



FABIAN TRACT No. 91.

The Fabian Municipal Program (Second Series), No. 2.

MUNICIPAL PAWNSHOPS.

DECEMBER, 1899.

THE pawnshop is the workman's bank. Its customers are also not merely, or even principally, the idle and thriftless, but workmen and workwomen who, through no fault of their own, are often compelled to pledge tools, household goods and clothing, to buy food or pay their rent. As soon as the conscience of the community is awakened to this fact, the pawnbroker will no longer be permitted, and even practically obliged by law, to charge more than 25 per cent. per annum as a minimum, more than 100 per cent. as an average, and, not infrequently, more than 1,000 per cent. on small loans for short periods with a comparatively insignificant risk. Even the idle and thriftless should be protected from such a rate of interest. But so much dust has been thrown into the eyes of our legislators by the astuteness of the pawnbroker concerned for the "independence" of his clients, that they have wholly failed to see the pressing importance of dealing seriously with this tragic absurdity.

The fact that in the United Kingdom, according to a statement in 1894 in the *Pawnbrokers' Gazette*, about 120,000,000 articles are pledged yearly for £30,000,000, while another estimate* more than trebles this calculation, will give some idea of the importance of the workman's bank.

The Religious Bank.

On the Continent, as in England, the Church in the Middle Ages came to the rescue of the poor man by lending money to him on the deposit of his goods, though the ecclesiastical law against usury, that is, interest of any kind, prevented this method of relieving distress from becoming general or permanent.

From Church to State.

But after the Bull of Leo X. in 1515, which decided that necessary expenses could be charged, the *Mont de Piété* or Religious Bank became a settled institution, subsequently passing quite easily and naturally from Church to State in both Protestant and Catholic countries, and forming an important department of public administration without losing its humane and merciful character.

* *Contemporary Review*, August 1894.

England Belated.

In England, however, we seem to have missed the way and are very much belated. In Queen Anne's reign, indeed, the advocates of the Religious Bank succeeded in founding a "Charitable Corporation" on the model of the *Mont de Piété*, but left out the necessary State control which elsewhere had succeeded that of the Church. As a consequence, large dividends were declared from its foundation, and at length its conduct became so questionable that, on a Parliamentary enquiry, two Members of the House of Commons were expelled and many persons in high places were seriously compromised. Every attempt to found a Charitable Bank since then—and in speculative times there have been several—has not unnaturally led to the strongest opposition. The Bank of England, which possesses under its charter the power to lend money on "plate, merchandise, etc.," at one time contemplated, "for the ease of the poor, establishing a lombard (pawnshop) for small pawns at a penny a pound a month"—or 5 per cent., the rate now charged at Lyons—but nothing was done and our State Bank has contented itself with serving its richer customers only, like an ordinary private bank; while the pawnshop has become a usurious concern privately conducted but encouraged by State support.

The only mark of its benevolent origin is that the pawnbroker has formally to notify to the Overseers of the Poor his intention of setting up as usurer!

English Legislation.

The titles of the Acts which have attempted to regulate the institution are significant. Each successive piece of legislation since the "Acte againste Brokers," 1 Jac. I., Cap. 21, 1603, has improved the position of the pawnbroker and made the transaction harder for the pawner. The Act of 1860 increased the pawnbrokers' gains on small loans by allowing him to charge $\frac{1}{4}d.$ for the ticket. The latest is entitled the Pawnbrokers' Act, 1872, and in every sense justifies its title. It was promoted by the pawnbrokers; the witnesses examined by the Parliamentary Commission on whose report it was drafted were nearly all pawnbrokers; and the accounts submitted to it were carefully selected by pawnbrokers. By it the minimum rate of interest was raised to 25 per cent. per annum for sums below £2, a fortnight was made the shortest time for calculating interest, the period of grace for a pawner was reduced from three months to a week, and the annual cost of a licence for London was lowered to £7 10s. In New York it costs £100.

A Humiliating Comparison.

A comparison, given in *London* on the 26th July, 1894, of the rates of interest per cent. per annum between the London private pawnbroker and municipal institutions, on a sum of 4s. 6d. for a week—a very usual amount and length of loan—is instructive:—

National Municipal Institutions.				Private Pawnbroker.
MADRID.	BRUSSELS.	PARIS.	BERLIN.	LONDON.
6	7	10	12	193

Pawnbroking - United Kingdom

"Six in a room" - "I should not be comfortable enough." - "I would not have consulted a doctor, who attributes me"

The Municipal Pawnshop.

