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French Credit Policies before 1945

I THE "SOCIALIZATION OF CREDIT" BEFORE THE WAR AND THE POPULAR FRONT

While the means of instituting credit as well as the authorities responsible for its institutionalization changed profoundly after World War II, the premises of the new interventionist system were present before the war. As has been demonstrated by the work of Claire Andrieu (1996), Bertrand Blancheton (2001), Patrice Baubeau (2004), Olivier Feiertag (2006b) and Michel Margairaz (1991, 2009a),[1] state intervention on the credit market increased following World War I and took on new proportions with the Popular Front.

During the nineteenth century, the Banque de France gradually established itself as a crucial actor on the credit market. A credit system still largely founded on personal and decentralized relationships at the beginning of the nineteenth century gradually evolved into a more harmonized system, symbolized by discounting and Banque de France supervision, notably through the role of the branches (Nishimura 1995; Lescure & Plessis 1999; Baubeau 2004; Bazot 2014). The state's role also increased with the creation of public and semi-public credit institutions. World War I saw the birth of the *Crédit Populaire* (cooperative banks) in 1917, the *Crédit*

[1] Several important books have also studied the implementation of banking laws, norms, policies and techniques establishing credit in France during the eighteenth and nineteenth centuries: Bertrand Gille (1959) on credit in the first half of the nineteenth century; Laurence Fontaine (2014) on credit directed at individuals under the Old Regime; Philip Hoffman, Gilles Postel-Vinay and Jean-Laurent Rosenthal (2000, 2018) on notarized credit and landed credit; and Patrice Baubeau (2004) on the discounting system through to World War II. Baubeau's work in particular studies the closely intertwined relationship between monetary policy and the establishment of the discounting system.

National in 1919, which was responsible for ensuring medium-term financing for postwar reconstruction, and the *Caisse Nationale de Crédit Agricole* (cooperative banks for agricultural credit) in 1920, which now stood alongside the *Caisse des Dépôts et Consignations* (large depository institution lending long term) and *Crédit Foncier* (mortgage lending), created respectively in 1816 and 1852, thus constituting a group of non-banking credit establishments specialized in particular types of financing. The creation of the *Caisse Nationale des Marchés de l'État* (whose main goal is to facilitate payments on account of public contracts) on August 19, 1936 also participated in this move toward public intervention in the credit market, which always increasingly took the form of a segmentation of the market.[2] These new credit resources were established in a legal framework that gave them a clear and precise function: "popular," "landed," etc. The creation of these "public" or "semi-public" credit institutions,[3] in contrast to the emergence of new banks and individual lenders, resulted on every occasion in innovation or a legal and financial expansion of credit's possibilities: for instance, the original goal of the Caisse Nationale des Marchés de l'État was to accept or to clear on the state's behalf bills of exchange or promissory notes issued by or subscribed to by purchasers on the supplies or labor market, while the state was not authorized to accept bills of exchange. The Crédit Foncier was, for its part, the only institution authorized to issue "mortgage bonds." To distinguish them from banks, these various organizations are commonly called "credit institutions." Their name indicates their purpose: to give a precise function to the credit with which they are supposed to supply the economy.

It should be recalled that prior to 1936, the arguments informing the creation of these institutions and monopolies primarily referred to national economic efficiency – from a Bonapartist or even Saint-Simonian spirit in the nineteenth century, in the name of national reconstruction after World War I – and not socialist ideals seeking to remove finance from the hands of private interests. The goal was to allow the development of medium- and

[2] A very useful presentation of these organizations written in English in the 1950s is available in Wilson (1957, ch. VII). Further references (in French) on their history are provided in the following footnotes and in Chapter 6.

[3] The term semi-public is used to refer to private organizations that are placed under the state's tutelage. Crédit Foncier and Crédit National belong to this category: they can issue shares and bonds on the financial market, but their director is named by the Finance Ministry. The Caisse des Dépôts and the Caisse Nationales des Marchés de l'État are public. Crédit Populaire is, for its part, a cooperative organization, the original legal form of which was defined by the 1917 law. The state supported the development of popular credit funds by granting them interest-free *amortissables* advances.

long-term credit in situations where the banking system had trouble doing so. As with the Banque de France, which at the time was a private institution, state centralism and the monopolism characteristic of public and semi-public credit institutions was tied to the preservation of the interests of financial capitalism represented by what was known as the *Haute Banque* and the "two hundred families."[4] The meaning of the words "public" and "national" arose from the ideas of nineteenth-century bourgeois and conservative France, which was perpetuated in part by the "synthesis" that was the Third Republic (Hoffmann 1963).

