The Development of Consumer Credit in France (1900-1960s): How the regulation reshaped the market

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How did the French come to modern credit (bank credit)? How have they gone into bank debt?

- 1st step of my research: the Financing of Housing, Real Estate Credit, Mortgage Loans
- 2nd step: the Financing of Households Equipment (cars, appliances, furniture,...), Consumer Credit
Slums (1951) and New Housing Building (1964)
A main stake: the domestic equipment
The research on consumer credit: focused on the finance and political players

• How the consumer credit market was reshaped by the regulatory constraints in France 1950-1960 (nationalization of credit in December 1945)?

• The main point: from commercial credit (vouchers, subscription) to bank credit

• **Archives:** Policymakers and regulators (Ministry of Finance, Bank of France, National Credit Council); Lenders (Consumer Credit Companies: Sofinco and Cetelem)
Before the banking regulation: the subscription technique or Dufayel system

- Large department store in Paris (Barbès) 1880s (commercial revolution)
- Furniture sold on credit
The 1920s: the creation of automakers subsidiaries (Citroën, Renault, Peugeot)
Consumer Credit in France:
From commercial credit to bank credit
(1890-1953)
The three main steps of the consumer credit policy in 1950-1960 France

• I. Opposition to consumer credit regarded as illegitimate: the priority is to rebuild so to produce before consuming
Salon des Arts ménagers
(French Ideal Home exhibition)

II. Necessity to boost the economy (1953)...

the Ministry of Economic Affairs put forward a plan to develop consumer credit in order to prevent usury and to support industry
• II. ... So to regulate (1954): to clean up the market and to support industry

Significant cash flow and share capital; Interest rates publication (no cap); Minimum downpayment and maximum repayment period depending on goods
III. The consequences of the regulation (1): consumer credit legitimised only by supporting industry
III. The consequences of the regulation (2): Few and new lenders set up by a bank-industry partnership (Sofinco & Cetelem)
New banking lenders
III. The consequences of the regulation (3): A weak competitive market (low indebtedness)

Average household indebtedness (1965, Francs)

- France: 154
- West Germany: 163
- Great-Britain: 212
- United-States: 1037

A reduced development of the consumer credit market before the 1966 reform of the banking system
A weak competitive market (backwardness in home equipment):
The dream kitchen of French Women
The dream of comfort: a vacuum cleaner presented like a baby
To conclude

• New lenders (Cetelem and Sofinco): a bank-industry partnership (car, domestic appliances, furniture)

• A small number of lenders: a restrict access to the market.

• A reduced development of the consumer credit market before the 1966 reform of the banking system
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