

Colonial heritage and its impact on the development of the Algerian financial system الإرث الاستعماري وأثاره على تنمية النظام المالي الجزائري

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Abstract:

The purpose of this paper is to present a summary of the evolution and changes experienced by the economy and the financial system of Algeria during the colonial period, and to analyze the effects of this period on the development of her financial system, which can constitute a very important references marks for understanding the evolution of economy of independent Algeria seeing that the colonial heritage influences until today the orientation of the economy as illustrated in this paper.

Keywords: Economy of colonial Algeria; Financial system of colonial Algeria; Colonial heritage; Historical approach.

ملخص:

الغرض من هذه المقالة هو تقديم ملخص للتطور والتغيرات التي شهدتها الاقتصاد والنظام المالي الجزائري خلال الفترة الاستعمارية ، وتحليل بالاعتماد على المنهج التاريخي، آثار هذه الفترة على تطور النظام المالي للجزائر ، و التي يمكن أن تشكل معالم تاريخية هامة لفهم تطور اقتصاد الجزائر المستقلة ، حيث أن الإرث الاستعماري يؤثر حتى اليوم على اتجاه الاقتصاد الجزائري كم توضحه هذه المقالة.

كلمات مفتاحية: اقتصاد الجزائر الاستعمارية. النظام المالي للجزائر المستعمرة. الميراث الاستعماري المنهج التاريخي.

Résumé:

L'objectif de cet article est de présenter une synthèse sur l'évolution et les changements qu'a connu l'économie et le système financier de l'Algérie pendant la période coloniale, et analyser à travers une approche historique, les effets de cette période sur le développement du système financier de l'Algérie, ce qui peut constituer des points de repères historiques très importants pour comprendre l'évolution de l'économie de l'Algérie

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indépendante, puisque l'héritage colonial influence jusqu'à aujourd'hui l'orientation de l'économie algérienne comme l'illustre le présent article.

Mots clés: Economie de l'Algérie coloniale; Système financier de l'Algérie coloniale; Héritage colonial; Approche historique.

Introduction

Each country is a specificity in itself, which means that "*Political economy, therefore, cannot be the same for all countries and for all historical epochs. (...) Political economy is therefore essentially a historical science. It deals with material which is historical, that is, constantly changing (...).*"¹ whence the absolute necessity to study the stages of the evolution of the Algeria's economy and influences of each other, and thus the influence of colonial heritage on the development of the economy of Algeria and its independent financial system.

The perspective adopted in this paper is purely historical, the idea is to present the evolution of the economy of colonial Algeria from 1830 to 1962, to show, first, the specificity of its economic history, then, that of its financial system since "It is difficult to understand the role of the Algerian financial system without knowing the economic and political history of the country"².

This paper has three sections. The first will evoke the colonial period and its weight on the economy after the independence. The second will give an insight on the evolution of the banking sector of Algeria from 1830 to 1962, a reading on the influence of the colonial heritage on the development of the economy of Algeria and its financial system will be presented in the third section.

1. The economy of colonial Algeria 1830-1962

We understand by "colonial economy", the system of exploitation of wealth and labor by the constraint that lasted from colonization to independence, from 1830 to 1962³.

Although it is a bygone era, it is essential to understand some economic and social consequences on the evolution and on the current

state of the economy of Algeria. However, the statistical data advanced by the various studies concerning the period of the economy of colonial Algeria are unreliable, for two reasons:

"(...) on the one hand, a General Government of Algeria whose objectives are limited to population control and taxation; on the other hand, the problem posed by the indigenous population (inadequacies of civil status, illiteracy, high mobility, indifference, etc.) It will be necessary to wait until the end of the Second World War with the creation of INSEE, so that In Algeria a serious effort is being made to reflect on the reliability of the data collected and consequently on the treatment of imperfect statistics"⁴.

