February 1932 with an advance of 500,000 F authorized by the General Government. Thereafter, new advances by the General Government, 1,100,000 F in 1932, 1,400,000 F in 1933, 1,500,000 F²⁶⁴ in 1934 and an advance by the local Government of Guinea, taken from its reserve fund, made it possible for the new institution to meet the increasing number of loan applications.

For the granting of loans, an investigation was conducted into the morality and financial standing of the applicant in addition to a technical evaluation, and the loan amount was fixed to a quarter of the monetary value of the plantation being mortgaged.

All applications that were not in conformity with the text in force were rejected.

The Central Agricultural Credit Fund of Senegal had thus received loan applications estimated at 5,321,500 F and had granted loans worth an amount of 1,772,500 F especially intended for agricultural colonization companies.

²⁶² Les "Sociétés Indigènes de Prévoyance" (SIP or Indigenous provident societies) were created as of 1910. They aimed at regulating farm credit. They evolved into a mutual form of society in particular when they became "Sociétés Mutuelles de Production Rurale" (SMPR or Mutual societies of rural production) (1953) and "Sociétés Mutuelles de Développement Rural" (SMDR or mutual societies of rural development) (1956).

²⁶³ Mbaye Saliou, op. cit., p. 239.

²⁶⁴ 2G34/78, Senegalese National Archives.

Irrespective of the interest it aroused, agricultural credit did not reach the majority of farmers, especially indigenous ones, because of the insufficiency of its resources and the fact that indigenous farmers did not have the necessary guarantees to access this credit facility.

Nevertheless, it had the merit of paving the way for a regulatory credit policy and financing of farmers with a view to improving production.

All these economic and monetary policy measures were to have an impact on the economy of AOF.

From 1924 onwards, there was an economic recovery that consolidated itself over four years before the major worldwide crisis of the 1930s seriously affected the region's economy.

Loans by the Sudanese Fund in 1934
(In Francs)

Borrowers	Short-term	Medium-term	Long-term Individuals	Long-term Groups	Total
Société agricole du Niger	200,000	100,000			300,000
Société des Sisaleraies et Carburant Africains	350,000	300,000			650,000
Cie d'élevage du Niger	50,000	100,000			150,000
Société anonyme des cultures de Diakandapé	250,000				250,000
Société des plantations de Kayes-Ndi		200,000			200,000
A.A.I. de Baguinda				522,000	522,000
Compagnie Agricole et Industrielle du Soudan	550,000	250,000			800,000
Cloué, Colonist at Bapho (Ségou circle)	25,000	30,000			55,000
A.I.G.A. Baguinda Société de prévoyance de Bafoulabé		20,000		220,000	240,000
A.A.I. de Niénebalé				133,000	133,000
Racine Mademba colonist at Bamako			100,000		100,000
Alexandre Haddad colonist in Bamako			90,000		90,000
Total	1,425,000	1,000,000	190,000	875,000	3,490,000

Source : ANS. 2G34/80

d – Economic development in AOF

- The period of growth - 1924 - 1928

During this period, four indicators of activity could be regarded as having marked the economic development in the AOF :

- Groundnut production in Senegal, which accounted for 4/7th of exports from AOF ;

- Its price on the world market (export selling price) ;

- Level of activity of the bank of issue, BAO, related to the preceding indicator since the essential role of this bank was to finance trading in groundnuts ;

- The AOF's foreign trade, called "*general trade movement*" (imports plus exports).

1 - Groundnut production

It went up from 150,000 tons to 289,000 tons in 1923, 319,000 tons in 1924, nearly 400,000 tons in 1925²⁶⁵, 602,000 tons in 1926 - thanks to an exceptional rainy season - including 485,000 tons that were exported. The production was maintained at around 400,000 tons in 1927 and 1928.

2 - Groundnut prices

They recorded a rise after the war, due to an increase in the rate of the Pound, which went up from 25.22 F a Pound before the war to 75.737 F in 1923, 87.37 F in 1924, 102.426 F in 1925, 152.704 F in 1926, and 123.873 F in 1927.

3 - BAO's activities

The bank of issue's turnover fell from 86,122,787 F as of 30 June 1914 to 25,630,282 F in 1915, with the start of hostilities.

At the end of the war, the Bank's position improved with the rise of groundnut prices (cf. table hereafter).

²⁶⁵ J.O.R.F, Parliamentary Documents. Annex no. 3561, p. 112, extraordinary session, 2nd session on 19 November 1926.

Trend of BAO's Turnover

(In Francs)²⁶⁶

1914 - 1915	25,630,287
1915 - 1916	46,871,208
1916 - 1917	48,831,360
1917 - 1918	129,341,113
1918 - 1919	164,287,511
1919 - 1920	364,460,748
1920 - 1921	318,058,214
1921 - 1922	424,846,367
1922 - 1923	590,261,253
1923 - 1924	960,191,202
1924 - 1925	1,552,440,231
1925 - 1926	2,373,282,084

4 - Foreign Trade

The "general trade movement" was also on the rise during this period :

Years	Amount
	(In Francs)
1913	269,031,117
1923	917,506,245
1924	1,347,113,121
1925	1,912,725,916
1926	2,827,054,574
1927	2,517,152,647

Thus, the observation of four indices of activity attested that AOF went through a phase of recovery and growth between 1924 and 1928. The realization of significant infrastructural development work, the return to peace, favorable climatic conditions, high groundnut prices and the satisfying level of producer prices were the determining factors in this favorable economic situation.

As a consequence of this situation, tax collection was eased throughout the federation, the natives paid their debts to the State and the tradesmen, and the number of motor vehicles increased, in particular in 1926.

²⁶⁶ JORF, Parliamentary Documents, mentioned above p. 112.

In fact, the Lieutenant-Governor wrote on this subject, "The mode of transport - horses or a light carriage - previously used, has been forsaken in the last few years and replaced by the automobile that is being used more and more frequently every year, at least by one hundred percent".

There was, however, a reversal of the economic situation related to the general downward trend of prices and economic activity.

- The AOF and the major crisis of the 1930s

In 1928, groundnut prices dropped - they were, on average, 199.25 F. This trend was accentuated in 1929 with an average price of 178.75 F. Exports also decreased by 3.9% as compared to 1928, that is to say 16,708 tons less.

The overall economic activity in AOF was still maintained with a reduction in imports by 3% in value and 2.4% in volume, compensated by a stepping up of exports by 2% in value and 7% in volume.

The authorities were rather optimistic. According to the Director of Economic Affairs, "It may be affirmed that contrary to the opinion that has prevailed over the last two years, the commercial situation of AOF in 1929, has barely suffered from the world economic crisis. While consumption may have dropped slightly, production was maintained, with even a slight increase"²⁶⁷.

In 1930, the prices continued to drop, with a sudden slowdown in the economic activity marked by regression in foreign trade, which stood at 2,486,563,511 F against 2,555,718,306 F earlier, and the purchasing power of farmers decreased in spite of the increase in certain productions.

"Indeed, 1930 was, for the colony, a year of exceptional crisis", acknowledged the Lieutenant Governor in his report on the administrative and political status of the colony²⁶⁸.

The so-called special AOF trade and customs earnings were both on the decline.

The crisis affected employment, education, etc. and led to tension in the social climate, punctuated with claims and strikes.

Several administrative measures were taken without much of an effect on the economic situation ; economic production-support measures, customs protection and tax relief measures were also taken up.

With the collapse of international trade, European metropolitan cities consolidated their links with their colonies to escape the vagaries of the international market²⁶⁹.

²⁶⁷ ANSOM - Report of the AOF Director of Economic Affairs, to the Governor on French West Africa's foreign trade in 1929, undated, in the Political Affairs series, card 537.

²⁶⁸ Report on the colony's administrative and political situation, by the Lieutenant-Governor of Senegal to the AOF Governor General, undated, 1930, in the Political Affairs series, card 538.

²⁶⁹ *Economie mondiale* (World economy), p 31.

The British formula of "imperial protectionism" also known as "imperial preference" was determined in the 1932 Ottawa agreements. Extended to the whole of the British Empire and supplemented by agreements preferably with the dominions, these measures put an end to the traditional English policy of free trade and contributed to appreciably increasing the Empire's share in the trade of the United Kingdom.

In France, the Economic Conference of Metropolitan France and Overseas Territories (December 1934 - April 1935) outlined a "program of true imperial economy, a complete handbook of the colonial policy in the years to come".

It was, in Albert Sarraut's opinion, "a remedy for world-wide economic anarchy".

The creation of a customs union between France and certain colonies (Indo-China, Madagascar, the West Indies and the Reunion Island) reinforced this trend.

From 12% in 1913 and less than 15% in 1928, the colonies' share in foreign trade suddenly shot up to 27% in 1933 in France, then 34% in 1936. The colonial Empire was thus becoming the primary trade partner of Metropolitan France.

More than half of the colonies' imports came from Metropolitan France and two-thirds of its exports²⁷⁰ were meant for it.

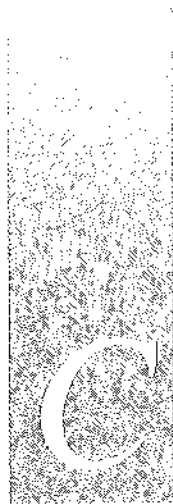
From 1935 onwards, recovery became manifest in all the sectors in AOF and reached its climax in 1937. The Second World War, of course, put an end to this phase.

The colonies' share in the national trade of European mother countries

	Imports			Exports		
	1925-1929	1929-1934	1935	1925-1929	1929-1934	1935
United Kingdom	27.6	31.3	36.2	45.5	44.7	48.1
France	11.9	17.9	25.8	16.4	26.2	31.6
Netherlands	5.3	4.4	6.1	7.9	5.8	4.7
Belgium	2.3	3.3	7.2	2.1	1.7	1.0
Portugal	7.3	9.4	8.2	11.7	12.2	12.3
Italy	0.4	1.0	2.0	2.5	4.7	5.3
Spain	1.2	2.0		4.1	4.9	

Source : Jean-Louis Miège, "Expansion européenne et décolonisation, de 1870 à nos jours" (European expansion and decolonization, from 1870 to the present) PUF, "Nouvelle Clio" series, 2nd edit. 1986, p. 306 in "Journaux français" no. 265, March-April 1994, p. 31.

²⁷⁰ Economie mondiale (World economy), p 31.



CHAPTER 3

THE PERIOD FROM THE SECOND
WORLD WAR TO THE EVE OF THE 1958
REFERENDUM AND
THE DEVELOPMENT OF THE FRANC
AREA

In 1938-1939, the colonial possessions of European nations extended over an area of 47.7 million sq. km. covering a population of 664 million, as indicated in the table below.

Colonial possessions of European powers

1938 - 1939

(In thousands of square kilometers and inhabitants)

	Africa		Asia		America	
	Area	Population	Area	Population	Area	Population
United-Kingdom	9,867.6	62,699.8	5,497.3	397,813	10,298.3	14,262.2
France	11,044.2	42,716.0	934.9	28,116	93.0	606.0
Italy	3,485.0	12,851.0	-	8	-	-
Belgium	2,391.0	14,140.0	-	-	-	-
Portugal	2,076.0	9,117.0	4.0	801	-	-
Netherlands	-	-	1,907.0	69,400	157.0	284.0
Spain	350.4	1,193.0	-	-	-	-
Total	28,814.2	142,686.8	8,341.2	496,138	10,548.3	25,152.2

Source : Jean-Louis Miège. *Ibid.*, p. 321 (extracts) in *Cahiers français* cited on p. 9.

Thus, when, in September 1939, France entered into war with Germany, it could fall back on an immense colonial empire which included Africa, Asia and America.

In 1958, when a constitutional referendum was proposed to the people of Metropolitan France and French Overseas Territories, France had already lost its territories in Asia. America, notably the West Indies, was given the status of a "department". North Africa, in particular Algeria, was in the midst of a major crisis and in the African areas to the south of the Sahara and in Madagascar, there was a strong demand for independence.

The most prominent event of this two-decade long period, which witnessed changes in the geopolitical map of "Greater France", was the Second World War which had repercussions on colonial policies, in its institutional and political dimensions on the one hand, and economic and monetary dimensions on the other.

At the level of economic thought and policies, in view of the upheaval caused by the First World War, the 1930s crisis, the publishing of the General Theory by Keynes, in 1936 and the Second World War, interventionist policies – also referred to as state-controlled policies - attributing a determining place to the State in the functioning of the economy, became dominant.

Section I - France and the 1939-1945 war

In order to meet the imperatives of national defense, a war economy came into place.

I – The conflict

In September 1939, France entered into war against Germany. Very soon, it was invaded and occupied. On 22 and 24 June 1940, it signed the armistice with Germany and Italy respectively. But on 18 June 1940, from London, General de Gaulle, appealed to the French and to the Empire to pursue the war. On 28 June 1940, De Gaulle was recognized as "Leader of the Free French" by the British Government. In France, on 10 July 1940, full powers are given to Marshall Pétain, self-styled "*legitimate leader of France*". On 13 July 1940, a French fleet is destroyed at Mers-el-Kébir, in Algeria.

On 26, 27 and 28 August, AEF and Cameroon joined De Gaulle. On the other hand, on 23, 24 and 25 September 1940, Governor General Pierre Boisson of AOF protested against the landing of Anglo-French forces in Dakar. Therefore, AEF rejoined the Free French Forces while the AOF authorities remained faithful to Vichy. It was only on 23 November 1942 that AOF joined De Gaulle, and it was on 7 July 1943 that Pierre Boisson was replaced by Pierre Cournarie. In June 1943, De Gaulle set up his Government in Algiers and it was in August 1943 that he was recognized by the Allies.

II – The war economy

Since the autumn of 1938, without much enthusiasm, Jacques Rueff, the liberal, at the time Deputy-Governor of the "Banque de France", was given the responsibility to undertake in the utmost secret, the setting up of control measures and the creation of a foreign exchange office²⁷¹.

With the triggering of hostilities in September 1939, various decrees, orders, notifications and instructions gave birth to *the arsenal of controls*.

The control of foreign exchange restored by the decrees of 28 August, 1 September and 9 September 1939, imposed strict restrictions on the movement of currency and capital, and on external trade.

As far as foreign currency matters were concerned, foreign exchange operations became a State monopoly ; the foreign exchange market was closed and replaced by a foreign exchange office managed by the "Banque de France", which issued currency only against blocked currencies and only for authorized transfers.

²⁷¹ Sédillot (R.) op. cit., p 173.

All export of capital was prohibited ; foreign assets in France were practically frozen and the French had to choose between declaring and repatriating their external holdings.

In the field of foreign trade, the State did not assume a monopoly, but took charge of the management of purchases and sales abroad : prior permission from it was required for all imports ; all exports were subject to a repatriation agreement and the transfer of foreign exchange revenues.

To the control of foreign exchange, was added an embargo on gold, in force since 1936, and a prohibition of negotiating the metal after conversion into money or otherwise. Only jewelry trade remained free of restrictions.

Furthermore, a decree aimed at freezing all non-agricultural prices and all related tariffs from 1 September 1939. Two months later even salaries were frozen ; sanctions were fixed : fines, imprisonment, closing-down, a bar on pursuing the trade, etc.

All these controls were further reinforced from month to month. It was in this manner that the *foreign exchange control was extended Overseas*, in the same way as in Metropolitan France. These measures developed a franc zone in a more restrictive sense.

In the monetary field, the war was financed in two ways : outside the country, with foreign exchange and gold, within the country by using paper currency, being legal tender, the "Banque de France" having been freed by the decree of 1 September 1939 from the obligation of maintaining a ratio of 35% between its reserves and its sight liabilities ; money was generated through taxes, borrowings or inflation.

This second war, by its sheer magnitude, brought out the limitations in relations between human communities based exclusively on the balance of power and intolerance.

Thus, the Atlantic Charter constituted the beginning of a new international order based on law. The San Francisco Charter followed later ; in the interval, as far as France was concerned, the Conference of Brazzaville took place, before the great post-war reforms related to colonial policies.

Section II – The effects of the war on colonial policies

I – The Atlantic Charter

The war brought about a number of changes. The USA and the Soviet Union, both fiercely opposed to colonialism, would pressurize the Allies in order to change the colonial situation. It was in this framework that on 14 August 1941, that is to say four months prior to the entry of the USA into the war, Winston Churchill, Prime Minister of the United Kingdom and Franklin Roosevelt signed the *Atlantic Charter*.

In the Charter, Point 3 states the following :

"They respect the right of all the people to choose the form of government under which they would like to live : they wish to see reinstated the sovereign rights and autonomous governments of the nations that have been stripped by force".

At first, Point 3 seemed to concern only the European nations occupied by Nazi Germany. However, colonial populations did not remain insensitive to the point. This idea of autonomy was more clearly expressed by the American Under-Secretary of State, Sumner Welles, when he stated in June 1942 :

"Our victory must bring in its wake liberation for all people. All discrimination amongst people based on race, faith or color must be abolished. The age of imperialism is over"²⁷².

On 8 November 1942, the Allies landed in North Africa. On 28 October 1943, in Postdam, the USSR, USA and Great Britain talked over the post-war reorganization of the world. It was in the context of the gestation of a New World that the Conference of Brazzaville took place.

II – The Brazzaville Conference

The colonial powers, who had understood that the ideas stated in the Atlantic Charter might stir up anti-colonial feelings in the colonized countries, undertook reforms immediately.

Thus, from 10 July to 13 July 1942, the British organized a "*conference pertaining to the political, economic and social future of the colonies*", at Oxford. They decided to give priority to inter-regional cooperation between the colonies. From 1943 onwards, they decided to do away with the concept of "*Trusteeship*", which placed the colonies under the total and complete supervision of the colonial power concerned and adopted the notion of "*Partnership*" which would involve the colonies more in the management of their own affairs.

In the "*Act for the development and well-being of the colonies*", they proposed an accompanying economic policy enabling the colonies to acquire the status of a dominion, which required an investment of 7.5 million pounds of which 2 million was earmarked for West Africa.

²⁷² Bouch (Denise), *Histoire de la colonisation*, (History of Colonization) p. 383.

Hence, industrial development plans were drawn up for the Gold Coast (1943) and Nigeria (1944), in the sectors of agriculture, industry, community service and the rehabilitation of troops. These countries were already witnessing instances of Africans taking up important posts : Judges, Circle Commandants, etc.

In the face of such a situation, and bearing in mind the pervading anti-colonialism and the desire for change increasingly expressed by the "enlightened"²⁷³, France convened the Franco-African conference of Brazzaville.

This took place from 30 January to 8 February 1944. Besides General de Gaulle who presided, those who attended this conference included the Secretary of State for the Colonies, René Pleven, the Governor General of Belgian Congo, the General Consuls of Great Britain and the USA, the Governors of the Colonies of sub-Saharan Africa and Madagascar, a delegation of the Provisional Consultative Assembly of Algiers and the General Residents in Morocco and Tunisia, specialists in colonial affairs.

No autochthonous representative from amongst the colonized people was invited to participate in the meeting. In order to be heard, African intellectuals had to send studies to Félix Eboué²⁷⁴, the host of the Conference. It is in this manner that Fily Dabo Sissoko, a future deputy of Sudan, produced two studies on the evolution of the colonized in the heart of the French Empire²⁷⁵.

In his opening speech, De Gaulle solemnly declared :

"But in French Africa, as in all other territories where people live under our flag, no progress could be deemed progress if the people in the native country did not benefit from it, morally and materially, if they could not gradually rise to a level where they could participate in the management of their own affairs in their own country. It is the duty of France to ensure that it be thus".

On his side, René Pleven stated that the thing to be done was to *"orient with clarity and firmness the civilizing action of France and arrive at a coherent doctrine"*.

In fact, the Conference adopted a certain number of resolutions on the political, administrative, as well as social level aiming at an increased participation by the Africans in the management of their own affairs.

It recommended a large representation of the Colonies in the French Parliament, a Federal Assembly within each group of territories and Local Assemblies in each territory, as well as citizenship for all and the right to work.

In the economic field, the Conference recommended the preparation of a production plan for all the French Colonies taken together. It backed industrialization and customs autonomy.

²⁷³ By "enlightened", is meant all those who have undergone secondary or higher studies. They fought for more equality amongst the Africans and the French.

²⁷⁴ Félix Eboué, Governor General of AEF, had taken up a circular on local politics on 8 November 1941, which would greatly inspire the participants at the Brazzaville Conference.

²⁷⁵ The two studies by Fily Dabo Sissoko are entitled : *"L'évolution de la colonisation en AOF"* (The Evolution of Colonization in AOF) and *"l'évolution à l'œuvre"*(Evolution at work).

However, right from the beginning, the Conference had taken care to set limits that it would not transgress. It was clearly mentioned, as if in reply to the Americans who favored the independence of the Colonies, that "*the goals of the work of civilization accomplished by France in the Colonies sets aside all ideas of autonomy, all possibilities of evolution outside the French bloc of the Empire ; the ultimate establishment, even in the distant future, of self-government in the Colonies, is to be cast aside*".

In addition, the perpetuity of the French language was proclaimed and the use of local languages in education was rejected.

III – The San Francisco Charter

Whilst the idea of autonomy took its course, the victorious nations gathered together in San Francisco from 25 April to 26 June 1945. On 26 June, they signed the Charter of San Francisco, which is at the origin of the United Nations Organization (UNO). It is said in Chapter XI, Declaration related to non-autonomous territories, Art. 73, that :

"The Members of the United Nations who had or who have assumed the responsibility of administering the territories whose people still do not run their own administration fully themselves, acknowledge the principle of the primacy of the interests of the people of these territories. They take upon themselves, like a holy mission, the obligation to promote to the maximum possible their prosperity to this end :

a) To ensure, while respecting the culture of the population in question ²⁷⁶, their political, economic and social progress, as also the development of their education, to treat them equitably and to protect them against abuse".

The Charter that came into force on 26 October 1945 was ratified by France.

The UNO inherited direct authority over the former German Colonies from the League of Nations, as well as over the Colonies of a vanquished Italy. Thus, Togo and Cameroon were conferred on France, which accounted for their administration to the UNO Supervisory Council.

It was in this context, that as soon as the war got over, France took measures for its future and that of its Empire.

IV – The immediate post-war reforms : The French Union, 1945-1956

The reforms touched the totality of political, social, economic and monetary institutions. They also included a specific plan for the development of the Overseas Territories.

A – The reform of social and political institutions

Two constituent Assemblies took it in turn to elaborate into a new constitution, the provisions which would be used thenceforth to govern France and its Empire.

²⁷⁶ This idea of the respect of cultures was a new idea, perhaps revolutionary for the period.

a – The two Constituent Assemblies

1 - The first National Constituent Assembly

In June 1944, the Allies landed in Normandy. General de Gaulle, at the head of the Provisional Government of the French Republic (GPRF), which replaced the French Committee for National Liberation (CFLN) on 3 June, established himself in Paris. On 8 May 1945, Germany signed the Armistice. France had already started working towards giving itself a new constitution.

The Edict of 22 August 1945 organized the representation of the Colonies²⁷⁷. The elections took place in October 1945 and in this manner, 585 deputies were elected, of which 63 were from Overseas (33 from the colonies of sub-Saharan Africa and Madagascar, 26 from Algeria and others).

Out of the 33 deputies from the Colonies of sub-Saharan Africa and Madagascar, 10 represented AOF, 4 AEF and 2 Cameroon.

De Gaulle was elected Head of Government unanimously on 13 November 1945. In the face of dissension from the parties in power, he resigned on 20 January 1946.

On 19 April 1946, the Assembly voted an "*egalitarian and assimilationist*" draft constitution in which the Overseas Territories did not appear under any specific heading. Put to a referendum in May, it was rejected by 53% votes.

It was thus necessary to constitute a new Assembly in order to draw up a new draft constitution. The Assembly was dissolved and elections took place on 2 June 1946.

However, the first constituent assembly was able to achieve important results. Houphouët-Boigny, a deputy of the 2nd college of Côte d'Ivoire abolished forced labor, by virtue of the Act 11 of 11 April 1946. With the Lamine Guèye Act, named after its initiator, the deputy of the 1st college of Senegal, granted citizenship²⁷⁸ to all men and women of the French Republic. On 30 April 1946, an Act established the Investment Fund for the Economic and Social Development of the Overseas Territories (FIDES cf. II, B).

Other reforms included trade union liberty and the freedom of association. In this manner, local unions were formed and joined the major French groups of affiliated trade unions : CFTC (Confédération Française des Travailleurs Chrétiens or the French Confederation of Christian Workers), CGT (Confédération Générale des Travailleurs or the General Confederation of Workers), FO (Force-Ouvrière or the Labor-Force).

²⁷⁷ Till then, only Senegal had the right to elect a deputy, but not a senator. The first deputy was elected in 1848 ; then following several interruptions, Senegal's representation became regular from 1879.

²⁷⁸ Did this refer to French citizenship or to the citizenship of the French Union ? The question was not settled clearly because a distinction continued to be made between citizens with a civil status and those with a personal status. The text was phrased in the following manner : "All the citizens of the Overseas Territories enjoy the same citizenship rights as that of the French Nationals of Metropolitan France or of the Overseas Territories. Special laws would establish the conditions in which they would exercise their personal rights as long as they did not renounce it".

Box 3.1

The Deputies of AOF in the first Constituent Assembly 1945 – 1946

The edict of 22 August 1945 fixed the mode of representation of the Overseas Territories in the National Constituent Assembly.

It instituted two colleges : the college for citizens and that for non-citizens.

Those considered to be non-citizens in AOF, Madagascar, Togo and Caméroun are French subjects and citizens aged 21 years or less and belonging to one of the following categories : 'enlightened' notables, members and former members of local assemblies, members and former members of the offices of cooperative associations and unions, members of the Order of the Legion of Honor, civil servants and administrative agents in service or retired, holders of certain degrees, presidents and assessors of local jurisdictions, liturgical ministers, former army officers and non-commissioned officers, former soldiers, licensed businessmen and local chiefs.

All voters must be at least 25 years of age.

The election is uninominal and will be carried out in two rounds. The first round has been fixed for 21 October 1945 and the second for 18 November.

It was necessary to elect 10 deputies for AOF, 4 for AEF and 2 for Cameroon.

The following were elected for AOF :

	1st college	2 nd college
Senegal-Mauritania	Lamine Guèye	Léopold Sédar Senghor
Côte d'Ivoire	François Joseph Reste	Félix Houphouët-Boigny
Sudan-Niger	Jean Kaouza	Fily Dabo Sissoko
Dahomey-Togo	Father François Aupiais	Sourou Migan Apithy
Guinea	Chevance Bertin	Yacine Diallo

Suppression of forced labor in Overseas Territories
Intervention by Deputy Félix Houphouët-Boigny

The defender that I am of the thousands who moan on the streets in front of baton-wielding guards, on plantations or in wood-cutting units, torn away from their families, from their land, regret that I cannot find the right words to depict, in the appropriate manner, the suffering, the great suffering of this multitude who have been waiting for long years for the abolition of the disguised slavery that is forced labor. (Applause).

Firstly the administration, then the colonists and certain natives, have deprived work - the generator of wealth, which ennobles man - of its entire signification and nobility.

They have replaced work by drudgery, which does not pay but demeans. It is this drudgery that prevails at present in several Overseas Territories, and specifically in Côte d'Ivoire.

Shall I speak of men running on the tracks with brutal guards on their heels and carrying baskets of earth on their heads or, bent over in a cloud of dust, cleaning the road with dabas ?

Shall I speak of men who are forced to spend entire days on plantations with only two hours of rest during which they cannot even comfort themselves with nourishing and refreshing food ?

You have to have seen these workers with your own eyes - worn out, skeleton-like, covered with wounds, in ambulances or on work sites ; you have to see the thousands of men gathered for recruitment, trembling from head to toe when the physician passes by on his rounds ; you have to witness the escapes into the bush before the very eyes of the village or canton chiefs ; you have to read the eyes of planters forced to leave their plantations for starvation wages ; you have to see the procession of men, women and girls, pass by in silence, brows creased, along the paths which lead to the work site ; you have to see the forwarding agents - those modern slave traders - cram them brutally into trucks, exposed to bad weather, shut them up in wagons like animals ; you have to have experienced, as a chief, these poignant, heart-rending scenes, old women clamoring for their sons, their only support, orphans, their foster fathers, women with children, their men, their only means of existence, to understand the tragedy of forced labor in Côte d'Ivoire.

Suppression of forced labor in Overseas Territories

Adoption without debate of a draft bill.

President,

The agenda calls for voting without debate, in compliance with Article 34 of the rules of procedure, of the draft bill proposed by Mr. Félix Houphouët-Boigny and several of his colleagues, desirous of the abolition of forced labor in the Overseas Territories.

I consult the Assembly on the question of taking up the articles.

(The Assembly, on being consulted, decides to take up the articles).

President. "Art. 1 – Forced or compulsory labor shall be absolutely prohibited in the Overseas Territories".

I put to vote Article 1.

(Article 1, put to vote, is adopted).

"Art. 2. – All constraining means and procedures, direct or indirect, aimed at engaging or keeping at the workplace an unwilling individual, shall constitute the object of a repressive text calling for corrective measures".

(Adopted).

"Art. 3 – This law shall abolish all prior decrees and rules on the requisition of labor, whatever be the circumstances"- (Adopted).

President. I put the private bill in its totality to vote.

(The private bill, put to vote in totality, was adopted).



The Brazzaville Conference
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The Deputy, back in his home country, greeted by a crowd of rank-and-file members of R.D.A. after the vote of the 'Houphouët-Boigny Act' of April 1946, abolishing forced labor.

Source : Houphouët-Boigny ou la sagesse africaine (H.-B. or African wisdom)/P.H. Sinex (1986).

The African Agricultural Union

Repulsed by the practice of forced labor that consist of recruiting workers with the help of the Administration and paying them a derisory sum as salary, and inspired by the example of Gold Coast, Houphouët-Boigny, recommended the introduction of the share-cropping system with a minimum salary, as mode of payment for labor. He implemented it himself as a planter and chief of the Canton, on his own plantations.

Thus, despite opposition from the colonists, he decided to bring together the planters. However, he had the support of Governor Latrille, the Governor of Côte d'Ivoire.

On 8 August 1944, i.e. the day following the publication of the Government of Algiers' Decree allowing the creation of unions, he created the "Syndicat Agricole Africain" (African Agricultural Union).

Out of a total number of 20,000 African planters in Côte d'Ivoire, 12,000 became members of the Union.

Houphouët-Boigny was chosen Chairman. The Honorary Chairman was the traditional chief of the Abrons, Kwamé Adingra. Amongst its principal members, there were names such as Joseph Anoma, who was to succeed Houphouët-Boigny as head of the Union after his election to the Constituent Assembly, Marcel Laubhouet and Gabriel Dadié.

The "Syndicat Agricole Africain" demanded the right to enjoy the same advantages as the colonists, namely :

- The exemption of its members from requisition ;
- The possibility of selling their products directly to commercial establishments, without passing through intermediaries ;
- The allocation of cloth, material, food grain quotas, etc.

He also proposed the institution of the sharecropping system in lieu and in place of labor requisitioned by the administration and paid a derisory salary.

At once, the colonists rallied against the union, which threatened its interests. They defied Houphouët-Boigny to recruit labor under these conditions and announced the ruin of the economy of Côte d'Ivoire.

Houphouët-Boigny went to Ouagadougou and Korhogo in order to convince the Mogho Naba and Chief Sénoufo of the necessity to break with the system of forced recruitment of labor.

He succeeded in recruiting 3,000 to 4,000 volunteers for the 1945 season and the harvest of cocoa rose from 11,000 t to 35,000 t between 1943 and 1945.

Besides large-scale and small-scale planters, the "Syndicat Agricole Africain" became the rallying point for all those, intellectuals and traders, who were against forced labor.

To thwart the action of the Agricultural Union and to push down the decisions of the French Government, the colonists assembled first in Douala with the representatives of all the Chambers of Agriculture and Commerce of sub-Saharan Africa and later, on the occasion of the "Etats généraux de la colonization" (General Assemblies on colonization).

As soon as he came into the Constituent Assembly, Houphouët-Boigny got the abolition of forced labor voted.

The colonists, in retaliation, refused to continue the supply of firewood to the railways, wharves and thermal power station of Abidjan and, moreover, they went ahead with the massive layout of unskilled laborers.

Houphouët-Boigny took action by recruiting 2,000 volunteers and by selling firewood to the Administration at a price lower than that proposed by the colonists.

