

Financing Agrarian Reforms.

Savings banks, *Rentenbank* and Local Credit Markets in Westphalia
- Research on Two Parishes, 1830-1866*

Application for Savings Banks Academic Award 2005

Münster, August 2004, slightly revised January 2005

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* This paper deals with findings of the project „Beziehungen und Ressourcenflüsse in der ländlichen Gesellschaft: Soziale Netzwerke in Westfalen im 19. Jahrhundert“, promoted by *the Deutsche Forschungsgemeinschaft*. The research was carried out in context of the research group „Forschungsgruppe Ländliches Westfalen“ (see http://www.uni-muenster.de/GeschichtePhilosophie/Geschichte/hist-sem/SW-G/forschung/laendl_westfalen.html). I thank the student assistants Robin Kiera, Birgit Lueke, Theresa Potente and Christian Wilmsen for persevering work.

Introduction

Within the general process of rural development in the 19th century, we can describe several single economic developments like integration of product markets (Kopsidis), formation of the land market (Fertig), abolition of feudal (f.e. Dipper) and cooperative communal relationships (f.e. Brakensiek). Concerning the rural credit markets we can observe an institutional modernization, an introduction of modern institutions, which are essential elements of economic behaviour today. Savings banks, cooperative banks and governmental credit banks have been elements of this process and also new actors on an existing informal and more private credit market (Lindgren; Farr).

The contemporary attitudes towards credit institutions considered both positive and negative effects of institutional credit on rural economies. As population grew and peasants had to contribute to the national wealth by increasing their outputs, rural credit was both a risk and a chance of modernization. Peasant indebtedness appeared to threaten modernization, because bankrupt peasants could destabilize food supply in emerging regions. On the other hand, credit was discerned as an essential need in order to introduce and apply modern techniques and methods and to enable agricultural ameliorations (Blömer, 2-43 and 65-80; Behr).

The question of peasant credit became urgent in the context of the agrarian reforms and in particular the process of changing property rights from the landlords to the peasants, which also included peasants' liberation from feudal obligations, dues and services. After the French occupation most feudal bonds had been restored, but from then on economists and politicians had to think about the risks of giving peasants property and more 'civil' rights. The idea of redemption touched the important point of rural credit: Redeeming feudal bonds meant abolishing laws which restricted the peasants' ability of taking credit and getting into debt. Peasant indebtedness, however, was one of the most feared and most discussed aspects of rural economy. Formally, in many cases peasants still had to get the landlord's agreement to take out a loan. Therefore it was

an important question how to combine the redemption of feudal burdens and the prevention of indebtedness.

This article aims to focus on financing the redemptions as part of the agrarian reforms in the mid 19th century. In the various German states this process developed different flows of resources and dynamics on the land and credit markets. Whereas in France the feudal rights were abolished in 1793 without any compensation, the German peasants had to buy their property rights off the landlords¹ either by giving a part of their land or a large amount of money. As we know from the situation in other parts of Germany, especially in the East Elbian Prussian provinces, many peasants got the property rights from the landlords in exchange for one-third to one-half of the peasants' land (Knapp; Dipper, 115-120). In Westphalia this process has affected the capital market rather than the land market. Therefore this analysis should contribute to the understanding both of rural capital markets and of the peasant economy.

The survey will be based on two major sources. The first approach consists in data in two Westphalian parishes Borgeln and Oberkirchen containing primarily information about charges on real estate, land sales and purchases based on land title registers and land title files (*Grundbücher* and *Grundakten*). The second approach uses data from the journals of the savings bank of Soest. This source enables us to reconstruct the credit business of the savings bank in several selected years. Both approaches were organized by means of databases (Fertig, 26-41).

The social and economic conditions of both places differed very much. In 1850 Borgeln was a parish of about 950 inhabitants. It is situated in the region called Hellweg, which has been a crop export region long since, and is about 7 kilometres from Soest, a town of about 9,000 inhabitants in the middle of the 19th century. Soest was the most important town within a radius of 20 kilometres, and there lived old-established citizens based on trade, not on administration.

¹ Landlord means legitimate payee of peasant dues, services and charges. It does not necessarily mean member of the nobility.

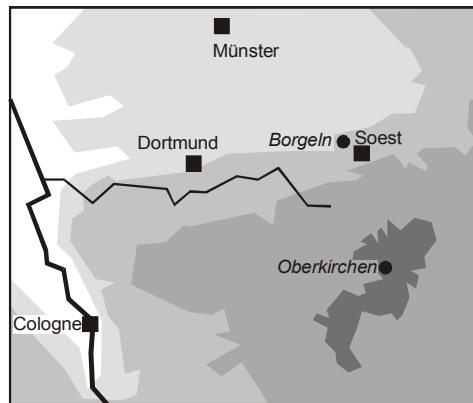
Soest, and Borgeln as well, had a good infrastructure as part of a connection between east and west. In 1850 both places were connected with the railways.

The parish Oberkirchen is part of the hilly region south of Soest. Oberkirchen numbered about 1,900 inhabitants in 1850. Four towns in a radius of 20 kilometres had about 1,000 to 2,500 inhabitants each. The housing estate of Oberkirchen lies at an altitude of 400 to 430 metres, the acres and forests even higher, which meant bad conditions for crop farming as well as wider dispersal of livestock breeding and forestry. Pre-industrial rural metalworking, a widespread business in the 18th century, declined in the course of the 19th century. Furthermore the economy of Oberkirchen was cut off from the industrial development of the Ruhr Area. Infrastructure was underdeveloped, the connection to the railways did not occur until 1889. Many people in Oberkirchen were working as ‚Hollandgänger‘, wandering labourers or hawkers, trading wooden articles made in the region.

Both places represent two economic types within the wide spectrum of economic and social areas in Westphalia (Fertig, 9-21).

The following chapter will reconstruct the course of redemptions in the mid 19th century in the two Westphalian parishes. Chapter 2 will ask to what extent the *Rentenbank Münster*, a Prussian governmental institution, was actually used to finance redemptions. The third chapter will focus on the local situation in the district of Hellweg near Soest, where the savings bank of Soest enriched the credit market. Chapter 4 will analyse the real estate credit market of both places concerning both the whole period and decisive years 1850-1859. I will close the article with an estimate of the impact of institutions and the credit market on the financing of agrarian reforms.

Map: Western and southern parts of Westphalia



1. Redemptions as a part of the Prussian agrarian reforms

We can consider the German agrarian reforms as a combination of two types of processes: the separation and division of common land and the redemption of feudal dues and services (*Reallastenablösungen*). Particularly, the second one has become well-known as Peasant Liberation (*Bauernbefreiung*). Since the redemptions enabled free trade of land and individual management, we can hardly overestimate the importance. Typical issues of research on the redemptions have been social downward mobility as a consequence of payment and land cession (Knapp; Dipper), redemptions and industrialization (Harnisch; Winkel). The redemptions in parts of Westphalia have been described by Anne Strunz-Happe, Maria Blömer and Hans-Jürgen Teuteberg, but none of them tackled the problem of financing from the peasant's point of view. However, the steps of legislative actions towards the redemptions are well known. Concerning our problem, the changing conditions of redemption payment and compensation are worth describing.