Benissad summarizes the structures of the Algerian colonial economy in these words, *"[they are] the result of a violent and profound upheaval of pre-colonial Algerian society and its productive activities (...). But this upheaval produces a modern economy managed by the European population for its own benefit and a traditional economy, essentially agricultural, which allows the subsistence of the majority of the Algerian, indigenous population"⁵.*

Algerians inherited a critical situation after independence. *"(...) the studies devoted to the various aspects of the colonial economy are, with a few exceptions, unanimous in emphasizing that the colonial economy was above all in the service of the metropolis and the European minority living in Algeria. Dualism and extraversion are the basic features of the various economic policies adopted by the colonial authorities."⁶* The French left an underdeveloped colonial economy, a consequence of economic policies which were *"characterized by a weakness of industrial investments, the coexistence of two agricultural sectors based on totally different logics, and a greater and multiple dependence (commercial and financial) of Algeria vis-a-vis the metropolis"⁷.* The important elements of this economic underdevelopment of the colonial period are as follows⁸:

First, Algeria is highly dependent on foreign countries, and has been affected by very unfavorable conditions in terms of exchange.

Second, the economy of that time was a Third World rural economy in which 49% of the labor force worked in the agricultural sector.⁹

Thirdly, the Algerian colonial economy was characterized by a labor market segmented into two main categories, on the one hand, the "European" labor market, and on the other, the "Muslim" labor market, which caused extreme disparities in individual incomes in Algeria at the end of the colonial period¹⁰:

- A "European" market that was the norm, as it included fixed jobs (state workers, fixed contracts, etc.) and casual work (seasonal workers, the unemployed).
- The "Muslim" labor market was mainly composed of casual workers. It was structured as peasants, workers or subordinate workers, small artisans and traders, and the unemployed, most of the time, permanently. In other words, there were no "Muslim cadres". Bourdieu, Darbel and al. estimate that only 2.6% of the Muslim working population was executives, mostly of average rank, while there were more than 25% of Europeans in the administration¹¹.

Fourth, the Algerian colonial economy was characterized by low human capital, in terms of quantity and quality, due to asymmetrical school policies that led to very low levels of education for "Muslims", despite a relatively lower level of education of "Europeans" compared to French metropolitans¹².

The colonial heritage of this school policy adopted in 1892, by the laws of the third republic, was to under-educate the Muslim population. In 1944, only 8% of Muslim children of school-going age were in school, compared to 90% of European children.¹³

Fifth, the financial system of the time and *"although it is dependent on the metropolitan financial system - colonial Algeria was attached to the" franc "zone and most of the" Algerian "banks were subsidiaries of the metropolitan banks. Algerian banking system enjoyed relative autonomy and a system of organization peculiar to itself. His role was to finance the local economy¹⁴"*. In other words, financing the economy of the "French" to the detriment of "Muslims".

The effects of colonial policies were visible in post-colonial Algeria in particular. Colonial economic policies have had negative consequences for the existence of political, social and economic institutions capable of assuming the development strategy.

2. The financial system during the colonial period from 1830 to 1962

To understand the development of the financial system of Algeria during the current period, we must understand the period that preceded it, that is to say, understand the institutional development of the financial system during the period of Algeria colonial or even Ottoman Algeria.

However, it is very difficult to identify the evolution of Algerian institutions during the period of French colonization, and even more that of financial institutions, from July 4, 1830 to July 5, 1962, because the vast majority of economic publications encountered during our course and especially during the period of our thesis research, which lasted more than 4 years, focus on the postcolonial period.

The creation of an embryonic financial system in Algeria during the colonial period was intended primarily to meet the financing needs of import-export companies and the exploitation of primary agricultural, mining and oil products. "*The directives come from France and are not always adapted to Algerian conditions*"¹⁵. These organizations were not primarily aimed at meeting the financial needs of the local (Algerian) population.

From 1830 to 1962, Algeria had the same metallic currency as France, which is the Franc; it is adopted as a sign of allegiance to the metropolis¹⁶, and only the "*Hotel des Monnaies*" in Paris had the right to manufacture it.

The establishment of a "state economic apparatus" has gone through the construction of a central bank providing monetary intermediation, the monetarization of the country and the management of public cash flows (administration, army, etc.). . Thus, the law of August 4, 1851 (Bank of Algeria Become in 1949: Bank of Algeria

and Tunisia). marks the beginning of the bank of Algeria with an initial capital of three million francs. This law authorizes the superposition of a fiduciary currency to the local currency, in Algiers at first and then thereafter throughout the territory and *"The French currency gradually and gradually replaced the Algerian currencies, which ceased to exist. to be admitted to the public coffers of Algeria in 1851¹⁷".* Thus *"The Bank of Algeria has become a tutelary institution, exported from mainland France but destined to be" Algerianized "because such an institution aims to assume relatively" neutral "functions of intermediation¹⁸".*

The Bank of Algeria is expanding its field of operations by opening branches in all large or medium-sized cities to meet the needs of settlers, increasingly important to develop productions such as vines or livestock, We find then the creation and establishment of banks and branches: Oran, (decree of August 13, 1853), Constantine, decree of December 8, 1856, Annaba decree of July 11, 1868, Tlemcen and Skikda decree of April 22, 1875, Blida in 1891 Sidi Bel Abbès in 1908. Then in a second time Guelma, Tizi-Ouzou, El-Harrach and Bouira.