It was not surprising that the "Syndicat Agricole Africain" proposed the name of Houphouët-Boigny as candidate for the 2nd college for the National Constituent Assembly elections.

In this manner, Houphouët-Boigny having been elected, was going to be, from that moment onwards, in the forefront of politics, not only in Côte d'Ivoire but also in sub-Saharan Africa.

Box 3.5

Citizenship for all overseas nationals

Act no. 46-940 of 7 May 1946

The National Constituent Assembly has adopted and

The President of the Provisional Government of the Republic Promulgates the Act, the contents of which follow :

Single article – As of 1 June 1946 onwards, all overseas nationals (including those of Algeria) will enjoy the status of citizens in the same manner as the French nationals of Metropolitan France or the Overseas Territories. Specific laws shall lay down the conditions within the framework of which they would exercise their citizenship rights.

This Act, deliberated upon and adopted by the Constituent Assembly, shall be enforced as a State legislation.

Done in Paris, on 7 May 1946

By the President of the Provisional Government of the Republic :
Félix Gouin.

The Minister of the Interior,
André Le Trocquer,

The Minister of French Overseas Territories
Marius Moutet.



Deputy-Mayor LAMINE GUEYE from Senegal.



André Le Trocquer
(page 433)



Félix Gouin
(page 433)

Political parties came into existence and affiliated themselves to the metropolitan political parties.

It was also during the work of the First Constituent Assembly that, notably at the 26 December 1945 session, France ratified the Bretton Woods Agreement supporting the creation of the International Monetary Fund and the International Bank for Reconstruction and Development.

Speaking on behalf of the Commission for the Overseas Territories, Gabriel d'Arboussier was to state : "*The Bretton Woods agreement aims at world economic recovery and the intensification of international trade*".

"By subscribing to it, it is understood that France binds all Overseas countries and territories under the sovereignty of the French Union.

"But by ratifying this agreement, the representatives of these countries were aware of strengthening France's commitment by engaging, each one, as far as they were concerned, the men and the women they represented" ²⁷⁹.

At the same session on 26 December 1945, René Pléven²⁸⁰, Minister of Finance, announced the devaluation of the Franc²⁸¹ and the value of the currency in each of the territories or groups of territories of the French Union (cf. II, A).

Before the meeting of the Second Constituent Assembly, and to lay stress on the decisions that the Assembly may have been led to take, the colonial business community, which had already assembled in Douala in September 1945, decided to convene the "Etats généraux de la colonization" (General Assemblies on colonization) in Paris, from 30 July to 24 August 1946.

They felt "*weighed down*", threatened as regards their own interests and what was "*dearest to them - the work of colonization*", that at the cost of so many moral and material sacrifices they had created "*the greatest France*", so that they wanted a say in the political and economic future of the colonies and in no way did they want to be excluded from the benefits of colonization.

They were opposed to the granting of citizenship to all and in a single college. They reckoned that France should undoubtedly grant some concessions, but without calling into question the continuity of the Empire.

On their side, the African representatives, with the exception of the Senegalese, Lamine Guèye and Léopold Sédar Senghor, and the Guinean, Yacine Diallo, met in Bamako from 18 to 21 October 1946. In spite of hesitation, even the opposition of Fily Dabo Sissoko, they established the "Rassemblement Démocratique Africain" (RDA), which, under the guidance of Houphouët-Boigny, was going to weigh with all its might on the political evolution of AOF.

The SFIO²⁸² had put pressure on these deputies not to go to Bamako. Senghor would do his "*mea culpa*" in 1957, by telling the Inter-territorial Congress on the grouping of African parties : "*My mistake was to obey the orders that were imposed on me from outside*".

²⁷⁹ Official Journal of the French Republic, Debates of the Constituent Assembly, session of 26 December 1945, p. 381.

²⁸⁰ René Pléven was Secretary of State to the colonies at the time of the Conference of Brazzaville.

²⁸¹ The value of 1 dollar from then on was 119.10 F and of 1 pound, 480 francs.

²⁸² « Section Française de l'Internationale Ouvrière ». (French political movement).

Deputies of AOF and Other Territories At the National Assembly, 1946-1958

The first Constituent Assembly having been dissolved, new elections took place on 2 June 1946. The new Constituent Assembly drew up the constitution that was adopted on 27 October 1946 and the Assembly was dissolved.

Before its adoption, the Act of 5 October 1946 established the organization of representation to the National Assembly. Thenceforth, elections took place with a single college in the AOF Territories.

Besides the people described in the Edict of 22 August 1945, all owners of buildings, holders of a property deed and all holders of a driving license who are above 21 years of age were eligible to vote.

The voting followed the uninominal system of a single ballot in the constituencies from where only one person could be elected. In constituencies from where there ought to be a minimum of two representatives, the election followed the list system and was done by single ballot with proportional representation.

The legislative elections took place on 10 November 1946 ; AOF Territories had 13 deputies, Togo 1, AEF 2, Cameroon 2.

Senegal	: Lamine Guèye, Léopold Sédar Senghor (S.F.I.O. socialist list)
Mauritania	: Horma Ould Babana (S.F.I.O.)
Dahomey	: Sourou Migan Apithy ("Union Progressiste Dahoméenne" or Progressive Dahomean Union)
Sudan	: Jean Silvandre, Fily Dabo Sissoko ("Parti Progressiste Soudanais" or Progressive Sudanese Party), Mamadou Koné ("Union Soudanaise" or Sudanese Union)
Guinea	: Yacine Diallo, Mamba Sano ("Parti Socialiste et Progressiste de Guinée" or Socialist and Progressive Party of Guinea)
Côte d'Ivoire	: Félix Houphouët-Boigny, Philippe Zinda Kaboré, Ouezzin Coulibaly (« Rassemblement Démocratique Africain » or African Democratic Rally)
Niger	: Hamani Diori (« Parti Progressiste Nigérien » or Nigerian Progressive Party)

Togo elected Martin Aku. AEF, Gabriel Lisette from Oubangui-Chad and Lounda from Gabon-Middle-Congo. Aujoulat and Um Nyobe were elected from Cameroon.

2 – The Second Constituent Assembly

Following the elections of 2 June 1946, Georges Bidault of the "Mouvement Républicain Populaire" (MRP or Popular Republican Movement) was chosen Prime Minister. The new draft constitution brought into conflict two camps : on one hand, those who were for assimilation, and on the other, those who favored an association with France.

The partisans of assimilation wished for equality, even the integration of the Colonies in the heart of "Greater France". They advocated the access of all to citizenship, to equality in matters of employment, salary and justice. They were represented, notably, by Lamine Guèye, deputy of the first college of Senegal and a member of the SFIO who expressed himself through the columns of his newspaper "L'AOF".

In this camp, were also included members of the "Comité d'Etudes Franco-Africain" (CEFA or Committee of Franco-African studies) led by Armand Angrand²⁸³ and Dahomeans who rallied around José Firmin Dos Santos, who expressed themselves through the columns of their newspaper "*La voix du Dahomey*" (Voice of Dahomey).

The other camp was favorable to the association of the colonies with France, so that along with her, they could form a federation. This was the opinion of Léopold Sédar Senghor and Pierre Cot, a deputy of the "Mouvement Unifié de la Résistance" (MUR or United Movement for Resistance), close to the communists. Their ideas were well expressed by Senghor, who stated, "*to federate is not to subjugate, even less to divide, but to link, to associate on an equal footing*"²⁸⁴.

On their side, the colonial circles, through the columns of "*Marchés coloniaux du Monde*" (Colonial Markets of the World) expressed their opposition to any changes that risked jeopardizing their interests.

It was because of the wide-ranging dissension that it became necessary to reach a dynamic compromise, which ended with the adoption of the Constitution, which was a regression as compared to the constitution that was rejected in May 1946.

It was subjected to a referendum on 13 October 1946 and adopted without much enthusiasm. Nevertheless, in AOF, in spite of numerous abstentions, it received 82.9% votes in favor. It was this Constitution that instituted the 4th Republic and gave birth to the French Union.

Promulgated on 27 October 1946, its Title VIII (Articles 60 to 82), dedicated to the French Union, defined the central organs and reorganized the groups of territories giving them the status of decentralized collectivities.

b – Organization of the Union

1 - Its configuration

The French Union is composed of the Republic, two associated territories and five associated States.

The Republic consisted of Metropolitan France, the departments of Algeria²⁸⁵ and the West Indies²⁸⁶, the Overseas Territories : *the eight territories of AOF*²⁸⁷, *the four territories of AEF*²⁸⁸, Madagascar and dependencies, French Somaliland, the Comoro Islands, the Establishments in India²⁸⁹, in New Caledonia, in the Pacific, Saint-Pierre and Miquelon.

²⁸³ The CEFA (Committee for Francophone Studies), founded in Senegal set up committees in AOF : Kaolack, Diourbel, Saint-Louis, Ziguinchor, Thiès, Bobo-Dioulasso, Kédougou, Ségou, Niamey.

²⁸⁴ Welcome speech delivered by Léopold Sédar Senghor, in Dakar, on 11 January 1957, before the International Congress of Regrouping of the African Parties.

²⁸⁵ Algeria became a department following the adoption of the Act of 20 September 1947.

²⁸⁶ Martinique, Guadeloupe, Guinea and Réunion became departments following the adoption of the Act of 19 March 1946.

²⁸⁷ The eight territories of AOF are : Mauritania, Senegal, Sudan, Upper Volta, Guinea, Côte d'Ivoire, and Dahomey.

²⁸⁸ The four territories of AEF are : Congo, Gabon, Oubangui-Chari, Chad.

²⁸⁹ The five Settlements in India included : Pondichery, Mahe, Yanaon, Karikal and Chandernagore.

Thus the *point of view of the assimilationists* emerged victorious. The territories, in fact, were considered to be legal entities of the State endowed with the status of decentralized collectivities, but constituting a part of the Republic.

The associated territories were *Togo* and *Cameroon*, placed, since 1945, under the supervision of France, whose responsibility was to give an account of their administration to the UNO Supervisory Council.

The associated States were collectivities falling under international law, endowed with a *proper government*. For each one of them, their position in the French Union depended "on the Act defining its relationship with France". Thus, the Associated States of Indochina, (*Vietnam, Cambodia and Laos*), even though they had become independent²⁹⁰, adhered to the French Union, whilst Morocco and Tunisia²⁹¹ *were no longer part of it*.

2 – The Central Organs

The central organs of the Union were the Presidency, the High Council and the Assembly.

The President of the French Republic was *ipso facto* President of the French Union, whose permanent interests he represented.

The High Council was composed of statesmen, whose duty was to promote inter-governmental cooperation. It was chaired by the President of the Union, and included a delegation of the French Government²⁹² and the representation that each of the associated States was entitled to make at the level of the Union.

The High Council met at Versailles. It deliberated on economic coordination, diplomacy and defense - in short, all that concerned the Union. But in fact it did not have much power as it was *consultative* in nature. It held its first meeting in November 1951 and would have met thrice before disappearing in 1954.

Act no. 46-2385 of 27 October 1946 determined the composition and elections of the Assembly of the French Union. A decree dated 6 September 1947 fixed the modalities of the application of the Act. It was composed of the representatives of Metropolitan France, the departments, the Overseas Territories and associated States.

Out of the 75 elected representatives of Metropolitan France, 1/3 were elected by the metropolitan representatives of the Council of the Republic (Senate) and 2/3 by those of the National Assembly. In all, the Assembly could not exceed a total of 240 members. The Representatives of Overseas Territories were designated by the local Assemblies. The number was 75 for the Departments and Overseas Territories and could not exceed 45 for the Associated States.

²⁹⁰ Vietnam acquired independence in August 1945. Laos in 1949, even though this independence was formally recognized only in 1953 for Laos, 1954 for Cambodia and Vietnam.

²⁹¹ Morocco became independent in 1955 and Tunisia in 1956.

²⁹² The Delegation of the French Government included : The President of the Council (Prime Minister), Ministers for National Defense, Foreign Affairs, Interior, the Associated States, Overseas France (for the Overseas Territories and Associated Territories), Finance and finally other Ministers designated by the Council of Ministers.

The members of the Assembly, known as the *Councilors of the French Union*, were elected for a term of 6 years, enjoyed parliamentary immunity and were given an allowance.

In AOF, on 3 November 1947, 22 counselors were elected : Mauritania (1), Senegal (3), Guinea (3), Niger (3), Sudan (5), Dahomey (2) and Côte d'Ivoire (5). Togo had 1 representative. There were 5 representatives²⁹³ in AEF and 5 in Cameroon.

The Assembly had a *purely consultative function*. It gave advice when asked for and could, on its own initiative, make a number of proposals. But its most important function was that it had to be compulsorily consulted before the adoption of any decree related to Overseas Territories²⁹⁴.

Nonetheless, one may consider that, on the whole, the Union Assembly did not have much power. This is what Mortimer had to say : "*And the Assembly of French Union, far from being the federal Parliament originally called for at Brazzaville, had purely advisory functions. It was to vegetate outside the main political arena, at Versailles and the French Parliament in Paris usually ignored its proposals. Its main value to Africa was to be as a training-ground for junior politicians*"²⁹⁵.

The Assembly met in Versailles actually, until 1955 when it shifted to Paris, to the "Palais des Travaux Publics", Place d'Iéna.

3 – The groups of territories : AOF and AEF

The AOF and AEF groups of territories were thenceforth maintained with the status of decentralized collectivities.

In this manner, the Governor General became the *High Commissioner of the Republic*. He was the guardian of the powers of the President of the Republic and of the Ministers.

The Government Council, reorganized by the decree of 22 December 1946, saw its functions reduced to that of a simple consultative council, expected to give its opinion on matters that the High-Commissioner deemed necessary to put before it. It lost its main function, which was the adoption of the budget, in favour of the Grand Council, instituted by Article 78 of the constitution.

²⁹³ In AEF, the distribution was done in the following manner : Middle Congo (1), Gabon (1), Chad (2), and Oubangui-Chari (1).

²⁹⁴ It was its most important function because the Overseas Territories were governed by decree and the Assembly having to be compulsorily consulted before the passing of any decree related to TOM (Overseas Territories) constituted the principal innovation in the legislative system of the colonies since the *Senatus-Consultum* of 3 May 1854.

²⁹⁵ MORTIMER, Edward. *France and the Africans*, p. 101.

"And the Assembly of the French Union, far from being the Federal Parliament envisaged at Brazzaville had purely consultative functions. It was vegetating in Versailles away from the real political arena and the French Parliament in Paris chose to ignore its propositions. Its true value for Africa was to provide a training ground for young politicians".

The Grand Council was the real *the decision-making body*, in charge of managing the common interests of the group. It was composed of *representatives of the assemblies of the territories* of which the group was composed. Each territory sent 5 members, that is to say a total of *forty* representatives who were given the title of Grand Councilors.

The Grand Council was headquartered in Dakar. It held two ordinary sessions per year of which one opened by 30 September, at the latest, and was confined to the examination of the budget. This assembly discussed and gave advice to the High Commissioner. It had no legislative or jurisdictional powers. Its main function was the voting of the AOF's general budget and supplementary budgets²⁹⁶. On this account, *it curtailed the powers of the High Commissioner* because, thenceforth, he enjoyed the initiative of expenses concurrently with the Administration.

The budget prepared by the High Commissioner's departments was subject to its deliberations. It was also its responsibility to see to the distribution, within the budgets of the group of territories, of tax proceeds, taxes, contributions and rebates to these local budgets granted by the general budget. It often happened, especially after 1956, that Côte d'Ivoire and Senegal who were the principal purveyors of the AOF budget, complained of having given, in the name of "AOFian" solidarity, more than what they received from these rebates²⁹⁷.

It was necessarily consulted for the organization of agricultural, commercial and industrial credit. It intervened at every phase of the implementation of FIDES (Investment Fund for Economic and Social Development) : it deliberated on the programs and annual slabs of credit payment, followed up execution and ensured control. FIDES' share in the AOF budget went on increasing. In 1947, it was 200 million F.CFA ; in 1948, 2,800 million ; in 1949, 5,200 million and in 1950, 9,300 million.

The Grand Council also deliberated on the programs of the Rural Investment Fund for Economic and Social Development (FERDES).

In fact, the FERDES was created on the basis of an order of the High Commissioner dated 23 march 1949. It was aimed at financing "*a big program for small works*". 1/3 of the expenses were borne by the local community (village, provident society, etc.), 1/3 by the budget of the territory and 1/3 by the federal budget.

The FERDES enabled an investment of 2,500 CFA francs from 1949 to 1954, which was assigned to rural development : boring of 600 wells, construction of 200 barrages or cisterns, 52 schools, 2,500 kms of roads, etc.

Finally, the Grand Council would have been the place for meetings and exchanges between politicians from the different territories of the group.

²⁹⁶ By supplementary budgets is meant the budgets of decentralized bodies ; today one would refer to them as public establishments ; Railways, Ports, Federal Schools.

²⁹⁷ Some have said that the rebates given to the poorer territories, in the name of group solidarity, would have led to Côte d'Ivoire's refusal to maintain the group of territories of AOF.

4 – The Territories

The Governor was retained as the head of the territory. In that capacity, he was the High Commissioner's representative. He was the head of the entire Administration. However, thenceforth, an elected Assembly also came into existence alongside him. It had its origin in Article 77 of the Constitution. This Assembly was called the General Council in AOF territories and the Representative Assembly in Togo and Cameroon.

In Senegal, the General Council was instituted by the decree of 25 February 1946. It consisted of 50 Councilors elected by single college. In the rest of AOF, the Councils were instituted by the decree of 25 October 1946²⁹⁸. The election of 200²⁹⁹ Councilors was to be done by two colleges : the college of citizens of civil status and that of citizens of personal status. Elected for a period of five years, the Councilors could stand for reelection ; they formed two sections, which deliberated together. In the elections of 15 December 1946 and 15 January, 154 Africans and 66 Europeans were elected.

The General Council gave its opinion on certain matters³⁰⁰ and rulings on others³⁰¹, could make recommendations on economic and general administrative issues and deliberated on receipts and rules for levies and taxes, but its essential function was the voting of the budget. On this account, it limited the powers of the Governor, who continued to prepare the budget but had to necessarily submit it before the General Council for its sanction.

Following protests by the African Deputies, notably those belonging to the group composed of the Overseas Independents (IOM) and their parties, the electoral Act of 19 May 1951 expanded the electoral college and increased the number of deputies to be elected by the territories.

Act no. 52-130 of 6 February 1952 instituted territorial Assemblies in lieu of General Councils in AOF and AEF. Senegal elected 50 Councilors to the single college. The other territories elected 334 to the dual college³⁰². The Territorial Assembly had the same competencies and the same function as that of the General Council.

5 – The representation of AOF in Metropolitan France

AOF was represented in the National Assembly and in the Council of the Republic (Senate).

²⁹⁸ The General Council of Upper Volta was established by the Act of 31 March 1948.

²⁹⁹ The 220 councilors were distributed as follows : Mauritania : 6 + 14 = 20 ; Sudan : 20 + 30 = 50 ; Guinea : 16 + 24 = 40 ; Côte d'Ivoire : 20 + 30 = 50 ; Dahomey : 12 + 18 = 30 ; Niger : 10 + 20 = 30.

³⁰⁰ The Council was imperatively consulted on administrative and communal organization, the organization of education and the economic and social equipment plan.

³⁰¹ The Council gave rulings on matters related to movable and immovable domains of the territory, on work to be undertaken at the expense of the local budget, on allowances, etc.

³⁰² The Councilors were distributed as follows : Mauritania : 8 + 16 = 24 ; Sudan : 20 + 40 = 60 ; Guinea : 18 + 32 = 50 ; Côte d'Ivoire : 18 + 32 = 50 ; Niger : 15 + 35 = 50 ; Upper Volta : 10 + 40 = 50 ; Dahomey : 18 + 32 = 50.

1) In the National Assembly

The National Assembly voted legislation. In the elections of 10 November 1946, it had 622 deputies of whom 78 were from Overseas Territories, which included 13 from AOF, 2 from AEF, 1 from Togo and 2 from Cameroon. The African Deputies were few in number, in comparison with the total number of deputies, but their votes were important in deciding the fate of the Government, i.e. whether it would survive or fall during the 4th Republic, which was marked by ministerial instability. One could see that the African Deputies were caught in three important trends : the *socialist* movement around SFIO with Lamine Guèye, the movement of the Overseas *Independents* (IOM) around Léopold Sédar Senghor and the *RDA* whose leader was Félix Houphouët-Boigny. The Deputies were elected for a period of five years. They could stand for reelection.

In 1946, the socialist movement was the most representative. Socialist deputies outnumbered others to such an extent in the National Assembly and in the Republican Council that Lamine Guèye³⁰³ was named Under-Secretary of State to the Prime Minister in the Léon Blum cabinet. But very soon, Blum was replaced by Paul Ramadier and in May 1947, the communists quit the Government and went to the opposition. This was right in the middle of the cold war.

Sensing then that the socialists were losing their momentum and that the communists were estranged from the Government, Léopold Sédar Senghor, stemming from the SFIO, rallied around him a movement - the Overseas Independents (IOM) - which was to be a mid-way path between the "rebellious" RDA and the "submissive" socialists. It was not a question of a party but of a group of deputies.

The IOM group was founded on 7 September 1948. Starting with 7 members, they went up to 38³⁰⁴ from 10 different territories. This is what Senghor would have to say of the IOM : *"We have the will to think and to formulate the problems of the French Union with a free mind. Free with regard to the parties of Metropolitan France, their prejudices and their egoism, but submissive to the ultramarine realities and particularly to the aspirations of their peoples and their population"*.

From 1948 to 1953, the IOMs encountered a series of electoral successes. In five years, by strengthening their parliamentary position in Paris, investing in Territorial Assemblies and by rallying local parties, they finally became, in terms of elected representatives, the premier political force of French-speaking sub-Saharan Africa³⁰⁵.

Some of them : Paul Aujoulat, Joseph Conombo, Léopold Sédar Senghor, Hubert Maga, had been Ministers in ten different governments³⁰⁶. Some were to be found on

³⁰³ Lamine Guèye was the 1st African since Blaise Diagne, to be part of a Ministerial Cabinet.

³⁰⁴ For the IOM one could cite Senghor, Aujoulat, Grunitzky (Togo), Sourou Migan Apithy and Hubert Maga (Dahomey), Manga Bell (Cameroon), Mamba Sano (Guinea) and Andreas Aku (Togo).

³⁰⁵ ATLAN, Catherine - Les Indépendants d'Outre-Mer - IOM, (The Overseas Independents) 1954.

³⁰⁶ Government of Pierre Mendès France in June 1954 : Dr. Paul Aujoulat, Minister of Public Health and population ; ministerial restructuring of 30 August 1954 : Dr. Paul Aujoulat, Labor Minister ; Joseph

the Board of Directors of the Broadcasting Institute of AOF and of Togo, in France Central Fund for Overseas Territories and the FIDES Management Committee.

They were opposed to the French Union as it had been conceived, because it was founded on assimilation - the "*suicide of the indigenous soul and of Negro civilizations*". They put forth "*the idea of a Franco-African Federation where the central and autonomous powers would be balanced and where reciprocal solidarity and the autonomy of the respective partners would be ensured*".

They contributed considerably to the broadening of the African electoral college (Act of 19 May 1951), to the adoption of the Overseas Territories labor code (23 November 1952), which regulated the working conditions of the African salaried class and guaranteed them almost the same rights as those of French workers, to municipal reforms (18 November 1955)³⁰⁷, to the adoption of universal suffrage and to the founding of the Institute of Higher Studies in Dakar, in 1950.

They will be remembered as having prepared the grounds for the Framework Law. They supported the initiative of the Lamine Guèye Act of 1950, which formulated the principle of equality of treatment between African and European civil servants.

Since 1953 and since the Bobo-Dioulasso Convention (February 1953), the IOMs took their distance from the authorities. In the 1956 elections, they lost 7 seats and their Allies (Edgar Faure) lost power to Guy Mollet supported by the RDA.



Blaise Diagne
(page 442)



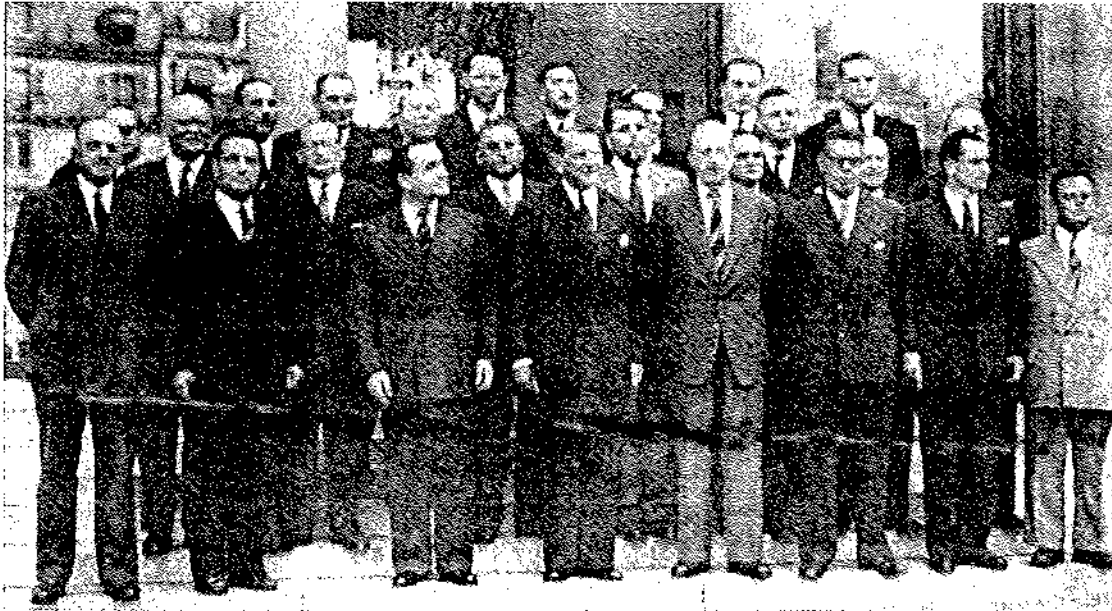
Guy Mollet
(page 443)

Conombo, State Home Secretary ; Edgar Faure Government in March 1955 : Léopold Sédar Senghor, Secretary of State to the Presidency of the Council ; Government of Félix Gaillard on 5 November 1957 : Hubert Maga, Under-Secretary of State for Labor and Social Security.

³⁰⁷ The Municipal Act of 18 November 1955 created new fully functioning councils in AOF : Senegal (5), Soudan (4), Guinea (4), Dahomey (5), Côte d'Ivoire (3), Niger (1), Upper-Volta (2).



Mr. Léopold Sédar Senghor
(around 1945). BNF, Est. , No 101.



Government of Pierre Mendès France in June 1954
(page 442)

The third movement was that of the RDA. Founded in 1946, the RDA had its origin in the "Parti Démocratique de Côte d'Ivoire" (PDCI or the Democratic Party of Côte d'Ivoire). According to its own declarations, *"the essential objective of the Party was to specify - at all levels of the political organization - the Union manifested by the Africans."*

"The Party rejects the principle of assimilation and manifests its decision to convey to the heart of the French Union the demands contained in its political agenda" ³⁰⁸.

In the 1946 elections, it obtained 11 seats (7 in AOF, 3 in AEF and 1 in French Somaliland) and affiliated itself to the Communist Party.

When the Communists quit the Government in 1947, the RDA sided with the opposition. It became the object of merciless suppression by the colonial authorities.

Faced with this critical situation, Houphouët-Boigny accepted the alienation from the Communist Party and allied himself to the UDSR ("Union Démocratique et Socialiste de la Résistance" or the Democratic and Social Union of the Resistance) of François Mitterrand, Minister of Overseas France, in 1950. He lost seats in the 1951 elections.

However, in 1956, Guy Mollet, supported by the RDA, came to power. The RDA won 6 new seats and became the most important African Political Party in the Assembly. Houphouët-Boigny replaced Senghor as Associate Cabinet Minister with the Prime Ministership.

Thenceforth, the RDA was in the majority and went on to impose its views on the future of AOF. The RDA was favorable to the dissolution of the groups of territories and to decentralization at the level of the territories. He was called a "territorialist".

2) – In the Council of the Republic (Senate)

The three movements were also present in the Council of the Republic, the second House of Parliament, which examined, for advice, the draft Acts voted by the National Assembly in the first reading.

The members of the Council were called Senators. They were elected for a period of 6 years, with only half the members retiring at a time.

The Council of the Republic consisted of 320 members of whom 73 came from Overseas. The AOF, in 1947, elected 20 Senators - Togo 2, the AEF 11 and Cameroon 3.

The second set of institutional reforms concerning the Overseas Territories, were monetary and fell within the purview of reconstruction measures.

B – Reconstruction and Monetary Reform

As consequences of the war economy, imbalances were rampant in all spheres of economic activity. For the purpose of reconstruction, a major stabilization program was implemented with a wide-ranging monetary reform as its anchor.

³⁰⁸ National Archives of Senegal 17G 155 (17), Bulletin mensuel d'information no. 7 (Monthly Information Bulletin no. 7) dated 1 November 1948.

a – Imbalances related to the war economy

On the inflation front, the situation was marked by a prominent rise in prices.

By taking, on the basis of official indications, the 1938 average as base 100, at the wholesale stage 234 (average) was observed for 1943 ; 254 in September 1944 ; 373 in June 1945 ; 461 in December 1945. At the level of consumption, 223 (average) for 1943 ; 290 in September 1944 ; 393 in June 1945 ; and 497 in December 1945³⁰⁹.

Business shrank over the same period. The comparison between the evolution of money supply and that of the value of transactions at the existing regulated prices, indicated that the economy's liquidity had increased 4 to 5 times faster than the domestic product in value.

As a result, adjustments had to be made either by shrinking the money supply or by an increase in prices.

External relations were deeply perturbed, German occupation being the principal reason. From June 1940 onwards, trade between business partners, notably those Overseas, became sporadic if not impossible. *"Transactions with the Overseas Territories were themselves disturbed by difficulties in maritime transport before being completely stopped, from November 1942 onwards, when metropolitan France was under complete occupation and the Overseas Territories had rallied themselves around fighting France"* (Koch, H. page 8).

The volume of imports in 1943 of all origins combined, came to only 10% of 1938 imports. The bulk of external trade, often constrained, was carried out with Germany, at an exchange rate of 20 francs for 1 Reichsmark, for all settlements, as imposed by the occupants.

The cover ratio between purchases and sales went down from 66% in 1938 to 21% at the end of the war, the difference being that in 1938 the registered earnings of "invisibles"³¹⁰ would more or less ensure a balance of payments equilibrium, which was no longer the case.

Hence, the monetary reserves, composed essentially of the gold reserves of the "Banque de France", were insufficient in the face of the immense requirements of finance.

The monetary order reorganization operation was rendered even more delicate because of the implications it would certainly have on the entire Franc Area.

b – Monetary reorganization and the development of the Franc area

Save the purely accounting-related regularization and the unification of fiduciary circulation³¹¹, the most arduous problem was the fixing of a new parity for the Franc at realistic rates in order to help restore exports and mainly because the ratification of the Bretton Woods agreement at the end of 1945 called for sustainable parity.

³⁰⁹ National Archives of Senegal, 17G 155 (17), "Bulletin mensuel d'information" no. 7 (Monthly Information Bulletin) dated 1 November 1948.

³¹⁰ Revenues from services.

³¹¹ Currency notes in Francs and printed in the United States were in circulation in Corsica since 1944 ; in Alsace and in Moselle, the Germans had replaced the Franc with the Reichsmark.

During most of the war, the official rates of the franc against the U.S. dollar and the pound sterling remained the same as those adopted in September 1939 : 43.80 Francs to a dollar and 176.625 francs to a pound.

In February 1944, the payment agreements concluded between the American and British Governments and the "Comité Français de Libération Nationale" (CFLN - The French Committee for National Liberation) had fixed the rates at 49.62 F and 200 F respectively.

This parity was a very poor translation of the evolution of prices in France and in the two countries. Between 1939 and 1944, the prices actually increased by 150% in France, whereas they went up by less than 30% in the United States and United Kingdom.

A very pronounced devaluation was thus necessary to reestablish a balance between French prices and foreign prices.

The Franc would, in reality, stabilize only after seven successive devaluations over a period of 13 years, from 26 December 1945 to 29 December 1958.

1 – The devaluation of 1945, the institutionalization of Colonial Francs and their failure to keep up with the Metropolitan Franc.

