

Fiscal Capacity and Dualism in Colonial States: The French Empire 1830-1962

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Appendix 5 — Public wages in Indochina and Madagascar 1925-1946

Dualism decomposed: public wages of French and autochthons in civil service

A systematic breakdown of public employment and wages by citizenship is possible for Madagascar and Indochina in the 1920s and 1940s. As shown in Table A5.1 (first and second rows), while in both colonies French civil servants represented 12% of total employment in 1925, they made up 52 to 56% of the wage bill. Similar data for 1943-1946 show that the autochthons' share in public employment remained stable over two decades.¹

Not only were French wages much higher on average than autochthonous wages (7 times higher in Indochina and 10 times in Madagascar), they were, in 1925, higher than the average public wage in Metropolitan France. In Madagascar, the French public wage of 35,000 francs was 2.2 times higher than the average public wage in Metropolitan France (15,000). In Indochina, it was more than four times as high (62,500).

The second section of this appendix gives a more detailed account of the rise in public wages in Indochina after World War I. In a nutshell, the colonial government of Indochina set up a specific schedule of bonuses for French public wages to retain their purchasing power and stay in line with private earnings. A version of the schedule of bonuses used to compensate French civil servants in Indochina was also used to increase the wage of autochthonous civil servants. Increasing inequalities in pay within the colonial civil service even further was politically infeasible — colonial administrators mention the “necessary parallelism” between French and Indochinese civil servants. It is therefore likely that the very high wages paid to French civil servants were pulling the autochthonous wage schedule upwards. Though bonuses were originally reserved for French citizens, in skilled occupations like teachers, some allowances could be extended to autochthons.² Measures of wage dualism

¹ Data for 1912-13 Indochina suggest that the share of French was just a bit higher, at 13%. Whereas it had expanded by more than 40% from 1913 to 1925, public employment did not increase between 1925 and 1937, and fell by around 15% during WWII.

² For instance, West African teachers exerting outside of their colony of origin, i.e. in the intermediate “federal” schedule, benefited from a remoteness allowance (“*indemnité de dépaysement*”) equal to 4/10 of base wage. Further, from 1925 to 1935 all African teachers in Togo were granted a special bonus (“*indemnité spéciale*”).

from Table A5.1, however, are very much decreased when we consider only the wages of autochthons. In 1925 Madagascar, wage dualism goes from 4.5 to 3.0 (3.5 when we exclude Europeans from GDP per working age population). In 1925 Indochina, it goes from 14.8 to 7.2 (7.8).

Table A5.1 – French and autochthons in civil service 1925 & 1945, Indochina and Madagascar

	Indochina		Madagascar	
	French	autochthons	French	autochthons
Year 1925				
Share in total employment (%)	12	88	12	88
Share in wage bill (%)	52	48	56	44
Average annual public wage (1937 FF)	62,509	7,879	34,653	3,609
in units of GDP per 15-64 pop.	59.3	7.5	28.7	3.0
in units of GDP per 15-64 of each group ^a	0.9	8.2	1.0	3.5
Years 1943-1946				
Share in total employment (%)	10	90	12	88
Share in wage bill (%)	42	58	49	51
Average annual public wage (1937 FF)	27,697	4,189	25,326	3,512
in units of GDP per 15-64 pop.	47.9	7.2	21.5	3.0
in units of GDP per 15-64 of each group ^a	1.0	7.8	1.2	3.8

Notes: In Madagascar, 1925 is the average of 1921 and 1929 (the distribution of employment and wages by citizenship is not given in 1925); data for the 1940s is 1946. Figures for Indochina in the 1940s do not comprise the federal government, only the local budgets of Cochinchina (1944), Annam (1945), Tonkin (1945), Cambodge (1945) and Laos (1943). In 1925, wages are higher by 80% for autochthons at the federal level, yet employment is only 9% of total, so that not including the federal budget is innocuous. a: using estimates of average income of French and autochthons, see Online Appendix 4, Table A4.1 (the estimate for Indochina uses income tax data from 1942). **Sources:** See online Appendix 1.