The French population grew from 65,500 people in 1850 to 1,300,000 in 1870 and the foreign population grew at the same time to 50,287 people and at the time there were 230 towns or villages that were created or expanded. The census of 1936 gave 7,234,684 inhabitants, of whom 6,247,432 were Muslims and 987,252 non-Muslims. That of 1948 gives 8,681,785 inhabitants, including 7,721,678 Muslims and 960,107 non-Muslims, 5% of whom are foreigners. Finally the census of 1954 gave 9,530,000 inhabitants¹⁹.

At the end of the 1875s, Algerian agriculture was then in full development, and the Law of January 11, 1851 granted the franchise to import of Algerian wines on the metropolitan territory²⁰. The appearance of phylloxera was a great threat to the metropolitan vineyard, causing the ruin and the exodus of many wine growers. This pushed them to settle in Algeria, which prompted the Bank of Algeria to embark on an agricultural lending business. It then proposes to help farmers through institutions that were yet to be created. This decision

paves the way for the setting up, a few years later, of an Algerian Mutual Credit Fund for mutual agricultural, regional and local²¹.

After the end of the First World War, the law of December 29, 1918, imposes among other things, the Bank of Algeria the creation of a number of branches and offices. And given the impossibility of participating in the financing of agricultural production plans, the Bank of Algeria favors the creation of Comptoirs d'escompte, which are responsible for providing credit through campaigns and acting as intermediaries in relations with the settlers. Thus, twenty four counters are opened in the form of public limited companies.

Emerging Algeria seduced banking investors from the moment when the establishment of the military and political order and the deployment of rural colonization allowed the emergence of a substantial exchange economy between the colony and the metropolis.

Among these banking organizations, the Société Générale Algerienne founded in 1866 will move to Algiers, and opens counters in Oran, Constantine and Annaba.

After the extension of the territory in 1860 and the authorization to practice in Algeria the banking function, Crédit Foncier deploys specific activities in the field of mortgage loans.

The adoption of the Law of November 5, 1894, a law on the creation of credit companies to farmers sets the basis for Credit Agricole Mutuel, which will serve the farmers of the Metropolis and settlers. Thus, the Algerian Company founded in 1877, has a very dense network of branches which give it the possibility to satisfy the varied needs of the colonists. Crédit Lyonnais, which was established in Algeria in 1878, had 20 branches, followed by Société Générale, which moved to Algiers in 1914. Société Marseillaise de Crédit Industriel et Commercial and National Bank for Commerce and Industry (Africa), had 27 seats in Algeria. The Industrial Bank of North Africa was created in August 1919.

A "block" linking banks and large (and medium) companies has thus been formed: the Euro-Algerian bank provides cash management, the financing of circulating capital (through overdrafts), the financing of short and medium-term loans terms, the placement of securities within the clientele of private or institutional investors.

Numerous other banking establishments set up in Algeria: Algerian Credit, Algerian Agricultural and Real Estate Bank, Guelma Agricultural and Commercial Fund, Bank of Greater Kabylia, Crédit Coopératif and Mutuel, Banque Populaire, Crédit Maritime, the Hotel Credit, the Credit Bureau, the Barclays Bank, the only establishment of foreign origin in Algeria, Crédit Municipal only institution whose loans interest artisans but also individuals, regardless of origin or social class.

For example, colonial Algeria was rapidly developing a network of settlements that made available to settlers, farmers, winemakers, industrialists, transporters, traders, public works contractors, millers and oil millers specialized services adapted to their needs. special needs. But in the majority of cases, their services do not correspond and are not directed at the needs expressed by the fellahs and the Algerian population, because on the one hand, the guarantees offered in return for a short or medium term loan are not always sufficient for the bankers. Indeed, bankers require "(...) *guarantees and only these settlers are able to provide the necessary wages (...)*"²². And on the other hand, there was a desire to impoverish the Algerian population through the Code of Indigénat which significantly limits the freedom to contract within the native population. Consequences :

*"The average individual income of the European farmer in 1954 was thirty-five times higher than that of the native farmer and the average income of the European family was eight times higher than that of the Muslim family, both the rural standard of living. was low and remained so (...) during colonization"*²³.

