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SECTION I

FRENCH SOUDAN

THE "OFFICE DU NIGER" DELUSION

by

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The French Soudan, with an area of 1,204,000 sq. km. situated between the 10th and 25th parallels, became the Republic of Mali in 1960. It is an immense territory which, between 1932 and 1947, included two voltaïc administrative districts - Ouahigouya and Tougan Circles - and, until 1946 part of what is now Hooth in Mauritania. It is located 400 km from the ocean as the crow flies. The usable part of the country is all in the Sahalian and Soudanese zones, irrigated by the Niger and the Senegal Rivers, the two biggest rivers of West Africa. The social structures of the Soudanese peasant farming class - mainly Bambara and Malinké in the West, Peuhl and Songhai in the centre and the East - are very similar, with the basic unit being the village community, except in the Niger Loop where the beginnings of a feudal system exist.

The French colonial conquest in this region met with strong military resistance in the 19th century when the Moslem Empires were radically changing the political map of the West African savannah land. The French army had forbidden the Toucouleur Chief El Hadj Omar Tall access to the lower part of the Senegal River, which was cut off by the Medine post near the Malian town which is now called Kayes. As from the 1860s, El Hadj Omar Tall directed his attention towards the East and subdued the former Bambara Kingdom of Segou. His son Ahmadou resisted the colonial army led by Gallieni, Borgnis-Desbordes and Archinard until 1893. In the South of the country, the fortified town of Sikasso (with a population of 40,000), under the command of Ba Bemba, an ally of Samory, resisted until 1898. In the East, the Touareg's guerilla warfare went on until 1916. Upstream from the coastal slave trade region, in the inland xavannah, a veritable revolution - the Dioula revolution (1) - was causing the rise of Moslem States based on trade. The conquest brought the trend of deep social change to a relentless end by replacing the local Dioula trade by the subsdiaries (comptoirs) of the colonial headquarters. This amounted to undeniable regression; 80 years after it was occupied Sikasso still has not recovered half of its population !

Under the colonial rule, the Dioula trader-transporter class very slowly was reconstituted but occupied a position of inferiority.

1 - <u>The colonial development effort : investments</u> (2)

For this immense territory the colonial administration worked out an exclusively agricultural development scheme intended to create a market for the colonial trading houses. Instead of setting up a modern, mechanised agricultural programme corresponding to the needs of a population, it preferred bending to the dreams of the peasant class servicemen of the colonial army who wanted to see a "petty farming class" take form. The astounding ineffectiveness of the programme was largely due to this backward, colonial way of thinking.

1/ From the name "Dioula", Malinké traders : Y. Person, in Samori (IFAN, Dakar, 1970) has evidence that this was the most wondrous social make up of the Moslem States in the 19th century.

2/ Our Trois expériences africaines de développement : le Mali, la Guinée et le Ghana (PUF, 1965, Chapter I) gives details of the calculation of the economic magnitudes shown in the following text. A summary of these magnitudes is given in Table 25.

Presented in constant values (in billions of CFA Francs, 1959 par value) investments sprouting from the colonial conquest raised the amount of productive capital to 23 billion in 1928, 39 in 1939 and 98 in 1959. By 1928, the Kayes to Koulikoro railroad, built at the end of the century as a military inroad, still represented nearly half of the national capital. Half of the outstanding amount was used for government buildings and the other half for setting up trading houses. In the "Thirties" efforts shifted to developing irrigated lands. As part of the "Office du Niger" operations, downstream from Segou, colonial settlers were accommodated on small plots covering some 20,000 hectares in the central delta region of the Niger River. Two-thirds of investments made between 1928 and 1939 went into this operation. After the war, efforts increased when the investment fund for the economic and social development of the colonies (FIEDS - Fonds d'investissement pour le développement économique et social des colonies) came into being. An additional 16,000 hectares, developed by the "Office du Niger" and 47,000 somewhere else along the Niger Valley absorbed about 30 % of the investments. 20 % of the available credits were used to improve the railroad and to extend and improve the road network; there were 5,000 km of dirt roads by 1928, 14,000 by 1939 and 20,000 km of paved and dirt roads by 1959. Increased use of money in the economy meant more investments in the trading houses and the transport enterprises (lorries and river boats) which absorbed the main part of the investments made in the private sector (which represented nearly half the total investments made in the years following the War). In 1960 capital invested in agricultural development represented 25 % of the national capital, infrastructure for transport also 25 %, government and social welfare buildings and urban accommodations 15 %, private enterprises (mainly transport and trade) 35 %.

During the whole colonial era, the percentage of investments which was directly productive hardly exceeded half of the total investment figures. During the period after the war, the "Office du Niger" used 56 % of the agricultural investment credits to develop 16,000 hectares. The high cost of "Office du Niger" developments - about 500,000 francs, 1959 par value, per hectare - detracted greatly from the economic validity of the operation. This operation received final sentencing from a comparison made with development costs during other periods (85,000 francs per hectare at 1959 par value, with 47,000 hectares developed between 1947 and 1959). The errors of the colonial agricultural policy were further displayed through the relatively modest effort made to help the traditional agricultural sector which included nearly all Malian farmers; the only effort was a loosely-knit agricultural guidance programme. Investments for transport infrastructures absorbed 34 % of the funds. The exceedingly high cost of building roads (4,000 km were built between 1947 and 1959 at an average cost of one million C.F.A. Francs, 1959 par value, per km for the laterite and dirt roads) was not only assignable to the geographic and economic conditions (nearly a monopoly in the hands of the main public works companies) but also to the tendency to favour main throughways, to the detriment of the secondary roads. Social welfare investments absorbed 14 % of the funds, giving but modest results if considered in terms of the efforts deployed : school attendance only reached 6 % (even though in this country the population growth rate was modest), health installations were very rudimentary (15,000 inhabitants per hospital bed in 1959), there were very few durable constructions, etc. The policy behind this investment trend was criticised : durable constructions for schools were too expensive, priority was given to hospitals rather than to dispensaries and medical care for the masses, etc..

The results of this effort were astoundingly poor. There was nothing but a small increase in agricultural output and urbanisation.

