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CLÉMENT JUGLAR AND ALGERIA: THE THREE PILLARS OF A MODERN ANTI-COLONIAL CRITICISM

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“We will not argue the opportunity of the conservation or the abandon of Algeria, the answer will be apparent in our analysis.” (Juglar, 1853, *Journal des Economistes*, T.36, n°148, p.215).

Abstract:

The objective of this paper is to recall the forgotten opposition of Clément Juglar to the colonization of Algeria, the originality of this position, and his contributions to the genesis of analyzing colonial institutions. Juglar was not a theoretician of colonialism, but a liberal economist, who rejected the process of colonization on economic grounds. This paper provides evidence that conventional wisdom on French colonialism is indebted to his work. The issues of return of investment in the colonies, French colonialism as mercantilism and protectionism, and the role of colonial institutions in economic development, are all addressed by Juglar. He identifies property rights and colonial institutions as central issues in his explanation for the predictable failure of colonialism, and in doing so can be regarded as a forerunner of the neo-institutionalist analysis of colonialism.

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1. Introduction

This paper is a rehabilitation of the work of French economist and statistician Clément Juglar. It aims to demonstrate how economic arguments presented by Juglar (1853), condemning France's colonization of Algeria, reappeared in more recent literature a century and a half later. The paper highlights Juglar's unique contribution to modern economic thought regarding French colonization, by identifying his criticism of colonialism, views which can be detected in more recent work by Marseille (1984) and Fitzgerald (1988). Our focus on Juglar's analytical contribution, examines the influence of his writings on today's anticolonial views, by deliberately combining history of economic thought with more recent literature. We believe the current debate underestimates Juglar's views on colonization or proposes a historiographical approach similar to that found in Frobert and Hamouda (2008), Frobert (2009), Dal-Pont and Frobert (2009 and 2010). It seems Juglar's analysis on the return of capital in the colonies, and the importance of clear and secure property rights, have been forgotten or ignored. Our paper seeks to remedy this.

Characterizing Juglar's economic thoughts on colonialism among his liberal contemporaries is not the purpose of our analysis. This topic is already well documented in the literature by Clément (2013) who claims the rejection of the old colonial pact by anti-colonial liberal authors did not extend to a complete denunciation of colonization in all its forms. Blanqui (1840), Molinari (1853), Duval (1857) and Leroy-Beaulieu (1874) all question whether colonialism was compatible with liberalism and free-trade¹. Beyond the unanimous rejection of traditional colonialism by liberal economists before 1860, there came the emergence of "*new motives and conditions for colonization under the Second Empire*",

¹ Blanqui (1840: 71) claims "Settlement of the colonies is necessary in order for colonization to have positive effects, but the only acceptable undertaking is voluntary and based on purely individual interests – colonies must be free and voluntary". Molinari (1853: 401) explained the success of colonization of California as follows: "the settlers were led there solely by the lure of profits greater than those attainable through other investments". Duval (1857: 371) argues: "If colonies of Anglo-Saxon, Protestant and Northern origin are more prosperous than those of neo-Latin, Catholic and Southern origin, one of the main reasons for this is the free development of individual initiative in the former, whereas official initiative is imposed upon and contains the latter".

and a barrier increasingly blurred between Saint-Simonians² and liberals (Clément (2013: 59). This view, shared by Palmade (1962) and Le Van-Lemesle (2004) stresses that Saint-Simonian ideas had won over the liberal side.

General agreement in the literature regarding the evolution of liberal discourse, in favour of colonization, further highlights the originality of Juglar's work. The author departs from his liberal contemporaries on this point. He remained a fierce opponent of colonialism, based strictly on liberal economic arguments, and opposed the Saint-Simonian conception of French colonization (Zouache, 2009). State intervention, he believed, could only serve to disrupt and distort the choices of individuals. Obvious evidence of Juglar's (1853: 215) anti-colonialist views can be summed up by his assertion that "*We will not argue the opportunity of the conservation or the abandonment of Algeria, the answer will be apparent in our analysis*". In this respect, it seems that Juglar differed quite markedly from his French counterparts.