The important conditions were legislated in 1829 and 1850. By the law of 13th July 1829 the redemption was possible if either the entitled landlord (*Berechtigter*), who could also be an institution or a citizen, or the obligated peasant (*Verpflichteter*) wanted to. A certain administrative council, the *Generalkommission*, was to permit the act and determine a redemption

principal, which the peasant ought to pay within a certain period of time. By law the amount had to be the 25-fold of the former annuity' value. Let me illustrate this by an example. The peasant Wilhelm Steinhoff from Borgeln ran a farm sized about 30 Morgen, which is about 19 acres. He owned the *dominium utile* of the farm, the rights to run and pass on the farm to his heirs. The Prussian state, as a successor of a secularized cloister, owned the *dominium directum*, which authorised it to receive annual charges. Steinhoff had to deliver 873 litres of barley per year, which was worth about 19 Reichstaler, and several other obligations worth about 1 Reichstaler. According to the law he had to pay the 25-fold of this annual obligation, nearly 500 Reichstaler, to buy the whole property rights off the landlord. Actually, in 1848 Steinhoff paid the amount, which was half the value of a proper farmstead.

In 1850 the legislative situation changed. According to the law of 2nd March 1850, the rate of capitalization was lowered to the 18-fold, and by a second law the important credit institution *Rentenbank* was introduced. By the law of 26th April 1859, the rate of capitalization was increased to the 25-fold again and after that the *Rentenbank* was put out of action. Since this bank was especially established to enable redemptions, this kind of financing should be examined in the following chapter.

2. Debt service offered by the *Rentenbank* (annuity-bank)

The redemption conditions and consequently the need of cash supply were bringing up the problem of rural credit. The ordinary form of credit in the mid 19th century was still paying annual interest and repayment of principal after termination. Since contemporary observers said peasants could not afford to repay such large amounts of money at once, the most successful idea of redemption during the first half of the 19th century was to give peasants long-term loans, repayment by annual small amounts, put together with a regular amortization. For this purpose, the Prussian State established *Rentenbanken*.

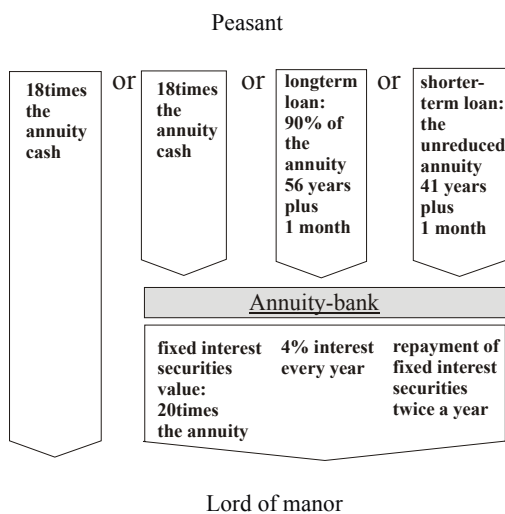
The system of redemptions by use of the Rentenbanken, one for every Prussian province, was introduced by the Prussian state by the law of the 2nd March 1850. Other provinces, however, had already gained experience with this kind of institution. Even in the Westphalian region of Paderborn, it was possible to redeem the feudal burdens much earlier than in other provinces by implementing an institution called *Tilgungskasse*, redemption-bank (Blömer, 98-128). The Rentenbanken of Westphalia, the "Rheinprovinz", and others, were constructed similarly to this early example of Paderborn.

How did the system of the Rentenbank work? The Rentenbank occupied an intermediate position between peasants and their landlords. By the law of redemptions, also dated 2nd March 1850, the following conditions of redemptions were arranged: The traditional duties and services were converted into annuities of money (*fixierte Renten*). These annuities should be capitalized in order to consider the whole value of a duty. As I wrote before, the former rate of the 25-fold of the annuity was lowered to the 18-fold. This was the first real advantage from the peasants' point of view to initiate a redemption. Secondly, the Rentenbank offered a kind of loan, a debt service with interest and repayment of principal (Germ.: *Darlehen mit Zins und Tilgung*), just like it is in use nowadays. The peasant could choose between three possibilities: paying the capital as a principal cash, paying the complete annuity over 41 years plus 1 month, which has actually been a debt service with a 4% interest and a repayment rate of 1%, and a long-term version containing a reduced annuity of 90%, the same interest of 4% and the repayment of 1/2%, but a term of 56 years plus 1 month (see diagram 1).

On the other hand, the landlord also had a choice. He could accept the principal amount in cash, although he was not allowed to demand it. In this case the money – the 18-fold of the annuity - was handed over from the peasant in a direct way by a certain date. If he rejected the principal cash, he was able to demand the new possibility by using the Rentenbank. The bank offered fixed-interest securities (*Rentenbriefe*) of 4% each year, which had a total value of the 20-fold of the annuity. The bank paid out some of the securities twice a year. Lots were drawn to see

whose securities should be paid out. This option had the advantage of a higher value of the full redemption principal and regular, secured income of interest year by year. The disadvantage: The landlord did not know in advance at what time the money was paid out. His obligation was secured but the date of availability was not. This disadvantage, however, might have been compensated by the chance to trade the annuities.

Diagram 1: Conditions of redemptions between peasants and landlords after the 2nd March 1850



The results of the Rentenbanken offer some indications concerning the success of the implemented system (table 1). They were calculated in 1865, and according to this, the incoming annuities (col. 2-4) do only represent a part of the whole incoming annuities since the loans of the Rentenbank, which started 1850, were running at least till 1891. The results differ in the way the peasants used the possibility of redemption by long-term loans of interest and repayment. In the regions of the Rentenbanken of Breslau (today Wrocław), Königsberg (Kaliningrad), Posen (Poznan) and Stettin (Szczecin) the peasants primarily chose redemption by debt service payment instead of principal in cash. This means that especially in the regions Pommern, Eastern- and Western-Prussia and Silesia the advantages of implemented credit institutions had positive effects on the dynamics of redemptions. Of course there is a connection between these findings and special feudal East-Elbian system in these regions, which tended to give peasants inferior property rights. The annuity banks of Berlin and Magdeburg showed larger amounts of principals

than of incoming annuities. This means that more peasants favoured paying principal instead of being indebted for at least 40 years as they did in the eastern regions. The results of the Rentenbank Münster, however, are striking. By far more principal has been paid in Westphalia and the Rhineland. This indicates that in Westphalia the problem of redemption payments is a special one, which should be examined in detail.

Table 1: Results of Rentenbanken of Prussia, until 1st October 1865 (in Reichstaler)

column	input (coming from peasants)				output (to landlords)	
	1 redemption by principal (18- times the annuity)	2 reduced to 90%, 56 1/12 years	3 annuities unreduced, 41 1/12 years	4 total	5 fixed interest securities	6 cash to round off
Rentenbank						
Berlin	718,560	458,323	50,656	508,979	11,185,045	13,049
Breslau (Wrocław)	737,226	1,209,733	13,339	1,223,073	27,122,695	27,063
Königsberg (Kaliningrad)	72,139	266,434	12,746	279,180	6,166,400	9,295
Magdeburg	1,872,261	320,413	115,012	435,426	9,407,365	13,189
Münster	4,293,162	324,750	66,256	391,006	8,530,565	11,242
Posen	20,682	490,992	29,037	520,029	11,480,445	11,236
Stettin	206,608	250,387	12,651	263,039	5,810,765	6,432

Source: Meitzen, vol. 4, 274-275, calculations: JB.

