UMEÅ UNIVERSITET

RIKSBANKENS JUBILEUMSFOND
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Informal Financial Markets:

Now and Then

From pre-banking to Bitcoins

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Umeå University

Informal Financial Markets: Now and Then
From Pre-Banking to Bitcoins

Program

Umeå University, Sweden
January 21-23, 2020

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Tuesday, 21 January 2020

16:00 –16:30	**Welcome**	**P5 Konferens Väven**
16:30 – 17:45	**Keynote** Caroline Shenaz Hossein (York University, Toronto) *The Black Banker Ladies: vanguards of the social and solidarity economy, mutual aid & rotating savings and credit associations*	
17:45 – 18:45	**Buffet and refreshments**	
18:45 – 20:00	**Screening** *"Who runs the world?!" women and informal finances in South Africa.* Documentary, directed by Marie-Lise Perrin Followed by a roundtable discussion Unathi Kolanisi (University of Zululand), Ishmael Iwara (University of Venda), Andile Mthembu (University of Zululand), Igor Martins (Lund University), and Elise Dermineur (Umeå University)	

Wednesday, 22 January 2020

09:30 – 10:00	**Coffee served**	**Folketshus**
10:00 – 10:30	**Welcome and Introduction**	
10:30 – 12:00	**Informal Credit Markets: communities and social networks** *Financial linkages and savings groups: a comparative analysis* Bert d'Espallier (KU Leuven) *TBA* Kristin Seefeldt (University of Michigan) *The visibility and abstraction of money and finance in South Africa* Erik Bähre (Leiden University)	
12:00 – 13:00	**Lunch**	Folketshus
13:00 – 14:30	**Informal Financial Markets: indebtedness and poverty** *Informal credit markets and poverty alleviation in 18th century Europe* Laurence Fontaine (EHESS, Paris) *From informal moneylenders to formal debt collectors: spiralling indebtedness of low-income households in rural Hungary* Judit Durst (University College London) *Cities, citizens, and their creditors. Markets for public debt in late-medieval Europe* Jaco Zuijderduijn (Lund University)	
14:30 – 15:00	**Coffee break**	
15:00 – 16:30	**Women and Informal Finances: now and then**	

	The role of informal finance, formal finance, financial technology (fintech) on women's economic empowerment Abbi M. Kedir (University of Sheffield) *Barriers to borrowing? Gender inequality in peer-to-peer lending in the late medieval Low Countries* Andrea Bardyn (University of Leuven)	
18:30	**Dinner**	**Restaurant Rex**

Thursday, 23 January 2020

09:30 – 10:00	**Coffee served**	**Folketshus**
10:00 – 12:00	**Financialization, Trust and Moral Economies in Informal Markets** *Generating volatility: informal finance in Paraguayan insurance markets* Caroline Schuster (Australian National University) *Non-intermediated credit markets and the moral economy* Elise Dermineur (Umeå University) and Yane Svetiev (University of Sydney and Bocconi University) *Bill of exchange as a de-personalizer of the credit markets? Evidence from a late-comer country* Riina Turunen (University of Jyväskylä) *Call it a loan: exploring the formal and informal credit markets in the Netherlands in 1921* Ruben Peeters and Amaury De Vick (Utrecht University)	
12:00 – 13:00	**Lunch**	**Folketshus**
13:00 – 14:30	**Bitcoins, Blockchains, Cash, Technology and Informal Credit Markets**	

	What traditional indo-pacific 'currencies' can tell us about modern financial systems Scott Fitzpatrick (University of Oregon) *African informal 'sharing economies' and the advent of the digital age* Daivi Rodima-Taylor (Boston University) *Anti-cash policies, and informalities* Jean Michel Servet (Graduate Institute) and Solène Morvant-Roux (University of Geneva)	
14:30 – 15:00	**Coffee break**	
15:00 – 16:30	**Bitcoins, Blockchains, Cash, Technology and Informal Credit Markets (II)** *Banking on digital money: Swedish cashlessness and the fraying currency Tether* Gustav Peebles (The New School for Social Research) *TBA* Ludovic Desmedt (Université de Bourgogne) *Bitcoins left and right* Joakim Sandberg (University of Gothenburg)	