Clément (2013) contends that the debate in France regarding colonization was not as rich as that occurring in Britain at the same time. He argues authors such as Torrens and Wakefield raised issues concerning investment opportunities in the colonies and greater capital returns, matters that were receiving little attention in France. We refute this view and provide evidence to the contrary. The issues addressed by Torrens and Wakefield constituted one of the cornerstones of Juglar's analysis of the failure of French colonialism. Juglar (1853) applies the principles of economic liberalism to demonstrate the futility of colonization and its impending failure. His ex-ante analysis of colonization in Algeria, is now confirmed by ex-post analysis by contemporary economists. Juglar's assessment has had remarkable longevity, but in spite of this, a paradox exists. Economic contributions to the

² Saint-Simonianism was a French political and social movement of the first half of the 19th century, inspired by the ideas of Claude Henri de Rouvroy, comte de Saint-Simon.

Algerian colonial debate seldom appear in French economic history. Only Marseille (1984) and Fitzgerald (1988) have addressed the issue in recent times.

Marseille (1984) considers whether French investors had benefited from colonial investment. He contends that the colonial empire was the French capital's "crutch", with the colonial market acting as a protected zone for declining French industries, justified in the name of the "autarchic system". Juglar (1853) had reached the same conclusion by mobilizing the theory of producer surplus, developed by Augustin Cournot. The issue of capital invested by France in Algeria is still unresolved today (Marseille (1984) *versus* Aron, (1962)). Juglar (1853) lays the premise of this debate in pre-modern terms, foreshadowing the Lucas paradox, by condemning the shortage of innovative entrepreneur figures in Algeria. Fitzgerald (1988) questions whether France's colonial position made economic sense using French balance of payments data. The author concludes that the economic utility of the empire to France was in fact more spurious than real. This position was again first highlighted by Juglar (1853). Additionally, the modern school of *Law and Finance* addresses the impact of institutions on economic performance in former colonies, and the influence of colonial institutions on economic development. Juglar (1853) had identified the importance of clearly defined property rights in such development, the absence of which resulted in the failure of any settlement. This unknown contribution of Juglar (1853) to the institutionalist analysis deserves to be restored.

Since the primary objective of this article is to promote the forgotten works of Juglar, and highlight the originality of these, this paper cites Juglar's texts directly. Since the texts speak largely for themselves, our commentary will be voluntarily limited to leave place for the depth of the analysis of the author himself. This paper continues as follows. Section 2 examines the value of colonial investment in Algeria. Section 3 considers why conventional wisdom on French colonialism, such as mercantilism and protectionism, are indebted to Juglar's analysis. Section 4 examines the role of colonial institutions in Juglar's economic thought. Section 5 concludes the paper.

2. French colonial investment in Algeria: Marseille, Juglar and the Lucas Paradox

When considering the reasons for colonization, one question that quickly emerges is what was the rate of return from colonial investment? Marseille (1984) addresses this issue by considering major sectors French capital flows were invested into, and notes some very high “rates of profit”, frequently reaching 30% and even occasionally 50% for colonial firms, in the Algerian mining sector. This rate of profit is calculated from the return on French colonial firms out of a ratio defined as “rate of profit,” used by Bouvier, et al. (1965). Marseille (1984: 148) explains this calculation by stating:

“to take into account the dramatic movements in prices at that time, ...we have constructed a series of capital in constant francs ...corrected for inflation. Then we have calculated for each year the ratio of the distributed dividends ...to identify a financial profitability that compares the distributed dividends to the ‘fresh’ money brought by shareholders”.

Using this approach Marseille (1984) concludes that mining and industrial firms realized the highest profit rates, while trade, plantation and transport firms realized the lowest. This however does not tell the full story. Marseille’s arguments are too often based on a few examples of extreme rates of return, at punctual dates. The author does not compare his results with a reference sample by including firms operating in metropolitan or foreign territories. Such outliers can be misleading. Instead, tests on a large sample of colonial firms should be considered. Evidently, it seems that Marseille (1984) wanted to provide evidence of the prominence of the mining sector in French colonial investment.

