

# POPULAR CREDIT: ORIGINAL IDEAS AND RECENT APPLICATIONS IN FRANCE

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## Introduction

The first wave of industrialisation called into question traditional forms of solidarity, which were typically based on family and village communities.<sup>1</sup> At the same time, it created favourable conditions for the formation of a new social class, namely the working class, and thereby the emergence of a class solidarity (which took the form of craft unions, workplace solidarity, cooperation etc). This class solidarity thrived on the strong impulse towards integration through work.

The Industrial Revolution was accompanied by mass impoverishment. This "new poverty" differed from the "backward" regions, where poverty was absorbed by the networks of primary socialisation (family, religion, community). This situation was not discussed publicly at the time, because no structure had been envisaged to address this poverty and people were aware that it constituted a threat to the social order. Poverty became stigmatised as degradation or danger (there was talk of the "dangerous classes").<sup>2</sup> Pauperism undermined the optimism of the 18<sup>th</sup> Century and crystallised the social question. There therefore had to be a way of assisting the poor to gain access to work, without at the same time calling into question the principles of state liberalism.

A possible solution was credit. The history of credit and that of poverty have been intertwined for a long time.<sup>3</sup> Throughout the Ancien Regime, most social groups of modest means, and the peasantry in particular, could only survive with the help of credit because regular outgoings could only be met from income which was contingent upon the availability of work or the state of the harvest. Poverty frequently gave rise to recourse to the usurer, because no banker would agree to lend to the poor. A debt was repaid through a loan and, as a last resort, IOUs accumulated with the usurer. To combat poverty, it therefore sufficed to provide access to credit in such a way that the poor were able to create their own employment.

This issue of the availability of credit to the poor arose from time to time when the State considered itself unable to address the spread of poverty on its own. At an interval of 138 years, credit was depicted as a way of combating poverty. Thus, in

1859, the Academy of Moral Sciences proposed the following subject for an award:

"Credit institutions. Sources of credit in their relationship with work and the welfare of classes of limited means. Research and make known the history of institutions with the object of facilitating the application of the means of credit, in particular the mont-de-piete, the banks of Scotland and the lending banks of Prussia (*Vorschussbanken*)."<sup>4</sup>

More recently, the first Microcredit World Summit took place in Washington on 2 - 4 February 1997. The preamble to the plan of action began as follows:

"We have assembled to launch a global movement to reach 100 million of the world's poorest families, especially the women of those families, with credit for self-employment and other financial and business services, by the year 2005."<sup>5</sup>

Popular credit in the 19<sup>th</sup> century was, especially in France, a means of giving autonomy to the peasant and working classes. The former were directly in conflict with abuses by usurers, while the latter were trying to defeat the alienation of wage labour, which took the form of the worker's cashbook and the regulation of the workplace through the arbitrary power of the employer.<sup>6</sup> Access to cheap credit transformed workers into small capitalists, particularly through producer cooperatives. Apart from the particular conditions of individual nations or individual institutions, a fundamental distinction must be highlighted. Popular credit can be directed to individuals or organisations. In the former case, it gave a helping hand to a small farmer, an artisan or a small businessman. In the latter, credit was often made available to a worker organisation of a cooperative or community based type. This second form of popular credit was particularly prevalent in France until 1871, which is a date which marked a long interruption in the initiatives for the emancipation of the working class.<sup>7</sup>

We shall see at an early stage (section 1), through an history of the development of popular credit, who were its principal founders. From Germany, the practice of popular credit spread to several other countries, to France in particular (section 2).

We will attempt to relate the original principles of popular credit to current practices in France, in particular those encountered in the experience of the Credit Mutuel (section 3).

### 1. Germany, the birthplace of popular credit

At the beginning, credit was perceived by German workers and peasants as a means of freeing themselves from usury.<sup>(usure)</sup>

The growth of popular credit in Germany was rapid in the second half of the 19<sup>th</sup> century. It evolved independently of the State as a result of the accumulation of popular savings. The experience of popular credit can largely be distinguished according to whether its application was urban or rural. The juxtaposition of the two conceptions of popular credit is also that of two men: Friedrich Wilhelm Raiffeisen and Franz Herman Schulze-Delitzsch.

