

**Cultures of Credit:  
Consumer Lending and Borrowing in Modern Economies**

Workshop at the German Historical Institute, Convener: Jan Logemann (GHI)  
Washington D.C., 5. bis 6. Februar 2010

Participants: *Rebecca Belvederesi-Kochs* (RWTH Aachen), *Lawrence Bowdish* (Ohio State University), *Lendol Calder* (Augustana College), *Michael Easterly* (UCLA), *Sabine Efosse* (University of Tours), *Larry Frohman* (SUNY Stony Brook), *Isabelle Gaillard* (University of Grenoble), *Sheldon Garon* (Princeton University), *Andrew Gordon* (Harvard University), *Martina Grünwald* (University of Applied Arts Vienna), *Charles Yuji Horioka* (Osaka University), *Silke Meyer* (Münster University), *Sean O'Connell* (Queens University Belfast), *Gunnar Trumbull* (Harvard Business School).

The recent economic crisis has underscored the centrality of consumer credit for modern economies. This workshop aimed to give the issue of consumer borrowing and indebtedness a historical dimension by engaging a series of questions. How did the American experience with consumer credit – frequently seen as globally formative – compare to that in other parts of the world? What did changes in lending practices – from easy access to credit cards to increasingly refined credit scoring – mean for consumers as economic and social actors? What breaks and continuities characterized the broad shift from face-to-face credit relations to institutionalized lending? How significant was the line frequently drawn between consumer loans made under conditions of affluence and household debt incurred because of poverty and destitution? The composition of the workshop – which brought together historians, economists, anthropologists, and social scientists from Europe, Asia, and North America – strongly encouraged comparative and interdisciplinary perspectives on consumer credit development.

The first panel focused on the lenders and changes in lending practices across various countries during the latter half of the twentieth century. Who were the innovators or driving forces behind innovation? How did the relationship between retailers, producers, and financial institutions evolve in the consumer credit business? To what degree can we trace transnational transfers? Here, *Louis Hyman's* recent work serves as an important reminder that the American credit model – frequently regarded as influential for both Europe and Asia – was by no means static, but underwent dramatic changes during the postwar decades. Hyman posits a transition from an installment-credit economy of the „Fordist“ era to a revolving credit economy of the „Post-Fordist“ era, in which profits derived from credit financing became an end in themselves for retailers and manufacturers alike. For this conference, Hyman submitted a paper that focused specifically on postwar inequalities in U.S. credit markets. He describes a „two-tier credit system“ in which highly inefficient and costly retailing credit prevailed in urban „ghettos“, and he recounts attempts to overcome this divided market during the 1960s and '70s.

In Europe, the revolving credit regime Hyman discusses as increasingly central to postwar America did not gain the importance it did in the United States. Instead, the growth of installment credit dominated the postwar decades. *Isabelle Gaillard* discussed the important role of the electronics and especially the television industry for the development of credit in postwar France. Specialized lenders such as CETELEM engaged a frequently skeptical French public and greatly expanded the consumer credit market in an effort to grow the

overall sales of electronic appliances. *Rebecca Belvederesi-Kochs* looked at changes in marketing and business ethics involved in bringing a peculiar German institution, the public savings banks or Sparkassen, into the consumer loans market. The Sparkassen had long emphasized the importance of savings and „German thrift”, and they retained this stance well into the 1960s. However, they also emerged as reluctant pioneers in the consumer loans business at a time when most commercial banks in Germany did not consider ordinary consumers to be „credit-worthy”. *Andrew Gordon’s* paper on the Japanese case emphasized the combination of American influences (for example, through the Singer company) and indigenous developments in retail credit for the growth of consumer lending in Japan. While Japanese consumers „caught up with” Americans in some measures of credit use, the structure of their credit remained significantly different. As in Europe, revolving credit lines were much less common here. *Sheldon Garon*, who presented the paper, further noted the relative absence of home equity loans and similar forms of credit in Japan and many markets outside the U.S., and he emphasized the long history of negative public views towards indebtedness in the country. In Japan and elsewhere, transfers and „modernization” rarely meant convergence towards a uniform business model.

The second panel shifted the focus towards the borrowers and questions of credit access and privacy concerns, as well as the changing social contextualization of credit. *Sean O’Connell* opened with a look at the long tradition of working-class credit in the United Kingdom. In a class-segmented market, working-class consumers since the nineteenth century had been supplied with access to credit by tallymen and check-trading companies such as Providential. Their agents were deeply embedded in the fabric of local communities and continued to collect money on the doorstep well into the latter half of the twentieth century. Like poorer consumers, women also faced frequent challenges in the consumer credit market. *Lawrence Bowdish* chronicled the push for credit rights for women in the United States that ultimately led to the Equal Credit Opportunity Act of 1974. Drawing on a large repository of letters, he showed how especially middle-class women rallied around the cause of credit access as a way to gain economic independence and „economic citizenship”. Consumer self-determination also stood at the center of debates regarding credit reporting and concerns over privacy rights during the 1970s in West Germany, which *Larry Frohman* discussed. He sketched the rise of the Schufa agency, which in some ways functions as an equivalent to American credit bureaus but does not, for example, employ credit scores.