From a theoretical point of view, Marseille’s argument suffers some limitations. Failure to take account of both the development of modern portfolio theory and risk-return analysis are problematic (see: Edlinger, Merli and Parent, 2013; Edelstein, 1982). The author never considers the risk carried by investors, a component of key investment performance. The relationship between return and risk had been considered by French investors as early as the end of the 19th century (see Edlinger and Parent, 2014). Marseille’s explanation regarding the rate of profit does not allow for the assessment of whether colonial assets were riskier than French or other foreign assets, and whether they exhibited

higher returns. Ultimately, Marseille (1984) ignores the optimal portfolio strategy consisting of limiting the specific risk of each asset by diversification. Since the issue of the comparative performance between metropolitan, colonial and foreign firms ought to be carried out within a portfolio framework, the conclusions reached need to be taken with the most extreme caution.

Marseille's (1984) findings are challenged by Parent and Rault (2004) who, using data from Feis (1930) and Cameron (1961), estimate that French colonial assets represented only 5% of all French foreign assets in 1892 and just 8% by 1913. Despite a slight increase, these figures do not corroborate Marseille's analysis according to which, from the beginning of the 20th century, and especially over the interwar period, the French colonial empire was a "privileged outlet for capital exports". The key question is, if French investors expected higher returns on colonial investments, why did they invest so little in this part of the world? Aron (1962) questions why France would conquer large swathes of Africa, yet did not invest capital surpluses in these countries? This question was answered more than one hundred and sixty years early by Juglar (1853) who provided an explanation for the lack of investment in colonial Algeria, citing poorly targeted legislation that penalizes capital and, consequently, economic growth.

In essence Juglar (1853) had provided an "anticipated" answer to the Lucas Paradox formulated in 1990³. According to Lucas (1990), the neoclassical standard prediction of capital flows appears incorrect. Lucas posed several potential reasons for this paradox including external benefits of human capital, capital market imperfections, and political risk. Juglar (1853) had reached a similar conclusion and addressed the issue of a lack of capital investment in Algeria, citing an inefficient French tax system and poor regulation as the cause. Juglar (1853) suggests that French government

³ The law of diminishing returns studied by Lucas (1990: 92) implies that "the marginal product of capital is higher in the less productive (in the poorer) economy. If so, then, if trade in capital good is free and competitive, new investments will occur only in the poorer economy, and this will continue to be true until capital/labor ratios, and hence, wages and capital returns are equalized". He continues: "If this model were anywhere close to being accurate and world capital markets were anywhere close to being free and complete, it is clear that, in the face of return differentials of this magnitude, investment goods would flow rapidly from wealthy countries to poor countries" (Lucas, 1990: 92).

attempts to reform property rights were counterproductive, made it impossible to set up large agricultural and industrial properties, penalized investment, and discouraged the development of entrepreneurs in Algeria, preventing the country's economic development. Juglar claims (1853: 225-226):

“[...] By obliging buyers to establish a European family and to construct a house for every 20 hectares, the ordinance of 21 July 1846 settled the greatest question of colonization, to wit, what type of exploitation was best for Algeria: large, middle or small. By deciding a priori that it was the middle-sized property, and by obliging all potential purchasers to accept this, the government prevented all those who possessed large funds from trying their luck in Algeria. [...] When they decided on smaller landholders, they did not realize that they were those who were the least likely to come, the most fearful, lacking knowledge, the least open to innovation, careful enough to avoid dubious business, where the potential profit was always minimal relative to the risk. For them, there was only ruin or a slight improvement to their lot.”

