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

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Book Review

Microfinance, Debt and Over-Indebtedness: Juggling with Money, edited by Isabelle Guérin, Solène Morvant-Roux and Magdalena Villarreal. London: Routledge, 2013. Hardback: ISBN 978-0-415-83525-1, $160.00, 316 pages.

This book examines the manifestations, scale, as well as social and economic implications of household over-indebtedness in relation to financial exclusion. The authors, originating from various backgrounds and disciplines, take a holistic approach that combines macro- and micro-analyses of indebtedness. In doing so, they bring together research on countries from the global North (France, United States) and South (India, Mexico, Madagascar, Bangladesh, Kenya) that is based on economic anthropology, and centers on the social and economic aspects of debt relations. The fifteen chapters of the book conceive of debt as an economic *and* social relationship, and over-indebtedness as a material process of impoverishment and of social, cultural, and symbolic atrophy. From this perspective, a household is over-indebted not only when it cannot meet its deadlines in repaying debt, but also when its indebted members fall into extreme forms of dependency, suffer shame and humiliation, and lose social relationships that are critical to them. Far from confining itself in economic aspects and calculations, the analysis of over-indebtedness the book promotes focuses on power, wellbeing, dignity, race and class affiliations, gender and social meanings — all crucial aspects of debt relations that are often ignored in economic research.

This approach sheds new light on topics related to over-indebtedness. Regarding financial illiteracy, the case studies discussed in the book show that over-indebtedness does not arise from financial illiteracy — an argument that is often made by development agencies and microfinance operators. Rather, over-indebtedness stems from preexisting inequalities in categories like ethnicity, caste, gender, and religion that underlie debt relations. Microfinance and its controversies lay at the heart of this book. While some experts praise microfinance as an effective tool for growth and economic development, others decry it as a short-term palliative that often causes indebtedness and over-indebtedness. This discussion leads to the financing of poor households in the current context of globalization. While people express their desire for wellbeing and global consumption in terms of needs, they must also face the harsh reality of rapid urbanization and overcrowding, increased precariousness in the labor sector, disappearance of traditional forms of dependency and protection, limited (if not non-existing) commitment to social welfare by many states in the global South, financial exclusion, and rapid monetization of human relations. The gap between the pressing demand for affordable credit and the limited supply of formal finance favors the growth of informal finance, as shown by many authors in this volume.

The book makes important theoretical and empirical contributions. In theoretical terms, the authors propose heuristic tools that enable them to grasp diverse practices. Likewise, they combine these tools efficiently to push forward theoretical debates. Magdalena Villarreal, for instance, introduces the concept of "framework of calculation" that refers to the assessments carried out by individuals. These frameworks are governed as much by rational choice theory, as by social (gender), economic (class), ethnic (race), and cultural (representations, subjectivities) logics. These frameworks — that are socially, culturally, and historically situated — shape the assessment of risk and the cost/benefit ratio in unique way, to name two examples. Each chapter attempts to describe the particular frameworks of calculation that apply to their case studies and that allow people to make decisions and act accordingly when it comes to borrowing and reimbursing money and managing debt relations.

A second original concept, which has been introduced elsewhere by Isabelle Guérin, is that of "juggling." Juggling refers to the simultaneous and efficient combination of financial tools, one in which the actor alternates between borrowing and repaying and between the positions of debtor and creditor. Juggling becomes a "reactive" strategy when it erects itself in response to a drawback, or a "proactive" strategy when it allows wealth accumulation and the intensification or diversification of production. Most of the chapters show that people constantly juggle with credit and debt, conditions and interest, and lenders and borrowers by using specific frameworks of calculation. Everywhere, juggling stands as an ordinary mode of financial management that may lead to over-indebtedness, or, conversely, to emancipation.

Emancipation is addressed in terms of security. Susan Johnson proposes the concept of "wellbeing" to examine the link between consumption and indebtedness, which nurtures a debate that is hotly contested and tinged with moral and normative judgments. Here, wellbeing has three constitutive dimensions: (i) material (financial and material assets); (ii) relational (an individual's place in the social structure); and (iii) subjective (individualistic interpretation of one's situation and fate). This multidimensional definition allows for delineating over-indebtedness with greater precision. It cannot be reduced to material impoverishment, but must necessarily take into account experiences and opinions regarding one's place in the world. The pursuit of wellbeing shapes frameworks of calculation and juggling strategies.