According to several redemption-laws contracts must have been concluded by the landlords and the peasants, and approved by the Generalkommission. These contracts deal with information about the withdrawn duties and charges, the conditions of redemption and due dates. Some contracts contain a redemption between one landlord and a couple of peasants or vice versa. Therefore, one has to consider the number of relationships, too.

The sample contains 67 redemption-contracts of Oberkirchen-Westfeld and 142 contracts of Borgeln collected in the land-title files (table 2). Since the land-title files of Oberkirchen cover only a part of the parish, namely the municipality Oberkirchen-Westfeld with about 350 inhabitants, the amounts of redemptions are small compared to Borgeln. The data also reflect the higher number of split farmsteads in Oberkirchen-Westfeld relative to Borgeln. Actually, the dues

of an average farmstead in Borgeln were also higher than in Oberkirchen. But every contract from both places reflects financial decisions made both by the landlords and the peasants.

Table 2: Redemption-contracts and redemption-relationships

	Oberkirchen-Westfeld			Borgeln		
	number of contracts	value of redemption in Reichstaler	number of relationships between landlord and peasant	number of contracts	value of redemption in Reichstaler	number of relationships between landlord and peasant
period 1 :before 2.3.1850	46	2,109	49	27	9,850	30
period 2: 2.3.1850-31.12.1859	18	1,513	87	79	43,772	76
period 3: after 31.12.1859	3	190	6	36	6,070	50
total	67	3,812	142	142	59,692	156

Source: Land title files Oberkirchen-Westfeld and Soest.

As can be seen in table 2, the whole period of redemptions is divided into three single periods of changing conditions. In period 1 before 2nd March 1850 the peasants had to pay 25 times the annuity to the landlord in cash or in four instalments. In period 2 peasants and landlords were enabled to use the Rentenbank as an intermediate institute as is shown in the diagram above. The most important redemptions were carried out in this period. In period 3 the redeeming conditions varied much. Later in this period the obligations to the priest, to the verger or to other ecclesiastical institutions could be redeemed on conditions which differed in certain aspects from the classic example shown in the diagram. Therefore, period 2 appears worth examining.

Table 3 shows clear dimensions. The peasants of Oberkirchen-Westfeld preferred paying the redemption by taking out a loan of the Rentenbank but two fifths of the whole volume of this period were paid in cash. Especially the lower amounts coming from split farmsteads, also split charges and duties were paid in cash, whereas the peasants chose the debt service offered by the Rentenbank to pay higher amounts.

Although the amounts in Borgeln were higher on the whole and actually considerable, the peasants from Borgeln preferred paying principal. These numbers are unexpected. The

redemption payments have been rather considerable, as in some cases they amounted to more than 2,000 Reichstaler. Therefore, one should suspect the debt service payment accordingly. But the peasants of Borgeln acted in a different way. They rejected the possibility of debt service payments and chose cash payment. This turns the spotlights on the conditions of both credit markets. The Oberkirchen credit market appears to have been too limited and inflexible to cover the – on average low - credit demand of the 1850s. The Borgeln credit market was extensive so the peasants did not consider the debt service offered by the Rentenbank a good choice. As the due dates of the payments had only a few months delay after conclusion of the contract, the large amounts had to be mobilized quickly. This also means that the high credit demand of this period was likely to be covered by the existing capital market, which is still to be examined.

Table 3: Redemption decisions 1850-1859

Peasants delivering	Landlords receiving				Governmental treasuries Borgeln
	Number of relationships (total value of redemption in Rt.)				
	Oberkirchen-Westfeld		Borgeln		
	principal in cash	fixed interest securities	principal in cash	fixed interest securities	
Principal in cash	2 (14)	61 (934)	22 (5,832)	22 (17,368)	28 (18,284)
Reduced annuity to the Rentenbank, 90%	not possible	4 (531)	not possible	3 (1,766)	1 (230)
Unreduced annuity to the Rentenbank	not possible	19 (797)	not possible	0	1 (272)
total	2 (14)	84 (2,262)	22 (5,832)	25 (19,134)	30 (18,786)

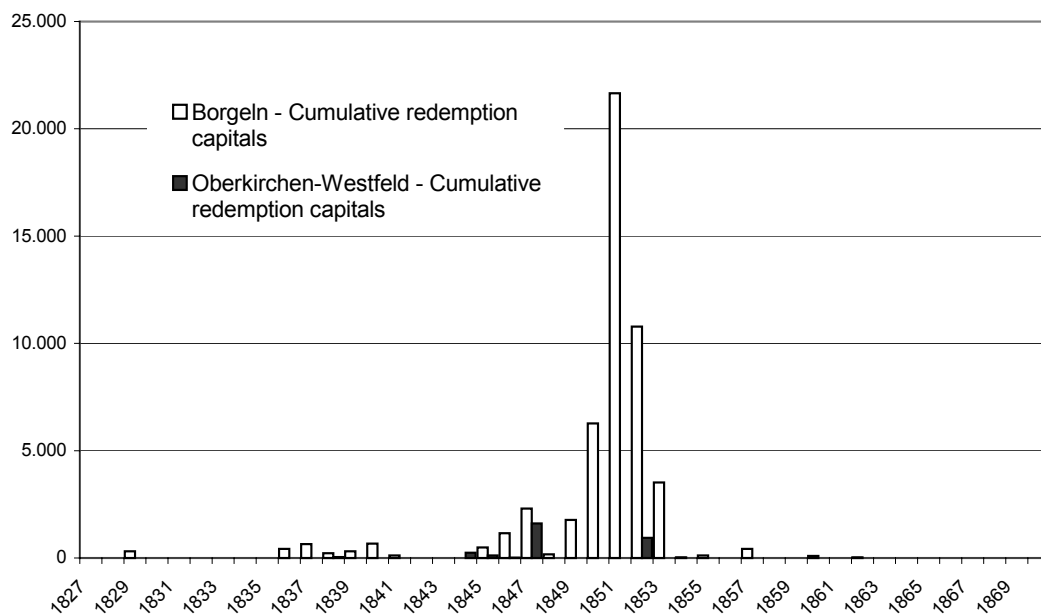
Source: Land title files Soest and Oberkirchen-Westfeld

3. Credits from the savings bank - the example Soest

In the discussions on the credit demand resulting in the redemptions some considered savings banks to be appropriate (see Behr). However, they should explicitly not give loans but repay money saved by the peasants beforehand. They were institutions of welfare and social care. To loan money was an inferior intent although it was already mentioned in the first statutes. But soon after establishment the savings banks considered the spending business to be important

(Guinnane), and so did the Westphalian savings banks. The savings bank of Soest, established in 1825, was one of the first savings banks in Westphalia. The spending business became larger as the saving input rose (see diagram 3). The conditions to get a loan by the savings bank were strict in the beginning, but relaxed later on. Either the loan was secured by real estate or the lender could provide two guarantors. Lists of well-known inhabitants allowed to act as guarantors were established and renewed every year.

Diagram 2: Redemption capitals paid by principal cash (year of payment or year of due date)



Source: Land title files Soest and Oberkirchen-Westfeld

The example of the savings bank of Soest offers good conditions to examine the business in the years under research because important sources referring the development of the business have been preserved in the local archive of Soest. The analysis is carried out on the basis of savings banks journals containing lists of all lodgements and issues day by day.