Juglar (1853: 226) continues by developing an argument in which risk aversion diminishes relative to the level of personal wealth, and explains the failure of colonization in a way that predates the economic analysis of risk. He says:

“...large capital, exposed to the same unfavourable chances, has greater resources to survive the first failure. What drives these [large] investors is the hope of a much larger reward, gain, or profit...the [small] investor could be wiped out [and] in the most favourable circumstances, can only expect to increase his capital by at most a quarter or a half, the [large investor] can double it. It is this latter hope that allows the large investor to close his eyes to the expected loss; the fear of ruin does not stop him, because a potentially brilliant reward awaits him, a reward that the small cultivator cannot expect to achieve. [...] This middling class of cultivators, that we must encourage in France because they are an honest and moral

population, for which the traditions of family life are best perpetuated, has no adventurous spirit, the raw desire for profit that drives you to furthest regions with the hope of easy fortune [...] By attempting to summon this class of cultivators, we might just as well have predicted that they would not respond; for, in addition to the trip, the emigration, the abandon of their native land, which they would have to accept, they would not want to risk the capital that they have painstakingly amassed.”

He continued:

“There was another class that could have been attracted to Africa, the capitalists. The Ordinance of 21 July 1846 put an end to the very desirable development of industrial activity by imposing impossible constraints on whoever wanted to set up a large estate. By rejecting their support, the French deprived themselves of the greatest and the most indispensable means of colonization...They thought that they had taken care of a great evil by expelling the large capitalists and the speculators who always accompanied them. They waited a long time, and they are still waiting for the middle class of cultivators. So they decided to resort to the last category of immigrants, those whose only capital is the force in their arms.” (1853: 227-228)

When Juglar (1853: 232) turns to the analysis of the capital factor, he extends his arguments relating to incentive mechanisms in an even more convincing and contemporary manner:

“Let us now turn to why the capital, which is the second condition of all settlement, fails to flow. The motives are of the same nature: capital is fearful, less adventurous than men, especially when potential profits are limited. [...] They seek everywhere the most considerable return, the use that will provide the greatest interest. It abandons agriculture for industry where profits are higher and quicker, and artificially increased by our prohibitive and protectionist system of tariffs. [...] It is therefore into the only industry possible in Algeria,

the construction, purchase and sale of houses, that speculation and capital flows. Agriculture, which requires great outlay that is only recuperated in the long-term, has been neglected.”

Juglar’s line of reasoning is in every way an exemplary of a precursor to modern economic thought. The question of capital occupies a central part in the economic analysis of French colonization given that it is a clue to the underlying motives of colonization. The debate regarding the motivations of French colonization continues to this day. Marseille (1984) provides partial evidence of very high yields, gleaned from colonial registers in Algeria, which could lead one to believe Algeria was a profitable destination for investment. Conversely, Aron (1962) questions how one could consider the colonization of Algeria profitable when no capital was invested there? Juglar had already launched this debate in 1853. If French investors expected high yields, why did so few invest? Juglar (1853: 233) argues in order to attract investment it would have been necessary to set up a sufficiently attractive system of incentives:

“The expectation of great profits alone would have been able to attract large investments, and we have seen the infuriating precautions that were taken to keep them out. It is even very likely that, without speculation, they would not have come with a serious purpose [...] Farming implies the immobilization of capital in the exploitation of the land. The return for this outlay made for the land return is slow. [...] Just the idea of setting up shop abroad, without hope of a return and with the few advantages that agriculture presents, was the main obstacle to the Algerian settlement.”

By identifying that capital transfers from metropolitan France to colonial Algeria failed, and providing an explanation why erroneous tax legislation resulted in drastically low levels of private investment, Juglar can be considered as one of the first economists to formulate the Lucas paradox.

Section 3. French colonialism as protectionism and mercantilism: What has changed since Juglar's seminal analysis?

