

Call for Sessions - WEHC 2015 [S20079]

Proposed title of the session

At the origins of consumer credit: pawn-broking in pre-industrial and developing societies. Economic concerns and moral connotations

Abstract

In most countries, including modern ones, poor households have little or no access to credit services due to a lack of creditworthiness. This hard reality is commonplace in pre-industrial and developing countries, since most of the population has to struggle to survive. The very uncertainties of life and family cycles are sources of vulnerability. When there is no immediate solution to low and irregular wages, debt can provide an important way out of temporary financial distress. Pawn-broking is a common method of raising money, and often it is the only one readily available to people from the lower rungs of the social ladder.

Pawnshops are ubiquitous and present a number of common features. Firstly, the diffusion of pawnshops is associated to the expansion of the monetary economy and the importance of this peculiar form of credit service is greater in pre-industrial and in developing economies in which they serve as a source of ready cash. Secondly, pawnshops deal with a wide array of items, providing a key service for the liquidation of capital tied up in goods. Thirdly, although pawnshops cater to a large clientele, they serve above all the working poor.

Pawn-broking activities share not only common features, they have raised everywhere similar ethical concerns as well. The dependence of lower income people on pawnshops can expose them to arbitrary treatment and to the strain of an ever renewed indebtedness. Public powers have regularly intervened to regulate this socially sensitive credit segment, trying to limit costs. Placing pawnshops under public control has been a common way of affording borrowers a degree of protection against inordinate charges.

The appearance of pawnshops in Medieval Europe represented the most successful attempt to formalize and institutionalize microcredit. Ethical and social concerns induced the townships of Renaissance Italy to promote community based credit bodies (Monti di piet ) to grant financially disenfranchised borrowers access to credit – at moderate costs - in exchange for the pawning of objects. These public pawn banks were a remarkable innovation, yet their diffusion was slow and in the main remained limited to Catholic countries (in Europe and Latin America). In other parts of the western world as well as in Asia more business-oriented forms of pawnbroking have thrived but attention to social and ethical concerns did not lag far behind and arrangements to limit charges followed suit.

In the main historians and economists have devoted limited attention to this early forms of consumer credit and comparative studies are nearly non-existent. We aim at documenting the working and economic relevance of different systems of pawn-broking in broad cultural and chronological terms. We aim at comparing and contrasting approaches, regulations and economic relevance in different societies. In particular we are interested to identify common features, to discuss to what extent ethical concerns and commercial motives were at odds and how they could be reconciled, to document how different public powers intervened to regulate this socially sensitive credit segment and to gauge the impact of legislation.

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