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Credit Access and Social Welfare: The Rise of Consumer Lending in the United States and France*

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Abstract

Research into the causes of the 2008 financial crisis has drawn attention to a link between growing income inequality in the United States and high household indebtedness. Most accounts trace the U.S. idea of credit-as-welfare to the period of wage stagnation and welfare retrenchment that began in the early 1970s. Using France as a comparison case, I argue that the link between credit and welfare was not unique to the United States. Indeed, U.S. charitable lending institutions that emerged at the beginning of the twentieth century were modeled in part on older French financial institutions. Three historical factors drove U.S. lenders and policymakers to push for expanded credit access for the working class. First, welfare reformers in the interwar period embraced private credit as an alternative to an expansive welfare state. Second, U.S. organized labor in the wake of World War II embraced credit access as a means to sustain industrial employment and finance strike actions. Third, commercial banks in the 1950s began offering revolving credit accounts as a means to attract new depositors at a time when banking regulation restricted the interest they could offer on deposits.

Keywords

credit, household finance, welfare state, France, United States

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Introduction

Research into the causes of the 2008 financial crisis has drawn attention to a link between growing income inequality in the United States and high household indebtedness. On these accounts, U.S. workers in the 1990s and 2000s relied on credit to fill the gap between rising costs and stagnant wages. Most scholars have traced the roots of this welfare-credit link to a combination of wage stagnation and welfare retrenchment that began in the early 1970s, when pro-credit policies became common.[1] These policies included universal credit rating, securitization of home mortgages, federal preemption of state usury laws, and the Community Redevelopment Act. Politicians on the left and right embraced the idea of credit as a response to middle-class demands for greater economic security. The stopgap strategy was abetted by a dramatic rise in home prices, combined with novel mortgage products that allowed households to tap their new housing wealth.[2] Even before the fall in housing values during the 2008 crisis, however, lower income families were being hurt by debt. Poorer borrowers, who typically face higher interest rates on loans, experienced rising debt and payment levels that lowered their purchasing power and limited possibilities for class mobility.[3] The result of these policies was to conceal the social consequences of growing inequality by artificially amplifying consumption at the low end of the wage scale. Historian Louis Hyman concludes, "Americans indebted themselves to maintain the life they had once been able to afford."[4]

To see what is familiar and what is unique about the American approach to credit as a tool to promote welfare, I compare the U.S. consumer credit experience with that in postwar France. France has consistently had low levels of consumer credit use. (See Figure 1.) In 2010, French households still held less debt, measured as a share of their disposable income, than did American households in 1950. In the United States, households from the late 1950s to the early 1990s regularly carried consumer debt that ranged between 15 percent and 20 percent of GDP. By the 2000s, as homeowners began to extract equity from their houses in order to finance consumption, that share rose to nearly 30 percent of disposable income. This high level of consumer credit use directly fed into the 2008 financial crisis. Consumption-driven equity extraction made homeowners—a quarter of whom had home equity loans in 2007—especially vulnerable to a drop in housing prices.[5] The reduced availability of home equity and consumer credit in the wake of the financial crisis also removed a major driver of domestic consumption, further depressing demand. In France, by contrast, low levels of consumer credit use and high levels of home equity helped to insulate households from the effects of the financial crisis. As in the United States, financial liberalization in the early 1980s drove a boom in credit use in France, but that boom induced a public and regulatory backlash that ultimately limited credit extension at a comparatively low level.

This record of vibrant consumer lending in the United States and restrictive credit access in France echoes familiar national attitudes toward markets and credit in the two countries, and it is tempting to attribute the differences we observe to persistent cultural norms about credit. Observers have frequently evoked the role of Catholic doctrine toward usury in explaining lending levels in Catholic-dominated countries like France and Italy.[6] The Catholic press in France regularly decried the high rates charged on

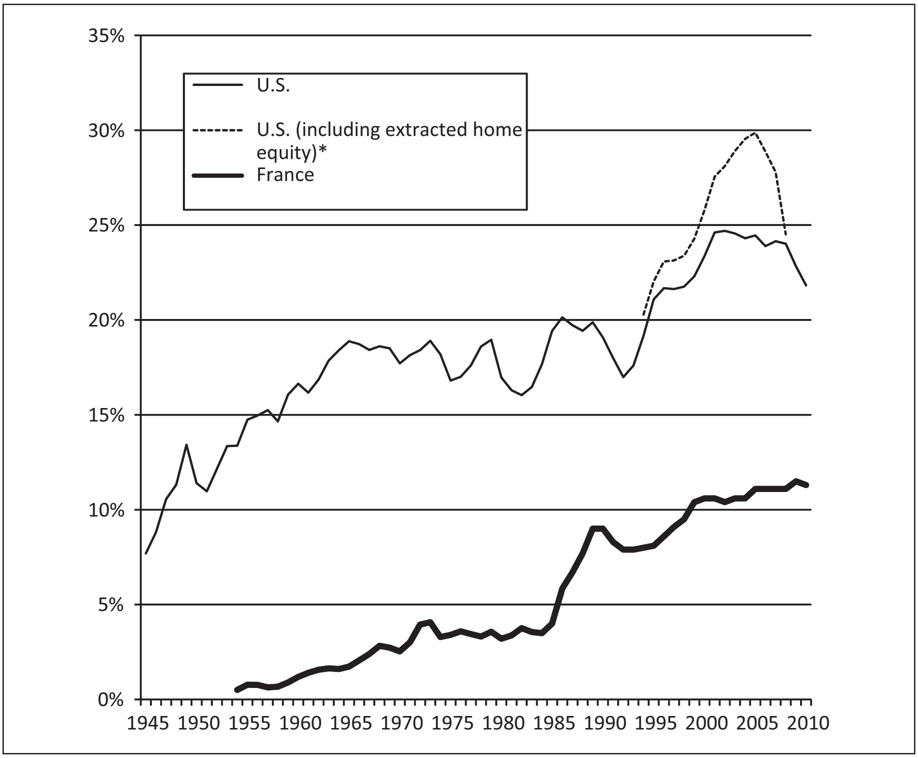

Figure 1. Consumer Debt in France and Germany (share of disposable income)
Sources: U.S. Federal Reserve Bank, Flow of Funds Accounts; Observatoire de l'endettement des ménages, Federation bancaire française; Conseil national de crédit.
* Includes extracted home equity used for consumption, home repair, and paying down non-mortgage debt. See: Alan Greenspan and James Kennedy, "Sources and Uses of Equity Extracted from Homes," Finance and Economics Discussion Series 2007-20, Federal Reserve Board, Washington, D.C.; Alan Greenspan and James Kennedy, "Sources and Uses of Equity Extracted from Homes," *Oxford Review of Economic Policy* 24, no. 1 (2008), 120-144.

consumer loans.[7] However, American puritan thinkers had similar concerns about lending on interest, and if anything took a more moralistic stance toward credit than did their French counterparts. For most of the nineteenth and twentieth centuries, U.S. lenders faced strict limits—typically set at 6-8 percent per year, depending on the state—on the rates they could charge on consumer loans. In France, proposals to regulate interest rates on small loans were frequently considered, but a legal usury cap was imposed only in 1966, and the rates were set in a flexible way that accommodated the relatively high costs of making small loans. As I show below, the idea that credit might serve a welfare function emerged first in France, based on the Medieval Catholic institution of charitable pawn, and was only later borrowed by Americans.

