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Towards a Political Economy of Monetary Dependency

The Case of the CFA Franc in West Africa

Kai Koddenbrock and Ndongo Samba Sylla

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Abstract

This paper focuses on the most neglected case of monetary dependency: the CFA franc. This currency arrangement was born in 1945, during the colonial era, but it still operates in the same ways more than 70 years later in fourteen countries in Africa, mostly former French colonies. Engaging with the seminal African scholarship by Joseph Pouemi on internal and external monetary repression and the emergent literature on "financial subordination," we introduce the notion of the "chain of monetary dependency," consisting of an external and an internal part. We argue that the CFA franc provides an extreme but paradigmatic example of this chain. The CFA franc is paradigmatic because of the very strong external repression of monetary and financial policy through US dollar and euro dependence. Internally, the CFA franc arrangement radicalizes the constraints imposed on all central bank policies and bank-firm relations in the Global South and makes it more difficult to pursue growth strategies geared towards the well-being of the broader population.

Keywords: CFA franc, colonialism, dependency, monetary sovereignty, money, West Africa.

Résumé

Cet article porte sur le cas de dépendance monétaire le plus occulté : le franc CFA. Cet arrangement monétaire est né en 1945 pendant la période coloniale mais fonctionne toujours de la même manière plus de 70 ans plus tard dans 14 pays d'Afrique, pour la plupart d'anciennes colonies françaises. En nous inspirant des travaux académiques pionniers de Joseph Pouemi sur la répression monétaire interne et externe ainsi que de la littérature émergente sur la « subordination financière », nous introduisons la notion de « chaîne de dépendance monétaire » constituée d'une partie externe et interne. Nous soutenons que le franc CFA est un exemple extrême mais paradigmatique de cette chaîne. Le franc CFA est paradigmatique en raison de la répression externe très forte de la politique monétaire et financière s'exerçant à travers la dépendance au dollar américain et à l'euro. Sur le plan interne, le franc CFA radicalise les contraintes imposées dans le Sud global aux politiques des banques centrales et aux relations entre les banques et les entreprises et rend plus difficile la mise en œuvre de stratégies de croissance axées sur le bien-être de l'ensemble de la population.

Mots-clés: Afrique de l'Ouest, colonialisme, dépendance, franc CFA, monnaie, souveraineté monétaire.

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Abbreviations

AEF	Afrique équatoriale française
AOF	Afrique occidentale francaise
BCEAEC	Banque Centrale des États de l'Afrique Équatoriale et du Cameroun
BCEAO	Banque Centrale des États de l'Afrique de l'Ouest
BEAC	Banque des États de l'Afrique Centrale
CAEMC	Central African Economic and Monetary Community
CFA franc	Franc de la communauté financière africaine Franc de la coopération financière en Afrique centrale
ECB	European Central Bank
ECOWAS	Economic Community of West African States
FCFP	Franc des colonies françaises du Pacifique
IMF	International Monetary Fund
IPE	International Political Economy
LDC	Least Developed Countries
WAEMU	West African Economic and Monetary Union
WAMU	West African Monetary Union

Towards a Political Economy of Monetary Dependency: The Case of the CFA Franc in West Africa

Introduction

Before Italian Vice President Luigi di Maio accused France of using the CFA franc to exploit its former colonies in late January 2019 (BBC 2019; Specia 2019), the CFA franc currency was more or less unknown in the non-Francophone world. This blind spot is all the more revealing as the currency has been and continues to be co-managed in Europe, in France in particular. Strictly pegged to the euro and in circulation in 14 West and Central African countries, it is used by more than 160 million people in West and Central Africa. But its relative scholarly and political neglect in the Northern centers of knowledge production is not the only reason to look at it more closely. We will argue that the CFA franc allows us to shed new light on the logics and distributive effects of the international monetary system and money under capitalism. The constraints imposed by US dollar dependence worldwide are radicalized for CFA franc member states, and this is not to their advantage.

Most debates on the CFA franc have been conducted in French (Pigeaud and Sylla 2018; Guillaumont and Guillaumont 2017; Nubukpo et al. 2016; Ben Hammouda and Kassé 2001; Hugon 1999; Hibou 1995; Vallée 1989; Raffinot 1982; Guillaumont and Guillaumont 1972; Amin 1976; 1974; 1969). Anglophone work in International Political Economy (IPE) or political economy more broadly has been extremely rare (Laskaridis and Toporowski 2016; Stasavage 2003; Helleiner 2003; Martin 1986; but see now Taylor 2019). Broad political economy perspectives have been rather absent. When not concerned with the CFA franc zone as an optimal currency area, the literature has highlighted the political dimensions of French-African elite ties or has tended to either argue for or against the CFA franc on economic grounds.

Most proponents of the CFA franc, like West African political leaders, the monetary authorities of this currency area, orthodox economists and the French government, have so far focused on the supposed advantages of a low inflation record and a fixed peg. However, as we will show, this type of argument is selective and much too simplistic, as it does not take into account the severe distributional and political consequences of the

We are grateful to Ilias Alami, Jenny Andersson, Bruno Bonizzi, Benjamin Braun, Olivier Godechot Boris Samuel, Nina Kaltenbrunner, Ingrid Kvangraven, Jeff Powell, Etienne Schneider, and Ingo Stützle for very helpful remarks on earlier versions of this paper and on the notion of monetary dependency. Discussions with participants at the MaxPo SCOOPS seminar in Paris in January 2018, the "Politics of Money" workshop in Hamburg in November 2018, as well as the "Financialization in Developing and Emerging Economies" workshop at Cambridge University in December 2018 have also been useful for developing our argument.

CFA franc arrangement. The "cui bono" issue, raised in any serious critical analysis of political economy, requires more careful scrutiny. Moving beyond this "monetary stability" narrative and the existing discussions on the CFA franc, we propose to consider currencies and money as genuinely political *and* economic social phenomena. Money under capitalism is indeed always about wealth and power, self-determination, and relations of super- and subordination.

Pioneered by scholars such as Samir Amin (1974, chap. 3), Joseph Pouemi ([1980] 2000) and Dani Wadada Nabudere ([1989] 2009), the perspective we call a political economy of monetary dependency has re-surfaced among Marxist and post-Keynesian (political) economists under the descriptions of "subordinate(d) financial integration" (Becker et al. 2010; Powell 2013; Kaltenbrunner and Painceira 2018; Alami 2019) or "financial dependency" (Vernengo 2006). Seen from this angle, the CFA franc is a particular but paradigmatic case of what the political economy of money means for countries in the Global South in the current international monetary system.

By introducing the notion of the "chain of monetary dependency," consisting for countries in the Global South of an external and an internal part, we aim to highlight how money and the international monetary system bind all countries and contribute to shifting constellations of winners and losers both inside and outside these countries. By framing the issue of monetary dependency and the hierarchies involved in it as an issue of capitalist money as such, we aim to offer a more fundamental perspective and to complement the existing useful literature on currency hierarchies in the international monetary system, which has been one of the foundational interests of IPE.

For us, a political economy of monetary dependency means studying closely how capitalist money, in the forms of currencies and credit-debt relations, empowers and enriches some and weakens and impoverishes others. This distribution of wealth and power takes place across borders and between economic, social, and political actors and sectors. Paying most attention to relations between France and WAMU member states,[1] we also zero in on in-country actors and sectors such as multinational corporations, small and medium-sized enterprises, the banking sector, and WAMU exporters to highlight what the political economy of monetary dependency means for whom.

