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The state and credit policies: From the 19th century till present

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1. Introduction

In various disciplines (sociology, political science, political economy and economic history) we are witnessing a rapid development of research on the role of the state in the development and allocation of credit. This renewed interest is driven by both the criticisms of financial markets following the 2008 crisis and the growing sense of the need for strong state involvement in financing the ecological transition[1]. Most of this new literature is therefore explicitly normative, sometimes starting from a sociological or economic analysis of current policies. Its normative aim is to define the role of the state today from the perspective of what Hockett and Omarova (2015) call the «developmental finance state».

Many of these works make reference to history, but often only as a vague allusion to a pre-neoliberal golden age when state credit actions would have been more vigorous and coherent, and not contaminated by «financialization». A smaller number of studies have undertaken a historical analysis of active state

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[1] Hockett e Omarova (2015), Monnet (2018a), Baer *et al*. (2021), Bezemer *et al*. (2021), Mertens *et al*. (2021) – among many others explicitly link the renewed interest in credit policy to the critique of the ability of private financial markets to allocate capital for the common good, both in terms of financial stability and long-term financing compatible with environmental sustainability.

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credit policies, using a variety of methods from both historical sociology and quantitative economic history e.g., Park (2011) on Japan, Monnet (2018) on France and Quinn (2019) on the US. In this historical perspective, financial instruments and the financialization of public investment hardly seem new, but a set of techniques that has accompanied different regimes. While financial instruments and techniques are not new, their scope and, more importantly, the objectives of credit policies have evolved considerably over time. This short essay aims to review this interdisciplinary literature, explain its relationship to previous studies on similar topics, and highlight some of the key questions it raises for further research. My attempts to characterize different historical regimes of credit policy remain very preliminary and incomplete; they should be read only as the first steps in a more ambitious and collective research project. The historical literature on state credit policies remains fragmented. Studies come from different methodological traditions and do not cite each other; they rarely refer to the more recent – including normative – literature on credit policy. This is true for the three books aforementioned that consider credit policy as a global and coherent policy of the state (involving several institutions and administrations), as well as for the many studies that focus on a particular aspect of state intervention in financial markets in history (see for example Freund (2010), Amaral (2013), Cerretano (2013), Rota (2013), Bignon *et al.* (2015), Lehmann-Hasemeyer and Wahl (2021), Blackwell and Kohl (2018), etc.). Despite this fragmentation, one can easily highlight common contributions of these recent studies. Firstly, they show that state intervention in the financial field is more pervasive than one might think at first sight, even in capitalist societies that erected the free market as an economic and social model. Secondly, state intervention in the financial sphere is not limited to financial regulation and public investment. State intervention through other means than regulatory and budgetary ones (e.g. credit guarantees, incentives, market construction or taxonomy) is often not a minor complement to the latter but rather a substitute. As a credit policy does not go through the budget and legal changes, it offers much more flexibility and discretion, but it often remains below the radar. Highlighting the complexity and multiplicity of state interventions is thus what makes it possible to show its importance, well beyond what appears in the law or the Treasury budget.

Thirdly, the recognition of the importance of the state in the construction of markets and the allocation of credit has also enabled researchers to show that processes of state withdrawal and financial market liberalisation had their source within the state itself (and were conceived as a financial policy as such). This work is in line with the findings of Krippner (2011) who shows that the financial deregulation of the 1970s and 1980s was organised within the government in order to limit the responsibility of the state for the crisis, and to find market solutions to the problems faced by the public credit administration.

It is important to note for what follows that the historical literature I discuss here focuses mainly on countries that have achieved the highest level of per capita wealth and have mostly enjoyed economic and financial sovereignty (the «Global North»). Although there are similarities in the development of the financial role of the state, the problems are different in countries where the dependence on foreign capital has been or is stronger and where some of the financial institutions and government policies have been forged by direct interventions from other countries or international institutions (Amsden 2001).

To simplify matters a little, the evolution of the literature on credit policy and its history over the last 30 years can be described as a history of divergence and then reconvergence between political science and financial history. With the notable exception of Verdier (2002) most comparative studies about financial systems in political science in the 1990s and early 2000s paid less attention to history (compared to previous works that has followed the tradition of Alexander Gerschenkron). The nexus between state and finance was nevertheless not abandoned as a matter of study, and this culminated in the scholarship on the political roots of financialization (e.g., Krippner 2011). At the same time, the financial historians did extensive work on past financial systems mostly through the perspective of the finance-growth nexus (which became the main interest of economists in the 1990s, following a «Schumpeterian» perspective e.g., King and Levine 1993). Conclusions about the causal link between financial development and economic growth remain elusive, but – at its best – this literature reached important findings that shed a new light on the variety of financial institutions and overcome the traditional distinction between bank-based and market-based financial system (Hoffman *et al.* 2000; Cull *et al.* 2006; Fohlin 2011). The role of the state was nevertheless left aside, before being recently rediscoved by scholars. We can view the new literature on the history of credit policies that has emerged in the 2010s as the convergence of these two branches in political science and financial history. It puts the state back at the center of the functioning of the financial system by studying the multiplicity of its historical interventions and its instruments, well beyond a simple support to large universal banks in a bank-based system.