The first devaluation after Liberation took place on 26 December 1945. It maintained the parity of 49.62 F to 119.10 F to the dollar ; 200 to 480 F to the pound.

Concomitantly, a decree dated 25 December 1945, coming into force on 26 December, fixed a new parity between the Franc and the "Francs of French Colonies of Africa"(CFA), as also the "Francs of the French Colonies of the Pacific" (CFP).

This way of organizing the zone favored economic logic against all other considerations. It was the source of a strong controversy which carries on till the present.

René Pleven, Minister of Finance, justified the operation in the following terms in the First Constituent Assembly : "By establishing an exchange rate between the Francs of the different territories of the Franc Zone, the Government did not hide the fact that it had introduced an innovation in our monetary system. However, this innovation corresponded to the concern we had expressed during the Brazzaville Conference about taking into equal consideration the interests of each of the territories which constituted the French Union, of respecting their particular needs and their local quotas. In the monetary field, it marked the end of the Colonial Pact".

The decision actually took into account the disparities in the economic development of the zone, in order to apply different rates of devaluation.

1) Disparity in economic development within the Franc area

The war, as we have seen, completely upset economic relations between metropolitan France and its Colonies, and between the Colonies.

The monetary circulation between metropolitan France and the overseas countries was disrupted ; local currency was listed at different rates with respect to foreign currency. According to Ierle³¹² (1948), this experience gave birth to the idea of assigning different rates to local Francs.

As regards the economic situation, it was concluded that, apart from North Africa, the economies of the overseas countries were extremely different from that of France. Moreover, their trade flow, by force of circumstances, was diverted from metropolitan France.

While inflation was rampant since 1940, price levels in overseas countries were different from those in France and were highly variable depending on the region. In this context, J. F. Margot (1952) observed that, "at the end of 1944, the price rise coefficient in the Overseas countries hovered between 2.5 and 4.6 as against 2.8 in France".

What followed was an *overall loss of competitiveness of the area* in the global market on the one hand, and on the other hand, a distortion of relative prices within the area, the Franc having a higher purchasing power in the Colonies than in metropolitan France.

In view of a final decision, some writers gave preference to internal relationships within the area. Thus, for Ierle (1948)³¹³, since the Franc's purchasing power was greater in the Colonies, the prices of goods that they supplied were much lower than the goods that they imported from metropolitan France. "Thus, it was impossible to revive trade links on this basis without completely ruining the situation".

Thus three solutions were possible : to bring down prices in France ; to let them rise in the overseas countries ; or to ascribe a different value to the local currency with respect to the metropolitan Franc.

The first two solutions were considered to be politically and socially inapplicable, thus leaving open only the third option.

In fact, internal notes drawn up in December 1945, attest to the fact that it was the problem of the area's loss of external competitiveness that was a decisive factor in the final solution to be adopted. A correction in the exchange rate was, thus, necessary in order to bring the prices in the area at par with global levels.

The advantage of such a solution for the Colonies was to give a new impetus to their economies and to re-establish freedom of transfer, even though this would entail administrative, financial and accounting problems and lead to inevitable injustices.

³¹² Ierle, «Les problèmes monétaires de l'union française», Hautes Etudes Administratives, 1948. (Monetary problems of the French Union, Administratives studies, 1948)

³¹³ Ierle, op. cit.

But in the final analysis, since it was estimated that the expected benefits were greater than the costs, the principle of devaluation was accepted.

The basic question was to find out whether the same rate had to be applied to the entire area or different rates, taking into account the prevalent situation of each region.

In fact, taking into account the different trends of the evolution of prices, a slight depreciation of the currency was enough in some of the Colonies. For others, the exchange rate could be maintained. On the contrary, the basic figures for the French economy called for a steep devaluation in order to correct the overvaluation of the currency and to re-establish a balance between prices in France and prices abroad. In fact, seven devaluations over a period of 13 years were necessary in order to stabilize the Franc, as we shall see.

The psychological disadvantages perceived in a devaluation at different rates were that the operation could be interpreted as a slackening of economic and political relations between metropolitan France and its Overseas Territories and perhaps, the first step towards dissociation with the French community.

However, it was estimated that this psychological disadvantage, while it was absolutely necessary, did not seem to correspond to the political reality, considering the fact that commercial ties would be resumed, since the Colonies' imports would be restricted by schemes approved by metropolitan France on the basis of the availability of foreign exchange.

Thus, it was not clear how adopting specific exchange rates would facilitate the development of economic relations between the Colonies and other countries or how it would harm France's influence.

On the contrary, there was apprehension concerning the economic, social and political consequences that could result from a straight and simple alignment of the Colonies with France.

Actually, if a devaluation of such a magnitude could result in a faster economic development of the Colonies as compared to France, as a result of the share of external trade in these economies, it was feared that this solution could lead to a price rise that could prove to be even more difficult to handle. This could also lead to demands of increases in salary, which would be difficult to control, as also protests against the measures taken by metropolitan France and even, in some regions, against French sovereignty.

If this opinion gained ground, it would contribute more in real terms than the economic rupture of the monetary unity, in allowing outside influences to take root in the Colonies.

Moreover, the economic boost given to the Colonies would be artificially linked to that of metropolitan France and subject to drastic modifications, which the local situation did not demand at all.

It was finally estimated that the adoption of different rates of devaluation would have fewer drawbacks than the adoption of a uniform rate determined by the economic situation of metropolitan France.

This being the case, the new exchange rates remained to be determined.

2) The establishment of new exchange rates

Devaluation, as we have seen, was basically done with respect to the pound sterling and the dollar.

Based on a working hypothesis, four regional groups were set up and decisions taken with all the rough-and-ready settlements that such an exercise entails.

- The working hypothesis

. Territories where the value of the Pound as compared to the Franc could be maintained at 200 Francs

This was done in *New Caledonia* and the *French settlements in the South Sea Islands (Oceania)*.

The arguments put forward were that the political situation in New Caledonia and the fact that the dollar and the franc both had an equal share in the monetary circulation of this territory, forced them to retain the exchange rate levels applied in Noumea.

Subsequently, when the political situation was more favorable, a revision of these rates became necessary, since New Caledonia was selling its nickel at 35% more than the international rates, which meant that it could only sell it in metropolitan France.

The same political reasons were valid for French settlements in Oceania, where, incidentally, the main export product, phosphate, was sold at international prices.

. Territories where the value of the Pound with respect to the Franc could be fixed at 300 F.

This was possible in *AOF, AEF, Cameroon, Togo, Madagascar, Réunion, Djibouti (Somaliland), and Saint Pierre and Miquelon*.

The prevalent price trends in these territories point to the fact that the exchange rate of 300 F against a pound was applicable and could be maintained without any problem in AEF, Cameroon and Madagascar. The adoption of this rate could even lead to a steep depreciation of currency in these territories. However, it had to be borne in mind that the after effects of the hike in salaries implemented in compliance with the decree of 11 July 1945 were yet to be properly felt in these Colonies.

According to available figures, it was possible to apply the rate of 300 F in AOF as well. However, the cost of living was slightly higher in AOF as compared to AEF and Cameroon. Moreover, contrary to the prices of the export products of the latter territories, groundnut and groundnut oil, the main export products of AOF, were being sold at much higher prices than the international rates at the time.

Was it necessary to dissociate the AOF Franc from the AEF Franc, and link the AOF Franc with metropolitan France and North Africa ?

Such a step could lead to a steep depreciation of the AOF Franc and risk dissociating the economies of the two groups of territories even as the salaries in both regions were calculated on the basis of similar parameters and the prices of several major export products – coffee, cocoa and cotton – remained the same.

Thereafter, while the AOF Franc was delinked from the AEF and Cameroon Franc and devalued like the metropolitan Franc, it was feared that in spite of the differences in cost of living between the two groups of territories, AEF and Cameroon officials as well as cotton, coffee and cocoa producers would not understand why they did not benefit from the hike in salaries or from the prices that were to be granted in AOF.

It was feared that the different systems of government in AOF on the one hand and the AEF and Cameroon on the other, could lead to an increase in prices in the latter Territories, which would be difficult to control.

Hence it was decided to adopt the rate of 300 F for AOF as also for AEF and Cameroon.

The application of this rate also appeared desirable for *Djibouti* – a transit colony. Here, it had been decided not to devalue its currency too much with respect to the neighboring sterling zones. The same was applied in *Saint Pierre and Miquelon*, a colony that received all its supplies from Canada.

As far as *Réunion* was concerned, the price at which sugar was being sold – twice the global prices – justified the adoption of the same exchange rate as that fixed for metropolitan France. But, given the close economic relations between Madagascar and the Reunion, it was deemed correct to adopt the exchange rate of 300 F against one pound for both. However, this rate would restrict the increase in the price of sugar in Réunion to about 900 F, whereas in the West Indies, this price would be between 1,400 and 1,500 F.

- Territories where the rates adopted for metropolitan France were applicable

This was possible in *North Africa, the West Indies and Guyana*.

Given the trends of the evolution of prices in North Africa during the preceding years, as well as the significant economic relations between North Africa and metropolitan France, it was necessary to maintain the Franc at the same value in both regions.

The application of the same exchange rates in the West Indies and Guyana was justified, given the increase in the price of sugar and the economic relations between these territories and metropolitan France.

- The Indochinese piastre

It was estimated that politically and psychologically, it was not really advisable to allow the Piastre to follow the metropolitan Franc. In fact, in a memorandum submitted to the allied Governments, it was mentioned that the Piastre would continue to be a part of the Franc area, but would not necessarily follow the subsequent fluctuations of the metropolitan Franc.

Linking the Piastre to the metropolitan Franc was contrary to the impression given to the allies.

Moreover, it was believed that the inhabitants of Indochina would be at a loss to understand why the pound was fixed at 300 F in the African bloc and in Madagascar whereas the piastre was obliged to follow the metropolitan Franc. Such a difference in treatment, not justified by economic considerations, could result in disturbed feelings in Indochina.

From the economic and financial point of view, it was impossible to grant the piastre parity against the pound and dollar. This exchange parity depended on the sale price of rubber and rice, and mainly on the salary levels, which in turn depended partly on the price of rice. Moreover, while the reforms were underway, it was impossible to measure the rate of inflation in Indochina over the preceding months.

Thus, temporary measures had to be taken while considering an appropriate exchange rate for the piastre, based on more solid parameters when the economic situation would become normal.

Under such conditions, it appeared sensible to fix the price of the pound at 30 piastres against a pound and that of a dollar at 7.5 piastres for a dollar, by analogy with the rate of 300 F for a pound and 75 F for a dollar in the African bloc and in Madagascar.

This exchange parity should have been advantageous to Indochina as far as the realization of its rubber stocks and the subsequent harvest was concerned.

As for its imports, which almost exclusively consisted of supplies from abroad and considering the fact that the cost of living in Saigon had gone up substantially, it was thought that the new exchange parity would not drastically affect prices and might even lower them.

- The final decisions

Finally, monetary units of unequal value were introduced in each of these regions :

- the metropolitan Franc, devalued by 140% with respect to the dollar and the pound ;

- the CFP Franc (Colonies of France in the Pacific zone), whose exchange parity remained unchanged with respect to the dollar with a value of 2.40 metropolitan Francs ;

. the exchange parity of the CFA Franc (Colonies of France in Africa) was fixed as an arithmetic mean of the metropolitan Franc and the CFP Franc

$$\text{i.e. } \frac{1 + 2.40}{2} = 1.70 \text{ F metropolitan Francs ;}$$

. the Rupee, whose exchange parity with respect to the pound and the dollar was not changed, was equal to 36 metropolitan Francs ;

. under similar conditions the Syrian-Lebanese Pound was also fixed at a rate of 54.35 Francs ;

. the Djibouti Franc was created much later, on 17 March 1949 ; its average price was 1.23 metropolitan Francs and the free rate was 1.48 metropolitan Francs.

Fixing separate exchange rates for certain colonial currencies raised serious administrative, financial and accountancy problems and involved inevitable injustices.

In fact, people living in different territories of the Franc area did not specify in which Francs their reciprocal commitments were expressed, given the uniform value of the Franc in all these territories. Thus, with the adoption of separate exchange rates for the Francs of certain colonies, it became necessary to arbitrarily determine in which territory's Franc the loans incurred before this operation were denominated.

Thus, the best solution that could have been adopted was to decide that the debts incurred before the reforms, between persons residing in two different territories of the Franc area, would be denominated in metropolitan Francs.

This solution was considered to be the simplest and most normal, and one which posed the least problems. However, like any arbitrary rule, it could not be applied without waivers (bank deposits, commercial paper, annuities, Treasury bills, Government bonds and debenture loans), or without any injustices.

It was, in fact, impossible to compensate all the categories of people affected by the reform and to exactly recover all the unfair profits that it might have generated.

Due to this operation, the metropolitan Treasury had to pay indemnities :

- to individuals from the CFA and CFP sectors holding claims on the metropolitan sector ;

- to issuing banks of the same regions in order to re-establish the monetary circulation balance with their assets in metropolitan France ;

- local debt holders from the territories of the CFA region, whereas these territories saw their debts denominated in metropolitan Francs decrease from 70 to 140%.

The devaluation of the Franc at different rates and its corollary, the institutionalization of "colonial Francs", established the *de jure* recognition of the specificity of economic situations within the area and thus the need to adapt the issuing system to the characteristics specific to each economy.

This was affirmed by René Pleven, the Minister of Finance, during the 26 December 1945 session of the Constituent National Assembly, when he announced the devaluation of the franc as well as the value of the currency of each of these territories or groups of territories of the French Union, adding that this step "*marks, at the monetary level, the end of the colonial pact*".

Decree of 25 December 1945

The President of the provisional Government of the Republic,

On the advice of the Minister of Finance and the Minister of the Colonies ;

In view of the senatus-consultum of 3 May 1854 ;

The Council of State having agreed ;

Orders :

Article one - From 26 December 1945, currencies denominated in Francs of the following Overseas Territories : French West Africa (AOF), French Equatorial Africa (AEF), Cameroon, Togo, French Somaliland, Madagascar and Réunion, shall have an exchange parity of One Hundred Francs of these territories against One Hundred and Sixty-six: these currencies shall constitute the group of Francs of the Colonies of France in Africa (CFA franc).

Article 2 – From 26 December 1945, the currencies denominated in Francs of New Caledonia, New Hebrides and the French settlements of Oceania, shall have a parity of One Hundred Francs of these territories against Two Hundred and Forty Francs : this currency shall constitute the Franc of the Colonies of France in the Pacific region (CFP Franc).

Article 3 – The currency denominated in Francs of Saint Pierre and Miquelon shall have the same parity with respect to the Franc as the Francs of the CFA countries.

Article 4 – The Minister of Finance and the Minister of the Colonies shall be responsible for the execution of this decree, which shall be published in the Official Journal of the French Republic.

Done in Paris, on 25 December 1945.

The President of the Provisional Government,

CH. de GAULLE

The Minister of Finance,

R. PLEVEN J.

The Minister of the Colonies,

SOUSTELLE



CH. de GAULLE



SOUSTELLE



RENE PLEVEN

"We have decided that, henceforth, the Franc of our African colonies as well as that of Saint Pierre and Miquelon will be worth 1.70 metropolitan Francs, and that the Francs of New Caledonia and the French settlements of the Pacific region will retain their old value with respect to the pound and the dollar. By establishing an exchange rate between the Francs of the various territories of the Franc area, the Government is not hiding the fact that it is carrying out an innovation in our monetary system ; but this innovation is in response to our concern, voiced during the Brazzaville Conference, to take into account in equal measure, the interests of each of these territories that compose the French Union, and to respect their specific needs and their local contingencies. It marks, at the monetary level, the end of the colonial pact.

But it should be noted that the existence of different exchange parities in no way changes the monetary solidarity of these territories, which till now constituted and still constitute the Franc area. The fact that the currencies of all these territories are basically covered by Francs deposited in Paris, that current transfers are free within the Franc area or that the territories of the French Union put all their exchange resources together in the same stabilizing fund, has not changed".

JORF : Constituent Assembly Debates, 26 December 1945 session, speech by Minister Pleven.

The new exchange parity of the metropolitan Franc soon proved to be unsuitable. Prices continued to rise in 1946 with the progressive reduction in rationing, the restoration of free prices and the increase in the prices of raw material. Another adjustment in parity became necessary.

2 - The devaluation of 26 January 1948 and the doubts concerning the economic approach towards the Colonies

On 26 January 1948, the Franc was devalued by 44.44%. The official rates of currencies denominated in Francs increased by 80% : the dollar rose from 119.10 F to 214.39 F and the pound from 480 to 864 F.

The CFA Franc was devalued in the same proportions and thus retained its ratio of 1 against 1.70 metropolitan Francs ; the Indochinese piastre followed the same course. The CFP Franc and the French Rupee were not devalued, their parity with respect to the metropolitan Franc rising from 2.40 to 4.32 F and from 36 to 64.80 F respectively.

This decision, was severely criticized, particularly with regard to the CFA Franc.

The new parity of the Franc was not always realistic vis-à-vis the Dollar, taking into account the increases that had already taken place or were immediately foreseeable. The economic parity was between 225 and 275 Dollars, and a rate of 300 Dollars appeared desirable in order to encourage repatriation of capital, given the fact that the prices in the gray market were above this rate.

3 - The devaluation of 17 October 1948

The official rate was fixed at 264 Francs against 1 Dollar, whereas the average rates in the free market were around 314 Francs for 1 Dollar.

The authorities took into account the earlier criticisms : the CFA Franc retained its parity with respect to the Dollar (1 Dollar = 126 CFA F) and therefore found itself falling behind the metropolitan Franc, its parity going up from 1.70 to 2 metropolitan Francs.

The CFP Franc remained linked to the Dollar ; its parity going up from 4.32 to 5.31 metropolitan Francs and to 5.48 from April 1949.

The Indochinese Piastre followed the metropolitan currency and continued to cost 17 Francs. The French Rupee was not devalued.

It should be recalled that the territories of North Africa, the West Indies, Guyana and Indochina remained incorporated within the metropolitan Franc sector and thus suffered the same fate.

The Djibouti Franc was created on 20 March 1949 for French Somaliland where the CFA Franc issued by the Bank of Indochina was in circulation so far.

This new monetary unit was linked to the Dollar and considered a foreign currency.

4 – The technical adjustment of 27 April 1949

The Franc/Dollar rate, adjusted to 330 Francs, did not have any effect on colonial Francs.

5 – The return to *status quo ante*

The reaction of those advocating monetary standardization was sharp, incisive ; numerous and active - they were people from all walks of life : business, universities and the press. They protested against the "monetary dismemberment", the "monetary division", the "dislocation of the French Union", the "pernicious decisions of December 1945", etc.

Their argument was that the 1945 decision was a mistake ; for some, since the necessary corrections were made in 1945, it was enough to go back to the 1939 situation, i.e. to the monetary unity within the area by freezing, if necessary, the existing parities between the Metropolitan Franc and the colonial Francs by passing a law, in order to remove any uncertainties regarding their future evolution.

Thus cornered, the authorities gave in to the pressure of public opinion. It was translated into fact during the subsequent devaluations, with the dogmatic maintenance of a stable parity between the Colonial Franc and the Metropolitan Franc as well as the attempt to withdraw the CFA Franc.

1) The devaluation of 20 September 1949

With the devaluation of 20 September 1949, the CFA franc followed the fate of the metropolitan franc and maintained the parity of 2 francs with respect to it ; the piastre remained at 17 francs. For the first time since its creation, the CFA franc was no longer linked to the dollar and was linked to the metropolitan franc on the basis of a new parity fixed at 5.5 francs. "The CFA and CFP francs, and the piastre, thus found themselves, like the latter before the war, to be simple multiples of the metropolitan franc"³¹⁴.

Parity of the franc with respect to major currencies

Date	US Dollar	Pound	Swiss franc	Deutsche mark (2)	Belgian franc (100 units)	Dutch florins	Italian lira (100 units)
22 November 1944	49.625	200	11.52		113.25	26.54	> 300
26 December 1945	119.1	480	27.63		271.75	44.90	52.93
20 January 1948 (1)	214.39	864	49.74		489.15	80.815	62.25
18 October 1948 (3)	281 ML 264	1 062	79.35	78.50	601.50	99.35	46.50
27 April 1949 (4)	314 ML 330	1 097	83.30	81.40	620.85	102.55	55.55
20 September 1949 (5)	350.00	980	80.04	83.32	700.00	92.10	55.25
23 June 1958 (6)	420.00	1 176	96.05	100.00	840.00	110.57	67.50
29 December 1958	493.70	1 382	112.55	117.55	982.70	129.92	78.99

(1) Setting up, on 20 January 1948, of a system of multiple parities : official price by the F.S.C ; market price (ML), for some currencies ; average value of the two for a part of the transactions.

2) The deutsche mark was created on 20 June 1948.

3) Realignment along the "mean price", prices followed by the F.S.C.

4) 27 April 1949 : minor adjustment, in application of the "rule of 5%".

5) General alignment of European currencies.

6) Since 10 August 1957 : hike in prices, in fact, by 20% of the earlier prices, at first for a part of the transactions, then, from 26 October onwards, for all transactions.

Source : Koch, H. publication cited p. 408

³¹⁴ Mérigot (J.G.), op. cit., p. 18.

2) Linking Colonial Francs with Metropolitan Francs

This was such a hot subject that the Economic Council had a debate on this issue in February 1950. Its analysis was that the 1945 operation was a necessity in order to avoid the unpleasant effects that would have resulted from a return to monetary assimilation, which had practically come to an end.

However, the subsequent maintenance of the solidarity of the Overseas franc with the metropolitan franc led to an increase in the cost of living in the Overseas Territories each time that the metropolitan franc was devalued.

However, the disparity between the various Overseas currencies continued to intensify, as elements of their reciprocal parity - balance of payments, budgetary balance, relation between the cost price of exportable goods and their international prices - were subject to incessant variations.

But it appeared difficult to vary the parities frequently, since such changes necessarily lead to harmful disturbances in the economy of the territories under consideration.

Thus, the Economic Council concluded that a logical solution was called for - a return to the monetary unity of metropolitan France and the Overseas Territories Francs.

It was possible to think of such a solution given the stability achieved by the metropolitan franc. If it had been delayed further, chances were that new problems may have cropped up, which would have not only economic but also political repercussions that were best avoided.

The same opinion was expressed in various newspaper articles and studies : "the controversies surrounding the creation of colonial francs and the subsequent steps taken, which today are only of retrospective interest... Henceforth no change should affect the parity of these francs with respect to the metropolitan franc"³¹⁵.

Taking this into account, the parity of the CFA Franc remained fixed with respect to the metropolitan franc from the devaluation of 17 October 1948 - 1 CFA F = 2 F metro - to the devaluation of 11 January 1994, i.e. for almost 56 years.

The provisions of the agreements concluded also take into account the inviolability of this parity. Even after the reform of WAMU institutions in 1973 (cf. Vol. II, chap. 7), WAMU organizations could, if necessary, change the exchange rate of the CFA franc, but they never had to resort to such a step in reality.

As for the question whether under such conditions and, taking into account the disparities in the economic development of the French and African economies, the exchange rate of the CFA Franc was adequate or, in other words, whether this currency was not overvalued, arguments put forward by the advocates of monetary standardization pointed out the ineffectiveness of devaluation in these countries, the inflation which would surely follow and the impossibility of any improvement in revenues...³¹⁶.

³¹⁵ L'organisation monétaire, in *L'Economie Française des Territoires d'Outre-Mer*, Paris, 1952. (The monetary organization in the French Economy of the Overseas Territories).

³¹⁶ Leduc (M.), *Les Institutions monétaires africaines*, p. 61 (The African monetary institutions).

According to Michel Leduc, in fact, "irrespective of whether the creation of the CFA franc and the choice of its exchange rate with the French franc were mistakes or not, the fact is that African prices have adapted themselves accordingly. Any change would only lead to dangerous disturbances".

It was in these circumstances that the idea of withdrawing the CFA franc was born, as we shall see later on.

Box 3.9

The artificial disparity of the CFA franc leads to some trafficking

Public opinion, already alert after the piastre affair, was wondering whether the CFA franc was also encouraging trafficking and irregular transfers. We had already spoken about such dangers a few months ago.

Monetary division

The mistake committed in December 1945, during the creation of the so-called colonial francs, perhaps exposed us to, not just surprises, but also to unfortunate objections.

As more time passes, we are forced to judge with greater severity this decision, which, at the time of the formation of the French Union, deliberately introduced monetary divisions within the same Union.

Moreover, never has the creation of colonial francs, the CFA franc, the Pacific franc and also the disparity of the Indochinese piastre been explained or justified with valid reasons.

The error

It is true that by the end of 1945, there was a plethora of improvisations in all fields and the haste with which they were done matched their incompetence.

It was audacious as well as discouraging to admit, as it was suggested later on, that the territories of Black Africa would retain a sort of definitive independence as far as their trade links with other countries were concerned.

Why did we so lightly accept that the ports of Marseilles, Bordeaux, Le Havre, Dunkirk, etc., would be definitively cut off from international traffic to the advantage of the ports on the black coast? And, from the monetary point of view, why were the islands of Saint Pierre and Miquelon integrated with black Africa and consequently, why was their integration with the CFA franc deemed justifiable?

From 1945 to 1953

At that time, the public did not understand all the ill effects of the decisions taken in December 1945.

But today it, certainly will not admit that an illicit financial and monetary traffic could take place, if it does not already exist, at the cost of metropolitan France and its finances.

Extract from the paper "Les Echos"

37, Champs-Élysées – Paris.

Issue no. 3059 of 5 November 1953.

However, not everyone shared this vision of the monetary problems of the franc zone.

c - Criticism of monetary standardization

Although in a minority, the partisans of the autonomy of Overseas currencies were extremely critical of the uniform monetary order, which, according to them, was artificial.

Their main arguments were put forward by Emile Mireaux (1954). He brought up the problem of the monetary security, which would have to be guaranteed to capital interested in migrating to these territories : "since any colonial venture by its very nature is full of risks, an abnormal monetary risk cannot be added to it" (p. 128).

Hence the need to change the monetary status of these territories.

This did not mean changing parities between the colonial currencies and the metropolitan currency, which were "fixed through administrative channels". Whether they were right or wrong would require a long and irrelevant study. "What we do know for a fact is that these parities are artificial" (p. 128).

They remained at the mercy of a brutal administrative decision, whether justified or not, as in the case of the piastre (adjustment of 1953).

For Emile Mireaux, monetary security between Metropolitan France and its Colonial Territories could not be provided by peremptory declarations, but through reforms leading to the fixing of natural parities, which would not, perhaps, be far different from the existing parities, but which would reflect the reality, and thus guarantee stability.

Denouncing the system, he insisted on the disadvantages of the monetary subjugation of the Overseas Territories by metropolitan France, through the mechanism of the operations account and, in particular, as regards the consequences of the status of the colonial currencies on the monetary and economic health of these Territories.

In this respect, he emphasized the fact that the invariability of the parities within the area greatly complicated credit control in these territories.

Since the transfers were legal, the volume of credit, its reduction or expansion, was automatically regulated, for the most part, by fluctuations in the balance of payments.

A deficit, which could be the result of a bad harvest or the flight of assets towards metropolitan France, could immediately translate into deflation. An excess could instantaneously lead to inflation against which the Issuing Houses were practically powerless and for which the only solution that they could offer was only mildly effective : interest rates.

"No doubt, if these parities were more elastic instead of being absolutely rigid, the issuing Banks controlling the credit flow could easily check, by depreciating the local franc, excessive imports and speculative fluctuations of the capital outflow and correct reverse trends by an appreciation" (p. 89).

In the first case, exporters of capital and importers of goods would be forced to pay more local francs to the Bank, which would immediately "send the market back to the Bank", thus giving the Bank the opportunity to once again control the market. In the second case, an appreciation of the local franc would limit the issue of local paper money since more metropolitan francs would be necessary for the same amount of local francs. Moreover, it would discourage abnormal exports and speculative entries of capital.

Thus, the autonomy of the colonial currencies could be restored to the pre-First World War situation and one organic unit of the franc area would replace a rigid unit, which would be more apparent than real ; a true balance would be changed into an artificial stability, which could just end up as a bureaucratic illusion.

But, according to E. Mireaux, whether we like it or not, and in spite of all the constraints and all the controls, the currencies of the Overseas Territories led an autonomous life, which was the nature of things, and there was an exchange rate between them and the metropolitan franc.

But, instead of evolving according to a rhythm dictated by slow and small-scale fluctuations, which were likely to invite corrective measures almost immediately from the banks, this exchange rate could be drastically modified by a sudden downside or of a disproportionate scale. The imbalances would accumulate, protected by regulatory barriers. *Then, such a situation would call for a massive correction at one go.*

Thus, the parity of the CFA franc was sharply affected in October 1948 when it rose from 1.70 metropolitan F to 2 F, or a variation of more than 17% ; that of the CFP from 2.4 to 4.32 in January 1948 (80% variation), to 5.31 in October of the same year (almost 23% increase), then again to 5.48 and finally to 5.5 in April and September 1949 (more than 5% increase) ; in 1953, the parity of the piastre was brought down at the same time from 17 to 10 (41% variation).

"A monetary conception leading to such upheavals is indefensible. The fluctuations in the exchange rate within the French Union were supposed to have been removed - fluctuations that would have softened vigilant credit control by the issuing houses. But precisely this control is rendered impracticable by the present status of Overseas currencies. They were simply replaced by appreciations or devaluations of catastrophic dimensions. And who would dare affirm that currently, some territories are facing a monetary crisis that has undoubtedly been caused by the same policy" ? (p. 40 and 41).

The solution, according to Mireaux, was a return to the monetary autonomy of Overseas Territories, under the higher control of the Monetary Committee of the franc area, set up by the Act of 24 May 1951, after more than ten years of disappointing experiences carried out in the name of a so-called "rejuvenating" technique, as a solution based on reason and reality and dictated by facts.

This autonomy implied a credit control in each territory that was likely to protect the local currency within the French Union. Its objective was to make this control feasible and effective.

"On one condition however, that the Issuing Banks ensuring its protection are independent establishments, real banks, managed by real bankers, and not Monetary Bureaus with administrative characteristics that only issue and distribute notes".

Emile Mireaux affirmed that his conception of the monetary organization was the most effective for the development of the territories, rather than the government-controlled and interventionist measures envisaged.

C – The development policy for the territories, government control over issuing, credit and third generation banks

An investment fund for the economic and social development of the Overseas Territories was set up and the right of issue was conferred to public organizations - Central Fund of Free France, the Issuing House of AOF and Togo - or to a public enterprise : the Bank of Madagascar.

a – The Central Fund of Free France

1 – Historical background

The Central Fund of Free France was set up on 2 December 1941 by an ordinance of General de Gaulle following financial agreements concluded with the British Government in March of the same year. According to the agreements, the Committee of Free France in London was entitled to credit in pound sterling in order to finance the *expenses of the Committee in AEF and in Cameroon*.

At the same time, the Fund acted as the Central Agency of the Treasury and as an Exchange Bureau. However, in July 1942, it received in these territories - by a *de facto* dispensation of the 1929 Act, which had assigned issuing rights to BAO - the right to issue notes in its name by replacing the notes and short-term notes that were already in circulation, in return for gold or foreign exchange, mainly pound sterling.

It was also empowered to receive deposits and grant credit.

By an ordinance of 2 February 1944, it was transformed into the Central Fund for French Overseas Territories, a publicly owned organization with a legal entity and enjoying financial autonomy. It was headed by a Director General appointed by decree. Its Supervisory Board approved any decision pertaining to a specified number of objectives.

The initial grant fixed at 500 million old francs was increased to 3 billion in 1948.

2 - Attributions

Thus, the Fund simultaneously performed the functions of an issuing house and a financial organization with greater scope.

1) Issuing authority

It enjoyed wide-ranging powers. It had the power of issue in AEF, Cameroon, Réunion, Martinique, Guadeloupe, Guyana and Saint-Pierre and Miquelon.

Moreover, each issuing bank was supposed to *place at its disposal*, in the currency of the territory where it was functioning, *the exchange value of any amount that it entered as credit in its account*.

In return, the issuing banks were authorized to post, as security for their notes, the credit balance of their account with the institution.

By a decree issued on the joint proposal of the Ministry of Finance and the Ministry of French Overseas Territories, legal tender and unlimited power of discharge could be granted to notes of the Central Fund in the Territories where the issuing authority rested with any other organization.