Keynote

The Black Banker Ladies: vanguards of the social and solidarity economy, mutual aid & rotating savings and credit associations

Caroline Shenaz Hossein, Associate Professor, Department of Social Science, York University, Toronto

Black and racialized women known as the Banker Ladies engage in a social and solidarity economy through a specific form of it known as mutual aid—formally referred to as Rotating Savings and Credit Associations (ROSCAs)—to meet their livelihood and social needs. ROSCAs are an ancient form of banking groups that fall under the category of mutual aid groups, which are cooperatively organized and members decide on the rules and make regular contributions to a fund that is given in whole or in part to each member in turn. The voices of hundreds of Banker Ladies educate us about how they contribute to social economics. They are the vanguards of mutual aid and economic cooperation. What is most impressive is that they do not compete for attention about how they make finance inclusive; instead, they quietly set out to pragmatically do the work. They collect monies in their locales through comradery, democratic systems, and trust networks often in communities where outsiders imagine that this sort of banking would not be possible. The Black Banker Ladies continue an ancient banking practice that they have seen done before them and they help others replicate and strengthen mutual aid, and economic cooperation in communities worldwide.

Abstracts

Bert D'Espallier, KU Leuven
Financial linkages and savings groups: a comparative analysis
(with Linda Nakato, and Roy Mersland)

Savings groups are typically found in rural areas in Africa consisting of around 20 members pooling savings and providing loans within their memberships. We investigate the influence that linkages with formal financial institutions have on the financial performance of savings groups. Applying a difference-in-differences methodology to a matched sample of data on 3,614 savings groups from 32 countries, we find that linkage through savings significantly increases the groups' financial performance in terms of savings per member and the return on savings but reduces the fund utilization rate. By contrast, linkages through credit negatively affect the financial performance of savings groups as evidenced by the reduced savings per member and return on savings. The findings are of relevance for international development organizations, policymakers and banks currently recommending bank linkage for savings groups.

TBA
Kristin Seefeldt (University of Michigan)

Erik Bähre, Leiden University
The visibility and abstraction of money and finance in South Africa

This contribution examines how, at some moments, money is socialised but is taken out of social contexts at other moments. During ritual or public events, such as funerals and ROSCA meetings, people demonstrate how much they give and accumulate. Money then becomes a symbol for social identities, respectability as well as power inequalities. At other moments people make money invisible by hiding cash; circulating money in secretive networks; opening bank accounts; or purchasing financial products. Based on extensive fieldwork as well as survey research among Africans living in the townships of Cape Town, I explore why people make money visible and invisible and which networks, institutions and technologies they use for doing so.

Laurence Fontaine, EHESS
Could informal markets alleviate poverty in 18th century France?

I shall first examine the reasons of their existence and try to evaluate their size. Then I will look into their organization, paying attention to the different actors involved, to their social status as well as to their gender. I will also question the politics of the authorities and their repercussions on the informal markets. In conclusion, I will tackle the question of their ability to alleviate poverty.

Judit Durst, University College London
From informal moneylenders to formal debt collectors: spiralling indebtedness of low-income households in rural Hungary

Drawing on long-term ethnographic fieldwork in an economically disadvantaged rural region of North Hungary, I explore the financial portfolios and debt relations of the poor in two settlements in rural Hungary. I attempt to show how different forms of debt (formal and informal) are used, perceived, and valued; what kinds of different meanings are attached to them and how they interrelate to each other. I will show how debt and housing are connected, and how debt service creates a vehicle for financial extraction from low-income households. By analysing the juggling of the poor with income scarcity, I shed light on the role of informal moneylending and that of formal debt collectors in this process.

Jaco Zuijderduijn, Lund University
Cities, citizens, and their creditors. Markets for public debt in late-medieval Europe

Financial markets should help to move savings from creditors to debtors. They should also enable lending, even in cases where there is a considerable physical distance between creditors and debtors these are not under the same body of law, or do not have a strong personal relationship. This paper focuses on markets for public debt in the urban belt of Europe in the later Middle Ages. Cities in the Low Countries, the Holy Roman Empire, and Switzerland were successful in borrowing large sums from foreigners. The latter invested in the public debt of distant cities of which they were not citizens. Our comparative approach reveals foreigners were among the most important investors in public debt and were willing to do so at relatively low interest rates, which suggests they trusted cities as much as they would any other debtor. We argue this cannot explained by David Stasavage's 2011 hypothesis that small polities borrowed against low interest rates because they offered their lenders a say in government, and hence decision making about interest payments on public debt: non-citizens had zero say in the debtor-cities' public spending. Rather, we suggest other mechanisms allowing for foreign investment in public debt, such as the community responsibility system, which allowed debtors to seek compensation with any citizen of the debtor city.