#### Agricultural Mutuals

On 1 December 1849, Friedrich Wilhelm Raiffeisen founded an agricultural mutual credit organisation in a small village in the Rheinland (Flammersfeld), where he was the local mayor, in order to combat usury. Farmers frequently had to have recourse to usurers in order to finance their undertakings. The latter, by lending a first cow, then a second and a third etc, captured most of the income from the agricultural enterprise. In order to meet the due date for payment, the peasant had to sell either a few head of cattle or a little land. In that way, the usurer took control of the enterprise.

Having witnessed this abuse, Raiffeisen founded an association which bought the required cattle and leased it back at a moderate rate over several years. However, in order to purchase the first animals, the bank had to find a source of capital which it then had to borrow. The problem of guarantees then arose. The founding members stood surety. They guaranteed with their possessions that the borrowings would be repaid to the bank. As a result of the success of this venture, the inhabitants of Flammersfeld invested their savings, in return for interest, into the association and its activities grew.

Raiffeisen was later nominated at Haddesdorf and, encouraged by his initial success, he founded the Charitable Association of Haddesdorf with the aim of making loans to small farmers and artisans in order to ameliorate their moral as well as their material conditions.<sup>8</sup> Because of lack of support, the organisation soon collapsed. The fund for loans to those who were unable to obtain credit elsewhere, on the other hand, survived. Raiffeisen

converted it into an association (the Association of Lenders of Haddesdorf), so that the debtors were linked with each other. Little by little, the function of the fund evolved until it reached its final principle, "All applicants for credit must become members of the association; his loan must be guaranteed by a surety who is known to be solvent."<sup>9</sup> The first objective remains: this type of association thrives on mutual aid. The members provide deposits or security in order to assist their neighbours.

Associations of the Raiffeisen type, which obtain very cheap credit in a restricted field, have several characteristics. No capital is accumulated to found the organisation (if the law requires it, a minimum level of capital is obtained). As a result, the members do not have a stake in the organisation and do not take dividends. The profits are used to constitute a fund which is indivisible and permanent which, when it attains a critical size, is able to avoid calling on external sources of capital to finance its loans and thereby to lend without charging interest. The members are collectively liable to the extent of all their assets, which guarantees their good moral conduct. The functions of the organisation are carried out benevolently. The strong cohesion of the group rests on a shared faith which, on the one hand facilitates the acceptance of reciprocal commitments and, on the other hand, presents a moral guarantee. The fact that the Raiffeisen associations evolved at village level was a further guarantee that the credit obtained would be well used. Effectively, the members of the village were witnesses to the uses for the credit at the same time as being members of the bank. This regional organisation on a parish by parish basis was founded in the main on confidence which depended on geographic and confessional proximity.

The Raiffeisen model, aiming at facilitating access to credit and freedom from usury, was not unique. Charles Gide observes<sup>10</sup> that, of the 18,000 associations for agricultural credit which existed in Germany in 1930, two thirds did not originate from the Raiffeisen model, but resulted from other initiatives, of which the most significant was the Popular Bank.

#### The Popular Banks

In contradistinction to the numerous initiatives providing mutual credit (of which that of Raiffeisen was one), Franz Herman Schulze-Delitzsch, a magistrate and deputy to the Prussian Diet, favoured action in the urban environment which was targeted at workers. The first Popular Bank was founded in 1850 in the town of

Delitzsch (Saxony). Schulze-Delitzsch<sup>11</sup> is to industrial co-operative credit what Raiffeisen is to agricultural co-operative credit. These two new forms of organisation began at a similar time and developed in conjunction with each other.

The fundamental principle underlying Popular Banks was close to that of the Raiffeisen associations. The worker was able to obtain credit if the actual guarantee was substituted by a mutual surety. As an individual, the worker would run the risk of being unable to meet his commitments to his creditor, when confronted by the vagaries of life (unemployment, accident, illness). On the other hand, if this risk were spread over a large number of people in solidarity with each other, it would become minimal, which could only serve to reassure the creditor. Here too, loans were made openly. It was not a question of discounting the effects of commerce, but simply making a loan. The public which benefited from these loans explicitly comprised those who did not have access to ordinary banks. Loans were made from funds provided beforehand by the members of the bank or borrowed from financial institutions on the basis of the guarantees provided by the members. As in the case of Raiffeisen, liability was unlimited.