Building on Joseph Pouemi's pioneering notions of external and internal monetary repression – forming what we call a "chain of monetary dependency" – we will argue, based on a detailed history of the CFA franc and its current arrangements, that this long-lasting colonial monetary relationship between France and most of its former colonies

1 The WAMU (West African Monetary Union) was officially created in 1962. Its member states are Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, and Togo. It coexists since 1994 with the WAEMU (West African Economic and Monetary Union). They share the same membership.

in West Africa is highly constraining and overall not in the interest of the broader population. In its external dimension, the chain of monetary dependency unites US dollar and euro dependence and forces WAMU member countries to adapt to their prices and flows. Internally, central bank policy space is highly constrained because of the particularly rigid rules that monetary policy is based on. The banking system is oligopolistic, foreign-dominated and highly profitable. Profits, however, are made less by providing credit to the broader economy and populations than by arbitrage with governments and lending to larger corporations.

We develop our argument in three parts. In the first, we discuss the literature on dependency theory and stress its relative neglect of monetary and financial issues, as well as the emergent post-Keynesian and Marxist literature on "financial subordination" in order to introduce Joseph Pouemi's work on internal and external monetary repression, which we encapsulate in the notion of the chain of monetary dependency. In the second part, we provide a detailed history of the genesis and evolution of the CFA franc with a focus on the WAMU. In the third, we offer an analysis of who profits and who does not from this arrangement, distinguished by economic sectors in France and in the WAMU.

Monetary dependency and the existing literature

African contributions to debates on monetary dependency have hardly been heard in the Anglophone academic community. The emergent discussion on "subordinate(d) financialization" presents a welcome opportunity to start rectifying this. After briefly discussing dependency theory and its lack of focus on monetary and financial issues and the dominant macroeconomic approach to currency hierarchies, we will present our notion of the "chain of monetary dependency" composed of internal and external monetary repression drawing on the Cameroonian economist Joseph Pouemi and how this relates to the "subordinate financialization" literature.

Dependency theory was not a unified theory but a denomination for a variety of broadly Keynesian to Marxist contributions developed by scholars, activists, and politicians from the Global South or radical Western scholars from the 1950s to early 1970s. These different authors sought to refute "modernization theory" by providing an alternative theoretical perspective on unequal development and on how it could be productively tackled (Prebisch 1950; Nkrumah 1965; Rodney 1972; Cardoso and Faletto 1979). With the decline of third-worldism after the oil crisis and the Volcker shock (Getachev 2019) and the successful development strategies pursued by some Asian nations, the influence of dependency theory waned. What is more, in a context of stable exchange rates, capital controls, and relatively modest capital flows under the Bretton Woods regime, money and finance, in particular, were not at the heart of their concerns (Palludetto and Abouchedid 2016; Schneider 2017).

Among the few exceptions was Samir Amin (1974), who posited money as "the effective instrument for organizing the transfer of value from the underdeveloped periphery of the world system to its advanced center" (ibid., 397). Although he endorsed the view that the monetary domain only reflects "the fundamental relations of dependence which prevail at a different level" (ibid., 395), he acknowledged nonetheless that "monetary independence *is* a necessity" (ibid., 435). In the eyes of Amin, for monetary independence to become a reality, the social formations of the periphery have to delink from the rules of the world system which confine them to the role of primary producers and oblige them to settle their trade deficits in hard currency.

Forgotten for decades, these theoretical insights are resurfacing in the Global North's academic literature. Emanating from the broader debates about the role of money in finance in contemporary post-2007 crisis processes of capturing value and making profits (Asher 2016; Krippner 2005; Lapavitsas 2013), often grouped under the labels of "financialization" (Bonizzi 2013; van der Zwan 2014) or "finance-led accumulation" (Demirovic and Sablowski 2011), these ideas have prompted a group of political economists and (development) economists to begin exploring what finance-driven capitalism means for countries in the Global South.

This "financial subordination" literature investigates what it means for governments and corporations in the Global South that they have to deal with a US dollar-dominated world economy and freely floating exchange rates mostly without capital controls. Subordination is then studied along the dimensions of the externally and internally hierarchical relations that it engenders. At this level, not much distinguishes this research from classic macroeconomic work on currency hierarchies. Externally, governments and corporations are forced to commit the "original sin" (Eichengreen and Hausmann 1999) of running into debt in foreign currencies, mostly the US dollar and the euro. This constrains them and makes them dependent on political decisions in the EU and the US and the resulting capital flows. Subordinated countries then have to find ways of preparing for and adapting to the volatility of capital inflows and outflows as well as debt service because of this dependency on foreign currencies and their flows. To do so, governments ponder afresh about capital controls and engage in massive reserve accumulation which carries high opportunity costs (Rodrik 2006), and central banks set high interest rates to stem capital outflows (Alami 2018). In this situation, according to the well-established Mundell-Flemming "trilemma" in macroeconomics, all countries worldwide face the trilemma between a stable exchange rate, independent monetary policy, and capital controls. Only two of the three can be pursued in parallel. Helène Rey recently reformulated the impossible "trinity" as a "dilemma" for the post-crisis times of consolidated US dollar dominance: "independent monetary policies are possible if and only if the capital account is managed" (2015, 1).

Since, until recently, only so-called emerging economies have faced large capital inflows and outflows, the focus of this debate has been on emerging economies rather than the poorest countries. Focusing on Brazil (Kaltenbrunner and Painceira 2017), Mexico

(Powell 2013), South Africa (Alami 2018; Naqvi 2018), and Nigeria (Dafe 2018), the evidence from this literature is, however, quite unanimous and radicalizes Rey's dilemma: It appears that countries in the Global South cannot influence the global financial cycle, the amount of flows, and the prices of lead currencies and interest rates. What is worse, even investor perceptions of domestic processes – and thus the frantic attempts by some emerging market governments to behave in a way that they think will please Northern investors – "can be, and often are, divorced from reality." Because of this, "countries that try to attract capital through adopting policies they think foreign investors prefer might find this strategy ultimately futile" (Naqvi 2018, 3). From this literature thus emerges a bleak picture of the constraints the contemporary international monetary system imposes on the Global South.

Internally, looking more deeply at the intertwined nature of the financial and production spheres, early scholars such as Samir Amin (1974; 1976) or Joseph Pouemi ([1980] 2000) had already highlighted the fact that what we could call monetary and "financial dependency" (Vernengo 2006) revolves internally around credit repression and "dysfunctional" (Powell 2013, 303) bank-firm relations. They are "dysfunctional" because banks do not provide enough credit to small and medium-sized enterprises for these countries to build a solid economic structure based on broad employment. At the same time, bank interest rates tend to be high because of the anti-inflationary policies pursued by the central banks, which contributes further to repressed economic activity.

From this literature emerges what we suggest calling a "chain of monetary dependency and subordination" that requires further detailed empirical study. From the perspective of the dependent and subordinate country, this "chain" has an external and an internal part, and the two are intertwined. The external part of the chain concerns the currency, its international status and, in the case of a currency union, its regulations and (in)flexibilities. The internal part of the chain comprises central bank policy and bank-firm relations. Studying these two parts will allow for a fuller understanding of the political economy of money and finance and how the links between the global logics of money and capital impact on governments, economies, and societies in the CFA franc zone.