As diagram 2 shows, in Borgeln most redemption payments by principal were made between 1849 and 1855. The explanation for this peak is without doubt the law of 2nd March 1850, by which the rate capitalization was lowered. Though by this time also the Rentenbanken were

established, this was not the reason for the peasants' activity. The capitalization of the 18-fold was obviously acceptable to pay by a principal amount and get rid of all feudal bonds at once. We can formulate two hypotheses: If the savings bank had been an important credit provider for financing the redemptions, the portion of peasant creditors would have been discernibly higher in the years of the main redemptions, between 1849 and 1855, than in the years before and afterwards. Moreover, we should expect a higher number of credits and a higher amount of issues of loans and withdrawals in the years concerned.

Diagrams 3 and 4 show that the second hypothesis is misleading. The amounts of issued loans and withdrawals can be gathered from the annual year-end accounts shown in diagram 3. The development of the expenditure ran quite similar to the incoming lodgements in the 1830s and 1840s; it amounted to 80-90% of the income on average. In 1849 the total amount of expenditure was remarkable low as it amounted to 55% of the income, but it increased again to 70-85% of the income in the 1860s. There is no evidence that the amounts of withdrawals and loans were particularly high in the first half of the 1850s. These years do not show a particularly high credit demand. Moreover, we can conclude that the years 1850 to 1855 did not constitute a decisive moment in the savings bank's development. At most, we can figure out high income from 1855 onwards, which could mean high deposits and high repayment of loans.

We can confirm this impression with diagram 4. On the whole the number of granted loans was surprisingly constant. There was a relatively high credit demand in the 1840s, but in 1849 the number of granted loans was lowest with 82 and increased afterwards until it reached the figure of 199 in 1853. Again, the income of the savings bank shows a more remarkable process. The number of deposits in new savings accounts grew steadily till the end of the 1840s. Since 1849 the growth-rate per year had been even higher, and the number of new accounts reached a peak in 1855. We can conclude from this data that the years of the redemptions did not affect the spending business but the lodgements of the savings bank. At that precise moment the savings bank apparently did not play an important role in financing the agrarian reforms. Yet the reforms

were likely to affect the business of the savings bank since it received and secured the capital supply resulting from the redemption process. We can consider both the cash payment of redemptions and the honoured fixed interest securities of the Rentenbank as amounts of capital, which had to be invested again.

Diagram 3: Annual year-end accounts of the savings bank of Soest in Reichstaler (1831-1867)

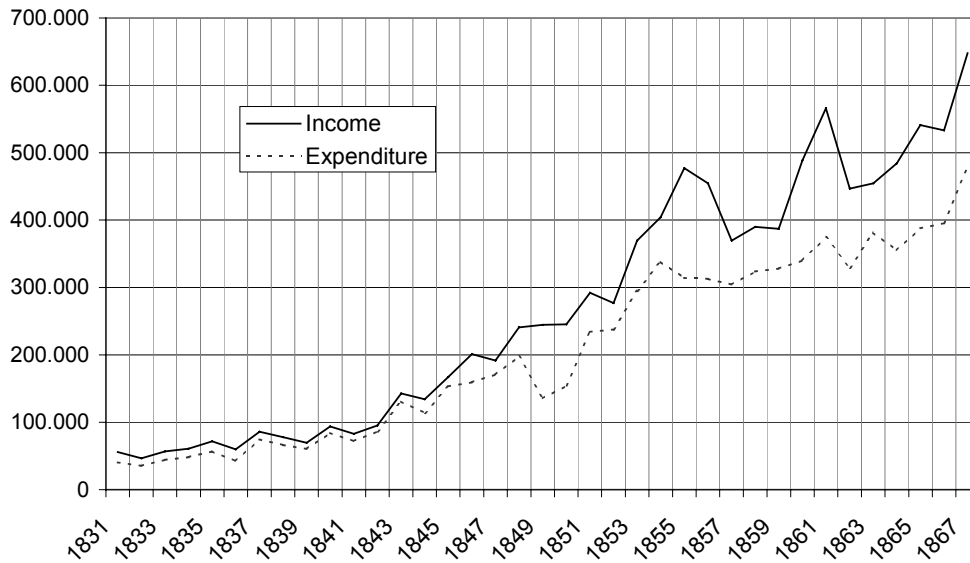
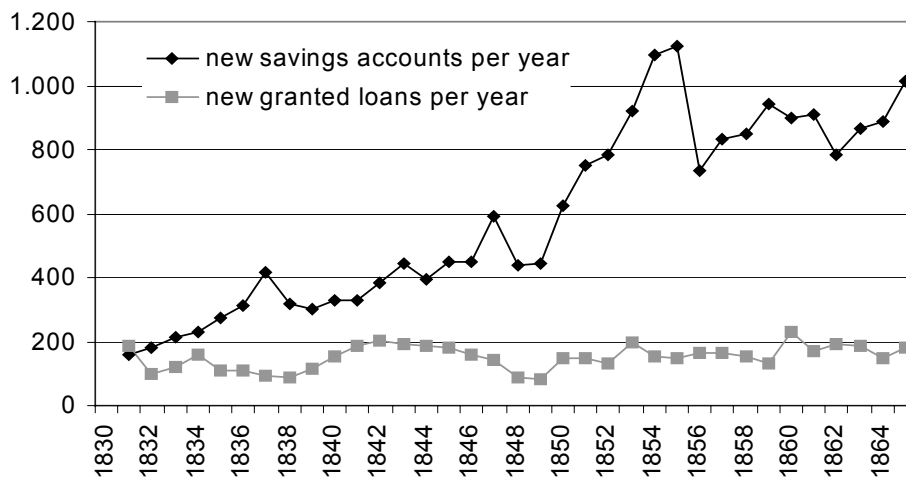


Diagram 4: Numbers of new savings accounts and loans of the savings bank of Soest (1831-1865)



Source: Journals of the savings bank of Soest.

Though there is no quantitative effect concerning the granted loans resulting from the redemptions, a qualitative analysis offers insights into characteristic changes of the structure of debtors especially in the years of the redemptions.

As the main amounts of redemption payments in Borgeln occurred in the years 1850-1853 one might expect that changes in the structure of debtors also occur in this period. I selected four cross-sections of debtors of the years 1845, 1850, 1851 and 1856 to establish whether peasants appeared in the years of redemptions more often than in the years before and afterwards. The diagrams 5 and 6 show the results. I distinguished between groups of debtors, which also show a differentiation between rural creditors like peasants and smallholders and urban ones like artisans, office bearers (and local grandees) and merchants. This also reflects a distinction between those who had to pay redemptions and those who could profit by the payments, since some of the citizens were landlords as well. Diagram 5 shows the total amounts of loans, diagram 6 the mean amount per debtor.²

The cross-section of 1845 reflects the situation before the redemptions. The main part of the loans was given to artisans and office bearers, who had average amounts of 327 and 606 Rt. Merchants took out loans of amounts similar to those of artisans. Peasants took out loans of lower absolute amounts and were overall a remarkable group concerning the spending business of the savings bank but not the decisive one. In 1850 and 1851 this image changed. In both years loans given to peasants were by far the highest, apart from the loans to institutions, which were only a few but very high ones. The number of peasant debtors was 32 in 1845, 31 in 1850, 37 in 1851 and 25 in 1856. Therefore, the increased share of peasants was not a result of increasing numbers of debtors but of increasing average amounts. The structure of given credits changed. Whereas we can consider the peasant loans of 1845 to be loans for small investments, the amounts given in 1850 and 1851 were those of bigger investments such as farm purchases and actual redemptions.