The route taken by Schulze-Delitzsch departs from that of Raiffeisen in the sense that the popular banks were not like associations, but rather incorporated organisations, owners of capital and remunerated for their investments. For that reason, loans were made at a discernibly higher rate of interest than by the Raiffeisen associations. Moreover, the shareholders shared any profit and the administrators were remunerated for their work. In this system, unlike that of Raiffeisen, the lender was distinctly favoured over the borrower.<sup>12</sup> It is true that a specific objective of these banks was to encourage saving amongst the popular classes. In that way, the shares of these banks (amounting at the time to in the order of 1,000 marks each, according to Gide<sup>13</sup> a considerable sum), could be acquired by subscribers of modest means, because they were payable little by little in phased instalments. The shareholders were attracted by the profits, which thereby facilitated the constitution of a capital fund.

These two approaches can be clearly distinguished, even if they shared the common goal of making credit accessible to those who were ordinarily deprived of it. Friedrich Wilhelm Raiffeisen appealed to the faith and the solidarity of the members who constituted the mutual credit associations. Franz Herman Schulze-Delitzsch promoted banks which followed more the capitalist model. The Schulze-Delitzsch model

also diverges from that of Raiffeisen in the little importance it attached to activity based on geographical proximity.<sup>14</sup> It is true that, in the urban environment, it is far more difficult to delineate individual communities than in the rural context. However, the principle of unlimited liability which both approaches had in common, implies of necessity the cooperation of the members. Group pressure had to be sufficiently strong to discourage deviant behaviour which risked ruin for the membership as a whole.

Despite their immediate success, the mutual credit associations of Raiffeisen have been criticised above all for the fact that these financial institutions are founded on solidarity and Christian love without profit for the members. Thus, Schulze-Delitzsch, proponent of the famous *Selbsthilfe*<sup>15</sup> rather than Christian charity, characterised Raiffeisen's initiatives as "the castle of the cooperative card"<sup>16</sup>. He could well make the point that his capitalistic model functioned just as well in the rural environment.

#### Dissemination of the initiatives

The principles of the agricultural association of mutual credit and the popular banks spread more or less successfully throughout Germany. While in Great Britain cooperative initiatives surged forward, essentially in the form of consumer cooperatives, in the wake of the movement begun by Robert Owen and taken forward by the Rochdale Pioneers<sup>17</sup>, credit cooperatives were more or less non-existent. Charles Gide offers the interpretation of this phenomenon<sup>18</sup> as indicative of the unequal struggle, in that country, between small proprietors and big capital. It appeared that no reform was capable of weakening capital and the struggle led nowhere. Only Scotland proved the exception to the rule, ordinary banks developed in place of the popular banks thanks to the existence of widespread branches, which attracted a local clientele.

In Italy, the statesman Luigi Luzzatti founded in 1864 the first popular bank in Milan<sup>19</sup> on the German model of Schulze-Delitzsch. The savings banks joined the movement, founding popular credit associations using the models of both Raiffeisen and Schulze-Delitzsch. Among these associations, there were some which even made loans of honour with no other guarantee than the signature of the borrower (Wollemberg associations).<sup>20</sup>

Before we look at the spread of cooperative ideas in the field of credit in France, we should point out that the powerful cooperative movement begun in Quebec by Alphonse Desjardins is still relevant



but goes beyond the frame of reference we have set ourselves in this study. His analysis has been the object of numerous studies.<sup>21</sup>

## 2. Popular Credit in France – a belated arrival

The cooperative movement in France developed strongly between the revolution of February 1848 and the restoration of control to the “party of order” leading to the coup d’etat of 1851. After 1860, cooperatives entered a period of renewal with the liberalisation of the Empire.<sup>22</sup> It is in this context

that the successive initiatives of Pierre-Joseph Proudhon, Jean-Pierre Beluze and Leon Walras<sup>23</sup> were taken, three illustrations of the organisation of credit in the service of the emancipation of the working class.

The repression which hit the workers after the Commune set cooperative organisations back and with them popular credit. Moreover, while Germany was the cradle of cooperative credit and a potential source of inspiration, it was not good form to mention it after the debacle of the 1870 (i.e. the war between Prussia and France, which was lost by the latter). No doubt these factors explain why the organisation of popular credit took time to form in the last quarter of the century. It was not until late in the century that a series of experiments (in which worker initiatives were in the minority) saw the light of day. These constituted the foundation of three financial organisations, still belonging to the cooperative and mutual sector: the Credit Agricole, the Credit Mutuel and the Banque Populaire.

