

The decline of a great financial intermediary: Notaries in France, 1851-1934

Philip Hoffman

Professor, Caltech, 1200 E. California Blvd. MC 228-77, Pasadena, CA 91125.
E-mail: pth@hss.caltech.edu

Gilles Postel-Vinay

Emeritus Professor, Paris School of Economics, 48 Bd Jourdan, 75014 Paris, France, and Research Director, INRAE and EHESS.
E-mail: gilles.postel-vinay@psemail.eu

Jean-Laurent Rosenthal

Professor, Caltech, 1200 E. California Blvd. MC 228-77, Pasadena, CA 91125.
E-mail: rosentha@caltech.edu

Abstract

Via peer-to-peer lending, notaries mobilized immense amounts of capital in France up into the 1930s. They did so despite a thriving stock market, widespread banking with branches, and the existence of an effective lender of last resort. Using detailed evidence on their careers and their businesses, we analyze their training, their successes and failures, how they were regulated, and how they dealt with political and economic crises. What we uncover teaches broader lessons about the misconceptions surrounding modernization, financial development, and the reputational models that economists rely upon to explain informal dealings.

Keywords: Peer-to-peer lending, Financial development, Mortgages, Notaries, Financial institutions, Networks, Regulation, Banks

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Introduction

This chapter continues a decades' long effort to understand traditional credit markets and their intermediaries (Hoffman, Postel-Vinay, and Rosenthal 2000, 2019). Traditional intermediaries are ubiquitous across early modern Europe and persist long after the arrival of banks as important player in the financial markets. Notaries are also ubiquitous across the Western world. Nevertheless, as this volume's chapters demonstrate, the specific roles and institutions governing financial markets vary from country to country and at times even across markets within countries.

In France, long before banks spread, notaries were the financial intermediaries who made it possible for large numbers of borrowers to take out loans. As early as 1740, nearly a third of French families benefitted from credit arranged by these semi-public, semi-private scribes, who besides arranging peer to peer loans also provided services assured in other economies by lawyers, cities officials, financial advisers, recorders of deeds, and real estate brokers. If measured relative to GDP, by 1840 French notaries were mobilizing as much credit for mortgages as the United States banking system did in the 1950s. The lending facilitated transfers of property within families, and in the broader economy it financed infrastructure, industry, and especially agriculture and urban real estate, sectors that banks avoided because of the liquidity risks involved with making long-term loans.

Notaries are among the numerous intermediaries across the world who arranged loans for places without banks and for kinds of loans banks would not provide. While the financial histories of most countries have told us a lot about banks and bankers, we know less about these other intermediaries. Yet some essential questions about them need to be answered if we are to make headway in understanding the role of reputation and trust in creating the basis for the peer-to-peer lending networks that were ubiquitous in France and elsewhere. One model, which takes the embeddedness of reputation literally, would suggest that these peer-to-peer markets are purely local: they in effect function as islands, with intermediaries operating in a limited neighborhood of where they had been born. But as we have shown in earlier work reputation models do not require such hermetically sealed markets. Moreover, we also showed that that the interconnections among credit markets were in fact essential to their effectiveness.

But what about the notaries themselves? Did they conform to behaviors consistent with locally created and maintained reputations or were they part of a more regional or national market?

Economists and economic historians have often taken reputational models as out-of-time abstractions that help justify informal arrangements of one kind or another. Modernization has been seen as breaking down these arrangements. Yet we have shown (Hoffman, Postel-Vinay, Rosenthal 2015, 2019), in French credit markets at least, the apogee of the notarial system lagged the rise of banks by several decades. Beyond modernization's changes in the demand for different kinds of credit and capital, one can also ask how did changes in communication and transportation (in particular railroads) affected notaries' geographical origins and their training.

By the 1850s the notaries' business was in decline, and the government continued a policy (begun during French Revolution) to reduce their numbers in an effort to shore up rural notaries' income. But just, how did their demise play out across France? What can it tell us about the inevitable demise of these financial intermediaries as economies and politics change? Did the notaries adapt their training? Did sons stop following their fathers into a waning profession? How did the government react? As a profession, notaries were regulated, with the government assuring that each locality had enough of them to assure Cournot like competition. The Cournot competition model is one where different firms face a common set of clients, and rather than compete on price (the Bertrand model), they chose how much output to produce. The model has a stark prediction: cutting the number of firms/notaries boosts each remaining notary's income. But officials also worried that some areas were endowed with too many notaries, so they suppressed notarial businesses (*études*) when the owners died or retired. The officials then made the remaining local notaries indemnify the notary who retired or his heirs. What happened to the price incoming notaries paid for the offices they assumed? The price, after all, measures the present value of future stream of profits. Did it stagnate or fall? How too did the notaries' lending business react throughout the decline? Did lending fall faster than business as a whole? How much variation was there in notarial credit, across France and over time?