I highlight three questions that arise from the historical literature and that remain unresolved, thus calling for new research. The first question concerns the means available to the state to ensure that credit policy serves public objectives and does not benefit a small number of private or public actors. This classical question is posed in a new way, since historical research has shown that the role of the state was rarely limited to direct investments, but involved a complex system of guarantees or implicit subsidies, which is now called «derisking» by financial investors and academics alike (Gabor 2021). History clearly shows that derisking is not new, and that it has existed both in periods of low state power in the allocation of credit (and generally considered the heyday of classical liberalism, such as the 19th century) and in periods of high state intervention, such as the two or three decades following the Second World War. Thus, guaranteeing private securities, providing extensive liquidity to the private sector, or securitisation are not financial techniques exclusively associated with market liberalism. What is peculiar to current market liberalism is the fact that the state control associated with these financial techniques is weaker, both on the final use of the funds and on the private profits that can be made from the state guarantees. There is also a stark difference between state-guarantees in the 19th liberal era and today: while the first were aimed at selling safer bonds to the general public, the current ones are designed to involve private institutional investors in the financing and management of public-private partnerships. The financial role and power of intermediaries has thus increased.

I will then raise more quickly two additional questions posed by recent economic history work on which I believe it is important to develop further research at the crossroads of history and political sciences: the question of the possible «political lightness» and «ideological lightness» of credit raised by Quinn (2019) and the question of the link between domestic credit policy and international political economy (Monnet 2018b).

Credit policy is considered politically light from the state's point of view, as the use of public banks or state guarantee is a way to subsidize and direct private investment without resorting to public investment and the state budget. It may also sound ideologically light because such mechanisms can reconcile and align the interests of industrial policy advocates and private financial institutions. But at the same time, credit and the organization of the financial system can be the object of major struggles and reforms. The fact that credit is a substitute for taxation does not necessarily mean that it is absent from all social struggles, political debates or democratic control.

Reconciling international political economy (IPE) with credit policy involves, I believe, first considering how the standard IPE framework mistakenly confuses the effect of capital controls with credit policy. This has led scholars to focus on capital controls to explain the autonomy of domestic monetary or fiscal policy, while overlooking the fact that these controls are often designed to reinforce credit policy[2].

2. Beyond the bank-based vs. market-based distinction

Consideration of the role of the state in the development and allocation of credit is obviously not new. Alexander Gerschenkron's 1962 book, *Economic backwardness in historical perspective*, remains a standard reference in this area. It emphasised the role of the state in the economic development of Italy, Russia and Central Europe in the 19th century. Gerschenkron's analysis of the financial system, however, is very short (much shorter than the sections devoted to Russian literature in his book) and focuses solely on the positive role of the state-supported cartelisation of German and Italian banks for industrialisation. Gerschenkron's work nevertheless served as a reference for a whole literature in economic history and political science that

[2] A previous attempt to reconcile the IPE literature and credit policy was the book of Loriaux (1991).

has turned to an analysis of the driving role of the state in economic and financial development with the aim of nuancing or attacking head-on the dominant narrative of the inexorable rise of the free market. Geschenkron's ambition to relativise what would be a single model of development has therefore strongly influenced this approach[3].

Shortly afterwards, in the 1960s, the works of Shonfield (1965) on the variety of capitalism or those of Goldsmith (1969) on the comparison of models of financial development continued this path and showed in various ways the importance of financing that was not governed by financial markets, as well as the diversity of financial systems and state involvement in them (see also Kindleberger 1987).

In political science, Geschenkron's perspective on the link between the state and finance was notably taken up by John Zysman's work on the comparison of industrial and financial policies after 1945. Zysman (1983) insisted on three points that have influenced the literature: first, the variety of models (in the tradition of Shonfield and in prefiguration of the literature on the «variety of capitalisms»); second, the importance of a state credit policy as a fundamental element of industrial policy («Selective credit allocation is the single discretion necessary to all state-led industrial strategies» p. 76); and third, the substitution between budgetary and fiscal policy and credit policy, the latter offering more flexibility (discretion) to the state administration.

Zysman's comparative and macro-history perspective was notably followed by Verdier (2002) who links the degree of state intervention in credit allocation to the degree of state centralisation, and not only to the structure of the financial system or the ideology of governments. A key feature of the Gerschenkron-Zysman perspective (followed by the variety of capitalism literature) is that it partly equates the degree of state intervention with the distinction between bank-based financial system and market-based financial system. According to this approach, banks are more connected to states – and the lat-

[3] In his words: «A journey through the last century may, by destroying what Bertrand Russell once called the "dogmatism of the untraveled", help in formulating a broader and more enlightened view of the pertinent problems and in replacing the absolute notions of what is "right" and what is "wrong" by a more flexible and relativistic approach» (Geschenkron 1962, p. 27).

ters can more easily influence them in various ways, and are, therefore, seen as an alternative to markets. The state-bank connections refer to large universal banks along the lines of the German and Japanese models or – often less explicitly – development banks. From this perspective, many works in political science have also studied the end of credit policies and their confrontation with the financial liberalisation of the 1980s and 1990s (e.g., Loriaux *et al.* 1997; Verdier 2002).