In the 1930s, on the contrary, numerous projects developed to institutionalize credit in new ways, notably through its "socialization," thus giving a new meaning to "nationalization." The first idea was not to nationalize the banking system as a whole but to make credit a national priority, notably by giving a greater role to the government and the Banque de France in credit allocation and control and in the development of a legal arsenal that would make it possible to free the credit supply from particular interests. Even if the terms of the "socialization of credit" are still vague and the object of many debates within planner and socialist circles, the idea caught on in the economic thinking of reformist currents during the 1930s (Lefranc 1966). Thus, at the congress of the French Section of the Workers' International (SFIO) in May 1934, the final motion, presented by Léon Blum, called for the "socialization of credit and insurance." Christian Pineau, who in 1945 would be the sponsor in the National Assembly of the law on nationalizing credit (Franck 1953), wrote in 1938 that the necessary financial measures should be taken to give credit the "place that it should occupy in the modern economy," replacing "the concept of risk with that of usefulness for the nation" (Pineau 1938, p. 91).[5] In 1936, before Pineau, and even before the Popular Front, André Philip and Albert Monceau proposed a number of reforms the goal of which was "to create a harmonious banking system, which, while respecting the fundamental distinction between short-term and long-term credit and leaving a maximum amount of freedom and

[4] These ties are made particularly evident and studied in detail in Michel Lescure's dissertation on the Crédit Foncier (1982). On the Caisse des Dépôts, see Aglan et al. (2003, 2011), and on the Crédit National, Baubeau et al. (1994). On the ties between the Banque de France, its private shareholders and the *Haute Banque*, see Plessis (1985), Stoskopf (2002) and Leclercq (2010) for the nineteenth century and Jeanneney (1976) for the interwar years.

[5] The role of Pineau and of prewar avant-garde currents can be found in Margairaz (2009a).

initiative, would allow the central bank to pursue an efficient course and to put credit institutions in the service of the collectivity of workers" (Philip & Monceau 1936, p. 100).

The Popular Front brought no radical change in the distribution of credit, and this was notably true because it failed to introduce banking legislation.[6] Yet it undertook a quasi-nationalization of the Banque de France, which consisted of requiring, in the statutes of July 24, 1936 (article 4), representatives of the "Nation's collective interests" and "economic and social interests" in the bank's General Council, which had hitherto been dominated by shareholders. Representation of these interests by members of corporate organizations (labor, artisans, farmers and so on) and by the heads of public and semi-public credit institutions marked an important change and launched a vision of how the general interest could be represented that would later be found in the law nationalizing credit following the Liberation.[7] This vision of national representation stemmed from the movement known as "republican corporatism," which developed during the 1920s.[8]

[6] This point is a matter of consensus among historians; see Andrieu (1991, p. 61) and Margairaz (1991).

[7] The primary change concerns the composition of the General Council. The bank's capital remained private but the 1936 law required that only two members of the Council be selected from among the shareholders. The others were named by the government or various state bodies: "nine representatives of economic and social interests, nine representatives of the collective interests of the Nation" (Article 9). Among the first nine, one was designated by the National Economic Council from among its vice-presidents; one was designated by the High Commission of Saving Banks from among its members; one was elected by secret ballot by the Banque de France's employees; six were chosen by the finance minister from lists presented by each of the following organizations: the National Federation of Consumers' Cooperatives, the General Labor Confederation, the Permanent Assembly of the Chairmen of Chambers of Agriculture and the commercial professions section of the National Economic Council.

The nine representatives of the nation's collective interests included, for its part, three representatives of the Finance, National Economy and Colonies ministers and six regular members: the president of the Finance Section of the Council of State; the director of the General Movement of Funds (the Treasury's predecessor); the General Director of the Caisse des Dépôts et Consignations; the Governor of the Crédit Foncier; the General Director of the Crédit National; and the General Director of the Caisse Nationale du Crédit Agricole.

[8] Republican corporatism was theorized in particular by Joseph Paul Boncour and proved influential in the creation, in 1924, of the National Economic Council, the ancestor to the Economic and Social Council (Margairaz & Rousso 1992, note 4; Chatriot 2003). On the importance and representation of intermediary bodies in French democracy, see Rosanvallon (1998, 2000).

The socialist Jules Moch, in his preface to Philip and Monceau's book (1936) on the nationalization of credit, had anticipated the difficulties that the Popular Front would encounter when he wrote in August 1935:

> the much-needed transformation of the banking system will occur at a time, which is perhaps not far away, but that we cannot predict precisely, and most importantly under technical conditions fatally influenced by considerations lying outside the problem that has been posed. We know simply that no unity or concentrated government will attack the very foundations of the regime from which it emanates: such a structural reform – which in present circumstances is urgent – can only be the achievement of socialist power or a Popular Front. But we do not know what kind of capitalist reactions will be triggered by such a mistrial succession … These reactions, as much as our own will, will determine our attitude. They can take such varied forms that a detailed nationalization plan risks addressing none of tomorrow's realities. (p. 13)

These declarations are important for understanding the postwar system, as Jules Moch and André Philip (as well as Christian Pineau), both of whom were convinced and influential planners, played a decisive role in the new economic and financial order that was established after the Liberation.[9] The former was Minister of Public Works and Transportation from 1945 to 1947, the latter, Minister of the National Economy and Finance from 1946 to 1947. The Liberation, even more than the Popular Front, finally gave these men the means to implement a program of nationalizing credit, which they had sought in the 1930s.