Abbi M. Kedir, University of Sheffield
The role of informal finance, formal finance, financial technology (fintech) on women's economic empowerment

We explore how access to finance (formal finance, informal finance and mobile money) impacted private sector development via entrepreneurship, disaggregating our analysis by gender using evidence from Burkina Faso's Finscope Consumer Survey of 2016 on 5,066 individuals drawn both from rural and urban Burkina Faso. The country is one of the countries in Africa with a fast growth of mobile money transaction (fintech) adoption and hence our choice*. Our work is to understand the demand side of financial inclusion in Burkina Faso. We investigate the role of disruptive fintech (financial technology) in the process by focusing on mobile money transactions and use of this ICT enabled payment and deposit system, which took off in the country in 2012. We also investigate the relative importance of informal finance (e.g. savings through Rotating Savings and Credit associations—ROSCAs). Looking at the role of digital money on entrepreneurship matters greatly because self-employment is a sustainable route out of poverty and economic empowerment. Access and use of finance facilitate the transition to secure livelihoods via the establishment of entrepreneurial ventures that might help job creation for others. Beyond the role of traditional formal and informal finance access and usage indicators, we will investigate whether the latest rapid expansion in financial technology plays a role in increasing the probability of entrepreneurship. Regardless of its scale, running enterprises makes an important contribution for households with limited means of livelihood. Guaranteed access and use of finance greatly help that process and we examine whether formal finance, informal finance and fintech lead to self-employment or entrepreneurship among the adult population in Burkina Faso.

* This study is part of our region wide study on the role of financial technology on financial inclusion. A future work will involve exploring similar issues in Benin, Cameroon and Togo which have completed FinScope Consumer Survey data.

Andrea Bardyn, University of Leuven

Barriers to borrowing? Gender inequality in peer-to-peer lending in the late medieval Low Countries

The ability of women to access credit is widely considered a crucial aspect of their economic agency (Yunus 2008). Historians and economists alike have argued that being able to borrow money not only improves women's position in society but also benefits economic development in general. Nevertheless, empirical studies on gendered participation in medieval financial markets remain scarce. This paper addresses this issue through a study of two cities in the late medieval Low Countries. Considered one of the leading regions in the 'little divergence' (Van Zanden 2009) and the premier region in the development of the European Marriage Pattern during the Late Middle Ages (De Moor and Van Zanden 2010), this case is of particular importance to the debates on the historical connections between women's involvement in financial markets and economic development.

This paper investigates gendered barriers to borrowing in peer-to-peer lending networks through a case study of two cities in the former duchy of Brabant: fifteenth-century Antwerp and Leuven. These cities had opposite economic trajectories during the Late Middle Ages, thereby allowing the exploration of gender inequality in growing and shrinking markets. As banks did not exist in these cities, men and women resorted to private lenders in order to obtain credit. To do so, they could make use of various financial instruments, from short-term uncollateralized loans to long-term loans secured by real estate. Verbal, unregistered, agreements have unfortunately rarely left a trace for the medieval historian, but many people registered their loans before local authorities in aldermen's registers. By studying the thousands of loans preserved in these registers, this paper will compare the position of male and female borrowers in peer-to-peer lending in late medieval cities. In doing so, it aims to understand how economic change, gender, and different degrees of formalization affected women's access to credit.

Caroline Schuster, Australian National University
Generating volatility: informal finance in Paraguayan insurance markets

Insurance bears all of the hallmarks of financialization: links to global pools of capital through reinsurance markets, quantification through data science and actuarial modelling, securitization through the production of new asset classes. But how complete is the process of absorbing risk into formal financial systems? How are uninsured risks allocated, and to whom? Drawing on ethnographic research in Paraguayan "micro-insurance" markets, targeted at its most vulnerable citizens, this talk suggests that while financial markets seek to convert diverse areas of life into objects of speculation, they have the paradoxical effect of expanding informal systems of risk management. I argue that the social management of volatility, and its leveraging of assets of all sorts, makes explicit the new forms of collectivity and cohesion at the heart of insurance.