2 - Development results : economic growth and urbanisation

The main agricultural product was still the subsistence crop, millet, whose production kept pace with the rural population increase, but there was no increase in the productivity rate. The marketed part of the agricultural production increased in quantity but because of its very low take-off point, on the eve of independence, it was still marginal. The paddy yield for instance rose from 90,000 tons in 1928 to 182 in 1959 (only 58 for the "Office du Niger"), the groundnut yield (unshelled) from 35 to 105,000 tons, the cotton yield from 1,000 to 8,500 tons (in seed form). Stock-farming also progressed. The herd of cattle grew from 1.5 million heads in 1928 to 3.3 in 1959, the sheep and goat herds from 6 to 7.2 million heads, and for river fishing the export figures for dried, smoked fish increased by sixfold between 1928 and 1959. Export of cattle and fish, which was conditioned by the demand of the coastal countries, developed all of a sudden, starting in 1947, at an annual rate of 10 to 15 % but reached a plateau around the end of the colonial era when the newly created maritime fishing industry became competitive. The Government only provided modest support for stock-farming and river fishing and no major investments were made. Yet these sectors, compared with the slow climb of crop-farming which received considerable investments, did well, which proved that the economic policy of the colonial administration was absurd.

Non-agricultural sectors such as urbanisation remained weak. Within the frontiers of presentday Mali, whose total population has risen from about 3 million in 1928 to 4.2 million in 1959, agglomerations of over 2,500 inhabitants only included 50,000 people in 1928 (1.7 % of the total population), 100,000 in 1945 (2.9 %) and 250,000 in 1959 (6 %).

Nevertheless the very great difference in productivity between the traditional agricultural and the "modern" urban sectors showed that the latter held an increasingly growing proportion of the G.D.P. which is shown by the fact that a primitive, uniform economy was changing into a real "underdeveloped" economy (3).

In general, for the whole period running from 1928 to 1959, the annual G.D.P. growth rate was around 2.3 % which meant that the per capita G.D.P. growth rate was only around 1 % per annum. This overall growth distribution rate is highly unbalanced. Agriculture grew at a very slow rate (2 % per annum) when considered in terms of its starting level. The growth of the secondary sector (1.7 % per annum) was even slower and to a large extent attributable to construction and public works since the processing industry was practically non-existant until after the colonial period. On the other hand, the tertiary sector grew very quickly absorbing 21 % of the G.D.P. in 1928 and 31 % in 1959. This is a phenomenon which is often found in colonial economies and which is often found in colonial economies and which merits our attention. The tertiary sector grew mainly because of the increased monetisation of the economy which went from 18 % in 1928 to 31 % in 1959. The growth rate for marketed assets (4.2 % between 1928 and 1959) was much greater than the overall growth rate.

3/ See Samir Amin, L'accumulation à l'échelle mondiale, IFAN, Anthropos, 1970, Chapter II, Section II.

If we devide this period into two sub-periods we will see that the components of this increasing imbalance became greater towards the end of the period because the increase of the growth rate from 2.1 % before the second world war to 3.2 % after the war was not due to growth in the agricultural and industrial fields but rather to the development of the tertiary sector which accompanied the monetisation of the economy.

Except in the small region controlled by the "Office du Niger", the agricultural and stock-farming production increase occurred using almost exclusively traditional production methods. In the dry zone, the hoe was used for farming. The per capita production increase, under these conditions, was due to better health amongst the populations which thus could work harder and also to the improved health of the cattle brought about by the stockfarming services, innoculations etc.. The main driving force behind the development of trade crops was the per capita tax. The requirements of the cities, with their growing urbanisation, thus stimulated marketing in the agricultural sector.

In 1945 a doctrine was slowly finalised by which irrigated perimeters would be set out and rural guidance would be provided even in the dry zones. This doctrine was based on the introduction of animal-drawn farming practices which made it possible a) to work over larger areas (with a plough a man can cultivate four times as much land as with a mere hoe) and b) to practice "mixt-farming" and to replace extensive stock-farming by intensive stock-farming (work and meat cattle, selected breeds, fodder crops) which provided natural fertilizer thus increasing the per hectare yield. This doctrine systematically opposed all mechanisation because of the negative experience of the Molodo Authority ("Office du Niger") which used mechanical means. The great weak point of this doctrine was its categorical rejection of mechanical means. Of course, quite obviously as long as Africa has to import machines - purchase the product of expensive labour, that is the labour furnished by the African farmer - mechanisation cannot be profitable. But yet, mechanical methods are essential for an underpopulated country such as Mali. Mechanisation will only be possible, i.e. profitable, when the local industry, which pays its workers less than the industrialised countries, provides the needed machines.

Actually, the basis of the systematic hostility to mechanising agriculture was the stubborn refusal to consider the possibility of industrialising Africa. The same applies to natural fertilisers and to the decisive advantage of "mixt farming" and of intensive stock-farming whose benefits do exist but were exaggerated. Recent research which, because of prejudices, was slow in coming, has shown the great potentials of chemical fertilisers. But chemical fertilisers, like machines, can only become profitable when they are produced locally at good prices. Quite clearly in order to modernise agriculture, using mechanical methods and chemical fertilisers, thorough studies must be made to determine the types of machines and fertilisers which are adapted to African conditions. Any transplanting of agricultural experiences from temperate zones must be viewed critically.

Such modernisation would imply that social and land structures be seriously reviewed. In this field, the "doctrine" in question only provided a very superficial answer to the problem, i.e. organising co-operatives which include the total rural population. This neglected the problem of the changes in the social relations amongst families, casts, social classes, etc. which would be necessary before a real co-operative could be set up.

And lastly, the guidance needed for such a scheme, with city-trained instructors (even if these instructors came from the countryside), in order to avoid mass movements was drawn up along bureaucratic lines, providing meager results at a high price.

We can understand why these samll, poorly channeled investments gave mediocre results, which become worse and worse as their "effectiveness" quickly decreased. Expressed in billions of C.F.A. Francs (1959 par value), the G.D.P. rose from 28 in 1928 to 36 in 1939 and to 54 in 1959. The proportion used for investments went from 5 § of the G.D.P. before the war (1928-1939) to 10 % after the war (1947-1959). So while the investment effort doubled the annual growth rate merely went from 2 to 3 %; so the effectiveness of the investment declined. Before the war an investment of 2 billion implied a G.D.P. hike of 1 billion while after the war a similar increase required an initial investment of nearly 3 billion.

3 - Financing the economy : foreign dependency

In the final analysis, the Malian economy depended on foreign sources all throughout the colonial period because of insufficient progress in the production rate.