Joseph Pouemi on "money, serfdom, and freedom"

What is recurrent news to academia in the Global North has been a staple of radical scholarship in the Global South – one that has hardly been read and discussed in the agenda-setting places of Euro- and Anglocentric knowledge production. Indeed, in the 1970s and 1980s, Joseph Pouemi had already shown that capitalist money in the dual form of US-dollar dominance and the institutions of the CFA franc operated as forces of continuing "servitude" (Pouemi [1980] 2000) and exploitation, linking former metropoles with comprador elites in the newly "independent" countries.

Adopting more of a monetary and post-Keynesian perspective, Joseph Tchundjang Pouemi (1937–1984), Cameroonian economist and former IMF staff member who left in protest, published his major work "Money, Serfdom, and Freedom: The Monetary Repression of Africa" (our translation from the original *Monnaie, servitude et liberté: La répression monétaire de l'Afrique)* in 1980. His point of departure was that the economic problems of the African continent have a monetary source. This did not mean, however, that dysfunctions in the monetary and financial sector are sufficient to explain the characteristics and development trajectories observed in Africa. Pouemi advanced three major theses that are still prescient nearly 40 years later.

First, in a move reminiscent of a Keynes-inspired monetary theory of production (Graziani 2003; Keen 2011) and infused with a Marxian sensibility for subordination, he pointed out that production possibilities are tightly linked to the amount of credit (and thus money) made available by the banking system. In the same way, productive structures are influenced by the way money is distributed among economic sectors and social groups. In the colonial system, for example, production credit was used to stimulate the production of cash crops and raw materials demanded by the metropolis, while consumer credit created a demand for the goods imported from the metropolis. His second thesis was that monetary dependency leads to other forms of dependency. For Pouemi, anticipating Rey's dilemma (2015, see above), without control over the production of money and its circuit, it is virtually impossible to have an autonomous economic policy: "An independent currency is not only possible, it is essential to an economic policy that would be national" (Pouemi [1980] 2000, 26; our translation). The third and most central of his theses was that African countries suffer from both internal monetary (self-)repression and external monetary repression.

Internal monetary repression, for Pouemi, refers to various internal monetary and non-monetary policies whose effect is to limit the central bank's ability to use interest rates as an independent policy tool, to reduce the economy-wide quantity of means of payments (for example the control/downward adjustment of agricultural prices), and to maintain dysfunctional banking structures discriminating against African businesses and households (for example, the exclusion of locals from the banking profession/business and the practice of negative interest rates regarding households' savings, a practice which encourages hoarding and discourages what is nowadays called "financial inclusion"). External monetary repression refers to an international context where the countries of the Global North sabotage the attempts of the Global South to develop (Pouemi [1980] 2000, 167–78; chap. 7 and 8). We will expand on external monetary repression below. The combination of these two forms of monetary repression makes it possible for Pouemi to distinguish four types of monetarily subordinated African states.

First, African countries whose currencies remained "colonial." Pouemi had in mind the franc CFA, which, according to him, was another name given to the French franc: "France is, indeed, the only country in the world to have achieved the extraordinary feat of circulating its currency, and nothing but its currency, in politically free countries"

(Pouemi [1980] 2000, 27). Second, African countries that have "satellite" currencies – that is to say, which maintain a fixed parity and a free movement of capital vis-à-vis the former colonial power. Third, African countries with badly managed national currencies due to internal monetary repression. Fourth, African countries with relatively well-managed currencies that are suffering from an unfavorable international context, characterized by the protectionism of rich countries and, at the time, very high inflation (Pouemi [1980] 2000, chap. 7).

Pouemi wrote his major work in the years that followed the end of the monetary system born from the Bretton Woods agreements. Some of his remarks already foresaw the international debt crisis that the countries of the Global South were going to endure in the 1980s (Lipson 1985). According to Pouemi, the latter had no choice but to be heavily indebted in foreign currencies because they needed to finance their development programs in an environment where protectionism in the North deprived them of export incomes.

Yet, as we will argue in our analysis of the "chain of monetary dependency" and the external and internal monetary repression it consists of, for CFA franc member states, little has changed fundamentally since 1980. Internal and external monetary repression continues to reign. What has changed, however, is the much freer flow of capital across the world, freely floating exchange rates in many countries, the utter dependence of most of the world on the vagaries of the US dollar, and increasing initiatives for the "financial deepening" and global capital market integration of African countries and "frontier markets" pursued by international financial institutions (Kvangraven 2016b; Gabor 2018; Banse 2019; Sylla and Koddenbrock 2019). The reasons for this continuity in change lie, as Pouemi indicated, in the functioning of capitalist money in general and of the CFA franc institutional arrangement in particular.

The WAMU as a case of monetary dependency

Monetary relationships between France and African countries began at least one century before the birth of the CFA franc. As early as the mid-1820s, under Charles X, coins imprinted with the words "French colonies" were used as unit of account on the island of Gorée, in Senegal (BCEAO 2012; Antoine 1986, 176–77). The 200 years between 1820 and today saw different international monetary regimes. Under the gold standard (roughly 1870–1930), French private colonial banks created after the abolition of slavery in France consolidated their position (Dieng 1982; Lydon 1997; Amaïzo 2001). Moreover, France began to impose by law and force the use of French currency instead of indigenous currencies – the so-called "monetary transition" (Şaul 2004; Diallo 2005). These initiatives were part of the implementation of what came to be called the "colonial pact."[2]

2 This latter phrase refers not genuinely to a "contract" between two equal partners, but to working

The demise of the gold standard following the decline of British hegemony during the interwar period led to new patterns of commercial and financial integration worldwide. Colonial powers sought to integrate themselves better with their colonies and other peripheral sovereign states. The sterling zone (mid-1930s) and the franc zone (1939) were born in this context of economic and monetary disintegration as zones of commercial and financial "defense," respectively controlled by England and France (see also Garavini 2012). The CFA franc was created in 1945, just after the Second World War, under the newly born Bretton Woods regime marked by US-dollar dominance.

The CFA franc and its roots in French colonialism and Second World War France

The *franc des colonies françaises d'Afrique* – CFA franc – was officially born on December 26, 1945. Its creation by the French Ministry of Finance put an end to monetary unity in the French colonial empire *(unicité monétaire)*. Until then, except for India and Indochina, the metropolitan franc had been the sole currency circulating throughout the empire, albeit with different monetary signs from one place to another (d'Almeida-Topor 1998; Comité monétaire de la zone franc 1953). After the Second World War, it had become obvious that the metropolitan franc had to be devalued. The French economy was in tatters. Foreign exchange reserves were depleted, and price levels had increased far more than in England and the United States. Experts of the French Ministry of Finance debated secretly whether the rate of devaluation should be uniform across the colonial empire so as to maintain monetary unity. The French Ministry of Finance chose to implement different rates of devaluation, as the impact of the war had been uneven in the colonies (d'Almeida-Topor 1998). This decision led to new colonial currencies like the CFA franc and the *franc des colonies françaises du Pacifique* (FCFP).[3]

The CFA franc was born overvalued. The initial parity declared by the French authorities to the newly born International Monetary Fund was 1 CFA franc to 1.70 metropolitan francs. In 1948, after a devaluation of the metropolitan franc which was not followed by French colonies in Africa, the parity of the CFA franc stood at 2 metropolitan francs: this meant that a CFA franc was worth twice as much as a French franc.[4] From then on, despite the rebasing of the French unit of account in 1958, this parity would remain unchanged until the devaluation of 1994 (BCEAO 2000).