It is obvious that these banks are working in the service of the colonial economy and that they benefit little, in their direct actions, the Algerian population. This situation will last until independence.

Admittedly, this central bank generates profits whose control depends on the metropolis, just as its orientation is determined by the executives from this same metropolis. In this, it is indeed a colonial superimposition, but this symbol of the "modern bank" also contributed to the establishment of the banking system which independent Algeria then inherited²⁴, Which of after Ammour:

"Was composed exclusively of subsidiaries of foreign banks that must necessarily obey, in terms of financing policy, the orientations of their headquarters whose main concern would be to make profitable their activities deemed complementary to the development economy of the metropolis."²⁵

In addition, Algeria has not inherited from colonization, a financial system capable of financing the industrialization strategy²⁶. Indeed, the maintenance, after independence, of patterns of spatial and sectoral organization of economic activity (specialization on the trade and export of raw materials) as well as the failure of industrial diversification policies explain the perpetuation of the economic structures inherited from colonization and the resulting financial characteristics.

3. The colonial legacy and its perpetual influence

The analysis of the development of the financial system of Algeria shows that it has always been influenced by the colonial legacy, because even if the Algerian authorities did everything to get rid of the colonial management model, its bases remained unchanged, a French colonial model that influenced the development of Algerian institutions and consequently the development of financial institutions. This influence is due to three factors:

The first is a direct factor, by the legacy of a type of specific institutions that, according to the endowment theory, persist until today. These institutions are legal (The theory of law and finance) with the adoption of civil and administrative law following a French bureaucratic organization, inherited from the colonial period, since *"we can still find until in 1959 traces of the organization before 1830, (...). It is an ordinance of October 28, 1959 only (...) which removes douars as administrative districts in the Algerian departments"*²⁷. This is due, according to historians of the Maghreb, to the *"destructuring of the old social frameworks"*²⁸, and to the *"detribalization"*²⁹. This debate has a relationship with financial development since the institutions of the time are based solely on the relationship with the individual or "personal credit" in the case of banks, and cannot fit into

the mold of social frameworks. of pre-colonial Algeria, based more on the notion of an economic and social collective³⁰.

The second factor is the fact that after independence, the Algerian state wanted to end the colonial regime, which forced it to opt for a political, economic and social system and even for policies and partners in this sense, which has influenced the development of institutions in general and in particular financial institutions (the theory of politics and finance).

The third factor will refer to the nature of political power that developed in Algeria after independence, that is to say, the rentier power that is a consequence of the colonial period³¹. It originates from the crisis of the farming rentier regime of the colonial period. The type of accumulation founded on agriculture, as developed under colonization, had run out well before independence, and only a development now based on industry would make it possible to cope with such a situation³². This made that:

"Most Algerian researchers and, even more, the leaders who have taken the reins of the independent state have endorsed this colonial vision, a vision which, in addition to the legacy of Constantine's plan, has concretely translated into a policy that considered agricultural activity (complicated by self-management) as a mere waiting solution, before the big, the real start of economic development, the one that could only be done on the basis of the valorization of oil resources³³ "

That said, the development of Algeria's financial system is the result of combined debates about the nature of post-independence political power, the development strategies adopted and the structures of a colonial economy inherited.

Conclusion

The study of the evolution of the economy of Algeria and its financial system, by adopting a historical approach, allowed to better understand them.

The institutional legacy of the colonial period has a direct impact on Algeria's economic and financial system development, or indirectly through other factors. This is one of the most influential factors in that they have a fairly strong shadow on the political factors considered as a major determinant of economic and financial development.

The colonial inheritance by Algeria independent of a certain type of institutions, thus gave rise to a rentier political system, which uses the economy for political ends. That said, the economy and the financial system remain weak, despite all the reforms undertaken since 1962. NORTH (1994)³⁴ explains this by the existence of certain formal and informal institutions and that only formal institutions can be changed through reforms, unlike informal institutions that change with difficulty and gradually³⁵. Indeed, in order to carry out reforms of the formal institutions that lead to economic development and the financial system, it is imperative to understand the nature of informal institutions.

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