According to Marseille (1984) and Fitzgerald (1988) the dominant view on French colonialism was that it resulted in both protectionism and mercantilism. In this section we recall the cornerstones of this conventional wisdom and illustrate that its origins can be traced back to Juglar (1853). Marseille (1984) pinpoints two factors that made the Great Depression a crucial period for the French colonial strategy: economic motives and political debates. This period supposedly illustrates the essence of colonialism, and the protectionism that followed. Marseille (1984: 230) argues that the crisis starting in 1929 was a “great overproduction crisis”. The French empire was to act as a form of replacement market for activities harmed by the Great Depression. This reasoning is supported by Marseille's (1984: 59) assertion that over the interwar period, “the colonial empire became a crucial commercial partner” and “the crisis that harmed French exports in the rest of the world did not affect the colonial outlet that fully played its role of shock absorber.” (1984: 63). Marseille (1984: 75-77) gives multiple examples of the usefulness of the protected colonial market for French industries, and cites markets for cotton, sugar, iron and steel industries as being particularly important. He continues by saying:

“The empire was an essential reservoir for agriculture. Sectors like wool, silk turned at that time to the colonial market. Car and chemical industries sold in the second half of colonial history at least a third of their total exports ... During the interwar period, the empire became the first commercial partner of France; it furnished France with the totality of its imported agricultural goods; it absorbed the main part of cotton, soap, sugar French exports. It enabled the French car steel and iron industries to maintain their export capacities”.

The interwar period also reveals political conflicts concerning the development of French colonies. In the face of contracting markets at home and abroad in the wake of the Great Depression, the “colonial outlet” became important to various sectors of French capitalism seeking an alternative destination in which to export goods and services (Marseille 1984).

At the opening of the Metropolitan France economic conference on the 3rd December of 1934, Albert Sarraut described what he called *stratégie 'autarchique'* or protectionism, which enabled the metropolitan area of France to export goods and services and absorb colonial production in order to enable the French Empire to outperform its international rivals. The cotton industry was selected as the leading sector in this strategy of protectionism, with the automobile industry acting as an auxiliary. According to Marseille, the *'autarchique'* strategy existed within the context of two conflicting beliefs. The first, the dawning era of liberalism and reductions in customs dues and tariffs, and the second, the need to industrialize the empire and protect fledgling colonial markets so they could develop and prosper. Ultimately, Marseille (1984) concluded that the protectionism displayed during the interwar period was nothing but the *Maginot Line* of traditional French industries unwilling to change, and frightened by the scale of restructuring required.

Fitzgerald (1988) adopted a different approach and argues that the French colonial empire was a considerable political construction along with spurious economic benefits. The empire seemed to be something other than a simple political asset, and by the 1930s, the colonies had become France's principal trading partner. The captive nature of colonial markets, allowed the least competitive French exporters (small scale, high costs export firms) to maintain profit levels. Symmetrically, French consumers paid higher than world prices for colonial imports. However, France continued to run trade surpluses with the colonies from the 1930s until the decolonization period. According to Fitzgerald (1988), the outflow of metropolitan capital offset the colonies' payment deficits with France and made the continued imbalance in trade possible. Fitzgerald calls this "mercantilist regulation". As the colonies had a constantly negative trade balance with the rest of the world, the French economy had to subsidize the colonies in order to maintain them. Fitzgerald (1988) concluded that the benefit of the colonial markets to French exporters was more than offset by the subsidization required in order to maintain the empire. Ultimately, he considered the French colonial empire a financial burden that France could no longer afford by the 1960s. Juglar (1853) reaches an identical conclusion 135 years

earlier. Fitzgerald therefore argues French colonialism must have been politically driven as it was clearly economically inefficient based on available balance of payment data. This ex post explanation for the failure of French colonialism had been delivered ex ante by Juglar, when he forecast the failure of Algeria's colonization. Juglar's (1853: 222) sums up the predictable failure of colonization of Algeria by suggesting:

“...for a nation to pay cash, it must first possess some. Yet, since 1830, Algeria has only the money that we have sent there... We must therefore admit that, since 1830, it is the French money that we have sent there with one hand that comes back to us in the other. France thus pays directly for the exports made to Africa. France is the one who sells and who pays, fulfilling this double role. However, whereas everyone in France contributes to the expense, only a small number of Europeans set up in Africa take part in the profits. The difference between imports and exports is paid for with funds taken from the State budget, to maintain our colony. If this is what one calls a favourable and prosperous position, we have only to set up more like it all over.”