### The Popular banks

In 1897, there were only 23 urban credit associations.<sup>24</sup> They suffered from competition from the multiplicity of agencies of the large banks (Credit Lyonnais, Societe Generale, Societe Generale de Credit Industriel et Commercial – CIC) and, deprived of legal status, popular credit could only obtain sufficient financial support from the Banque de France. The intervention of the State enabled the institutionalisation of the movement of popular banks and its expansion.

A law passed after the first World War, on 24 October 1919, made available credit amounting to 100 million francs in aid to demobilised artisans and traders demonstrates the involvement<sup>25</sup> of the State in the popular banks. It was the time of reconstruction. In order to manage State credit in a centralised fashion, a syndicalised union of popular banks was formed in 1919, to which about 30 popular banks were affiliated. This

foreshadowed the birth of the Caisse Centrale de Banques Populaires (20 June 1921).

### “State” Agricultural Credit

As an agricultural country, France in the 19<sup>th</sup> century had financial networks which were structurally poorly adapted to agriculture.<sup>26</sup> The Credit Foncier, which was created in 1852 did very little. The cadastre was not sufficiently well managed to give the peasants reliable title to the land. Moreover, this institution had the objective of consenting to long term loans for the purchase of land. The returns offered by land are frequently lower than those of interest on loans. It is a short step from there to the comment of Charles Gide, referring to the Credit Foncier, that “credit supports the proprietor as the rope supports the hanged man”.<sup>27</sup> Moreover, the Credit Foncier can only help those who own land, which is not the case with all farmers. Finally, the main preoccupation of all farmers is financing their working capital and not the purchase of land. Better adapted to the latter than the former, the role of this institution seems to have been, at best, secondary: “All in all, what is known as the ‘Credit Foncier’ only operated on the margins of lending”.<sup>28</sup>

This weakness in the financing of agriculture explains the creation in 1861, under the orders of Napoleon III, of a Society of agricultural credit. This organisation took excessive risks and disappeared in 1876. To combat usury, there was no option but to look to the examples created on the other side of the Rhine.

Although the influence of Raiffeisen was common to both, agricultural credit financed by the Catholic Right (operating in the pure tradition of social Catholicism, a tradition which was affirmed and expanded in the papal encyclical of 1891, *Rerum Novarum*) and the agricultural credit of the left, supported by the State, stood in opposition to each other.

Jules Meline<sup>29</sup> and the Republicans promulgated a Raiffeisen type model in the Act of 5 November 1894, which introduced a law favouring future agricultural credit associations: tax exemption and reduced administrative formalities. The required syndicalisation of the members established a further link between them<sup>30</sup> moving in the direction of a shared responsibility which is a characteristic of credit cooperatives (of which the operative principle is “one man, one voice”). Furthermore, recourse to syndicalism provides for reliance on existing networks, thereby facilitating the growth of the movement.

However, without the philanthropy of social Catholicism, the "Republican funds" developed slowly<sup>31</sup>. The Catholic funds had the advantage of the confidence and the investments of the wealthy.<sup>32</sup> The latter were wary of cooperative organisations. Meline decided on financial intervention by the State in order to inject dynamism into their rate of growth. The Banque de France, which was then independent, was only permitted to renew its charter on condition that it made an advance of 40 million francs in gold and that it effected payment of its annual dues (both of which were due to the State) to financing agricultural credit societies. If the State was able, by intervening in this way, to exercise a right to inspect accounts, it limited its role voluntarily to a supervisory one and avoided undermining the mutualist nature of these organisations. In order to take regional characteristics into account and to avoid a centralised fund reminiscent of the imperial Société de Crédit Agricole, the State voted in the regional funds law of 1899. The regional funds stood as intermediaries between the Ministry of Agriculture and the local funds. Following criticism for its heavy handedness, the State entrusted the management of the funds as a whole to an administrative body, namely the Caisse Nationale du Crédit Agricole. The specific values of this organisation endured: bottom-up organisation, mutual aid and cooperation.