Those are all questions that we can answer thanks to records preserved by the court system and the Ministry of Justice, which regulated notaries.¹ The records described the careers, training, background, revenues, business activity, and *étude* prices for everyone who entered or left the notarial profession or moved to a different location. The archives also shed light on the notaries' political opinions and on their weaknesses, from fraud to flirtations with banking despite increasingly rigorous prohibitions against it, beginning in the eighteenth

¹ For regulation of notaries in the nineteenth century, see Daumard 1973; and for the development of notaries before then, see Limon 1992 and Descimon 2005.

century and continuing through the nineteenth and twentieth centuries (Hoffman, Postel-Vinay, and Rosenthal 2000, 2003, 2019) We sampled those records by selecting adjacent years approximately every two decades: specifically in 1851-52, 1872-73, 1891-92, 1911-12, 1927-28 et 1932-33. (We added the years in the late 1920s and early 1930s to chart the rapid changes of the Great Depression. For a detailed description of our sample, which was stratified to better estimate the notaries activity in large and small markets, see the appendix.)

We begin with the long decline of the notarial business and focus on their lending in particular. We then see how the notaries adjusted their careers and training as their activity shrank and examine how regulation of the notaries adapted too. The drift downward was generally slow, but some of the changes were large, such as the prices paid for études, or rapid, such as the resurgence of lending in the 1930s. We examine these brusque movements in detail and ask if they are tied to notarial lending and if notaries were more likely to get into trouble after economic crises. The conclusion raises some broader issues involved in regulating financial intermediaries.

1. The decline of the notarial business

On the eve of the French Revolution notaries were ubiquitous, in particular in the south of France, where Roman Law left a deeper imprint than in the north. Notaries, then and now, are a medallion business. Like taxi cabs in New-York, you can only become a notary by purchasing an office from a current notary (or replacing one who is dismissed by the authorities). Each position comes with a fixed town or city for the étude's location and a surrounding territory within which the notary can draw up acts for clients. Revolutionaries attempted to transform the notaries and all other public official into administrative agents, because venality (the market for public positions) was one of their bugaboos. Although the reform by and large succeeded, over time the medallion system was reintroduced for notaries, auctioneers, and stockbrokers. But after the Revolution the state did take a far more active role in regulating the profession (Daumard 1973). Moreover, growing literacy and a succession of reforms also reduced the demand for their services.

To track the broad evolution of the profession, we relied on the *Compte général de l'administration de la justice civile et commerciale en France* published by the Ministère de la Justice. That publication records the number of notaries by arrondissement in 1831 and then

starting in 1835 it reports both the total number of active notaries and the total number of acts or contracts drawn up by notaries each year. (We will use acts and contracts as synonyms). In 1835, there were a bit more than ten thousand active notaries and they drew up three million acts. At the time the French population was about 34 million. A hundred years later slightly more than seven thousand notaries drew up the same number of contracts and the French population than was just about 41 million. The average population each notary served had roughly doubled.

Meanwhile the number of notaries had declined, as we can see from series displayed in Figure 1. It shows that at the national level the decline in the number of notaries is a long run and relatively regular process. As Figure 1 also shows, the number of acts, by contrast, is volatile with very large drops during both the short lived Second Republic (1848-51) and the tumultuous Franco-Prussian war and Paris Commune uprising (1870-71). The national series of contracts then reached two lows, one just before WWI at 2.7 million per year and another in 1935 at 2.5 million per year. The series has a peak in 1919 as families and businesses dealt with a backlog of contracting and legal issues that had been postponed during the fighting. Figure 2 scales the number of acts by the number of notaries and the number of adults (potential users of the notary's services). Before World War 1, the number of contracts per notaries is almost constant over time at about 350. Then there is a massive jump in the 1920s followed by a decline, and when our series end notaries were again drawing up an act per day on average. Because the French adult population grew slowly the number of contracts per 1000 adults declined by half between 1830 and 1913.

The drop in the number of acts was widespread and cushioned only in places with very rapid economic growth. We collected the number of contracts and notaries for each of France's 20 appellate court districts (cours d'appel). Yet even in Douai, the court that covers the most industrial departments (Nord and Pas-de-Calais) witnessed a 10 percent reduction in the number of notaries from 1831 to 1935 even though the number of acts was relatively stable. The Paris appellate district also lost 15 percent of its notaries, despite being the one region where the number of acts grew substantially over the century (40 percent in the mid-1920s and early 1930s). Southern districts (Aix, Nimes, Montpellier, Agen, Toulouse) all suffered sharp declines in the number of notaries, between 40 and 50 percent. But even these dramatic purges of notaries pale beside the collapse in the number of contracts. In the Agen district the number of acts in 1912 was 41 percent of what it had been in 1840, and the post WWI bounce was short lived. By the 1930s notaries in the Agen district were drawing up only 30 percent of the number of contracts they had managed a century before.