This quotation reaches an ironic conclusion and produces not only one of the first analyses of colonialism in terms of rent seeking, but also that of the balance of payments between Algeria and France. Rent seeking was possible due to perverse incentives which according to Juglar (1853: 223) resulted in the accrual of the majority of benefits to a minority, with the system of existing incentives *“ill conceived, and contrary to our own interests... to protect our trade, [and] increase our exports, [these incentives] always starting by taxing the revenue of the nation, [and] skimming off the capital necessary to make these improvements”*. Distortions in consumption and production were brought about by the subsidies in place. The simplicity with which he transposes the theory of producer and consumer surplus, outlined by his contemporary Antoine Cournot, is striking.

Section 4: Colonial institutions and property rights in Juglar's economic thought

Juglar (1853) explains the failure of French colonialism in Algeria through the lens of institutional economics. In assessing Algeria, Juglar (1853) is confronted with the difficult problem of explaining institutional change, a question that has characterized the research agenda of Nobel Laureate Douglas North for decades (Hodgson, 2017). Three institutional explanations are forwarded for the ultimate failure of French Colonialism; the first insufficient property rights; the second inappropriate regulation and the instability of colonial institutions; and the third, an absence of incentives and distortive subsidies. Some of the ideas expressed by Juglar (1853) enable us to establish a clear theoretical link between his work and that of the neo-institutionalist school of thought.

Insufficient property rights

Juglar (1853) provides a picture of the French colonization and dismisses the Saint-Simonian spirit. He highlights the importance of individual control and private ownership, rejects the role of the state, and describes what he considers to be one of the causes of the failure of colonization in Algeria: a project based on the economically inefficient, Saint-Simonian “collective culture”. Juglar (1853: 68) argues that:

“The government takes care of founding agricultural centres; since 1843, this type of colonization has dominated...[and] was no longer simply a protector, but a creator, the supporter of these new colonies. It was the State which, at great expense, put all the money up front, distributed the land, built the houses with the help of the army, for it is thanks to the engineering regiments that we owe most of the buildings in villages. The land was cleared and plantations executed by troops. The State supplied the necessary capital for these expenses. It was the State who delivered the instruments, the seed, the animals, etc. in other words, all the expenses necessary for an agricultural estate. Once everything was ready, they installed the population in the new village, both civil and military settlers. Then the troubles began”.

He continues:

“...to seriously farm the land, the settlers were still lacking many things. Most often, not being able to invest in grains, they limited themselves to growing vegetables, which would never be enough to live on and could not help them improve their lot. To this weakness was added illness and fever which wiped out these poor populations. The unfavourable atmospheric conditions, a great drought or a flood, clouds of locusts, came to wipe out the fruits of their long hard labour, and it did not take long for despair and disgust to fill the hearts of even the most courageous. The debris of the colony moved to the nearest town, preferably Algiers.”
(Juglar, 1853: 68)

In true pre-Coasean style, Juglar (1853) describes property rights as the foundation of all economic activity. He develops a premonitory theory, exemplifying that the failure of colonization is due to the absence of clearly defined property rights, composing passages that Coase and North would not have rejected more than a century later. He emphasizes the role of property rights, making it the heart of his explanation for the inevitable failure of colonization, and argues that the absence of clearly established property rights is the first cause of economic stagnation. Throughout his reflection on property rights, Juglar reveals himself as a liberal economist who is critical of colonization. His modern and premonitory analysis is striking. In essence, colonialism due to its very nature, lacks a clearly established conception of property rights and inevitably leads to failure. Juglar (1853: 101) argues this point by saying:

“People do not realize enough how great is the influence of the form of property and the guaranties that it creates in a country on the social constitution, the development of culture and industry. [...] From its stability or its instability derives a host of consequences to which people generally do not pay enough attention.”