² I excluded two extremely high amounts, which would have distorted the findings in an unacceptable dimension: 1845 one loan of 12,000 Rt. given to the city of Soest and 1856 a loan of 10,000 Rt. given to a high civil servant.

As we expected, the situation changed again in 1856. The share of peasants, both the numbers and the amounts went down again, whereas the share of merchants, artisans, office bearers and institutions grew rapidly. The average amounts given to merchants and office bearers in particular were very high.

Diagram 5: Total amounts of loans given by the savings bank of Soest in selected years (in Reichstaler)

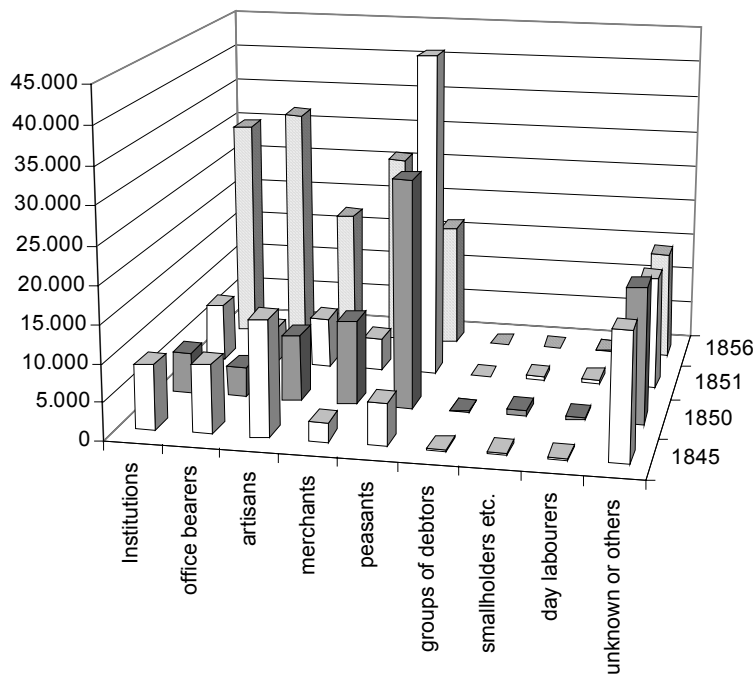
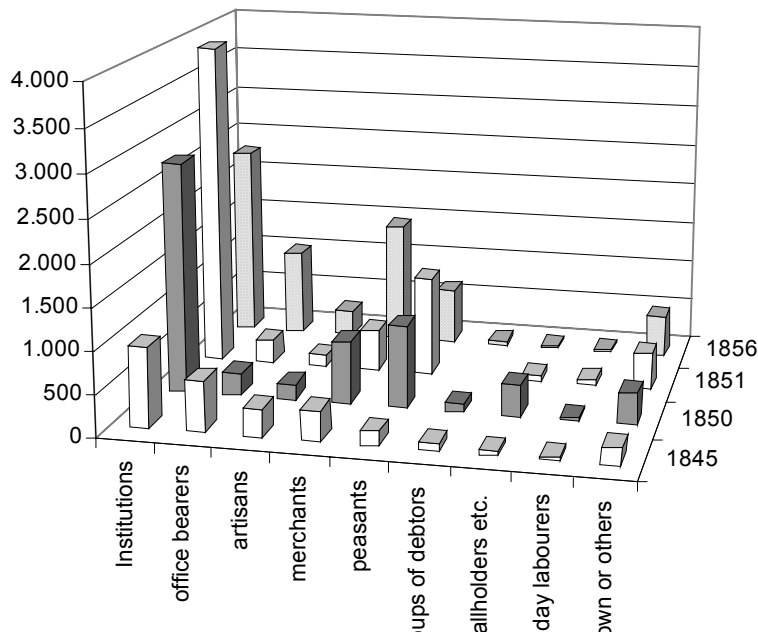


Diagram 6: Average amounts of loans given by the savings bank of Soest in selected years (in Reichstaler)



Source: Table 5 in appendix.

We actually can conclude that it was likely to be the redemptions which influenced the credit business of the savings bank. It is obvious that a part of the special credit requirement was covered by the savings bank. The situation in 1856 with an increasing share and mean amounts of loans given to citizens is striking. Possibly we can explain this growing credit demand with a more dynamic capital market pushed by the redemptions. We can also suggest that some of the urban debtors of 1856 needed credit supply since they might have given loans to peasant debtors in earlier years.

Overall we can estimate that the savings bank's credit volume concerning the redemption payments was about 100,000 Rt. In 1850 and 1851 the savings bank gave loans of about 7,600 Rt. to peasants from Borgeln. Considering that the redemption payment of Borgeln as a whole was about 35,000 Rt. between 1850 and 1859 - and there were dozens of villages like Borgeln around the countryside of Soest - the savings bank was one actor on the credit market for purpose of redemption and perhaps a big one. But the loans given by the savings bank do not explain the whole problem of financing the redemptions.

4. The real estate credit market

The modern real estate credit system can be seen as a result of the introduction of land title registers in the first decades of the 19th century. Until the 1820s the system of personal rural credit was rather widespread in Westphalia. Personal credit means a loan between persons on the basis of promissory notes, including less security for repayment. Administration and reformers complained about the disadvantages of this system: From their point of view creditors were not secured sufficiently from losing the money if the debtor had a cash flow problem. Of course, legislation enabled the creditor to open bankruptcy proceedings even before implementation of the mortgage system. But the creditor had no formal security in the shape of certain plots or parcels of land. For this reason creditors, as it has been considered by contemporary voices, possibly compensated for the high risks by demanding high interest rates.

The land title registers offered the possibility to mortgage real estate. First attempts in Prussia were made in the first half of the 18th century by introducing mortgage books (*Hypothekenbücher*). In general, land title registers were introduced in the first decades of the 19th century. In the two Westphalian parishes examined the first land title registers appeared in the 1810s. The institutions to administrate the registers were the local courts. A Prussian land title register contains – first of all – proofs of transactions of land, usually parcels. Furthermore it contains proofs of real charges, for instance traditional dues and services and other real land charges like credits in real estate. The Prussian mortgage enabled the lender of a loan to have privileged securities in case of a compulsory sale of an indebted borrower. Getting registered was voluntary. Therefore, the first entries were scattered but mostly the owners of land made their first entries when they handed over their property to the next generation.

In general, the land title registers were assessed to be successful. The economist and high civil servant August Meitzen (1822-1910), who conducted agricultural policies in the Prussian province Silesia for years, reached the decision that „the whole institution has proved itself. The trust in the reliability of land title registers is so high [...] that the capitalists use them to grant obligations just by inspecting the land title register, without knowing the real condition of the plot of land“ (Meitzen, vol. 3, 102). Actually, he said in his important survey about the Prussian rural system dated 1868, „everywhere agricultural credit appears today it is credit on real estate. The creditor, who knows about the value of a farmstead, of course ... prefers to have a security of a real deposit and not only a personal promise. The debtor, however, who is not restricted by the mortgage by any means, agrees as willingly as a mortgage can lower the interest rate“ (Meitzen, vol. 3, 92).