It was authorized to carry out - in all territories - "credit operations authorized for the issuing bank of the concerned territory", as well as the "open market" operations - buying and selling of State Funds, Treasury securities or any bonds guaranteed by the Treasury.

Finally, it was stipulated that the Fund would direct the credit policy of the issuing banks, which were obliged to give it information and documents as and when required. It also ensured the enforcement of all measures taken by the authorities pertaining to these banks.

2) Other financial activities

The Central Fund functioned in the exchange domain by virtue of the ordinance of 2 February 1944 and the decree of 2 June of the same year.

It ensured the supervision of the exchange bureaus operating in AOF, Togo, Cameroon, AEF, Madagascar, New Caledonia, the French settlements of the Pacific region, Saint Pierre and Miquelon and the new French Overseas departments.

It managed the "Exchange Rate Stabilization Fund for Overseas Territories". It was also the "correspondent of the Treasury" and substituted, in this capacity, the issuing banks that were earlier carrying out transfers for the State in Overseas Territories.

Henceforth, it was the Central Fund that opened accounts with the Treasuries of the Territories and finalized the modalities for operating these accounts with the Ministry of Finance.

Moreover, the Act of 30 April 1946 setting up the FIDES put it in charge of financing infrastructure programs.

b – The FIDES – "Fonds d'Investissement pour le Développement Economique et Social des territoires d'Outre-mer" (Investment Fund for the Economic and Social Development of the Overseas Territories)

1 – Setting up the Fund

A decennial plan was officially decided upon at the French African Conference held in Brazzaville in 1944. This plan would give the colonies all the instruments necessary to confront the global market after the war.

The Act of 30 April 1946 prescribed a social and economic development plan for the territories for a period of ten years, which would ensure "the transformation of the Overseas Territories into modern countries as far as their public and private facilities are concerned".

The FIDES was responsible for the development of local facilities in the Overseas Territories, which would first be covered by a plan for equipment and facilities. Henceforth, the big projects of the past - like the Niger Agency- were given up in order to concentrate efforts on local facilities (schools, hospitals, transport, etc).

Each Territory had to draw up its own plan. But, as the information gathered by the Assemblies of the concerned territories was late in reaching Paris, the Commissioner General for the Plan decided, starting from 1948, to transform the Overseas decennial plan by integrating it with the Single French Union Plan, 1945-1952.

In fact, the 1946-1957 period covered the first two French modernization and development plans.

The first plan covered the 1946-1952 period and the second, the 1952-1957 period.

The Overseas plans were basically financed by metropolitan France through FIDES (which posted the operations related to the progress of public sector programs).

2 - Modalities of functioning

The FIDES programs consisted of two sections: a *general section* funded by budgetary allocations by metropolitan France and a *Territories section*, also financed by a French State grant (55%) and contributions from the Territories (45%). The CCFOM lent its share amount to the territories at an interest of 1%.

Moreover, a decree of 24 October 1945 authorized the CCFOM to financially assist private enterprises that participated in the implementation of the plan for developing facilities. It could also give loans directly to public organizations (communes, chambers of commerce or mixed economy companies).

The budgetary allocations were subject to the uncertainties of the French Treasury. Thus, in 1950, mainly during the Korean War, the Treasury was facing problems and the FIDES had to stop financing certain projects.

The first plan (1946-1952) was intended to be a long-term plan. Its objectives were to carry out major projects, mainly roads, railways and ports, so that the French Union could, from 1952 onwards, enjoy an "*increased agricultural, forest and mineral production*" and thus export, mainly towards the dollar area.

This idea failed to succeed since the "*crop revolution*" did not materialize and commercial relations continued to develop between metropolitan France and the Territories.

The second plan (1952-1957) called a halt to the development projects and concentrated more on energy development, building huge ports and industrialization of zones that were already naturally rich.

But, one consistent factor in both the plans was the effort to improve the social aspects: education, health and shelter. In this respect, convincing results were achieved.

3 – Achievements

It is difficult to state with any exactitude the amount of investment made by FIDES in AOF. According to a 1958 propaganda brochure entitled "*The economic and social development of AOF*" edited on behalf of the High Commission of AOF by the "Documentation française" (French Documentation), the amount stood at FF 280 billion for the 1947-1956 period. On the contrary, if we refer to other sources, the amount was just FF 150 billion. In all, it appears that during the course of the two plans, AOF received about 50% of the funds released by FIDES for the Overseas Territories (AOF, AEF, and Madagascar) and neighboring Territories (Togo, Cameroon).

Some of the projects completed were :

- . The creation of industries in Senegal (oil-works in Casamance, phosphates), in Guyana (iron and bauxite) and in Mauritania (copper)
- . The construction of wharves in the major ports
- . Irrigation works (Senegal and Niger river valleys)
- . Setting up regional hospitals and sanitary buildings in the bush
- . Setting up primary, secondary and technical schools.

It appears that FIDES's investment policy was unsuited because :

- . It neither took into account the opinions and suggestions of the African people and their representatives, nor of grass-roots politicians ;
- . The "*crop revolution*" did not take place, the use of machines did not increase production much ;
- . The private sector did not really contribute to investment ;
- . The plan put a serious strain on the budgets of the Territories that could not put up with the maintenance and running costs.

- c - The Bank of Madagascar according to the Act of 29 March 1950 -
A bank with a majority public stake

At the time when the rights of the Bank of Madagascar expired on 31 December 1947, the doctrine regarding issuance and credit was definitely based on nationalization, on the Liberation, the "Banque de France" and the four main credit establishments by virtue of the Act of December 1945.

The hybrid status conferred on the new Bank of Madagascar could not be explained due to "economic reasons", as is clearly evident from parliamentary deliberations.

1 – The preparatory work

The right of issue conceded to the Bank of Madagascar by the Act of 22 December 1925 for a period of 20 years and which was to expire on 5 February 1946, was extended several times in order to give the Government time to finalize the reforms aimed at the issuing system.

During the National Assembly session of 1948, the Government presented a draft bill pertaining to the reorganization of the issuing system in Madagascar, in the name of Robert Schuman, Prime Minister, by Mr. Paul Coste-Floret, the Minister of Overseas Territories and Mr. René Mayer, the Minister of Finance and Economic Affairs.

While explaining its motives, the Government affirmed that "the right of issue exercised by a basically private institute no longer corresponds to the real requirements of the monetary policies of the Overseas Territories".

He added, however, that due to economic reasons, it was preferable to maintain the right of issue of the Bank of Madagascar in return for a "drastic reorganization", rather than conferring this right on an existing public institute or one which was yet to be set up (cf. box).

Explanatory memorandum
For the draft bill presented to the National Assembly³¹⁷

The exercise of the privilege of issue by a primarily private establishment no longer meets the current needs of the monetary policy in Overseas territories.

However, in order to avoid the expense that would be involved in the transfer of attributions to a publicly-owned establishment like France's Central Overseas Fund or the creation of a new issuing house, it appeared preferable to continue to mandate the Bank of Madagascar for issuing services, subject to a major reorganization of the Bank.

The reorganization envisaged consists of an increase in the authorized capital that gives the State and the territory control over the Bank and thus ensures the preponderance of public interest in any matter where it may be concerned.

In conformity with political and administrative development, the new issuing system that Madagascar will acquire will facilitate initiatives essential to the economic development of the Great Island and the issuing house's activities will be henceforth more closely associated with the interests of the territory and the population.

The draft bill - which follows - was concise and dealt only with institutional reforms, leaving the task of dealing with operations to the statutes, which were to be amended within 6 months from the promulgation of the law.

The text was returned to the Overseas Territories Commission for examination.

It came for discussion at the December 1949 session of the National Assembly.

Most of the Overseas elected officials were present : Gabriel Lisette, Sourou-Migan Apithy, Felix Tchicaya, Houphouët-Boigny, Mamadou Konaté, Nazi Boni, Yacine Diallo, Senghor, Ouédraogo Mamadou, and so on.

Lisette and Apithy presented each of the amendments, which were finally not retained. The former, accepting responsibility for an opinion of the Assembly of the French Union on the question at issue, proposed to entrust the issuing privilege to a public organization, in this case, France's Central Overseas Fund.

The latter proposed that the Bank of Madagascar be empowered to promote the creation of an organization specially charged with credit operations for co-operatives, artisanal enterprises and groups of small and medium scale tradesmen and industrialists.

³¹⁷ JORF - Parliamentary Documents - National Assembly, Annex no. 4345, 1948 session - 3rd session of 27 May 1948, p. 1050.

The adopted text was presented to the Council of the Republic (Senate) for its opinion in February 1950. Mamadou Dia and Raphaël Saller took an active part in the debates.

At its second reading, the text was adopted definitively by the National Assembly in March 1950.

2 - Contents of the law

The Act of 29 March 1950 *maintained the privilege with the existing Institute*, subject to *a reform of its statutes*. The issuing service was again entrusted to the Bank of Madagascar for a 20-year duration as from January 1, 1948. But the State and Territories of Madagascar and the Comoros became majority parties in the bank's capital and on its Board of Directors.

The operation was carried out by the conversion into shares of the founders' shares allotted to the State when the company was established. Following this increase, the capital rose to FF 111 million, i.e. 222,000 shares of FF 500, including 82,946 or 56.04% for the State, the Territories of Madagascar and the Comoros, and 65,054 or 43.96% with private shareholders.

The Board of Directors was composed of 14 members of whom 8 represented the State and Territories.

The Supervision of the Bank was ensured by two civil servants, one designated by the Minister of Finance, the other by the France's Minister of Overseas Territories.

Following this reform, a new convention between the State and the Bank was signed on 31 August 1950. The statutes were amended and the whole approved by the decree of November 16, 1950.

As regards the operations concerning the issue of currency, the Government's draft bill did not address them. It was the Overseas Commission that introduced a draft Article 3, drawn up "after a very long discussion", according to the rapporteur :

"The Bank of Madagascar is empowered to develop its operations in the form of medium-term credit within the limits and conditions fixed by the Minister of Finance and France's Minister of Overseas Territories and after garnering the opinions of the local representatives of France's Central Fund for Overseas Territories.

"The ceiling for medium-term credits is fixed in theory at ten million francs per operation and company. It may be modified by joint decrees of the Minister of Finance and France's Minister of Overseas Territories.

"The Bank of Madagascar will also be able to discount stocks representing medium-term credit operations carried out or endorsed by France's Central Overseas Fund...".

An amendment to this article was presented by the Finance Committee. At the December 2, 1949 session of the National Assembly, the rapporteur of this Committee explained their approach in these terms :

"The Finance Committee estimates, purely as a financial doctrine, that the counterpart of the issue, in whatever issuing house it may be, must always be mobilizable, and that it is extremely dangerous to assign it to medium or long term-investment.

At the beginning of this year, we were already able to note the troublesome effects of such an investment policy. Several times, France's Central Fund for Overseas Territories had to proceed with reimbursements to the advantage of depositors who wished to repatriate to motherland France the sums that they had in our territories, and these operations weighed heavily on the bank's cash position.

Mr. Petsche, during a meeting of the Finance Committee, told us about the major repercussions suffered by his own treasury due to the fact that he found himself obliged to grant advances to the Central Fund.

That is why the Finance Committee has asked you to prohibit the Bank of Madagascar from practicing medium and long-term investment and loans. In any event, and I repeat, the counterpart of the issue must remain mobilizable.

On the other hand, the Finance Committee would allow the Bank of Madagascar to practice the rediscount of its medium-term stocks, a normal operation for an issuing house. "

For the rapporteur of the Finance Committee, since the article had been drafted after a very long discussion, the Committee could only stand by the draft.

France's Minister of Overseas Territories indicated that the Government accepted the amendment by the Finance Committee.

The Council of the Republic (Senate) would be of this opinion. Ultimately, this provision was drafted as follows :

Article 3 - The Bank of Madagascar shall be authorized to carry out, in the territories where it has its branches and agencies, the following operations :

- 1) All short-term operations ;
- 2) Rediscounts of its medium-term bills within the limits and conditions fixed by decree of the Minister of Finance and France's Minister of Overseas Territories.

The model of the Bank of Madagascar constituted merely a step towards the establishment of public banks of issue in the experience acquired by France's Central Fund for Overseas Territories, since the German occupation.

**Act no. 50-375 of 29 March 1950 bearing on the reorganization
of the issuing rate in Madagascar³¹⁸.**

Article One – Subject to a reorganization of the Bank, in accordance with the provisions hereafter, the issuing department shall be entrusted to the Bank of Madagascar, for a twenty-year period from January 1, 1948, to be exercised in the territory of Madagascar and dependencies and in the territory of the Comoros.

Article 2 - The capital of the Bank of Madagascar shall be increased. The modalities of this new issue of capital shall have to ensure the majority interest of the State, the territory of Madagascar and dependencies and the territory of the Comoros.

Article 3 - The Bank of Madagascar shall be authorized to carry out, in the territories where it has its branches and agencies, the following operations :

1) all short-term operations ;

2) Rediscounts of its medium-term bills within the limits and conditions fixed by decree of the Minister of Finance and France's Minister of Overseas Territories.

Article 4 - Annual conventions shall fix the limits within which the Bank of Madagascar will be able to grant advances to France's Central Fund for Overseas Territories, to agricultural credit funds and other credit organizations.

Article 5 - The Bank shall be managed by a Board of Directors composed as follows :

- The Chairman and general manager, nominated by a decision taken jointly by the Minister of Finance and France's Minister of Overseas Territories, and having a casting vote in the event of an equal division. The Chairman shall be able to delegate the functions of general manager ;

- A representative of the Minister of Finance ;

- A representative of the French Minister of Overseas Territories ;

- The president of France's Central Fund for Overseas Territories or its representative ;

- Four Board members representing the territory, named by the French Minister of Overseas Territories after designation by the representative assemblies, at the rate of three for Madagascar and for the Comoros, from a list presented by the High-Commissioner of the Republic to Madagascar and including three times the number of administrators to be designated ;

- Six Board members representing shareholders other than the State and Territories, elected by the shareholders' General Assembly.

³¹⁸ J.O.R.F. of 30 March 1950.

Article 6 - Within three years maximum as from the promulgation of this Act, the Bank of Madagascar shall have to open agencies, in particular in the ports of Fort-Dauphin, Manakara, Montrondava and Moroni.

Article 7 - The Bank of Madagascar shall be supervised in particular by two civil servants, one appointed by decree of the Minister of Finance, the other by decree of the French Minister of Overseas Territories.

Article 8 - The Minister of Finance and the French Minister of Overseas Territories shall have to sign with the Bank of Madagascar, thus reorganized, conventions to replace those of July 1, 1925, within four months as from the promulgation of this Act.

These conventions shall be exempted from excise and registration duties.

Article 9 - The statutes of the Bank of Madagascar shall have to be amended within a period of four months from the promulgation of this Act, in conformity with the provisions above.

These statutes may maintain the exemptions from general company legislation appearing in the statutes approved by the Act of 22 December 1925 and subsequent laws.

The exchange value of missing or lost notes shall be paid to the concerned territories.

Article 10 - The provisions of Article One shall become final only after the intervention of the new statutes and new conventions and their approval by decree taken in the form of a public administration ruling and countersigned by the Minister of Finance and France's Minister of Overseas Territories.

Two years after the Bank of Madagascar, BAO's privilege expired. After several years of uncertainty, it would be replaced by a publicly owned establishment, the Issuing house of the French West African Territories and Togo.

d - The Issuing house of AOF territories and Togo

1 - The end of BAO's privilege

On the expiry of the privilege on January 29, 1949, at the request of the authorities, the bank continued to issue banknotes without receiving a new legislative mandate.

Since the memorable parliamentary debate of 21 February 1928, the banking landscape of West Africa changed fundamentally with the opening of Overseas establishments by major deposit banks of the mother country, since 1939, because of the war and the occupation.

They started competing with the privileged Bank whose plurality of functions as a bank of banks and a credit institution, gave it an undeniable advantage in the banking market. This appeared increasingly abnormal in relation to the first principle stated by Daladier, which was : *"the limitation of the sphere of activity of the bank to its role of an impartial dispenser of credit"*.

The other anomaly was that the monetary authority, a private company, was perceived as being guided in its policy by the search for profit, instead of devoting itself to upholding the general interest.

It was in this context that the fiftieth anniversary of BAO took place in 1950-1951.

In his report to the ordinary General Assembly of November 15, 1951, the Chairman of the Board did not fail to evoke the event :

"We cannot pass over this anniversary in silence. Our thoughts go to those who, during half a century, devoted themselves to the economic development of French Africa. The solemn inauguration of the Port of Abidjan, which took place at the beginning of February 1951 in the presence of representatives of the highest authorities of the State, was a shining example of this development".

The situation lasted three years. After that, the various governments inserted in successive *finance bills* for 1952, an Article 37, which now became Article 96 of the letter of amendment no. 2591, *authorizing the renewal, by decree, of BAO's privilege, while conforming to the text of the Act of 29 March 1950 reorganizing issuance in Madagascar, i.e. a mixed investment company with majority public participation.*

The dossier illustrates quite well this period of governmental instability, during which the Cabinets tried as far as possible to avoid raising embarrassing questions before Parliament.

Hence, the Government thought that it was possible and desirable to avoid a debate on questions of principle that had already been widely discussed at the time the bill relating to the Bank of Madagascar was being voted.

The Cabinet changed. The following once again took up the same provisions of the Act on special operations accounts for 1953 (Article 20).

On December 15, 1952, the National Assembly, without prejudging any final solution, voted the severing of Article 20, for procedural reasons, thus showing its desire to examine a distinct bill.

The elected officials of Overseas Territories also played a role in this decision. Indeed, Mr. Senghor presented an amendment in the Commission, which tended to delete the article in question from the Finance Act, to prevent the debate from being "evaded" during a hasty vote on an article of the Finance Act.

A possible point of disagreement in this regard was the question of the *territorial limits of the privilege.*

Indeed, as we saw, as a consequence of the attachment of AEF Territories and Cameroon to Free France, the issuing privilege in these territories was reserved, by the ordinance of 24 July 1942, for the Central Fund for Free France.

Thus, since 1942, the privilege conceded to the BAO by the Act of 29 January 1929, was, *de facto*, restricted to AOF Territories and Togo.

Therefore, while preparing its text, the Government believed that it would be easy to propose the withdrawal from the Central Fund - a publicly-owned establishment - of this privilege, without providing the Parliament with the necessary elements for it to assess how this organization would manage the issuing service and to compare the advantages and disadvantages of the two respective issuing systems.

It believed, *a priori*, that if the Assembly agreed that the transformation of the BAO - a private company - into a semi-public company, constituted a necessary stage, to withdraw the privilege from a publicly owned establishment and grant it to a semi-public company would, on the contrary, be perceived as a regression.

For all these reasons, the Government wanted to limit its text to the renewal of the privilege granted to BAO, under the conditions and limits whereby it would enjoy the privilege - on the date it terminated in January 1949 - subject to a structural reorganization consisting of transforming BAO, a private company, into a semi-public company.

The problem was presented in these terms to BAO officials. In order not to delay the presentation of the project, the Bank's Board of Directors submitted for approval to its General Assembly the Government's decision not to call into question the exercise of the issuing privilege by France's Central Overseas Fund, for French Equatorial Africa and Cameroon³¹⁹.

On May 20, 1954, the Council of Ministers, on a proposal by the Minister of Finance and Economic Affairs, took the theoretical decision of submitting a draft bill to the Assembly as soon as possible.

But that Government did not have time to submit its text. It was replaced by another Government, which decided to review the question.

During the General Assembly, held on November 18, 1954 for the financial year 1953-1954, the Chairman of the Board stated : "We regret that the question of the renewal of your bank's issuing privilege has not yet been resolved".

After having recalled the ups and downs of this pending business since 1949, he concluded :

"We hope, as we informed you during the General Assembly in November 1947 when our Board was mandated to ask for the renewal of the issuing privilege, that the authorities, when the time comes to reach a decision, will take fully into account all the support that our Establishment has provided, since its foundation, to the financing and economic development of the Black Africa".

³¹⁹ BAO, 1953 Minutes and Report.

Two months later, on January 20, 1955, under the signature of Pierre Mendès-France, President of the Council of Ministers, and the counter-signatures of Robert Buron, Minister of French Overseas Territories, Edgar Faure, Minister of Finance, Economic Affairs and Planning, the Decree No. 55-103 on the issuing system in AOF and Togo, created a publicly-owned establishment called the "Issuing House of French West Africa and Togo".

The text provided that the "service of issuing banknotes in French West Africa and Togo, entrusted to the "Banque de l'Afrique Occidentale Française" by the Act of 29 January 1929, will be transferred to the new publicly-owned establishment within three months maximum from the publication of the administration's ruling".

An extraordinary session of BAO's General Assembly was held on April 4, 1955, to hear the Board of Directors' report on the modalities for the transfer of the issuing service and on the prospect of it being established as a retail bank.

Report of the Board of Directors³²⁰

Ladies and Gentlemen :

We have called you here today for an Extraordinary General Assembly to announce the significant decisions that the authorities have taken with regard to your Bank.

As we intimated at the time of our Ordinary General Assembly on November 18, 1954, our issuing privilege, which had expired legally since January 29, 1949, will not be renewed.

Indeed, last January, the Government decided to entrust the issuing service for French West Africa and Togo, on the one hand, and French Equatorial Africa and Cameroon, on the other, to two State organizations, established as publicly-owned establishments.

A decree dated 20 January 1955, published in the "Journal officiel de la République française" (Official Gazette of the French Republic) of 25 January 1955, and issued within the framework of the special powers conferred by the Act of 14 August 1954, replaced your Bank by a publicly-owned issuing house in French West Africa-Togo.

The issuing house's endowment will be constituted by the State and all the members of its Board of Directors shall be nominated, either by ministerial decree or by public organizations.

This measure is inspired by purely doctrinal considerations and does not imply any criticism against the management of your bank. The Government, on the contrary, did not cease paying homage to the way in which the management has discharged the tasks with which it had been entrusted. To express its desire to see us playing, in the future, as in the past, a significant role in the economy of Black Africa, it inserted a provision, in Article 13 of the statutory order, authorizing us, as of the promulgation of this text, to repeal Article 72 of our statutes.

We would like to remind to you that under the terms of this article, on the expiry of the privilege, liquidation was to take place without further consideration.

The application of Article 72 would have constituted an insuperable obstacle for the survival of the Bank.

You will undoubtedly consider it opportune to make full use of the authorization the authorities have granted you and decide, as of now, on the abrogation of this statutory provision. We kindly request to you to vote for the pure and simple removal of Article 72.

Moreover, the economy of the statutory order of 20 January 1955 on the reform of the issuing system in French West Africa and Togo is centered on the idea of the continuation of your Establishment.

Indeed, Article 14 provides that a convention between the "Banque de l'Afrique Occidentale" and the Issuing house of French West Africa and Togo will, subject to

³²⁰ BAO, Extraordinary General Assembly of 4 April 1955, Minutes and report of the Board of Directors.

the approval of the Ministries of Finance and French Overseas Territories, determine the methods according to which your Bank will place at the disposal of the new Issuing house its reserves of banknotes and will be able to offer it certain services, as well as the use of the necessary issuing facilities.

But before considering what our co-operation with this publicly owned establishment will consist of, it is obviously necessary to envisage the conditions under which the Bank will carry on its activity when it ceases being a bank of issue.

Article 11 of the statutory order of 20 January 1955 stipulates that a convention between the Minister of Finance and the Minister of French Overseas Territories, on the one hand, and the Bank, on the other hand, will lay down the methods whereby the latter will be discharged from issuing services. The convention that we submit for your approval controls, to some extent, the negative aspects of our transformation, but the advantages that it offers are not without their counterpart and the Bank will have to take account of these in its future operations.

The essential modalities contained in the convention relate to three points :

- The transfer of issuing to the State ;
- The refunding of our fiduciary circulation ; and
- The repurchase by the Bank of the shares belonging to the authorities.

2 - The transfer of the issuing service to the Issuing House

Pursuant to the Decree of 20 January, a convention signed on 29 March 1955 between the State, represented by the Minister of Finance and Economic Affairs, Pierre Pflimlin, the Minister of French Overseas Territories, Pierre-Henri Teitgen and BAO, represented by its President, Marcel de Coppet, laid down the modalities for the *transfer of BAO's issuing service to the State*.

Another convention of 26 September 1955 between the same Ministers and the President of the Issuing House, Mr. Robert Tézenas du Montcel, determined the conditions for the *transfer of the issuing service from the State to the Issuing House for French West African Territories and Togo*.

In substance, BAO transferred the banknotes in circulation, which constituted the essence of its current liabilities, to the State, along with certain elements of its assets. The difference was covered, according to the case, by BAO or the State, in the event of an overpayment. The State then reassigned these elements to the Issuing House.

For the application of the terms of the collective agreements, the figures selected were those of 30 September 1955, included in a protocol between the State and BAO on 1 October 1955. On the same date, another protocol was established between the State and the Issuing House, with an amendment dated 6 October 1955, specifying the final amount of the issuing equipment after inspection. The figures were as follows (in billions of CFAF) :

- Liabilities : Banknotes in circulation	30.8
. Banknotes issued	70.6
. Cash in hand in issued banknotes (to be deducted)	39.8
- Assets : Elements transferred to the State (to be deducted)	20.5
of which :	
. Portfolio of bills rediscounted to banks	8.7
. Issuing equipment	1.4

That came to a balance, in favor of the State, of 10.3 billion CFAF, which BAO had to discharge in 15 semestrialities as from 1 April 1956.

The issuing equipment included : "*banknotes manufactured but not issued* ; banknotes *in the course of manufacture* or those *ordered* and the elements of which they are composed ; studies conducted and plans prepared for the *creation of new types of banknotes*, it being understood that the State assumes the burden of all payments to be made after the date of transfer and comes to an agreement concerning orders placed or any contracts that may have occurred" (Article 5 of the Convention of 25 March 1955).

The prices for the repurchase of these various items were the prime costs. For the evaluation of the issued banknotes, a wear and tear coefficient was applied according to the principles presented in the appendix of the convention (cf. Box 3.13).

The State had to hand over for collection, to BAO, the 8.6 billion rediscounted bills.

By transferring the liabilities and assets to the Issuing House under the same conditions, it was indebted to the latter to the tune of 10.4 billion, payable in an amount of 2,000,000 CFAF, representing the advances authorized by BAO to French West African Territories and Cameroon, pursuant to the convention of 24 February 1927, by crediting the operations account. The remainder was to be paid in 15 even semestrialities, the first coming to term on April 1, 1956.

**Method of calculation of the cost price³²¹ of existing banknotes
on the date of the transfer of issue to the State**

Each denomination of units was considered successively.

1)The total number of existing banknotes of a given denomination, in cash in hand or in circulation, having been established on the date of the transfer of issue to the State, a recapitulation of the orders placed, starting with most recent and going back in time until the total of the cuts ordered is equal to the number of existing tickets, will be done.

The total of the various charges paid for these various orders, will give the cost price of the issued tickets of the denomination being considered.

The tickets will be deducted at the cost price, bearing a coefficient that takes wear and tear into account.

This coefficient will be calculated in the following way :

For each denomination, a statement of the number of banknotes issued during each 12-month period preceding the date of transfer of issue will be drawn up, starting with this last date and going back in time until the total of the successive issues is equal to the number of the banknotes issued at the said date.

Thus, the number of years (n) that were necessary to constitute the mass of banknotes issued of the denomination considered will be obtained.

It will then be considered that the banknotes issued during the 12-month period preceding the date of transfer of issue are practically new and that during each former 12-month period the banknotes wore out to the extent of a fraction equal to $\frac{1}{N}$.

To give an example, for 1,000-Franc banknotes, whose total issue rose to 28,614,204 on July 31, 1954, the notes issued :

From 8 - 1 - 53 to 7 - 31 - 54, or

From 8 - 1 - 52 to 7 - 31 - 53, or

From 8 - 1 - 51 to 7 - 31 - 52, or

Before 8 - 1 - 51, or

The coefficient to be applied to the notes issued to take account of wear would have been 20,240,051.

2)New notes in stock will be deducted at the cost prices of the corresponding order.

3)The total value of the issued notes and that of new notes in stock, thus determined, will give the value of the notes of each denomination on the date of transfer of issue.

The start-up costs will be added to the amount obtained, when they have been individualized and are related to types less than ten years old.

Done in Paris, in three copies, 29 March 1955.

³²¹ Cost price according to present-day terminology.

This passage from a privileged private bank to a publicly-owned establishment did not take place without raising sharp arguments between those upholding one or the other system.

3 - The controversy over the choice of institution

1)- The criticism directed at BAO

In its report to the Extraordinary General Assembly, the Board of Directors affirmed that the decision not to renew the privilege of the Bank had to do with "purely doctrinal considerations and implied no criticism against the management of the establishment".

In fact, the issuing privilege, because of the seigniorage attached to it, seemed to be a major stake for power and interests which would engender ambitions and rivalry within the Administrative authorities.

This can be seen in internal notes that are particularly critical of the credit policy and BAO's ambivalent status. This criticism, by bringing opinions and prevailing prejudices³²² concerning banks face to face, were incontestably definitive in the final decision of the authorities.

Indeed, the bank was primarily criticized for its interest rate policy and its plurality of functions.

- An expensive credit policy

A study, conducted over the period from 1924 to 1949 on short-term credit, emphasized that the rates used varied from 4 to 10%, and frequently rose to 7 and 8% for long periods.

The study deemed such rates, as regards short-term credit, were completely abnormal and wondered at what rates the medium and long-term investments necessary for AOF Territories should be made, when the Issuing House was itself taking such a high percentage for operations, six months before expiry.

The issuing rate was then blamed : "a business corporation, where private interests prevail and which is endowed with an issuing monopoly, inevitably has the tendency to offer expensive credit, not only to increase its profits but also to impede competing banks that need to resort to its rediscounts".

No doubt the State could recover a part of these profits by imposing special royalties on the company, but this method did not in any way eliminate the economic disadvantages of too high interest rates. "The system instituted in this way is as antiquated as the farming of taxes".

The study continued that the royalties paid by BAO absorbed only a part of its profits, and that between 1938 and 1948, the total net dividends distributed each year to the shareholders amounted on average to 6,600,000 FF, approximately, which, for a capital of 52 million, was in no way negligible.

³²² "It is the banks, the money powers, that govern and oppress all national production organizations : industrial, agricultural and commercial", Parliamentary debates of 21 February 1928 on the renewal of BAO's issuing privilege.

The rates imposed by BAO before the war were distinctly higher than those practiced since. In addition to the war, the lowering of rates was attributed to the competition of the Central Fund and the approach of the end of the privilege.

"Hence, if the competition of the Central Fund as an issuing house were to disappear, it is more than probable that after the renewal of its privilege, BAO would endeavor to once again institute the expensive credit policy which it practiced uniformly between the two wars".

- Disadvantages of plurality of functions of Issuing House and Deposit Bank

On this point, according to the study, the system of a private or mixed Issuing House was necessarily expensive and ponderous : "Because of the desire to reduce the profits that the establishment can draw from its monopoly status, charges that weigh down its management are imposed on it. Because it is quite certain that if one reduces the charges, it is not the community that will benefit, the tendency is always to impose new charges, every time the privilege is renewed, in particular by obliging it to create new agencies".

Moreover, the Issuing House-Deposit Bank system was particularly faulty. Indeed, the obligation of setting up multiple agencies that were not all justified was a source of additional overheads and a plausible excuse for high-priced credit.

In comparison with the Central Fund, the study stressed that as an Issuing House, its role was limited to transfers and rediscounts and that it ensured issuance, exchange control and planning finance with a score of European officials, distributed in groups of two or three in Douala, Libreville, Brazzaville, Bangui, and Fort-Lamy³²³, in AEF and Cameroon.

Moreover, it stated that the system it thus put into operation in the monetary field was incomparably more economic than that of an Issuing House-Deposit Bank. By not providing short-term direct credit to its customers, it could reduce its personnel and its overheads to the minimum.

These conditions allowed it to always use the lowest rates possible for the short-term, which could be justified by economic circumstances. In fact, its rediscount rate was 2.5% until May 1949 ; and if it increased, since then, to 3.5%, it was only to slow down speculation against the CFA Franc.

When transfers to France once again became completely normal, it again lowered its rediscount rates, which it could, moreover, fix at less than 2.5% if an additional reduction could be justified.

