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Elise Dermineur

Trust, Norms of Cooperation, and the Rural Credit Market in Eighteenth-Century France

Lending and borrowing money was an ordinary activity in early modern France. In traditional communities, peasants used credit in order to make ends meet, to pay their taxes, and to make new investments. But as money was exchanged, trust between creditors and the debtors assumed vital importance. A creditor, entrusting capital to friends, neighbors, family members, or clients, had to be reassured of his/her debtor's capacity not only to reimburse the money lent in due time but also to pay the annual interest. Despite the fact that creditors often took the requisite precautions to secure their transactions, some of them had to appeal to a local judge to recover their loans, an extreme measure indicating that trust between the initial parties had been lost.

This article analyzes the paradigm of trust—or, more narrowly, the interaction between debtors and creditors—in French traditional communities during the early modern period (with special reference to the eighteenth century), treating it as an object of historical analysis in its own right. It explores the mechanisms, characteristics, and evolution of trust through the prism of the credit market of a rural *seigneurie* (the domain of a lord). The period considered is critical. Indeed, the many structural changes that occurred during the eighteenth century were key in the transition between pre-capitalism and capitalism. These changes are evident in both towns and rural areas.[1]

The case study in this article is the rural seigneurie of Delle, located in northeastern France. It comprises a group of nineteen

Elise Dermineur is Senior Research Fellow, Dept. of History, Lund University. She is the author of "Single Women and the Rural Credit Market in Eighteenth-Century France," *Journal of Social History*, XLVIII (2014), available at doi: 10.1093/jsh/shu041; "Les Femmes et le Crédit dans les Communautés Rurales au 18e siècle," *Traverse Revue d'Histoire - Zeitschrift für Geschichte*, II (2014), 53–64.

1 See Robert S. DuPlessis, *Transitions to Capitalism in Early Modern Europe* (New York, 1997); Allan Kulikoff, "The Transition to Capitalism in Rural America," *William and Mary Quarterly*, XLVI (1989), 120–144.

villages that became the property of the Mazarin family at the end of the seventeenth century. In 1720, approximately 2,200 inhabitants populated the area; in 1766, the rural dwellers totaled about 3,400. Most of the inhabitants of this seigneurie were farmers. Delle was the main town (with a population of roughly 300 to 400 inhabitants in the middle of the eighteenth century), in which several artisans and merchants lived and worked, as well as a few millers and tanners. Delle was also the administrative center of the seigneurie, where a local court, one notary, and most of the seigneurial agents could be found. The number of these operatives tended to increase during the eighteenth century.[2]

Peasants in the seigneurie during the eighteenth century often took out loans to finance their obligations or investments, sometimes resorting to deferred payments for certain transactions. In the middle of the century, when indebtedness began to increase dramatically, many rural households struggled to repay their creditors. As Holderness put it, "In the pathology of rural life, peasants and indebtedness often go together in the same diagnostic package-deal." The example of the seigneurie of Delle highlights many of the features and patterns of debt, credit, and trust in early modern France—specifically, in this article, the nexus between borrowers and creditors in the context of a micro-credit market.[3]

2 For the history of the seigneurie of Delle, see, among others, Michel Colney, *Delle au XVIIIe siècle* (Strasbourg, 1989); 21J1, Dénombrement 1720 and 1766, Archives Départementales du Territoire de Belfort (hereinafter ADTB). During the eighteenth century, the seigneurie of Delle had its own local courts, which met frequently in its towns. Peasants could seek justice easily since all of the villages were located near the towns. This seigneurie was part of Alsace; there was no royal justice in this particular region. But the peasants were satisfied with both the quality and service of the local courts. See Dermineur, "The Civil Judicial System in Early Modern France," *Frühneuzeit-Info*, XXII (2011), 44–53.

3 For studies that highlight the mechanisms of private credit in the period before capitalism, See Chris Briggs, *Credit and Village: Society in Fourteenth-Century England* (New York, 2009); Dermineur, "Female Peasants, Patriarchy, and the Credit Market in Eighteenth-Century France," *Proceedings of the Western Society for French History*, XXXVII (2009), 61–84; Laurence Fontaine, *L'économie Morale: Pauvreté, Crédit et Confiance Dans l'Europe Préindustrielle* (Paris, 2008); *idem*, "Espaces, usages et dynamiques de la dette: Dans les hautes vallées dauphinoises (XVIIe-XVIIIe siècles)," *Annales: Histoire, Sciences Sociales*, XL (1994), 1375–1391; David Graeber, *Debt: The First 5,000 Years* (Brooklyn, 2011); Philip T. Hoffman, Gilles Postel-Vinay, and Jean-Laurent Rosenthal, *Priceless Markets: The Political Economy of Credit in Paris, 1660–1870* (Chicago, 2001); *idem*, "Révolution et évolution: Les marchés du crédit notarié en France, 1780–1840," *Annales: Histoire, Sciences Sociales*, LIX (2004), 387–424; Postel-Vinay, *La terre et l'argent l'agriculture et le crédit en France du XVIIIe au début du XXe siècle* (Paris, 1997); Phillipp R. Schofield, "The Social Economy of the Medieval Village in the Early Fourteenth Century," *Economic History Review*, LXI (2008), 38–63.

The contention herein is that growing indebtedness, and the development of financial markets, changed the meaning of trust by replacing social norms with legal, formal ones, instituting rigidity, doubt, and risk awareness within the community. What represented trust in the eighteenth-century France? How did the economic transition in the eighteenth century change interpersonal relations? What was its impact on the fabric of society? An analysis of loan contracts from 1730 to 1789 can not only help to answer these questions; it can also contribute to the current historiography of moral emotions and ethics. Trust—and by extension social capital—in the early modern period has been the object of numerous studies. But trust in the context of early modern micro-credit within French rural communities remains a subject in need of research.[4]

The first step in grasping the meaning and significance of trust in early modern traditional communities is to define *trust* and to distinguish its contours. The second step is to situate the analysis in its proper context by taking a closer look at the mechanisms and cogs of the credit market in general, and the rural credit market of the seigneurie of Delle in particular. Trust has undergone an evolution in time and place to become a modern-day norm of transaction; it is instructive to look back to inspect the basis of an interaction that was to become an essential element in the origins of capitalism during the eighteenth century.