Since sources concerning personal credit are scarce and rarely handed down, it is not easy to confirm the positive statement of Meitzen. We are able to test the hypothesis with the entries in land title registers of both places. Every entry of the land title register contains the date the loan was given or the credit contract was signed and a second date, at which the entry of the mortgage

was made. In some cases both dates differ by a couple of years. From this we can conclude, that some loans were meant to be personal credit in the beginning and transformed into credit on real estate after delay of repayment or other circumstances.

Table 4: Interest rate of loans in connection with the interval between date of contract and date of mortgage (1818-1881)

Date of mortgage minus date of contract	Oberkirchen (N=736)			Borgeln (N=631)		
	total amounts credited	total amounts of interest per year	average interest	total amounts credited	total amounts of interest per year	average interest
<1 year	141,558 Rt.	6557 Rt.	4,63 %	205,965 Rt.	8,268 Rt.	4,01 %
1-3 years	12,629 Rt.	575 Rt.	4,55 %	9,239 Rt.	414 Rt.	4,48 %
>3 years	21,943 Rt.	960 Rt.	4,37 %	12,695 Rt.	614 Rt.	4,84 %
total	176,130 Rt.	8,092 Rt.	4,59 %	227,899 Rt.	9,296 Rt.	4,08 %

Source: Land title registers Oberkirchen and Borgeln

Table 4 shows amounts of credits on real estate and the amounts of interest per year divided into three groups of intervals between the date of contract and the date of mortgaging. It indicates that most of the credits on real estate were registered less than one year after the date of concluding the contract. Therefore they were apparently meant to be secured by a mortgage from the beginning. Only smaller amounts of credits were registered one or more years after concluding the contract. This means that actually the real estate loans were likely to be the main form of giving and taking out loans in both places.

Before asking whether the real estate market covered the main cash demand for financing the redemptions, it might be helpful to characterize the real estate credit markets in Borgeln and Oberkirchen on the basis of the land title registers. Real estate charges have had different origins. Most of the mortgages have been raised to secure the compensation of heirs and many others are taken to secure smaller payment delays. The following presentation is based on selected credits which are considered to be loans in a narrower sense to be intended for investment or postponing payment.

Diagram 7: Amounts of real estate loans, given to inhabitants of Borgeln, 1833-1866 (in Reichstaler)

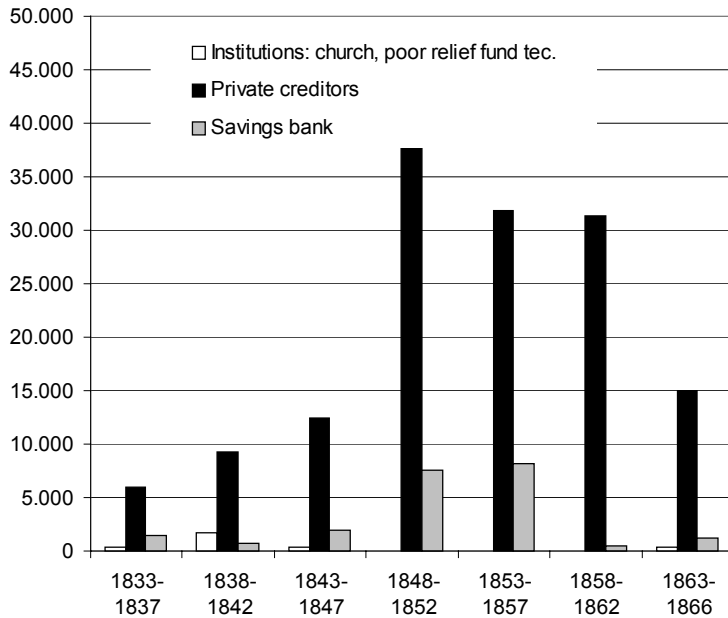
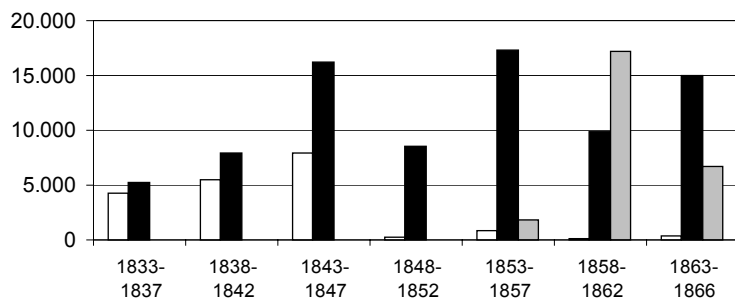


Diagram 8: Amounts of real estate loans, given to inhabitants of Oberkirchen, 1833-1866 (in Reichstaler)



Source: Table 6 in appendix

Inspecting diagrams 7 and 8 it is striking that the total amount of loans given to inhabitants of Oberkirchen was smaller than that of Borgeln although the number of inhabitants of the parish was twice as high. The reason for the small amounts is quite obvious: The taxation of net yields developed differently. The land of Oberkirchen lost value during the 19th century whereas tax values in Borgeln rose. Assuming a straight-line increase in Borgeln and a straight-line decline in Oberkirchen as in circa 1842, the total land of Borgeln had a higher value than the one of

Oberkirchen. In 1866 about 838 hectare (~2,100 acres) land of Borgeln as a whole was about 60% more valuable and of course more creditworthy than the 6,200 hectare (15,500 acres) of Oberkirchen.³

As we can see in diagram 7, the credit demand of peasants from Borgeln was very high in the years between 1848 and 1862, so that we can conclude a connection between credit demand and redemption payments. Diagram 8 concerning Oberkirchen shows nothing comparable, because, as we have seen, the redemption payments were comparatively low. But it indicates that the “old” institutions, like charitable funds etc., had some significance before 1850. Savings banks in towns within range of Oberkirchen were established in 1845 (in the town of Meschede), 1855, 1859 and 1861. They soon made an impact on the credit market and afterwards became the most important creditor.

The market of real estate loans of both places worked in different ways. The inhabitants of Borgeln tended to the credit market of the town Soest (table 8, col. 2/ line 8). Creditors from other towns were represented in a smaller number, however, they gave loans of larger amounts (4/ 8). Most of the creditors were merchants, office bearers and artisans (2/ 1-3). In Soest physicians and rich widows were often creditors as well (2/ 7).

Although total numbers and amounts in places were rather on the same level, the numbers and amounts of loans dealt within the parish of Oberkirchen were up to eight times larger than in Borgeln (table 7+8, col. 1/ line 8). Therefore, the local environment was strongly represented in the credit market. The inhabitants of Oberkirchen mostly took real estate loans offered by inhabitants of their own parish or the Church (col. 1). Merchants and office bearers were important creditors as well, both from the towns nearby and around the countryside. In the parish Oberkirchen many loans were offered by inhabitants, who were merchants as well as peasants.

³ See Fertig, 17-19: taxation of net yields 1830: Oberkirchen 12,481 Rt., Borgeln 8,630 Rt., 1866: Oberkirchen 8,984 Rt., Borgeln 14,618 Rt.