### Mutual Credit

Unlike "official" or "state" agricultural credit, there were a number of original initiatives, and they were by far the most numerous (at least at the beginning). In 1885 the Banque de Crédit Agricole was formed in Poligny (Jura), a product of a right wing agricultural syndicalism. Louis Milcent established this model and very quickly over 300 associations could be identified of the Poligny type. In 1882, in Wantzeau (Alsace) an agricultural credit association appeared on a Raiffeisen model. At the end of the same year, there were about 15. This strictly Raiffeisenian current separated quickly from the Centre Fédératif de Crédit Populaire of the liberals Reyneri-Rostand.

The refusal of the State to intervene coincided with the strong religious involvement which characterised the associations which bore the name of the lawyer from Lyon, Louis Durand (1859-1916). The features of the "Durand funds" were as follows. Their members were not compelled to syndicalise, unlike in the case of the "State funds"; they declined to use advances from the State in order to avoid submitting to State control; credit was obtained for a stated and guaranteed purpose<sup>33</sup>; the signature of a surety was required;

religious characteristics predominated; finally, liability was unlimited, which suggests to Gide that, unlike the "State funds"<sup>34</sup>, they alone "practised the principle of solidarity"<sup>35</sup>. These associations drew from the Raiffeisen model the restriction of their sphere of activity to the level of the village, with the result that the members all knew each other.

Durand found it all the more easy to adhere to the Raiffeisen model because his hostility to the Republican State drove him towards the principle of mutualisation. What was persuasive for this Catholic lawyer was the reduction to a minimum of remuneration from cash investment. In the tradition of *Rerum Novarum*, the papal encyclical of Leo XIII on the condition of the working class (1893), he edited a manual on rural funds, which he published in 1893. Durand thus conformed to the will of the pope to "wrest (the workers) from poverty and procure for them a better lot"<sup>36</sup>.

A large number of rural funds were born at the instigation of clerics (above all in the Pyrenees, in the Indre and the Landes) which drew their inspiration from Durand's book. In July 1893, Durand founded the Union des Caisses Rurales et Ouvrières Françaises. About 500 funds affiliated to it. The agricultural funds which did not wish to submit to State control kept their distance. They were mainly situated in Brittany and Alsace. A descendant of the Union des Caisses Rurales, the Crédit Mutuel kept its Catholic identity for a long time<sup>37</sup>.

### 3. The current state of popular credit in France

In a complex and changing world, all ideas, actions and innovations finish by taking the libertarian route, going beyond the restricted vision from which it was born. Whatever its field, an invention comes to life when it escapes from the hands of its creator and on its way forward, brushes with the spirit of the age, stimulates other intellects, inspires unexpected possibilities, provokes resistance, modifies mind sets and behavioural patterns. If its life is long and vigorous, it will be found after successive generations, facing situations which its originators would never have imagined, having undergone a metamorphosis over the years in conjunction with a reality to whose transformation it had itself contributed, adding to its history unexpected chapters. The logic of life is a logic of combinations, pregnant with offspring which it is pointless to attempt to predict and human enterprises are no exception to that rule. Popular credit, in its generic meaning, is part of that adventure.

Thus, when Raiffeisen founded the first deposit and loan fund, his objective was clear. He wanted to address a social situation which his personal value system told him was intolerable. For him, the aim was: to eradicate usury, which multiplied spoliation and crisis before his eyes; the economic purge of individual, professional and family circumstances, which would otherwise worsen endlessly; and to restore permanently the dignity of individuals and social classes in need, substituting the logic of the loan for that of the gift.

On the other hand, did he realise at the time of the early tentative steps of his enterprise how big and influential those banking organisations would become in most countries one century later? To appreciate today the trajectory of popular credit is a difficult, if not ambiguous question. In other words, what should we appreciate and on which criteria:

- a special type of organisation confronting, in market forces, competition from capitalist enterprises?
- performance of an economic, financial or social nature?
- the source of the motivation of present day players?
- the current relevance of popular credit in the context of the turn of this century?
- the permanence or the evolution of the values and the purposes which constituted its initial objective?

The answers to these questions can only be plural and qualified, all the more so since the organisations which inherited the legacy of 19<sup>th</sup> century popular credit did not adopt the same solutions or favour the same methods of adaptation. Globally, popular credit presents today a very different image from that of its origins. But the environment itself has changed considerably. Did the confrontation of the initial experiences of popular credit with the profound transformations of our societies end in a "faithful" adaptation, or, as the detractors of popular credit would claim, in a diversion which took it into areas where it did not belong and where it failed to respect the rules of the game?