TRUST IN EARLY MODERN FRANCE: DEFINITIONS AND CHARACTERISTICS

The meaning and extent of eighteenth-century trust differs from

For peasant struggles, see Thomas Brennan, "Peasants and Debt in Eighteenth-Century Champagne," *Journal of Interdisciplinary History*, XXXVII (2006), 175–200; Ulrich Pfister, "Le Petit Crédit Rural En Suisse Aux XVIe-XVIIIe Siécles," *Annales: Histoire, Sciences Sociales*, XLIX (1994), 1339–1357; Rosenthal, "Rural Credit Markets and Aggregate Shocks, The Experience of Nuits St. Georges, 1756–1776," *Journal of Economic History*, LIV (1994), 288–306; B. A. Holderness, "Credit in English Rural Society before the Nineteenth Century, with Special Reference to the Period 1650–1720," *Agricultural History Review*, XXIV (1976), 97.

4 2E 4/155–159, 2E 4/194, 2E 4/222–223, 2E 4/245–246, 2E 4/257–258, 2E4/279–280, ADTB. Fontaine, "Antonio and Shylock: Credit and Trust in France, c. 1680–c. 1780," *Economic History Review*, LIV (2001), 39–57; *idem*, *L'économie morale: Pauvreté, crédit et confiance dans l'Europe préindustrielle* (Paris, 2008); Hoffman, "The Role of Trust in the Long-Run Development of French Financial Markets," in Karen Cook, Russell Hardin, and Margaret Levi (eds.), *Whom Can We Trust? How Groups, Networks, and Institutions Make Trust Possible* (New York, 2009), 249–285. For England, see especially Craig Muldrew, *The Economy of Obligation: The Culture of Credit and Social Relations in Early Modern England* (New York, 1998); for early modern Germany, Sheilagh Ogilvie, "How Does Social Capital Affect Women? Guilds and Communities in Early Modern Germany," *American Historical Review*, CIX (2004), 325–359.

modern standards, especially regarding credit exchange. Too often has trust as an object of analysis been assimilated with modernity and, by extension, capitalism. Baier, Frevert, Fukuyama, and Yamagashi, among others, have been the advocates of this assimilation, showing that trust represents not only an incontrovertible element in any financial operation but also a key feature in contemporary decision making and risk evaluation. In recent years, the perspective on trust has changed, and social scientists working on this paradigm have offered alternative definitions.[5]

Trust, as a general concept, can be defined as a "firm belief in the reliability, truth, or ability of someone or something." In the eighteenth century, the *Encyclopédie* did not have a specific entry for *confiance*, only employing the term within the framework of public borrowing: "Nothing is more necessary than to pay off debts made in good faith & no matter the standing of the State debts, they are to be paid exactly: the delay in repayment is enough to withdraw trust.... One can say that trust is proportional with the debts: if one sees that the State pays, trust is returned, otherwise it is lost" (our translation).[6]

In the context of transactions within the early modern local credit market, mutual trust was necessary to reach an agreement between parties and to execute a deal smoothly. Borrowers expected creditors to deliver the promised sum of money, while creditors expected the complete repayment of their capital and its interest from debtors on time. Trust, nonetheless, was mostly based on information about a debtor's assets, competences, intentions, and reputation. Asymmetrical information between lenders and borrowers, however, produced uncertainty that made trust difficult, mostly on the creditors' side.[7]

5 Annette C Baier, *Moral Prejudices: Essays on Ethics* (Cambridge, Mass., 1995); *idem*, "Trust and Antitrust," XCVI (1986), 231–260; Ute Frevert, "Does Trust Have a History?" *EUI MWP LS*, I (2009), 1–10. Francis Fukuyama, *Trust: The Social Virtues and the Creation of Prosperity* (New York, 1996); Toshio Yamagishi, *Trust: The Evolutionary Game of Mind and Society* (London, 2011); Timothy W. Guinnane, "Trust: A Concept Too Many," working paper, Economic Growth Center (Yale University, 2005), available at http://ideas.repec.org/p/egc/wpaper/907.html: "The very term 'trust' has been hijacked to make warm noises about certain types of institutions and interactions, and has been robbed of much of its analytical value" (30).

6 "Trust," *Oxford Dictionaries* (New York, 2010), available at http://oxforddictionaries.com/definition/english/trust (accessed March 05, 2013); M. Dufour, "*Emprunt,*" in Denis Diderot and Jean le Rond d'Alembert (eds.), *Encyclopédie, ou dictionnaire raisonné des sciences, des arts et des métiers, etc* (Chicago, 2013; orig. pub. Paris, 1751–1772), V, 598, available at http://encyclopedie.uchicago.edu/.

7 For social uncertainty, see Yamagishi, *Trust: The Evolutionary Game*, 7–20.

In cases when borrowers and creditors knew each other beforehand, and thus had access to information about each other, uncertainty was primarily confined to the conditions of repayment, since external and uncontrollable factors could cause a temporary or permanent lack of income (death, disease, bad harvests, climatic incidents, rise of taxes, etc.). Moral hazard could still take place, but its risk was reduced thanks to social ties and available information. Members of the same community, or of the same network, could reduce asymmetry and uncertainties through social exchanges. In Bourdieu's perspective, for instance, social capital helped to alleviate moral hazard.[8]

When creditors and borrowers did not know each other, the uncertainty required some special form of trust to sustain interaction. Asymmetrical information in this case concerned borrowers' intentions, competencies, assets, and reputation, as well as external and uncontrollable factors (see Figure 1).[9]

A reputation for honesty—having *credit*—enabled debtors to obtain loans more easily and to put fewer guarantees on deeds. In a small community, information about reputation was readily available because of a high degree of social proximity. Guarantees consolidated trust between parties. In the case of non-repayment of a loan, creditors could seize land, livestock, or housing. Reputation showed creditors that debtors were willing to repay their debts and secure their transactions. Information, reputation, competencies, and guarantees were the four pillars of trust in the traditional rural credit market.[10]