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principles of the colonial economy: colonies are prohibited from industrializing; their external trade is controlled by the metropolis; the goods exported and imported are shipped through the metropolis' ships; the metropolis gives "trade preferences" to its colonies. See Ki Zerbo (1957).

3 At that time, the franc CFA circulated in the AOF (Afrique occidentale française), AEF (Afrique équatoriale française), Togo, Cameroon, Madagascar, French Somaliland, and Réunion.

4 The currencies in British colonies more or less reflected their level of economic development; they had an external value weaker than the British pound (d'Almeida-Topor 1998, 528).

This overvaluation of the CFA franc was instrumental in helping France recover some of the economic ground it had lost in its African colonies. During the Second World War, France was divided between Nazi occupation and the forces of the *Résistance*. This provided an opportunity for African colonies to diversify their trade relationships. As a result, France's share in their foreign trade declined considerably. Between 1939 and 1945, exports from West Africa and Central Africa to France declined, respectively, from 85 percent and 74 percent to 56 percent and 47 percent. As for imports, during the same period, they respectively declined from 64 percent and 45 percent to 23 percent and 4 percent (Godeau 1995, 35). After the war, protectionist trade measures and the overvalued CFA franc – which made exports to other world regions very expensive – allowed France to once more regain its near monopoly on the colonies' foreign trade. This monopoly was all the more necessary given the French economy's lack of international competitiveness and its limited level of foreign exchange reserves (Assemblée nationale constituante 1945). With the CFA franc system, France was able to have access to critical raw materials needed for its economic recovery with the chief advantage that it could pay for them in French francs and below international market prices (Tadei 2017).

Faced with growing demands for autonomy and independence, France worked in the postwar period to maintain its colonial sphere of influence, its *pré carré.* France agreed to "grant" independence on the condition that African leaders sign "cooperation agreements" in areas such as raw materials, foreign trade, currency management, diplomacy, higher education, civil aviation, military cooperation, etc. (Pigeaud and Sylla 2018, 27–33). In the monetary realm, these agreements implied that the newly independent countries would remain in the CFA franc zone. Repression and elite cooptation helped France deal rather successfully with African heads of state aspiring for more autonomy. In the 1960s, except for Sekou Touré, who managed to exit Guinea from the CFA franc zone, the other "dissidents" among African leaders, like Modibo Keita (Mali) and Sylvanus Olympio (Togo), were thwarted in their ambitions (Pigeaud and Sylla 2018, 63–79).

While the monetary zones of the other European colonial powers – sterling area, escudo zone, peseta zone, Belgian monetary zone – were gradually dismantled during the decolonization process (Mensah 1979), the CFA franc zone remained fairly stable in its membership – Guinea (1960), Madagascar (1973), and Mauritania (1973) left it; Equatorial Guinea (1985) and Guinea-Bissau (1997) joined it – and in its mechanisms of operation. In the 1970s, in the context of the end of the gold exchange standard, France met minor demands for reform voiced by some "rebellious" African heads of state like Hamani Diori (Niger) and Gnassingbé Eyadema (Togo). The latter were not happy about the 1969 surprise devaluation of the French franc, which caused inflation and foreign exchange reserve losses in the CFA franc countries, whose foreign exchange reserves were essentially held in francs at that time. The headquarters of the BCEAO (Central Bank of West African States) and the BCEAEC (Central Bank of Equatorial African States and Cameroon), newly renamed BEAC (Bank of Central African States), were moved from Paris to Dakar and Yaoundé, and their staff was Africanized (Pigeaud and Sylla 2018, 89–90).

Since the 1960 independences, the CFA franc acronym has referred to two different currencies. Nowadays, for the eight WAMU countries it stands for the *franc de la communauté financière d'Afrique* issued by the BCEAO. For the six countries of the CAEMC – Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea and Gabon – it stands for the *franc de la coopération financière en Afrique centrale* issued by the BEAC.[5] Although their names are different, these two currencies have the same parity and obey the same monetary principles of the franc zone.[6] What is more, the operating principles and the distributive logic of the currency have remained in place over all those more than seven decades.

External monetary repression: The CFA franc's four operating principles and their paradigmatic meaning

Since the colonial period, four principles have been at the core of the two CFA francs. They work as tools of external repression, heavily reducing the room for maneuver and policy space of WAMU member states: First, the exchange rate of CFA currencies is fixed vis-à-vis the French currency (franc, then euro since 1999). Second, income transfers and capital movements are free within the franc zone. This "zone" involved African countries using the CFA franc, the Comoros, as well as France until the early 1970s, when the franc became fully convertible (Guillaumont and Guillaumont 1972). Since then, it only includes France from an administrative point of view, but no longer from a monetary one. France co-administers the CFA franc and stores foreign reserves, but officially, capital flows between France and the African "franc zone" are subject to restrictions. Actually, the BCEAO has been relatively liberal regarding capital inflows. In principle, the BCEAO uses capital controls only for capital transfers (Kireyev 2015, 8). Third, the French Treasury promises to lend francs (and now euros) to the central banks of the franc zone if their foreign exchange reserves are exhausted. This is the so-called convertibility guarantee of the CFA franc, which had proved superfluous most of the time (Diarra 1972; Stasavage 2003; Pigeaud and Sylla 2018). In exchange for this "guarantee," France is represented in the organs of the central banks of the franc zone. It has a de facto veto power over statutory issues and controls the implementation of monetary policy. No major decision can be made without its consent.[7] There is another counter-

5 The CAEMC (Central African Economic and Monetary Community) was born in 1994, but came into full force in 1999. It is the successor of the Custom Union of Central African States, created in 1964.

6 Currently, the 14 countries using the CFA franc plus the Comoros constitute what is referred to as the "African countries of the franc zone." The *franc comorien* is issued by the Central Bank of Comoros. Although its parity to the euro is different, it functions like the CFAs. Here we use the term "CFA franc zone" to refer to the former countries.

7 To negotiate the CFA francs and Comorian franc peg to the euro, France was obliged to make some concessions to the European Monetary Union. French authorities must give prior notice to the EU Economic and Financial Committee if a parity change is contemplated. Likewise,

part to this "guarantee," and this is the fourth principle: the centralization of foreign exchange reserves in the "operations account" (Stasavage 2003; Gulde and Tsangarides 2008; Tinel 2016; Pigeaud and Sylla 2018). Since 2005, each central bank of the franc zone must deposit at least half of the pooled foreign exchange reserves of its member states into a special account of the French Treasury named "operations account" (Gulde and Tsangarides 2008; Tinel 2016). Following independence, the mandatory deposit ratio was 100 percent, and 65 percent between 1973 and 2005.