The first point to make, and the most simple, is that the great beneficiaries of the experiments of Flammersfeld and elsewhere are still very much alive. Not only are they alive, but they have secured a place and an image which have not left the banking world indifferent. Proof of that is the repeated assaults and the multiplicity of procedures employed, by the commercial banks in France, to meet their challenge. A further proof is the manoeuvres deployed with increasing intensity

throughout the world to encourage "demutualisation". And to put the little upstarts of popular credit back in their place, the interests of the members, the need for healthy competition or the stimulation of consumer spending are invoked in turn.

This debate can be interpreted as one of conformism - "mono-culture" - as opposed to "biodiversity". Beyond that and above all, is the question of the place for democracy at the heart of economic and financial mechanisms where power, inexorably, becomes more and more proportionate to retained assets instead of the quality of human life. In a sense, from this point of view, the popular credit sector is perhaps a carrier of stakes which are much higher than those which are blown up out of all proportion by its detractors.

To take on these stakes, without doubt, raises the issue of legitimacy. Are the present characteristics of the descendants of popular credit sufficiently deep, relevant and authentic to enable them to take on their adversaries on a battlefield which is much greater than the one to which attempts are made to confine them in the name of market forces?

To answer this question would require an in depth study. In reality, these specificities manifest themselves in various ways within the organisations in question and the underlying processes are rarely explicit. By way of example, a project carried out by Boltanski's team at the heart of the Credit Mutuel of Brittany made visible the role and the idiosyncratic nature of the values of that organisation. This project revealed the existence of a *plurality* of objectives. *This plurality is, in itself a primary factor of radical distinction*, while the dominant feature of many enterprises is that they are subjected more and more drastically to a unitary impetus, that of the "*shareholder value*". Boltanski's team, as a result of its investigations, thus revealed not one but four objectives:

- an *industrial* impetus, being that of management and consisting of the minimum minimorum of all enterprise management,
- a *development* impetus which, in this case, had a militant tinge to it,
- a *civic* impetus, which took into account relations with the community and the region in which the institution had evolved,
- a *domestic* impetus, which took the form of consideration of the individual beyond purely financial and economic considerations.

This plurality had repercussions for the very organisation of the institution. It resulted from a dialogue which was stimulated by the creative tension of two categories of participants, the



professionals and technicians on the one hand and the elected representatives of the members on the other. At the very least, it demonstrated a real social life and the continuing presence of the dynamic of cooperation.

It would be to go too far to suggest that this observation could be extended to all organisations originating in the 19<sup>th</sup> century tradition. But we will avoid the risk of making comparisons. It suffices to say that cooperation exists and there are places where it can be found.

In a study which is as partial as it is brief, we will try to take up its manifestations at four levels:

- that of the relationship with the member,
- that of the motivation of the staff,
- that of the organisation,
- that of its relation with social activity.

#### **The relationship with the member**

This has been designed from the outset by the “democratic prejudice”, which has long been a source of amusement for the “grey suits”, before becoming known as “quality of access”, a competitive advantage only belatedly discovered by other organisations. Marketing was able to articulate and generalise the demands of this area, but the descendants of the mutualist tradition were their precursors

and some remain *leaders*, their brand name still benefiting as a result and it constitutes one of the lynch pins of their communication.

However, the relationship with the member is not only characterised by its form. Special attention to individual or collective needs has often stimulated the inventiveness of popular credit. Thus, the Credit Mutuel has been a pioneer in different fields: bank assurance, retirement savings accounts, simplicity of contracts, methods of payment made available to specific groups, to name but a few.

#### **The motivation of the staff**

At the second level, that of the motivation of the staff, it is convenient to take note of a cultural evolution on the part of both employees and volunteer administrators. The increasing pressure of competition, the professionalisation of its activities and the necessary diversification of its products which consumers expect, as well as the hardening of conditions of exploitation, which have forced some assimilation of the “industrial objective” (see above). As far as the employees are concerned, over the past 20 years, they have

had to add to the conviviality and simplicity of their customer reception the mastery of more complex products and services, the efficient use of new technology, more rigorous time management as well as a more commercial attitude.