This he believes, gave rise to cultural and incentives problems as:

“Europeans ignored the customs of the country, hungry for land, gave themselves up to outrageous speculations, seeking property deeds, with the sole hope of reselling them for

profit, without worrying at all about taking care of the properties themselves. Most often, the indigenous population sold only the right to use the land...while the Europeans believed to have obtained full property rights...As the French occupation was not regarded as serious, the former masters and owners of the land quickly sold everything they possessed, some to re-establish their business and their fortune, others to get rid of onerous property; but all believed that they would get their land back once the French army left. This situation caused an unprecedented spate of speculation which created a great number of difficulties for the French government.” (1853: 107).

It is tempting after reading this passage to draw a parallel with North and neo-institutionalism. North and Thomas (1973: 1) recall in medieval Europe

“efficient organization entails the establishment of institutional arrangements and property rights that create an incentive to channel individual economic effort into activities that bring the private rate of return close to the social rate of return”.

Hodgson (2017) suggests failure to protect property rights “opened the door to an understanding of the possible endurance of inefficient institutions”. The aforementioned is important. Juglar considers the institutional origin of property rights in Algeria, namely the misunderstanding and misinterpretation of the distinction between *Habou* and *Melk* goods (a confusion between, respectively, the right to use the land and the full property rights) by the French administration and settlers. This he believed, was the primary cause of the inefficiency of the French-Algerian colonial institution.

Inappropriate regulation and the instability of colonial institutions

Having exposed how poorly adapted property rights can be the source of economic inefficiency, Juglar continues by demonstrating how incessant changes to regulation both punished current

investment and discouraged future investment, creating an uncertain horizon for the settlers. Juglar (1853: 229-230) states that:

“In the midst of all these vicissitudes Algeria experienced until 1846, the administration decided to deliver the final blow to put an end to this instability [...]. By the ordinance of 21 July 1846⁴ [...], it imposed on all rural properties a verification process to check their origin and the legitimacy of possession. [After] setting property rights on this stable foundation [...], the ordinance of 1 July 1847 did have conversely a direct and negative impact on colonization. It reinstated the perpetual rent. [...] The most fatal clause is the one that required a deposit of 10 francs per hectare for every sale above 100 hectares always afraid that people abused large sales and only sought them for speculative purposes. [...] Why must we observe and recognize so late and so myopically the pernicious effects of all these complicated regulations?” (Juglar, 1853: 230-231).

This demonstrates Juglar belief that under the French colonial regime, entrepreneurship in Algeria was discouraged due to inappropriate tax legislation, which prevented market forces from interacting, a point echoed by North (1990). Juglar evokes North's (1981) assumption, according to which, only market forces can underwrite economic efficiency and rule out inefficient institutions. Juglar characterizes the French colonial system in Algeria as a system that favoured constant changes in tax legislation, inducing uncertainty for settlers, and consequently penalized investment.

Lack of incentives and distorting subsidies

It is possible to observe in Juglar (1853) a modern line of reasoning that foreshadows the economics of incentives. Juglar (1853: 84), recalling the utility of subsidies, claims:

⁴ This ordinance “outlined the numerous obligations of buyers. For every 20 hectares of land sold, the seller had to construct a house of a value of 5000 francs, to establish within a year a European family, and finally to plant 30 trees per hectare within 5 years. As long as these conditions were not met, property could not be sold or mortgaged without the authorization of the governor general. It is by these means that the government wanted to model the agiotage, and believed that it had; but at the same time it drove away speculators and serious buyers.” (Juglar, 1853: 107-108)

“What the farmers had always been lacking up to this point, in Algeria as well as in France, was the capital necessary to develop and improve crops. Each time that these will expect to be able to sell certain products and to receive cash in exchange, one can be sure that all their efforts will take this direction.”