Whereas wellbeing is opposed to misfortune, debt is opposed to credit in terms of moral connotations. In fact, while debt evokes dependency, domination, inequality, and impoverishment, credit connotes independence, power, social cohesion, and enrichment. Built on firmly anchored and knowingly reproduced assumptions, this ambiguity is subjected to careful analysis in the book. Most chapters show that, if debt can lead to impoverishment and social death, credit allows people to exist as socialized beings and globalized consumers.

In short, the sharpening and articulation of these tools are, in my opinion, the main theoretical contribution of the book. Moreover, the choice, consisting of examining social and economic aspects of over-indebtedness, rests on the postulate that debt relations are embedded in the social structure. From this perspective, the book builds on Karl Polanyi's theory of embeddedness, which has been revised by Mark Granovetter in reference to the action of networks and personal relationships in the production of trust and the structuring of American corporations, and more recently by Viviana Zelizer with regards to the intermingling of economics and intimacy. While the book does not intend to push embeddedness theory foward, it enriches this field by applying it to a hot topic — debt — and by providing novel tools to explore it. These tools may be used to explore other under-developed areas of research on debt, particularly sanctioned and unsanctioned debt-financed migration.

The book presents a number of other fascinating empirical findings. The reader learns, for instance, that Mexican migrants living in the United States (often in precarious conditions) engage in an economy of "reverse remittances" with their relatives back home. On one hand, they fulfil their moral obligations by supporting their family via remittances, but on the other, their supported relatives may render help in difficult times, especially when migrants find themselves unable to repay their subprime mortgage loans following the 2008 global financial crisis. In other words, the Mexican economy comes to rescue the U.S. economy in crisis, the price for migrants being the reversal of expectations and social logic that governs unsanctioned economic migration from Mexico to the US.

Solène Morvant-Roux examines the link between debt and migration from Mexico to the United States from a different perspective: over-indebtedness as a trigger for human mobility. Better still, she shows that juggling consists of alternating between creditor and debtor positions. In the population studied, any monetary (money) or material (bricks, feed, livestock, etc.) wealth can be lent if the owner makes no use of it. This economy of micro-loans becomes a standard form of savings that is expected to strengthen social ties and thus bring extra income.

Regarding microfinance, it was originally conceived as a remedy for the limitations of informal finance, particularly the power of the so-called "usurers," who may apply unfavorable conditions leading to the over-indebtedness of small borrowers. By taking the example of Banco Compartamos — one of the most profitable banks in Mexico — Agatha Hummel shows that microfinance can also follow the model of commercial banks, despite the social ideology it claims to defend. In a context of fierce local competition among microfinance institutions, Banco Compartamos enforced an aggressive policy for recruiting customers without worrying too much about their solvency, imposed relatively high prices (3.0-4.0-percent monthly interest) with hidden costs, and used violent techniques upon payment defaults that are similar to those used by "usurers." The aggressive commercial policy practiced by Banco Compartamos resembles in many respects the one implemented by Cetelem — the main consumer credit provider in France — which is carefully examined by Hélène Ducourant.

These and many others examples show that the economic practices, observed among financially excluded households, follow similar logics despite the diversity of contexts. These examples also demonstrated that trends toward consumption, indebtedness, and over-indebtedness prevail in countries from both the global North and South.

This book does not escape minor criticisms. For example, it would have benefited from being divided into sections delineated in the introduction, as readers may find themselves lost in the course of reading fifteen chapters. Furthermore, the standard of English across the book is uneven, and readers may occasionally find the transition between chapters from Anglophone and non-Anglophone scholars abrupt — an issue that is not uncommon in international, edited volumes. Regarding the content, the main strength of the book — its eclectic nature and the number of themes and concepts addressed — is also its main weakness because some analyses and theoretical reflections could have been pushed further. Despite these minor criticisms, the book constitutes a major contribution to the field of economic anthropology in general, and to the burgeoning field of debt and microfinance studies in particular. The numerous theoretical and empirical contributions will certainly attract academics and practitioners alike, given the insatiable curiosity of policymakers, development professionals, and microfinance specialists regarding debt and the poor.

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