While the Gerschenkron-Zysman perspective was mainly focused on the European economies, the United States and Japan, the work of Robert Wade and Alice Amsden in the 1990s shifted the focus to emerging countries. They studied state intervention in the financial system and industrial policy through the prism of the developmental state. Cole and Park's (1983) book on South Korea was a notable precedent. As Amsden (2001) writes: «The developmental state was predicated on performing four functions: development banking, local-content management, "selective seclusion" (opening some markets to foreign transactions and keeping others closed); and national firm formation» (p. 125). The perspective opened by Amsden continues to be exploited and influences, among other things, the current resurgence of research on the role of development banks and state-owned enterprises (Musacchio and Lazzarini 2014; Griffith-Jones and Ocampo 2018; Mertens *et al.* 2021).

In addition to the geographical decentring, Amsden's perspective also contributed to breaking out of the bank-based vs. market-based financial systems dichotomy that was at the same time increasingly criticized by financial historians, including as a historical analytical grid (see Cull *et al.* 2006; Fohlin 2011, Monnet and Velde 2021 for surveys). For example, in the passage above, Amsden highlights development banks and state-owned enterprises – two types of institutions that are not limited to «The Rest» (i.e., Global South) but also had a key historical role in many countries of the Global North, in Europe and Asia. These institutions, whose proximity to the state apparatus is not in doubt, are often financed by bonds issued on the markets (the operation of which may be strongly controlled by the state). The mere recognition of their centrality renders the distinction between bank-based and market-based financial systems partly obsolete. So was the recent recognition of the importance of cooperative banks, life insurances, savings institutions (postal savings, mutual savings) in shaping financial systems – those being often regulated by the state in a very different way from commercial banks (see Degorce and Monnet (2022) for a recent survey).

Political science research continued to study state intervention in the financial field from a comparative perspective during the 1990s and 2000s, while these issues gained less attention in economic history. This is partly due to the institutional decline of economic history (Lamoreaux 2015), but also to the fact that most economic history literature during the 1990s followed the dominant economic paradigm that emphasized the link between financial development (seen from the perspective of financial liberalisation) and economic growth (e.g., King and Levine 1993). Following the theories of «financial repression» developed by economists in the 1970s, the role of governments in the financial system was essentially seen as a brake on financial development. The term «political economy of finance» became synonymous with the study of distortions that governments cause in the financial domain (La Porta *et al.* 2003; Haber and Perrotti 2008; Calomiris and Haber 2015). By contrast, theories on information asymmetries in credit markets, which can justify state intervention in finance (Stiglitz and Uy 1996; Burgess and Pande 2005; Hakenes and Schnabel 2010), were less used by economists to study the history of credit policies. These theories were applied instead to study how banks or other financial intermediaries had historically been able to limit information asymmetries, notably by building special long-term relationships with borrowers (Banerjee *et al.* 1994; Lamoreaux 1996; Hoffman *et al.* 2019).

Two reasons might explain the neglect of government credit policies in the literature on the distinction between bank-based and finance-based financial systems. First, this new research focused on a detailed analysis of the stock market, where the government's role is mainly one of market regulation (e.g. Lehmann-Hasemeyer and Streb 2016). Second, the other main revival in financial history came from the consideration of local actors different from the big banks and financial markets, and notably peer-to-peer lending or cooperative banks. In a synthesis of this new approach, Cull *et al.* (2006) concluded:

> The bulk of our article is devoted to documenting the idiosyncratic, path-dependent processes that generated this diverse set of local financial

intermediaries. As we show, governments did little to inhibit their formation, but they also played little role in their creation – beyond providing a secure property-rights environment and establishing national financial institutions, such as central banks, that helped to mitigate local shocks. Nor were governments generally able to jumpstart economic growth by promoting local financial institutions in regions where there was insufficient demand for their services. Admittedly, the specialized intermediaries that emerged to meet SMEs' [Small and medium-sized enterprises] needs had significant weaknesses, but they were able to tap into local information networks and hence extend credit to firms that were too young or small to secure funds from large regional or national institutions (p. 3020).

This conclusion on the absence of government support needs to be put into context because, as the authors note, their contribution focuses on the 18th and 19th century and on small and medium-sized enterprises. As we will see later, their conclusion is not incompatible with the recognition of strong state intervention (through guarantees, subsidies, public banks etc.) to foster the financing of long-term investment, especially infrastructures. Moreover, they recognize the role of central banks in shaping credit markets in the 19th century, a paragon of the credit policy of the state.