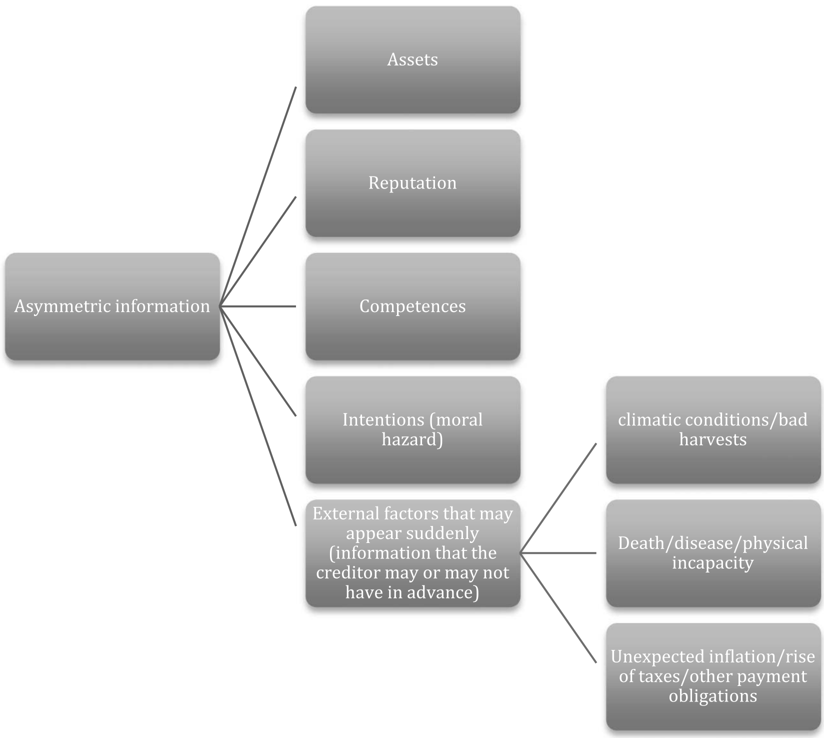
Peasants who lived and worked within the same community shared many social norms. Their social and geographical proximity, family ties, high rate of endogamy, and relative familiarity with each other created strong bonds. Many authors have noted that a society of shared values created expectations about trustworthiness that reduced the transaction costs caused by the infringement of norms. The idea is that the misdeed of a group member would provoke social stigma within the community and some form of punishment—ostracism, for instance. A peasant who borrowed money from another

8 Pierre Bourdieu, "Le capital social," *Actes de la recherche en sciences sociales*, XXXI (1980), 2–3.

9 For asymmetrical information in the early modern credit market, see especially Hoffman, Postel-Vinay, and Rosenthal, "What Do Notaries Do? Overcoming Asymmetric Information in Financial Markets: The Case of Paris, 1751," *Journal of Institutional and Theoretical Economics*, CLIV (1998), 499–530.

10 For reputation and the different meanings of credit, see Clare Haru Crowston, "Credit and the Metanarrative of Modernity," *French Historical Studies*, XXXIV (2011), 7–19.

Fig. 1 Asymmetrical Information in the Early Modern Credit Market



and did not repay it, even if he had the means to do so, would lose his credit and good standing, fail to establish further loans within the community, and possibly suffer in other business transactions. Hence, according to this view, peasants would have had fewer enforcement and punishment costs because the community regulated itself without the external recourse to, say, a judicial system. Hence, the percentage of judicial proceedings that dealt with default during the late seventeenth century in the seigneurie of Delle was low, despite rampant indebtedness. Evidently, peasants self-regulated their conflicts at that time, including the repayment of loans, through unofficial means. We shall return to this point later.[11]

11 For shared norms and trustworthiness, see James S. Coleman, "Social Capital in the Creation of Human Capital," *American Journal of Sociology*, XCIV (1988), 95–120; Ogilvie, "How Does Social Capital Affect Women? Guilds and Communities in Early Modern Germany," *American Historical Review*, CIX (2004), 325–359. In Yamagishi, *Trust: The Evolutionary Game*, transaction costs are associated with such economic exchanges as search and information costs,

Rural dwellers living in the same community had solid information regarding each other's' assets and competencies, an incontrovertible element to guarantee trust between parties. Peasants could lend to, and borrow from, each other without asking for too many guarantees. Competencies and assets were inherently linked; the skills necessary to manage a farm successfully, for instance, would usually generate valuable assets. Creditors were likely to suppose that prosperous borrowers were creditworthy. In other words, traditional communities produced and sustained trust because they shared norms of cooperation and reciprocity; this trust did not need elaborate guarantees because people tended to take it for granted.[12]

To illustrate this point, we can make an analogy with the survival strategy of vampire bats. Vampire bats need to find prey, from which they suck blood, within forty-eight hours. One bat might help another to find a victim, but only in return for an earlier kindness. This norm of cooperation is strong among vampire bats; otherwise, they could not survive. Likewise, peasants transacted with one another just as they worked on each other's plots of land during the harvests or performed other cooperative acts. Charity and solidarity were important factors in making a decision regarding the granting or the pledging of loans; scholars such as Fontaine, following the path paved by Thompson and Scott, call this regime the moral economy. The search for profit may well have existed at this time, but it certainly had not yet become the dominant feature in rural credit markets; norms of cooperation were stronger.[13]

Be that as it may, this general, theoretical pattern must be qualified, since it did not completely prevent the infringement of norms. Throughout the early modern Western world, judicial records

bargaining costs, and enforcement costs. Coleman, "Social Capital," 99. For social norms, see Cristina Bicchieri, *The Grammar of Society: The Nature and Dynamics of Social Norms* (New York, 2006); Jon Elster, "Social Norms and Economic Theory," *Journal of Economic Perspectives*, 3 (1989), 99–117; *idem*, *Alchemies of the Mind: Rationality and the Emotions* (New York, 1999).

12 Trust and ready information were especially important in a market where interest rates were legally fixed at 5% to limit usury. Information and therefore trust, rather than price, served to allocate capital in the early modern credit market.

13 Ken Binmore, "The Origins of Fair Play," #0614, *Papers on Economics and Evolution* (2006), 17. Moral economy works horizontally among community members, creating the obligation to provide assistance in case of difficulty. See Fontaine, *L'économie morale*; Edward P. Thompson, "The Moral Economy of the English Crowd in the Eighteenth Century," *Past & Present*, 50 (1971), 76–136; James C. Scott, *The Moral Economy of the Peasant: Rebellion and Subsistence in Southeast Asia* (New Haven, 1977).

indicate a good number of debt proceedings. In the seigneurie of Delle from 1680 to 1685, 19 percent of the proceedings (seventy-two cases within a population of 2,000) were debt-related. Although it is impossible to know how many conflicts about debt repayment were settled through unofficial means, Garnot and Greif suggest that they could have constituted the majority, thereby corroborating the argument of community self-regulation. In the eighteenth century, however, this pattern of cooperation, reciprocity, and mutual trust was challenged in the credit market by structural changes.[14]

THE RURAL CREDIT MARKET AND THE VARIEGATIONS OF TRUST

The Credit Market in the Seigneurie of Delle Before the advent of capitalism and the establishment of a proper banking system, peasants relied mostly on neighbors, friends, and family members to locate available funds and capital for their needs in a predominantly closed local credit market. Individuals or households in need of cash for any reason, even for deferred payments, could count on their network of sociability and the norms of cooperation and reciprocity within the community.[15]