Elise M. Dermineur Reuterswärd and Yane Svetiev, Umeå University and School of Law, University of Sydney/Department of Legal Studies, Bocconi

This paper provides a cross-disciplinary contribution on the related topics of the moral economy and the process of financialization. By financialization we mean the notion that the growth of financial intermediation means that the financial sector becomes disembedded and disconnected from the real economy through (i) formalization (via reliance on formal instruments and enforcement) at the expense of economic relationships underpinned by trust and, by corollary, (ii) the growing use of novel financial instruments. A key purpose of the financial sector is to facilitate the provision of credit in the economy precisely by enabling transactions and innovating mechanisms for ensuring cooperation and maintaining trust. At the same time, this intermediation role in itself creates agency problems, whereby actors involved in the intermediation process pursue their own self-interest, which is not necessarily congruent to either of the transacting parties in the credit relationship. As a result, the disconnection between the financial sector and the "economy" occurs through two channels: the growing reliance on more formal impersonal mechanisms of trust and the possibility for financial sector actors to pursue their own interests over those of the parties to a credit relationship. Technology (such as information technology) can contribute to the process of disembedding because it can facilitate innovative financial products, which can fuel both channels described above.

Riina Turunen, University of Jyväskylä
Bill of exchange as a de-personalizer of the credit markets? Evidence from a late-comer country

In deeply agrarian, poor and peripheral Finland credit markets started to modernize and de-personalize late in comparison to more central areas of Europe. My paper studies the shift from personalized to de-personalized credit markets in this late-comer country. My focus is especially on the type of credit, namely bill of exchange and its moving from its original usage as a payment method in international trade into domestic credit markets (see e.g. Ashton 1945; Denzel 2008). This occurred in Finland after the birth of commercial banks in the 1860s. These banks immediately started to discount the bills of exchange and based the majority of their lending on them. Soon more than half of the banks' lending was given in bills. I argue that this shift was an important factor in moving from personalized to de-personalized exchange. This was because a credit relationship could easily subside into a credit relationship with a stranger, as a bill of exchange was easily transferrable to a third or even a fourth party. The banks preferred lending in bills of exchange because they were short-term and secured by a strict legislation. Thus, it was less risky. Additionally, I ask in my paper what kind of consequences did this shift in the domestic credit market have on the economy and society. In this sense, my focus is especially directed to bankruptcies. The evidence from bankruptcies gives reason to make a preliminary argument that the widespread usage of the domestic bills of exchange was one of the factors causing more insolvency in Finnish society than before. Partly this resulted from the fact that the methods for gaining fast and accurate information on a borrower's solvency did not evolve parallel with these new, more de-personalized and short-term methods of lending. As credit information agencies and financial newspapers (see e.g. Olegario 2006) were born only in the early 20th century in Finland, the late 19th century was the period of the collision of the old institutional and social settings of credit markets and new forms of credit.

Ruben Peeters and Amaury de Vick, Utrecht University
Call it a loan: exploring the formal and informal credit markets in the Netherlands in 1921

This paper investigates the formal and informal credit markets in the Netherlands in 1921. We use a novel dataset of 2,200 individual death duties (a full listing of personal assets with the goal to levy inheritance taxation) to estimate the size of the informal, non-notarized credit market in the early 20th century and compare this to the more formalized notarized and banking credit market.
Using information about the claims and liabilities listed in the death duties, we explore how these markets operated: What was their relative size? What were their similarities and differences? When did people prefer the additional security of notaries or banks, or when did they transact directly and with whom? Lastly, we look at how individuals' lending and borrowing behavior correlated with their individual characteristics (i.e. gender, age, place of birth, place of residence, profession, marital status) and their overall investment portfolio.