Of course, not all financial historians left aside the role of the state in the financing of investment. Few examples can be given here. In her book on the governance of German and American companies after the Second World War, Mary O'Sullivan (2000) repeatedly emphasised the role of the government in financing the electronics industry during the 1950s and 1960s. Much of this funding was allocated through military expenditures and research funding. According to O'Sullivan, private investors would not have contributed to the financing of electronics (notably IBM) without the assurance of government financial and political support. Quinn (2019, ch. 8) confirms the role of the US state in funding research in the electronics industry during the 1960s and the development of venture capital. On very different matters, Lehmann-Hasemeyer and Wahl (2021) stressed the role of local public savings banks for the economic development of German regions in the 19th century.

Yet, it is only more recently that studies in economic history have been more specifically devoted to the question of credit policy i.e., how states financed or directed credit towards certain sectors of activity. Instead of presenting one aspect of government intervention and assessing its effects on economic growth or financial stability, new research attempts to identify and define a government credit policy, examining the multiple dimensions of state intervention in financial markets and trying to assess the institutional complementarities between them. While reference to the Gershenkron-Zysman framework is often the starting point for these analyses, they emancipate themselves from it by integrating more recent contributions from sociology or economic history, and in particular the framework of financialization (Krippner 2011) and the willingness to go beyond the consideration of large banks and stock market. In his analysis of the post-war Japanese system, Park (2011) focuses in particular on the way in which the FILP (Fiscal Investment Loan Program) was used by governments to avoid raising taxes. The FILP was a Japanese system of savings collection by postal savings banks and public pension funds, allowing savings to be reallocated according to government priorities. Quinn (2019) examines the various federal credit programmes in the United States during the 20th century, in particular those housing programmes that are loans or credit guarantees, rather than public investment. In an analysis similar to that of Krippner (2011), she also shows how the American state turned to financial deregulation from the 1960s onwards to resolve certain internal contradictions in its credit policy. Securitization thus appears to be a voluntary state policy designed in continuity with policies aimed at developing housing finance. In Monnet (2018a), I studied the financing of French economic growth (in a European comparative perspective) from 1945 to the 1970s, focusing on the role of the central bank and the specialised public or semi-public credit institutes (financed by deposits or bonds) and on the coordination of credit policy at the national level.

These works concern different countries and are part of different intellectual traditions (political science for Park, historical sociology for Quinn, and economic history in my case), even if they share some common references (notably Zysman) and are all based on a significant amount of primary sources. Their main point in common is to study the role of the state by highlighting the diversity of modes of state action (and thus not considering the state as a unified body), in particular credit guarantees and loans granted by state agencies that are not budgetary.

These three books nevertheless focus mainly on the post-1945 period and their comparative dimension is inexistent or limited. Thus, it would be easy to conclude that credit policy is a postwar invention. However, there is an abundant literature in financial history which, even if its focus has not been primarily on state intervention and credit policy, allows us to understand how the state has shaped financial markets over time, before the mid-20th century. Building on some insights and selective information from this literature, I will outline in what follows some thoughts on the role of the state in the allocation and development of credit since the 19th century.

3. The state and financialisation

One of the major roles of governments in history has been to develop financial or credit markets by reducing the risk that investors face in these markets. The two types of financial instruments that have been particularly used for this purpose are: 1) the government guarantee of securities (including securities backed by a pool of assets) to encourage long-term investment; 2) the commitment to provide short-term liquidity to financial institutions in case of need (often by a central bank). The large-scale use of these two techniques seems to have originated in Amsterdam and England in the 17th century, before spreading to the rest of Europe and being adopted with often substantial differences across countries. If Amsterdam created first a chartered company with a monopoly of trade as well as a central bank, it is in England that the financial and political nexus between these institutions and the state became stronger and deeper.

3.1. *Guarantees*

The state guarantee of private financial securities originated with the great colonial companies, in particular the East India Company and the South Sea Company, which benefited from a royal charter giving them a monopoly of trade in part of the British Empire (Quinn 2008). Yet, contrary to the model that developed in the 19th century, the state did not provide a legal guarantee to the debt issued by the companies. The charter nevertheless included an implicit state guarantee that gave a special status to the debt and equity of these companies. It became even more evident when these English companies bought a significant part of public debt (which was even the original purpose of the South Sea Company). This created a special circuit that Stephen Quinn (2008) characterizes as «securitization of sovereign debt». The South Sea Company model – partly imitated by John Law in France – led to a notorious financial crash (and a buy-out of the shares by the Bank of England and the East India Company).