The main driver of reduced credit use in France was a set of restrictions on the terms and volume of loans that could be offered. Beginning in 1954, France set a minimum down payment and maximum repayment period for sales installment loans. From roughly 1962 to 1984, France's National Consumer Council also set limits on growth in the volume of credit offered by individual consumer lenders. But France's credit regulations were inspired in part by similar restrictions employed in the United States. The United States experimented with limits on down payment and repayment terms for sales credit as a tool for restricting household credit use during World War II and the Korean War. These policies, administered by the Federal Reserve under Regulation W, were abandoned in 1952 under sustained pressure from Congress. The resulting liberal lending environment contributed to the high volume of consumer lending by U.S. financial institutions. How do we explain these different regulatory responses?

I argue that French and U.S. patterns of consumer credit use should be understood as the consequences of interwar and early postwar accommodations over welfare policy goals in the two countries. In both cases, access to credit was closely tied to concerns about public welfare, yet how they understood that connection was nearly opposite. In France, credit came to be seen as a threat to postwar growth. From the 1950s to the early 1980s, administrative restrictions on credit price and volume reflected a concern that consumer credit would hurt workers and undermine domestic industrial policy. In the United States, attitudes toward credit were shaped by organized labor, which saw credit as socially beneficial, and by commercial banks that were willing to make small loans. Through a process of institutional persistence and policy feedback, early ideas about credit and welfare shaped later national institutions governing the provision and use of consumer credit.

I begin by considering alternative theories for the difference in U.S. and French consumer credit use, and argue that the main cause can be traced to different conceptions of the link between credit and welfare that emerged in the interwar and early postwar periods in the two countries. In the following section, I discuss the embrace of credit as a form of welfare policy in the two countries, and the different paths they followed. I then show that the leaders of organized labor in France and the United States came to nearly opposite conclusions about the impact of consumer credit on worker welfare. Finally, I focus on the experience of banks in the early postwar period, and argue that the different logics of bank competition in the two countries drove U.S. banks to embrace consumer lending and their French counterparts to shun it.

Theories of Consumer Credit

Although most critical attention has focused on the recent growth in U.S. household indebtedness, the U.S. pattern of heavy credit use had by the 1990s become relatively common in Europe. European nations in the wake of financial deregulation experienced a boom in consumer borrowing that had by the 1990s brought them near, and in some cases above, U.S. levels. What remains distinctive about the United States is the high level of debt that U.S. households took on in the earlier postwar period. Indeed, the United States was unique among the advanced economies in relying so heavily on consumer credit at that time. Both Britain and Germany, which would later

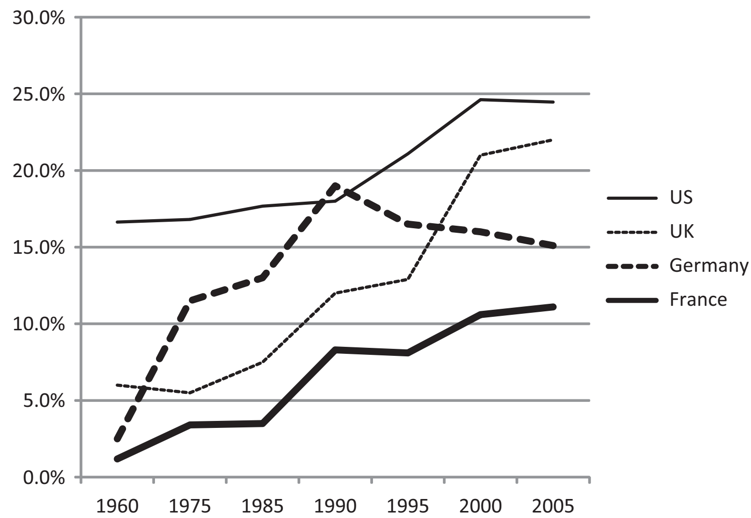

Figure 2. Consumer Debt in France, Germany, U.K. and U.S. (share of disposable income)
Sources: Compiled by author from national statistical sources.

enjoy relatively high levels of consumer credit use, were initially highly restrictive in consumer credit provision. (See Figure 2.) Thus any account of the U.S.-French difference must address two questions: why early postwar borrowing was so high in the United States, and why post-deregulation borrowing was so low in France.

France offers a useful comparison in part because French lenders were unusually sophisticated. France's Cetelem (subsequently BNP Paribas Personal Finance), on whose records I draw for this article, was an early adopter of U.S. consumer lending technologies. It aggressively pursued cost reductions by trimming staff, automating approvals and billing, introducing computers, and moving to point-of-sales credit approvals.[8] Investments in automation made them efficient. In 1961, Cetelem carried 700 loans per employee; nearly double the estimated 350-400 loans per employee at U.S. lenders.[9] By the 1990s, as consumer credit use boomed outside of France, Cetelem was able to use its technology and experience to grow into the largest consumer lender in Europe. The Cetelem story suggests that the French credit gap cannot be attributed merely to technological or financial backwardness.

Four kinds of theories have commonly been deployed to explain national patterns of consumer credit use. The first emphasizes the role of financial deregulation in promoting credit access. These accounts have focused the role of U.S. bank liberalization that began in the mid-1970s in freeing lenders to emphasize consumer loans.[10] There is much merit to this claim, and the growth in consumer credit that we observe in the 1990s and 2000s is largely a result of this regulatory loosening. In particular, the U.S. Supreme Court's *Marquette v. First of Omaha* (1978) decision preempted state usury laws, allowing lenders to price in the cost of loans to riskier borrowers.[11] In the wake of this decision, personal credit in the form of payday loans and tax refund anticipation loans (RALs) reached as high as one thousand percent annually. Yet financial deregulation explains neither part of the French-U.S. puzzle. American consumers were borrowing heavily during the early postwar period, when the U.S. financial sector *was* heavily regulated and state usury caps were onerously low. Moreover, France underwent an even more significant financial deregulation in the 1980s than did the United States, yet consumer credit markets did not expand to the same extent. Financial deregulation may help to explain the general growth in consumer credit use beginning in the 1980s, but not the persistent U.S.-France difference.

A second class of explanations focuses on the market failures that are specific to unsecured consumer credit. In particular, lenders that are unable to evaluate the creditworthiness of potential borrowers are thought to ration credit to riskier borrowers.[12] The main obstacle to better risk assessment is one of coordination. In order to evaluate risk, creditors must share information, but pooling sensitive customer data poses coordination problems.[13] In a series of cross-national studies of consumer borrowing, economists Tullio Jappelli and Marco Pagano find a positive correlation between centralized credit rating and credit extension.[14] The U.S.-French comparison appears to confirm this insight. French lenders have not historically shared data on borrowers, and the creation of such a database in 1989 recorded only negative credit data (90-day overdue payment and nonpayment events) rather than the kind of positive data (income, assets, and outstanding loans) that U.S. lenders typically relied on to evaluate borrower risk.[15] The problem with an explanation that focuses on information sharing is that French lenders never sought such a centralized credit database, nor do they appear to have needed it. Cetelem, for example, relied on a network of affiliated retailers to assess borrower creditworthiness, and their repayment rates were exceedingly high. In the United States, standardized credit rating began only in 1970, with the commercialization of Fair Isaac (FICO) credit scores, but this innovation had no immediate effect on the price, level, or repayment rates for household credit.[16] One of the lessons from early postwar lenders is that the risks of nonpayment were in fact relatively low. From the 1950s through the early 1980s, U.S. and French lenders both enjoyed nonpayment rates below 1 percent of outstanding balances. Although France's approach to pooling risk data probably helps to explain low levels of credit use in the 1990s and 2000s, it sheds little light on the U.S./France divergences in the early postwar period.