To connect our findings of the savings bank of Soest with those derived from the land title registers, we should focus on the data of the savings banks of Soest regarding loans in Borgeln. First of all, the numbers of transactions have been compared. The savings bank of Soest played an important part in this market. Established in 1825, it had been active in the whole period examined. 112 real estate loans were given by the savings bank to the inhabitants of Borgeln during the period from 1834 to 1866 (table 8, col. 2/ line 6). This was a considerable number but the amounts were below average. Only 12 loans out of 112 were higher than 200 Rt. Higher credit sums were given by the bourgeois inhabitants (table 8, col. 2/ lines 1-3). We may consider that in the whole period the savings bank of Soest offered loans of small amounts or that the customers of the bank mostly demanded small amounts.

Focussing on the particular period 1850 to 1859, we can see significant changes (table 9). During these years, the savings bank gained a share of the 'Borgeln credit market' of nearly 15,4%, whereas it had a share of 10,2% referring to the whole period. The whole credit volume was about 12,000 Rt. split up into 13 loans, each amounting on average to 925 Rt. (col. 2/ line 6). 58% of all loans given by the savings bank to people from Borgeln between 1830 and 1866 were given in the 1850s. This means that the savings bank of Soest in particular could profit from the credit demand in the years of redemptions. Furthermore, three loans by savings banks of other towns, also during the 1850s, amounted to 500 to 2,000 Rt. each (4/ 6). But also private creditors like merchants and office bearers or civil servants were important creditors. Their loans were amounting to 441 to 889 Rt. on average, significantly more than referring to the whole period (2/ 1-3). Especially the merchants of other parishes got a growing market share during the 1850s (3/ 1).

We can conclude that the years between 1850 and 1859 changed the economic situation on the credit market. The credit demand coming from the peasants was growing rapidly and resulted in exploiting new credit supply. Especially the savings bank from Soest and merchants had an

eminent position in the market, which they did not have before and after the years of redemptions.

Another worthwhile question is if there was a special advantage in taking out a loan with the savings bank instead of borrowing from a merchant. The average interest rate of the loans given both by the savings bank of Soest and of the full sample of Borgeln was 4%, so this made no difference. Possibly the question of termination was important. The savings bank of Soest collected increasing sums of saving capital each year. One might imagine that the bank did not need to terminate a loan until the borrower wanted to repay.

One might also expect that the "formal" character of a special financial institute had a positive effect on the acceptance among the borrowers. One can speak of a new "formal" credit, which is characterized by formal statutes and restrictions, regulated and supervised by local authorities, whereas the former "informal" credit market was spontaneous and private (Lindgren, 813). I would like to add, that the one important element of institutional credit is the absence of other social relationships underlying the deal between the institution and the debtor. The typical private credit among neighbours or relatives is interlocked with other relations and connections between two people. The typical institutional credit is considered to be liberated from these social contexts.

But how anonymous has the savings bank actually been? Mathias Rocholl, who managed the business in a small office of the town hall for the first 23 years, had been the treasurer of a school in Soest, an active private creditor as well, and he was the one who collected the tax from the villages of the countryside. Among the most important creditors of our sample were a couple of Rocholl's relatives. Actually, there was a strong personal dimension in the management of the savings bank. One might assume that the office holder Rocholl and his customers had been in a social relationship before meeting in the savings bank. On the other hand, the private credit market of Soest was possibly more "formal" as it was supposed to be. Merchants and office holders placed advertisements in the local newspaper intending to give loans of large amounts.

This indicates a kind of financial behaviour which is tending to become independent of existing social relationships.

I would like to conclude this argumentation with micro-historical findings based on land title register data. I compared the redemption-contracts in which redemption by principal was agreed with the loans on mortgage and with the data on land sales registered in the land title registers between 1830 and 1866. The hypothesis was again that the credit market was the main source to mobilize money. As the capital had been paid within a few months after the conclusion of a contract, one should suppose that both loans and sales within one year before or after a redemption were meant to finance the redemption.

The special sample of redemptions by principal cash contained 57 cases from Oberkirchen-Westfeld and 58 cases from Borgeln. Several redemptions of one peasant within one year were put together and treated as one. In 5 cases (1 from O.-Westfeld and 4 from Borgeln) land sales and redemptions were made within one year. Two of them can be considered to be sales in order to finance redemption. For example, the peasant Schulze from Borgeln, whose enormous redemption principal of more than 3,300 Rt. to the Rentenbank fell due in April 1852, sold a parcel worth 3,200 Reichstaler in May 1851. In one more case, it is rather likely that the sales revenue was used for redemption.

In 19 cases (4 from O.-Westfeld and 15 from Borgeln) there is a chronological connection between a loan on mortgage and the redemption by principal. Actually, in 10 cases I consider the loan to be used directly in order to redeem. Only one of them is a payment delay, which was mortgaged afterwards. In 7 more cases loans were likely (perhaps partly) to be used for redemption. Quite obvious is the example of the widow Bimberg, who was obliged to give annuities of 180 Rt. each year originally, and who concluded a redemption-contract in June 1853. She had to pay 18 times of the annuity, which was the staggering amount of 3,240 Rt. In September 1853 she took a loan of 4% interest of the savings bank and paid the redemption-principal even before 1st October.

5. Redemption payment strategies. A conclusion

At this point we can summarize the need for cash in Borgeln during the years of redemptions to be worth more than 35,000 Rt. in total. This demand was covered primarily by the real estate credit market, which concentrated on local grandees and merchants from the town of Soest. During the 1850s the structure of creditors changed. In particular the savings bank of Soest became important and gave loans of approximately 10,000 Rt. for the purpose of redemption payments to peasants from Borgeln and about 100,000 Rt. for redemptions in total. The Rentenbank of Münster, which was established to support redemptions, had almost no influence on the course of redemptions in Borgeln.

Oberkirchen had a more local credit market. Net yields and the credit worthiness of the land were lower than in Borgeln, so that the credit amount was lower in total. There was no clear effect of redemption payments on the credit market, because the values of dues and charges were low and many redemption processes were carried out by the Rentenbank.

The findings showed that the peasants from the wealthier region around Borgeln preferred private credit in general, but turned to the savings bank in the 1850s when credit demand was great. In the poorer hilly region, where Oberkirchen was situated, the debt service of the Rentenbank was preferred, perhaps because the Rentenbank was not allowed to refuse an application, whereas private creditors certainly were. The data from Oberkirchen also indicate a great demand for institutional credit, because savings banks were relevant soon after establishment. This confirms the impression of Ó Gráda concerning Ireland, that savings banks were concentrated in well developed regions and “fewest where the really poor were most numerous” (Ó Gráda, 4-5).

It is rather interesting to consider the peasants' motives for paying the redemption cash. I would suggest that the peasants of Borgeln did not appreciate the prospect of paying annual

amounts over more than 40 years. If we imagine the widow Bimberg had chosen the debt service payment, she would have been obliged to pay the reduced annuity of 162 Rt. for 56 years.

Nevertheless, she was able to redeem the debt by repaying the rest of the principal whenever she wanted to. In the case of the regular loan borrowed from the savings bank she was obliged to pay about 130 Rt. interest each year and repay some time later. Perhaps this reduced annual duty was assumed to be the primary advantage, and the peasants relied on their economic success and outstanding share of an inheritance. Furthermore, the obligation to the Rentenbank was secured with priority in the land-title-register, which could have been seen as a big disadvantage. Not least of all the annuities to the Rentenbank had been divided up in instalments and collected in combination with the tax each month. As far as we know, the tax-administration did not accept payment delays. From this point of view, the “ordinary” credit market promised more flexible solutions.

