Reviews

Microfinance, Debt and Over-Indebtedness: Juggling with Money
Edited by Isabelle Guérin, Solène Morvant-Roux and Magdalena Villarreal
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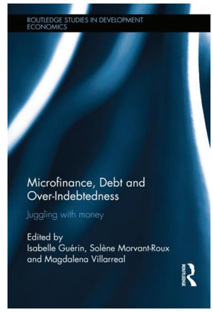

We who work in development assistance do not ask detailed questions about how rich people juggle money – how they perceive it, how it is socially constructed in their world – and one reason is that we don't want or need to know. But this important book is about the poor and how *they* juggle and interpret money. The subtext is that we need to understand these things because an entire industry has arisen in the last few decades – microfinance (MF) – around the premise that the poor can be helped significantly through access to credit and other financial services. For years this major premise has been relatively untested, despite the fact that some of the assumptions behind it have been so simple and one-dimensional that they cried out for testing, for example: credit is a human right; the poor want access to formal finance; money lenders exploit while MFIs do not; the poor are latent entrepreneurs; the social ('solidarity') bond in group lending works as collateral, and so on.

Solid research has been long in coming and when it does – and this book is nothing if not well researched – it reveals a complex, multi-dimensional and highly contextual picture of how the poor use money, and the meaning of money and debt.

Basically, this book champions the complexity of poverty and the particularity of the social and cultural contexts that explain much of it. And to the extent it is an economic anthropology of debt, it drives home the point that financial analyses of credit and debt differ from people's perceptions and constructions around credit and debt; that economic behaviour is intertwined with the social and cultural world people live in. These are important reminders and MF practitioners and champions should take heed, as should policymakers.

In fact this book should remind the policymakers in the aid agencies to make more of an effort to bridge the persistent gap between good research and policy. Much of the time, international aid practice either ignores or simply remains unaware of scholarly work or good fieldwork. The reason is usually that complexity makes their jobs harder. Seeing the myriad ways that poor people hedge, manage, manipulate, make a combination of sophisticated and clever financial decisions in some instances, and use poor judgement in other circumstances, makes it hard to 'design' short-term projects and fit them to a 'results framework'. Still, this book has much in it for the policymaker willing to deal with complex data and issues – such as the chapter on international migration and over-indebtedness in rural Mexico.

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At the least one can hope it might encourage some humble experimentation and a pause before more multi-millions are spent on the latest fad.

In addition the book shines a light on a number of issues that need such exposure. The first is its focus on envy and consumerism as a major part of the poor-and-their-debt complex. Several of the chapters note that globalization, urbanization, communication, and migration have brought people into consumerist culture and unleashed a level of acquisitiveness that was perhaps latent. Thus much of debt is tied to wanting more things: things people see others have and, through credit, appear available. It would have been nice to connect poor people's envy in the South with our own Northern consumerism since they are part of the same phenomenon (envy of the well-off is tempered by the illusion that one can live like them), but OK, it's good that this issue is brought out prominently. For it is sad in a way that an entire industry has (to a certain extent wilfully) pushed credit and debt on the poor and made their envy actionable … a bit before its time.

Some light is also shed on issues that might at first seem peripheral to the debate but turn out to be yet another part of the complex whole. The chapter on Debt, Credit and Contractual Synchrony is an example, reminding us how much different kinds of economic behaviour can reveal: for example, that 'debt relations and institutions mean different things for different kinds of business' (p. 121).

Yet the book's value is diminished by a few problems, one of which – its readability – might make it less likely to penetrate the shield held by the enthusiasts of MF.

The 'duh!' factor

Much of what is discovered in the research described has been known before and/or should not be a surprise to anyone using some common sense and an awareness of human nature. As for what is new and what is not, anthropologist Clifford Geertz, for example, pointed out the complexity of money management decades ago. That maintaining creditworthiness can be more important than repayment, and that taking a small loan when one doesn't need it as a way of building a relationship that might come in handy in the future, were both expressed in *Peddlers and Princes* (1963) a half-century ago, in which, for example, Geertz also noted that a seemingly irrational behaviour like a preference for expensive private credit when cheap government credit is available to small traders, is not about price, but about 'securing a higher position in the flow of trade'.