A third class of explanations focuses on the role of national culture in determining patterns of credit use. In such accounts, a combination of French aversion to debt and U.S. materialism lies at the root of their different trajectories of household credit use.[17] Yet this insight also fits poorly with the historical record. First, as mentioned above, it was U.S. politicians who tended to moralize about credit use. Since at least the nineteenth century state regulators had imposed strict usury caps on consumer loans in the United States. French regulators introduced such caps only in 1966. Second, the very availability of consumer credit helped to create the context in which U.S. households were able to acquire the kinds of material goods that gave them a reputation for being

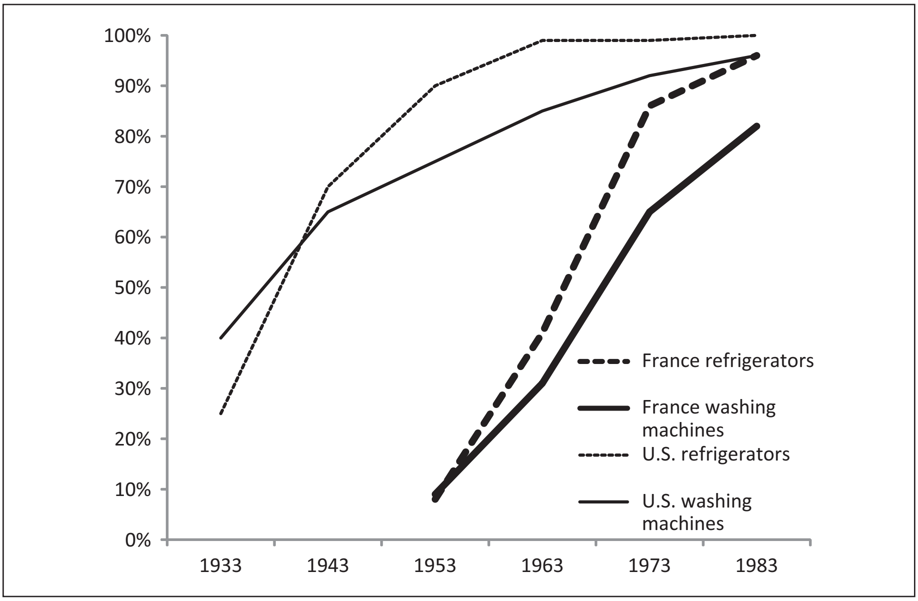

Figure 3. Share of Households with Refrigerators and Televisions, 1933-1983
Sources: Hubert Balaguy, *Le Credit a la consommation en France* (Paris: Presses Universitaires de France, 1996), 31; "Le crédit a la consommation,"*Conseil économique et social* (11 February 1983), 25; "Fifty Years of Statisitics and History," *Merchandizing Week* (27 February 1972).

materialistic. In 1953, 90 percent of U.S. households had refrigerators and 70 percent had washing machines. It took France another 25 years to reach similar penetration levels for household equipment. (See Figure 3.) Part of this delay can be attributed to France's economic lag, but that accounts for only a small share of the difference. Greater access to credit would almost certainly have given more French households greater access to the latest in home durables. In addition, no direct evidence exists that suggests that French and American households viewed consumer credit in systematically different ways. Household surveys conducted in France and the United States show similar blends of optimism and concern about the benefits and risks of buying on credit.[18]

The most compelling set of theories emphasizes the role that credit came to play in the United States as a stopgap between rising household expenses and stagnant real wages.[19] In this view, politicians on the left and right came together around the idea of credit as a means to promote economic prosperity without having to fight for higher wages or accept a more redistributive welfare state. For the left, the idea came to be associated with third-way politics that embraced market liberalization. For the right, the idea came to be associated with the ownership society that emphasized the virtue of personal responsibility. Specific efforts to promote credit included financial deregulation and legal projects to promote universal credit access. The claim is that the very idea of credit-as-welfare helped to create the context in the United States in which households were able to take on high levels of debt. In France, by contrast, the left continued to fight for wage and welfare increases, and neither left nor right saw household credit access as promoting welfare.

Although I agree with these accounts that the link between credit and welfare has been important to the emergence of consumer credit in the United Sates, the wage-spending-gap theory that most observers embrace fits poorly with historical patterns of credit use in the United States. In particular, U.S. households had gone on a borrowing binge long before the period of wage stagnation and welfare retrenchment in the early 1970s. In fact, U.S. households were using credit even as their wages were rapidly rising. I argue that the link that came to be made in the United States between credit access and social welfare was not a product of wage stagnation and welfare exhaustion in the 1970s, but instead traces its roots to the early years of the twentieth century in the United States.

Both during the interwar period and immediately following World War II, U.S. welfare advocates, employers, and labor unions came together in support of credit access as a distinctly American form of social policy. During the interwar period, welfare activists pushed for greater credit access for workers who faced short-term shocks to income or expenses. In the postwar period, organized labor advocated for worker access to credit, not least because they relied on consumer credit to carry their members through strike actions in which they fought for long-term work contracts and other benefits. For their part, employers believed that broad access to credit would provide a bulwark against communism by providing workers with material goods and by binding them to a repayment schedule that required a regular salary. What proved critical for the forging of the credit-welfare link in the United States was the willingness of retailers and banks to make small consumer loans. Whereas consumer lending had by the end of the century become highly profitable, small loans in the early postwar period were not. It was an unintended consequence of interwar banking regulations—including restrictions on branch banking and on the interest paid on deposits—that encouraged banks to offer consumer credit as a means to attract new customers.

For the French, consumer credit was seen in exactly the opposite light. Policymakers on the labor left and Catholic right both interpreted growing household indebtedness as a threat to social solidarity. For labor, consumer borrowing posed two problems. First, it crowded out industrial investments. Second, interest paid on loans cut into workers' hard-fought increases in wages. For the Catholic right, consumer credit was both immoral and threatening to the integrity of the French family. The Catholic right worried that households would become permanently indebted, and that this would result in their becoming marginalized in society. Perceptions about the social impact of consumer credit also reflected broader societal approaches to citizenship and welfare. France's more expansive social safety net provided better options for the sick and unemployed than did the use of consumer credit. The French approach toward universal citizenship also limited the extent to which credit access became a concern about social and economic inclusion. For the United States, by contrast, social supports were less well established, and consumer credit seemed to offer an attractive alternative to state-funded welfare. With credit, workers could insure themselves against shocks to their income from unemployment or sickness, while also investing in new skills or companies that could make them rich. To understand national approaches to consumer credit, we need to look back to the early postwar period when distinctive national cultures of credit emerged.

The Roots of Credit as Charity

At the start of the twentieth century, French and American attitudes toward consumer credit markets were similarly negative. In both countries, consumer lending operated largely at the margin of legality. Employers in both countries complained of salary lenders, who made high-interest loans secured against future income, then approached employers directly to have salaries attached.[20] Worker advocates in both countries lamented the high interest rates these lenders charged, and the common practice of firing workers from whom lenders attempted to collect. Early sales credit in the two countries was similarly looked down upon. In the United States, so-called Borax houses targeted working-class families with cheap products sold on credit.[21] Company stores that offered goods on credit were well known for the low quality of the goods they sold. In France, door-to-door fabric salesmen who offered housewives credit were the source of frequent scandal. The French even looked down upon the highly successful furniture store Dufayel's for selling distasteful designs on credit to its working-class customers. (At its peak, in 1900, Dufayel had credit records on 3.5 million French families on file.) Americans tended to be at least equally, if not more, sanctimonious about the social impact of credit. James Cash Penney, founder of the JC Penney retail chain, refused to sell on credit until the late 1950s, when every other retailer already had well-established credit plans. Henry Ford also famously resisted selling his cars on credit. Their critiques drew on a deep puritan tradition, to which Benjamin Franklin's *Poor Richard's Almanack* was an early contributor, which warned against the moral and social consequences of credit.