To avoid a replica of this disaster, this type of public-private financial partnership with a state guarantee was later applied to bonds rather than shares. The English experience showed the potential power of state financial engineering, which tempted many governments in the 18th and 19th centuries, particularly to finance risky investments, the colonial trade and the railways. In most countries – with the paradoxical exception of England – the standard model for financing railways in the 19th century was the issue of state-guaranteed bonds, in addition to some grants and loans (Dobbin 1994; Eichengreen 1995; Fohlin 2011). In many countries, a similar system was extended to mortgage lending (see Blackwell and Kohl 2018 for a recent summary), whether by granting a monopoly to issue mortgage bonds, as in France (Crédit Foncier), or by giving special status to bonds (Pfandbriefe) issued by private cooperatives (Landschaften), as in Germany. These guarantees, special statuses or charters could be associated with more or less strong constraints requested by the States on corporate governance and the use of funds. In the case of railroads, state guarantee usually implied strict regulation of rail tariffs. Financial actors at the time were well aware of these strong linkages between the state and the private system, to the extent that investors reflected on whether state-guaranteed debt should be accounted as public debt (Monnet and Truong-Loï 2020).

Public debt was no longer financed by chartered joint-stock companies as in England in the 18th century, but states regulated or created savings banks whose funds had to be invested in public debt (Degorce and Monnet 2022). In absence of deposit insurance, forcing these institutions to invest in public debt (or state-guaranteed debt) worked as an implicit guarantee of deposits by the state. There were also many debates about the possible distortions of competition that the state created by favouring certain financial institutions. The influx of money into savings banks at the expense of commercial banks during the banking crises of the 1930s (Degorce and Monnet 2022) reinforced such criticisms by free-market economists and was instead seen by supporters of state intervention as an opportunity to develop state-led financing (Gao 2002; Park 2011; Monnet 2018a; Quinn 2019).

3.2. *Liquidity*

The other traditional instrument of state intervention is somewhat better known and consists of providing financial actors with liquidity in case of need. This can occur both in cases of financial crisis or at times when it is more difficult to borrow, due to rising international interest rates or seasonal factors. This may concern both public and private debt. Central banks have historically fulfilled this role, and their importance in smoothing the fluctuations of credit markets became major in the late 19th century (Hanes and Rhode 2013; Bazot, Monnet and Morys 2022). Central banks have always been «dealers of last resort» – in the sense of Mehrling (2011) – meaning that they both provide liquidity and make sure that the financial instruments they use to provide liquidity are safe enough and accepted by market participants. For this reason, central banks have always been heavily involved in shaping credit markets and standardizing collateral used for «safe» financial transactions (see for example Bazot (2014) on France, Sissoko (2022) on England). Although other several central banks existed in the 17th century, it was the Bank of England – an institution with private shareholders but created by the state – that developed this model on a large scale. Central banks symbolise the ambiguity of state intervention in the financial system from the outset (Monnet 2023): shaping markets and protecting the market against itself, rather than breaking with market mechanisms.

3.3. *State intervention and control*

The work of Park (2011), Monnet (2018a) and Quinn (2019) has shown that the market-friendly techniques of collateral and liquidity inherited from the liberal framework of the 19th century were transformed into a more dirigiste framework in the mid-20th century, during the decades of stronger state intervention in the financial sector and the economy more generally. Interventionist states made full use of these systems of guarantees, regulated deposits and central bank liquidity. Public investment was usually not the main driving force behind state intervention. The Japanese FILP system described by Park (2011) is simply an extension on the largest possible scale of the savings bank system that was present in many countries from the end of the 19th century. The idea is to collect household savings in regulated deposits and to have this money managed by semi-public financial institutions (specialized credit institutions) that coordinate with government directives and lend long-term to financial and non-financial institutions. The post-1945 French system described in Monnet (2018a) is very similar, except that the French also used bond issued (regulated deposits being mainly for housing and agricultural credit) by public credit institutions and by state-owned enterprises (whose debt is *de facto* guaranteed by the government). Monnet (2018a, ch. 7) also shows that this mode of financing – public credit institutions financing themselves with bonds – was common in Western Europe. In Germany, large deposit-taking regional banks dominated alongside the *Kreditanstalt* für *Wiederaufbau.* The Italian system, with its *Instituti di Credito Speciale per l'industria*, also had a credit policy whose financing relied on regulated deposits and state-guaranteed bonds (Piluso 1999; Spadavecchia 2005; Rota 2013). However, there is still a lack of systematic comparative analysis that covers the whole financial systems and identifies the role played by the state in different countries in this era. What is certain is that concessional lending (i.e., below market rates) accounted for almost half of total lending in many countries until the early 1980s, as shown in the recent work of Victor Degorce (2023). Concessional loans were granted by public banks or specialised semi-public credit institutes. In all these cases, the central bank played a key role in providing liquidity to specialised credit institutions if they needed, usually medium or long-term loans (Monnet 2018a).

Quinn's (2019) study of US credit policy from the New Deal onwards shows similarities with other countries, in particular the government's reliance on funding from regulated deposits and bonds issued by state-led credit institutions. This is how the Reconstruction Finance Corporation (RFC) and Fanny Mae, key elements of the New Deal for corporate and housing finance, were financed. In the case of the United States, the central bank was sometimes a substitute for the RFC during the 1930s (also lending directly to businesses) (Sablik 2013).