The CFA franc's monetary arrangements were designed to serve French (metropolitan) interests in the (ex-)colonies – just as the international monetary system was designed to serve the US (Garavini 2012). Officially, the fixed peg promotes monetary stability because of the limits on exchange rate risk it helps impose. The peg also reduces transaction costs within the franc zone. Free transfer of incomes and capital facilitates the drain of economic surpluses from the (ex-)colonies to the (ex-)metropolis and also creates an institutional environment where French capital can invest and disinvest freely (Gulde and Tsangarides 2008, 55). The convertibility guarantee ensures that trade and financial operations between France and its (ex-)colonies are unimpeded by the latter experiencing a shortage of foreign exchange reserves. As for the centralization of foreign exchange reserves, it facilitates the convertibility of the CFA francs and represents a sort of safety cushion for the French Treasury if the convertibility guarantee were to come into action.[8]

However, these working principles impose special constraints on CFA franc zone countries. These are more radical than those faced by most other countries in the Global South. First, there is the lack of autonomous monetary policy: As the exchange rate is pegged to the euro, and the central banks are more or less required to make sure the operations account is in surplus, the exchange rate, controlled by the French Treasury, cannot fluctuate to adjust to the particular economic cycle of each monetary union. Except for the Eastern Caribbean Currency Union (Boughton 1991), it is historically unprecedented to observe a currency union composed of poor but formally sovereign countries pegging its currency to a currency union composed of rich countries. Overall, as the CFA francs have been devalued vis-à-vis the French currency only once (by 50 percent in 1994) throughout their existence, this implies that "internal devaluation" – policies to push down internal prices – has been the rather costly mechanism of adjustment for each member country.

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a European consensus is required in the event of new membership of the CFA zone and in the event of changes in the French convertibility guarantee (Baudoin 2006; Pigeaud and Sylla 2018, 121).

8 The CFA francs are convertible only at the French Treasury, which acts as a currency exchange office for the two central banks (Lelart 1996). Under the Treasury's supervision, currency transactions involving the CFA franc and other currencies are carried out on the Paris foreign exchange market (Vinay 1988, 230).

Second, to maintain the peg to the French and European currency, the main approach has been to limit the extension of internal credits to states, households, and enterprises. Since the 1994 devaluation until the mid-2010s (see IMF 2008 and Banque de France annual reports on the franc zone), the franc zone functioned like a currency board[9] with base money being covered at near 100 percent by external reserves.[10] As a result of this external monetary repression (Pouemi [1980] 2000), the first part of the "chain of monetary dependency," the franc zone countries are made reliant on external sources of funding for their development. In other words, the growth of money supply in this zone is made strongly dependent on its capacity to record trade surpluses or to attract financial flows from abroad, such as foreign direct investment and, more recently, eurobonds.[11] As Guy Martin (1986, 232) wrote in an early Anglophone analysis: "Through the operations account mechanism, the African member states are forced to accumulate foreign reserves abroad, prevented from running budgetary deficits at home while they are at the same time compelled to resort to foreign private and public capital in order to finance their long-term investment needs."

This credit repression was for some time attenuated by the limited possibility of using the central bank for state financing. From the mid-seventies until 2010, the WAMU states could receive statutory money advances from the BCEAO amounting to up to 20 percent of the fiscal receipts of the preceding year (Banque de France 2006; 2011). In practice, the regional central bank funded much more than 20 percent by refinancing state-owned banks and the credits they had accorded to the government (Stasavage 2003). Since then, these advances have been prohibited. The increasingly repressive character is visible in the refinancing strategy the BCEAO pursues – unlike the ECB, for that matter. If member states want to borrow money from commercial banks in their monetary zone, the refinancing that the latter can expect from the BCEAO for such types of loans is limited to 35 percent of state fiscal revenues (Banque de France 2016, 58). Given their huge financial needs, member states are trying lately to circumvent these constraints by resorting more and more to international financial markets, issuing eurobonds denominated in US dollars or euros (Magnan-Marionnet 2016; Kvangraven 2016b) at a time when the BCEAO, being subject to the zero interest-rate policies of Western central banks, is receiving negative real interest rates on its foreign exchange reserves (IMF 2018, 36).

9 A currency board is a type of exchange rate regime where the monetary base is 100 percent backed by foreign exchange reserves.

10 This was the trend following the 1994 devaluation, with a marked effect between 2006 and 2013. "The coverage rates for monetary issuance, which constitute an intermediate objective of monetary policy, also far exceeded the minimum threshold set under the franc zone agreements (20 percent) and stood at 105.5 percent in WAEMU, 98.4 percent in CAEMC and 99.1 percent in the Comoros, reflecting the strength of the CFA francs and the Comorian franc" (Banque de France 2012, 12; our translation).

11 Eurobonds is a technical term for bonds sold on a foreign market and denominated in a foreign currency, mostly the US dollar. "It is a bond issue specifically targeted at cross-border distribution, … It does not follow the rules of a particular domestic market" (O'Malley 2014, XI–XII).

In its rigidity, which is functionally equivalent to the historically and globally rare "currency boards" and close to "dollarization" to fight inflation (Jameson 1990; Eichengreen 2002), the CFA franc arrangement is unique. In contrast to all currency boards and dollarizations, it also did not result from a conscious sovereign policy by a national government to combat inflation. Instead, the CFA franc simply continued from colonialism until today.

In sum, though being a paradigmatic case of monetary repression and dependency, by displaying general constraints faced by countries from the Global South (for example, the need to finance current account deficits in foreign currency), the CFA franc zone is special to the extent that it represents a severe case of external monetary repression. First, as a currency area, its member countries are individually devoid of any monetary sovereignty. Second, the currency area, taken as a whole, is devoid of any genuine monetary sovereignty from an economic (non-autonomy of monetary policy) as well as from a political (legal/statutory tutelage of the French Treasury) point of view. Third, as the US dollar is the currency denomination for WAMU exports, and more and more for WAMU imports as well, the CFA franc peg to the euro renders the WAMU dependent as well on the vagaries of the US dollar. Whereas most countries of the Global South have to deal "directly" as formally sovereign political units with US dollar dominance, the WAMU deals "indirectly" with US dollar dominance because it has historically operated like a monetary appendix of France (and now the eurozone).[12] This specific configuration resulted from France's ambition following the Second World War to obtain a circumscribed geographical "exorbitant privilege" in a global economic order increasingly marked by the "exorbitant privilege" of the US dollar.

For us, this extreme CFA franc arrangement helps to highlight how the current international monetary system and capitalist money as such work to the detriment of poor countries from the Global South. It allows us, namely, to reconstitute some general principles of monetary dependency under US dollar dominance. Calling this a "chain of monetary dependency" is warranted on analytical as well as political grounds. The first global principle of monetary dependency is that even if not pegged to the dollar, exposure to US monetary policy and the shifts in dollar price and dependency on US dollar-denominated commodities are so pronounced that the Global South is monetarily dependent on the US dollar. Second, the IMF assumes the role of lender of last resort to all countries in financing distress. However, similarly to the French Treasury, it does not necessarily act in the best interest of the Global South. Third, massive reserve accumulation is not legally binding and does not have to take place in a foreign country, but the volatility of exchange rates and US dollar flows forces all countries in the Global South to accumulate reserves nonetheless (Alami 2018). Fourth, open borders to capital

12 This notion of a "monetary appendix" denotes, beyond the peg to the euro, the formal authority of the European and Monetary Union over the CFA franc convertibility arrangement between WAMU and France, and the import by the BCEAO of the eurozone framework and rules of macroeconomic management (Claeys and Sindzingre 2003).

facilitate capital flight, and these borders have been scrapped in most countries of the world and to some extent in the CFA franc zone. Fifth, all these dependencies increase the likelihood of credit repression within countries – and thus internal monetary repression and dependency in the Global South with all its effects on stagnation and lack of economic opportunities for the broader population. The table below sums up the two parts of the chain of monetary dependency.