Scott M. Fitzpatrick (with Stephen McKeon), University of Oregon
What traditional Indo-Pacific 'currencies' can tell us about modern financial systems

Prior to the development and use of state-sponsored currencies, peoples around the world used a variety of objects made from stone, shell, and other materials as mediums of exchange. While these exchange valuables were not currency in the strict sense, the premises under which they were assigned value and transferred between users has corollaries to modern financial systems. In this paper we discuss several cases in the Indo-Pacific where traditional resources figured prominently in social interactions and were the basis for important and long-lasting economic exchanges. The differential acquisition of these objects often led to an increase in status for specific individuals (typically chiefs), accumulation of wealth, and consolidation of power. In particular, we highlight the case of Palauan bead money (*udoud*) and Yapese stone money, which is one of the most famous examples of 'currency' and exchange in the Pacific. Archaeological, ethnographic, and ethnohistorical evidence provide a rich foundation for examining when and how the carving of these massive limestone disks took place and the systems of interaction that occurred between several culturally and linguistically distinct groups in western Micronesia. The processes involved in manufacturing, moving, and exchanging these disks and other valuables, along with information about how their value was assigned, in many ways is analogous to modern financial systems involving cryptocurrencies and blockchain technology that track ownership and transactions in a transparent public ledger. A key component was the Yapese maintenance of an oral ledger used in stone money transactions while the Bitcoin network instead tracks movements of value in a public digital ledger.

Joakim Sandberg, University of Gothenburg
Bitcoins left and right

Bitcoin is a new form of digital money that is not tied to a central bank or government. This presentation is among the first to discuss the justification of such money from a moral and political perspective. We note that the Bitcoin movement to a large extent has been driven by a libertarian framework (the political right), stressing the right of individuals to choose their own means of transaction without government interference or oversight. But we argue that the libertarian case is ultimately unconvincing. A better case for Bitcoin can be formulated by using an egalitarian framework (the political left), more specifically concerns about unequal distribution of power and resources. In the end, however, we argue that the justification must also depend on the political and economic context, and this seems to speak against the use of Bitcoin in reasonably well-ordered societies.

Gustav Peebles, The New School for Social Research
Banking on digital money: Swedish cashlessness and The fraying currency Tether

As cash has suddenly gone missing from Swedish life, a growing range of citizens and institutions have sounded the alarm that its disappearance threatens not only cherished egalitarian values, but even the capacity of the state to deliver and monitor a standard payments infrastructure. Across the world, national currencies—public goods that emerged out of a previous era of currency proliferation—are now competing with private alternatives. As paper and coins fall into disuse, the funding structure that supports these public goods could potentially wither away, while their capacity to bind together states and citizens diminishes in equal measure. The Swedish central bank's response to these threats, which includes issuing the world's first national digital currency, charts a course that all central banks must consider in the near future.

Daivi Rodima-Taylor, Boston University
African informal 'sharing economies' and the advent of the digital age

The advent of the 'fintech age' signifies a time of rapid evolution of new financial technologies and markets worldwide. Drawing on advances in information and communication technologies, fintech initiatives in the Global South often build on interpersonal patterns of mutuality, fostering and capturing diverse 'sharing economies' and bringing the affective into the domain of formal finance. The interaction of local informal institutions and norms with the digital initiatives of formal finance is particularly pronounced in the Global South, but these dynamics are also vastly underexplored. The paper argues that the ever-expansive fintech endeavors in the remittances space tend to overlook how their efforts are mediated and adapted by local gatekeepers who mitigate diverse risks of money transfer, and direct the new resources into socially acceptable pathways and gendered circuits. It contends that in African societies, the role of marking and channeling novel resources has long been performed by informal mutual support groups that historically played a central role in mediating the entry of cash in local economies, and are important actors in channeling e-money in modern-day mobile money systems. The paper examines informal groups in East Africa that emerged in the distant past for sharing agricultural labor, and became effective mediators of cash within the expanding money economy by drawing on cultural patterns of mutuality. It explores the continued importance of such local informal 'sharing economies' in Africa in channeling money flows, obligations and debts in the contexts of proliferating fintech initiatives involving electronic and digital currencies, while highlighting the highly relational and situated dimensions of the contemporary digital payment infrastructures.

Jean-Michel Servet and Solène Morvan-Roux, Graduate Institute Geneva
Anti-cash policies, and informalities

A growing number of public authorities claim to fight against informality by the forthcoming elimination of cash. The article will show, based on examples from India and Europe, the error of the diagnosis, and the limits and the dangers of these policies.

Ludovic Desmedt, TBA

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