The number of notaries was slipping because the government closed notarial businesses when notaries retired or failed. In doing so, the government had to balance two imperatives imposed by the medallion structure of the industry: one was that the web of notaries would not be too sparse in any area, and the other that the value of the office be sufficient to attract bidders for the positions that were being released. The first imperative was driven by the need to provide everyone access to notarial services that were in many cases legally required (for instance, to mortgage a property). The second was direct consequence of the fact that the notarial offices were a financial asset. When the position's price fell too much because of limited business the local district attorney arranged to have the other notaries buy out the retiree (or indemnify his heirs) and then take possession of his archives.

The number of acts dropped because the demand for notarial services shrank. One might assume that the closures would have restricted the supply of notaries' services, but there is no evidence that there were serious supply constraints. Notaries, after all, could expand their businesses by hiring more clerks if they were busy and they could also cut business back by letting clerks go or by working only part time without a clerk, although they would then be prime candidates for government closure. In the files we collected, busy Parisian notaries with ten clerks could draw up more than 2000 acts a year, while the 53 notaries with no clerks averaged only 142 acts per year, or less than one every other day.

Demand for the notary's service declined in part because social and economic change gave their former clients more options and in part because a succession of reforms reduced the number of contracts that had to be notarized. As we discussed in earlier work the pluri-secular rise of literacy meant that it was possible for individuals to bind themselves to a variety of contracts without the aid of a notary. The move of an ever-larger number of individuals from self-employed to salaried workers in industry and services also meant that there were fewer contracts over assets like land or capital that peasants and small-scale entrepreneurs once utilized.

Similarly, over the course of the nineteenth century recourse to marriage contracts and probates fell as individuals opted for the standard French matrimonial regime and as filings with the estate tax administration provided a substitute way to deal with bequests. These two changes were driven by legal and fiscal reforms under the Revolution and Napoleon. Subsequent legal reforms in the nineteenth century had a similar effect. The rise of indefinitely lived corporations that were much larger than the Old Regime businesses reduced the frequency of business contracting. Some of these corporations like insurance companies bought real estate to back their policies and withdrew it from the land sales market and, as a result, from

contracting. Finally, a growing variety of assets issued by public and private entities (including the national debt) could be held and traded with no recourse to a notary.

One thing the Revolution did not touch was notaries' stranglehold on mortgages. If someone want to pledge a real asset as collateral for a loan and have that pledge registered with the *hypothèques* (the government mortgage recorder), a notary had to be involved. No subsequent political regime has touched this third rail of finance since. Yet change in the mortgage market did come and it reduced notaries' income. In credit markets, which we have studied extensively, notaries earned fees both as strictly legal intermediaries (draft debt contracts, registering liens) and as mortgage brokers. Over the course of the nineteenth century increasing literacy meant that small, short-term, unsecured loans were more and more likely to be drawn up privately, a trend that had started before 1789. At the other end, for large, long-term loans entry dried up their brokerage business. A government backed mortgage bank, the *Crédit Foncier de France* (CFF), was siphoning off borrowers in Paris and big cities. It had a monopoly on the issue of government-backed securities and an implicit government guarantee for the mortgage bonds it sold, and it could lend money for longer terms than the mortgages brokered by notaries—50 years, for instance, instead of 5. By 1899, the CFF held some 24 percent of French mortgages. Although CFF loans were notarized, actual recourse to the notary was infrequent because the loans were self-amortizing and very long term. At the end of the nineteenth century the CFF had open branches in most departments and thus short circuited the brokerage side of the notaries' business. But that was not the end of notaries' credit woes. After World War I, the government began providing subsidized mortgages, which cut deeper into the notaries' lending business. As for investors, the government was offering them the chance to put money into secure government debt, and banks with branches were soon opening the door to placements in other assets. The investors' demand for diversification drained away more of the notaries business.

The effect of these changes on the notaries' profits was complex. We measure their earnings by the real price they paid for the offices, which should capture expected profits, and we distinguish notaries by the approximate size of the market they served. (Real prices are computed using a CPI from Piketty Zucman 2014 and set at 100 in 1912). Paris was in a class by itself. Below Paris were the notaries in the 26 or so other cities with an appellate court. They enjoyed big markets because they could deal with clients throughout the entire appellate district, which, in the case of the appellate court in the city of Rennes, for instance, could stretch across 5 of France's county like departments. Below these appellate court notaries were their colleagues in the roughly 400 or so cities that had the major courts (*tribunaux de première*

instance) in each department. They handled clients in one of the four or so *arrondissements* that typically made up each department. Still lower in the hierarchy were notaries in 2,500 towns with only a justice of the peace (*juge de paix*). Their range was limited to the surrounding *canton*, typically a handful of villages clustered about the major local town or city (*chef-lieu*). At the bottom of the hierarchy were notaries in villages with no court at all.