Table 1 The chain of monetary dependence in the WAMU: External and internal monetary repression

External repression	Internal repression
• Current account deficits to be financed in foreign currencies • Currency area with a rigid peg to the euro • "Liberal" management of the capital account • Massive accumulation of foreign reserves to defend the peg to the euro • Financial and administrative tutelage of the French Treasury backed by the European Monetary Union authorities	• Limitation of the volume/growth of internal bank credit to states, households and small and medium-sized enterprises • High real interest rates for bank loans • "Arbitrage" by banks rather than financing of production • "Internal devaluation" as the main adjustment mechanism in times of crisis

The distributional outcomes of the CFA franc

External and internal monetary repression matter along the "chain of monetary dependency" for both power relations and wealth. Just like capitalist money as such, the CFA franc monetary arrangement distributes power and wealth; it produces political and economic winners and losers. Our following discussion of winners and losers provides an analytical overview.

France: Governmental and corporate profiteers

Politically, the CFA franc helps France to maintain a *pré carré* – formed by the African countries of the CFA franc zone which contribute to sustaining French influence in diplomatic affairs in fora like the United Nations (Chafer 2005). It is of particular significance to acknowledge that the operations account system provides the main economic, monetary and political link between France and the fourteen countries where the CFA francs circulate. Abandoning it would require France to develop novel and potentially less effective ways of maintaining the old colonial bond.

Another core benefit of the operations account system is that it gives France the possibility to pay for its imports from the CFA franc zone in its own currency despite the fact that those countries' export products are generally denominated in US dollars. This is similar to the "exorbitant privilege" (Eichengreen 2011) enjoyed by the US worldwide, as this means that the French economy does not need to hold dollars in order to buy raw materials in Africa. As Diarra explained (1972, 8; our translation):

> [T]he system allows France to settle its debt resulting from the deficit in its trade balance with these [CFA franc] countries, by crediting its partners, whereas normally if this deficit were to occur with a foreign country, it would have to either sell it more goods or make a withdrawal from its gold[13] and foreign exchange reserves to rectify its balance with this foreign country."

In other words, this system allows France to save foreign exchange reserves. In the past, it thus helped to strengthen the external value of the franc, which was a rather unstable currency. Moreover, this system contributes to strengthening Paris as a financial marketplace – albeit marginally – through the obligation that all currency conversions between CFA francs and other currencies take place in Paris (Vinay 1988, chap. 7).

In contrast to the situation today in 2019, throughout the 1960s, when the French franc was not yet fully convertible, the French government was even in a position to prohibit African countries from selling and buying foreign bonds and stocks, borrowing from countries outside the CFA franc zone, importing or exporting gold, and investing in countries outside the franc zone (Mensah 1979, 49). At that time, to maintain its grip on the imports of the franc zone countries, France made their access to the US dollar difficult. Governments had to apply for French approval by providing an annual forecast of their imports outside the franc zone. Paris had established import ceilings for certain items such as automobiles, refrigerators, air conditioners, and so on (Yates 2018; Darlington and Darlington 1968). Without the argument of the convertibility "guarantee" and the provisions of the commercial cooperation agreements, France could hardly have implemented such measures, which were relaxed with the process of European integration.

As the French government is co-responsible for exchange rate policy and monitors the monetary policy of African central banks, it has at its disposal a powerful disciplinary device. Through the operations account, France is able to organize financial embargos and to block CFA franc zone countries' external operations by refusing to perform its role of "currency exchange office" – i.e., not allowing the CFAs to be converted – against "dissident" heads of state. It last did so when deposing Ivorian president Laurent Gbagbo by force in 2011 after a contested election (Pigeaud and Sylla 2018, 150–52).

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13 Diarra (1972) was obviously reasoning within the framework of the gold exchange standard.

Last but not least, the operations account system does not cost the French government much.[14] As the operations accounts are generally in surplus, this means that the BCEAO and the BEAC "provide the French Treasury with 'relatively inexpensive' resources" (Diarra 1972, 7; our translation; CES 1970, 208) and not the other way around. During the two decades following independence and in the aftermath of the global financial crisis, the real interest rates received by the BCEAO and the BEAC were negative (Pigeaud and Sylla 2018, 147–48). This means, as Joseph Pouemi put it, that "they have paid the French Treasury to keep their foreign exchange reserves" ([1980] 2000, 58–59).

While the French government enjoys a mostly political advantage from the existence of the CFA franc system nowadays, French enterprises reap some major economic benefits. They profit from "outlets that are both important and stable" in the franc zone, which are important chiefly in times of crisis, a point stressed by a report on the benefits of the franc zone by the Economic and Social Council of the Republic of France *(Conseil économique et social)* in 1970 (CES 1970, 187). The report added that the free transfer principle "provides a guarantee to French interests in Africa" (ibid., 230). However, these benefits extend more and more to non-French businesses following the decline of French market shares in Francophone Africa (see below).

WAMU winners and losers

The WAMU banking sector as a whole also belongs to those who profit from the CFA franc system. It was dominated by French banks from the colonial period to the 1980s. Nowadays most banks are still foreign-owned, but Moroccan and "pan-African" banks have been increasing their market share (Diop 2015). Counterintuitively, and thanks to internal monetary repression, the banking sector in the WAMU enjoys some of the highest profit margins in the world (Banque de France 2009, 82), despite their low level of credit financing. As one Banque de France economist wrote about the banking system in the WAMU and the CAEMC (Diop 2015; our translation): "[they are] characterized by a lack of support for economic activity and more generally for financing development. Indeed, credits to the economy accounted for only 21.9 percent of gross domestic product (GDP) in WAMU and 15 percent in CAEMC in 2014. In comparison, this ratio stands at 80 percent in all sub-Saharan Africa, at 35 percent in Nigeria, 32 percent in Ghana and 187 percent in South Africa. In Morocco, it stands at 115 percent. Finally, in OECD countries, credits to the economy account for 136 percent of GDP in France, 206 percent in the United Kingdom and 230 percent in the United States." Let

14 The annual interests paid to these central banks represent a tiny proportion of French government annual fiscal revenues (0.4 percent; Veyrune 2007).

us note that the average for WAMU hides the fact that Côte d'Ivoire and Senegal account for more than half of the credits to the economy.[15] Overall, as the IMF (2018, 34) acknowledges: "The WAEMU can ... be considered as a 'credit constrained' economy."

The public-private "deal" of money creation linking banks, governments, and the people (Koddenbrock 2019) in the WAMU is thus one in which the broader populace profits very little. Banks and central banks trade with each other and rake in profits, but with limited credit creation. This situation has applied to the dominant French banks in the past and has not changed substantially with the advent of Moroccan and "pan-African" banks in recent years. The latter are not dependent on the BCEAO, but they still engage in business with it more than by handing out credit.