Stress was also laid on the fact that the Issuing House-Deposit Bank system was not only expensive - it did not allow an impartial distribution of credit. Under this system, the issuing bank was at the same time a rediscount organization and a competitor for other banks. As a competitor, it naturally endeavored to eliminate them (and it even managed to do so at times - the case of the Bank of Indo-China) or, at least, to block their actions instead of promoting them and supporting them in the interest of the Territories where it enjoyed its privilege.

³²³ At present N'djamena.

Thus, BAO, managing the Treasury Account as an Issuing House, would not hesitate, for example, to pay Treasury payment orders that were intended for its customers more quickly than those that concerned the clients of other banks. Since it managed, as an Issuing House, the accounting unit of the Foreign Exchange Control Office, it would also not hesitate to use information that this function could provide it to canvass the customers of other credit institutions for its own benefit.

It suffices to reflect on the situation in which these establishments were placed with respect to the Issuing House, to be able to understand the drawbacks and partiality of the system.

The study takes the example of a significant short-term credit that BAO and BNCI³²⁴ were to grant to each other. If the credit were to exceed a certain volume, BNCI would not be able to grant it without obtaining its rediscount from BAO. BAO could keep the credit to itself by refusing the rediscount.

- Disadvantages of the Issuing House-Deposit Bank-Merchant Bank system

The study further noted that BAO was not just an Issuing House and a Deposit Bank. It was also a Merchant Bank. While its statutes limited its equity participation to a quarter of its reserves, except in the event of a special authorization by the Minister of Overseas Territories, this limitation was not respected and the figures that appeared in the financial statement of 31 July 1949 did not correspond to the actual value of the bank's holdings.

While providing the list of various holdings, the study concluded that it was "pointless to insist on the administrative and political disadvantages of an Issuing House that is largely subjected to the influence of private interests and that also wears the hat of a Merchant Bank along with its issuing monopoly. This system gives the issuing house, and private groups that are part of its Board such powers that their influence weighs heavily on the administrative, economic and political life of the concerned Territories. Indeed, the economic and political orientations of these Territories even ended up, sometimes, depending much more on these influences than on the local authorities and Assemblies or the Central Power itself".

2) The dispute regarding the choice made

It was in the work already mentioned above and entitled "L'organisation du crédit dans les territoires d'Outre-Mer" (the organization of credit in Overseas territories) that Emile Mireaux (1954) refuted the arguments thus developed and others that finally prevailed in 1955 in the choice made by the authorities.

It emerged that issuance in the Overseas territories, "presents a spectacle of major disorder, which, in certain respects, borders on anarchy. The situation has to be put right. But before putting the institutions right, a rethinking of ideas has become essential" (page 57).

³²⁴ Banque Nationale pour le Commerce et l'Industrie (National Bank of Commerce and Industry).

For this clarification of ideas, he highlighted two points: the legal basis of a relationship between the State and the privileged banks, to which the notions of regality and issuance rights were attached, and relations between the bank of issue and other banks.

Legal basis of the relationship between the State and banks enjoying the privilege of issuance.

Emile Mireaux affirmed, in substance, that the basis of the right of issue was not a kingly right, but a case of law and order, and that the State should not itself exercise this privilege.

. The kingly right differs from the right of issue

In Emile Mireaux's opinion, some examples of assertions raised here and there seemed typical of "confused ideas" about these two concepts.

Thus, the preamble of the bill relating to the creation of the Bank of Madagascar indicated that "the State delegates, for a limited time, and under restricted control, the kingly right of issue" (p. 58).

According to an unofficial anonymous study on "the monetary organization of the French Union's Overseas countries", "today, nobody disputes the fact that the right of minting money, a veritable kingly right, should be exercised by the authorities, and even if divergences still appeared as regards the modalities of application, the principle itself was no longer called into question" (p. 58).

In another study on "developments in issuance Overseas" that was published in a legal journal, "the State allots its kingly prerogative to mint currency under certain limitations of time and space ; it regulates the practice of this prerogative and generally receives something in exchange" (p. 58).

Lastly, intervening on behalf of the Government on 29 November 1949 in the discussion initiated at the National Assembly on the renewal of the privilege to the Bank of Madagascar and the Comoros, Gaston Defferre said : "the right of issue, i.e. the right to issue notes refundable to the bearer, which one formerly called the right to mint currency, a kingly right, belongs to the Government and was a matter for the authorities to deal with" (p. 59).

However, according to Mireaux, what was usually called the "kingly" right to mint currency, actually implied two distinct rights : the State's exclusive right to produce or ensure the production of metal "specie" of a given weight and title. The French monarchy had for long exercised this right jointly with several local authorities ; it was after a long struggle and the support of public opinion that allowed it to reserve this right for itself, for reasons of law and order, the main reason being that of eliminating specie of dubious quality.

The second aspect concerning this right related to the power vested in the Prince to fix the price of the metal specie in the currency of account (pounds, shillings, deniers in the "Ancien Régime" or Francs). This right, was an actual "kingly" right. And yet, jurists, financial experts and economists had always disputed it until the French revolution. In 1803, the French State had solemnly repudiated it by the law of the 7 Germinal in the year XI that decreed the definitive concurrence of the real currency and the currency of account.

Thus, the issuing of a banknote had nothing to do with one or the other of these two aspects of "kingly" right.

It was a simple acknowledgement of debt drawn up in monetary value and refundable to the bearer ; this right belonged to any citizen not declared incapable.

Thus, in a system of commercial freedom, all banks had the right to issue notes that were refundable to the bearer, as did any entrepreneur, or any private person.

The issuance of banknotes, just like that of checks or bearer instruments, was therefore considered to be the concern of private law and was only a consequence of the principle of the freedom of trade.

"In a system of economic freedom, even if controlled, it is not and can only be subordinated to authorization by the State by virtue of considerations of law and order. Thus, it is in this direction that it is necessary to seek the basis for the right of issuance" (page 69).

. The true basis of the right of issuance

Emile Mireaux believed that it was reasons of law and order, which led to the granting of this "privilege" - the monopoly of issuance - to the "Banque de France", in a clear departure from the principle of freedom of trade.

He was of the opinion that these reasons were, and remained perfectly valid but that it was, however, necessary to specify them, and also to specify, in particular, why, in view of the fact that they were valid for notes, they ceased to be so for other bearer instruments or for checks that were representative of bank money.

He explained why the check offered a double guarantee : that of the paying or the drawee bank, as well as that of the drawer, which remained responsible if the check was not "honored".

Thus, this was a conditional means of payment and the fact of it being handed over did not extinguish *ipso facto* the debt of the person handing it over. This was not the case with bearer banknotes.

The note, an instrument of credit intended for free circulation amongst a large public, especially when it was the legal tender, presented only one guarantee - that of the issuing bank.

The simple act of handing it over extinguished the debt of the payer, without any recourse being possible. Thus, it was normal and even necessary for it to be accompanied by special safety measures. It was natural that its issuance be subjected to precise and strict rules ; and it was inevitable for the observation of these rules to be supervised and, consequently, that issuance be centralized and entrusted to a specialized establishment, to allow for such supervision.

"All things considered, if one reflects upon it, everything is happening as if the natural right of all banks to issue notes had only been taken from them to be transferred to a single establishment, controlled in the name of law and order, and intended to provide them with the notes they require to ensure their liquidity".

"Such is well and truly the procedure of rediscount".

These were the considerations, according to Mireaux, which explain why it was the system of a controlled issuance monopoly that was generally adopted in the world in a large variety of ways, after having tried out other methods over the years.

Thus, he believed that the granting of such a monopoly in a given territory for a given duration was justified by reasons of law and order and reasons of security, which were even more valid in new territories where the population was not accustomed to banknotes.

The multiplicity of notes would have been disconcerting for the users. Therefore, the government had the absolute duty of protecting them against possible errors by Issuing Houses.

"Monopoly and control find an additional justification under these special circumstances and conditions".

This being so, who should exercise this privilege ?

. The State should not itself exercise the right to issue

Emile Mireaux upheld that it was precisely in the name of law and order that the State should not itself exercise this privilege : "While this privilege may be justified by the idea of guarantee, the confusion between the "privileged entity" and the controlling entity removes the guarantee and demolishes the reasons for the privilege" (p. 99).

He explained that a healthy and logical organization of issuance should be summarized in a single phrase : disciplinary power of the State ; *autonomous and responsible management by the privileged institution in an atmosphere of controlled freedom* (p. 99).

While compromises were naturally necessary, given the environment, a compromise would only be valid if it complied with the rule of separation of the powers of administration and supervisory powers.

While we may perhaps believe that, in Metropolitan France, issuance services could be entrusted to an entity whose Board of Directors would bring together accredited representatives of great "collective interests" distinct from the State and sufficiently independent of the government, in the Overseas Territories similar "collective interests" were still practically impossible to determine and too few to act as a possible counterweight.

In addition, in these territories, "the Central Bank must be an authentic banking establishment managed by professionals, called upon - apart from its function of a general administrator of credit - to make direct contacts with customers, practice direct discounts and closely follow specific interests".

"In fact, these are the tasks that require many years of practice, experience, tradition, a sense of risk-taking and the habit of responsibilities. One could not reasonably impose such tasks on a semi-public organization. They are primarily a concern of private initiative" (p 100).

Excluding the solution of State control, Emile Mireaux brought the problem back to private capital and that of public authorities in an issuing house.

He explained that the State's participation in the capital was useful if one experienced difficulties in constituting a sufficient start-up capital for any number of reasons. Otherwise, there was no need for it, except for purely doctrinal reasons.

When the State held a majority share, it amounted to nationalization in disguise and raised the same objections of principle that pure and simple nationalization normally did - i.e. confusion between the supervisory entity and the supervised entity.

As regards State participation in the management of the bank, Emile Mireaux stressed that according to traditions that went back to exactly the year 1806, the French State had always participated in the management of Banks that were granted the privilege of issuance ; it would be futile, under these conditions, to protest against this tradition. For long, the State preferred to reserve the right to nominate persons of its choice to administrative posts (Governors or Directors).

"For a quarter of a century, the State had preferred to retain the post of Chairman, while that of Managing Director, appointed by the Board, was only submitted for its approval (Bank of Indo-China, BAO). This would seem to be a very reasonable solution".

- Technical problems of the relationship between the bank of issue and other banks

"Should the bank of issue only be a bank of banks" ?, wondered Mireaux while reflecting on the second principle, which, according to "promoters of the new technique" as he called his detractors, should govern the organization of issuance in the Overseas Territories. In other words, the Issuing House should only be a bank of banks, and primarily engage in rediscount operations.

He then applied himself to refute the arguments put forward to support this point of view.

Concerning the unfair competition with regard to other banks, he believed that since State control was the natural and necessary counterpart of the grant of the privilege, freedom was never totally realized. And if State representatives did their duty, the management of a controlled private issuing house offered, and should offer, every possible guarantee to users of credit.

Going further, he affirmed that it would offer more guarantees than a State institute in which the interests of private individuals were neither represented, nor defended and that functioned under accounting and administrative control only, especially when its management was practically the supreme decision-making body, in the absence of a veritable Board of Directors.

"Who would dare affirm", he added, "that a State organization, whatever the moral value and character of its leaders, can and would always be able to resist perhaps decisive political or even administrative pressures" ? (p. 74).

Thus, the accusations being leveled at private organizations hardly appeared to be backed by valid reasons (p 74).

As for excluding issuing banks from direct discount operations, it emerged that it was universally accepted in all countries, even those with the most advanced banking systems, as a truth based on theory and experience, that the handling of interest rates alone and the practice of rediscount alone could not in any way suffice to ensure credit control and management.

With this intention, if an unhealthy credit expansion is noted, it is first necessary, as was generally said, to "make the market re-enter the bank", i.e. oblige banking establishments to resort to rediscounting.

To this end, the Issuing House placed a part of its portfolio (Treasury bills or commercial papers) on the market, thus making inroads into bank reserves. The banks were then obliged to reconstitute their reserves and presented a fraction of their own portfolio for rediscount.

The bank of issue could then play on the interest rate. The Bank of England had mastered this kind of operation. But for it to be feasible, there should naturally be a money market.

However, there was no money market in Overseas Territories. Issuing Houses used the practice of direct discount. To make "the market re-enter the Bank", they restricted their direct discount portfolio to a suitable proportion. Tradesmen, short of cash in hand, asked banking establishments for notes, emptied their reserves and obliged them to rediscount.

In other words, direct discount in these territories emerged as a technical necessity. It was the most effective and the most convenient means for controlling and managing credit. Without it, the issuing house would have run the risk of being reduced to a mere passive role of issuers of notes.

To judge the effectiveness of the two techniques under examination as regards credit control, Mireaux compared the results obtained in AOF, where BAO continued to practice direct discount and in AEF, where the Central Fund was primarily confined to the role of a bank of banks.

Stressing that since the aim of credit discipline was to check price rises, it was necessary to compare price trends in both territories although documentation was incomplete and insufficient.

Furthermore, the family consumer price index went up from 100 in July 1945 to 377 in January 1953 in Dakar. The same index shot up from 100 in October 1945 to 586 in 1953 in Brazzaville.

Without drawing a decisive conclusion from all this, he said, one could only note that credit management in AEF, compared to West Africa, did not appear to have been particularly effective (p 77).

He added that it was advisable not to forget that credit existed for users and not for banks which are its distributors ; and that to reduce the role of the issuing house to that of a bank of banks was to force users looking for notes to go through the intermediary of an establishment that would in turn apply to the issuing bank.

This procedure, he affirmed, could prove to be without major disadvantages if the banking network was sufficiently beefed up so that competition could flourish and the user could choose his banker ; which was obviously not the case.

Under these circumstances, the possibility of a direct recourse to the issuing house became a necessary guarantee, "because the purpose of credit control is to check any abuse, whether it was a question of preventing inordinate expansion or excessive contraction" (p 77).

To conclude, Emile Mireaux gave his opinion on the fate that it was advisable to reserve for France's Central Fund for Overseas Territories in a coherent and healthy issuing organization in Overseas Territories - "an aberrant institution, with multi-sided activities" (page 103).

Among other issues that he raised, he felt that the function of the organization, in charge of the long-term financing of industrial development programs in the Territories, excluded that of the issuing house, which had been given the role of controlling short-term credit discipline in a part of these Territories. "There is an obvious discrepancy between the two" (p 106).

He added that as a simple administrative body, by no means did this Fund meet the conditions that issuing houses should fulfil.

"It is precisely for this reason, and in view of all the considerations that precede, that we give here a clear-cut conclusion : the abolition of this ever-threatening Carthage that is the Central Fund in the field of issuance is a fundamental requirement for the return to a rational monetary order in the Overseas Territories" (p 106).

As for the future, Emile Mireaux acknowledged that the model of institution to be chosen was a matter as much of general politics as of financial technique.

Taking care, to a certain extent, not to negate competition between issuing houses and deposit banks, he defined, however, two conditions that he deemed necessary for evolution from a general-purpose bank of issue system to that of a bank specializing in rediscount.

For this, a complete development of the banking network was necessary. Indeed, the possibility of controlling credit through an open market policy, as is the case in all the big money markets, was desirable.

From then on, he affirmed, by a natural evolution, the practice of rediscounts would occupy an increasingly large share in the activities of Overseas Central Banks.

In his arguments, Emile Mireaux presented a summary assessment of BAO from the perspective of the criterion of inflation, which was fundamental for a proper understanding of the activities of a bank of issue.

What about other indicators ?

4 - Summary assessment of BAO

In his report on the activities and control of BAO, Government Commissioner Leymoine³²⁵ stressed that "the economy of the Tropical African Block, while marking an evolutionary trend towards development and industrialization, strongly preserved its character as an agricultural export economy, importing additional food products and industrial products almost completely from outside".

"In such an economy, the essential role of the bank of issue is to ensure, either directly or as a "bank of banks", the funding for harvests of local products and their exports".

Commissioner Leymoine noted that the establishment of BAO network corresponded to this function, with several branches and agencies being established in large ports of the Western coast of Africa and in major production centers.

Jacques Alibert (1983) confirmed this point of view at the end of an exhaustive examination of BAO activities since 1901 : "Africa south of the Sahara remained an agricultural Africa, and BAO, while it facilitated the setting up of basic infrastructure, industry and services, always gave due recognition and served this real priority"³²⁶.

Nevertheless, we have already seen, in his report on the renewal of the right to issue, that the Commission had noted that "it (BAO) had not yet allocated any part of its resources to loans against transfers of standing crops... that was authorized by Article 16 of its statutes and was at the root of the original structure of former colonial banks. Obviously", it continued, "such loans constituted rather long capital investments, but they also provided one of the most invaluable forms of assistance to colonial agriculture ; it would have been up to the privileged bank to limit the risks to which such operations could expose it by organizing an active and serious control of securities. We remain convinced that in Guinea, in particular, French colonization would have drawn remarkable advantages from this modality of medium-term credit".

A comparative study of some of the activity indicators, between the opening of BAO on 1 July 1901 and its discontinuance of business as a bank of issue, on 30 September 1955, testifies to the performance achieved by the establishment in its capacity as a privileged bank of issue.

³²⁵ Leymoine, (R.), Rapport du commissaire du Gouvernement près la Banque de l'Afrique Occidentale sur l'activité et le contrôle de cet établissement (Report of the Government Commissioner to the West African Bank on this establishment's activities and supervision (1929-1949), Paris, 26 April 1950.

³²⁶ Alibert (J.) op. cit. p. 324.

1 - Indicators

(Amount in Francs)

Indicators	1 July 1901	30 September 1955
Total of balance sheet	5,192,564.98	106,566,313,411
Equity capital	1,500,000.00 (1)	168,276,402 (2)
Notes in circulation	1,032,930.00	61,617,616,890 (3)
Current accounts in credit	82,505.81	40,399,503,762
Circulation guarantee		20,539,205,630 (4)

(1) Capital.

(2) Capital (52,629,500) + reserves (115,646,902).

(3) Of which Senegal (4.6 billion), Guinea (1.7 billion), Côte d'Ivoire (18.2 billion), Togo (2.9 billion), Dahomey (3.3 billion), i.e., for West Africa : 30.8 billion.

(4) i.e. 1/3 of the total notes in circulation.

2 – Cash resources to fiduciary circulation ratio (%)

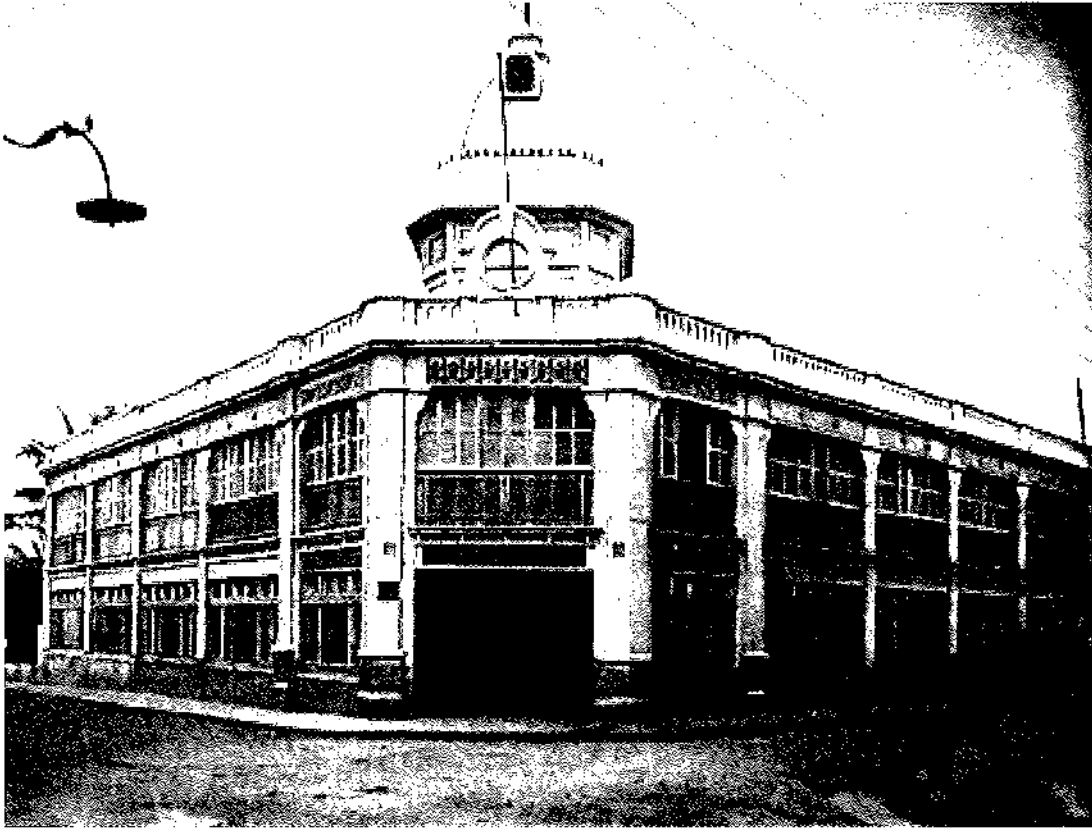
1914 (as of 30 June) ³²⁷	40	1929 (31 December) ³²⁸	32
1919	7	1930	35
1920	5	1931	42
1921	6	1932	37
1922	7	1933	38
1923	5	1934	42
1924	4	1935	42
1925	8	1936	39
1926	4	1937	36
		1938	36
		1939	40
		1940	40
		1941	33
		1942	36
		1943	30
		1944	33
		1945	32
		1946	31
		1947	31
		1948	31
		1949	



François Mitterrand
(page 508)

³²⁷ JORF n. 59 of 12 May 1927, p. 112.

³²⁸ Leroyue Report, p. 58.

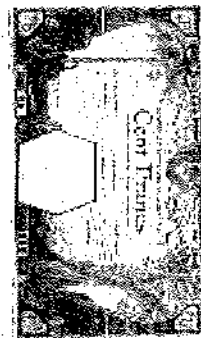
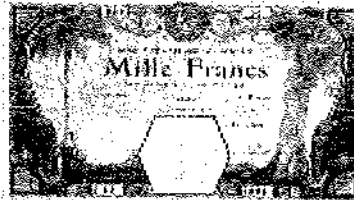
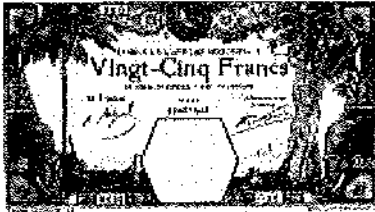
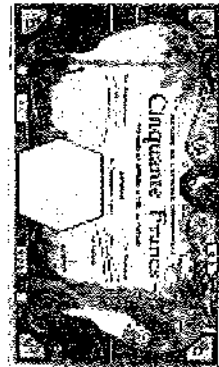


The BAO branch in Dakar in 1918.

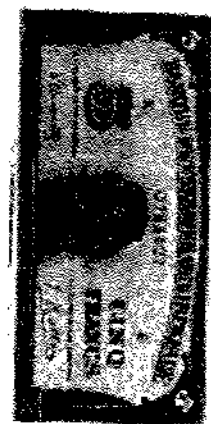
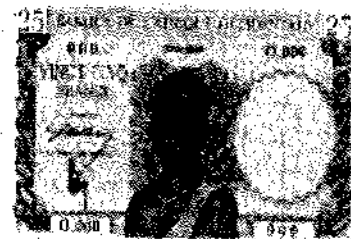
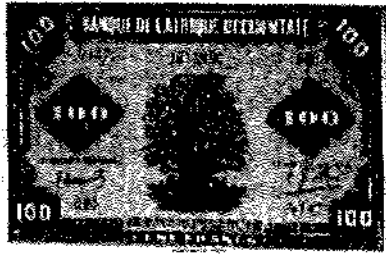
Source : De la vie coloniale au défi international (From colonial life to international challenge) / J. Alibert (1983).

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BAO banknotes



BAO banknotes

Banking network in AOF - Togo
As of 1 January 1950 and dates of opening of Agencies

Territory	Banque de l'Afrique Occidentale	Banque Commerciale Africaine	Banque Nationale pour le Commerce et l'Industrie	Société Générale	Crédit Lyonnais
Senegal					
Dakar	26-06-1901	1924	10-11-1939	24-04-1941	03-11-1941
Saint-Louis			1940		
Kaolack	1927	1924			
Ziguinchor		1928			
Guinea					
Conakry	1901		05-04-1941		02-05-1949
Kindia			1946		
Kankan			1946		
Mamou			1949		
Soudan					
Bamako	24-05-1924	1926	13-06-1941		
Côte d'Ivoire					
Abidjan	01-05-1935	1925	01-10-1940	01-07-1941	01-10-1942
Gagnoa		1939	1946		
Upper Volta					
Bobo-Dioulasso	01-05-1945				
Dahomey					
Cotonou	01-10-1929	1924	22-10-1942		
Porto-Novo			1944		
Niger					
Zinder	06-08-1944				
Togo					
Lomé	31-12-1920		22-03-1946		

Sources : - Report by the Government Commissioner to BAO (1929 - 1949) p. 43 - Amadou Aly Dieng-
Le rôle du système bancaire dans la mise en valeur de l'Afrique de l'Ouest (The role of the banking system in the
development of West Africa), Dakar, NEA 1982, p. 46

While the debate on the legal status of banks of issue had been finally decided in favor of "state-control", the partisans of monetary standardization, in spite of the fact that the parity between the CFA Franc/Metropolitan French Franc had been frozen, believed that the problem would only be resolved with the removal of the CFA Franc.

In fact, this idea would gain ground in the middle of the 1950s.

D – The idea of the withdrawal of the CFA Franc

a – The reasons put forward

The 1955 report to the National Assembly on the draft budget of the Ministry of Overseas Territories stated that "metropolitan French citizens or companies had no confidence in the CFA Franc and this led to two phenomena : as soon as profit had been made in the territories, it was repatriated to metropolitan France and was thus unable to act as a driving force for the economy, which would have been the case had it been invested in the territories. Moreover, the metropolitans were increasingly reluctant to invest in a country where prices were such that they might one day jeopardize the very value of the currency, or so they believed".

This analysis reinforced the viewpoint according to which the creation of Colonial Francs in 1945 had been a mistake.

Duveau, a deputy from Madagascar, wrote, "No one wants to run the risk of being deprived of half of his possessions simply because of an imperial fiat" and proposed the conversion of CFA Francs into metropolitan Francs.

Such an operation would entail "exchanging the banknotes in circulation for double their nominal value, against banknotes denominated in metropolitan Francs. In return, all debts, bank deposits, salaries, prices, rents, taxes, etc. - i.e. all obligations of any nature, denominated in CFA Francs, would be automatically converted into metropolitan Francs at double their value. The CFA Franc would simply remain as a "money of account" in the case of all ongoing commitments, which would be released against two metropolitan Francs for each CFA Franc" (The French Union and Parliament, no. 61, April 1955).

b – The technical services' analysis

In response to a demand by the Ministries of Finance and of Overseas Territories, deliberations were held on this subject in early 1956. The conclusions of these discussions were highly reserved on the relevance and effectiveness of such an exercise.

In fact, in practice, such an exercise would have been incapable of retaining one-to-one parity between "territorial Francs" and "the metropolitan Franc". The doubts that had been expressed on the maintenance of this parity would continue to hover. Therefore, the only solution would have to be in the form of a complete unification of paper money.

The Issuing House of AOF and Togo had put forward the necessity to print new banknotes, the complexity of exchange operations, the tremendous logistical implications of such an exercise, as well as the considerable expenditure that it would entail and the fact that it was not in a position to bear the same.

As regards the problem of steep price and wage levels in the Territories, which left very poor returns for exporting companies, reservations had been voiced with respect to the belief that the substitution of the expression of prices in CFA Francs by a dual expression in metropolitan Francs would alter the concern that outside investors felt about the price level.

On the contrary, the overvaluation of the CFA Franc had been instrumental in "concealing" the increase in price and wage levels, which would become glaringly obvious when expressed in metropolitan Francs.

Thus, if at all there was something that could give an impetus to investment, it could only be in the form of an "improvement" in the relative price and wage levels between the Overseas Territories and the outside.

As far as the fear of devaluation was concerned, which would deprive an owner of a part of his possessions simply by an imperial fiat, the study emphasized the fact that such cutbacks would not affect productive investment made directly by companies or by private individuals, but will only affect money supply or debts expressed in local currency, especially if these were meant to be allocated for external consumption.

The study concluded that :

. The CFA Franc did not in itself constitute a risk for investment coming in from outside or for the self-financing of local companies ;

. The threat of a possible change in parity acted as a deterrent for the maintenance of quick assets overseas or the grant of loans in local currency.

Only by making the local currency and metropolitan currency identical in some fashion would it be possible to do away with this threat.

Until such time that the local currency remained distinct from metropolitan currency, the threat would remain.

The study emphasized that in reality, "the distrust with regard to the CFA Franc" was only one of the aspects underlying the general anxiety felt by metropolitans, whether they were government employees or entrepreneurs, with respect to the "stability" of their Overseas position, which made them unwilling to commit themselves Overseas unless they had a formal guarantee from Metropolitan France.

As for the psychological aspect, the study stressed upon the fact that it would be difficult for the natives to comprehend such an exercise and that it was likely to affect the trust that they had in the currency.

An opinion poll conducted by "Marchés coloniaux" (Colonial Markets) also arrived at more or less the same conclusions.

c – The results of an opinion poll

The following question was put forward to 56 political personalities - former ministers, deputies, senators, councilors of the French Union, media persons, etc.

"Are you in favour of the creation of a real Franc area without any administrative formalities and, as several people have been suggesting, DOING AWAY WITH THE CFA FRANC by reimbursing each CFA Franc by 2 Metropolitan Francs" ?

The opinions expressed were highly divided : 23 yes, 21 no, 5 abstentions, 7 answers reserved.

Albert Sarraut, former Minister and Chairman of the Assembly of the French Union, whose answer was "no", stated, "At the time when value ratios between the various Francs were established, an effort was made to keep in mind the economic and financial realities prevalent at that time. Since then, the situation has evolved but deeply entrenched habits have been formed that it will be dangerous to disrupt".

"Any operation involving currency manipulations is delicate. The one aimed at the standardization of the value of various Francs does not seem to be motivated by reasons that are imperious enough to warrant not taking into the gravest consideration all the problems to which it is bound to give rise".

In substance, the arguments put forward in favour of the abolition of the CFA Franc were :

- . The creation of the CFA Franc had been an arbitrary exercise ;
- . The CFA Franc was an escalation factor for the cost-of-living ;
- . The abolition of the CFA Franc would put an end to unfavorable rumors that led to an outflow of capital from the Overseas Territories ;
- . The withdrawal of the CFA Franc would materialize the unity of the French Republic and monetary unity would strengthen political unity : this argument seemed to have been the overriding factor for the majority of affirmative answers.

In favor of the maintenance of the CFA Franc :

- . The hostility, on principle, toward any currency manipulations ;
- . If the creation of the CFA Franc had been a mistake, its abolition would not be any less of an error, because of set habits and serious disruption in economic relations between the Overseas Territories and Metropolitan France, in the economy of the territories and in the purchasing power of the people ;
- . The public would not be able to understand the reasons for the currency manipulation. Exchange operations might give rise to trouble in the political field.
- . Monetary integration would deviate from the policy of decentralization and autonomy ;
- . The complexity and difficulties inherent to such an operation ;
- . The "legalization" of this ratio between the metropolitan Franc and the CFA Franc would tone down or do away with the main criticisms associated with it.

READERS' FORUM

The withdrawal of the CFA Franc and exchange of banknotes

Abidjan Matin – Wednesday, 21 March 1956, no. 1397

Mr. Lawrence of the Economic Council (ref. the "Monde" dated 22-2-56) suggests that the fears fed by investors upon learning that the parity of the CFA Franc has been modified be put to an end by legally laying down the final parity of the CFA Franc – this has been done through a decree – or by proceeding with exchange of banknotes in circulation in the TOM³²⁹.

The Economic Council adopted Mr. Lawrence's report at its session held on 28 February "so that, to that effect, an end may be put to the uncertainty surrounding the CFA Franc".

It is enough to read the listings of African securities on the stock exchange to be convinced of the distrust shown by shareholders or future investors.

The exclusive issuing rights of the banks of AOF, AEF (CCFOM - Central Council for Overseas Territories) and Madagascar have ended since last year.

Which bank money³³⁰ will replace the banknotes of Banks and Institutions that no longer have an issuing monopoly ?

Will it be those of the "Banque de France" ?

Hence the exchange of banknotes. A decree will grant the status of forced currency to BDF³³¹ banknotes, and Public Funds and Banks will exchange old CFA banknotes at the rate of two for one.