Many of the small transactions that took place between individuals still elude us, either because they were informal or because they entailed verbal agreements between parties. Moreover, the amounts that changed hands were often too small to require the official charged seal of a notary. We can track some of these transactions with the help of probate inventories. On the morning of April 17, 1704, for instance, the judge of the seigneurie of Delle sealed the personal belongings and house of Claude Riche, the miller

14 For debt proceedings, see Muldrew, "Credit and the Courts: Debt Litigation in a Seventeenth-Century Urban Community," *Economic History Review*, XLVI (1993), 23–38; Scott Taylor, "Credit, Debt, and Honor in Castile, 1600–1650," *Journal of Early Modern History*, VII (2003), 8–27; Zorina B. Khan, "'Justice of the Marketplace': Legal Disputes and Economic Activity on America's Northeastern Frontier, 1700–1860," *Journal of Interdisciplinary History*, XXXIX (2008), 1–35. Rural credit was not confined to the eighteenth century; it has always been present. Many authors have shown that credit existed in small communities well before the early modern period. See Chris Briggs, *Credit and Village: Society in Fourteenth-Century England* (New York, 2009); Schofield, "The Social Economy of the Medieval Village in the Early Fourteenth Century," *Economic History Review*, XLI (2008), 38–63. Benoît Garnot, *Histoire de la justice: France, XVIe-XXIe siècle* (Paris, 2009); *idem*, "Justice, infrajustice, parajustice et extra justice dans la France d'Ancien Régime," *Crime, Histoire & Sociétés*, IV (2000), 103–120; Avner Greif, "Contract Enforceability and Economic Institutions in Early Trade: The Maghribi Traders' Coalition," *American Economic Review*, III (1993), 525.

15 For an overview of rural loans, see Fontaine, "Antonio and Shylock," 49.

of Saint Dizier l'Evêque, who had died the night before. The magistrate listed all of his property and his personal items, which Riche's widow and heirs would receive through inheritance. Among the various objects recorded was a small wooden box that contained several "*obligations*" and "*cédules*" owed to the deceased man. Most of these debts had been private matters. It was indeed common to lend or borrow money without the intercession of an external party, such as a notary, and to inscribe the amount in a register of some sort. It was even more common to contract credit orally, especially in traditional, largely illiterate societies.[16]

But these "*contrats sous seing privé*" were not without risk, especially in the case of non-repayment. Default cost lenders their right of seniority on debts, leaving them almost no chance of regaining their capital in court, since they could not make any claim on debtors' estates. Hence, the local courts were more or less powerless to force payment of an oral debt. Although popular disapproval about borrowers' failure to repay and the threat of ostracism from the business community were sometimes adequate substitutes for court enforcement, when transactions involved people familiar with each other, traditional societies gradually came to appreciate written contracts. Peasants certainly began to appreciate their importance. As the case of Riche illustrates, many of them kept records at home, including copies of their notarial transactions.

Sources such as probates, however, are too scarce to permit a definitive examination of changes over time concerning credit and indebtedness; only a handful of them remain in the archives for the seventeenth century. Several historians have underlined the fact that in the eighteenth century, most lenders preferred to register their loans with a notary to facilitate any claims that they might have to make in court. We return to this point below.[17]

A total of 1,463 contracts for loans were recorded at the notary's office of the seigneurie of Delle from 1733 to 1789, amounting to 442,573 livres—a paltry sum compared to the 138 million livres annually exchanged in Paris (see Table 1). The seigneurie of

16 Pfister, "Le petit credit," calls the verbal loans "*à la main*" (1342). $2^{E}4/56$, Inventaire après décès de Claude Riche, 17 avril 1704, ADTB. For informal credit, see Postel-Vinay, *La terre et l'argent,* 42–43.

17 Hoffman, Postel-Vinay, and Rosenthal, "Role of Trust."

Table 1 General Overview of the Credit Market in the Seigneurie of Delle, 1733–1789

	1733–39	1740–49	1750–59	1760–69	1770–79	1780–89
Volume (livres)	23,667	44,812	46,909	48,972	100,287	177,926
Number of contracts	131	179	194	207	280	472
Average (livres)	180.60	250.30	241.80	236.60	358.20	376.90
Median (livres)	126.00	150.00	126.05	144.00	200.00	241.00

Delle had only one notary operating at a time throughout the eighteenth century.[18]

The notary recorded many different contracts, including loans (mostly *obligations*, or notes), in continuous registers running from 1730 to 1789. Since 1566 and the reform of justice, loans superior to 100 livres had to be registered before a notary for a fee or had to be written down between private parties. This legal disposition reflects the effort of the state to eradicate oral agreements, which were problematical at court. Peasants, however, do not appear to have begun registering their loans regularly with a notary before the eighteenth century, at which point they began to register even loans inferior to 100 livres.[19]

In the eighteenth century, when peasants bought an item on credit or when they borrowed or lent money, more often than not they went to a notary and signed a deed. They had a strong, almost blind, confidence in such legal documents. An examination of probates reveals a gradual presence of registers, documents, contracts, notes, and the like, kept safely in chests with locks, as a tried and true strategy to keep track of farm management and business.[20]

18 *Idem*, "Information and Economic History: How the Credit Market in Old Regime Paris Forces Us to Rethink the Transition to Capitalism," *American Historical Review*, CIV (1999), 76. We can assume that most of the official loans in this seigneurie were recorded in the office of this one notarie. Although it was theoretically possible to lend and borrow money in another seigneurie, evidence suggests that peasants tended to apply to the notary in their own seigneurie. Access to other seigneuries' credit markets proved to be more difficult.
19 *Idem*, "Role of Trust," report incomplete data before 1740. Julie Hardwick, *The Practice of Patriarchy: Gender and the Politics of Household Authority in Early Modern France* (Philadelphia, 1998), 5.
20 Each contract stipulates the names, places of residence, and sometimes the occupations of both the borrower(s) and the lender(s), the amount of money lent, the interest rate, the date of repayment, and the guarantees offered. M. T. Clanchy, *From Memory to Written Record: England 1066–1307* (Malden, Mass., 2012) shows the gradual importance of written documents in medieval England (48–58). Greif, "Contract Enforceability," also notes the resort to written documents for twelfth-century merchants (525).