The rise and fall of Indochinese public wages from World War I to World War II

As already mentioned, average public wages were particularly high in 1925 Indochina. The average French public wage was 80% higher than the average French public wage in Madagascar, and more than twice the average French public wage in 1945 Indochina. Autochthonous public wages were very high as well, again about twice higher than in Madagascar or 1945 Indochina. We lay down here the particular sequence of policies that led to these extremely high real wages.

At the top of the hierarchy, the general governor was paid 1937 PPP FF 406,000 in 1925 Indochina vs. 280,000 in Madagascar — a 45% difference. The base nominal wage in current

du Togo”), first equal to 6/10, then 7/10 in 1927, and gradually diminished to 3/10 in 1933 before being cancelled due to financial restrictions. Gbikpi-Benissan (2011, vol. 2, p. 205).

francs was in fact different by 25% only (50,000 vs. 40,000). Both governors received the same large bonuses, about 2.8 times the base wage (at the 1925 exchange rate of the Indochinese currency, the piaster), comprising not only the “colonial supplement” but also travel and entertainment expenses. The rest of the difference then stemmed from the price level, 18% lower in Indochina according to our estimates. However, in 1925 Indochina the same level of bonuses applied to all other French civil servants, more than tripling the base wage in francs. In Madagascar, like in other colonies of Sub-Saharan Africa, bonuses and allowances only reached 70% of base wages.

The story of these very high Indochinese wages is the following. At the start of World War I, France had suspended the convertibility of the French franc into gold. France financed the war by monetary expansion, resulting in high inflation. In Indochina, the piaster remained silver based and inflation was low throughout the war and in the 1920s. As a result, the piaster appreciated from 2.5 francs for one piaster in 1913 to 17 francs for one piaster in 1926. The exchange rate stabilized around 12 under the Poincaré government, before being pegged at ten after 1930 (Brocheux & Hémary, pp. 134-135; Giacometti, 1998).

From 1913 to 1917 in Metropolitan France, nominal wages of civil servants had stayed fixed and had lost a lot of purchasing power. Nominal wages were gradually increased from 1918 to the end of the 1930s, starting with the lowest wages of postmen, teachers, etc. By 1925, the top wages of university professors or administration executives were still lower by 40% than their 1913 level (Piketty 2018 pp. 182-191 & pp. 833-834). For expatriate French civil servants, the wage schedule of Metropolitan France applied directly to all colonies, so that in Indochina base wages in francs were converted in piasters.

In Indochina, the colonial government decided to set up a specific schedule of colonial supplements in piasters to compensate for inflation in Metropolitan France (Dareste et al. N°4, Oct.-Dec. pp. 1080-1083). The schedule was progressive, in that wages at the bottom of the scale received proportionally higher supplements. It was revised each year all along the 1920s. The Indochinese supplement fixed in piaster ended up representing the bulk of the pay: in 1925, it ranged between two to four times the base wages, when going down the scale from the top (governor) to the bottom. In contrast with Metropolitan France, the average wage of French civil servants in Indochina even increased between 1913 and 1925, from 1937 PPP FF 52,649 to 62,509 (i.e. by 19%).³

³ The general governor and the governors of four territories (not Cochinchina) make one exception, but it is that their base nominal wages in francs were lowered between 1913 and 1925.

According to a September 1920 decree, the “colonial supplement” had to be six tenth of the base wage in francs in Madagascar, and seven tenth in Indochina (Dareste et al. N°1, Jan.-Mar. pp. 89-98). Our data indicate that in Madagascar the applied supplement was actually seven tenth.⁴ In Indochina, the specific supplement schedule did not fit the seven tenth rule and was more advantageous, especially for low wages. For example, a French civil servant paid at the Madagascar 1925 average wage of around 9,325 francs, corresponding to a middle rank executive or to a second class teacher, received a 6,527 francs supplement in Madagascar, but 3,990 piasters in Indochina, worth 31,290 francs at the 1925 exchange rate. The bulk of the gap in French public wages between Madagascar and Indochina in 1925 can be attributed to the specific schedule of bonuses in Indochina.