Let us, first of all, note that there are no banknotes printed by the BDF in existence for less than 100 BDF Francs ; therefore, coins of 5 FRS ex-2.50 F.CFA, 10, 20 and 50 FRS will have to be introduced.

Africans do not have much taste for coins.

The African population, shopkeepers, employers, etc. will accept, since they are obliged to do so, to have two currencies for a certain length of time, till such time that the banknotes and coins of Overseas Territories disappear completely. All goods will be exchanged at the rate of 2 BDF ("Banque de France") notes against an ex-CFA banknote of the same value.

Just as in the case of wages, services, etc., an employee who used to earn 10,000 CFA will be given 20,000 Francs in BDF, etc.

It is really too simple.

In 1924-25, I have witnessed the withdrawal of fractional currency - banknotes of 50 centimes, one and two Francs, issued during the 14-18 war. It was an outrage and the Africans had to face rampant swindling.

At around the same time, I also witnessed the exchange of silver coins with BAO banknotes or tokens of the French Chambers of Commerce in Upper Volta – where fractional banknotes were not printed. That is how 5 Francs coins made of 25 grams of silver, were exchanged for 3 FRS in tokens of the Chambers of Commerce of France.

³²⁹ TOM = Territoires d'Outre-mer, Overseas territories.

³³⁰ It is actually "fiduciary currency".

³³¹ Banque de France.

Shopkeepers then resorted to massive imports of 0.50, 1 and 2 Franc coins and articles which were worth five Francs BAO paper money were able to fetch only 3 Francs in tokens.

If the government were to announce the withdrawal of CFA banknotes through decrees and orders and fix the forced exchange of "Banque de France" banknotes, sheer panic will be unleashed and the odious trafficking will restart, because the Africans of the bush country will interpret it as signifying that CFA banknotes are no longer worth anything, despite the fact that the Administration had told them that, on the contrary, they will be worth double the banknotes that the administration will give them in exchange.

So the Africans will get rid of banknotes at any price against any goods, because, according to them, these will not have any value whatsoever, and will refuse to accept old banknotes.

These psychological aspects have to be borne in mind.

Let us now consider some serious economic repercussions.

During a certain period, there will be two currency entries in public or private funds... and a heavy issue of "Banque de France" banknotes.

Suddenly, the cost of living in Africa will appear twice that of Metropolitan France, which will not augur well for future private investments.

And how will long-term liabilities, Chamber of Commerce of the FOM ("France d'Outre-mer", Overseas France), arrears debts, building rents, loans and debts of private individuals, credits accorded to farmers of revenue, bank deposits, etc. be settled ?

What about the salaries of administrative and trading agents employed in Metropolitan France ? Will their advantages be done away with ?

Will the balance sheets of companies whose capital had been subscribed in CFA Francs be reassessed ?

The tax department will be able to find its way in this scenario ; the progressive scale denominated in "Banque de France" banknotes will increase General Income Tax³³² as well as death duties, which are also progressive, and the same will apply to registration fees.

Therefore, one should not resort to an exchange of banknotes. In any case, the time is hardly ripe for it.

The Legislative Assembly, which boasts of several Ministers or State Secretaries elected by the Overseas Territories, must introduce a bill for permanently fixing the final parity of the CFA Franc, through a law.

This will be the only way of bringing in capital for investments in the Overseas Territories and will put a stop to the exodus or periodical repatriation of CFA Francs and will enable the metropolitan French residing in the Overseas Territories to invest their savings in the places where these savings were made.

Robert Serville – Korhogo

³³² Income Tax.

In any case, the French Union was being debated. It was being blamed for not granting enough initiative to colonial peoples for managing their own affairs.

Thus, with the adoption of the framework law, the second post-war reform of political institutions would evolve, which would have consequences for the organization of Issuing Houses and the financial sector in its totality.

V – The second post-war reform of political institutions : the 'Loi-cadre' (Framework Law) and the French Union, 1956-1958

A – The genesis of the Framework Law

The world was changing and people both in France and the colonies were aware of it. Reforms had to be more far-reaching in nature. France, which had faced defeat in Dien Bien Phu, in May 1954, recognized Vietnam's independence. In the Maghreb, Morocco in 1955 and Tunisia in 1956, gained independence. On 1 November 1954, Algeria started a war for national liberation.

In Western Africa, England granted greater autonomy to Nigeria and to the Gold Coast, which matured into independence. At the gateway to French West Africa, Togo obtained greater autonomy and headed for international sovereignty. In April 1955, the Afro-Asian conference, held in Bandung, condemned colonialism and recommended greater cooperation between African and Asian countries.

Box 3.15

The Bandung Conference

From 18-25 April 1955, a conference was held in Bandung in Indonesia that brought Afro-Asians together with the intent of asserting their identity. Twenty-nine countries, making up more than half of humanity but only 8% of its wealth, participated, including the Gold Coast (the future Ghana) and Liberia from south Saharan Africa.

This group of countries displayed their political will for *independence* with respect to the two blocks - non-alignment – and their aspiration to control the means of promotion of their *economic development*.

Presided by Soekarno, President of the Republic of Indonesia, the conference was divided into three committees : political, cultural cooperation and economic cooperation. The final resolution upheld the right of people to self-determination, sovereignty and equality amongst nations, refusal of any kind of pressure from the great powers and of any interference whatsoever in the internal affairs of States.

It demanded the settlement, through *peaceful means*, of any disagreements, along with disarmament and the banning of atomic weapons. According to the final press release, the participating countries were unanimous in "declaring that colonialism, in all its expressions, is an evil which has to be put to an end rapidly" and in asserting that "the issue of people subjected to subjugation to foreigners, to their domination and to their exploitation, constitutes a negation of fundamental human rights, and is contrary to the United Nations Charter and comes in the way of promoting peace and cooperation in the world".

On top of this, the USA and USSR continued to denounce colonialism and the upholders of colonialism. France was not spared.

It was against this backdrop that African politicians attacked the French Union, which they considered to be assimilative and not open enough to the idea of evolution. They demanded the reappraisal of Title VIII of the constitution. In a meeting held in Bobo-Dioulasso from 3-15 February 1953, the Overseas Independents, with Senghor, recommended a Franco-African federation.

At the National Assembly and the Assembly of the French Union, the African elected representatives urged France to undertake the reforms needed for an evolution towards a more pronounced decentralization of the territories.

The Grand Council and the Territorial Assemblies also did likewise.

It was in this period marked by a great effervescence of ideas that Guy Mollet came to power in 1956. With his Minister of Overseas Territories, Gaston Defferre, he secured the vote for a Framework Law with 470 votes against 105, on 23 June 1956, "*authorizing the government to implement the reforms and to take the measures necessary for ensuring the evolution of the territories coming under the Ministry of Overseas Territories*".

A framework law is thus a law that lays down the basic principles to be observed for new institutions, leaving the responsibility of giving them shape to the Government.

In this case, a one-year period was given to the Government to issue the decrees for enforcing the framework law. All of them were passed between December 1956 and 4 April 1957.

B – The contents of the law and the decrees for its enforcement

a – The principles

This law and the decrees for its enforcement completely changed the face of overseas institutions, by accentuating the individual personality of territories, and altered their relationship with Metropolitan France.

It instituted universal suffrage and a single college ; reorganized groups of territories, territories and established State departments and territorial departments.

Thenceforth, the overseas territories, while continuing to be an integral part of the French Union, became internally autonomous. They had their own administration, a deliberating assembly endowed with extensive powers and, especially, a government council conceived along the same lines as the Council of Ministers.

The territories were closely associated with the management of their own affairs. Metropolitan France retained in full diplomatic representation and the possibility to intervene in areas of common interest, and in particular defense and currency.

The decree no. 56-1227 dated 7 December 1956 (modified by decree no. 57-479 dated 4 April 1957) stipulated, in fact, in its first article :

"In the overseas territories, foreign relations, defense, the guarantee of public freedoms, maintenance of solidarity of the elements constituting the Republic and its expansion in the economic, social and cultural spheres, its *monetary and financial system* as well as the representation of the central power, constitute general interests of the Republic, to be managed and administered by State departments or by offices or public establishments of the State".

b – Their enforcement

1 – At the federal level

The groups of territories, AOF and AEF, were maintained. However, the powers of the High Commissioner were reduced in favour of the territorial heads. The Grand Council lost its competence in financial matters in favour of territorial assemblies ; it attempted to give itself a political image in the absence of a federal executive and its majority pleaded for the maintenance of these groups.

2 – At the territorial level

In the territories, a new distribution of powers took place.

1) The Governor became the territorial head. He exercised administrative and governmental functions simultaneously. He was, in fact, the head of the entire Administration as well as the Chairman of the Government Council. However, the Territorial Assembly and the Government Council limited his powers.

2) The Territorial Assembly voted the territory's budget, fixed the status of public service and territorial departments ; it was from its fold that members of the Government were chosen. The Vice-President of the Council was, in fact, the head of the majority party in the Assembly and the Ministers were chosen from its ranks. However, the Government was not accountable to it although it was laid down that if the Government did not enjoy the confidence of the Assembly, it was free to resign from office.

3) The Government Council was the greatest innovation of the outline law. It was composed of 10 to 12 Ministers, a Vice-President of the Council, under the presidency of the territorial head. It was in charge of the administration of territorial departments.

The territorial head took all statutory actions in the council.

However, very soon, conflicts cropped up between the President of the Council representing French interests and the Vice-President of the Council who enjoyed the legitimacy granted to him by the ballot. It was to put an end to this situation that the ordinance of 26 July 1958 was issued, which conferred the Chairmanship of the Council on the former Vice-President of the Council. Thenceforth, the territorial head was relegated to playing just the role of France's representative.

It may be considered that it was on this date that the independence of the territories actually began.

4) The framework law instituted a difference between territorial departments, which fell under the territorial budget, and State departments, drawing from the budget of the French State and managed directly by the head of the territory or by the High Commissioner.

Thus the departments and institutions ensuring the stability of the entire Republic and its economic, social and cultural expansion were State departments. This mainly concerned the public revenue department, financial control and the monetary domain.

5) It organized circles in administrative districts where the circle Commander was thenceforth aided by a district level council in which members of the Territorial Assembly sat to deliberate upon the utilization of the circle's taxes.

6) In the economic and social arena, the reforms initiated, although less remarkable than the administrative and political reforms, were nonetheless wide-ranging.

They aimed at elevating the standard of living of the people and at facilitating economic and financial cooperation between Metropolitan France and the Overseas territories, through the setting up or improvement of cooperation (SDMR - "Sociétés Mutuelles de Développement Rural" or Mutual Companies for Rural Development), setting up the agricultural credit facilities and price stabilization funds.

Private investment in the territories was favored through tax privileges, long-term agreements and financial aid from the State.

7) A new opening was introduced in the form of access to the "Ecole Nationale de la France d'Outre-Mer" (the French National School of Overseas Studies), with Competitive Exam C, reserved for African and Malagasy students who were natives of these territories.

However, in its enforcement, the Framework Law met with opposition from certain political forces in Africa.

C - The controversy surrounding the Framework Law

In fact, there was a clash between two viewpoints. On one side of the fence, RDA and in its fold, the advocates of Houphouët-Boigny, upheld the Government's idea - it wanted decentralization to take place at the level of territories and not groups of territories.

On the other side of the fence, Senghor and the IOMs (Overseas independents), at first, and from 1957 onwards, the African Convention, were of the opinion that the laws and decrees concerning its enforcement "balkanized" Africa and did not achieve any real decentralization. They wanted the groups of territories to be maintained, bound to each other, with a federal executive in Dakar, forming a sort of Franco-African confederation with France.

It was also this viewpoint that was espoused by the weekly "Afrique Nouvelle" (Africa News) and party newspapers such as the "Condition Humaine" (The Human Condition) of the Senegalese Democratic Block (BDS) of Léopold Sédar Senghor. Thus, Senghor held it against the Framework Law that it reserved the main part of the powers for the French State (foreign policy, police, currency, customs, jobs, and higher education) and granted only a very small portion to the territories.

During the course of the debates on the adoption of decrees on the enforcement of the Framework Law, Senghor is said to have made the remark that "*the Government and the majority have retained the real powers, including those which, in a federal State, come under the jurisdiction of local authorities, and have left us only toys and lollipops. But, we are no longer the overgrown children that they liked to believe us to be, and that is the reason why toys and lollipops are of no interest to us*".

THE FRAMEWORK LAW ('LOI-CADRE')

Law no. 56-619 of 23 June 1956 authorizing the Government to implement the reforms and to take necessary steps to ensure the development of the territories falling under the Ministry of French Overseas Territories.

Following the advice of the Assembly of the French Union,
The National Assembly and the Council of the Republic have deliberated,
The National Assembly has adopted,
The President of the Republic promulgates the law whose contents are as follows :

Title I (First Heading)

Provisions relating to reforms of institutions, administrative structures and economic and social organization.

Article One – Without prejudice to the expected reform of Title VIII of the Constitution, in order to achieve a closer involvement of Overseas populations in managing their own interests, measures for decentralization and relocation of administrative services shall be taken within the framework of territories, groups of territories and central services falling under the Ministry of French Overseas Territories.

With this end in view, the decrees passed in the form laid down by Article 6 of law no. 48-1268 of 17 August 1948 on the report of the Minister of Overseas Territories and, possibly, of other concerned Ministers, may :

1) Modify the role and powers of administration and management of the General Governments with a view to transforming them into coordinating organizations as well as to modify the composition and the duties of Grand Councils and the Representative Assembly of Madagascar.

2) Appoint Government Councils in all the territories and, in addition, Provincial Councils in Madagascar, responsible particularly for the administration of territorial services.

3) Endow territorial assemblies, the representative assembly and provincial assemblies of Madagascar with greater deliberating powers, in particular, for the organization and management of territorial services ; for executing their responsibilities, which will be defined in ensuing decrees and when the decrees passed in accordance with the present Article authorize them to do so, the assemblies may repeal or modify any statutory texts ruling upon matters pertaining to the above mentioned responsibilities.

4) Determine the conditions of institution and functioning, as well as the duties of the Councils of administrative districts and rural communities and determine the modalities for granting legal status to these districts, ensuring that this will not be an obstacle for the creation of new municipalities.

The decrees passed in accordance with this article may modify, repeal, and readopt existing legislative provisions in the form of regulations.

The same are to be simultaneously submitted to the National Assembly and submitted to the Assembly of the French Union, which shall have fifteen days at its disposal to express its opinion.

The National Assembly shall have to reach a decision about their adoption, rejection, or modification within a period of two months and convey its decision to the Council of the Republic. The latter shall then have thirty days at its disposal to reach its decision.

Parliament must complete its examination of the decrees within a period of four months from the time they are submitted to the National Assembly.

The absence of any decision on the part of one or the other assembly would mean the adoption or resumption of the government text.

Upon expiry of this period, the decrees shall come into force provided Parliament has not modified or rejected them or in such form as Parliament may have adopted them.

Article 2 - The assemblies of groups of territories or of territories, representative assemblies, and possibly, the provincial assemblies of Madagascar may decide that any infringement of regulations resulting from their deliberations, in case they are not already punishable with harsher penalties laid down by the legislation in force, shall be liable to punishment by imprisonment not exceeding three months and a penalty through the payment of a fine of maximum 200,000 metropolitan francs or to one of these punishments only, according to scales fixed for each category of infringement by the head of the group of territories, the head of the territory or the head of the province, upon the Assembly's proposal.

Article 3 - The Government may, through a decree passed in the Council of Ministers upon the report of the Minister of Overseas Territories and possibly, upon the report of other concerned ministers and following the advice of the Council of State, proceed with the reform of public services in the Overseas Territories with the aim of defining, on the one hand, the State services responsible for the management of the State's interests and, on the other hand, the territorial services responsible for the management of territorial interests, as well as the allocation of duties between these two services. This reform shall have the following objectives :

On the one hand, to facilitate access of local government officials to all the rungs of the hierarchy,

On the other hand, to institute an autonomous regulation of Overseas government offices as far as the territorial services are concerned.

To this end, it shall lay down conditions for the creation of territorial managerial staff and determine their status and modes of remuneration, in particular basic pay, while ensuring the maintenance of their existing rights, particularly as far as remuneration, social advantages, pension schemes and normal continuation of careers are concerned, to government employees and agents under the statutes of railway authorities presently in service.

In application of the preceding paragraphs, and without undermining the provisions laid down in them, the general status of agents of territorial services shall be determined by an order of the territorial head in the Government Council, upon deliberation by the Territorial Assembly.

The specific status of the different executive agents of these services, the modalities and rates of their remuneration, holiday schemes and social advantages shall be determined by order of the territorial head in the Government Council, following the advice of the Territorial Assembly, without undermining the rights of government officials who would have been employed recently.

Article 4 – The Government may, in accordance with the terms laid down in Article 3 given above and without breaching law no. 46-860 of 30 April 1946 and the legislative provisions pertaining to the same, take any measures to raise the standard of living in the territories falling under the Ministry of Overseas Territories of France, to promote the economic development and social progress in these territories and to facilitate economic and financial cooperation between Metropolitan France and these territories, in particular through:

- the generalization and standardization of education ;
- the organization and support of the productions necessary for the economic equilibrium of the territories and for the requirements of the franc Area ;
- the setting up of modern forms of rural development and the establishment of a land registry plan that will take into account the traditional rights of the natives ;
- the organization and implementation of civil status ;
- the organization of appropriate structures in the field of credit and savings ;
- any modification in matters of financial legislation and regulations that are required for promoting Overseas private investment, without undermining the prerogatives of territorial assemblies ;
- all measures required for ensuring social achievements.

The Government must take all necessary steps to permanently ensure the coordination of economic and financial measures concerning Metropolitan France and the Overseas on the whole, at the level of the Prime Minister.

Article 5 – The decrees laid down in Articles 3 and 4 may modify or repeal legislative provisions, with the exception of those pertaining to the organization and protection of work, or extend to the territories all or part of the legislative provisions in force in Metropolitan France. These decrees shall come into force as soon as they are published in the *Journal officiel (Official Gazette)* of the French Republic, but shall become final only after all the procedural formalities have been carried out and the time period as stipulated in Article 1 has elapsed.

Article 6 – The decrees passed in application of Title 1 of the present law may lay down either penalties decreed by earlier laws pertaining to the same matters without any modification whatsoever of the qualification of the breach of law being taken up, the nature and amount of penalties applicable, or penalties as laid down in article 471, 15°, of the Penal Code, or a punishment of imprisonment not exceeding three months and a maximum fine of 200,000 Metropolitan Francs or one of these two penalties only.

Article 7 – The powers conferred upon the Government by Articles 1, 3, 4, and 5 of this law shall end on 1 March 1957.

Title II (Second Heading)

Provisions relating to the trusteeship territories of Togo and Cameroon

Article 8 – The Government is authorized to define a status for Togo through a decree in the Council of Ministers, upon the advice of the Territorial Assembly and the Council of State. This status must meet with the objectives specified in the trusteeship agreement as also with the principles laid down in the Preamble of the French Constitution. It shall specify the allocation of jurisdiction and financial expenses between the State and the territory, the powers assigned to the local assembly, the local executive and its members, as well as the rights and liberties granted to the Togolese.

A referendum, to be carried out on the basis of universal suffrage and secret ballot, whose date and modalities shall be fixed at the appropriate time through a decree of the Council of Ministers after the prior agreement of the Territorial Assembly shall enable the people to choose between the status indicated in the preceding paragraph or the maintenance of the trusteeship system as per the agreement of 13 December 1946.

This status shall come into force provisionally immediately after its publication in Togo's *Official Gazette*. Subject to the intervention of the international act putting an end to the trusteeship system, it shall become final provided the results of the consultation specified in the preceding paragraph favor it.

As long as the status is of a provisional nature, a preliminary trusteeship defined by transitory provisions of the statute shall be exerted on the powers of the local authorities.

Article 9 – Taking into account the trusteeship agreements, the Government may, through decrees passed following advice from the Territorial Assembly and the Assembly of the French Union, proceed with institutional reforms as well as the creation of provinces, provincial assemblies and councils in the case of Cameroon.

These decrees shall come into force at the end of four months from the date of their presentation in Parliament.

Title III (Third Heading)

Provisions relating to the institution of universal suffrage and a single college

Article 10 – In the territories falling under the Ministry of French Overseas Territories, elections to the National Assembly, territorial assemblies, provincial assemblies of Madagascar, district councils and municipal assemblies shall take place on the basis of universal suffrage of citizens of either sex, whatever their status may be, having completed twenty one years, enrolled regularly on electoral lists and who are not disqualified by the law.

The penalties entailing non-enrollment on electoral lists shall be those laid down by the laws in force in Metropolitan France.

Article 11 – The voting system modalities for elections as laid down in Article 10 can be modified only by law, except in the case of elections to the district councils and to municipal assemblies organized by Article 53 of law no. 55-1489 of 18 November 1955.

Article 12 – The election of members of the National Assembly, members of the Council of the Republic, members of the territorial assemblies, members of the representative assembly and the provincial assemblies of Madagascar, district councils, as well as members of municipal assemblies of fully functional or partly functional communes and of mixed communes shall take place under a single college system.

Title IV (Fourth Heading)

Miscellaneous and transitory provisions relating to the institution of universal suffrage and a single college

Article 13 – In the territory of French Somaliland where the renewal of the representative council is not provided for in March 1957 by the legislation and regulations in force, the elections to this council shall be held latest by 1 May 1957.

Article 14 – On a provisional basis, till the next renewal of the National Assembly, territorial assemblies and provincial assemblies of Madagascar, as well as municipal assemblies concerned with Article 12, when the electors were grouped in two colleges, in case of a seat falling vacant due to death or resignation or for any other reason, the vacancy is to be filled by universal suffrage by the electoral college to which the seat was assigned.

On a provisional basis, till the next renewal of territorial and provincial assemblies in the territories where the members of the Council of the Republic are elected by a double electoral college, in case of a vacancy due to death, resignation or for any other reason, the vacancy is to be filled by the electoral college to which the seat was assigned.

Article 15 – In case it is necessary, a public administration regulation shall organize an extraordinary revision of electoral lists and shall be responsible for planning the time schedules pertaining to the same.

Article 16 – All provisions contrary to Titles III and IV of this law, and in particular the modified Article 3, of law no. 51-586 dated 23 May 1951 relating to the election of deputies to the National Assembly in the territories coming under the Ministry of Overseas Territories, are repealed.

This law shall be enforced as a State law.

Done in Paris, on 23 June 1956.

By the President of the Republic
René COTY.

Prime Minister,
Guy Mollet.

Minister of State,
Lord Chancellor, responsible for Justice,
François Mitterrand.

Minister of Overseas Territories,
Gaston Defferre.

Minister delegated to the Presidency of the Council,
Félix Houphouët-Boigny.

The Official Gazette of French West Africa no. 1835 dated Friday 13 July 1956.

The organization of the Issuing House of AOF and Togo, the activity of credit institutions and their regulation and the organization of public financial services would fit into the new legal and political mechanism as laid down by the outline law.

D – The Issuing House as per the Framework Law

a – Its main objectives

These were defined by the decree and the statutes ; the Issuing House was a French national public institution ; its head office was in Paris and its capital was fixed at 1 billion old francs, i.e. 500 million CFA francs.

It had the exclusive right to issue banknotes having the status of legal tender in the territories of AOF and Togo and of *putting coins in circulation*, as a counterpart to the short-term credit that it granted in the form of rediscounts or repurchases, drafts and customs duty bills subscribed to the order of the local officials of the Treasury and bills representative of medium-term credits.

It could buy and sell gold and foreign currency, acquire stakes in organizations or companies of general interest to the territories.

The Issuing House provided a monetary link with Metropolitan France and applied the convention of 29 September 1955 establishing its relations with the Public Revenue Department (Treasury), known as the convention on an operations account.

As we have seen, the *Outline Law* defined the scope of the central power in a restrictive manner but the monetary system figured in its scope of competence.

The issue of money and related duties came under the scope of the central power but it could entrust this responsibility to a public institution. The same applied to the foreign exchange system.

The statutes of the Issuing House enabled it to find a place in the new organization of institutions.

Its status of a State public establishment was sanctioned by a decree, no. 57-239 of 24 February 1957.

The statutes were affected only by the measures aimed at administrative decentralization as decided by decree no. 57-817 of 22 July 1957 to the extent of the duties that these measures delegated to the High Commissioner of the Republic in AOF :

- Nomination of Board members representing the territories on the Board of Directors of banks or issuing houses ;

- Determination of the way to calculate the fraction allotted to each territory from statutory payments from establishments in charge of the issuing department.

As far as Togo was concerned, Article 27 of decree no. 58-187 of 22 February 1958 modifying the decree of 24 August 1956 on the status of the Republic of Togo acknowledged that the French Republic had "the responsibility of foreign relations, *monetary policies* and *defense* of the Togolese Republic".

The same article specified : "consequently, legislation and regulations relating to currency and exchange, fall within the scope of the French Republic" ; it suggested that "conventions between the French government and the Togolese government may lay down as many modalities for the preceding provisions as deemed necessary".

Thus, on 24 February 1958, a Franco-Togolese convention pertaining to currency and foreign trade was concluded between the two governments and signed in Lomé.

In 1957, the powers of the Issuing House were extended with the reform in the regulations governing the issue of coins.

In fact, as one of the relics of regalities, the issue of coins was reserved for the Treasury although as per its statutes, the Issuing House was authorized to put them in circulation.

Based on the example of other countries, decree no. 57-244 of 24 February 1957 (modified by decree no. 57-749 of 3 July 1957) authorized the transfer of the issue of coins to public bodies and banks taking care of the issuance of banknotes in the territories and countries falling under the Ministry of French Overseas Territories.

With the intent of putting the new provisions into practice, a decree dated 31 August 1957 entrusted the issue of coins in AOF and Togo to the Issuing House. The modalities concerning the taking up of this new duty was the subject of a convention dated 8 October 1957 and a decree dated 12 October 1957 approved the same.

Therefore, from 1 October 1957 onwards, the Issuing House took care of the "issue of coins in the same way and under the same conditions as that of bearer orders" in the entire issuing zone (decree dated 24 February 1957, Article 1).

b – Its organization

1 – The Administration

A Board of Directors comprising 18 members managed the Issuing House :

- The Chairman and Managing Director appointed by an order passed jointly by the Finance Minister and the Minister of Overseas Territories ;

- Two representatives of the Minister of Finance ;

- Two representatives of the Minister of Overseas Territories ;

- Two Directors chosen for their experience in African economic and monetary matters, nominated by orders passed jointly by the Minister of Finance and the Minister of Overseas Territories ;

- Six Board members representing the territories nominated by the Minister of Overseas Territories, with 5 for AOF and 1 for Togo, following their appointment by the Grand Council of AOF and the Territorial Assembly of Togo from lists presented by the High Commissioner of the Republic in AOF and the Commissioner of the Republic of Togo, which contain three times more names than the Board members to be nominated ;

- Two Board members representing the “Banque de France”, nominated by its Governor ;

- The Managing Director of the Central Fund for Overseas Territories or his representative ;

- The Chairman of the Issuing House of AEF and Cameroon or his representative;

- A member of the Monetary Committee of the franc Area, appointed by the Committee.

The Board of Directors was vested with the most extensive powers in view of the administration of the affairs of the Issuing House. Operations involving rediscount, credit and advances had to be submitted to it for approval.

The Chairman of the Board enforced laws relating to the Issuing House and its statutes. He represented the Issuing House with respect to a third party, was the sole person entitled to sign treaties and agreements, carried out all legal actions ; he presided over all the committees created within the Issuing House ; no resolution could be enforced if it was not covered by his signature ; he nominated and dismissed staff members and fixed their remuneration ; he could delegate all or part of his duties to a managing director and constitute special representatives for a limited period and for specific affairs.

The Chairman of the Board, Tézenas du Montcel, Inspector General of Overseas Territories of France, was appointed through an order dated 4 May 1955 ; the first Board members representing AOF territories were also appointed :

Mr. Justin Tometin Ahomadégbé, Member of the Grand Council of AOF, Chairman of the Legislation and Miscellaneous Affairs Committee ;

Jean Bandaogo, Member of the Grand Council of AOF ;

Léon Boissier-Palun, Chairman of the Grand Council of AOF ;

Jean Delafosse, Vice-President of the Grand Council of AOF, Chairman of the Finance Committee ;

David Soumah, President of the Federal Union of AOF and Togo of the trade unions of the French Confederation of Christian Workers (CFTC – “Confédération Française des Travailleurs Chrétiens”).

Togo was represented by :

Mr. de Médeiros, Doctor of Medicine.

2 – Accounts and audits

The Issuing House’s accounts were balanced on December every year. From the profits, 15% was deducted for the reserve requirements. After allocation to various reserves, the balance was paid to the Public Revenue Department (Treasury).

These operations were supervised by a college of censors composed of the AOF Managing Director-Finance, the Finance Director of Togo and two members nominated by the Minister of Finance and the Minister of Overseas Territories respectively.

They attended the sessions of the Board of Directors without a deliberative vote.

The accounts of the Issuing House were submitted to the banks supervisory board.

Every month, a statement of accounts was drawn up and published in the official gazettes of Metropolitan France, AOF and Togo.

3 – The Management

The general headquarters was set up on 24 September 1955 at 128, rue du Faubourg Saint-Honoré, Paris, in the 8th Arrondissement.

It was comprised of Messrs :

Managing Director

Robert Julienne, Treasury Inspector, nominated by an order dated 5 May 1955 ;

Deputy Managing Director

Pierre Maestracci

Head of Administrative Services

Marcel Vuillod

Director of Financial Operations

Michel Durand

Director of Credit

Gabriel Rattier

Director of Economic Studies

Pierre Sanner

Management of Agencies :

Abidjan

Marcel Arbogast

Bamako

Jean Cluzel

Conakry

Jacques Silvain

Cotonou

Henri Laplane

Dakar

Pierre Durand

Lomé

Georges Cézac

Mr. Laplane, residing in Cotonou, took care of the Management of Niamey provisionally.

4 - Its operations

The first financial year of the Issuing House began on 1 October 1955 to end on 31 December 1956, i.e. after a period of 15 months ; the last financial year ended on 31 December 1958.

In order to carry out its operations, the Issuing House entered a work contract agreement with BAO.

1) Work contract agreement with BAO

The Issuing House did not have the logistics needed for its activity in the issuing area. It entered into an agreement on 22 September 1955 under the signatures of the Chairman of its Board of Directors, Robert Tézénas du Montcel, and the Chairman of the Board of Directors of BAO, M. Marcel de Coppet, to establish the conditions according to which it would be able to use BAO's services and facilities.

The Minister of Finance and the Minister of Overseas Territories approved this agreement on 29 September 1955.

According to this agreement, BAO rented out its services to the Issuing House for the account and as per the instructions of this institution, for carrying out operations authorized by Articles 10 to 21 of the statutes, as well as for the preservation, protection, handling, exchange, sorting and distribution of banknotes and coins in the agencies.

In return, BAO received a remuneration and reimbursement of certain expenses : personnel appointed for Issuing Houses operations, a part of general expenditure, taxes, insurance, etc.

This agreement, profitable for BAO, was a determining factor in the discussions held with public bodies in order to make it accept the non-renewal of its exclusive issuing right.

2) Currency issue

Contrary to the institutions that had preceded it, the duration of the exclusive rights of the Issuing House was not for a limited period ; its banknotes were not repayable in cash - they therefore enjoyed the status of forced currency ; no legal or statutory rules relating to issue were binding on it.

In order to carry out the issue, the Issuing House made use of issuing equipment transferred by BAO for catering to the requirements of fiduciary circulation. The banknotes in circulation remained those designed and produced by BAO.

In the course of its first 15-month financial year, a banknote bearing its corporate name and the signatures of its Chairman and its Managing Director was put into circulation ; this was the 50 F banknote printed as per the layout for the denomination having the same face value that BAO had issued previously.

The first banknotes of this type were given to the public in October 1956.

The Board of Directors adopted layouts for denominations of 50, 100, 1,000 and 5,000 F. The new types of banknotes to be produced were meant to replace the old ones of BAO as and when the stocks would get over.

Finally, they were not printed.

3) Operations concerning the issue of currency

Statutes regulated classic credit and exchange operations. As far as credit was concerned, the Issuing House paved the way for a systematic monetary policy.