On the other hand, the numbers show who managed to profit by the implementation of Rentenbanken. The landlords had the chance to choose between large amounts of cash payments or a regular annual income. Large amounts needed to be reinvested. The alternative of taking fixed-interest securities offered a higher value in general, an income of annuities each year and also the chance to sell and trade these papers if the landlords felt so inclined.

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Appendix

Table 5: Loans given by the savings bank of Soest in selected years

	Amount of loans in Reichstaler (Number of loans) <i>average amounts</i>											
	1845			1850			1851			1856		
Institutions	8,569	(9)	952	5,500	(2)	2,750	7,750	(2)	3,875	29,975	(13)	2,306
Office bearers	9,085	(15)	606	4,065	(15)	271	4,896	(18)	272	32,015	(31)	1,033
Artisans	15,366	(47)	327	8,766	(47)	187	6,778	(52)	131	17,618	(57)	309
Merchants	2,520	(7)	360	11,195	(15)	746	4,400	(9)	489	26,200	(18)	1,456
Peasants	5,585	(32)	175	30,390	(31)	980	43,747	(37)	1,182	16,634	(25)	665
Groups of debtors	170	(2)	85	100	(1)	100		(0)		50	(1)	50
Smallholders	370	(7)	53	740	(2)	370	539	(8)	539	50	(2)	25
Day labourers	244	(7)	35	283	(8)	35	573	(10)	57	120	(4)	30
Unknown or others	16,868	(85)	198	17,993	(48)	375	15,071	(35)	431	14,459	(29)	499
total	58,777	211	279	79,032	(169)	468	83,754	(171)	490	137,121	(180)	762

Source: Journals of the savings bank of Soest

Table 6: Amounts of real estate loans, given by private and institutional creditors, 1833-1866 (in Reichstaler)

	Creditors of real estate loans, Oberkirchen			Creditors of real estate loans, Borgeln		
	private creditors	‚old‘ institutions	savings banks	private	‚old‘ institutions	savings banks
1833-1837	5,216	4,232	0	6,013	380	1,414
1838-1842	7,936	5,495	0	9,290	1,710	710
1843-1847	16,271	7,936	0	12,459	425	1,961
1848-1852	8,589	210	0	43,413	0	7,592
1853-1857	17,310	875	1,850	31,808	0	8,220
1858-1862	9,888	130	17,198	31,382	0	450
1863-1866	15,039	405	6,745	15,040	1,230	1,230
total	84,479	20,807	25,793	179,088	5,970	23,842

Source: Land title registers Borgeln and Oberkirchen.

Table 7: Real estate loans of the parish Oberkirchen, 1834-1866

line	column	Creditors coming from...					6 total						
		1 Oberkirchen		2 towns nearby****		3 other parishes		4 other towns	5 unknown				
		total amount of loans		(number of loans)		average amount of a loan [in Reichstaler]							
1	Merchants*	5,405 154	(35)	3,364 198	(17)	15,481 250	(62)	5,015 716	(7)	(0)	29,265 242	(121)	
2	Office bearers***	3,340 334	(10)	2,543 182	(14)	12,078 198	(61)		(0)	878 220	(4)	18,839 212	(89)
3	Artisans	1,205 110	(11)		(0)	769 154	(5)		(0)		(0)	1,974 123	(16)
4	Peasants	17,550 222	(79)		(0)	4,189 419	(10)		(0)		(0)	21,739 244	(89)
5	Institutions**	11,400 158	(72)	384 128	(3)	1,674 186	(9)		(0)	4,302 215	(20)	17,760 157	(113)
6	Savings banks		(0)	9,778 279	(35)	2,815 469	(6)	13,200 6,600	(2)		(0)	25,793 600	(43)
7	Others or unknown	22,932 193	(119)	8825 267	(33)	9,415 196	(48)	3,438 860	(4)	1631 272	(6)	46,241 220	(210)
8	total	61,832 190	(326)	24,894 244	(102)	46,421 231	(201)	21,653 1,665	(13)	6,811 227	(30)	161,611 240	(672)

**** distances from Oberkirchen: Schmallenberg 7 km, Winterberg 15 km, Fredeburg 10 km, Berleburg 19 km.

*** f.e. civil servants, dignitaries, clerics, local grandees

** f.e. parish treasury, school, charitable institutions

* also entrepreneurs

Source: Land title registers Oberkirchen

Table 8: Real estate loans of the parish Borgeln, 1834-1866

line	column	Creditors coming from...					6 total						
		1 Borgeln	2 Soest	3 other parishes	4 other towns	5 unknown							
		total amount of loans		(number of loans)		average amount of a loan [in Reichstaler]							
1	Merchants*	(0)	13,191 377	(35)	26,079 272	(96)	6,329 1,055	(6)	838 279	(3)	46,437 325	(143)	
2	Office bearers***	(0)	23,649 299	(79)	2,874 359	(8)	4,085 272	(15)	2,025 145	(14)	32,631 281	(116)	
3	Artisans	874 97	(9)	13,626 317	(43)	560 280	(2)		(0)	693 99	(7)	15,753 258	(61)
4	Peasants	2,220 159	(14)	100 100	(1)	6,945 496	(14)		(0)		(0)	9,265 319	(29)
5	Institutions**	1,500 250	(6)	3,182 145	(22)	100 100	(1)		(0)	1,700 340	(5)	6,482 191	(34)
6	Savings banks		(0)	20,787 275	(112)		(0)	4,000 1,333	(3)	0		24,787 216	(115)
7	Others or unknown	2,517 168	(15)	25,726 459	(56)	22,736 1,137	(20)	9,740 1,948	(5)	7,674 320	(24)	68,393 570	(120)
8	total	7,111 162	(44)	100,261 286	(351)	59,292 (141)	24,154 833	(29)	12,930 244	(53)	203,748 330	(618)	

Source: Land title registers Borgeln

Table 9: Real estate loans of the parish Borgeln, 1850-59

line	column	Creditors coming from...					6 total
		total amount of loans		(number of loans)		average amount of a loan [in Reichstaler]	
		1 Borgeln	2 Soest	3 other parishes	4 other towns	5 unknown	
1	Merchants*	(0)	6,223 (7) 889	16,819 (44) 382	(0)	(0)	23,042 (51) 452
2	Office bearers***	(0)	7,910 (14) 565	700 (1) 700	1,000 (2) 500	1,000 (1) 1,000	10,610 (18) 589
3	Artisans	180 (2) 90	7,933 (18) 441	(0)	(0)	(0)	8,113 (20) 406
4	Peasants	400 (1) 400	(0)	2,500 (4) 625	(0)	(0)	2,900 (5) 580
5	Institutions**	500 (3) 167	(0)	(0)	(0)	(0)	500 (3) 167
6	Savings banks	(0)	12,022 (13) 925	(0)	4,000 (3) 1,333	(0)	16,022 (16) 1,001
7	Others or unknown	800 (3) 267	9,427 (15) 628	3,870 (6) 645	1,650 (2) 825	1,600 (2) 800	17,347 (28) 620
8	total	1,880 (9) 209	43,515 (67) 649	23,889 (55) 434	6,650 (7) 950	2,600 (3) 867	78,534 (141) 557

Source: Land title registers Borgeln