In early modern France, three different types of legal and official financial tools coexisted—obligations, *rentes perpétuelles* (perpetual annuities), and *rente viagère* (life annuity). The rente perpétuelle was certainly the least common of the three contracts. Rente viagères and obligations were more widespread. According to Hoffman, Postel-Vinay, and Rosenthal, "Over the course of the eighteenth century, they [obligations] grew larger and more common, and by the nineteenth century they came to dominate the credit market." Obligations, however, had polymorphous and complex characteristics; in Rosenthal's words, "Even within the notarial system, the links between *obligations* and *rentes* remain unclear." Indeed, in the seigneurie of Delle, peasants used the term *obligation* for all sorts of loans, both short-term and long-term, those with fixed duration and those with an indeterminate duration. Since rentes and obligations seem to have been mixed and confused, this article will not make a clear distinction between them.[21]

The borrowers and creditors examined in this article agreed on a certain amount of money at the legal interest rate of 5 percent for a negotiable amount of time. In order to secure a transaction, creditors could ask for a mortgage guarantee, parcels of land or livestock. A co-signer might also be involved because of a lack of trust and/or a large amount of money at stake.[22]

Trust and Norms of Cooperation in the Seigneurie of Delle A great many of the transactions recorded in the first half of the eighteenth century followed the pattern described above—peasants lending within a closed circle. The local official credit market was largely self-contained; only a small amount of foreign capital was invested there. Most of the exchanges were between peasants living in the same area—32.2 percent of them between individuals living in the same village. The majority of the contracts involved peasants, but both the purpose of the loans and the guarantees offered varied greatly. Deferred payments for livestock and grains and cash loans

21 Rosenthal, "Rural Credit Markets and Aggregate Shocks," 291. The notary of Delle kept copies of credit transactions in bound registers titled *Registre des Obligations*. For the purposes of this analysis, *obligations* need not be distinguished from *rentes*. For a more developed legal definition of financial tools, see Paul Servais, "De la rente au crédit hypothécaire en période de transition industrielle: Stratégies familiales en région liégeoise au XVIIIe siècle," *Annales: Histoire, Sciences Sociales*, XLIX (1994), 1395–1396.

22 All of the loans recorded by the notary stipulated interest fees, usually 5%, except for a few years during the 1760s, when the interest rate was capped at 4%.

were the two main reasons for borrowing money; most of the loans were secured by specific pieces of land. In the first half of the eighteenth century, the parties involved in these deals tended to be the peasants; only a handful of creditors belonged to other socio-professional categories.[23]

On March 1777, Joseph Rhiat, a tailor in the village of Grosne, and his wife Anne Thévenot borrowed 200 livres from Pierre Bettevy, the mayor of Florimont and a successful *laboureur*, to buy a house in their village, promising to reimburse the money, at 5 percent interest, within a year. Most likely, the young couple sought independence; they had been married for just a year and half before deciding to buy the house. In order to secure the loan, the couple presented Pierre François de Taillefert de Breteuil, a former soldier who enjoyed great respect within the community, as their guarantor.[24]

The notary of Delle—the only one allowed to perform notarial services there—recorded the transaction with its conditions, and all of the parties signed the deed. A year later, because the debtors could not meet their obligation, they asked their creditor for another loan of 400 livres, to which he agreed, again at 5 percent interest. To secure this transaction, however, Bettevy asked for "*une arrière caution*"—an additional guarantor. Six years later, the couple were still experiencing financial difficulties, and part of the promised reimbursement was still pending. Bettevy decided to claim the remainder of his capital due, 300 livres, in court. On April 1784, the seigneurial judge ruled that the debtors had to reimburse him in full. Such examples are common in the archives.[25]

Loans between family members are scarce in the notarial registers, representing only 7.4 percent of the exchanges (108 loans out of 1,463). Hoffman, Postel-Vinay, and Rosenthal found that in

23 For lending within circles, see Fontaine, "Antonio and Shylock," 49. Urban credit markets, such as those in Paris, did not function hermetically; capital could come from various regions. More importantly, most of the lenders and borrowers did not know each other.

24 055 E-dépôt GG 1-6, parish of Grosne, ADTB.

25 2E4/2582^{E}4/444; 8B/159, ADTB. The reform of 1303 stated that in royal jurisdictions, debtors who could not honor their debt could be imprisoned. Hence, imprisonment for defaulting was, in theory, reserved only for royal jurisdictions with royal judges presiding. In Delle (which was not a royal jurisdiction), a seigneurial judge could seize debtors' (and guarantors') goods for auction to repay creditor(s) but only as a last resort if negotiations had completely broken down. Although the number of such seizures and auctions is difficult to estimate, it appears to have been small.

Paris, 3.1 percent of the loans were between related individuals; in Lincolnshire, 40 percent of them involved blood relations. Identifying members of the same family is a delicate task, since biological connections were not always stipulated in a contract, and in-law relationships were difficult to determine precisely. Family ties are most clear in the case of parents and their children. Identification is further complicated by the fact that many peasants shared the same name.[26]

Most interfamilial loans were probably private matters that did not necessitate the costly intercession of a notary, thus explaining their absence from the record. Trust between kin was taken for granted. Creditors solicited a notary, however, when they anticipated the need to secure payment from an elderly debtor's heirs, or if the amount borrowed was large. After all, even trust between blood relatives had its limits. In addition, not all families were likely to be self-sufficient as creditors; they, too, might have had to resort to external sources for funds.[27]

Debtors usually pledged their entire present and future goods in order to secure a transaction. This traditional, general formulation was part of the social contract and a norm of cooperation. But specific guarantees could also be sought in the form of a particular parcel of land or livestock. The land pledge appears in more than 50 percent of the contracts before 1760. Co-signers were required only on occasion. The fact that land appeared as collateral in the deeds is not a sign of distrust. Even if creditors were entitled to seize pledged land and livestock in the event of non-repayment, many peasants were reluctant to use this last resort. They preferred to extend repayment deadlines instead. The contention of this study is that crops from the land pledged in deeds was more likely to pay interest if cash was in short supply.[28]

Changes in the Second Half of the Eighteenth Century The credit market in this seigneurie shows a gradual increase not only in the number of loans but also in their total monetary value throughout the eighteenth century. Peasants progressively borrowed more

26 Hoffman, Postel-Vinay, and Rosenthal, "Private Credit Markets in Paris," *Journal of Economic History*, LII (1992), 300, cited in Peter Spufford and Dominique Taffin, "Les liens du crédit au village: Dans l'Angleterre du XVIIe siècle," *Annales: Histoire, Sciences Sociales*, XLIX (1994), 1369.

27 Postel-Vinay, *La Terre et l'Argent: l'Agriculture et le Crédit en France du XVIIIe au Début du XXe Siècle* (Paris, 1997), 44.