- Credit operations

- Statutory provisions

The Issuing House was authorized to grant short-term credits in the form of rediscounts or repurchases of bills maturing in 6 months, covered by at least two credit-worthy signatures of which one had to be the signature of a bank ; to the banks, credit in the form of advance supported by a guarantee : a warrant, receipt or pledging of goods, transfer of standing crops, etc.

As an exception, it could carry out these operations without the intervention of banks when these operations were of general interest and contributed to lowering credit costs.

Following special deliberations of the Board of Directors, and in the case of companies having purchase guarantees for standing crops, the Issuing House could carry out operations laid down in this provision after obtaining a single signature and without constituting one of the guarantees.

It could consider granting advances on government bonds, created or guaranteed by the French State or by public administrations of AOF and Togo up to the amount of the quota fixed by the Board of Directors.

Moreover, it could buy and resell the same bonds without endorsement, provided they had less than six months to run and provided these operations were not being processed to the benefit of the Treasury or the issuing administrations.

It could rediscount drafts and guaranteed bonds subscribed in accordance with the conditions laid down by regulations specific to AOF or Togo to the order of the local officials of the Treasury ; to the banks, bills representative of medium-term credits limited to a maximum 5 year period, guaranteed by two or several signatures of creditworthy persons.

In order to be mobilizable for the Issuing House, the objectives of the medium-term credits granted had to aim at developing means of production or the construction of buildings after having obtained the approval of the Issuing House. The Board of Directors periodically laid down the overall amount earmarked for medium-term credits that could be considered for rediscount.

- The outline of a doctrine with respect to interventions

In order to function properly, an issuing system based on the legal tender of banknotes and in which no statutory requirements were imposed for issue cover, needed the establishment of a regulatory mode of currency production in order to avoid any slip-ups, which were always possible in this field regardless of the good intentions and competence of people.

In spite of all this, the Issuing House did not conceptualize its action ; the terms "credit policy" or "monetary policy" would enter the bank's terminology only much later.

After having described the characteristics of the issuance area and emphasized the fact that its "activity, the modalities as well as limits of its action, can be determined only according to the geographical context, the economic and human environment in which they will have to act"³³³, the Issuing House specified the objectives and modalities of its "intervention in distribution of credit".

* The characteristics of the issuance area

The region was characterized by its vastness, its limited but fast-developing population, and yet, rudimentary productive activity and techniques of production, the predominance of agricultural produce in exports ; heavy dependence with respect to imports, integration of the economy in the market and the price system of Metropolitan France and the decisive role of financial assistance from Metropolitan France.

The vastness of the region and its continentality

The issuance area covered 4,869,000 sq. km. - i.e. slightly lesser than the surface area of Europe or half of China's surface area. There were 1,230 kms of railroads from Bamako to Dakar ; and 1,145 kms of railroad tracks connected Ouagadougou to the port of Abidjan.

"Vastness has never simplified the issue of finding solutions to economic problems ; it makes "general expenses" relating to any type of human actions shoot up excessively", the Issuing House pointed out.

The limited population, whose growth rate, however, already posed a lot of problems

This vast land was also, on the whole, almost bereft of people. A population that was hardly three times that of the Parisian urban area was scattered around in an area which was eight and a half times the area of the whole of France.

A centuries-old insecurity that had led to a fragmented population or one which, to the contrary, was concentrated in island refuges still played a role in its settlement, and created a situation wherein population was not distributed according to a rational adaptation to the capacity of the surroundings.

Therefore, what remained to be done was to settle people, taking into account the hospitality of the environs and the requirements and possibilities of the economy, and this was certainly not the least of the West African's problems relating to the issue of banknotes.

Finding a solution was even more necessary since, although the population of these countries was small, it was in full expansion. The development of the territorial economy had to contend with this population growth as well as the legitimate impatience for a better life on the part of the West African population.

³³³ The Issuing House of AOF and Togo, Annual Report, 1 October 1955-31 December 1956.

Now, the economy could not progress at the required pace without a radical transformation of its existing condition, which had remained very rudimentary.

The rudimentary nature of the structure of production activity and production techniques

The Issuing House reflected the *three circuits of production – consumption* that one finds in all human societies, from the most rudimentary to the most evolved.

In the first circuit, the *basic social cell*, be it the household or the "gens"³³⁴, ensured the satisfaction of the needs of its members through their own production.

In the second circuit, satisfaction is sought from an *exchange with other groups of the same village*, of the same region.

Lastly, the third circuit, much wider, brought markets *beyond the frontiers of the territory* within reach of the partners.

The Issuing House emphasized that the *relative importance of these "three circuits"*, was undoubtedly one of the best indicators of the nature of organization of an economy and could provide a better indication of its degree of evolution than many other criteria.

The principal characteristic of the West African economy was the dominant place held by the first "circuit", the circuit of production – consumption within the same social group, wherein the provision of goods or services, while they generally involved counter-provisions, did not give rise to an estimation of value in terms of money, and definitely not to monetary payment.

In West Africa, self-consumed production satisfied the needs of the majority of the population, not only their food requirements but also those of fuel, housing, clothing, etc.

The predominance of agricultural production in the case of exports

The impact of exports on the formation of monetary revenue is direct. But here, these were composed of products delivered in a more or less crude form - bananas, oil seeds, coffee, cocoa, wood, ores, gold, etc. - except for groundnuts, which were processed in Senegal in large quantities.

It was usually produce meant for the food consumption market after being subjected to just basic processing. Thus, almost the entire quantity of exports were meant for a market to which nature itself imposes limits that were much narrower than those pertaining to industrial raw materials that were open to much wider usage.

Moreover, international competition in these markets was more likely to play a decisive role and each of these markets, which were dominated by a few "big producers", were subject to sudden and far-reaching price fluctuations which gave rise to wide speculation.

The increasing importance of cocoa and coffee enhanced this aspect even more.

³³⁴ Latin word for a people, a tribe.

These exports were supplied primarily by a multitude of small rural farms, using the most basic of agricultural procedures. The yields remained extremely feeble, whether they were equated with the cultivated area or with the "labor force" employed.

While the exported tonnage registered impressive increases, it was because more men had devoted more time to cultivate more land, leaving aside other productions or activities, which earlier used to provide for their subsistence directly.

The Issuing House stressed the fact that even if domestic markets had been created or had developed, the West African economy was still marked by the predominance of a subsistence-level production into which an international exchange system had been integrated, with its essential instrument : currency.

It continued by saying that while they were convinced that this economy could not develop harmoniously without a major expansion of internal exchanges in terms of volume as well as diversity, the Issuing House's activity was still dominated by the exchange flows outside the territories of the issuance area and their exports in particular.

A clear dependence with respect to imports

Increasingly involved in the cultivation of produce earmarked for exports, the producer depended on imports for meeting needs that he used to take care himself in earlier days.

This dependence with respect to imports was enhanced further, given that an increasing part of the population was drifting away from traditional rural life : salaried employees of private and public sectors.

Therefore, imports of consumer goods evaluated at constant price were registering an increase, which was much higher than the increase in the case of capital goods.

For two-thirds of their value, imports catered to satisfying the needs of the population and more than one-fifth to their food supply ; this represented a very high proportion for a region whose main activities were agriculture and breeding.

The region showed a very high propensity for consuming imported products, but it was at the same time severely limited in its capability to buy these products because of its remarkably low productivity ; therefore, it was gearing up to develop its economy under the shelter of Metropolitan France by turning more and more to it for financial assistance and by getting more and more involved in its economy.

The integration of the area's economy in the market and the price system of Metropolitan France

In fact, 60% of the area's foreign trade was carried out with Metropolitan France and 70% with all of the countries in the Franc Area.

These figures did not result from the free choice of the parties involved, but were the consequence of a predetermined association, in which the protection of outlets of higher-priced metropolitan production and the support given to West African production whose cost prices were equally high tried to compensate for each other.

The area was thus integrated into a "price system" dominated by the level of Metropolitan prices. Modalities for the support of export product prices of the Overseas Territories, sheltering them more or less from fluctuations of the international market were put in place. This support was made possible only thanks to the financial backing of the Treasury.

To this principle of remuneration or compensations of social expenditure developed and applied in Metropolitan France, which had been extended to the territories, was added the deliberate will to accelerate economic and social development through modern equipment financed by external resources.

The conjunction of all these factors drove the West African economy towards a more and more pronounced integration with the Metropolitan economy as it led these territories to resort more and more to financial assistance from Metropolitan France.

The determining role of Metropolitan financial aid to the West African economy

The Issuing House emphasized the fact that the large volume of the contribution of Metropolitan public finance in the formation of the territorial revenue of AOF and Togo was one of the most salient features of the economy of these territories.

It indicated that it had never been possible to establish a complete and precise picture of the expenses involved for the functioning and equipment of Overseas Territories financed by Metropolitan public funds.

The most important heads of expenditure financed by Metropolitan France were recorded in the accounts of the Treasurers-Paymasters of the Overseas Territories.

Almost two-thirds of these expenses were composed of charges known as "functioning of public departments" and in particular by salaries and outstanding balances of the staff of armed forces and State civil services.

The pensions for civil and military seniority as well as retirement pensions of war veterans paid in AOF, even though far lower than the pensions paid to their Metropolitan counterparts, by themselves amounted to 3,300 million CFA francs ; this worked out to almost the double of the amount of money paid to producers from Niger for their groundnut crops or the value of banana exports of Côte d'Ivoire and Guinea. The amount of pensions paid, in the territory of Upper Volta alone, largely exceeded the value of exported production.

Therefore, for salaries or pensions alone, Metropolitan public funds contributed largely to the formation of the revenue of the African population.

Overall, the contribution, without direct compensation, of Metropolitan public finances to the territorial revenue of AOF and Togo was about half the export revenue.

Basically, one-third of the "external earnings" of AOF and Togo were therefore composed of contributions by the Metropolitan Treasury, without compensation, and the remaining two-thirds were composed of exports of raw local products.

These were the characteristics of the West African economy ; both a gift and at the same time constraints that had to be surmounted in order to gradually carry the region and its population to the stage of a modern, diversified and balanced economy.

This was, thus, the challenge to be taken up by development policies. In its analysis, the Issuing House did not explicitly take a stand on appropriate strategies and policies, opinions being radically divided during those post-war years.

It confined itself to specifying its mission by fixing basically the objectives of the monetary policy as well as the instruments.

* The objectives

The Issuing House defined its role as being that of a regulator of the amount of money supply in the area of issue and that of the guarantor of its quality, with the help of a resolutely anti-inflationary monetary policy.

Thus, in its first annual report, it wrote : "Within the limits of the means of action at its disposal, the Issuing House strives to provide for the various quick assets of AOF and Togo, a volume and contras corresponding to the actual requirement of the economy of these territories and to the specific conditions of their foreign relations".

It also wrote "in the end, credits granted by the Issuing House are manifested as issues of banknotes ; therefore, under the threat of inflation, rediscounts of short-term bills must correspond only to the mobilization of current production in the area, that to the extent that the banks are unable to provide by their own resources.

"This kind of prudence is all the more necessary that the contra of the money supply in the area is essentially made up by credits granted to the economy of these territories, and, to a much lesser extent, by available funds in Metropolitan Francs".

The annual report of the next financial year (1957) systematized this analysis and set forth the guiding principles of the monetary policy in the following terms : "the action of the Issuing House in credit distribution cannot be guided by anything other than a precise and *constant adaptation to the conditions and needs specific to its area of issue*. Therefore, the Issuing House's constant concerns are :

To the extent possible, to match the creation of money to the actual needs of the economy in its area of issue ;

To put its monetary resources only to those uses that offer guarantee of necessary liquidity ;

To reserve the utilization of all the monetary resources of its area of issue for financing the zone's requirements ;

To provide the necessary financial support under the fairest of conditions for all activities depending on its sound financial situation and playing a role in the general promotion of the economy of AOF and Togo".

* The instruments

The Issuing House thus applied its monetary policy by means of the credit it granted to banks in addition to their resources – their equity capital and deposits – in order to finance their application of funds.

By adjusting its credit to the circumstances, it influenced the cash position of the banks and thereby their capacity to grant credits and consequently, their power to create bank money.

As for the practical modalities, the interest-bearing credit was granted on a short-term and medium-term basis and through rediscounts of short-term bills, advances on government bonds, guaranteed advances, repurchase of government or private bonds and rediscounts of bills representing medium-term credits.

In the case of short-term credit, the *rediscount of bills* was the main means employed. Access to this mode of refinancing by banks was subjected to a *rediscount agreement* granted in two forms : a "*ceiling*" fixed in *each bank* in keeping with its overall cash requirements and a *limit* assigned within this ceiling to each signature, i.e., each beneficiary of bank credits.

These two types of limits were fixed, in principle, for a semester ; they were not of a static nature and were adjusted in keeping with seasonal evolutions in requirements.

These were thus subjected periodically to a complete analysis of individual needs of companies whose signatures were proposed by the banks, as well as the cash position of the banks themselves.

For rediscounts agreements, the financial standing and solvency of the debtor were taken into consideration ; the Issuing House made sure that credits presented as short-term ones were not actually used for financing immobilizations. The agreements were adapted to the seasonal rhythm of the local economy ; from May 1956 onwards, ceilings varied sometimes from one month to another in keeping with the evolution of the situation and limits calculated for crop requirements replaced the half-yearly ceilings and limits.

Carefully following developments in bank deposits, the Issuing House proceeded in such a manner as to ensure that the resources thus procured locally for the banks were used by them in the area itself, as a priority, before any recourse to rediscount.

Finally, with the intent of drawing in foreign capital to its area of issue and avoiding a situation wherein credits just ended up financing operations in other territories of the Franc Zone, the Issuing House had to do away with local advances on Metropolitan Franc deposits, to restrict the quantity of advances guaranteed by Treasury bonds deposited in France, in order to favor rediscounts and to make foreign drawings allowed for rediscount comply with their specific role and for a moderate period.

As far as medium-term credits were concerned, the Board of Directors periodically determined the overall amount of credits which could be allowed for rediscount.

While treating each case, it had to assess how important it was for the economy of the territories in the issuing zone concerned with the planned operation, the guarantee of repayment upon expiry of loans granted and, in consideration of these two issues, fix the rediscount ratio in the total funding.

As far as the rates applied for operations were concerned, during the first year, the Issuing House renewed the rates applied by BAO on the date of transfer of issue in order to avoid sudden modifications :

For short-term credits it was :

3.75% in the case of bills in AOF – Togo ;

3.50% in the case of French bills and those of other countries in the Franc Area ;

3.25% in the case of foreign bills.

After a year's experience, the Board brought down rediscount rates from three to two and lowered them as from 15 October 1956 to 3% in the case of foreign commercial bills or for realizing foreign commercial debts and to 3.5% in the case of all other bills.

As regards medium-term credits, in the case of rediscounted bills, BAO was applying the rate of local paper, to which it added a 0.5% commission.

The Issuing House at first applied the same conditions, the commission being simply incorporated with the rediscount rate, which was thus carried to 4.25%.

On 3 October 1956, the Council decided to apply a tariff made of two parts as follows concerning the rediscount of bills mobilizing medium-term credits : a commitment fee of 0.5% per annum calculated per semester on 30 June and 31 December of each year on the total amount of authorizations ; and bank charges on bills presented at the local paper rate, i.e. 3.75% till 10 October inclusive, and 3.50% afterwards.

* The results

The backing of the Issuing House in financing bank credits for the economy ranged from 26 to 46%, depending upon the period, with an average of around 40%, as the following table indicates.

Bank credits from 1956 to 1958

(In billions of CFA.F)

Year	Maximum	Average	Deposit Banks	CCFOM	Treasury and Other Institutions	Refinancing -Issuing House	Percentage
1956	54.3	48.0	44	2.2	1.8	17.3	39 %
1957	57.1	51.5	47	2.2	2.3	18.3	39 %
1958	69.6	65.0	57	3.6	3.1	23.1	40.5 %

- Exchange operations and gold transactions

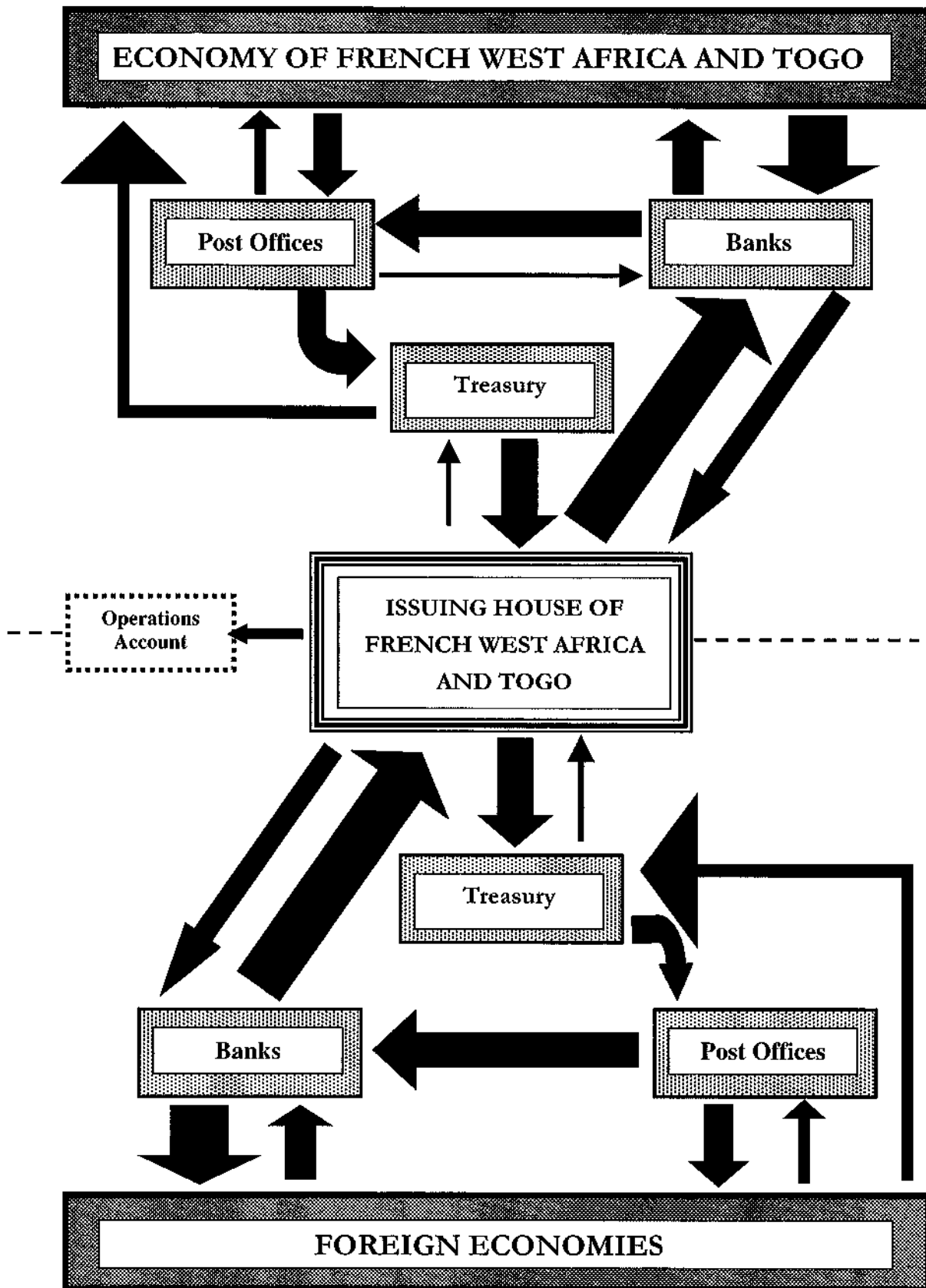
The Issuing House was liable to "carry out any request for transfer between Metropolitan France and the territories where it holds exclusive issuing rights".

It carried out transfers of funds either for banks and the Central Fund for Overseas Territories, or free of cost for the Exchequer.

It could buy and sell gold and foreign currency.



Government Guy Mollet
(page 445)



Source : Activity report of the Issuing House of French West Africa and Togo (1955-1956).

Exchange operations with Metropolitan France were carried out within the framework of the convention on an operations account of 29 September 1955, which bound the Issuing House to the French Treasury.

This convention was the first of its kind in West Africa since neither the Bank of Senegal, nor BAO had had this type of a link with the Treasury.

The convention, signed by Pierre Pflimlin, Minister of Finance and Economic Affairs, acting in the name of the State, and Tézenas du Montcel, Chairman of the Issuing House of AOF and Togo, laid down the relations between the Treasury and the Issuing House.

It provided that a current account, called the "operations account" had been opened in the name of the Issuing House in the books of the Treasury in Paris. This account would register payments and withdrawals carried out in Dakar by the Paymaster-Treasurer of AOF on its account at the Issuing House.

The Issuing House would also regularly deposit liquid assets (assets) that it constituted outside the territories where it exercised its exclusive issuing right ; this did not apply for sums required for its operating fund in France.

In case of insufficient available funds, the Issuing House was authorized to withdraw from the account the sums necessary for coverage of transfers from outside ordered by its agencies in the territories and for the expenses it incurred in Metropolitan France.

When its account shows a debit balance, the Treasury collected interest at the rate of 1% on a bracket from zero to 500 million and 2% from 500 million to 1 billion. Beyond 1 billion, the rate was equal to the discount rate of the "Banque de France" and at a minimum of 2.50% per year.

If its account showed a credit balance, it remained in deposit in the Treasury and collected interest to the benefit of the Issuing House at the discount rate of the "Banque de France", at a minimum of 2.5% per year.



René Coty
(page 508)



Félix Houphouët-Boigny
(page 508)

Decree no. 55-103 of 20 January 1955 on the reform of the issuance system in French West Africa and Togo

The President of the Council of Ministers (Prime Minister),

Based on the report of the Minister of Finance, Economic Affairs and Planning and of the Minister of French Overseas Territories,

Given the Act of 29 January 1929 on the renewal of the exclusive issuing right of the Banque de l'Afrique Occidentale and the texts that modified and completed it ;

Given the Act of 8 March 1949 relating to the special accounts of the Treasury for the year 1949 ;

Given the Act of 27 May 1950 relating to special accounts of the Treasury for the year 1950 ;

Given the law no. 54-809 of 14 August 1954 authorizing the Government to implement a program for financial equilibrium, economic expansion and social progress ;

With the consent of the Council of State ;

With the consent of the Council of Ministers ;

DECREES

Article One

A national public limited company named "The Issuing House of French West Africa and Togo" is created, which shall be run in accordance with trade laws and practices ; a public administration regulation, countersigned by the Minister of Finance and the Minister of Overseas Territories, shall lay down the modalities of functioning and the statutes of this corporation ; this regulation must come into effect within a period of three months from the date of publication of this decree.

The duty of issuance of banknotes in French West Africa and Togo, entrusted to the "Banque de l'Afrique Occidentale" by the above-mentioned law of 29 January 1929, will be transferred to the new public limited company within a maximum period of three months from the date of publication of the public administration regulation mentioned in the preceding paragraph. This company shall also be responsible for the circulation of coins in the same territories.

Article 2

The Issuing House of French West Africa and Togo is authorized to carry out the following operations in the territories where it will manage issuance duties :

- 1) Grant short-term credits in the form of rediscounts or with the guarantee of another credit institution ;

2) Grant, on an exceptional basis, short-term credits that do not meet with the conditions laid down in the preceding paragraph, when granting these credits is in the general interest ;

3) Rediscount medium-term bills.

The statutes of the Issuing House of French West Africa and Togo shall fix the conditions under which the above-mentioned operations shall be conducted. These statutes shall particularly determine the limits under which rediscount of medium-term bills will be done.

Article 3

The Issuing House of French West Africa and Togo is not authorized to acquire any stakes except through equity financing, with the permission of the Minister of Finance and that too, only in organizations or companies that are of general interest for the territories in which it is responsible for issuance.

Article 4

The Issuing House shall pay the Treasury a fee once every three months on productive fiduciary circulation, as per the conditions fixed by the convention between the Treasury and the said Issuing House, as laid down in Article 11 mentioned hereafter.

The Issuing House shall also pay the Treasury the balance of its net profits, after constitution of reserves and provisions as well as the exchange value of lost banknotes.

The amounts corresponding to the payments as laid down in the present article shall be shared between West Africa and Togo, in proportion to their productive fiduciary circulation as per the conditions established by a joint decision of the Minister of Finance and the Minister of Overseas Territories. They shall be allocated to institutions or to public establishments dealing with agricultural, property or social credit.

Article 5

A Board of Directors comprising the following shall administer the Issuing House of French West Africa and Togo :

A Chairman and Managing Director appointed by order passed jointly by the Minister of Finance and the Minister of Overseas Territories who shall have the casting vote in case of division ;

Two representatives of the Minister of Finance ;

Two representatives of the Minister of Overseas Territories ;

Two Board members chosen for their experience in African economic and monetary matters, nominated by orders passed jointly by the Minister of Finance and the Minister of Overseas Territories ;

Six Board members representing the territories appointed by the Minister of Overseas Territories, out of which five for French West Africa and one for Togo, as per the conditions laid down in Article 7 hereafter ;

Two Board members representing the "Banque de France" and nominated by the Governor of the bank ;

The Managing Director of the Central Fund for Overseas Territories or his representative ;

The Chairman of the Issuing House of French Equatorial Africa and Cameroon or his representative ;

A member of the Monetary Committee of the Franc Area, appointed by the Committee.

Article 6

The chairman of the Board of Directors shall normally exercise the functions of Managing Director. He may, however, delegate all or part of his duties to a managing director nominated by an order passed jointly by the Minister of Finance and the Minister of Overseas Territories.

Article 7

The Board members representing the territories shall be appointed by the Minister of Overseas Territories, following nomination by the Grand Council of French West Africa and the Territorial Assembly of Togo based upon lists presented by the High Commissioner of the Republic in French West Africa and the Commissioner of the Republic in Togo containing three times more names than the Board members to be appointed.

Article 8

The operations of the Issuing House shall be supervised by a college of censors composed of the Managing Director-Finance of French West Africa, the Finance Director of Togo and two members nominated by the Minister of Finance and the Minister of Overseas Territories respectively.

Article 9

The operations of the Issuing House shall be carried out and entered in an account in conformity with trade and banking rules and practices. The accounts of the Issuing House shall be submitted to the bank audit board acting in its capacity of competent department in matters of credits of the Auditing Commission for accounts of public enterprises, as per the conditions laid down in Article 34 of the law of 27 May 1950. In that case, the Director-Audit in the Ministry of Overseas Territories, or his deputy, shall take part in the meetings of the bank audit committee.

Article 10

The Issuing House of French West Africa and Togo shall receive a grant from the State whose amount shall be fixed by a decree countersigned by the Minister of Finance and the Minister of Overseas Territories.

The expenditure corresponding to the amount of this grant shall be charged to the credit of a special account of the Treasury called "Management of securities of State owned mixed economy companies" opened by implementation of Article 26 of law no. 49-310 of 8 March 1949.

Article 11

Within a period of two months from the date of publication of the public administration regulation indicated in the 1st paragraph of Article 1 of this decree, the Minister of Finance and the Minister of Overseas Territories shall have to pass :

1) A convention with BAO fixing the modalities according to which this bank will be released from issue duties ;

2) A convention with the Issuing House of French West Africa and Togo fixing the conditions of transfer of afore-mentioned issue duties to this Bank.

These conventions must be approved by a decree in the Council of State countersigned by the Minister of Finance and the Minister of Overseas Territories.

Article 12

The founders' shares and the shares of the "Banque de l'Afrique Occidentale" belonging to the State may be transferred to this bank under the conditions to be fixed by the convention between the Treasury and the bank as laid down in Article 11 given above. The corresponding proceeds shall be paid to the special account of the Treasury mentioned in Article 10 given above.

The shares of the "Banque de l'Afrique Occidentale", which belong to a territory or to a group of territories may be transferred to this bank under the conditions fixed by a convention concluded between this bank and the concerned High-Commissioner or Governor, duly authorized and acting for the account of the group of territories or the territory.

Article 13

From the date of transfer as specified in the second paragraph of Article 1 of this decree, the "Banque de l'Afrique Occidentale" may freely modify its statutes, in conformity with the conditions fixed by the legislation on companies.

Until the incorporation of the new statutes, these statutes of the "Banque de l'Afrique Occidentale" shall remain in force ; however, the Bank is authorized to repeal Article 72 of these statutes as of now.

Article 14

The modalities according to which the "Banque de l'Afrique Occidentale" may put at the disposal of the new Issuing House reserves of banknotes, services or installations utilized by it for issuing purposes will figure in a convention between the two organizations. This convention shall be submitted for approval by the Minister of Finance and the Minister of Overseas Territories within a maximum period of two months from the date of publication of the public administration regulation specified in the first paragraph of Article 1 of this decree.

Article 15

The agreements and operations, which will be necessary for the implementation of the operations of these agreements, passed between the State and the “Banque de l’Afrique Occidentale” shall be exempt from taxes.

Article 16

The Minister of Finance, Economic Affairs and Planning and the Minister of Overseas Territories shall be both responsible for the implementation of this decree which will be published in the Official Gazette of the French Republic.

Done in Paris, on 20 January 1955.

By the President of the Council of Ministers (Prime Minister),

Pierre Mendès-France

The Minister of Overseas Territories,

Robert Buron

The Minister of Finance, Economic Affairs and Planning,

Edgar Faure.



Gaston Defferre
(page 508)

**Decree no. 55-938 of 15 July 1955 approving the statutes of the
Issuing House of French West Africa and Togo**

The President of the Council of Ministers (Prime Minister),

Based on the report of the Minister of Finance and Economic Affairs and the
Minister of Overseas Territories,

Given the decree no. 55-103 of 20 January 1955 on reforms in the system of issue in
French West Africa and Togo, in particular its Article 1, according to which the
modalities for the functioning and the statutes of the Issuing House of French West
Africa and Togo will be established by a public administration regulation ;

With the consent of the Council of State ;

With the consent of the Council of Ministers,

DECREES :

Article One

The statutes of the Issuing House of French West Africa and Togo as attached to
this decree have been approved.

Article 2

On an exceptional basis, the closing date of the first accounting period of the Issuing
House has been fixed for 31 December 1956.

Article 3

The Minister of Finance, Economic Affairs and Planning and the Minister of
Overseas Territories shall be both responsible for the implementation of this decree,
which shall be published in the Official Gazette of the French Republic.

Done in Paris, on 15 July 1955.

By the President of the Council of Ministers (Prime Minister),

Edgar Faure

The Minister of Overseas Territories,

Pierre-Henri Teitgen.



Edgar Faure



Pierre-Henri Teitgen

**Statutes of the Issuing House of
French West Africa and Togo**

**TITLE I (First Heading)
General Provisions**

Section 1 – Constitution

Article One

The Issuing House of French West Africa and Togo is a national public limited company endowed with a legal status and financial autonomy.

Article 2

Its Head office shall be established in Paris. It may be transferred after the deliberations of the Board of Directors and after approval by the Minister of Finance and the Minister of Overseas Territories.

The Issuing House may open branches or agencies only in its area of issue and upon permission of the Minister of Finance and the Minister of Overseas Territories.

Section 2 – Capital

Article 3

The Issuing House shall have a grant which constitutes its capital and whose initial amount is fixed by a decree countersigned by Minister of Finance and the Minister of Overseas Territories.

The capital may be increased by application of Article 10 of the 20 January 1955 decree no. 55-103 and upon incorporation of reserves following a resolution of the Board of Directors approved by a decree countersigned by the Minister of Finance and the Minister of Overseas Territories.

**Title II (Second Heading)
Operations**

Section 1 – General Provisions

Article 4

The operations of the Issuing House should be linked to the territories in which it has exclusive issuing rights.

Article 5

The operations of the Issuing House shall be carried out and entered in an account in conformity with trade and banking rules and practices.

Section 2 – Exclusive issuing rights

Article 6

The Issuing House shall have exclusive rights to issue banknotes that are legal tender in the territories of French West Africa and Togo.

Article 7

The Board of Directors shall give decisions on the creation and issue of the Issuing House's banknotes, on their withdrawal and their cancellation. It shall decide upon their face value and form of denominations and the signatures that they should bear.

The exchange value of lost notes shall be paid to the Treasury.

Article 8

Counterfeiting and reproduction of Issuing House's banknotes, and the use, sale, hawking and distribution of counterfeited or reproduced banknotes shall be punishable under the penal measures in force.

Section 3 – Operations concerning the issue of currency

Article 9

The Issuing House shall not be authorized to carry out or take up any operations other than those that the statutes allow it to perform.