If we arrange notaries by their level in this hierarchy of markets and lump prices together by decade, then the mean real price of notarial businesses sinks between 63 and 73 percent between the 1850s and the 1920s, although in most markets it had risen up until the 1910s just before the 1920s collapse. The median price follows a similar pattern of rising through the 1910s and then falling, although the median fell much less between the 1850s and the 1920s than the mean in the smallest markets (Table 1—mean and median prices by decade in separate panels). Both median and mean prices then revived at least partially in the 1930s, as notaries were able to draw on their superior information about creditworthiness to select low risk borrowers and lend to them at a time when banks were cutting off credit. We return to that revival below, when we also analyze the other short-term fluctuations in *étude* prices and in notarial credit. Overall, though, due both to the elimination of the smallest *études* and to increasing wealth, the median notary in markets large and small watched the real price of his *étude* appreciate between the 1850s and the 1910s. His expected profits presumably did the same.

The description of the trends here has to be a bit cautious, because the number of observations for the largest markets (Paris and the appellate districts) is small (see appendix table—number of observations.) The prices in the 1920s for all markets were likely depressed for unusual reasons as well: a freeze on rents that cast a pall over real estate transactions, and price inflation that cut the real price sharply.

For Paris at least, we can go much further back, to the seventeenth century (Limon 1992; Hoffman, Postel-Vinay, and Rosenthal, 2000; Descimon 2005). In the eighteenth century, the price of *études* in Paris (measured in livres of constant value in silver) grew slowly and then accelerated from the 1760s to the 1780s. Prices (measured in francs of the same silver value as the livre) collapsed during the French Revolution. Yet by 1825, the value of *études* had recovered: a notary's business was worth about as much as it had been in the eighteenth century. For Paris we have a longer time series because we can concatenate data from our sample with transactions collected for Priceless Markets. This expanded data set is displayed in Figure 3. Compared with the decades prior to the Revolution, *étude* prices were low in Paris under Napoleon, but they then swiftly recovered, to reach a plateau of a half a million 1912 francs

that endured through the Second Empire (1852-1870). Thereafter, real prices rose, fell back to the secular plateau, and then plummeted during and after World War I before a limited recovery in the 1930s.

The other striking pattern in the graph is very wide range of prices at any time, with some etudes selling for almost three times the price of others. That is clear evidence that a notary's clientele and particular practices were of great value and could be transmitted with his medallion. Those practices and the attachment of clients were the reputational part of the notarial profession. That they were so important in Paris, the most modern and capitalist part of the country, is yet another sign that the modern economy relies heavily on such informal and personal arrangements. Another way to analyze the long run pattern of étude prices is to divide the sales price by the population and the number of notaries in each market. Doing so compensates more accurately for the size of the markets and also for the expected competition from other notaries. Like the prices themselves, this index collapses in the 1920s and then stages a partial recovery in the 1930s (Table 2—mean real price/canton pop*number of notaries). But the prelude to the 1910s is complex. Between the 1850s and 1910s the index rose in the smallest markets but declined in the largest ones. The likely explanation is that the big markets bore the brunt of the reduced property sales and loss of business to investors shifting to alternative assets.

2. Constants for the notaries

Despite reduced demand for their services and fluctuations in their profits, some things remained by and large the same for notaries across the nineteenth and early twentieth centuries: the administrative procedures for vetting them, their training, and the limited tendency of notarial businesses being passed along within families. The vetting procedure assured that notaries had the required knowledge of the law and of the legal duties imposed on notaries, but this technical competence did not guarantee that they would thrive. That required more. To succeed, a notary had to drum up business. For instance, he might arrange a large number of loans by harnessing his knowledge of investors, of credit risks, and of investment opportunities. At the very least, success demanded energy plus profiting from the experience all notaries gained when they served as clerks in what amounted to an apprenticeship before they became notaries themselves.

It is worth keeping in mind here that although notaries were regulated, their *études* were medallion businesses, private firms that were bought and sold subject to governmental approval. That inheritance of Old Regime venality had survived both the French Revolution and the Napoleonic Empire for fiscal reasons and administrative convenience. It is worth remembering too that notaries themselves had a hand in their own regulation—an example of regulatory capture that was facilitated by their training the clerks who might someday become notaries themselves.