Why did the government of Indochina adopt such a generous bonus schedule? Strikingly enough, our estimates of the average income of Europeans (Table A4.1 in online Appendix 4), when expressed in per worker terms, stand at par with average wages in the civil service in both colonies (Table A5.1, last row of each panel).⁵ Then, everything is as if the large bonuses paid to civil servants in Indochina were meant to offset a high reservation wage, as Europeans in the private sector were much richer and in lower numbers than in Madagascar, where many relatively poor French men from neighboring *Réunion* Island had immigrated. Hence, the rationale for the Indochinese exception must have been the wish to attract skilled civil servants in the most profitable and strategic, yet remote, colony.

It is only at the end of 1930s that the difference between the arbitrary piaster supplement and the seven tenth bonus turned small, at all base wages. Nominal wages in francs had recovered, so that the special supplement schedule had gradually lost its motivation. Furthermore, the bankruptcies of the Great Depression had also diminished private benefits, hence the civil servants’ reservation wage (Brocheux and Hémery 1994, pp. 260-269). World War II finished pulling down public wages in Indochina, back to the same levels as in Madagascar. According to Bassino’s estimates, the once buoyant Indochinese economy collapsed under the Japanese occupation — GDP per capita was halved between 1940 and 1945. Between 1937 and 1945, inflation was extremely high in both colonies — prices were multiplied by 5.8 in Indochina and 6.7 in Madagascar, but nominal wages did not follow in Indochina. In both colonies, between 1925 and 1943/46, French public wages kept up with

⁴ The colonial supplement was supposed to be seven tenth in AOF and nine tenth in AEF. Our data rather suggest it was seven tenth in all sub-Saharan Africa colonies until the end of WW2. Before WW1, it seems to have doubled the base wage in SSA and Indochina.

⁵ At least for Indochina, these are rather precisely measured thanks to income tax data collected by Alvaredo, Cogneau & Piketty (2020).

Europeans' average earnings, which fell by 60% in Indochina, but only by 25% in Madagascar (in Madagascar the average earnings of Europeans fell mostly because of the arrival of new, less affluent settlers in the 1930s).

The setting of French wages also influenced the wages of autochthons. In 1925, the average French civil servant was paid eight to ten times what the average autochthon received in both colonies (Table A5.1, third row). This means that autochthonous civil servants were paid twice more in Indochina. It is quite surprising, as Indochinese civil servants were not paid the colonial supplement, reserved for French citizens. Sources indicate that some “parallelism” was sought between the French and local wage schedules. During the period of the depreciation of the franc (1918-1930), a generous and progressive exchange rate was applied to translate wages from francs into piasters. In 1926 for instance, when the actual exchange rate was around 10 francs per piaster, an exchange rate 3 to 3.5 (depending on base wage level) was applied, meaning a bonus of $10/3-1=2.33$ in terms of the base wage in francs.⁶ The wages of subaltern personnel, which had no correspondence in francs, were presumably also pulled upward. Overall, the real wages of autochthonous civil servants also went up between 1913 and 1925, from 1937 PPP FF 4,219 to 7,086 — a 87% increase.⁷

This “parallelism” between Europeans' and autochthons' wage schedules then explains why our measure of wage dualism is so high in 1925 Indochina compared to Madagascar. In Indochina, the average autochthon in civil service earned 7.5 times the GDP per worker, while the same ratio was only 3.0 in Madagascar (Table A5.1, fourth row).

In 1946, the autochthons' average wage had improved significantly in Madagascar. It was now 7.2 times lower than the French average wage, versus 9.6 times in 1925. In Indochina, the autochthons once generous schedule was, like the French schedule, shifted down drastically. Average public autochthonous wages were 6.6 times lower than French wages in 1943/46, versus 7.9 times in 1925.

References

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⁶ See for instance, where the term “parallelism” is used: Gouvernement Général de l'Indochine, 1931. *Recueil général de la législation et de la réglementation de l'Indochine, Supplément de 1926-1927, Deuxième partie (Arrêtés, décisions et circulaires du gouverneur général et des chefs d'administration locale) et Troisième partie (Ordonnances des souverains de l'Annam, du Cambodge et de Luang-Prabang)*, pp. 154-156. [National Library of Vietnam]. “Un taux d'abondement dégressif a dû être adopté pour conserver le parallélisme nécessaire entre les deux traitements.”

⁷ Employment increased more in administrative sectors paying initially higher wages, like education and health, yet the composition effect was limited.

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