The cost of the administration

The national cost of the administration indeed remained very high. Although in 1928 the recurrent expenditures only represented 11.3 % of the gross domestic product and in 1959 11.6 % total public expenditures (recurrent, investment, national debt) amounted to 17.1 % and 18.6 % for the two terminal years of the period in question. These percentages are indeed low but they only cover the minor charges imposed on a country which does not have to pay the costs of being independent. They also correspond to the expenses of a country which is underendowed in government services, especially as concerned social welfare (only 5 % of the children in the 6 to 13 year age group attended school, etc..).

Furthermore, subsequent to the increased monetisation in the economy, the tax burden, especially through import taxes. increased sharply during the period under study. Between 1928 and 1959, the current local revenue for the government climbed from 7.9 to 12.1 % of the gross domestic product. The result was that the foreign financial contribution used for recurrent expenditures plummeted from 40 % of the recurrent expenditures in 1928 to 13 % in 1959. Notwithstanding major investments in the administration made during the latter years of the period under study, i.e. 1948 to 1959, the total foreign public contribution for recurrent and investment expenditures in 1959 attained an index of only 143 (the base index being 100 in 1928) while the index for the total public expenditures was 222 and, for the gross product, 200. But the improvement in the administrative situation was very superficial and when in 1959, independent Mali started trying to develop governmental and social services, the financial burden because extremely heavy, especially when considering the highly insufficient growth in the production rate.

Financing investments and exporting profits

Although the greater part of the investment funds came from foreign public and private capital, local financing increased markedly (household savings used for building houses and financing individual enterprises, banking credits), going from 7 % in 1928 to 32 % in 1959. The explanation is that the local bourgeoisie, comprising dynamic transporter-traders, grew richer towards the end of the period under study (Mali can attribute the sizeable growth in cattle and fish exports to these people who responded to the demand of the coastal regions.

The large increase in wages paid by enterprises (which went from 35 to 49 % of total salaries between 1928 and 1959) and the corresponding decrease in salaries paid by the government, indicatesthe development of modern forms of activity. Together with this growth, as part of other revenues, enterprise and capital revenues, in the modern, capitalistic sense of the term, grew also. Nearly all of the local savings were comprised of these latter revenue, revenue repatriated by Malian traders abroad and wages paid to European functionaries. Household savings rose from 1.9 % of the private revenue in 1928 to 6.2 % in 1959 but a large part of these savings were sent abroad although the percentage dropped from 66 % in 1928 to 50 % in 1959. If we compare the sectorial indexes for the components of investment we see that national capitalism has undergone relatively important development. With a base index of 100 in 1928 we see that the index in 1959 was 280 for public investments (government and public enterprises), 400 for private foreign enterprises and 1900 for local enterprises (including traditional agriculture). This, of course, only includes very small local capitalism, mainly coming from trader-transporters, but it is nonetheless significant.

In the meanwhile the foreign private sector increasingly tapped the national savings which were being exported. Revenue exported by foreign firms, in 1959 par value, rose from 1.7 billion in 1928 to 3.4 billion in 1959.

The balance of payments

Between 1928 and 1939 when the annual production growth rate was 2.1 %, imports only increased every year at a rate of 1.8 %. On the other hand, between 1945 and 1959 imports increased faster than production (6.6 % for imports and 3.2 % for production).

This can easily be explained by the comparative development, during the two sub-periods of the growth rate of investments, urbanisation and government spendings. During the period between 1928 and 1939 the investment rate as we have seen, remained at low level of 5.3 %. After the war it rose, attaining 10.3 % in 1959. Similarly the urbanisation rate increased from 5 to 6.8 %. The growth rate for civil recurrent expenditures went from 1.7 % before the war to 4 % after the war.

Concerning exports, before the war the annual growth rate was 7 % which was triple the production growth rate. This common phenomenon reflected the increasing monetisation of the economy. After the war the export growth rate continued rising quite some hat faster than the production growth rate.

Even if we use the 1939 volume of exports as the basis for our 1945 calculation (in order to avoid the exceptional impact of the ground-nut export crisis during the war) the post-war export growth rate is 4.5 %, as against 2.9 % for the production growth rate; this latter takes 1945 as a base figure with adjustments made, using 1939 figures for the ground nuts. Export increases in the post-war period are assignable to cattle and fish trade, since groundnuts only reach their 1939 level by 1959. On the coast the demand for meat and fish levelled off by 1957, so exports stopped growing just when imports increased because of greater government and investment expenditures.

The external equilibrium was maintained finally by a sharp increase in the revenue repatriated by Malian traders working outside the national frontiers. In 1928, for instance, the net foreign contribution covered 92 % of the current deficit and funds repatriated by Malian traders only 8 %, while in 1959 these figures were, respectively, 48 % and 52 %.

This gives us an idea of how vulnerable the situation bewueathed to independent Mali was. Although at independence time Mali had hardly become developed, it already seemed like an "old colony" with fragile domestic and foreign finances. It was very premature for this outward-oriented development to be brought to a halt, but then colonial development concepts were so poor.

The small urban bureaucracy, born of the colonial administration, which was going to reign over independent Mali i+ match in a second-rate, endless struggle against the micro-bourgeois class of traders. The alliance between these two social classes which formed the basis of the national movement called the Sudanese Union R.D.A. was destined to collapse the rural masses, which had formed the source of labour for these anti-colonial classes, passively watched the internecine battles of the "new elite", which had its roots in colonisation.

INFLATION IN MALI : 1960 - 1970

Mali, which covers over 1,204,000 sq. km between the 10th and 25th parallels is the biggest state of West Africa. It is a land locked country whose usable lands lie entirely in the Sahalian and Soudanese region with irrigation coming from the Niger River. The colonial powers had not yet developed the country when independence came in 1960. Of the 4.2 million inhabitants, few lived in towns at that time. The little exporting that went on was based mainly on traditional stock-farming and fishing, the products of which went to the coastal countries. Infrastructure and governmental services were extremely limited (see Table N° 1 which covers main economic data for French Soudan between 1928 and 1959).

When it became independent in 1960, Mali was led by a solidly structured party, the Soudanese Union, a regional section of the African Democratic Rally (Rassemblement Démocratique Africain), subsequent to the abortive attempt to create the Federation of Mali, comprising Senegal and its hinterland, Soudan.