Despite popular opprobrium, welfare advocates in both countries nonetheless recognized that workers and the poor frequently needed access to credit in order to carry them through economic downturns. The private market for credit was extraordinarily expensive, subjected the borrower to potential harassment, and was often accompanied by abusive collection techniques. Small loans provided at a reasonable price could help to serve the welfare needs of the poor while also pushing loan sharks out of the market. The institution that embodied this idea was the charitable pawnshop, called in France the *mont-de-piété*. The first *mont-de-piété* was opened in 1637 by Théophraste Renaudot, a Franciscan monk and physician to Louis XIII, then closed seven years later out of concern over its impact on the economic morality of the people.[22] The institution was reopened in 1777 by Jacques Necker, Louis XVI's liberal finance minister, and remained a pillar of support to France's poor into the late twentieth century. Although the business model changed somewhat over time, *monts-de-piété* in general made small loans on collateral at reasonable interest rates. They also raised capital through interest earnings, auctions of unclaimed pawn, and, when necessary, they borrowed from banks. Until World War I, France's *monts-de-piété* operated as charitable organizations that were independent from the government. In the French tradition, dating back to Renaudot, excess profits from lending went to support public hospitals that served the poor.

France's *monts-de-piété* were subject to frequent social critique, but those criticisms had little to do with the interest they charged or the fact that they offered loans.[23] Rather, observers worried that they did not adequately meet the welfare needs of the poor. Because they required a deposit, the poorest segment of the population was excluded. Even for those with property to pawn, the need to provide property meant that borrowers frequently went without household necessities such as furniture or linens. Attentive to such criticisms, *monts-de-piété* frequently allowed their customers to borrow back winter coats deposited as pawn on particularly cold days. Some reportedly allowed customers who had deposited sewing machines to use the machines on the premises. Moreover, because they raised funds in part by borrowing from banks, the *monts-de-piété* tended to have the least funds to loan at precisely those times of economic crisis when the greatest need arose. A survey of the lending patterns of the *mont-de-piété* in Rouen, for example, found that the bulk of their loans were made during periods of relative prosperity.[24] Finally, the *monts-de-piété* were themselves frequently portrayed as unfriendly to the poor. They offered less credit than the real value of the pawned object, and did not return any excess profit on forfeit pawn, meaning the borrowers stood to lose a lot if they did not repay.[25]

Operationally, the core challenge that faced the *monts-de-piété*—one that also plagued early American social lenders—was the problem of raising adequate capital. As small loans were made accessible on favorable terms, demand surged, leaving social lenders like the *monts-de-piété* perennially short of funds. Restricted by their legal status from issuing debt, *monts-de-piété* that could not raise sufficient capital through interest receipts or auctions of unclaimed pawn were forced to borrow from banks at high rates. One solution was to link charitable pawn to the public savings banks (or *caisses d'épargne*), which were appearing in the early 1800s. These new institutions took deposits from the general public and used the funds to make small business loans. In the 1830s, Metz, Nancy, and Avignon experimented with joining their *caisses d'epargne* to the *monts-de-piété*, which allowed them to share both staff and capital. By 1834, Nancy reported that this arrangement allowed them to reduce the interest charge on charitable pawn from 12 percent to 9 percent per year.[26] Even so, each new financial crisis created a credit crunch for the *monts-de-piété*. In the 1870s, in the wake of the Franco-Prussian war, the *monts-de-piété* that survived the war were borrowing from commercial banks at 4-5 percent and lending at 9 percent, leaving insufficient interest income to cover the costs of operations. A British government survey of charitable lending in France at the time found that the Paris branches had to subsidize their lending out of the general hospital fund, to which they were supposed to be contributing.[27]

The recurring problem of funding came to a head during World War I, when, faced with German occupation, the French government banned its *monts-de-piété* from auctioning unclaimed pawn. Without revenue from interest or pawn sales, operations shut down virtually overnight. With the end of the war, the French government—which seems to have felt responsible for the their downfall—stepped in for the first time to address the funding problems of the *monts-de-piété*. The state directly lent funds to the *monts-de-piété*, and it also allowed them for the first time to issue their own debt. Since small consumer loans were still viewed as financially suspicious, the *monts-de-piété* were allowed to change their name to municipal credit unions (*crédits municipals*) in order to make their bonds attractive to private investors. However, what they gained in funding they lost in independence. At the end of World War II, the French state mandated that the *crédits municipal* also provide low-cost loans to welfare recipients, and, beginning in 1956, salary loans to public employees.[28] The fate of charitable lending in France suggests not that the French were opposed to the idea of credit as a form of welfare, but that the idea was so well accepted that the lending function came to be absorbed into the formal welfare state.

For the United States, charitable lending came much later, and was directly inspired by the French experience. In the wake of the 1906-07 financial crisis, U.S. welfare advocates increasingly came to see the possibility of inexpensive small loans as a means to help the poor carry themselves through periods of financial distress. Embraced as a part of the emerging scientific philanthropy movement (which also advocated the idea of "friendly visiting" by social workers), credit was seen as a form of self-help that avoided the dependency trap inherent in charity. William Edwin Theiss, an early proponent of scientific philanthropy, explained the problem with aid for the poor: "Relief, given in love, begets a degenerate craving for more."[29] Credit, offered at reasonable prices, could give workers a means to help themselves out of financial distress. Scientific philanthropy inaugurated an era of ethical, "business-like" consumer credit. The first major charitable lender in the United States, formed in the wake of the 1893 financial crisis by welfare reformers in New York, was the Provident Loan Society.

Provident was modeled directly on France's *monts-de-piété*, but with some modifications intended to address the problems faced by its French counterpart. The terms of lending were consumer-friendly. Interest rates were low (as low as 0.5 percent per month), repayment could be made in installments, pawn was held for at least six months after nonpayment, and any excess value from the auctioning of unclaimed pawn was returned to the borrower. It also had access to private capital. Provident issued its own bonds in order to raise capital, and the return on those bonds was capped at 6 percent annually. Although bonds could be purchased by anyone, New York's large financial interests, including many of its emerging charitable associations, held most. Provident proved highly successful, and by the early 1900s it was being emulated across the country. In 1909, the growing collection of charitable lenders founded the National Remedial Loan Society to promote the idea of credit as a basis for welfare. By 1915 forty charitable loan societies operated in most of the major U.S. cities.[30]

One of the groups that emerged to support the idea of charitable lending was the new Remedial Loan Center of the Russell Sage Foundation, founded in 1910. The center was formed to promote the institution of charitable pawn. One of its first activities was to purchase a large number of bonds in Provident Financial. But its researchers quickly came to believe that Provident and its kindred lenders would not be able to meet the seemingly insatiable demand for credit among U.S. workers. They concluded that the only means to provide consumers with sufficient access to credit was to harness the power of private lenders. To this end, they lobbied state by state to enact small loan laws that would allow charitable lenders to make loans up to 42 percent per year—the amount that Russell Sage concluded was necessary for profitable small lending. They also supported a range of private lenders, including the Household Finance Corporation (acquired by HSBC), which discovered that they could profitably make small loans below the proposed 42 percent threshold, and became strong advocates of the Russell Sage reforms.