Article 10

The Issuing House must carry out all applications for transfer between Metropolitan France and the territories in which it enjoys exclusive issuing rights.

Article 11

The Issuing House shall have the authority to buy and sell gold and foreign currency.

Article 12

The Issuing House can discount or repurchase bills covered by at least two credit-worthy signatures out of which one should be the signature of a bank ; the due date of these bills should not exceed six months.

Article 13

The Issuing House may grant credits to banks in the form of advances supported by one of the following guarantees :

Warrant, receipt or pledging of goods ;

Transfer of standing crops ;

Endorsed bill of lading to order accompanied by customary documents ;

Pledging of securities, stocks and bonds ;

Deposit of gold or foreign currency ;

Maritime or river mortgage ;

Delegation of public works contracts or supplies that are properly cleared by the competent administrative authorities.

These credits cannot exceed the quota fixed by the Board of Directors for each of the guarantees listed above.

Borrowers shall underwrite to the Issuing House the commitment to reimburse, within a period not exceeding six months, the total amount of credit granted to them and to cover the Issuing House for an amount corresponding to the depreciation that affects the value of the guarantee each time the said depreciation touches 10%.

In the case of failure on the part of the borrower to comply with this commitment, the credit amount shall become due for payment before law.

Article 14

On an exceptional basis, the Issuing House may undertake short-term operations indicated in Articles 12 and 13 given above bypassing any intervention from banks when these operations are of general interest and contribute to lowering credit costs.

In the case of rediscount or repurchase, one of the signatures may be substituted by one of the guarantees listed in Article 13 given above.

Following special deliberations of the Board of Directors, and in the case of companies having purchase guarantees on standing crops, the Issuing House may carry out the operations laid down in this article upon obtaining a single signature and without constituting one of these guarantees.

Article 15

The Issuing House may grant advances on government bonds, created or guaranteed by the French State or by public administrations of French West Africa and Togo to the amount of quota fixed by the Board of Directors. Moreover, it may buy and resell the same bonds without endorsement provided they have less than six months to run and provided these operations are not being processed on account of the Treasury or the issuing administrations.

Articles 16

The Issuing House may rediscount drafts and guaranteed bonds that are subscribed in accordance with the conditions laid down by regulations specific to French West Africa and to Togo to the order of the local officials of the Treasury.

Article 17

The Issuing House may rediscount to the banks, bills representative of medium-term credits whose maximum duration, within a limit of five years, is fixed by a joint order by the Minister of Finance and the Minister of Overseas Territories. These bills must be guaranteed by two or several signatures of creditworthy solvent persons.

In order for the Issuing House to be able to mobilize them, medium-term credits must :

Have the objective of developing means of production or construction of buildings ;

Have obtained prior approval of the Issuing House.

The Board of Directors periodically shall fix the overall amount earmarked for medium-term credits that may be considered for rediscount.

Article 18

The provisions of Articles 12 to 17 shall be applicable to :

Banks, as per the terms of the law of 13 June 1941;

Financial institutions that are authorized to undertake credit operations, as per the terms of the law of 14 June 1941;

Public or semi-public corporations dealing with agricultural, industrial, property or social credit.

Section 4 – Other operations

Article 19

The Issuing House shall receive amounts that have been paid to it in a current account and shall pay provisions made against them and commitments taken at its counters to the amount of encashed amounts.

Amounts thus paid shall not bear interest.

Article 20

The Issuing House shall be responsible for putting coins into circulation in the territories where it has exclusive issuing rights.

Article 21

The Issuing House may encash and collect bills that have been presented to it.

Article 22

At its head office, the Issuing House shall take care of centralization of bank risks in the territories in which it has exclusive issuing rights. From the account holders in its books, it shall collect all pertinent information for steering its credit policy.

Article 23

The Issuing House may acquire, sell or exchange buildings as per work requirements. The corresponding expenses incurred may be borne only through its equity capital and shall be subjected to the permission of the Board of Directors.

Article 24

The Issuing House is authorized to acquire stakes only through equity financing, with the permission of the Minister of Finance and the Minister of Overseas Territories, and that too, only in organizations or companies that are of general interest to the territories in which it has exclusive issuing rights.

Title III (Third Heading)

Administration and Supervision

Section 1 – Administration

Article 25

A Board of Directors comprising the following shall administer the Issuing House of AOF and Togo :

- A Chairman and Managing Director appointed by order passed jointly by the Minister of Finance and the Minister of Overseas Territories who shall have the casting vote in case of division ;
- Two representatives of the Minister of Finance ;
- Two representatives of the Minister of Overseas Territories ;
- Two Board members chosen for their experience in African economic and monetary matters, nominated by orders passed jointly by the Minister of Finance and the Minister of Overseas Territories ;
- Six Board members representing the Territories nominated by the Minister of Overseas Territories, out of which five for French West Africa and one for Togo, as per the conditions laid down in Article 26 hereafter ;

- Two Board members representing the "Banque de France" and nominated by the Governor of the bank ;
- The Managing Director of the Central Fund for Overseas Territories or his representative ;
- The Chairman of the Issuing House of French Equatorial Africa and Cameroon or his representative ;
- A member of the Monetary Committee of the Franc Area, appointed by the Committee.

The Board members must be citizens of the French Union, and as such, on the basis of their respective status, are entitled to their civil and political rights ; they should not have undergone any corporal or defamatory punishment.

Board members other than the Chairman of the Issuing House, the General Director of the Central Fund for Overseas Territories and the Chairman of the Issuing House of French Equatorial Africa and Cameroon shall be appointed for a four year period ; their mandate shall be renewable. However, their functions may be ended following their resignation or on a notification addressed to the Issuing House by the authority or the organization that had nominated them.

Board members may receive attendance fees whose amount shall be fixed by the Board of Directors, subject to approval by the Minister of Finance and the Minister of Overseas Territories.

Article 26

The Board members representing the territories shall be appointed by the Minister of Overseas Territories, following their designation by the Greater Council of French West Africa and the Territorial Assembly of Togo, based on lists presented by the High Commissioner of the Republic in French West Africa and by the Commissioner of the Republic in Togo containing three time more names than the number of Board members to be appointed.

Article 27

The Board of Directors shall be vested with extensive powers for administering the affairs of the Issuing House within the limits laid down in these statutes.

Operations concerning rediscount, credit and advances must be submitted for approval by the Board of Directors.

The Board shall fix rates pertaining to these operations of rediscount, credit and advances.

It may delegate a certain number of its powers. It may constitute committees within itself and assign them their duties.

Article 28

The Board of Directors shall meet at least four times in a year and as often as necessary, upon convocation by its Chairman, either on his initiative or at the request of half of its members.

Article 29

No discussions shall be valid without the effective presence of at least nine Board members. Decisions shall be taken by majority of votes of members present or represented. In case of division, the Chairman shall have the casting vote.

The Board members who are absent may be represented at the deliberations of the Board of Directors by one of their colleagues. This power can under no circumstances whatsoever grant a Board member more than two votes over and above his.

Each of these powers can be granted only for a specific meeting of the Board of Directors.

Article 30

The Chairman of the Board shall enforce the laws relating to the Issuing House and its statutes.

He shall represent the Issuing House with respect to third parties ; he alone shall sign all the treaties or agreements ; he shall carry out all judicial acts, take all the measures of implementation and all the protective measures he deems useful.

Besides the Board of Directors, he shall preside over all the committees that may be created within the Issuing House.

No deliberation may be put into application unless it is covered with his signature.

The Chairman shall be responsible for the management of the Company's affairs under the supervision of the Board of Directors.

He shall run all the work of the headquarters, appoint and dismiss personnel, in the head office as well as in the branches and agencies, and shall fix their remuneration. He shall sign all the correspondence.

The Chairman may delegate all or part of his duties to a Managing Director, named by an order passed jointly by the Minister of Finance and the Minister of Overseas Territories.

The Managing Director shall attend the Board of Directors' meetings in an advisory capacity.

The Chairman may also constitute special representatives for a limited period and for specific matters.

In case of absence of the Chairman during sessions of the Board of Directors, the Board shall designate someone from within it to preside over the session.

Article 31

While in office, the Chairman and the Managing Director shall not be authorized to take or receive any stakes or interests whatsoever, through work or consultation, in any private company, except upon the express permission of the Finance Minister and the Minister of Overseas Territories.

They may, however, represent the House in the companies in which it holds stakes as laid down in Article 24 of the statutes.

No bill nor commitment covered by their signature may be admitted for rediscount.

The salary of the Chairman and, as the case may be, the salary of the Managing Director, shall be fixed by joint decision of the Minister of Finance and the Minister of Overseas Territories. These shall be borne by the Central Bank as also their housing allowance or entertainment allowance.

Article 32

The staff of the Issuing House and in particular branch or agency directors may not indulge in any trading activities nor hold interests in any private companies without the authorization of the Board of Directors of the Issuing House.

No bills nor commitment covered by their signature may be admitted for rediscount.

Section 2 – Annual accounts

Article 33

The accounts of the Issuing House shall be closed and balanced on 31 December every year. The Board of Directors shall determine the value for which the overdue debts may remain included in the assets account and proceed with redemption and constitution of provisions considered necessary.

Article 34

The net proceeds, after deduction of all expenses, depreciation and provisions, constitute profits.

Out of these profits, 15% shall be retained for reserve requirements. This deduction stops being mandatory as soon as the reserve reaches half of the capital. If this proportion falls again, the deduction starts again.

After allocation to all the operational reserves, general reserve and special reserves, the balance shall be paid to the Treasury.

The reserves may be allocated to increases in capital.

Section 3 – Audits

Article 35

The operations of the Issuing House shall be supervised by a college of Censors composed of the Managing Director-Finance of French West Africa, the Finance Director of Togo and two members nominated by the Minister of Finance and the Minister of Overseas Territories respectively.

The Censors shall attend the sessions of the Board of Directors, but do not have a deliberating vote.

The Censors may draw an allowance whose amount shall be fixed by the Board of Directors.

Article 36

The accounts of the Issuing House shall be submitted to the bank's audit board acting in its capacity of qualified department in matters of credits of the commission in charge of the audit of accounts of public enterprises, as per the conditions laid down by the texts in force.

Section 4 – Monthly statements and annual report

Article 37

Statements of its accounts shall be drawn up at the end of each month by the Issuing House and the same are published in the Journal Officiel (Official Gazette) of the French Republic, the Official Gazette of French West Africa and in the Official Gazette of the territory of Togo.

Article 38

Within the six months that follow the end of the financial year, the Chairman and Managing Director shall prepare the annual report of the year under review to the Ministers of Finance and Overseas Territories.

This report shall be previously submitted for approval to the Board of Directors. The Chairman of the Monetary Committee of the Franc Area shall also receive a copy.

Decree no. 55-939 of 15 July 1955 fixing the amount of the grant awarded to the Issuing House of French West Africa and Togo

The President of the Council of Ministers (Prime Minister),

Based on the report of the Minister of Finance and Economic Affairs and the Minister of Overseas Territories,

Given Article 10 of the 20 January 1955 decree no. 55-103 on the reform of the system of issue in French West Africa and Togo.

DECREES :

Article One

The total amount of the grant to the Issuing House of French West Africa and Togo shall be fixed at one billion francs.

The corresponding sum shall be put at the disposal of this institution in one lot or in several lots, the last payment may not be made later than 1 April 1956.

Article 2

The Minister of Finance, Economic Affairs and Planning and the Minister of Overseas Territories shall be both responsible for the implementation of this decree, which shall be published in the Official Gazette of the French Republic.

Done in Paris, on 15 July 1955.

By the President of the Council of Ministers (Prime Minister),

Edgar Faure

The Minister of Overseas Territories,

Pierre-Henri Teitgen.

**Convention of 29 September 1955
Establishing the relations between the Treasury and the
Issuing House of French West Africa and Togo**

Between the undersigned :

Mr. Pierre Pflimlin, Minister of Finance and Economic Affairs, acting in the name of the State,

On the one hand, and

Mr. Robert Tézenas du Montcel, Chairman of the Issuing House of French West Africa and Togo, acting in the name of this Establishment,

On the other hand,

Given Article 14 of the law no. 51-1508 of 31 December 1951 pertaining to the special accounts of the Treasury for the year 1952,

It has been agreed as follows :

Article One

A current account named "operations account" has been opened in the name of the Issuing House in the books of the Treasury of Paris. This account shall be debited for payments and credited for withdrawals carried out in Dakar by the Treasurer-Paymaster of French West Africa.

Subject to the reservations specified hereafter, upon expiry of the convention, the debit balance shall be payable only in French West Africa and in Togo and the credit balance shall be payable only in Paris.

Article 2

The Issuing House shall deposit into the operations account all quick assets that it may constitute outside of the territories where it exercises its issuing right, except for funds required for its current treasury in France.

Article 3

The State shall deposit in the operations account :

- On the day of the transfer of issue :

a) The sums figuring in the provisional account opened in the name of the "Banque de l'Afrique Occidentale" in the books of the Treasury's Central Accounting Agency ;

b) The sums corresponding to the advances granted by the "Banque de l'Afrique Occidentale" to the territories of French Equatorial Africa and Cameroon within the framework of the Convention of 24 February 1927;

c) The sums paid by the "Banque de l'Afrique Occidentale" for covering the cash resources kept by its agencies in French West Africa and Togo on the date of transfer of issue.

- On their maturity date, the total amount of matured Treasury bonds deposited by the "Banque de l'Afrique Occidentale" as guarantee of its circulation to the Accounting Agency of Public Debt.

Article 4

When the transactions account shows a debit balance, the Treasury shall charge interest on this balance whose rate will be fixed as follows :

Between 0 to 500 million : 1%,

Between 500 to 1 billion : 2%.

Above 1 billion, the rate shall be equal to the rediscount rate of the "Banque de France" ; it shall follow the fluctuations of the said rate, but it cannot be lower than 2.50% per annum.

When the account shows a credit balance, it shall remain in deposit with the Treasury and shall yield interest in favor of the Issuing House at the rediscount rate of the "Banque de France" ; it shall follow the fluctuations of the said rate, but it cannot be lower than 2.50% per annum.

Article 5

In case of insufficient funds, the Issuing House shall be entitled to collect the amounts required for covering its transfers abroad, ordered by its agencies in the territories where it carries out issuance, and for expenses that it incurs in Metropolitan France from its operations account in Paris.

Article 6

In places where it has its own facilities, the Issuing House shall :

- provide without any cost the service and custody of securities, stocks and bonds belonging to the territories where it carries out issues ;

- pay, free of cost, and jointly with public funds, on behalf of the Treasury, coupons to bearers of French annuities, securities of the French Treasury, and loans of the territories in which it carries out issues, which will be presented at its counters by individuals or institutions holding an account in its books ;

- grant, at the request of the Minister of Finance, free of cost, loans for the territories in which it carries out issues, French annuities and securities of the Treasury subscribed by individuals or institutions holding an account in its books.

Article 7

In the same places, it shall hold the Treasury's account and shall proceed, without any charges, with encashments of sums deposited in this account, collection of drafts and checks drawn or signed to the order of the Treasury, payment of orders declared "eligible for payment" from authorized agents, their settlement through transfers in favor of debtors holding open accounts in it, or in a credit institution which is itself one of its account holders, and finally the payment of checks and transfers issued by public accountants on the Treasury current account.

It shall also give its support free of cost for payments to be made by its agents on behalf of the territories where it carries out issues.

It shall provide, free of cost, at the request of the Minister of Finance, safe custody of metallic cash and cash securities belonging to the Treasury, to be carried out amongst the internal agencies of the territories in which it carries out issues.

Article 8

The Issuing House shall put into storage in its lockers and shall put into circulation free of cost, at its counters, coins that the Treasury would have supplied to its agencies in French West Africa and Togo.

The Issuing House shall be accountable to the Treasury :

- a) For accounting of stocks, of the overall stock of un-issued coins ;
- b) For cash accounting, of the overall stock of coins put into circulation by it.

The Issuing House shall credit the total amount of coins circulated by it in the preceding month on the 10th day of each month to the Treasury by entry into the "Operations Account".

Article 9

Application of the provisions of Articles 1 to 8 of this convention shall be submitted for audit by the College of Censors of the Issuing House which will particularly concern the quick assets of the Issuing House in France and abroad.

Article 10

For the implementation of this convention, the Issuing House shall choose to reside in Paris.

Article 11

The provisions of Articles 1 to 8 of this convention shall remain valid till 31 December 1957. From this date onwards, they shall be renewed by tacit agreement for two-year periods, unless the convention is terminated by one of the two parties, six months prior to each period.

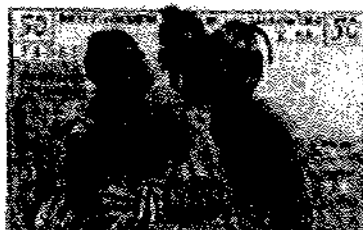
Done in Paris, in duplicate,

On 29 September 1955

While in AOF and Togo, the system was inexorably evolving towards public corporations whose territories were involved in management on the basis of the Framework Law, the system followed by the West African Currency Board of the anglophone part of the region, which had remained unchanged as far as its organization was concerned, was challenged after the imminent independence of the territories (ref. box 3.21).

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ISSUING HOUSE
OF
AOF AND TOGO



AOF and Togo banknotes

The system adopted by the West African Currency Board

All British colonies as well as the autonomous colony of Southern Rhodesia had issuance statutes that were not entirely identical.

But these statutes present several similarities so that it is possible to reduce them to a common type.

It seems to have been inspired by the idea of *integrating the colonies of the Crown in the Sterling Area as completely and as strongly as possible*.

A – Organization

Each colony or *group of colonies* had a local currency whose issue was entrusted to an administrative organization (Currency Board), headquartered in London and which had a representation in the colony, holding the stocks of banknotes required to supply the issuance area with local currency.

As far as West Africa is concerned, the West African Currency Board (WACB) was established in 1912 on the basis of recommendations by the Emmott Committee, and its Board members were appointed the same year. The Board was based in London and all the members of its Board of Directors were British.

According to its statutes, the main role of the Board was to introduce a new silver coin followed by banknotes to replace the English silver coins that were in circulation in the colonies. The Board was supposed to withdraw these coins from circulation and repatriate them to England.

Its area of issue extended to all the English colonies in West Africa ; the coins and banknotes were also in circulation in Togo and Liberia.

Since the Board was based in London and had no reception facilities in the colonies, by virtue of a work contract agreement, its banking functions were carried out by the British Bank for West Africa (BBWA), a commercial bank, which had the monopoly for banking operations in the colonies.

The BBWA had branches in Lagos (Nigeria), Accra (Ghana, ex-Gold Coast), Freetown (Sierra Leone) and Bathurst³³⁵ (The Gambia). It was responsible for the receipt, storage and circulation of the new coin.

Besides the BBWA, the Board also used a few public departments that acted on its account, as depots of banknotes and coins. Depots were thus opened in Lagos, Kano, Ibadan, and Port-Harcourt in Nigeria and in Victoria in Cameroon. In Cameroon, *Barclays Bank* was the Board's agent.

As per the terms of the work contract agreement between the Board and BBWA, in return for services rendered by each branch - receipt, exchange, repurchase of coins, as well as bookkeeping, the Board reimbursed the expenses presented by it to the branch : freight, insurance, packing, etc. The Administration took care of safe-custody.

When the bank's vaults were no longer in a position to store all the securities, the Board paid charges for storage outside. A 1/4% commission was paid to the bank on the total amount put into circulation. A 1/4% commission was also paid on the total amount of coins dispatched from one West African port to another.

³³⁵ Today called Banjul.

Fluctuations in export earnings due to natural causes or due to the war were the reason for the change in the demand for coins and, during major events, increased the bank's work load, which, it must be stressed, heightened its commercial banking activities.

Hence, in 1915, following an unprecedented rise in the demand for coins resulting from an increase in export earnings, the bank's work for the Board also increased and remained at a high level for a number of years. The bank, in addition to its commission, asked for a payment of £ 1,500 per annum as from 1 January 1919.

The Board itself drew its income from the profits it made on the issue of currency and from interests on assets in Pounds Sterling.

B - Rules of operation

The system operated entirely automatically and passively, in the sense that the Board played no role in the distribution of credit, which was left up to private banks. Moreover, it did not offer any support to the Treasuries either.

On the one hand, it limited itself to supplying the banks in the colonies with the sums in local currency that represented the contra value of the sums in Pound Sterling that they had paid into the Board in London and, on the other hand, to supplying these banks in London with the sums in Pounds Sterling that represented the contra value of the sums in local currency that they had paid to the Board's representative in the colony. The exchange rate was stringently fixed. *Local currency was reduced to a representation of the Board's assets in Sterling in London.* In other words, the issue of local currency was secured by 100% by the Pound.

These assets were invested in Sterling securities approved by the Secretary of State for the colonies.

In practice, they were State securities of the United Kingdom and its Dominions and municipal loans from the United Kingdom. Local borrowings of the colonies were excluded because they were denominated in local currency, which would be contrary to the principle according to which colonial currencies had to be covered exclusively by Pounds Sterling. This was a precaution against any inclination towards monetary independence.

The system resulted in the following :

In the first place, since the Currency Board's operations were basically limited to transfers of credit between France and the colonies, the volume of local circulation depended exclusively on the balance of payments between the former and the latter. A trade deficit resulting from a bad harvest or a fall in exportable produce, a financial deficit brought on by an unfortunate coincidence of external maturity dates, a refusal of credit, or capital outflows automatically led to deflation. The reverse phenomena also led to unavoidable monetary expansion.

It must be noted that the possibility of periods of extreme local expansion or contraction also had an automatic repercussion on the financial and money market in the mother country. Thus, a monetary deflation in Nigeria led to a liquidation of securities in the London market by the Currency Board of the West African Currency Union, while on the contrary, an issue led to the purchase of securities in the market.

Hence, while from the viewpoint of monetary regulation this mechanism eliminated any inflation of local origin or any shortage of currency in the colonies, it was criticized for its *rigidity*.

Thus, the local banks in the colonies that wished to avoid the shocks we have just mentioned and also to be able to face major seasonal demands for credit, were obliged to save considerable liquid assets in the form of abnormal cash reserves. To give only one example - that of Barclays Bank, the major colonial bank, it was noted that from 1930 to 1949, the average proportion of cash reserves on deposits was of 29% in this bank. In order to build this kind of reserve, colonial establishments were sometimes obliged to contract loans or open credits in London. They thus had to pay interests on their own cash reserves. Whatever the case, this did constitute an additional load imposed on the economy of colonial territories, to the benefit of the London market.

Some still maintain that this monetary mechanism was, by its very nature, an "inflationary device"³³⁶. They assert that this system, that may be called the *sterling exchange standard*, basically worked, *mutatis mutandis*, like the *Gold Exchange Standard* did in the aftermath of the war, whose practice and expansion were, to a great extent, responsible for the 1929 - 1930 economic crisis.

A "colonial banking establishment becomes the owner of a credit in pounds sterling from a London bank. It transfers this credit to the Currency Board and receives from the Board, in banknotes denominated in the local currency, the contra value of the pounds sterling credit. The first abnormal phenomenon is the issue of banknotes against an ordinary bank credit. However, the operation would be correct if the credit transferred to the Currency Board was frozen there or changed into a deposit in the Bank of England, which would come to the same thing. However, none of that happened. The said credit was, on the contrary, put back into circulation immediately, by the purchase of securities in the market. What is more, the banknotes issued in the colony became, through the classic multiplier mechanism, the support for fresh bank credits in the colony".

Patrice Kouamé, thesis quoted on pp. 404 to 410.

As far as credit institutions are concerned, their activity and regulations were adapted to the new context, in particular the interventions of the Central Fund for Overseas Territories. On their part, public financial services were reorganized in order to take into account the internal autonomy of territories.

E – Deposit banks and other credit institutions

a – The banking network

As of 31 December 1956, five deposit banks, the Central Fund for Overseas Territories, the "Société Immobilière et Financière Africaine" (the African Real Estate and Finance Company) and eight social credit institutions were operating in the area.

³³⁶ Mireaux (Emile), op. cit. p. 81.

1 - The deposit banks

The five banks were :

- "Banque de l'Afrique Occidentale" (BAO or Bank of West Africa) ;
- "Banque Commerciale Africaine" (BCA or African Commercial Bank) ;
- "Banque Nationale pour le Commerce et l'Industrie" (BNCI or National Bank for Commerce and Industry) ;
- "Crédit Lyonnais" ; and
- "Société Générale" for promoting development of commerce and industry.

The first two operated in AOF and Togo as well as AEF and Cameroon. The other three belonged to the group of nationalized banks and their action extended to the entire Franc Area and even some foreign countries.

As of 1 January 1957, these five banks were maintaining 71 counters and were serving 38 localities.

Short-term credits of the area of issue were almost entirely granted by these banks or their intermediaries.

2 – The "Caisse Centrale de la France d'Outre-Mer" (Central Fund for Overseas Territories)

It played a role in the distribution of medium and long-term credits to companies whose operations were directly linked to infrastructure projects financed by FIDES (Investment Fund for Economic and Social Development). It financed loans from its own funds, or from funds advanced to it by the Treasury, without support from the Issuing House, unlike other credit institutions for whom it would have been impossible without the support of the Issuing House.

b – Specialized credit institutions

1 – Corporate credit institutions

The CCFOM created a corporate credit institution in each of the countries of the area of issue, except for Mauritania, and it made up a part of the capital of these institutions : "Crédit du Sénégal" (Credit of Senegal), "Crédit du Soudan" (Credit of Sudan), "Crédit de Guinée" (Credit of Guinea), "Crédit de la Côte d'Ivoire" (Credit of Côte d'Ivoire), "Crédit de la Haute-Volta" (Credit of Upper Volta), "Crédit du Niger" (Credit of Niger), "Crédit du Togo" (Credit of Togo) and the "Banque du Bénin" (Bank of Benin).

It granted "corporate credit" in the form of global or special advances for funding medium and long-term operations to supplement funds granted by the Issuing House especially for short-term operations.

The main activity of these institutions focussed on consumer credit, short-term and medium-term credits to cooperatives, associations, provident companies and small-scale agricultural, craft, industrial or commercial companies ; more precisely, they had to meet the specific requirements of companies run by Africans, who were not always in a position to meet the conditions normally required by other credit organizations³³⁷.

³³⁷ Central Bank of Issue of AOF and Togo, Annual Report, 1956, p. 98.

Over the years that they were set up, these institutions were gradually entrusted, on the basis of different modalities and prior to their reorganization, with the management of Agricultural Credit Banks (Caisses de Crédit Agricole) instituted by the decree of 26 January 1931.

2 – Other credit institutions

- The “Société Immobilière et Financière Africaine” (African Property Development and Financial Company) (SIFA) was a bank specializing in financing medium-term credits for various kinds of investments ; its head office was in Dakar and it had agencies in Bamako, Kaolack, Ziguinchor, Conakry, Abidjan, Gagnoa and Cotonou.

- The “Crédit Foncier de l'Ouest Africain” (West African Property Loan Bank), with agencies in Dakar and Abidjan, carried out all operations linked to property loans and mortgage loans.

The same were carried out by the “Crédit Foncier de l'Afrique Française” (French African Property Loan Bank) and the “Crédit Foncier d'Afrique” (African Property Loan Bank), both headquartered in Dakar.

3 – Financial institutions

Moreover, the working committee on "Overseas Territories" of the Monetary Committee of the Franc Area registered the following as financial institutions during its meeting held on 18 November 1957 :

- « Union Africaine Agricole et Industrielle » (African Agricultural and Industrial Union) ;

- « Société Auxiliaire de l'Afrique Française » (French African Auxiliary Company) ;

- « Société Immobilière de l'Afrique Occidentale » (West African Property Development Company) ;

- « Société Africaine de Crédit Automobile » (African Automobile Credit Company).

All these institutions had their offices in Dakar.

F – Regulation of credit and of the banking profession

Subject to adaptation to local conditions, French regulations were extended to Overseas Territories.

Decided by decree no. 55-625 of 20 May 1955, this extension measure began to be implemented in 1956, with the 14 May decree no. 56-495 specifying the rules of operation of the deposit banks set up in the Overseas Territories, in Cameroon and Togo.

In the course of 1957, the following statutory provisions were promulgated :

- decree no. 57-286 of 9 March 1957 laying down the conditions for the implementation of decree no. 55-625 of 20 May 1955 in the Overseas Territories ;

- Decree no. 57-287 of 9 March 1957 laying down the conditions for the implementation of decree no. 55-625 of 20 May 1955 in the autonomous Republic of Togo ;

- Decree no. 57-284 of 9 March 1957 relating to the Monetary Committee of the Franc Area sitting in a working committee, by application of decree no. 55-625 of 20 May 1955 for affairs regarding Overseas Territories, Cameroon and the autonomous Republic of Togo ;

- Ministerial orders dated 21 May 1957 fixing the minimum capital of banks and financial institutions in the Overseas Territories and the autonomous Republic of Togo.

G - The reorganization of public finance departments

a - Postal services

The reform of the administrative organization of Overseas Territories led to the reorganization of their postal services as well. These were established as offices whose activities were coordinated and helped by a central administrative office (decree no. 56-1219 of 3 December 1956).

The management of the post and telegraph departments of the eight territories was transferred to a French West African Post and Telecommunications Office, an industrial and commercial public establishment, endowed with a legal status and financial autonomy.

This new organization's rules of operation were established by various decrees and orders of the Minister of Overseas Territories, the Secretary of State for Overseas Territories and the High Commissioner of the Republic, promulgated during the second and third quarters of 1957. The new organization was to start functioning as from 1 July (decree no. 57-622 of 15 May 1957 and ministerial order of 15 May 1957).

Conceived on the basis of the European model, the postal departments in AOF did not limit themselves to the transfer of postal items and the execution of low value fund movements (money orders) but also offered the public full fund storage and movement services - post office checks and current account services. As of 1 January 1958, 339 offices were involved in these services.

b - The Treasury Department and the network of "caisses publiques" (public funds)

The reform of the political and administrative institutions of the Overseas Territories, pursuant to the Act of 23 June 1956, classified the Treasury Department as a "State Department" (decree no. 56-1227 of 3 December 1956, modified by decree no. 57-479 of 4 April 1957) at the request of the French Republic (decree of 22 February 1958, Article 2).

However, these texts left undetermined the status of "special agencies", which, outside the major centers, were entrusted with the collection of earnings and the payment of public expenditure.

In 1957, a general treasury (Dakar), 8 treasurers, 24 collection centers and 227 special agencies constituted the AOF's and Togo's network of centers for public funds. This network played an important role in fund flows and in the distribution or collection of cash reserves in a region where the use of bank money was as yet very limited.

Conceived with the intention of improving the organization and functioning of the French Union, the outline law did not wholly meet the expectations of Overseas inhabitants.

Independents in Overseas Territories made their reservations known. They advocated the merger of African parties in order to ensure the revision of Title VIII of the constitution. From 11 to 13 January 1957, they organized an inter-territorial congress for the regrouping of African parties, in Dakar. It gave rise to the African Convention, which declared its desire for a federal republic.

The socialists, on their part, met in Conakry on the same day, to establish the "Mouvement Socialiste Africain" (MSA or African Socialist Movement), under the Chairmanship of Lamine Guèye. They too were in favor of a review of Title VIII of the constitution.

The RDA broke apart. At the Bamako Convention, which met from 25 to 30 September 1957, Houphouët-Boigny advocated decentralization at the territorial level, while Sékou Touré, Modibo Keita and Gabriel d'Arboussier drew closer to the tenets of the federal notion.

As for the unions, they met in Cotonou in January 1957 and established the "Union Générale des Travailleurs d'Afrique Noire" (UGTAN or General Union of Black African Workers), which broke away from the European unions. They too favored the federal idea.

On the French side, the colonial business milieus hung on to their Overseas interests and supported the French presence in the Territories, although they felt certain changes had to be made.

In the meanwhile, Raymond Cartier, through the columns of "Paris Match", fustigated Colonial France, which he believed represented a bad use of public funds. Indeed, he maintained that the money spent on Overseas Territories could be put to better use in Metropolitan France, which needed it urgently. This stream of thought was called "Cartiérisme".

Criticized both within and without, unable to satisfy neither those in Metropolitan France nor those in Overseas Territories, the outline law was doomed to disappear even before it could lead to any conclusive results. Thus, in 1958, a new reform, establishing a Franco-African Community, replaced the outline law and constituted the new legal and political framework for monetary organization.

First published in France, March 2002,
for the English language edition.