28 Fontaine, "Antonio and Shylock," 44.

Table 2 Debt Proceedings in the Seigneurie of Delle, 1680–1785

	1680–85	1700–5	1740–45	1780–85
Number of debt default cases	72	78	386	805
Percentage of debt cases in all proceedings	19.09%	36.96%	50.58%	61.35%

NOTE 8B19, 20, 21, 31, 32, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 156, 157, 158, 159, 160, Archives Départementales du Territoire de Belfort.

money, especially after 1760, for a number of reasons—among them, inflation and the increasing fragmentation of land due to partible inheritance, demographic pressure, poor climatic conditions, and bad harvests. This trend is also evident in other parts of the Western world at the time. This significant escalation in indebtedness is corroborated by an increased rate of judicial activity concerning the non-repayment of debts. As Muldrew states, "It appears reasonable to assume that with an increase in transactions there would have been more credit, more defaults, and more litigation" (see Table 2).[29]

Another feature is even more striking. From the 1730s to the 1760s, the data show that peasants represented 65 percent of the total creditors, whereas during the last decade of the Old Regime, they represented only 35 percent of the creditors. This major change heralded the emergence of a new group of creditors—administrators and merchants from the liberal professions and judges, clerks, etc., from the official seigneurial hierarchy. In the 1730s, seigneurial agents lent 10.7 percent of the volume exchanged, as opposed to 48.16 percent by peasants, whereas during the last decade of the Old Regime, they lent 30 percent, as opposed to 31 percent by peasants.[30]

29 For the trend in borrowing, see Holderness, "Credit in English Rural Society," 97–109; Khan, "'Justice of the Marketplace,'" 1–35; Pfister, "Le Petit Crédit Rural en Suisse," 1344; Servais, "De la Rente au Crédit Hypothécaire," 1397–1398. An increased rate of judicial activity has been also observed in other regions. Hervé Piant, *Une Justice Ordinaire: Justice Civile et Criminelle dans la Prévôté Royale de Vaucouleurs sous l'Ancien Régime* (Rennes, 2006), found that in the late seventeenth century, 39% of the *causes d'audience* concerned the repayment of loan and debt—76% in the eighteenth century (143). Muldrew, "Credit and the Courts," 25.

30 Loans registered by the notary rarely specified the occupations of debtors, largely because most of them were peasants. Yet, 60% of creditors' professions were given. Rosenthal, "Rural Credit Markets," observed that most of the borrowers in Nuits Saint Georges were farmers (291). Among the new creditors, only a handful seemed to have good information about potential borrowers—the seigneurial judges, for instance.

The Taiclet family, who dominated the bailiwick position, extended credit to various individuals throughout the eighteenth century, especially in the second half, for a total of 29,723 livres. Other social categories, such as merchants and Anabaptists, gradually lent more and more money to the peasants and became regular participants in the local credit market. Peasants remained, by a large majority, the main recipients of these loans throughout the eighteenth century, but their number as creditors decreased significantly.[31]

The new group of investors lived principally in the town of Delle, which mutated from a large village to an administrative center dominated by the Mazarin family's agents. Delle also attracted textile merchants and artisans, creating more wealth. The rapid development of Delle in the eighteenth century—like many other towns in early modern France—and the accumulation of wealth by the service-oriented professions had a considerable effect on the credit market. Paradoxically, these new investors had access to certain information about the borrowers' assets and competences because of their occupations, especially those who served as seigneurial agents of one sort or another or were members of agents' families.[32]

These new investors altered the traditional pattern of trust. Coming from a different socio-professional category, they had different goals, financial strategies, and expectations, which did not match the traditional pattern of cooperation and norms of reciprocity among the peasants. Seigneurial agents and other service-oriented workers (lawyers, wealthy merchants, etc.) were eager to make a profit and to create a network of *obligés*. Moreover, their saving capacity was undoubtedly a determining factor in the increased amount of money that peasants borrowed.

The combination of a changed credit market, an unfavorable climate, inflation, demographic pressure, etc., created an anxiogenic atmosphere. The indebtedness that continued to mount in the

31 2E4/155–9, 194, 222–3, 245–6, 257–8, 279–281, ADTB. Well-known for their agricultural skills, Anabaptist families from Switzerland responded positively to the invitation of the lord of the seigneurie to settle in the area in the early seventeenth century. Hired as laborers on sharecropping farms, they rapidly proved to be efficient and successful farmers. See Charles Mathiot and Roger Boigeol, *Recherches historiques sur les anabaptistes: de l'ancienne principauté de Montbéliard, d'Alsace et du territoire de Belfort* (Belfort, 1969).

32 For the investors in Delle, see Colney, *Delle au XVIIIe siècle*. In 1790, the city of Delle had about 750 inhabitants.

seigneurie of Delle at a rapid pace fostered defiance and distrust. The breaking point came in the 1760s.[33]

THE MIGRATIONS OF TRUST

Guarantees, Trust, and the Household The major change in the nature of the borrower/lender transaction in the seigneurie of Delle during the 1760s was that trust was no longer the privilege of a lone debtor. Traditionally, male heads of household had been legally responsible for all of the financial transactions, decisions, and expectations associated with the management of their family's affairs. In the Christian tradition, a man's good name by itself provided sufficient security for credit, but the growing peasant debt convinced the new breed of creditors that less volatile sources of trust were necessary to protect its interests.

Meanwhile, the number of married couples who borrowed money increased throughout the period from 22 percent of the total during the 1730s to almost 50 percent during the 1780s. Men began to attach their wives' names to deeds instead of borrowing alone in the credit market. Married women's properties had become an attractive security alternative to the land parcels that by the 1760s had all but dried up (the notary laconically inscribed on most contracts that the debtor(s) would mortgage "*tout ses biens tant meubles qu'immeubles*"). Married couples employed wives' assets, in the form of lineage properties and dowries, to secure transactions and obtain greater loans. In return, creditors could now legally expect widows to pay their share of a debt in the event of their husbands' death.[34]

Although creditors now placed their confidence and trust in a household rather than in just its head, this development did not always bring them enough guarantees when dealing with peasant clients. In this climate of distrust, third-party co-signers were added in large numbers to the deeds after 1760. During the 1730s, only 15 percent of the contracts carried an external guarantor, whereas in the last decade of the century, 54 percent of them did.

33 Hoffman, Postel-Vinay, and Rosenthal, *Priceless Markets*, describes an explosion of private borrowing in the eighteenth century, with a sudden acceleration in the 1760s in the Parisian credit market, suggesting that new instruments of credit and intermediaries were responsible for this increase (graph, 101).

34 Dermineur, "Female Peasants, Patriarchy, and the Credit Market in Eighteenth-Century France," *Proceedings of the Western Society for French History*, XXVII (2009), 61–84.