He continues by criticizing the distortions created by an inappropriate system of subsidies and (1853: 228-229) describes the Algerian colony as an economy of subsidies, insisting the distortive effects created by these subsidies were in the name of military presence and ecclesiastical dominance:

“The administration itself built the villages and cleared the land using troops, granted subsidies for the free passage on State boats, supplied food, farming tools, seed, animals, and thus managed to maintain in a very precarious manner agricultural centres. [...] The Trappists of Staouëli and the establishment of father Brumaud in Ben Acknoun must be highlighted. Both these establishments only survive thanks to State subsidies in the form of cash, kind and men. [...] The State placed at their disposal military convicts who executed most of the work. [...] The establishment of father Brumaud is merely a warehouse for orphans and young children that have been designated for agriculture. Owner and director of the house, he receives according to the agreement he struck in 1845, for each child, an initial sum of 60 francs, then 21 ½ francs per month, until the age of 15...The little development of free colonization since the conquest, and especially since 1845, is demonstrated by the embarrassment with which the administration speaks of it. [...] All agricultural centres that one observes today were created and are maintained by the administration.”

The conclusion describes an inefficient and unproductive colonial settlement, guided by an administrative concept that ignores economic efficiency. Above all, the colony was a military and administrative exercise, with Juglar (1853: 223) expressing the ironic view that “France is rich enough to pay for its glory”⁵.

⁵ It is worth noting Fitzgerald (1988) reached almost the same word for word conclusion but lacked the irony displayed by Juglar (1853).

His description of colonial Algeria is very similar to the “limited access order” described by North, Wallis and Weingast (2009). Indeed, his assessment of the colony in terms of rent seeking by a minority of “colons” exporters, fits this definition well. Hodgson (2017) emphasizes that in North’s thought “a key analytical problem was to explain the transition from ‘limited access’ to ‘open access’ orders”. It is clear that for Juglar (1853) liberalism is a way to reach it. In this debate, Juglar would have defended the view that market forces are a way to overpass faulty colonial institutions. Ultimately, to complete the analysis of the correspondences between neo-institutionalist thought and Juglar, it is beneficial to question the idea of North (1990) that institutional change is often path dependent. In this view, as formulated by Hodgson (2017), “institutions could remain stuck in relatively inefficient developmental paths”. In North’s (1994) terms, “most societies throughout history got ‘stuck’ in an institutional matrix that did not evolve”. Juglar provided this analysis just 20 years after the beginning of the colonization in Algeria and three core reasons why Algeria would remain stuck in a colonial matrix that could not evolve.

5. Conclusion

This article rehabilitates Juglar's thought on colonialism and identifies him as an early pioneer of the analysis of colonial institutions. This is required as currently there is an underestimation of the Juglar's contributions to the colonial debate. His identification of the importance of property rights pre-dates the current neo-institutionalist interpretation, and for this reason, he can be considered a precursor of the neo-institutionalist conception of the colonial question. Colonization in his view, was essentially a form of military occupation, where imports are proportionate to the number of soldiers, and the economy is characterized by protectionist policies and an absence of a domestic market. Juglar reaches this conclusion based on an absence of clearly defined property rights and defective institutions. For this reason, he can rightly be regarded as one of the founding fathers of the property rights analysis and therefore, one of the unacknowledged ancestors of Coase, North and the neo-institutionalist tradition of colonial studies.

In light of our analysis, conventional wisdom on colonial Algeria as protectionism and mercantilism seems also largely indebted to Juglar's "premonitory" analysis. All the rhetorical arguments of liberal economic thought are found in Juglar's work and applied to colonialism: disutility, detrimental side-effects, and endangerment. The noteworthy traveller records in his journals one of the very first liberal economic criticism of colonialism. Moreover, he delivers an explanation for the Lucas paradox, one and a half centuries prior to its formulation. The most striking element of his economic analysis regarding the failure of colonialism is that his "chronicle of approaching death" of colonialism is based on seemingly timeless arguments that make Juglar one of the precursors of the economic analysis of colonial institutions.

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