II THE BANKING LAWS OF 1941 AND THE VICHY TURNING-POINT

Yet it would be incomplete to suggest that the Liberation realized the Popular Front's ambitions without considering the important changes that the war and the Vichy regime brought to the banking system and the state's role. Though the Economic and Social Charter of the National Resistance Council (*Conseil National de la Résistance*, or CNR) of March 15, 1944, the Provisional Government of the French Republic (*Gouvernement provisoire de la République française*, or GPRF), which lasted from June 3, 1944 to October 27, 1946, and finally the Fourth Republic obviously wanted to break with the political legacy and organizing economic principles of the Vichy regime, it cannot be denied that the latter brought about significant

[9] "Placed on the desk of the Constitutional [Assembly] in November 1945, Philip's proposal to socialize credit borrowed word for word from the project that Christian Pineau had, in October 1938, published in the journal *Banque et Bourse*" (Andrieu 1991, p. 13).

administrative and legal changes in the realm of credit, which the new government did not abandon at the Liberation. Historical studies have shown that the CNR and then De Gaulle's political strategy sought, in the name of national reconciliation, to disconnect the "state" from "Vichy," rejecting the latter while basing itself on the former, notably by preserving much of the existing bureaucracy (Paxton 1972; Margairaz 2009b).

The "nationalization of credit," desired by the planners and widely supported by the National Resistance Council, acknowledged in practice the reform of the banking system undertaken by the Vichy regime during the Occupation. The new banking laws, conceived by the banker Henri Ardant[10] and adopted in June 1941, organized the banking profession, first by providing a legal definition of banks and creating the category of "financial institution," second by creating organizations for regulating and supervising banks. The first measure defined banks as "companies or institutions whose regular occupation it is to receive from the public, in the form of deposits or through other means, funds that they use for their own activities, for discounting operations, credit operations, or financial operations" (article 1) and distinguished them from financial institutions by forbidding "companies other than banks from receiving from the public deposits of funds withdrawable upon demand or in less than two years" (article 3), thus following the examples of Belgium, Italy and Germany in 1934. The second measure created the Professional Association of Banks, the Permanent Committee on Banks (*Comité permanent des banques*) and the Bank Control Commission (*Commission de contrôle des banques*), consisting of bankers representing their peers.

As the historian Claire Andrieu points out, "the measures adopted in 1941 had to a large extent been advocated by the Popular Front government. Moreover, the reform was, unprecedentedly, undertaken by the very people who had successfully fought it in 1936–1938" (Andrieu 1991, p. 11) – that is, by representatives of the primary banking institutions and particularly Henri Ardant. Yet, to grasp this paradox, it is first necessary to understand that the 1941 reform cannot be considered a genuine "application" of the program of the Popular Front as the principle guiding the new regulation is not that of the socialization of credit "in the service of the collectivity of workers" or the nation, but the organization of a corporatist approach to

[10] Former finance inspector, general director of the Société Générale from 1940 to 1944 and vice-president of the bankers' union, Ardant established himself by 1936 as representative of the banks and a defender of corporatism. He deeply opposed his brother, Gabriel Ardant, who was a planner and adviser to Pierre Mendès-France (Andrieu 1983, p. 387). Though he was not found guilty at the Liberation, he was forced to resign from his position. After the war, Ardant wrote textbooks on banking techniques (Ardant 1953, 1954).

credit management by the workers themselves. The goal of these laws was as much to prevent German occupation forces from completely reorganizing the French banking system as it was to protect to establish a corporatist system that would protect the profession' interests (Andrieu 1991, p. 231). This did not prevent French banks from being made to help finance the occupation and payments to Germany (Margairaz 2009a).

An abundant historical literature has already studied the continuity between Vichy's institutions and policies and those implemented at the Liberation (Paxton 1972; Kuisel 1981; Margairaz 1991, 2009b; Margairaz & Rousso 1992; Chapman 2018).[11] In many domains, as Philip Nord in particular has shown (2010) in the case of demography and education, the roots of these policies common to these radically different regimes can be found in the 1930s. This was also the case for the national statistical system, which was begun under Vichy with the National Statistics Service and resulted in the creation of the INSEE (*Institut national de la statistique et des études économiques*, or National Institute for Statistics and Economic Studies) in 1946 and, in the domain of banking statistics, the Central Risk Service (*Service central des risques*), which was created following the 1941 laws and became increasingly important after the Liberation. These two organizations became crucial for the CGP and credit policy.

While the continuity between the 1930s, the Vichy regime and the Liberation's policies cannot be denied, the differences between them need to be examined carefully, as Margairaz and Rousso (1992) do in the case of industrial policy. Specifically, we need to analyze how a single legal framework and economic policies that, at first blush, seem similar can acquire different meanings and objectives. In the context of banking legislation, we will see how the "nationalization of credit" in 1945, which established national and social economic priorities as allocation criteria, based itself on 1941 laws that had originally instituted credit in a purely corporatist manner as part of Vichy's "National Revolution."

[11] A recent and rather comprehensive literature review in French is provided in Grenard et al. (2017).