As far as the administrators are concerned, the industrial dimension has also been imposed on them, rendering the decision making process more complex, compelled by multiple forces. This integration may have led some of them to think that the soul of the mutuals was in jeopardy. However, in all of the organisations which have taken care to conserve both their participants and the scope for the necessary debate, we have to observe the development of a particularly high level of originality and effectiveness. Thus the natural outcome would have been that the industrial impetus would have driven out the caring impetus. In certain cases, that is what happened. On the other hand, drawing on our personal experience, we can bear witness to the fact that a creative tension has developed – which is also highly innovative – which has resulted in the combination and the articulation of the two tendencies.

#### **The organisation**

At this level, the dialogical principle is clearly expressed. At the heart of those organisations which have remained the closest to their traditions, the organisation has preserved its local roots within a decentralised framework – which some would characterise as “scattered”, “atomised” or “multi-cellular” – and power, which continues to emanate from the base of the organisation and to rest with the representatives of the members, largely remains diffuse. In other respects, the distribution of professional staff at local, federal and central level makes it possible to measure the point at which the centre of gravity of these organisations is able to remain closest to the local dimension.

Simultaneously, at all levels of such an organisation, the areas of debate enable us, thanks to the joint presence of professionals and elected representatives, to confront and to differentiate the plural impetuses to which we have already made reference.

#### **Social Reality**

What is the state of the confrontation of popular credit with society as we reach the end of the century? What debate is taking place within it in the face of the new problems mounting in society, as a phenomenon which was born of the refusal to allow other problems to endure in another time?

It seems to us that, despite an economic and financial success which could turn it away from its original values, popular credit demonstrates - to varying degrees, once again, according to the organisation - the capacity for initiative, involvement and questioning which is not present to the same extent in "traditional" enterprises. A desire to be active on the social or societal stage is present which is not motivated by image politics or a political strategy.

For example, the Credit Mutuel has signed an agreement with the Association pour le Droit à l'Initiative Economique (ADIE) and distributes through this structure advances which are not adapted to the usual procedures under which loans are made (business start-up by the unemployed). In Africa, its International Centre has supported experiments in financial cooperation for years in areas which are often very difficult, conditions close in certain respects to those met by its sources of inspiration in the 19<sup>th</sup> century. It even involves itself in cooperative banks in Eastern Europe. Moreover, the multiplicity and the diversity of its activities which are referable to the local or regional level, especially in the area of associative life and of local development, is only explicable if there is a very lively "mutualist consciousness", and activists who intend to put their value system into effect.

### Conclusion

Credit has two faces. In the hands of the usurer, it is an instrument of impoverishment and dependence. It establishes a financial link which shackles the debtor. At the same time, when credit is envisaged within a reciprocal impetus it appears as a tool of liberation for those whose economic circumstances are precarious. Within a collective framework, whether in a cooperative, a community development corporation or a network of lenders, credit binds the members of the group into the collective and creates true financial bonds.

Making credit into a tool for development and emancipation is not a recent problematic. We have seen how the techniques of popular credit and the theoretical considerations which preceded them were initiated in Europe in the last century. It is also from Europe that the development banks spread into the countries of the South in the 1970s. It was thought then that mutual credit could prove to be a financial technique which would lend itself to the accompanying socio-economic development in those countries. The end of the 1980s saw these sources of inspiration topple. The financial techniques which have been the subject of experiments in the South have tended to become

the models which the industrialised nations have attempted to adopt in the struggle against structural unemployment.

Quite apart from this cross fertilisation of sources of inspiration which has led to mutual influence, these experiences have destroyed any preconceived vision of credit and, more generally, of banking.

As an opening rather than a conclusion, we would like to put two questions.

- Can the value system, which has endured until now having inspired the adventure of popular credit in the 19<sup>th</sup> century, inspire today the innovations which will exist for 21<sup>st</sup> century society and the problems which it will have to resolve, in the same way that for our predecessors invented the "association of deposits and loans"?
- Are activists in the field of popular credit today aware that, in addition to the services which it is their mission to bring to their members, their enterprises bear a democratic dimension which is all the more important for being particularly under threat from external forces, through the imperialism of financial thinking?

Perhaps Bergson has the answer: "We should", he said, "marry the pessimism of the intellect with the optimism of the will."