Since the BCEAO is not able to act like a central bank in deeply financialized political economies, governing and stimulating credit through interest rates is much more difficult. This is also due to the banking sector's foreign-dominated character, in which foreign affiliates can be provided with liquidity by their parent company. By refraining more and more from its more state-oriented role since the 2000s – which has played an important role in making eurobonds and local debt more attractive (Sy 2007, 4) – the BCEAO has opened a hole in the provision of money that has not been and will not be filled by commercial credit creation in the near future. Annual Banque de France reports between 2006 and 2017 have been replete with criticism and skepticism of the oligopolistic banking system (Banque de France 2006–2017), which prefers to generate profit through arbitrage relations (Diop 2015; Doumbia 2011) instead of by giving out credit to small and medium-sized enterprises. As former IMF analyst Amadou Sy put it:

> Banks and institutional investors are the largest investors in the T-Bills market. In the context of a relatively large level of excess liquidity, banks have developed an appetite for government securities as they can find a better remuneration for their funds at relatively short-term maturities since reserves at the central banks are not remunerated. In addition, interest earned on such instruments are tax exempt, carry a zero risk weight in the calculation of capital adequacy ratios, are tradable in the eight countries of the WAEMU, and can be, in principle, refinanced at the central bank to obtain liquidity. (Sy 2007, 6–7)

Elites in the WAMU, in turn, profit from the CFA franc in various ways. They can transfer their wealth abroad, no matter how it was acquired, thanks to the "free transfer" principle. This point is most relevant for Africans belonging to the upper class, including the managerial staff in the African central banks. For example, in 2017, the BCEAO loaned 52.8 billion CFA francs to its employees (BCEAO 2018a, 53), an amount which compares favorably with the 39.5 billion bank credits received the same year by the enterprises of the Guinea Bissau productive sector (BCEAO 2018b, 26). An overvalued currency allows these social groups to enjoy an international purchasing power not justified by the level of economic development of their respective countries. According to

15 See Banque de France online statistical series about the franc zone.

the BCEAO, the WAMU countries suffered a chronic overvaluation of their exchange rate between the 1960s and 1994 leading to a structural loss of international competitiveness (BCEAO 2000, 47). The peg to the euro has not changed this situation.

Politically, since independence, the existence of the CFA has supported the coming to power of heads of state not willing to upset France. For a head of state in the CFA zone, any criticism of the CFA franc amounts to digging up the hatchet of war with France. In the past, Sekou Touré was sabotaged for exiting the CFA franc zone by French secret services flooding false banknotes to disrupt the Guinean economy (Robert 2004). Other "dissidents" who strove to loosen France's grip on their sovereignty have been removed from power (Hamani Diori in Niger in the 1970s; Gbagbo in Côte d'Ivoire in 2011) or killed under dubious circumstances (Sylvanus Olympio, Togo; Thomas Sankara, Burkina Faso). Hence a strange bargain has been struck between the French "Africanists" and African political leaders: in return for their loyalty to French interests – i.e., to the so-called "Françafrique" (Verschave 2003), African heads of state have often enjoyed long and unchallenged reigns, cemented by judicial impunity. This has been particularly the case in oil-rich countries of Central Africa like Gabon, Congo, Equatorial Guinea, Chad, and also in a more diversified country like Cameroon (Pigeaud and Sylla 2018).

We could sum up by saying that the CFA franc system benefits all "extroverted interests" – that is, all social groups whose rationale is to pump resources out of the CFA franc zone and whose interests would be harmed by a more self-centered development model. A country like China, which is gaining more and more market shares in the franc zone (Vedrine et al. 2013), inadvertently benefits from this infrastructure of extroversion. From being a private commercial and financial paradise for French enterprises, the franc zone is becoming – since the 2000s, with the emergence of China on the continent – a level playing field for the major global economic actors who all benefit from the environment of "monetary stability," "free transferability," and low level of domestic competitiveness.

The losers of the CFA franc "arrangements" are African populations, as their real incomes have stagnated since independence. Indeed, membership in the CFA franc zone is correlated with poverty and underdevelopment. Except for Côte d'Ivoire, the seven other WAMU countries belong to the Least Developed Countries (LDC) group. Real GDP per capita average annual growth between 1960 and 2017 stands, respectively, at 0.5 percent and 0.1 percent for Côte d'Ivoire and Sénégal – that is, the two biggest economies of the WAMU. This is well below the long-term performances of the biggest ECOWAS economies (Nigeria and Ghana) and of the North African countries which left the franc zone (Algeria, Morocco, and Tunisia) following their independence (see Table 2). This long-term perspective helps us see in a different light the high growth rates currently observed in WAMU countries like Senegal and Côte d'Ivoire. Actually, they are catching up with their past real GDP per capita best performance rather than converging towards the so-called emerging country status (Sylla 2016).

These observations do not mean that the CFA franc is entirely responsible for the misfortunes of the countries using it. Rather, the argument is that one cannot say that this monetary arrangement was conducive to higher growth and stronger development. Instead it has imposed particular constraints and costs on them. In particular, the absence of exchange rate adjustment has often proved harmful in times of economic crisis (Devarajan and Rodrik 1991; Amin 2000). The most successful achievement of the CFA franc zone has been rates of inflation far below the average observed for the rest of the African continent. But this feat was achieved through long-term deflationary policies (Hugon 1999, 24).

Local entrepreneurs also suffer from the CFA franc. They evolve in an environment where imports are often more competitive than local products due to many factors, including exchange rate overvaluation and lack of trade protections. They have to deal

Table 2 Real GDP per capita average annual growth (1960–2017) for WAMU countries and selected comparison countries (in percent)

	1960 –1970	1970 –1980	1980 –1990	1990 –2000	2000 –2010	2010 –2017	1960 –2017
WAMU							
Benin	1.1	0.2	0.3	1.3	0.9	1.8	0.9
Burkina Faso	1.4	1.3	0.9	2.5	2.8	2.6	1.9
Côte d'Ivoire	4.6	0.6	–3.2	–0.8	–0.9	4.3	0.5
Guinea-Bissau (1970–2017)	–	–0.2	2.5	–1.4	0.3	1.5	0.5
Mali (1967–2017)	–	2.2	0.7	1.4	2.5	1.1	1.6
Niger	–0.1	–1.6	–3.0	–1.7	0.8	1.9	–0.8
Sénégal	–0.9	–1.0	–0.5	0.4	1.4	1.8	0.1
Togo	5.2	1.7	–2.2	–0.6	–0.6	2.4	0.9
Selected comparison countries							
Algeria	0.9	3.0	–0.2	0.0	2.3	1.1	1.2
Ghana	0.4	–1.9	–0.9	1.6	3.1	4.7	1.0
Morocco (1966–2017)	–	2.8	2.5	1.4	3.7	2.2	2.8
Nigeria	2.2	1.9	–3.5	–0.7	6.1	0.5	1.1
Tunisia (1965–2017)	–	4.9	0.9	3.0	3.3	0.6	2.6

Source: Authors' calculations based on World Development Indicators of the World Bank, accessed 15 April 2019.

with low inflation (meaning limited opportunities to increase profits), low credit creation, and high interest rates. The small and medium-sized enterprises of the agricultural and secondary sectors are particularly limited in terms of banking credit, both accounting for only 30 percent of credits to the economy (Banque de France 2009, 82). Actually, one third of total bank loans are received by the 50 biggest companies in the WAMU (Imam and Kolerus 2013, 6). Despite the relatively low level of the BCEAO minimum bid rate of 2.5 percent, the bank loan nominal interest rate averages 7 percent, administrative fees and commissions not included (BCEAO 2018b, 9–11), a level which is prohibitive in an environment of very low inflation.

Figure 1 Euro–dollar exchange rate evolution (October 2000–July 2008)

Source: European Central Bank. Data from Macrotrends LLC,
https://www.macrotrends.net/2548/euro-dollar-exchange-rate-historical-chart.

Figure 2 Euro–dollar exchange rate evolution (January 1999–May 2019)

Source: European Central Bank. Data from Macrotrends LLC,
https://www.macrotrends.net/2548/euro-dollar-exchange-rate-historical-chart.