It is therefore striking that the financial techniques employed by the state to influence the development and allocation of credit show some continuity throughout history, despite very different regimes of state intervention. One may then ask what makes the difference between periods of strong state intervention and periods where the role of the state is more liberal and limited to promoting market forces through de-risking, without intervening in allocation. It seems to me that these differences are of three kinds. Firstly, there is a difference in the control exercised by the state over the use of funds. In the period of strong interventionism (1930s-1970s), most of the funds were collected and invested by public credit institutions. Even though the actual control over the use of loans by enterprises may be relatively weak, every effort was made to ensure that these choices did not depend on a superior assessment of private investors deciding whether to invest. In the liberal model of the 19th century, the placement of bonds remained subject to the intermediation of powerful underwriters and the state's main mean of control over the final investment lies in its ability to grant privileges and design charters to the companies whose debt was guaranteed. Losses were socialized and gains privatized but charters and state guarantee of private securities implied strong constraints on the missions and tariffs of the companies that benefited from this state support. In the model that emerged from the financial deregulation of the 1980s, the role of the state still works through investment banks, but these have resources that are more dependent on financial markets. Rather than commissioning private companies – potentially monopolistic – through charters as in the 19th century, the state is now engaging in public-private partnerships that are constraining for both sides (Offer 2022; Gabor 2021). Moreover, the state does not only give its guarantee to the debt of targeted companies but creates guarantee funds to which a large number of companies can adhere.

A second major difference concerns the identity of the investors that the state seeks to attract. The financial guarantees provided by the state in the liberal regimes of the 19th century and today are explicitly aimed at convincing financial intermediaries (underwriters) or investors by adopting their codes, whereas de-risking in the more interventionist model of the mid-20th century was mainly aimed at savers. Even in the 19th century, the importance of saving banks and private bondholders implied that the state had to develop strategies to target directly individuals. Today, financial intermediation is ubiquitous. The result is practices that take as their standard the accounting and publicity techniques of the financial community (Chiapello 2017).

A third difference is the role of liquidity and the design of liquidity provision. This, in turn, depends on whether domestic financial markets are segmented by state regulation or if all financial actors are allowed to make all type of loans. In a market-based financial capitalism, liquidity must be a global rather than a local attribute (Monnet 2023). In this case, the central bank has no control over the ultimate investment of the institutions to which it lends. Transmission works through the market; central bank liquidity provision can potentially fuel any kind of either investment or speculation. By contrast, when markets are segmented (by forms of capital controls, at the regional or sectoral level), liquidity is a local concept. The provision of liquidity by the central bank is no longer a support to the «market» but a subsidy to a specific type of economic activity, or to interest groups (Monnet 2018a). Central bank policy still has an influence on the allocation of credit in a market-based regime, but either through the redistributive effects of the interest rate or asset prices, or through the definition and support of financial activities considered central to the financial system (discounting in the 19th century, repurchase agreements today).

Housing finance is a typical case showing how securitization and state-guarantees can take various forms in different kinds of regimes. The difference between the interventionist regime and the current one is that guarantees and securitization are no longer targeted to finance social housing – with clear state guidance – but just to increase the return of private investment (Offer 2017; Blackwell and Kohl 2018). Another good example to assess the evolution of credit policies and differences across time is deposit insurance. Deposit insurance existed in the 19th century for savings institutions and implied strong conditions about the management of assets (usually forced to buy public debt or make safe long-term loans). This system also served as a basis for the financing of public banks dur-

TABLE 1. *State interventions in credit allocation through guarantees and liquidity provision through three historical regimes*

Financial Instruments	Liberal 19th century	The Global New Deal/dirigiste moment (1930s-1970s)	Neoliberal era, post-1980s
Guarantee of deposits	No commercial bank regulation. Regulation of savings institutions with implicit state guarantee and broadly targeted investment.	Strong regulation of commercial banks (narrow deposit banking). Savings banks deposits channeled through specialized public credit institutions (development banks) or with political guidance.	Deposit insurance and high bank leverage. Limited role of regulated and targeted savings deposits.
Guarantee of securities	Bonds issues by large companies (railroads, mortgage). State charters give privileges to these private companies (managed by private shareholders).	Bonds issued by state-owned companies and specialized public credit institutions. Government and Parliamentary control over allocation of funds. Segmentation of credit markets enforced by regulation.	Public-private partnerships. Guarantee funds. Bonds issued by public development banks. Little segmentation of credit markets.
Central bank liquidity	Short-term loans to banks and non-banks. No target by sector or institution (except for government). Constrained by monetary standards.	Short and medium-term loans. Targeted (with different treatment of collateral and borrowers), in line with segmentation of credit markets. Constrained by inflation and Parliamentary control	Assets purchases (rarely, targeted long-term loans). Constrained by financial risk and inflation target.
Intermediaries and financial techniques supporting investment in state-guaranteed debt	Key role of private underwriters to issue state-guaranteed and state bonds.	Large domestic banks and savings institutions.	Investment funds. Asset managers. Rating agencies.

ing the postwar era until the 1970s. Today, deposit insurance applies to commercial banks and savings banks have mostly disappeared. Deposit insurance for commercial bank deposit implies banking regulation (liquidity regulation and capital requirements) but no constraints on the management of assets.