The social structures of the Malian peasant farming class - mainly Bambara and Malinké in the West, Peuhl and Songhai in the centre and the East - were relatively similar with the basic unit being the village community, except in the Niger Loop where the beginnings of a feudal system could be found.

I - Stagnation of production and the disorderly creation of a public sector

On the morrow of independence the Republic of Mali comprised lands which the colonisers had never developed. There were no towns, no infrastructure and exports to France were negligible. After great hesitation, the "1960-65 Five-Year Plan" adopted very ambitious development targets. The scheduled 8 % annual growth rate required : animal drawn equipment capable of working over 100,000 farm lands, efficient supervision and guidance for 2 to 3 million farmers, the development of 22,000 hectares in the "Office du Niger" zone and 67,000 elsewhere, the implementation of a dynamic programme for the semi-nomadic cattlefarmers and the creation of an oil refinery installation to handle 30,000 tons of groundnuts, slaughter-houses, a tinning factory, a textile plant to handle 2,500 tons of cloth, a cement factory to handle 50,000 tons, etc. About 78 billion francs were scheduled for investment, in other words 10 times more that the colonial F.I.D.E.S. spendings during the preceding four financial years. 43 % was to be used for infrastructure, 26 % for agriculture, 16 % for industry and 14 % for social welfare investments. Since only 60 % was to come from abroad, a policy of great governmental austerity would be needed. Public expenditures in the future were to be maintained practically at the level forecast for 1962. Even under the most optimistic circumstances with fiscal intake rising and the public sector, in particular trade, bringing in sizeable profits to the Treasury, a deficit, which could only be financed through monetary means, was to be expected.

After the first two years of independence, it was clear that the Plan's expectations could not be fulfilled. Discrepancies, which were to become worse, already appeared : agricultural output stagnated, the bureaucratic system of supervision garmers and "co-operatives" was ineffective and inefficient, projects outlined in the Plan were replaced by "prestige projects" to the detriment of productive actions, current administrative expenditures rose by 72 % in the three years between 1959 and 1962. The sharp increase in investments (65 % in three years) and in administrative expenses was accompanied by an equally sharp increase in imports (27 % in three years). The stagnation experienced in agricultural production was concommittant to stagnation in the export field. A deficit in the balance of payments was put off by foreign aid which had increased by 40 %, but it could already be detected, and actually took form as these "spontaneous" trends became stronger.

Nonetheless the groundwork for the main institutions of the Republic of Mali was laid during these early years of independence. At the Bamako Conference of 22 September 1960, the Soudanese Union R.D.A., just after the Federation of Mali had collapsed, laid down the basic economic and political options of the regime, as summarised in the expression "decolonisation and the establishment of socialist type structures".

During these early years, by creating State companies in the main sectors of the economy, a basis was worked out for progressively eliminating domination by foreign capital. These companies dealt in foreign trade (SOMIEX, the Malian import-export company has a monopoly of groundnut exports and the importation of staple produce), transport (Air Mali, and the R.T.M. - Mali Transport Authority - was in charge of a 300-lorry garage responsible for bringing in supplies from Abidjan to Mali after relations with Senegal broke and the Dakar-Niger railroad stopped operating), mining and petroleum research (the Mining Office has a monopoly in the field of research), public works (SONETRA - the national company) and the main new industries. Together with the above, rural co-operatives were created to guide the Malian peasant-farming class progressively towards a socialist system of organisation. To complete the restructuring, institutions were gradually created to ensure an independent monetary system. First there was Treasury and exchange control (September 1960), then came national currency and the bank of issue called the Bank of the Republic of Mali (B.R.M.) in July 1962.

Considering the difficult conditions existing in this poor country, there were obvious dangers in such a choice. The success or failure depended on the type of political relations which could be established between the leading class, sprung from the Soudanese Union R.D.A., and the rural and urban masses. These masses were not well organised and did not control the State "machinery" which meant that Malian "socialism" became a caricature the result of which, in the main, was the development of inefficient State bureaucracy. Inefficiency in this under-endowed country could result in nothing but total disorganisation of theeconomic system and, pressed by the growing deficit in foreign payments, led to a constant appeal for foreign aid and, finally, capitulation and the fall of the regime.

The vicissitudes of Malian plans at the time, poor management of the public sector, constant transgressions of decisions based on principles laid down by the Plan and the daily interference by the President and the Political Bureau of the Soudanese Union R.D.A. in the economic policy are now only historical interest.

In any case we can measure the overwhelming gap between the Plan's targets and the results obtained. During the 'Sixties, production only increased at the slow annual rate of 1.8 % (at constant prices) which is slower than the 2.2 % population growth rate.

The growth rate in agriculture was only about 1.5 % per annum. Groundnut exports continued tapering off by about 50,000 tons (shelled nuts) at the beginning of this period to about 20,000 tons at the end. The production of millet stagnated and the country had to import wheat, rice, and even millet to feed the modest population of its capital city, Bamako, the only real city in the country, with a population of 200,000 in 1970 (as compared with 130,000 in 1960. The gigantic investments made in the "Office du Niger" gave no results and absorbed the main part of funds earmarked for agricultural investments. Unproperly prepared mechanisation, constant changes in the types and methods of farming and the social organisation (colonage, wage-earners, etc.) perpetuated the astounding inefficiency of the colonial "Office du Niger", whose only positive accomplishment was the sugar cane project, guided by technicians from People's China (4,000 tons were produced in 1967). Traditional cattle-farming and fishing continued developing as in the preceding years with growing surpluses being exported to Ivory Coast and Ghana. But monetary disarray deprived the Malian State of the profits from this growth; clandestine exports increased and thus could be used to finance part of the clandestine imports - which avoided the ever-heavier taxes. Part of the capital illegally exported was used to supply Malian francs to the free market abroad. Thus the State's industrial installations, scheduled for these sectors (refrigerated slaughter houses by the S.O.N.E.A. in Bamako, Segou, Mopti and Gao) could not balance their finances. Total exports went from 7.8 billion current C.F.A. francs in 1959 to 9.5 billion Malian francs in 1968 and clandestine exports absorbed more than 50 %.