Through a set of state-level struggles to pass the new small loan laws, policymakers and the general public gradually came to see private credit as a legitimate tool for social justice. New private banks emerged that focused on providing small loans. These included the Morris Plan banks, launched in 1909, which grew to 142 branches by 1930.[31] The Morris Plan banks were dedicated lending banks that, like Provident Financial, financed themselves by issuing debt rather than taking deposits. Emboldened by the success of the Morris Plan—and the growing perception that small lending filled a genuine social need—the first deposit-taking banks began opening personal lending offices in the mid-1920s. Most prominent of these was National City Bank of New York, which on its launch in 1927 quickly became the largest and most successful commercial bank to offer small loans.[32] Both the Morris Plan banks and National City Bank promoted their small loans as a private-sector response to the welfare challenges faced by the working class. Arthur Morris, founder of the Morris Plan banks, wrote in 1915: "It is unfair that anyone who has an economic need of money, and can furnish safe security therefore, should be made to feel that he is an object of charity."[33] Backed by powerful industrialists, and imbued with a spirit that fused pragmatism and social justice, these new lending institutions launched a revolution in small lending that ultimately opened the way for a vast array of commercial banks to enter the field.

What was critical about the French experiments with social credit, and what distinguished them from their U.S. counterparts, was the direct link to the state. Unlike the United States, where social credit was conceived as a private-sector alternative to government-financed social policy, the French versions were both funded and managed by the state. This had implications that extended into the postwar period. State participation reinforced the idea that credit was potentially exploitative, and could only be wielded responsibly by the state. The continued reputational cost of making small loans raised the barrier to commercial bank participation in personal lending. Partly because of the continued taint associated with small lending by private actors, it was not until financial liberalization in the 1980s that French commercial banks fully embraced personal lending. By then, France's national electronic payment system, the *Carte bleue*, was already established as a card-based payment that was specifically not linked to credit.

Credit, Workers, and the Postwar Consensus

With the end of World War II, the role of consumer credit in economic recovery came under scrutiny in the United States and France. The main focus of contention in both countries was on regulations that limited the duration and minimum down payment for sales credit. In 1950, to hold down inflation in the context of government spending to finance the Korean War, the United States imposed sales credit restrictions (applied under Regulation W of the Federal Reserve Act).[34] France adopted similar restrictions in 1954.[35] In both cases, down payments were set at 20 percent and repayment periods were limited to eighteen months for typical household goods sold on credit, although the central banks of each country were given discretion to adjust these two values as macroeconomic conditions evolved. Public responses to the two policies led to different outcomes. In the United States, popular opposition led first to a legislative initiative in 1951 that limited Fed discretion to set lending terms, and ultimately in the retraction of Regulation W just a year later. In France, restrictions on consumer lending remained in place, and were supplemented beginning in 1962 with a set of quantitative restrictions on the volume of credit each lending institution could offer. As I argue below, the liberal treatment of consumer credit in the United States was a necessary but insufficient driver of high levels of household credit. In France, by contrast, administrative restrictions on credit terms and volumes directly impeded growth in credit use. I argue that one of the main reasons for these different outcomes had to do with the preferences of organized labor.

The labor left in the United States already expressed support for consumer credit in the interwar period. In 1933, the American Federation of Labor came out in favor of the Russell Sage Foundation's small loan legislation, arguing, "Credit to persons of small incomes may be essential to tide over emergencies and to prevent the loss of a lifetime's savings."[36] In the early postwar period, labor's support intensified for three related reasons. First, after years of wartime restraint, workers aspired to acquire the kinds of new household goods that manufacturers had been promising. Credit could get them access to these goods quickly. When the French banking executive Boris Mera visited the United States in 1952, he was surprised to find that the largest U.S. workers' organizations supported consumer credit providers "because they give workers access to products" they could not otherwise purchase.[37] Second, labor also worried about the impact of credit restraint on jobs. Nearly half of all sales of cars and home furnishings at the time were made on credit, meaning that any restriction in credit access threatened to depress demand and lead to layoffs. Finally, labor leaders saw credit as a means for workers to carry themselves through difficult financial periods. J. Albert Woll, a labor lawyer who later worked for the AFL-CIO, wrote in 1954: "So long as responsible sources of consumer credit are available at reasonable cost commensurate with the risk and expense of doing business, the family will rehabilitate itself with the perseverance and self-sacrifice typical of Americans."[38] But self-reliance was not the only reason for promoting credit access for workers. Credit also proved critical in sustaining workers, especially in the coal and steel mining sectors, through brutal early-postwar strike actions.

It is difficult to assess how important strike loans were to the success of labor mobilizations in the 1940s and 1950s. The best-documented cases involved the strikes led by the United Mine Workers against U.S. Steel and its coal subsidiaries in western Pennsylvania and eastern Ohio and Pennsylvania. *Wall Street Journal* writer Edward Lally described these strikes, and his reporting on the experiences of mine workers during periods of work stoppage included the household finances of mining families. His accounts reveal that although strikers had access to several sources of potential public relief, including local charities, poor relief, and food distributed by the Department of Agriculture, they relied first and foremost on credit.[39] Workers took out loans—either from banks or, more commonly, in the form of store credit from local retailers—to hold them over through protracted strike actions.

The bulk of credit to strikers was store credit. During the 1946 coal miner strikes in West Virginia and eastern Ohio, a store owner in Whelling, West Virginia reported to Lally: "That merchants do 'carry' the miners in times of strike is axiomatic in coal communities."[40] Another store posted a sign in the window saying: "Your credit is as good now as it has been in the past."[41] For mines in remote areas, the company store would extend credit to cover strikers during strikes. During a 1948 work stoppage at the Klondike field in Ronco, Pennsylvania, over pension provisions, the Union Supply Company offered workers $2-3 per family per day, and up to $5 per day for a large family. In case of a protracted strike, or set of strikes, the debt burden could become quite high. By late 1949, for example, coal strikers in western Pennsylvania carried as much as $800 to $1000 in credit from the company store. One independent merchant announced that he was offering miners up to $2000 in credit.[42] This was not an isolated case. A decade later, Lally reports that the Union Supply Co., the company store of U.S. Steel's Tennessee Iron, extended $672,000 to the 5,000 members of local 1013 during the thirty-six-day strike in Birmingham, Alabama, for an average of $4 per worker per day.[43] For miners on an average monthly salary of $350, debt incurred over protracted strikes could take time to pay down.When United Mine Workers tried to get workers back on strike in the fall of 1946, for example, many were still paying off debts from strikes the previous spring.[44]

Some attributed the willingness of local stores to extend strike credit to a fear of retribution.[45] "A hard-up miner denied credit when he has rough going would be likely to remember it when he was flush." But there is little evidence of this sort of reprisal. Observing the 1949 coal strikes, one observer notes that of the thirty-four families cut off from credit by the Union Supply Co., thirty returned to do business with them after their strike.[46] It is more likely that offering store credit during strikes, even protracted strikes, was simply good business. Local stores were accustomed to providing workers with credit, because work needs in the coal mines varied widely over the course of the year. For company stores, credit typically came in the form of scrip, a company-issued currency that allowed workers to make purchases in advance of their end-of-month paycheck.[47] Among independent retailers, miners were known to be good credit risks. Company stores enjoyed the added advantage of being able to extract repayment directly from the workers' paychecks.[48] The credit these stores offered made them popular with workers, even if they tended to charge higher prices and offer lower quality goods.[49]

