

Credit Access and Social Welfare in France and America

BACKGROUND

- Among the advanced industrialised countries, France and the United States represent nearly opposite poles in consumer credit use: Americans have been heavy users of consumer credit since the interwar period, while the French have relied relatively little on consumer credit.

METHODOLOGY

- The author undertakes a comparative historical study of consumer credit markets in the United States and France. At issue is why American and French consumer credit markets are so different.
- The author draws on records from lenders and regulators in the two countries to trace the emergence of different narratives legitimating the credit market.

KEY FINDINGS

- Conventionally, theories of regulation in the public interest have emphasised the role of governments either in fixing market failures to promote greater efficiency, or in restricting the efficient functioning of markets in order to pursue public welfare goals. The author argues that this causal logic must sometimes be reversed: for certain areas, the function of regulation must be understood as making markets legitimate.
- The author finds that in each case of national regulatory divergence a series of regulatory interventions by the state transformed a formerly disreputable small lending sector into a legitimate economic activity.
- The logic of the transformation was very different for the two countries under analysis:
 - in the United States, consumer credit was interpreted as a form of welfare policy addressing an evolving set of societal problems, with policies emphasising the value of consumer access;
 - in France, consumer credit was seen as a threat that generated inflation and reduced consumer purchasing power, with policies emphasising the value of consumer protection.
- These different approaches to consumer credit became locked in over time.
- The process of legitimation by regulation is not unique to consumer credit: other market sectors, including life insurance and genetic technologies, have relied on regulatory interventions in order to shed prior public opprobrium.
- If this legitimating function of regulation is pervasive, it suggests that the study of regulation might benefit from a strong dose of historical institutionalism: existing national differences might be better explained by studying the specific historical contexts in which new market sectors come to be perceived as legitimate in society.

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THE CCP

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FOR MORE INFORMATION

The full working paper (11-10) and more information about CCP and its research is available from our website: www.uea.ac.uk/ccp

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