In the non-agricultural sectors, excluding transport and trade, the overall quantitative results seemed less negative. In these sectors, at constant prices, the annual growth rate apparently was around 5 to 6 %. During this period, until the regime fell, mining research absorbed over 3.5 billion - about 46 % for petroleum research and 27 % for gold and diamond research - but no major exploitable results were obtained. A small power plant was set up by S.O.T.U.B.A. in 1966 to provide a short-term solution to Bamako's electrical problem. In the processing industry, 11 projects took root, of which six concerned the agricultural and food industries (groundnut oil refinery in Koulikoro, sugar refinery in the "Office du Niger", cotton ginning, a refrigerated slaughter house, a mill, a fruit tinning factory at Baguineda), three concerned light industry (textiles, tobacco and matches, shoes) and two were in the basic sector (cement factory and metal constructions). Industry used 13 % of the total investments which were largely financed (92 %) by foreign aid. The State companies in this sector, which in 1967 provided some 90 % of the industrial production, in general were poorly drawn up and badly managed, except, quite clearly, projects financed by China, in particular the textile factory at Segou, the cigarette and match factory and the sugar refinery which together comprise practically the only valid industrial accomplishments in the country. Infrastructure work on the other hand, during the 'Sixties, was remarkabke. In seven years, 15 billion was spent on building roads, 5 billion on airports, river transport and telecommunications, 14 billion on social and private buildings (of which 20 % was financed by private savings used for housing). The State sector in 1967 made about 40 % of the turnover figure.

Trade and transport which were widely nationalised (in 1967 the State sector took in 90 % of the turnover figure for trade of products other than petroleum products and 65 % of the proceeds from transport) were a resounding failure. The State's commercial sector only made 10 % of the anticipated profits even though it was protected by a monopoly structure. Increasing fraud accompanied inefficiency (stock shortages) and, in some cases, abusive margins. The State's response was a "foreflight" (fuite en avant) policy persecuting the small traders and extending State operations to the retail level, etc.. This made the problems worse. Trade and transport, with their "prestige" companies (Air Mali had airplanes which provided intercontinental transport) together with the "Office du Niger" were the State enterprises which formed the most expensive item of the Treasury.

Growth of the agricultural activities in general was reflected by an 80 % increase in the turnover figures between 1961 and 1966. The State's share went from 20 to 66 % while that of private trade declined from 45 to 8 %.

Although the government paid special attention to the social welfare projects, the results were modest. The school attendance rate apparently went from 8 % in 1959 to 23 % in 1968 and the number of hospital beds was increased by 250 %, but the quality of these achievements, the fact that they were centred in the city and were extremely costly to manage greatly decreased the significance of the total figures.

The result obviously had to be inflation in Mali.

II - The mechanics of the Malian inflation

The mechanics of thepermanent inflation in Mali since independence are no mystery : although production stagnated, the State distributed increasing amounts of currency to meet its routine recurrent expenditures and to finance investments other than those financed by foreign aid, while public enterprises added their very large deficits to those of the State. The total amount of assistance from the monetary system to the public sector (the State and State enterprises) - excluding the counterpart of the re-evaluation of the foreign debt subsequent to the 1967 devaluation (i.e. 10.5 billion) - increased on the average of 6.2 billion each year between 1961 and 1968. In comparison with the national income - which was about 60 billion at the beginning of the decade and remained the same in real terms during these ten years - this represents an enormous inflationary gap equal to about 10 % of the total domestic product, or 20 % of the monetised product. Local liquid savings could not cover the distribution of a large volume of revenue in excess. That is why the monetary circulation, which partly reflected the absorption of the inflationary gap, only increased by 1.6 billion each year. The overall volume of money in circulation, which doubled in the eight years from 1960 to 1968, largely corresponded to the increase in prices which also doubled during that period. The absolute value of assets maintained in liquid form, thus, remained constant. This means that the revenue distributed in excess mainly affected demands for consumer goods which, since the local production did not increase, had to be imported. Since the State did not have the money to finance these imports, demand was constantly greater than supply which promoted the constant trends for increasing real prices (found on the black market). To compensate for this situation, the foreign debt was increased - since net foreign assets were already exhausted by 1962. On the average, the foreign debt - not counting the reevaluation of the foreign debt in 1967 - increased by about 4.6 billion per year.

It is not possible to speak quantitatively about the public deficit since State finances were in such disorder. The State provided "disguised" subsidies to public enterprises, and vice versa and all the public accounts were mixed together. It would only be a conventional measure to assign responsibilities since so many prices were artificial. Nonetheless, it seemed that the volume of administrative recurrent expenditures, in current francs, increased at an annual average rate of about 11 to 12 %, thus rising from 9 billion in 1959 (or 15 % of the gross domestic product which apparently was around 60 billion in current francs) to 24 billion in 1968 (or 20 % of the gross domestic product which was between 110 and 120 billion at the real current prices). The fiscal levy could not keep up with this pace, not only because, through fraud, the tax collectors could not get hold of the taxable goods, but also because a large part was outside of the monetary circuits. The fiscal and para-fiscal system which covered 90 % of the current public expenditures in 1959 (current deficit of about 4 to 5 billion). Real tax collection, thus, apparently only rose from 13 to 17 % of the product. The current public expenditure must have incurred an average annual deficit of 2.3 billion per year between 1959 and 1968.

The implementation of the "Plan" - administrative investment expenditures (infrastructure) and investments for State enterprises - and the deficit found in public enterprises then would be responsible for an average annual inflationary gap of 3.4 billion, or 55 % of the total gap. In ten years time - between 1959 and 1969 - the overall investments must have cost about 90 billion in current francs of which about 75 were spent as part of the "Plan". This was divided between infrastructure and administration (about 60 %) on the one hand and State enterprises (around 30 %) on the other. Foreign aid for these investment operations (subsidies and loans minus repayments) only covers 78 % of these investments (70 billion) while local savings (self-financing of enterprises, financing for housing, etc.)

hardly reached 11 %. So the State provided about 10 billion (or on the average 1 billion per year) in monetary means for these investments. This means that the annual average deficit for public enterprises was about 2.4 billion, because while the Segou textile plant and the tobacco and match factory brought in about 2 billion in profits during the last three years of the period (1965-68) and the State trade sector systematically brought in 1 billion per year, all the other enterprises were real pitfalls, especially Air Mali, R.T.M., The Railroad, the "Office du Niger", the slaughterhouse and S.O.N.E.T.R.A.