When a notary decided to sell his business, the buyer was subject to a screening process that involved both the local corporation of notaries and the Ministry of Justice. The Ministry and the courts checked that would be notaries had the requisite training, that they had served as clerks in notarial businesses for the required amount of time (6 years, including one as a number 1 clerk, with a law degree or notarial studies diploma serving as a substitute for 2 years as a clerk), that they had enough personal assets and good enough reputation to serve as a notary, and that their political opinions would not lead them to oppose the institutions of the existing regime. Representatives of local notaries helped in the process. They vouched for the time would be notaries had spent as clerks, and they examined the candidates to ensure they knew the law and relevant government regulations of the notarial business.

Beyond all this verification of training, the Ministry of Justice would also reduce the price that a candidate offered when buying an *étude* if it was too high and would saddle the incoming notary with too much personal debt or induce him to engage in the risky and profitable forbidden business of banking. (More rarely the Ministry increased the price if the candidate and the outgoing notary were suspected of hidden side payments to escape taxes on the transaction.) To check if the price was too high or too low, the Ministry calculated an estimated value for the *étude* by analyzing costs and revenue over the past five years. The dossiers the Ministry constructed for this calculation and for the rest of the vetting covered all the transfers or suppressions of *études*. The dossiers gave us the information we have about the notaries and about their businesses (see appendix for details). The amount of time notaries spent in training as clerks rose slightly in most markets after 1850, subsided in most in 1920 and then recovered. But the general pattern was of little change: candidates spent an average of 8 to 20 years as clerks before becoming notaries, with the longer times probably necessary for clerks to save up enough money to acquire an *étude* (Table 3—Time in training by market size, mean with Paris split out). Median training times were similar. A growing number of notaries also had a law degree (only 12 percent in the 1850s versus 31 percent in the 1920s and 24 percent in the 1930s). The degree was particularly common in Paris and in the markets with an appellate court (52

percent in the 1920s and 41 percent in the 1930s). Rural notaries were much less likely to get a law degree, but after World War I over a third had a degree or attended a notarial school.

The average distance these new notaries traveled from the birth place to their clerkships and to the location of the étude they finally purchased rose over time as railroads and then automobiles cut transportation costs. The only exception was Paris, where distances shrank (Table 4). There, over half the new notaries were natives who had trained only in Paris, for all of our cross sections except the 1870s and 1890s. Fully 99 percent of the notaries who acquired an étude in Paris had trained there, and 61 percent of the notaries in cities with appellate courts had served clerkships in such cities. That sort of clerkship seemed to be a prerequisite for notarial business at the top of the court hierarchy, probably because of the sort of learning and professional connections common in the biggest markets.

Amidst all the sales of études, there was little change in the fraction of notaries who inherited the business from their fathers. It ranged from a high of 12 percent in the 1850s to a low of 4 percent in the 1890 but showed no trend. Transfers to other family members were even rarer, between 3 and 7 percent. Some notarial dynasties did exist, like the Tricou family in Lyon (Lafaurie 1976; Hours 1977) with five generations of notaries if you count the son in law who inherited the étude in 1961, but they were the exception.

Although family transfers of études were uncommon in general, they did crop up for the études at the top of the notarial hierarchy: between 14 and 30 percent if we lump together Paris and cities with either an appellate court or one of the major arrondissement courts. The reason was likely the higher prices paid for these études (Table 1) and the larger portfolio of personal assets needed to operate them. Incoming notaries borrowed to buy études, but they had to have a down payment and enough other personal assets to operate the étude and assure the Justice Ministry that they would not teeter into bankruptcy. A more expensive étude would require a bigger down payment and more personal assets, and a clerk would have to save longer to come up with the money. A notarial family could furnish the money, and they would be willing to (if the étude was prospering) since they had inside information about what the young notary's business prospects would be.

The reasons that prompted notaries to sell their études changed but not greatly. Death brought on between 12 and 20 percent of the sales and retirement between 39 and 58 percent (Table 5). Trade ups rose in the twentieth century as a small but growing number of notaries sold one étude to buy a bigger one. Suppressions also increased as the Justice Ministry whittled away at the oversupply of rural notaries particularly in the South. And ill health accounted for a rising fraction of the transactions too (between 7 and 10 percent in the nineteenth century and

between 17 and 22 percent in the twentieth). Here one might imagine that notaries were obliged to work longer because World War I had decimated the pool of candidates to buy their études, but health was growing more common as a motive before the war, and prices could have adjusted to attract more candidates. Although we do not know the ages of the outgoing notaries, so we cannot simply check that they were older. We do know tenure length in most cases. For études in category 1 and 2, the 1920's outgoing notaries in fact had among the shortest tenure (this is true whether or not we remove the notaries who got into trouble). In more rural areas notaries traditionally had shorter tenures (they left at least four years earlier than their urban colleagues) and the 1920s saw a big jump so that they left after average tenures of 26 years in the 1920s and 23 years in the 1930s. But if we estimate their ages by adding the average time notaries operated études to their average age when they began, then notaries were leaving at about age 60 both in the nineteenth and early twentieth century, and those who retired for health reasons were no younger.