Table 1 is a very incomplete and preliminary attempt to summarise these differences. This is an almost impossible task and I do not mention here the large heterogeneity that existed between countries during each period. I also make the questionable choice of including the current period in the continuity of the last 30 years, even if notable changes have taken place since the 2010s, notably the increased role of public investment banks and targeted lending by some central banks. It seems to me, however, that the current logic of state intervention remains dependent on the evolution of the last three or four decades and differs profoundly from the previous sequence that had begun in the 1930s. Last, let me stress again that this analysis does not apply to countries which are mostly dependent on foreign investors.

4. Credit: Flexibility or lightness?

Quinn (2019) uses the terms political lightness and ideological lightness of credit to express the fact that it is politically easier for the state to intervene to support a sector through loans and guarantees than by raising taxes or through public investment[4]. This argument – it should be recalled – only seems valid in countries where domestic savings are sufficiently abundant not to require recourse to foreign financial markets, as Amsden (2001) already pointed out. Not only is credit financing more flexible and less unpopular than taxing, but it also wins the approval of a part of the population or of economic actors for whom credit – even if directed by the state – remains closer to market mechanisms than public investment financed by taxes. The latter argument is mainly supported by Quinn (2019) in the case of the United States and the former (alternative to taxation) is defended by Park (2011) as well. Park even sees the rejection of taxes as the main motivation for the development of the Japanese credit policy (FILP). This is an extreme version of the argument of Zysman (1983, pp. 77-78) who insisted on the greater flexibility of credit compared to taxes.

However, the ideological and political lightness of credit should not be taken for granted, especially if one wants to explain changes in different regimes of credit policy. First of all, there are historical cases in which credit policy is not primar-

[4] See also on this point the piece by Benjamin Lemoine in Preda *et al.* (2021).

ily a quasi-invisible way for the state to intervene but, on the contrary, a claim clearly supported by an explicit interventionist ideology. This was notably the case in France (Conti, Scatamacchia and Feiertag 2009; Monnet 2018a) and – to varying degrees – in other European countries such as Italy that experienced movements explicitly labelled as the «nationalization of credit» or «the socialization of credit». More generally, many reforms of agricultural credit in Europe in the 19th century, or even the creation of central banks or their reform, were driven by popular protests that demanded the state to play a greater role in the organisation and production of credit[5]. Secondly, the problem with considering – from the point of view of the state – credit only as a substitute for taxes is that this perspective applies as much to credit strongly directed by the state as to the development of private credit favoured by financial deregulation. Credit always allows for «buying time», as Wolgang Streek puts it. Recognising this, however, does not allow us to explain why buying time through credit takes place at a given moment by liberalising financial markets, whereas at another historical period it took place by issuing bonds from a public bank that finances industry in the long term. Thus, while credit policy may appear more discretionary and flexible than taxation, credit policy should not be seen as a relatively de-ideologised practice. This is already recognised by Quinn (2019) who insists that ideological lightness is not something given but it has been constructed, and that the credit policy of the New Deal was really intended to build a new state and a macroeconomic machine.

These questions seem to me fundamental to think about the current situation, both from an analytical and a normative point of view. From a normative point of view, the essential question is whether the lightness of credit should be exploited to direct capital towards the ecological transition – while maintaining a discrete role for the state – or whether, on the contrary, a paradigm shift in the vision of credit should be assumed and defended.

[5] See for example the debates in Germany and France on agricultural credit in the 19th century (Dipper 1980; Postel-Vinay 2000). The role of central banks in the construction of the national credit market in the 19th century is widely documented (Bazot *et al.* 2022 for a summary).

5. Credit policy and international political economy

Finally, recent work in economic history shows that the articulation between international political economy and the history of credit policy remains to be constructed. For the moment, this is often reduced to the question of financial statecraft i.e., how a state uses finance to serve its foreign policy (e.g., Armijo and Katada 2015). A much less studied question is how a state's domestic credit policy gives it more or less autonomy at the international level. Again, the question is very different depending on a country's dependence on foreign capital (see Bignon *et al.* 2015 on foreign capital financing of railways in Latin America in the 19th century, for example). But I think that, in general, the issue of credit policy is relatively poorly addressed in international political economy because the standard «trilemma» of international finance («impossible» or «unholy trinity») framework focuses solely on the issue of capital controls and their justification in order to block financial arbitrage that would be harmful to fiscal or monetary policy autonomy[6].