Over time, the steel and mining unions became more organized in their support of strike credit. The first example of explicit union support for worker strike credit in the United States was in the Youngstown, Ohio, steel strike of 1882. As part of a union effort to extend the strike, for which employers thought worker support was waning, the Amalgamated Association union agreed to secure an additional nine months of store credit for its workers.[50] Unions also commonly negotiated with financial institutions for revised repayment terms for their members. In the steel strikes of 1959, steelworker locals in western Pennsylvania and eastern Illinois prearranged mortgage and debt moratoria with local banks and stores. This turned out to be important in mobilizing workers to strike, since the recession of 1958 had left them short of work, and many workers were still repaying loans incurred to cover this down period. When they were unable to negotiate moratoria, union locals would step in to support individual workers who were unable to keep up with their interest payments. "We'll pay," described one local union leader, "if a finance company's going to foreclose on a guy's house because he missed his last paycheck and can't pay."[51] Mostly, however, banks would simply agree to defer payments until the strike ended. During the protracted 1967 Anaconda copper mine strike in Butte, Montana, the local bank refused to foreclose on workers who held mortgages. The bank manager explained, "They'll make good once the strike ends."[52]

The position of French organized labor could hardly have been more different than in the United States. In 1953-54, the Banque de France's newly formed National Credit Council (CNC) held a series of hearings to consider if and how consumer credit should be regulated to promote economic growth. For French labor, which participated in the discussions, credit was seen as primarily detrimental to workers. Labor's position was captured by a presentation by the head of the railway workers' union (*Société Nationale des Chemins de fer français*-SNCF), M. Drevelle, to the CNC:

> We are not hostile to credit under certain conditions, but we believe we are in the first instance French; we are not those people from across the Atlantic, where one is practically born on credit, because, if I am not mistaken, in that country, they have births financed by credit. …I am worried about the high rates…that young families take on their shoulders when they set up house: buying a house is natural, and the furniture to furnish it, but at that point the man and woman are both obliged to work in order to make the monthly payments, and the family politics to which my organization is dedicated suggest that there is a problem from both a social and general interest perspective.[53]

The statement highlights the particular conundrum that credit posed for France's trade unionists. On the one hand, the short-term benefits of consumer credit could not be denied. It allowed workers to purchase household goods like refrigerators, washing machines, and automobiles. This became especially important with the rise of government-supported home loans that increasingly gave workers houses that they then needed to furnish. Growth in consumer credit also drove a rapid growth in demand for the products of industrialization, especially automobiles and household equipment. The high demand in turn created new employment opportunities.

Despite this apparently virtuous cycle, the left, and especially the labor left, was wary of consumer credit. Their main objection was that interest charged on the loans siphoned income away from spending, thereby lowering workers' purchasing power. In France, Max Léon, writing in 1956 in *L'Humanité*, described consumer credit as "a system that generates comfortable profits for large firms and reduces the purchasing power of the customer."[54] His concern was that the interest paid on purchases increased the price that workers would pay for products. For labor organizers, it was galling to see hard-fought wage gains lost to high-interest payments on consumer loans. The communist *Confederation generale de travail* (CGT) warned that consumer credit was primarily "a means to slow the growth in direct revenue from work."[55] The union of rail workers, for example, opposed offering credit in the SNCF commissary on the grounds that credit would "create fairly important reductions in the finances of workers."[56]

Credit also seemed to have a secondary effect on workers, which increasingly concerned union leadership. Over the course of the 1950s, observers on both the right and the left noted that consumer credit seemed to deradicalize rank-and-file labor union members. By giving quick access to desirable consumer goods, credit undermined trade union arguments that workers were not benefitting sufficiently from the postwar prosperity. Already in the late nineteenth century, credit from furniture magnate Dufayel was observed to keep the working classes "at home with family and furniture," and out of the radical café politics of the time.[57] Having gained the material benefits of industrialization, in the form of houses, cars, and televisions, workers would appear not to have much to protest *against*. The calming effect of material acquisition by the working classes was seen to promote social and political stability. Gabriel Veraldi writes in *La vie française* in 1958: "The stability of the state requires, to a growing degree, the participation of workers in the benefits of progress. Consumer credit plays a social, economic, and political role of first order."[58]

For the French labor left, consumer credit was a form of "social appeasement" that would lead to a decline in trade union activism.[59] This passivity had less to do with the benefits of material welfare than with the weight of obligations to pay monthly interest installments. Bearing up under an accumulation of debts—and the claim on future income that this implied—workers seemed to become more hesitant to risk losing their jobs, and thus less willing to strike. Most critical was the communist CGT, which from a high point in the immediate postwar years had by the mid-1950s lost much of its militant edge. Writing in 1956, one CGT representative to Parliament saw credit as the problem: "The worker who has many debts to pay and who does not want to lose valuable objects, becomes less demanding; what he most wants above all is not to lose his position."[60] Socialist Max Léon observed that indebted workers were not only less likely to strike, but also more likely to accept working overtime.[61] His concern was echoed by organized labor across much of Europe.[62]

The Role of Commercial Banks

If French labor was concerned about the effects of worker borrowing, French commercial banks were also not enthusiastic about lending to them. The reticence of commercial banks to make small loans left the consumer lending market to a relatively small set of consumer finance companies that focused on providing sales finance. Regulators initially viewed these companies—Creg, Sofinco, Cetelem, and others—with skepticism, and they operated at the margin of the financial system. U.S. commercial banks, by contrast, had by the early postwar period come to dominate small lending outside of retail sales (in which store credit programs still dominated). The first major U.S. bank to open a dedicated personal loan department was National City Bank of New York, in 1928. By the end of World War II, thousands of banks boasted personal lending departments that offered small loans on interest. Dedicated consumer finance companies, which had dominated small lending in the interwar period, were relegated largely to financing automobile sales. This difference in the role of banks in consumer lending in France and the United States proved decisive for the trajectory of consumer credit markets in the two countries.

One impact was on regulation. As regulators in the early 1950s contemplated credit controls, U.S. commercial banks came out strongly in favor of liberalization; meanwhile their French counterparts showed little interest in the sector and raised no objections to restrictive policies. A second and potentially more important impact was on the broad public perception of consumer lending. The central role of U.S. banks in consumer lending profoundly shaped attitudes toward credit. In the United States, banks engaged in consumer lending tended to be trusted unit banks embedded in their local communities, and they brought deep legitimacy to consumer borrowing. If banks were willing to make consumer loans, then consumers could assume that they were useful. In France, consumer lenders worked hard to portray themselves as consumer-friendly, but they never gained the respect that bank lending would likely have conferred. Why then did U.S. banks make consumer loans while their French counterparts steered clear?

For commercial banks in both France and the United States, the central fact of early postwar consumer credit was that it was largely unprofitable. The problem had little to do with the riskiness of individual borrowers, as later theories of adverse selection would suggest. In fact, most early consumer credit was working-class credit, and the regular wages of workers made them reliable payers. Small lenders did take pains to reduce nonpayment rates. Early Morris Plan banks in the United States required each borrower to be accompanied by two co-signers. French postwar retail lenders employed either door-to-door collections or relied on the judgment of retailers who were familiar with their customers. Whatever the approach to assessing risk, default rates remained almost uniformly low. The high cost of consumer credit derived mainly from the small size of each loan. For any lending transaction, the basic administrative cost—including loan application, credit check, bill mailings and reminders, and the associated bookkeeping—were essentially invariant. This meant that small loans were, in proportion to the loan itself, relatively costly to administer. A study by France's national credit council in 1961 estimated that while the cost of an average commercial loan came 75 percent from interest and 25 percent from administration, the cost of an average consumer loan came 45 percent from interest and 55 percent from administration.[63] To earn a profit on small loans, banks had to charge high interest rates. In the 1910s, the U.S. Russell Sage Foundation estimated that U.S. lenders could not make loans on a business-like basis unless they were allowed to charge up to 42 percent annually (3.5 percent per month). By the 1960s, large lenders estimated that consumer loans below 18 percent could not be made profitably. The problem for banks was that they relied heavily on their reputations, and that loans at such high rates were generally considered to be ethically questionable. The high interest rates that would be needed to make consumer lending profitable would damage their reputations with their other clients. Nonbank lenders who focused exclusively on consumer borrowing did not have similar reputational concerns.