Table 3 The Evolution of Guarantees over Time, 1730–1789

	1730–39		1740–49		1750–59		1760–69		1770–79		1780–89	
	N	%	N	%	N	%	N	%	N	%	N	%
Co-signers	20	15.3	42	23.5	54	27.8	86	41.5	112	40	247	52.3
Specific piece(s) of land mortgaged	48	36.6	55	30.7	35	18	8	3.9	7	2.5	10	2.1
Specific piece(s) of land mortgaged and guarantor	13	9.9	25	13.9	20	10.3	2	0.9	5	1.8	4	0.8

NOTE All of the contracts mentioned a general claim on borrowers' assets.

In September 1788, Pierre Xavier Cottet and his wife Margueritte Louison, a farming couple in the village of Bourogne, borrowed 300 livres from Marie Ursule Taiclet, the daughter of the bailiff, who probably did not know the couple personally, since they lived more than 10 km from her. Apparently, the notary's information about the couple's assets, competencies, and honesty did not fully reassure Taiclet. Therefore, the couple promised to repay her within a year at 5 percent interest, and they added Jean Claude André, the mayor of their village, to the deed to serve as a pledge. André's prestige—as a social, moral, and economic pillar of the community—was sufficient to ensure the creditor that the loan would be covered in case of default, and this endorsement was indirect testimony of the couple's trustworthiness. The transitory nature of this relationship reinforced and developed the local economic network and sustained the norms of cooperation. The use of various guarantees (collaterals, co-signers, and wives' participation) served to overcome asymmetrical information, thereby reducing creditors' sense of risk. Whenever husbands were unable to repay a loan because of defaults, bad harvests, death, or other contingencies, creditors had their wives and co-signers for recourse—according to the validity and precedence of their claims, as determined in court, and co-signers' ability to pay.[35]

Pledges of specific pieces of land dropped out of the picture because most of it had already been mortgaged, but the new creditors, who were not farmers, had other reasons not to deal in land (see Table 3). First, they anticipated that land might be difficult to sell or

35 2E4/281, ADTB.

to rent under certain economic conditions, and, second, more importantly, they did not want peasants to use pledged land to pay interest in kind.[36]

The Institutionalization of Trust The migration of trust concerned not just the displacement of sole male agents in favor of household units but also the emergence of legal institutions to enforce terms of agreement. Indeed, trust migrated from a one-to-one relationship and moved to new locations and new figures of authority—the judicial system and the notary.

In an attempt to dispense with oral agreements, the Crown in 1566 gave notaries greater scope, entrusting them with, among other tasks, the writing of contracts involving more than 100 livres. Thanks to this legal disposition, notaries eventually turned into expert contract writers, gaining authority and a heightened official standing. By the eighteenth century, they had become extremely active in the credit market, serving as intermediaries and offering advice about good matches for creditors and borrowers. Hoffman, Postel-Vinay, and Rosenthal show that Parisian investors depended on their notaries to supply them with detailed information that would otherwise have been difficult to procure in such a large, anonymous, city; competition between notaries to fulfill these expectations resulted in a high level of service and trust, if not lower costs, since the government largely fixed the fees.[37]

In the seigneurie of Delle, where only a single notary operated, clients were not as uninformed about the availability of trustworthy borrower(s) as were those in Paris. Lenders in Delle needed extra information only when they did not happen to know potential borrowers personally. Nonetheless, even within a local credit market that tended to function hermetically and a seigneurie that featured a high rate of endogamy, people became accustomed to making their transactions official with a written document. Whereas

36 Holderness, "Credit in a Rural Community," showed that the eviction of tenant farmers was not common (94–116). The payment of interest in kind involved considerable uncertainty. The volatility of crop prices, the vagaries of the harvest, and the costs associated with the transportation, storage, and sale of grains often repelled investors. Moreover, peasants sometimes used payment in kind as a strategy to avoid making cash outlays.

37 For the notaries' greater scope, see François Isambert, *Recueil général des anciennes lois françaises: depuis l'an 420 jusqu'à la révolution de 1789* (Paris, 1829), XIV, 203. In early modern France, notaries were entrusted with the writing of a wide range of legal documents—probates, marriage contracts, wills, donations, sales, loans, etc. The fee varied according to the type, length, and value of the transaction. Hoffman, Postel-Vinay, and Rosenthal, "Information and Economic History," 69–74; *idem*, "What Do Notaries Do?" 499–530, 4–5.

in Paris or other urban areas with existing competition among notaries, clients trusted their notaries as business confidants, in Delle, people trusted their notary as the representative (or symbol) of legal authority. Although it is difficult to quantify precisely the extent to which notarial reliance in Delle—compared to, say, demographic pressure—grew, the number of legal documents registered before the notary in Delle appear to have increased significantly by the end of the eighteenth century. Official legal documents had all but replaced the informal notes and various receipts that appeared regularly in late seventeenth-century probates.[38]

One argument against the wide proliferation of legal documents is that the notary might have been engaged to draw up loan contracts mostly when one of the parties was illiterate. If so, a large fraction of the loan contracts should show some indication that at least one of the parties, presumably the lender, was illiterate. Although the level of peasant literacy is not easy to determine, the signatures of debtors and creditors on the contracts of this period are a likely sign of literacy. More than 74 percent of debtors were able to sign their names, as were more than 53 percent of lenders (a figure that should be taken with a grain of salt, given that creditors did not begin to sign the notary's copy of a loan contract until the mid-1750s). The data presented in Table 4 reveal that a majority of lenders and creditors were able to sign their names on the same contract. In fact, the proportion of people with this capability increased throughout the period. Debtors and creditors clearly did not enlist the notary's services on account of their illiteracy but on account of his expertise.[39]

38 The inhabitants of the seigneurie of Delle had to register their transactions with this specific notary. In early modern France, it was unlikely that rural dwellers had a choice in their notaries. Hoffman, *Growth in a Traditional Society*, observes, "Credit in the local economy was particularly unlikely to stretch over long distances. In the southeastern village of Grillon, at the end of the sixteenth century, 57 percent of the loans recorded in notarial archives linked parties living within Grillon itself, and the average distance between borrower and lender was slightly over 3 kilometers" (77). According to Hoffman, Postel-Vinay, and Rosenthal, "*What Do Notaries Do?*" in Paris, "lenders would unlikely find suitable borrowers on their own" (8).