For exporters, exchange rate overvaluation ordinarily means loss of competitiveness: limited sales abroad or reduced margins. For example, in the mid-2000s, the cotton sector in Burkina Faso was making financial losses, mainly due to the appreciation of the euro. Between October 26, 2000 (the lowest historical dollar value of the euro), and July 15, 2008 (the highest historical dollar value of the euro), the euro appreciated more than 90 percent (see Figures 1 and 2). This implies, all else being equal, a huge loss of competitiveness during this period for CFA franc countries (see also Fofack and Ndikumana 2014, 5). As cotton is priced in dollars, an appreciation of the euro means less income when the same amount of export receipts are converted into CFA francs. Cotton production was no longer financially profitable at the parity then observed between the euro and dollar (Bellocq and Silve 2007).

External and internal monetary repression is inimical to local production and helps explain to some extent the limited contribution of the formal sector to employment generation. To take the case of Senegal, the informal sector accounted for 99 percent of employment growth during the 2000s (Ministère de l'Economie et des Finances du Sénégal 2011), a decade where GDP grew annually by 4 percent. Surveys reveal that for 65 percent of the employers and the self-employed operating in Senegal, lack of financing is the main obstacle encountered (ANSD 2016, 15). It is no wonder, then, that 80 percent of small and medium-sized enterprises in Senegal are bankrupt after five years (APS 2014).

Table 3 provides a summary of winners and losers with the CFA franc arrangement in different sectors and social groups based on the macroeconomic environment of the franc zone.

Conclusion

Capitalist money and the international monetary system involve political-economic relations of dependency, which perpetuate the structurally subordinate position of the Global South. As it stands, in the CFA franc zone, capitalist money results in a two-part "chain of monetary dependency," one part amounting to external, the other to internal monetary repression.

As we have shown in this article, the CFA franc is a special but paradigmatic case illustrating this two-part chain of monetary dependency. It is special because it is a currency arrangement born in the colonial period, which involves unique relationships between France and most of its former African colonies. But it is paradigmatic, for it allows us to see most clearly how external and internal monetary repression and dependency work today. Externally, the CFA franc arrangement complements general US dollar dependency by euro dependency and forces governments to accumulate reserves instead

Table 3 Winners and losers of the CFA franc arrangement

	Winners	Losers
Social status	*Upper middle class and upper classes (including central bank executives and rentier political elites)* Benefit from low inflation, a strong currency, the absence of exchange rate risk, and free transferability.	*Popular classes and unskilled workers, workers outside the modern sector, new jobseekers* Suffer consequences of deflationary policies: stagnant incomes and low net creation of decent jobs.
Enterprises	*Multinationals and other foreign companies* Benefit from low inflation (low wage costs), the absence of exchange rate risk, and free transferability.	*Local producers and local businesses* Suffer from a scarcity of bank credits and expensive bank interest rates as well as the anchoring to the euro.
Economic sectors	*Trade and other services* Benefit from low inflation and the euro peg (which makes imported products cheap relative to local products).	*Agriculture and industry* Suffer from a scarcity of bank credits and expensive bank interest rates as well as currency overvaluation because of the peg to the euro.
Foreign trade	*Importers* Benefit from the euro peg and the absence of exchange rate risk.	*Exporters of products other than primary products* Suffer from a scarcity of bank credits and expensive bank interest rates as well as the euro peg.
Financing relationships	*Banks in the franc zone* Benefit from a situation of oligopoly and high real interest rates. *Financial markets and international banks* Benefit from high real interest rates (notably in a context of zero interest-rate policies in the Global North) and important volumes of illicit financial flows.	*Households, SMEs and states* Suffer from a scarcity of bank credits and expensive bank interest rates. States must rely on external funding to finance development/productive investment. *States* Suffer from the volatility of foreign direct investment and high borrowing costs on international markets. In a context of zero interest-rate policies, states are issuing eurobonds at 6–7 percent while the real returns on their foreign exchange reserves are negative.

of investing them productively. Internally, it makes the creation of credit at affordable interest rates to the broader population extremely unlikely, allows for handsome bank credits, and fails to support small and medium-sized enterprises. At a theoretical level, the CFA franc helps us see more clearly what the emerging literature on "financial subordination" has rightly begun to argue and whose findings our analysis supports (Powell 2013; Kaltenbrunner and Painceira 2018; Alami 2018; Bonizzi, Laskaridis, and Toporowski 2019; Naqvi 2018; Dafe 2018). The "chain of monetary dependency" makes it extremely unlikely for poor countries at the lower end of the global pecking order to manipulate money, finance, and capital for their long-term aims.

Francophone West Africa's traditional focus and dependence on the former colonial power France, however, has been decreasing, owing to a number of connected developments. EU integration since the 1950s was based on allowing other EU member states to compete in their own "backyards," *pré carrés,* and areas of influence. France yielded some of its market shares in trade with Africa in the process. The tacit European dream and project of "Eurafrica" (Hansen and Jonsson 2015), integrating Europe and Africa ever further while keeping "migrants" out, has reduced the commercial dominance of France in its *pré carré* and cemented the European Union as the main trading partner of the franc zone. Since the 2000s, France and the European Union have been losing market shares in the franc zone because of China's stronger presence in Africa (Vedrine et al. 2013). In the same vein, the CFA franc zone countries' diversifying trade relationships involved a diversification of their financial relationships. China has become the prime bilateral lender of the continent and a significant provider of foreign direct investment.[16] Furthermore, the newfound ability of African states to raise funds by issuing government bonds sold to Western commercial banks on the hunt for yield diversifies WAMU relations of monetary dependency, which are slowly taking on a more global and impersonal character. The colonial relationship with France is weakening.

Political challenges to the status quo around the CFA franc also arise internally. During the last three years, more and more African intellectuals and activists have been mobilizing for the abolition of the CFA franc (Nubukpo et al. 2016; Sylla 2017). And they are getting public attention, as they prompt African and French leaders to speak on the subject. The latest position of the French government voiced by Emmanuel Macron during his visit to Burkina Faso in late 2017 is that every member of the WAMU (or the CAEMC) is free to leave the franc zone. The main reforms he contemplates are renaming the currency, lowering the mandatory foreign exchange reserves deposit rate, and eventually enlarging the CFA franc zone to include other countries like Ghana. "Frexit" – i.e., French exit, and leaving African countries to their own devices, has not been on the table yet, although the recent diplomatic exchange between France and Italy has allowed these kinds of proposals to be floated in influential European and US media (Babo 2019; Specia 2019).

WAMU leaders, in turn, seem ambivalent. They celebrate the CFA franc for the "monetary stability" it provides, and at the same time they declare their commitment to work for the launching of the ECOWAS single currency project in 2020 (on this latter subject, see Bakoup and Ndoye 2016). There are two reasons why the ECOWAS currency will probably not be an alternative to the CFA franc. First, no country fulfills the convergence criteria required to be a member of the new monetary union yet. Second, Nigerian president Muhammadu Buhari is not enthusiastic about the project and has asked

16 See the China Africa Research Initiative website for economic data about Chinese presence in Africa: www.sais-cari.org.

as a *sine qua non* that the member countries of the WAMU provide a divorce plan from the French Treasury. WAMU heads of state have not been willing to contemplate this up to now.

How long will this anachronistic but paradigmatic monetary status quo last? Only time will tell. It seems certain, though, that France will not benevolently leave the currency union, just as no one should expect the US to abandon its exorbitant privilege of issuing the world's lead currency. Historically, monetary hegemons have had to be pushed out. The EU could play a big role in making France understand when it is time to move on, just as China will shape the future of the US dollar.

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