One might wonder who cared why or when notaries retired. Obviously, the incoming notary who was going to buy the office wanted to avoid buying a lemon. Clients also wanted to avoid offices that faced difficulties because transactions might be held up when a notary failed. Finally, the government's efforts at protecting the profession as a whole meant that it had an interest in smooth transmission. In the absence of public scandal outgoing notaries made every effort to reassure current and future clients that all was well with the étude.

But concern may have been necessary at a time when the notaries' fortunes were no longer as big as in the past. Real median étude prices had peaked in large markets in the 1890s and dropped more as we know in the 1920s, in part because of the inflation after WWI. Inflation must have eroded some of the other personal assets notaries held. If all of this was common knowledge, people might have worried about the financial viability of the étude, all the more so if the outgoing notary lived in straightened circumstances and could not devote himself to the leisurely retirement his more prosperous colleagues could afford. Clients might desert the notary, and his étude would be worth less. But if he retired for his health, there would be no cause for alarm. Illness would dictate modest living, and a younger successor would have more energy to make the étude prosper.

Another motive that fluctuated considerably were the sales because of problems facing the outgoing notary. Such sales jumped during economic crises, such as the 1930s, because clients would delay paying the notaries' bills. Or the notaries might be more likely to be caught engaging in risky speculation, in the forbidden practice of banking, or simply withhold money due to their clients. The spendthrift notary Brunie owed money to his clients in 1911, and his

colleague Rigal engaged a strawman to flip real estate (BB10, Dordogne 2586-24, dossiers Lagarde and Goujon). The risky behavior could happen at all times but it would be more likely to be revealed when an economic crisis pinched the finances of the notaries or their clients.

As in the cases of Rigal and Brunie, the Ministry of Justice handled these affairs quietly. The reason was in part regulatory capture by the local notaries, but it was more the fear of possible damage to creditors. In the case of Brunie, the *Procureur Général* in the Bordeaux Appeals Court explained why: “A notary who engaged in such behavior would certainly deserve to be relieved of his duties and even to be indicted if we did not keep in mind that criminal charges would harm his creditors, who were the victims of his public office.” It was better therefore to oblige him to resign (BB10, Dordogne 2586, dossier Lagarde, 28 January 1911). Similar arguments had been made since the eighteenth century.

Notaries as legal intermediaries changed rather little between 1850 and 1935. They became more likely to get a professional education, and they travelled a bit further to train. The industry and its regulatory practices remained firmly anchored in the local, with the key organization aimed at policing notaries being the arrondissement’s chamber of notaries. But even in the 1850 and even more so in the 1890s, there was a broad market for notarial position, for outside Paris many notaries came from outside the jurisdiction where they bought a position. They were also unlikely to have worked for a long period of time in the office they purchased. The implication is that the value of études came not from the formal roles that notaries played but from clients’ attachment to a particular office. Evidence for this attachment is plentiful. First, offices in the same location do not have all the same prices. Second the narratives provide abundant evidence of the specific characteristics of notaries’ clienteles that emphasize the particular role of the out-going notary in building or destroying that clientele. Even in the problematic offices, the narratives focus on the specific decision that notaries made to attract clients who sought to complete dubious transactions. That is striking evidence of a market for clienteles.

3. What changed for the notaries

Despite the constants for notaries over the course of the nineteenth and early twentieth centuries, some things changed rapidly. Prices in the 1920s and 1930s are the clearest example (Table 1). As we know, real prices dropped in the 1920s, in part because of a freeze on rents

that cast a pall over real estate transactions, and in part because of price inflation. They then recovered partially in most markets in the 1930s.

There are signs that the recovery in 1930s was brought on by resurgence in notarial lending. The fraction of notarial acts devoted to borrowing had been slipping since the 1850s (Figure 4), for reasons we have explained: competition from the CFF and government subsidized mortgages, the ability of branch banks to offer alternative investments to potential lenders, legislation in 1843 and 1890 that barred notaries from entering banking themselves, and, last but not least, real estate that was withdrawn from markets when it became infrastructure or was purchased by insurance companies. But in the 1930s, the fraction of credit acts climbed back up to the level of the 1910s. The capitalized value that the Ministry of Justice assigned to notaries income from their credit dealings jumped even higher in the 1930s, beyond even the level of the 1870s and 1890s (Figure 5), although the renaissance of lending was not shared by all études.