The inflationary gap automatically led to a foreign deficit. Legal and clandestine exports dwelt around 10 billion in current francs during this ten-year period while imports rose from about 10 to 12 billion at the beginning of the period, to an annual average of about 16 to 17 billion by the end (1965-1969). Imports greatly fluctuated, as did investments. The annual import growth rate until about 1965 was 7 % but, as means became scarce, imports maintained a more stable level, which made prices rise even faster than before. The average annual deficit for current operations in general (items 1, 2, 8, 9, 10, 11 and 12 of Table N° 5) was 9.3 billion between 1964 and 1968. Legal transfers of private capital (lines 13 and 14 of this same table) which amounted to 1.7 billion, and clandestine transfers (clandestine exports minus clandestine imports) of 2.8 billion must be added to this figure. This deficit could not be covered by the foreign aid earmarked for development which dropped from its annual average of 6.3 billion (8.2 billion in 1964, 4.6 in 1968). The result of the operations was a deficit of about 7.4 billion per year in the real balance of payments, of which 4.6 billion actually showed in the official account sheets.

III - Economic bankruptcy and the ups and downs of what followed

Although the coup d'Etat which brought Modibo Keita's regime to an end was dated 19 November 1968, he had signed his statement of bankruptcy in May 1967 by accepting to return to the franc zone.

Socialism for this regime merely meant developing the public sector, and the regime only had roots in the urban world of civil servants whose numbers rose from 13,300 in 1961 to 23,900 in 1968, not counting the 9,000 wage-earners in the State enterprises and a few thousand servicemen. The share of the national revenue which went to this small proportion of the population continually increased the percentage of the national revenue used for salaries. It doubled in a ten-year period reaching 26 % in 1969. Incapable of efficiently collecting taxes from the rural masses since they lived largely outside the market economy, the Malian State had to live on foreign subsidies. Until June 1962 it covered its deficits by turning to the ways and means available to it as a member of the franc zone : advances from the French Treasury (3 billion), delays in settling postal debts (debts incurred by the Malian post towards the French post through transfers effected by the post offices), factitious rediscounts by the Central Bank of West African States (B.C.E.A.O.) of bills from State companies. Between 1962 and 1967 countries in the East European countries took over. Domestically the public deficit was covered by monetary means partly disguised by makeshift methods (the Treasury used 4.2 billion in funds from the postal cheque accounts, by the end of 1968, and the banks were obliged to place on deposit with the Treasury the equivalent of 25 % of their deposit funds i.e. 744 million also by the end of 1968). The external deficit, on the other hand, was covered by foreign aid (stand-by credit from the I.M.F. for 2 billion in 1964, long-term credits for investments were as follows : from U.S.S.R. 32 billion, from China 7,5 billion, from the U.A.R. 7 billion, etc..; loans in foreign currency : 15.7 billion from China, 1.6 billion from the U.S.S.R., etc..) and by other ways and means of the moment such as a moratorium on transfers scheduled by big foreign petroleum firms, transit brokers, etc.. (worth 1.5 billion); the blocking of public transfers and the suspending of the service of the external debt payments which, at the time of bankruptcy in spring 1967, amounted to 5 billion.

In May 1967 the regime capitulated and concluded an agreement with France by which Mali returned to the franc zone. On 7 May, the Malian franc lost 50 % of its value. On 1 April 1968 the franc, once again, became convertible, the B.R.M. was dissolved and a new bank, the Central Bank of Mali (B.C.M.) was created under joint Mali-French management. By blocking salaries and counting on the devaluation, the State's financial equilibrium and the balance of foreign payments were to be reestablished. Actually the devaluation was a failure. The public deficit continued, exports did not increase, imports did not decrease and capital was not repatriated. The Modibo Keita regime was accused of illwill in implementing the agreements. This was easy to say, but we will see that the successors did no better. It is true that at the political level the regime tried to offset its "capitulation" by a pseudo "cultural revolution" organised at the highest level, but this turned out to be a farce. In November 1968, the militarymen toppled the regime.

The social basis underlying the new regime is no different from before. The French technicians, who have again taken over the posts of control, "recommend a recovery programme" (1970-73) which gives priority to agriculture (increasing the cotton yield from 40 to 85 tons), dismantles co-operatives, calls for the participation of French firms to be responsible for "rural guidance" (C.F.D.T. for cotton, S.A.T.E.C. for groundnuts), returns viable industries to the private sector and dissolves others, reinstates private trade, abandons mining research, slows down investments for infrastructure and social efforts such as schooling and redirects foreign trade towards France. None of these measures have brought about equilibrium. The percentage of imports which come from the West has risen from 19 % in 1965 to 70 % in 1969, exports from 21 to 68 % while the role of the private sector as a percentage of foreign trade has gone from 5 to 22. But the external deficit has not decreased and, as concerns financing, France has stepped in to replace the socialist countries by using an operations account. The Malian debt thus grew by 4 billion per year as from 1968. In order to reestablish a balance in foreign payments, public finances within the country first have to be balanced. But this objective cannot be reached without touching the interests of the class of civil servants who form the basis of the new regime... just as they formed the basis of the old one.

Table I - French Sudan - Economic and Social Growth between 1928 and 1959

	1928	1939	1945	1959
1. Population (in thousands)	3,000	3,480	3,480	4,200
2. Urban population (in thousands)	50	85	100	250
3. Main products				
31 - Millet and sorghum (in thousands	520	590	590	760
32 - Paddy of tons)	90	117	129	182
33 - Groundnuts (" " unshelled)	35	105	40	105
34 - Cotton (tons - seeds)	0	7,300	6,400	8,500
35 - Herds of cattle (in thousands of	1,460	1,800	2,185	3,300
36 - Herds of sheep and goats " heads)	5,950	6,970	7,000	7,200
37 - Dried, smoked fish (in thousands of tons)	7.7	9.1	9.3	20.0
4. Components of the gross domestic product				
41 - Primary sector production	20.3	25.2	24.6	34.9
42 - Secondary sector production	4.2	5.0	4.9	6.9
43 - Tertiary sector production	3.7	5.5	5.5	12.5
44 - Administrative services	2.9	3.2	3.7	5.9
5. Fixed gross investments				
51 - Public	1.1	1.3	0.4	3.1
52 - Private	0.4	0.6	0.6	2.5
6. Estimate of the national wealth				
7. Public expenditure				
71 - Civil recurrent	2.9	3.5	3.9	6.7
72 - Investment	1.1	1.3	0.4	3.1
73 - National debt	0.2	1.0	0.3	0.0
74 - Military expenditure	1.4	1.4	1.8	2.4
8. Local and para-fiscal revenue	2.7	3.2	3.1	7.9