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<sup>1</sup> cf Bernard Gibaud, 1986, p.16

<sup>2</sup> cf Robert Castel, 1995, p. 218 et seq

<sup>3</sup> cf Laurence Fontaine, 1999-09-25

<sup>4</sup> cf Pierre Dockes and others, 1990, p. XII, note 11

<sup>5</sup> Note that a second summit took place on the 25-27 June 1998 in New York where the World Bank was involved. The International Labour Organisation has launched, also in 1998, a programme of research entitled, "Micro-Finance in industrialised countries - enterprise creation by the unemployed"

<sup>6</sup> Giovanna Procacci, 1993, pp 238-239

<sup>7</sup> cf Edouard Dolleins, [1936] 1967

<sup>8</sup> Jean-Claude Gaudibert, 1980, p.169

<sup>9</sup> Jean-Claude Gaudibert, 1980, p.171

<sup>10</sup> Charles Gide, 1930, p.477



<sup>11</sup> Franz Herman Schulze attached the name of his town to his own name to distinguish himself from the politician Max Schulze

<sup>12</sup> With the qualification that borrower and lender both belonged, by definition, to the popular classes

<sup>13</sup> Charles Gide, 1930, p. 482

<sup>14</sup> Limiting financial activity to a limited environment may be seen as a brake on the development of the organisations.

<sup>15</sup> In English, *self-help*

<sup>16</sup> Jean-Claude Gaudibert, 1980, p. 171

<sup>17</sup> Despite these different paternities, the “official” and almost mythical date of the birth of the cooperative movement coincides with the foundation in 1844, by 28 workers in the flannel weaving industry of a consumer cooperative: the Rochdale Equitable Pioneers Society (Rochdale being a suburb of Manchester)

<sup>18</sup> Charles Gide, 1930, p. 483

<sup>19</sup> Luzzati adapted the German model by introducing limited liability within the means of the members and a restricted sphere of activity

<sup>20</sup> Louis Baudin, 1934, p.101

<sup>21</sup> cf, for example Marie-Claire Mal, 1997

<sup>22</sup> The majority of the worker delegation sent by the Emperor to the Great Exhibition in London (1862) consisted of presidents of mutuals of professionals (Bernard Gibaud, 1980, p.33)

<sup>23</sup> cf David Vallat, 1998.

<sup>24</sup> Among them were the Cooperative Bank of Worker Producers of France, founded in 1893. This cooperative society was run by an administrative council, consisting of representatives of worker producer cooperatives. The Cooperative Bank used the capital underwritten by the cooperators as well as gifts obtained to finance the development of worker cooperatives. For a history of the Coopeative bank, see 1893 – 1993. *De la banque cooperative a la banque d'economie sociale*, Credit Cooperatif 1993, p. 31 post

<sup>25</sup> Belated involvement if it is compared to the founding Act of the Credit Agricole: the Meline law of 1894 (see below)

<sup>26</sup> Cf Andre Gueslin, 1985, p. 8. For an exhaustive examination of agricultural credit associations cf Andre Gueslin, 1984, vol. 1 & 2

<sup>27</sup> Charles Gide, 1930, p. 469

<sup>28</sup> Charles Gide, 1930, p. 474

<sup>29</sup> He was Minister of Agriculture (1883-1885/ 1915-1916) as well as President of the Council of Ministers

<sup>30</sup> Syndical solidarity replaced here religious solidarity on the Raiffeisen model (cf Jean-Claude Gaudibert, 1984, p. 158).

<sup>31</sup> In 1897, there were 75, as opposed to 500 Catholic funds (Andre Gueslin, 1985, p.12)

<sup>32</sup> The dissolution of the Union Generale in 1882 however demonstrates the limitations, if not of the morality, at least of the competence of the Catholic banks)

<sup>33</sup> A compartmentalisation of the use of the funds was imposed, which can be said, in a diluted way, to be: “[the associations] exercise a paternal control over the loans” (Charles Gide, 1930, p. 480)

<sup>34</sup> The Act of 1894 made the local funds of agricultural credit into mutual organisations with limited liability.

<sup>35</sup> Charles Gide, 1930, p. 479

<sup>36</sup> Encyclical *Rerum Novarum*, cited by Andre Gueslin, 1998, p. 161

<sup>37</sup> Moreover, right up to the mid 1950s, certain funds were run by country priests