As for what is basically common sense or easily observable – that the poor 'juggle', that they have often sophisticated financial management capacities, that they mix difference sources of credit, and engage in both formal and informal markets – we should not be so surprised. Perhaps we are because we still have a tendency to believe that the poor are different from the rest of us, in their very nature. But most people of all sorts and classes hedge, optimize, and juggle. 'Context and social relations are not static: they are constructed and negotiated, and in turn shape the very course of interactions, whether they relate to contractual arrangements or other areas of social and economic life' (p. 213).

Indeed! and absolutely! but also 'Duh!'. What has taken us so long to acknowledge this?

An overwrought and dense read

Related to the 'Duh' factor and perhaps by way of explaining it, is the nature of much of the book as a case study in the increasingly overwrought nature of academic production – that is, the business of taking common sense, elevating it to complex theory and dense and obscure definitions, and then showing it to be true. One of the casualties of such a tendency is readability.

Take the explanation of the concept of 'performativity' as 'a process of markets being instituted that emphasizes the role of the tools of accounting, marketing and economies as in themselves instrumental in the process of framing what is calculated, and hence in instituting the economy more broadly' (p. 67). Dear reader, if you understand sentences like these without scratching your head, you will revel in this book.

There are many such unreadable paragraphs and sentences whose main purpose seems to be to unpack in complex ways what in the end is plain human behaviour – understandable in its own right and not requiring unpacking. Consider the description of 'default' in a Kenyan S&C group where the group preferred to use the term 'delay' rather than 'default', and instead of seizing assets or appealing to the chief they instead 'insist' on repayment, and when misappropriation is identified they call it poor record-keeping. In short, these people behaved according to the norms and meanings of their community. This is understandable, and in its overall dimensions perhaps universal, since what this means quite simply is that agreeing on formal rules (in the S&C case, the group's by-laws) does not mean that people follow them.

And so it is overwrought to say that the story illustrates 'the interaction of relational and material dimensions of debt and the different ways they are understood by members and MFIs'; that the story 'highlights that the strategy of ensuring repayment through creating consequences for others needed to be specially instituted to create "overflowing" of the material dimensions into domains of social relationships and meaning' (p. 73).

A gratuitous ideological thread

Third, the book is laced here and there with a thread of ideology that at best is unnecessary and at worst leads us off track. The first chapter on the macro perspective contains a bit too much that is demeaning of what the French call 'hard' capitalism or 'anglo' capitalism. The notion that over-indebtedness is linked to neo-liberal economic policies and the discussion of 'domination effects' go too far. The authors are right that globalization accompanied by urbanization (and monetization) have exploded people's needs. And they rightly credit the role of envy. But their technical economic rationality analysis of economic history in the North (and the US in particular) tends to obscure the point that juggling and debt and over-indebtedness (a concept, by the way, pointed out on p. 127, that has little meaning to the poor themselves) are functions of human nature – indeed the envy issue speaks most powerfully to that point – almost all of us want to accumulate goods; almost all of us are irrational as much as rational, stupid and easily duped as well as smart and manipulative. Acquisitiveness may be an addiction and it may be exacerbated by a shift from the dominance of finance over production, but that the finance sector has 'sucked its victims dry' is to give such sectors anthropomorphic substance – the sector has a 'mind' and 'is out to get us'. Most of the book does not in fact support such a view – since almost everywhere in it the details are about people who figure out myriad ways to improve their lot as best as they can, and the ways in which their particular social and cultural contexts inform their decisions, many of which result in debt.

Nonetheless this is a much-needed book. Ironically the Grameen Bank/Yunus Nobel Prize of 2006 marked not the rise to legitimacy of MF but the beginning of its slide down the other side of the bell curve of enthusiasm. The MF honeymoon appears to be over and this book is important because it adds further counter point to the enthusiasm of its remaining cheerleaders, and should thus add sobriety to the field. The fact that the key word in the title and the main subject of the book is *debt* – the long unmentioned flip side of *credit* – is already a counterbalance that has been long in coming. Equally important is the powerful reminder that when one looks hard enough at what is going on – as the research in this book does – one sees that there are no magic bullets and that the development industry's tendency to keep looking for new ones is misguided and in the end can be harmful.

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