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Land market and credit in the transition to Capitalism. Navarra, 18th-19th centuries

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The objective of this paper is, first, to study the mobilization of the land market in the 19th century in Navarra, to identify the supply and demand, and to analyze the evolution of the price of land; and, second, to study the changes in the credit market between the 18th and 19th centuries, paying attention to the types of contract and to the social groups.

Sources:

Books of the Contaduría de Hipotecas (Mortgage Accounts Office), a public institution created in 1768 for the kingdoms of Castille and Aragon, and introduced into the kingdom of Navarra by the *Cortes* (parliament) in 1817. Information has been drawn from 26 books corresponding to 15 localities.

Changes in land market during the 19th century: the supply

A great mobilization of the supply of land: Drastic reduction in common property, due to the sales of common pastures by the Town Councils; Disappearance of ecclesiastical property, through the liberal land reform (*desamortización*); Contraction in the ownership of the nobility, due to the liberal land reform (*desvinculación*); The activeness of the free market.

The main features of the evolution of land prices:

- * Variations in price depending on use and quality of land: the higher the price in intensive irrigated lands and olive groves; the lower the price in vineyards and cereals.
- * A decreasing trend in the long term
- * We find two cycles of increasing prices: 1835-1845 and 1855 onwards
- * To measuring the relation between the land price and the buyer's expectations, we have calculated the correlation coefficients between land prices and product prices. What we found? First, the correlation coefficients are not very significant (maximum: 0.67 in olive groves); Second, there is a temporary gap between both prices: longer in olive groves (6 years) than in vineyards (4-5 years) and cereals (0-1 year). We think that this gap is related to the recovery of investment, shorter in cereals than vineyards and olive groves

Features of the credit market under the Ancien Regime

The most frequent instrument was the *censo consignativo* (buying of rents), a contract that expanded since the 13th century. The main supplier during the 17th and 18th centuries were the ecclesiastical and charitable entities. At the end of the Ancien Regime, in Navarra and other countries in Spain the buying of rents represented the principal source of income for Church.

Trends in credit market, 1750-1860 :

- * Between 1750 and 1790 there was an increase phase of credit. It moves on the basis of long-term mortgage (*censo*) under the control of the Church.
- * Between 1791 and 1815, an inflationary stage marked by the war cycles of the French Revolution, we find a breakdown of the credit market.

* From 1816 to 1840 there was a recovery phase, with a coexistence between long-term and short-term instruments. The civil war (1833-1839) and the Church Disendowment (1836) marked a brief collapse of credit.

* During the 1840's and 1850's the credit market expanded to an unknown degree. Now the short-term mortgage (obligación) clearly prevailed over long-term contracts.

Along this process there were also a change in loan suppliers: During the adjustment phase (1780-1810) laity and clergy suppliers were in equilibrium; from 1820 onwards the Church was pushed from the credit market. Merchants, landowners and nobles had control of the supply

Conclusions

Between 1790 and 1840 there were major changes in the composition and structure in the land and credit markets, on the way to secularization

At the same time, there was great activity in both markets, especially from the 1840's onwards

It is not a surprise. Between both markets there is a link:

1. The liberalisation of the land market facilitated the widening of mortgage credit by expanding the basis for loan guarantees

2. The animation of credit markets provided the resources for the increasing investment in land

At last, all these changes required the action of the Governments in order to make liberalisation possible.