	1928	1939	1945	1959
9. Balance of trade				
91. Exports	2.0	4.2	2.2	7.8
92. Imports				
921 - Processed goods	2.5	3.1	3.3	7.5
922 - Intermediary goods	0.8	1.1	0.8	2.4
923 - Capital goods	0.2	0.3	0.2	0.9
10. Balance of payments				
101. Expenditures				
1011 - Trade deficit	1.5	0.2	2.2	3.0
1012 - Various current expenditures	0.2	0.4	0.4	0.7
1013 - National debt	0.2	1.0	0.3	0.0
1014 - Exported revenue and savings	0.9	1.4	0.8	3.8
102. Revenue				
1021 - Revenue from expatriate workers and from transit	0.4	0.7	0.8	2.0
1022 - Private capital	0.3	0.5	0.5	0.9
1023 - Foreign public contribution	2.9	4.0	3.3	4.3
- Fonctionnement.	1.7	1.8	-	1.2
- Investment	1.3	2.3	-	3.1

NOTES

Sources : Samir Amin, Trois expériences africaines de développement, le Mali la Guinée et le Ghana, PUF, 1965.

All these data are comparable and have been established by the author according to uniform evaluation methods, within the frontiers existing in 1959. All the values (except in line 4) are in billions of C.F.A. francs, 1959 constant value or have been deflated according to the general price index.

Line 2 : Agglomerations of 2,500 inhabitants or over.

Line 3 : Estimates have been adjusted on the basis of the trend.

Line 4 : At factor cost. The tertiary sector includes transport, trade and non-administrative services.

Line 5 : In the period between 1947 and 1959 agricultural and hydraulic developments absorbed 50 % of the public investments (30 % for the "Office du Niger" alone), transport and infrastructure (railroad and roads) absorbed over 30 % and social welfare investments the rest.

Line 6: Reproducible wealth

Line 7 : National debt - interest, annual reimbursements, military expenses (army, gendarmerie and military pensions)

Line 8 : "Real" fiscal revenue, that is charged to effective consumption in the territory.

Line 9 : Balance of trade at 1959 prices, that is, excluding fluctuations caused by the terms of trade.

Line 10 : Since the balance of payments were worked out at constant prices, the remainder has no significance.

Table 2 - Production - national accounts of Mali (1959 to 1964/65 developments)

Source : Economic Accounts of Mali, 1959 and 1964/65

a) Changes in 1964/65 prices in billions of Malian francs

	1959	1964/65	Indexes	Growth rate
Production	67.7	74.7	110	1.8 %
+ Imports	12.2	18.7	142	7.0 %
- Exports	- 10.8	- 9.5	88	"
Total	70.1	84.0	120	"
Final consumption	62.3	68.6	109	1.7 %
Stocks	P.M.	1.0	"	"
Gross fixed capital formation (FBCF)	7.3	14.3	196	13 %

b) Real growth (value added to factor cost, 1964/65 prices in billions of Malian francs)

	1959	1964/65	Indexes	Growth rate
Agriculture and related industries	30.9	33.3	108	1.5 %
Power, water	3.1	3.3	106	1.1 %
Artisanat, industry	3.5	5.2	146	7.4 %
Building, public works	3.5	5.6	160	8.4 %
Various non-administrative services	3.5	4.3	122	3.5 %
Transport and trade	18.0	14.8	82	-
Gross domestic production at factor cost	62.7	66.5	106	1.1 %
Indirect fiscal charges	5.0	8.2	164	8.6 %
Production at market prices	67.7	74.7	110	1.8 %

Sources :

1959 : Economic Accounts of Mali (Samir Amin)

1964/65 : Economic Accounts of Mali (Jacques Daniel)

Daniel corrected the figures to make them comparable.

Table 3 - Mali 1959 - 1962

	1959	1962
Gross domestic production at factor cost (corrected)	54.4	59.6
Administrative services	5.9	8.2
Fixed gross investments		
Administration	2.0	3.4
Public enterprises	1.2	4.2
Private enterprises and housing	2.3	1.6
Public expenditures		
Civil recurrent	6.7	12.1
Military expenditures	2.4	2.1
National debt	0.0	0.6
Investments	3.1	7.5
Public financing		
Fiscal and para-fiscal charges	7.9	9.4
Foreign gifts and loans	4.3	5.8
Monetary means	0.0	7.0
Balance of payments		
Revenue - exports	9.8	8.3
· repatriated and other revenue	1.5	0.8
· private capital	1.0	0.2
· public aid	4.3	6.0
· deficit	0.0	4.6
Expenditures - imports	12.1	15.4
Various current expenditures	0.7	0.6
National debt	-	0.6
Exported savings	3.8	3.3

NOTES :

Source : Samir Amin : op. cit. - Table in billions of current Malian francs

Table 4 - Malian Public Finances, 1960 - 1968

- Evolution and breakdown of the budgetary supply

a) Budget (in billions of current francs)

	1960	1961	1962	1967-68
Forecast of expenditures	7.6(a)	13.9(b)	16.0(c)	23.5(d)

a) last colonial budget (independence : 22 September 1960)

b) first budget of the Republic of Mali

c) last budget before the coup d'état of 19 November 1968, drawn up in new Malian francs (10 % devaluation on 5 May 1967)

b) Breakdown of expenditures (current, billions)

	1962	1967-68
General administration	4.4	2.6
International sovereignty	1.2	2.6
National expenditures	2.1	2.8
Economic management	1.8	2.0
Social management	2.6	4.3
Subsidies (a)	0.0	1.1
Investments (b)	1.8	1.4

a) The 1967-68 figures do not include the unrepaid Treasury advances which amounted to 2 billion at the end of 1968 nor the consolidated advances of the B.R.M. which amounted to 3.8 billion at the end of 1968.

b) Road funds and various investment expenditures entered in the budget do not include financing for the Plan which was provided by the Bank of the Republic of Mali.