The willingness of U.S. banks to offer credit had two causes. First, they had learned the technology of making small consumer loans during the interwar period. In 1934, the Title I program created under the new Federal Housing Act provided federal insurance for consumer loans intended for home improvement. By removing uncertainty associated with repayment, and by setting a federally mandated interest rate on consumer loans (set at 10 percent), the Title I program induced many banks to experiment with consumer lending. What they learned was that consumers were reliable borrowers. One industry observer noted in 1937: "Banks realize today that even in the absence of a Government guarantee they can finance loans…with safety and at a good profit."[64] By 1950, many U.S. banks had developed the specialized skills—including standardized risk assessment, automated filing and billing, work specialization, and prompt collections—needed to make consumer loans efficiently. And, in part because of the work of nonprofit groups to promote credit as welfare-enhancing, banks were spared the reputational costs that otherwise might have kept them from moving into consumer loans.

Still, U.S. banks could not escape the basic economic reality that small loans were essentially unprofitable. A survey of consumer lenders in 1972 found that most banks that had launched credit cards in the 1950s and 1960s had lost money on them.[65] Banks nonetheless flooded the consumer market with credit. The reason has to do with the fragmentation of the postwar banking sector. In 1950, the United States had 14,000 banks. Most were unit banks that were restricted by state regulations from having branches. They were also bound by Regulation Q under the Federal Reserve Act, which banned interest on demand deposits (checking accounts) and capped interest on time deposits (savings accounts). What banks discovered in the 1950s and 1960s was that consumer credit, and especially the new revolving credit card accounts, was a powerful inducement to attract new depositors. Attracted by the prospect of a loan, borrowers would open savings accounts and provide a source of new capital for lending. The credit card business also attracted new commercial customers, because retailers who agreed to accept early credit cards also typically moved their banking operations to the same bank. More than the free toasters that banks occasionally offered as an inducement, credit was the lure that banks used to attract new depositors.

In France, the moral economy of consumer lending led banks to stay away. In fact, the French government periodically encouraged banks to enter the consumer lending field, in the hope that added competition would reduce consumer borrowing rates. In 1962, and again in 1972, banks dabbled with making personal loans, but quickly withdrew. The main problem was that banks were unable to make small loans efficiently. Since the 1950s, dedicated consumer finance companies in France had been investing in automations that allowed them to process small loans at a relatively low cost. Cetelem, for example, moved to fully computerize its lending records in 1962. It also pushed some of its financing and nonpayment costs onto retailers and manufacturers by retaining 10 percent of capital as a retailer guarantee and delaying payments to retailers by three months.[66] Commercial banks, by contrast, were accustomed to making loans on the basis of personal relations with clients. These personal relationships imposed higher administrative costs, with less reliable repayment. And, critically, French banks at the time were making strong returns on industrial lending in the context of indicative planning by the French government. The high cost and low return of small consumer loans eventually declined with computerization, telecommunications, and deregulation in the early 1980s. This move coincided with a decline in economic planning and the rise of capital markets as an alternative source of industrial finance. By the late 1980s, French banks were moving aggressively into the consumer lending segment.

The relatively late move by French banks into consumer lending had a lasting impact on both public policy and on public attitudes toward consumer credit. First, because banks did not participate in consumer lending, they were at best indifferent to government policies that restricted consumer credit access. In the United States, banks argued vehemently for the abolition of Regulation W. In France, similar qualitative and subsequent quantitative restrictions on consumer lending—under the so-called credit corset—went unopposed by commercial banks. Had banks been actively involved in consumer lending, it is likely that the regulatory treatment of the sector would have been different. Second, consumer lending never enjoyed the legitimacy that bank participation in the sector might have conferred. Without bank participation, regulators and consumers looked on consumer credit as a sort of shadow financial system.

The absence of banks in the consumer lending sector in France during the mid-1960s also changed the way French consumers learned to think about credit and payment. In 1965, dedicated consumer finance companies in France began offering credit cards that combined electronic payment with a revolving credit facility. Cetelem provided the first of these, called "*Credit en poche*"; Sofinco followed with the "*Carte d'argent*."[67] For banks, which were not engaged in consumer lending at the time, these cards threatened the traditional role of banks in managing the private payment system. They responded in 1967 when, with support from the French government, a coalition of major French banks created the alternative electronic payment network, *carte bleue*, to provide efficient payment that was not linked to a credit facility.[68] Heavily subsidized by France's main banks, *carte bleue* became by the early 1980s the universal card-based payment system in France. Only in 1986 did a nonbank lender, Cetelem, launch a successful payment card, the *carte aurore,* which was directly linked to a revolving credit account. Only from that moment did French consumers begin to associate electronic card payment with access to credit.

For U.S. banks, revolving credit predated electronic payments. Banks in the Northeast issued their first credit cards in the mid-1950s. Bank of America created the first interbank payment network in 1968. The early move by banks into lending meant that credit access and electronic card-based payment became inextricably connected. By 1972, 2,000 different banks offered credit cards affiliated with one of the two major credit networks, Interbank (Mastercard) and Bank Americard (Visa). New banks that wished to affiliate with the networks were required by the terms of membership to offer revolving credit accounts. Separate debit payment cards that drew directly from customer savings or checking accounts emerged in the United States only in the 1990s.[69]

Conclusion

The tendency of U.S. households to borrow heavily to finance consumption has its roots in three distinctive features of the U.S. political economy. A combination of state, associational, and private sector actors all played roles. First, the idea of credit as welfare was not initially embraced as a component of the state welfare system, as it was in France. To the contrary, credit came to be seen as a private-sector alternative to the welfare state, and advocates pushed hard for private lenders to be able to operate on a business-like basis. In France, where early charitable pawn became absorbed into the welfare system, the idea of welfare-enhancing private credit did not emerge. Second, labor came to have very different views of consumer credit. French unions saw credit as reducing worker purchasing power and contributing to the *embourgeoisement* of the working classes. Unions in the United States saw credit as giving workers access to material benefits, increasing employment and wages by driving demand and scale, and, instrumentally, as a means for workers to support themselves through strikes. Third, banks in the United States moved early to offer consumer credit, even if it was not usually a profitable area of business. Operating under legal restrictions against competing based on deposit rates (under Regulation Q), revolving credit accounts became a popular way to lure in new customers. In France, where banks were making profitable loans to finance large industrial projects, consumer lending was too time consuming and too unprofitable. Taken together, these three factors drove Americans to see credit as either benign or welfare enhancing. For France, these factors pushed toward an