We suspect that notaries were using their information about borrowers to siphon off the best credit risks in the 1930s, when banks cut back on lending (Baubeau et al 2020; Monnet et al. 2021). But the sources are unfortunately silent about the borrowers in the 1930s and about the lenders too. Had the borrowers been cut off from the bank credit they relied upon? And were the lenders investors who trusted in the notaries' information? Or ones willing to shoulder the risks of an individual loan even when it was backed up by valuable real estate? Without the loan contracts we cannot tell.

Alongside the increased number of loans arranged in the 1930s came a jump in the fraction of notaries who were forced to resign because of problems (Table 5). That usually meant that clients were having troubles and slow to pay what they owed or—even more likely—that the notaries themselves were engaged in banking or other speculative investments. Problematic departures had soared in 1850s (after the European wide political and economic crisis of 1848) and in the 1890s (after rural property values collapsed). In the 1930s such troubles erupted again. The cause, once again, was speculation by notaries or their making loans with money on deposit, although this time the notaries' lending was a swan song. In Dordogne, the borrowers fell behind in paying their loans (BB10 3279, notary Courty). In Paris and its suburbs, real estate speculation was the problem (BB 10 3345, notary Billiard), and one notary made a loan to Alexandre Stavisky, the financier whose collapse triggered a political scandal (BB10 3294, notary Robineau). To reassure the public, the government in 1934 created deposit insurance financed by fees levied on all the notaries in each appellate court district. The insurance guarantees the money notaries held, though it did not cover losses due to a notary's

making forbidden bank loans (BB10 3345, notary Moreau). The temptation of moral hazard was no doubt too great to cover those risks.

Conclusion

In our work on peer-to-peer lending markets in France, we emphasized that the chronology of medium and long term credit did not fit the modernization narrative or the idea that the French economy experienced a post 1850 growth spurt driven by financial innovation. We showed that in Paris these markets stretched back to the seventeenth century and that they underwent spectacular transformation in nineteenth century. The rise of the CFF coincided with this transformation, but it was a mortgage bank whose principal business was the reconstruction of Paris, not French industrialization. Later when we looked at the rest of the country, we found that peer to peer markets endured well into the twentieth century. It was as if modern financial capitalism had simply been added on top of more traditional means of securing capital. In that sense the opposition between old and new financial ways has been seriously overstated.

In this paper we return to the intermediaries themselves and ask what can we say about the notaries in general? We know that their business depended on their reputation, but it is worth emphasizing their dealings were not contained in the sort of islands that figure in simple models of repeat dealings among two individuals. They passed clients on to one another within a region limited by transportation costs (Hoffman, Postel-Vinay, Rosenthal 2019). In the city of Paris, the referrals stretched across the entire city (Hoffman, Postel-Vinay, Rosenthal 2000). These were local networks, but they were hardly islands. Their training did not fit into any closed space either; it too was not an island. The lesson here is that scholars who emphasize reputation should abandon the notion that it is an endowment or based on exclusive dealings because in fact it is capital that can be accumulated, lost, and even sold, and markets where reputation matters can be structurally interconnected, as with the notaries.

A second lesson is that this traditional economy was profoundly sensitive to political and economic crises. The short lived Second Republic, the Franco-Prussian War, and the Paris Commune all cut the number of acts notaries passed. The sharp declines occur everywhere in France suggesting that by the 1840s at least the country was more integrated than scholars might think. Even before the nineteenth century, the notaries' business was shaken—or sometimes strengthened—by political and economic upheavals. The fiscal crisis of Law Affair back in the

early eighteenth century drove them to register hundreds of loan repayments, and that in turn gave them added information about credit worthiness that propelled them into arranging loans. And over two hundred years later, the crisis of the 1930s drew them back into lending when banks shut off the credit spigot. They were never islands isolated from politics or the rest of the economy.

Their return to lending in the 1930s teaches a third lesson as well, for some of them, we know, were not just arranging peer-to-peer loans: they were engaging in banking. They were funding medium term credit with short term deposits, a practice repeatedly forbidden since the eighteenth century but clearly too profitable to resist. And borrowers were still turning to notaries, despite the spread of branch banking, the rise of the government backed CFF, and the existence of the Banque de France, which could help banks deal with liquidity problems. Clearly, financial institutions still had trouble meeting the demand for loans secured by real estate. So did the notaries' own peer-to-peer lending, despite all their referrals. There were arbitrage opportunities there, which notaries tried to seize, but they were obviously risky. Would letting competitors issue mortgage bonds and compete with the CFF market have helped? Or would that have risked an even greater melt down and put the state's credit at risk?

Appendix

In addition to statistics collected from the *Compte général de l'administration de la justice civile et commerciale en France*, we gathered data from the dossiers the Justice Ministry (Ministère de la Justice) assembled for each incoming and outgoing notary and for notaries who ran into trouble. As we explain in the text, the dossiers (in the series BB10 at the Archives Nationales in Paris) furnish valuable information (which is increasingly detailed over time) concerning the notaries' training and origins; the prices and revenues of their études; and the problems notaries caused.