B - State Treasury

	Real expenditures paid by the Treasury	Real Treasury revenues	Deficit
1961	11.2	8.0	3.2
1962	13.4	9.8	3.6
1963	12.7	10.1	2.6
1er sem. 1964	7.1	6.0	1.1
1964/65	13.5	13.0	0.5
1965/66	14.1	12.4	1.7
1966/67	16.3	15.7	0.6
1967/68	21.0	15.5	5.5
1968/69	22.7	18.0	4.7

In billions of current francs, devalued since 1967

Does not include the Budget of the Plan finances by the B.R.M. as from 1964/65 (total advances from the B.R.M. to the Plan : 5.5 billion at the end of 1968).

C - Foreign public debt : effective debt on 31-12-68 in billions of Malian francs

to the U.S.S.R.	32.6 billion
to France	26.9
to China	23.5
to U.A.R.	7.3
to Ghana	6.5
to other countries	5.2
to I.M.F. and I.B.R.D.	9.0
	110.0 billion

Table 9 - Mali - Balance of payments

A. Official balance (billions of current francs)

	1964-65	1965-66	1966-67	1967-68
Revenue				
a) Current revenue				
1. Exports (official)	7.2	4.6	5.0	4.5
2. Technical assistances and scholarships	1.3	1.3	1.6	1.6
b) Investment subsidies and loans				
3. Subsidies	3.0	3.2	2.2	1.5
4. Loans	6.2	4.2	4.6	3.5
- reimbursements	- 1.0	- 0.9	- 0.9	- 0.4
c) Monetary operations				
5. I.M.F.	2.5	-	0.1	- 0.2
6. Other official loans	2.4	3.6	2.1	1.4
7. Commitments of the monetary system	- 0.4	0.9	2.1	4.2
Total	21.2	16.9	17.1	16.1
Expenditure				
8. Official imports (including investment goods)	12.6 (3.4)	11.0 (2.2)	9.2 (1.3)	8.3 1.8)
9. Transport	3.6	3.0	3.3	3.0
10. Services connected to investments	1.4	0.1	0.1	0.2
11. Technical assistance	1.0	1.3	1.5	1.5
12. Various operations	1.1	0.8	0.8	0.7
13. Private capital	1.3	0.1	0.4	2.0
14. Errors and omissions	0.2	0.5	1.8	0.4

Make-up of the operations

1. Exports, value at Mali frontier (official exports)
2. French technical assistance (excluding the Malian contribution) and study scholarships
3. E.D.F., F.A.C., and other subsidies
4. Loans to investments (mainly socialist countries), excluding loans in foreign currency
5. Stand-by credit
6. Foreign currency loans (socialist countries)
7. Central bank, commercial banks and post offices - balance of assets and liabilities (net)
8. Imports - F.O.B., port of embarcation
9. Maritime and rail insurance and loans, Dakar-Niger (debit), Air Mali revenue (credit)
10. Geological research services
11. Technical assistance from socialist countries, paid by Mali
12. Public operations (expenses for embassies) and private operations (tourism, transfers by foreign companies for various expenses, etc.)
13. Counterpart funds for exports, maintained abroad (legally) and legal transfers of savings.

B. Real balance of trade (in billions of current francs)

	1964-65	1965-66	1966-67	1967-68
1. Controlled exports				
Groundnuts	2.0	0.9	0.8	0.4
Cotton	1.3	1.2	1.5	1.5
Animals	1.9	1.0	1.1	1.2
Dried fish	1.9	0.7	0.8	0.6
Miscellaneous	0.2	0.7	0.7	0.7
Total 1	7.2	4.6	5.0	4.5
2. Clandestine exports				
(Animals)	2.0	2.9	2.8	2.9
(Dried fish)	1.6	2.1	1.9	2.1
Total 2	3.6	5.0	4.7	5.0
3. Total exports	10.8	9.6	9.7	9.5
4. Controlled imports				
a) Goods	16.2	14.2	12.6	11.4
b) Services	1.6	0.8	0.9	0.8
5. Clandestine imports	1.5	2.1	2.1	1.5
6. Total imports	19.2	17.1	15.6	13.7

Note : Clandestine exports are evaluated at the current sales prices observed in Ivory Coast, at the official exchange rate. Controlled imports are evaluated in C.I.F. prices, Malian border.

C. Financing the external deficit (in billions of current francs)

	1964-65	1965-66	1966-67	1967-68
Government operations				
1. Current trade deficit	9.0	9.4	7.5	6.8
2. Deficit from other current operations	2.2	0.9	0.8	0.8
3. Legal private transfers	1.5	0.6	2.2	2.4
4. Total current deficit	12.7	10.9	10.5	10.0
5. Foreign aid for investments	8.2	6.5	6.2	4.6
6. Deficit	4.5	4.4	4.3	5.4
Covering the government deficit				
Clearing zone				
Investment loans	4.7	3.6	4.1	3.1
Cash loans in foreign currency	2.4	2.8	2.2	1.3
Foreign currency zone	0.6	0.5	- 0.2	- 0.4
Increase in foreign liabilities	0.8	0.5	1.4	4.1
Clandestine operations				
Surplus from clandestine trade	2.1	2.9	2.6	3.5

Note : The capital subsidies and loans, entered in line 5 of Government operations, have been included under "covering the government deficit".

The counterpart of surplus from clandestine trade is, to a large extent, flight of capital.

Table 10 - Mali's monetary situation 1962-1968

Situation at the end of the year. Consolidated accounts of the monetary system in billions of current francs.

	1962	1963	1964	1965	1966	1967	1968
Currency	13.0	14.6	17.0	18.4	22.4	24.5	22.5
Quasi-currency	0.4	0.4	0.6	0.7	0.5	0.5	1.0
Other items	1.6	1.5	1.9	2.3	3.1	1.7	1.8
	15.0	16.4	19.6	21.4	26.0	26.7	25.3
Counterparts							
Net foreign assets	1.1	-2.1	-6.4	-8.2	-12.0	-27.5	-36.4
State assistance	6.3	8.3	10.7	17.6	24.9	39.1	48.7
Assistance to State enterprises	7.6	7.9	12.8	8.7	10.1	12.2	9.3
Assistance to the private sector		2.3	2.5	3.3	2.9	2.9	3.7

Notes : Assistance to State enterprises, up to and including 1965, included certain disguised assistance to the State.

Subsequent to the devaluation of 5 May 1967, the States foreign debt was re-evaluated and, as counterprat payment, the re-evalues at figure was entered (in the amount of about 8 billion) as assistance to the State.