The perspective of the «trilemma» is profoundly altered if one takes into account directed credit, as well as segmented domestic financial markets. This is the case both because there is complementarity between capital controls and domestic credit policy (Monnet 2018b), and because (in certain sectors and under certain conditions) public credit can have a countercyclical role whose effect on the autonomy of monetary or fiscal policy is theoretically similar to that of capital controls (Degorce 2023).

In other words, capital controls and active credit policies (which result in segmented markets) provide equivalent results in theory: they prevent arbitrage between domestic and financial markets. In practice, however, these are different tools (substitutes or complements), implemented for different reasons and by different administrations. For example, housing credit market can remain mostly domestic not only because of capital controls but also if there is a credit policy that channeled regulated savings to social housing.

[6] What is called indifferently the «impossible trinity», the «unholy trinity» or the «trilemma» of international finance states that it is impossible for a country to have at the same time the following three: fixed-exchange rates, capital mobility and monetary policy autonomy. Only two are possible.

Applied to the current case of the European Union, for example, one can see how it is possible to retain significant margins of manoeuvre due to credit policy (development banks, specific regulation of housing credit, etc.) despite capital liberalisation. The deeply national character of credit policies has a long history which cannot be reduced to the issue of opening the capital account.

6. Conclusion

Over the last decade, a new generation of historical studies (coming from different academic fields) has attempted to make sense of credit policies conducted by the state in order to guide the development and allocation of credit. Instead of presenting one aspect of government intervention and assessing its effects on economic growth or financial stability, new research attempts to identify and define what a government credit policy is, examining the multiple dimensions of state intervention in financial markets and trying to assess the institutional complementarities between them. Although usually focused on the most interventionist period (1930s-1970s), this literature allows for a reinterpretation of previous studies of financial history that have long emphasized the role of the state in the financial sector since at least the 19th century. The new historiography on credit policy enters into the complexity and diversity of the instruments of state intervention rather than to stick to the dichotomy between bank-based and market-based financial systems. It has highlighted the importance of debt guarantees, subsidies, the role of development banks or specialised credit institutions as well as central banks and their liquidity. The role of the state is not limited to public investment, regulation and political pressure on large banks. Moreover, providing insurance to cover the risk of investments and savings is not specific to a neoliberal vision of the state, aimed at helping markets to function properly. It has also characterised periods of greater state intervention. I have tried to describe briefly how the de-risking role of the state in the most interventionist moments was associated with a stronger control over the allocation and use of funds, and a different management of savings.

The historical comparison thus makes it possible to characterise in more detail the current period and particular meaning of financialisation and de-risking. The financial instruments are not new, but the nature of public-private partnerships is. Todays' credit policies subsidize investment but involve little control on the final use of funds or constraints on economic revenues. Furthermore, current state strategies to attract funds target institutional investors rather than individual savers, and adopt the financial and governance criteria of the former. Much more research is needed to confirm or refute these preliminary hypotheses. In addition, I have highlighted two other issues that I believe should receive more attention in analytical studies of credit policy: the ideology associated with different regimes of credit regulation and the link between credit policy and international political economy. Explaining historical changes in credit policy requires a better understanding of these ideological and international dimensions.

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The State and credit policies: From the 19th century till present

Summary: Instead of presenting one aspect of government intervention and assessing its effects on economic growth or financial stability, new interdisciplinary research studies credit policy as a whole. It examines the multiple dimensions of state intervention in financial markets (to guide the development and allocation of credit) and assesses the institutional complementarities between them. Although mostly focused on the most interventionist period (1930s-1970s), this literature allows for a reinterpretation of previous studies of financial history that have long emphasised the role of the state in the financial sector since at least the 19th century. Beyond the dichotomy between bank-based and market-based financial systems, it highlights the importance of debt guarantees, subsidies, the role of development banks or specialised credit and savings institutions as well as central banks and their liquidity. Providing insurance to limit the risk of investments and savings is not specific to a neoliberal vision of the state aimed at helping markets to function properly. It has also characterised classical liberalism (19th century) and periods of greater state intervention (1930s-1970s). The financial instruments are not new, but the nature of public-private partnerships is. Current credit policies subsidize investment and saving but involve little control on the final use of funds nor constraints on the organization and income of subsidized companies.. Furthermore, current state strategies to attract funds target institutional investors rather than individual savers, and adopt the financial and governance criteria of the former. Much more research is needed to confirm or refute these preliminary hypotheses. Last, I argue two other issues that should receive more attention in analytical studies of credit policy: the ideology associated with different regimes of credit regulation and the link between credit policy and international political economy.

JEL Classification: E42 - Monetary Systems, Standards, Régimes, Government and the Monetary System, Payment Systems; G18 - General Financial Markets: Government Policy and Regulation; G28 - Financial Institutions and Services; H81 - Governmental Loans, Loan Guarantees, Credits, Grants, Bailouts, N20 - Financial Markets and Institutions.

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