The position of persons compelled to part with their personal belongings in order to avoid the workhouse has always been naturally distinguished from that of reckless or speculative borrowers. The Municipal Pawnshop, as it exists on the Continent, alleviates the hardships of this class to a large extent even where, as in Holland, Germany, Italy and Spain, the private pawnbroker or the leased pawnshop is permitted to compete with the Municipality or State, and, to a much greater degree where the community has a monopoly of pawnbroking, as in France and Belgium.

The *Mont de Piété* of Paris, which is administered by a public body formed on sufficiently democratic lines, may be taken in its main characteristics as a fair sample of institutions of this kind.

Its operations can be divided into three classes:—

1. Unprofitable advances, up to 24 francs, *i.e.*, nearly £1.
2. Profitable or not, according to the time during which they are pledged, up to 97 francs, *i.e.*, nearly £4.
3. Always profitable, above this amount.

In 1891 there were 1,763,695 of the first kind, 411,768 of the second and 118,327 of the third.

Since 1891 advances have been made on public securities "payable to bearer" at a low rate of interest. This enables the poorer classes to pawn their small savings in times of great need instead of parting with them outright.

In all transactions secrecy is maintained if desired.

Its success is clearly demonstrated by the gradual decrease in the rate of interest:—In 1831, 9 per cent.; 1886, 8 per cent.; 1887, 7 per cent., and now slightly under 7 per cent.; and by the fact that it has not only met expenses but has often been able to hand over a surplus to the hospitals. For instance, in 1893 it presented the hospitals of Paris with more than £14,000.

An English Precedent.

The example of nearly every European country is adopted by the British Cabinet—so far as the Crown Colony of Malta is concerned! The Governor of Malta maintains a highly successful *Mont de Piété*, under the direct control of the Secretary of State for the Colonies. No Cabinet has ever proposed to abandon this in favor of private usury.

Advantages.

The advantages of such an institution over the private pawnshops are obvious.

1. It is recognized and administered as part of a wise policy of public assistance to the poor. The profits made on the larger transactions enable loans to be made to the smaller borrowers at unprofitable rates, and any surplus which remains is devoted to public purposes.

2. Full reports being issued annually, its organization and very difficult functions are submitted to constant sociological and eco-

conomic study, and, in consequence, are continually being tested and improved.

3. It is conducted by public officials, who are not tempted either to harbor stolen goods, or to gain an undue advantage in the disposal of forfeited pledges.

4. The most modern and scientific methods are employed in storing and disinfecting the goods received—a very important matter where large quantities of worn clothes are accumulated.

5. When necessary, it can borrow money for conducting its operations at a much lower rate of interest than any private pawnbroker, and, besides, can make a safe bank for investors.

No Reason for Delay.

On the 27th July, 1894, at the instance of Mr. Dickinson, the London County Council passed a unanimous affirmative vote for an enquiry as to "how far it would be practical and advisable for the Council to establish a London system of Municipal Pawnshops, upon similar lines to those of the *Mont de Piété*."

Although no practical proposal has yet resulted, there can be no excuse for further delay. Pending general legislation, a clause should be inserted in the next "General Powers" Bill promoted by any town or urban district council, enabling it to establish a Municipal Pawnshop.

For further information, see the various English Statutes on the subject from 1603 to 1872; the old pamphlets in the British Museum (1680-1850) under "Pawnbroker" and "London, Pawnbroker"; "A Short Account of the Bank of England" [by M. Godfrey], 1695 (B. M. 8225.f.); "Pawnbroking" in Penny Cyclopaedia, vol. xvii. (1840); articles in Journal of Royal Statistical Society, vols. iii. iv. and v., 1840-2; Report and Evidence of House of Commons Committee, 27th July 1870; F. Turner, "The Contract of Pawn" (London, 1883); A. Mercier, "Les Monts de Piété et la législation des prêts sur gages" (Paris, 1886); A. Hardaker, "Brief History of Pawnbroking" (London, 1892); article by R. Donald, *Contemporary Review*, August 1894; *London* for 1894 and 1896; London County Council Minutes, 27th July, 1894, and 23th April, 1896; Foreign Office Report, 1894; Bulletin of the Department of Labor (Washington), March 1899; Annual Reports of Malta and of various Monts de Piété; the *Pawnbrokers' Magazine* (London).

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 ...-...-... as comfortable enough.
 ... six in a room