In the last paper of this session, *Martina Grünwald* explored the declining world of public and private pawn shops in Vienna. Unlike in the U.S., where pawn shops are part of a burgeoning fringe banking sector, Austrian pawn shops have been limited by a requirement to auction off all unredeemed pawns. However, this model had long sustained a close community of credit and second-hand buying (especially for immigrants) around pawnshops that shared some of the face-to-face qualities of Britain’s working-class credit economy. Overall, the panel uncovered similar trends concerning expanded access to credit for various social groups as well as an increase in contractual and institutionalized lending forms that relied on the scientific mapping of consumers rather than social ties. Still, national distinctions in credit practice also remained palpable throughout the twentieth century.

State regulation and credit policy stood at the center of a third panel, which specifically explored reasons for differences in the macroeconomic importance of consumer credit in France and the United States. *Gunnar Trumbull* presented a comparative perspective on the two countries after World War II in which he focused on the impact of regulatory policy and the incentives of lenders. Trumbull explained comparatively high American rates of indebtedness by emphasizing, first, the importance of an American financial and retail system that benefited from deregulation and championed revolving debt and, second, a long-standing and evolving policy coalition of interests on the political left and right that favored credit access throughout the twentieth century. By contrast, *Sabine Efosse* showed that for a long time, French governmental attitudes towards expanded consumer credit were unenthusiastic at best. After the war, industrial development and

fighting inflation outweighed interest in expanded credit in France (as they did elsewhere in Europe). While the government adopted more liberal regulations modeled after American examples during the mid-1950s, the overall significance of credit-financed consumption still paled by comparison to the U.S., even towards the end of the „trente glorieuses“. *Jan Logemann's* paper returned to the theme of a peculiar American policy coalition favoring credit growth. He argued that credit expansion in the U.S. was not simply tied to market-liberal deregulation, but also to long-standing attempts at expanding credit access as a form of social policy. Making credit – from mortgages and student loans to credit cards and installment loans – affordable and widely available has been of peculiar importance in twentieth-century America, which lacked European-style welfare systems and tied social mobility heavily to consumption possibilities.

The final panel turned to the question of cultural differences in explaining credit patterns. While presenters in previous panels had pointed to market patterns and social structures as well as to policy incentives in explaining credit development, *Silke Meyer's* paper suggested a cultural change in attitudes towards credit in recent decades. Spurred on by advertising and aggressive marketing, the debtors who are the subject of Meyer's anthropological field research in Germany have come to view credit-financed consumption and instant gratification of personal desires as integral to notions of social inclusion and self-realization. The social ties of traditional lending are gone, she argues, and debts have become mere consumer options without a social dimension. Economist *Charles Horioka* approached the question from a very different angle. Comparing cross-national OECD data on household liabilities and assets, he probed the traditional notion of the „frugal“ Japanese. Surprisingly, household liabilities have been relatively high in Japan in recent decades – at times even surpassing those in the United States. These liabilities, however, were more than offset by high household assets. While this seemed to vindicate traditional assumptions about Japanese household budgeting, Horioka cautioned against purely cultural explanations by pointing to the significant rise in debt over the postwar decades, which runs counter to assumptions about ingrained cultural patterns. Looking at American debt cultures, historian *Lendol Calder* rejected simplistic narratives of a decline of thrift or a Victorian „golden age“ of responsible budgeting. While traditional notions of thrift enjoy less currency today, even „respectable“ nineteenth-century Americans were no strangers to financial irresponsibility. Thrift was never the only game in town, Calder argued; furthermore, modern forms of debt often had a disciplining character that merits consideration as its own form of thriftiness. Thus, while cultural patterns clearly influence credit use, arguments about „national cultures“ of thrift or credit-fueled hedonism are rarely borne out by the historical record.

Discussions throughout the workshop emphasized the importance of several factors – from cultural development to public policy and market incentives – for understanding credit development that defy easy characterization and stereotypical answers. While the influence that American developments had on other nations is undeniable, for example, the twentieth century was not characterized by „Americanization“ or global homogenization in consumer lending. Transfers went in multiple directions and participants (economists, historians, and social scientists alike) repeatedly noted that the American model of consumer credit remained unique and peculiar in important ways. Comparing the experiences of numerous countries, furthermore, suggested that fundamental problems of the twentieth century such as providing „democratic“ access to credit under safe and affordable conditions while avoiding irresponsible lending and over-indebtedness will likely remain with us for some time to come. Nor should the recent credit crisis be seen as an inevitable culmination of previous developments or even an end point to consumer credit growth. Credit scores – the innovation that drove much of the American (and global) financial developments of the last decades – were, as *Martha Poon* reminded us, still rooted in traditional notions of predicting and avoiding default. Future scores, she predicted, may well transcend this concern and focus solely on lending profitability. While such a development would perhaps represent the ultimate depersonalization and commoditization of

lending relations, the workshop suggested that face-to-face lending and the neighborhood loan-shark are not likely to vanish entirely any time soon.

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