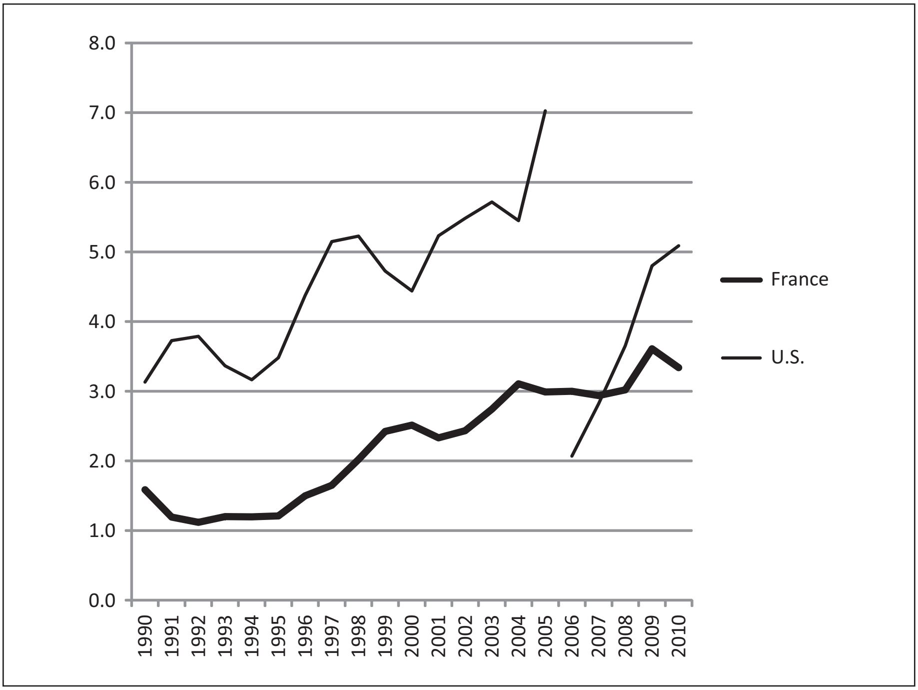

Figure 4. Consumer Bankruptcy Filings in France and America, 1990-2010 (per 1,000)
Sources: Administration of U.S. Courts; Banquet de France, Commission de surendettement; World Development Indicators. Note: Discontinuity in U.S. data at 2005 corresponds to the Bankruptcy Abuse Prevention and Consumer Protection Act, which raised barriers to filing for personal bankruptcy.

approach to consumer credit that was cautiously accepting, so long as the credit was accompanied by adequate regulatory protections.

These attitudes remained remarkably stable through the 1980s and 1990s. At that time, rising concerns about over-indebtedness of French households led policymakers to see credit as a potential social trap that threatened permanent social and economic exclusion. After a brief experiment with deregulation, new regulations were put in place starting in 1989 that placed limits on credit extension. These included limits on advertising, on usury, and a reform of the personal bankruptcy system that embraced a strict standard of contractual obligation. In the United States, "third-way" policies of the 1990s embraced liberal access to credit as a channel for social mobility. As housing markets boomed in the late 1990s, their bet seemed to be justified. First-time home-buyers, who tended to hold less equity in their houses, experienced dramatic profits due to high levels of leverage. With newfound wealth in their homes, they were able to roll over credit card debt into loans secured on home equity. As home values fell, consumer bankruptcies rose dramatically. (See Figure 4.) In France, where households had not borrowed against their homes, bankruptcy rates remained stable.

Apart from its direct economic effects, the bursting of the housing bubble in 2007 severely strained the American narrative linking market access to prosperity. Access to financial markets had not helped America's low-income and poor families; it had instead placed many in deep financial crisis. This reality posed a fundamental dilemma for U.S. liberals. On the one hand, they embraced social welfare goals. On the other hand, they believed deeply in free access to markets. For much of the past century, these two goals had seemed to be complementary, or at least compatible. The financial crisis that began in 2008 revealed a new reality, as it became hard to ignore that the higher interest rates charged to poorer borrowers were regressive in their consequence. So long as poor consumers continued to borrow, their interest payments worked to defeat the effects of social transfers intended to improve the material condition of the poor. What the earned income tax credit provided, high interest payments on consumer debt took away. If markets had changed in ways that made them a threat to the social goals of the left, could their commitments to equality in economic outcomes be made compatible with a sustained embrace of markets? In this way, the financial crisis of 2008 signaled the end of a deeply held ideal of American political economy: that greater market access was welfare enhancing.

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47. Price V. Fishback, "Did Coal Miners 'Owe their Souls to the Company Store'? Theory and Evidence from the early 1900s," *Journal of Economic History* 46, no. 4 (1986), 1018; Thomas G. Andrews, *Killing for Coal: America's Deadliest Labor War* (Cambridge: Harvard University Press, 2008), 220-221.
48. Fishback, *Soft Coal*, 136.
49. Lawrence R. Lynch, "The West Virginia Coal Strike," *Political Science Quarterly* 29, no. 4 (1914), 656.
50. *New York Times* (5 September 1882); *Wall Street Journal* (3 May 1912). Over a hundred years later, this sort of loan guarantee was still being used by the National Education Association to support teacher strike actions. From December 18, 1989 to February 28, 1990, the NEA's National Education Employees Assistance Fund (NEEAF) loaned $1.28 million to the TerreBonne Education Association Federal Credit Union as collateral on loans to striking members of the Louisiana Education Association. $27,236 ended up having to be written off. Myron Lieberman, Charlene K. Haar, and Leo Troy, *The NEA and the AFT: Teacher Unions in Power and Politics* (Rockport, Mass.: Pro-Active Publications, 1994), 92.
51. *Wall Street Journal* (19 June 1959).
52. Michael K. Drapkin, "Strikebound Town," *Wall Street Journal* (30 November 1967).
53. Archives of the Banque de France, Paris, France. Records of the Conseil national de credit (CNC), box 283, Comité national du Crédit, Comité du crédit a court terme, Décembre 1953-Juin 1961, Meeting of the Comité du crédit a court terme (9 January 1954), 13-14.
54. Max Léon, "Rien à Payer," *Humanité* (3 July 1956).
55. *Bulletin du conseil économique* (24 October 1956).
56. Ibid.
57. Marjorie Anne Beale, *Mort à crédit: the Credit Department Store and the Parisian Lower Classes, 1856-1920*, Harvard history department undergraduate thesis, 1982, 36.
58. Gabriel Veraldi, "Une solution au problème du pouvoir d'achat," *La vie française* (3 October 1958).
59. René Sedillot, "Le crédit à la consommation," *La vie française* (5 February 1954).
60. *Bulletin du conseil économique* (24 October 1956), 502.
61. Léon, "Rien à Payer."
62. British Labour MP Aneurin (Nye) Bevan, who as health minister oversaw the creation of the National Health Service, articulated this concern that credit was de-radicalizing the left. In 1959, the year before he died, he described the failure of trade unionism to activate a new generation of younger workers: "Most of them are indebted, either from paying high mortgages to purchase a house, or to purchase household equipment, modern accessories or even for cars purchased on the installment plan. They bear two contradictory sentiments: satisfaction in seeing their material situation improve, and fear at not being able to pay the debts." *L'Express* (15 October 1959); cited in: Michel Drancourt, *Une force inconnue: le credit* (Paris: Hachette, 1961), 180.
63. CNC, box 283, Comité national du Crédit, Comité du crédit a court terme, December 1953-June 1961, Meeting of the Comité du crédit a court terme (19 June 1961), 21.
64. Morris Bernhard, "Personal Loan Departments in Banks," *Bankers' Magazine* 134, no. 4 (1937), 320.

65. JC Penney Corporate Papers, located at the DeGolyer Library, Southern Methodist University, Dallas, Texas. Credit Matters, July 1971, "The Role and Functioning of Consumer Credit," a Report by the Sub-council on Credit and Related Terms of Sale of the National Business Council for Consumer Affairs (13 March 1972), 37.
66. CHA, "Conditions de financement par le CETELEM des ventes à credit d'appareils électroménagers," April 1953.
67. Cetelem's competitor, Sofinco, followed with a similar revolving credit card, the "*carte d'argent*." *Le Figaro* (14 June 1968).
68. Michel Schlosser and Gérard Tardy, *Les cartes de crédit* (Paris: Dunod, 1971), 55.
69. Travel and leisure cards like Carte Blanche, Diners Card, and American Express were the exception and were used primarily by businesspeople.

Bio

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