39 The correlation between literacy and signatures requires caution. A signature alone did not mean that a person was able to read or write properly. This study uses the correlation only to determine whether the notary helped parties to draw up their contracts or simply served as a counsel and guarantor of veracity. Before the middle of the 1750s, notary registers contain almost no creditor signatures. Either creditors signed the lender copy only or they tacitly agreed to the deal by delivering the money. The change in the middle of the 1750s might be connected with an increase in court proceedings and judges requiring proper agreements between the parties. For literacy, see Furet and Jacques Ozouf, *Lire et écrire: L'alphabétisation des français de Calvin à Jules Ferry, tome 1* (Paris, 1977).

Table 4 The Literacy of Lenders and Debtors, according to Signatures on Loan Contracts, 1730–1789

	1730–39		1740–49		1750–49		1760–69		1770–79		1780–89	
	N	%	N	%	N	%	N	%	N	%	N	%
Debtors	79	60.3	115	64.2	130	67	157	75.8	221	78.9	390	82.6
Creditors	n/a	n/a	n/a	n/a	75	38.6	144	69.5	194	69.2	357	75.6
Both debtor(s) and creditor(s)	n/a	n/a	n/a	n/a	54	27.8	115	55.5	152	54.3	303	64.2

NOTE Percentages for creditors are not available for the first two periods of the sample because creditors' signatures did not appear on contracts before the mid-1750s. Moreover, a number of creditors had proxies sign for them.

The new socio-professional category of investors, more numerous and more active in the local credit market than the much-displaced one, might have also tapped notary expertise to overcome asymmetrical information. Marie Elisabeth Taiclet, the daughter of the baillif of the seigneurie and the aunt of Marie Ursule Taiclet, became heavily involved in the credit market after the death of her parents. From 1762 to her death in 1779, she extended credit twenty-two times to artisans and peasants living in different villages around Delle for a total of 4,568 livres, giving her one of the largest portfolios in the seigneurie. Most of her investments had a fixed-term repayment policy, stipulating interest fees and collateral that ensured her profit and security. The notary, a close acquaintance of hers, was likely to have found safe clients for her whenever personal information was lacking. When Jacques Vieillard from the village of Meroux, 15 km from Delle, needed funds to finish building his house, Taiclet lent the money to him, sealing the transaction with the pledge of his house and collateral. In this instance, the notary of Delle probably introduced a debtor in need of cash to a potential creditor interested in a fruitful investment.[40]

The institution of justice also gained more leverage during the eighteenth century. In the traditional historiography, local justice suffered from being slow, costly, and biased. But lately, several studies have shown that this image has probably been exaggerated and that local justice was efficient in certain regions of early modern France. The number of proceedings in the seigneurie of Delle

40 $2^{E}4/245$, ADTB.

was on the rise during this period, from 377 cases at the end of the seventeenth century to 2,663 a century later. Demographic pressure alone does not explain this development. Many conflicts were settled by law rather than by private negotiation. The traditional form of conflict resolution did not completely disappear, but the judicial institution managed to gain public confidence. The gradual increase of cases presented before a local judge corroborates the idea that peasants had begun to trust the state apparatus in matters of justice at the expense of informal regulation by the community.[41]

According to Muldrew, the increase in the number of defaults brought to court can be understood through the prism of legal changes that occurred during the period, especially in contract development. However, this migration of trust from a one-to-one relationship to judicial institutions is not only attributable to the crisis of trust that struck the seigneurie after 1760 but also to the complex economic relationships that gradually developed within society. In the new complex networks of financial exchange that emerged during the eighteenth century, agents sometimes did not know each other and had only partial, if any, information about debtors' assets and competencies. Therefore, trust had to migrate to institutions with enough authority and power to enforce contracts. More importantly, these institutions could, in theory, enforce anyone's rights and privileges on a legal basis, thus erasing the social inequalities that existed within the society—provided that plaintiffs could pay the requisite fee.[42]

The rise in proceedings for indebtedness evident after 1760 means that more people owed more money and that the mechanism of contract enforcement had become efficient enough for

41 For local justice, see, for instance, Jeremy Hayhoe, *Enlightened Feudalism: Seigneurial Justice and Village Society in Eighteenth-Century Northern Burgundy* (Rochester, 2008); Zoë A. Schneider, *The King's Bench: Bailiwick Magistrates and Local Governance in Normandy, 1670–1740* (Rochester, 2008).

42 Muldrew, *Economy of Obligation*, 179. Paul R. Milgrom, Douglass C. North, and Barry R. Weingast, "The Role of Institutions in the Revival of Trade: The Law Merchant, Private Judges, and the Champagne Fairs," *Economics and Politics*, II (1990), argue that the need for a judicial system in the fairs of Champagne emerged as more merchants became involved in exchanges and transactions and needed to keep track of everyone's else credit and reputation. "The role of the judges in the system, far from being substitutes for the reputation mechanism, is to make the reputation system more effective as a means of promoting honest trade" (3). The new market, with its influx of newcomers and strangers, disrupted the fragile equilibrium of social relationships. Moreover, a greater number of women gradually became creditors, using the court to enforce their loans.

injured parties to trust it. Judicial institutions reduced uncertainty and risk but usurped trust. Courts could now enforce repayment or seize property that had been pledged when the need arose.

Nonetheless, the migration of trust to households and institutions did not affect the dynamism of investment or have any noticeably negative effect on investors. Lenders continued to extend credit for profit and even continued to increase the number and value of their loans. The migration of trust to more solid institutions sustained credit activity. The confidence placed in the judicial system, for instance, favored the extension of loans; cooperation seems to have been higher when punishment and enforcement became legal norms. In fact, the willingness of a new group of investors to place their capital in the local credit market for profit in steadily increasing proportions, regardless of the risks, may well have translated into the need for more trust and security, which the traditional one-to-one exchange could not satisfy.

These changes in the local credit market in the seigneurie of Delle—due to the transition between pre-capitalism and capitalism and the weight of indebtedness on peasant households—had a tremendous impact on social capital and the social fabric of the community, challenging the old pattern of trust. Male heads of household saw their natural authority in financial matters devolve more to the household per se, the province of both husband and wife. Trust also migrated toward the courts, departing definitively from the regime of self-regulation—the traditional *modus operandi* of rural societies.

Contrary to one entrenched view, trust is not a modern concept, born with the emergence of capitalism. Trust existed in traditional societies, only to be challenged by new economic conditions that relocated it in state institutions—a model that still holds good today. The paradigm of trust, or what we call trust today, has changed with the development of capitalism. In fact, trust may have become otiose with the emergence of social norms and enforcement agencies that reduced the risks and uncertainties of cooperation. Additional studies of this concept will shed light not only on financial markets but also on economic history, using behavioral and qualitative approaches.