The records are filed by year and department, and this fact guided our sampling procedure. We selected nine French departments to reflect the greater density of études in southern France, the larger amount of business for urban notaries, and the greater range over which notaries could operate if they were in towns with important courts (the department names here are those used in the years of our sample): Côtes-du-Nord, Dordogne, Gard, Seine, Seine-Inférieure, Seine-et-Marne, Seine-et-Oise, Somme, and Tarn.

For each of these departments, we sampled records at approximately twenty year intervals from the 1850s to the 1930s so that we could trace the notaries' rise and fall. Specifically, we read the records from the 1851-52, 1872-73, 1891-92, 1911-12, 1927-28 and 1932-33. We read more record for the late 1920s and early 1930s to understand the impact of the 1930s depression. From the files we collected information about the entering notary (place of birth, places of training, legal education, military service, and family connection to outgoing notary). We also gathered information on the étude that was being transferred, and in particular to markets of its activity (total contracts, tax payments, and fees collected by the notary, and—when available—total debt contracts, and taxes and fees on those contracts). We also noted information on notaries' costs, in particular the cost of clerks; and on the transaction (price, how much was financed, for how long and at what interest rate). Finally, we collected information on the outgoing notary, in particular, the reason for the sale)

Appendix Table: The sample by type of residence

		1850	1870	1890	1910	1920	1930
Paris		3	13	9	7	6	21
Cours d'Appel		1	3	2	3	.	3
Arrondissements	Chef-						
Lieux		4	21	12	18	15	19
Cantons Chef-Lieux		22	71	45	39	44	67
Municipalities		18	65	45	43	43	41

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Table 1: Mean and median real price for notarial businesses (étude) by decade and market size, 1850s-1930s

Panel A: Mean real price (1912 francs)

Market size	1850s	1870s	1890s	1910s	1920s	1930s
Paris	537,429	498,621	580,959	589,200	144,979	331,150
Appellate court	188,268	232,286	368,518	349,448		320,270
Arrondissement	120,492	142,119	200,741	144,101	42,062	184,191
Canton	99,248	69,059	71,747	84,835	37,174	74,254
Village	82,804	65,748	51,246	145,293	28,366	56,473

Panel B: Median real prices (1912 francs)

Market size	1850s	1870s	1890s	1910s	1920s	1930s
Paris	512,089	488,540	657,694	594,875	146,873	303,920
Appellate court	188,268	251,340	368,518	326,370		232,924
Arrondissement	131,788	83,780	153,276	148,350	38,662	120,555
Canton	51,209	40,610	55,737	74,175	24,653	43,562
Village	26,358	31,473	26,754	49,450	21,089	36,470

Source: our sample. See appendix for details.

Note: for the categories of market size, see the text.

Table 2: Real price of notarial businesses divided by population and number of notaries in canton: means by market size and decade, 1850s-1930s

Market size	1850s	1870s	1890s	1910s	1920s	1930s
Paris	0.005	0.0017	0.0020	0.0014	0.0004	0.001
Appellate court	0.275	0.225	0.287	0.258		0.253
Arrondissement	1.198	0.707	1.122	2.212	0.460	2.006
Canton	2.552	1.789	2.606	2.813	1.102	2.352
Village	1.551	1.298	1.095	2.239	0.629	1.456

Source: as in Table 1

Note: prices as in Table 1.

Table 3: Mean and median training times for new notaries by decade, 1850s-1930s

Panel A: Mean training times (years)

Market size	1850s	1870s	1890s	1910s	1920s	1930s
Paris	9	11	11	11	9	15
Appellate court	9	10	20	9		11
Arrondissement	9	13	9	8	9	9
Canton	8	8	10	10	9	12
Village	8	10	9	10	8	9

Panel B: Median training times (years)

Market size	1850s	1870s	1890s	1910s	1920s	1930s
Paris	9	11	10	12	9	13
Appellate court	9	10	20	9		11
Arrondissement	8	9	9	7	9	9
Canton	8	7	9	10	8	11
Village	7	9	8	9	7	9

Source: As in Table 1

Table 4: Distance traveled (kilometers) from birth through training to purchase of étude: mean by market size and decade

Market size	1850s	1870s	1890s	1910s	1920s	1930s
Paris	18	64	127	0	0	26
Appellate court	0	515	481	171		280
Arrondissement	98	166	198	408	302	378
Canton	191	217	343	306	319	438
Village	85	249	235	309	351	323

Source: as in Table 1

Note: The distance in each cell is the mean of the sum of the lengths of the paths that connect a notary's birth place to the site of his first clerkship, then connects that site to the next clerkship, and so on until the path reaches the étude he buys.

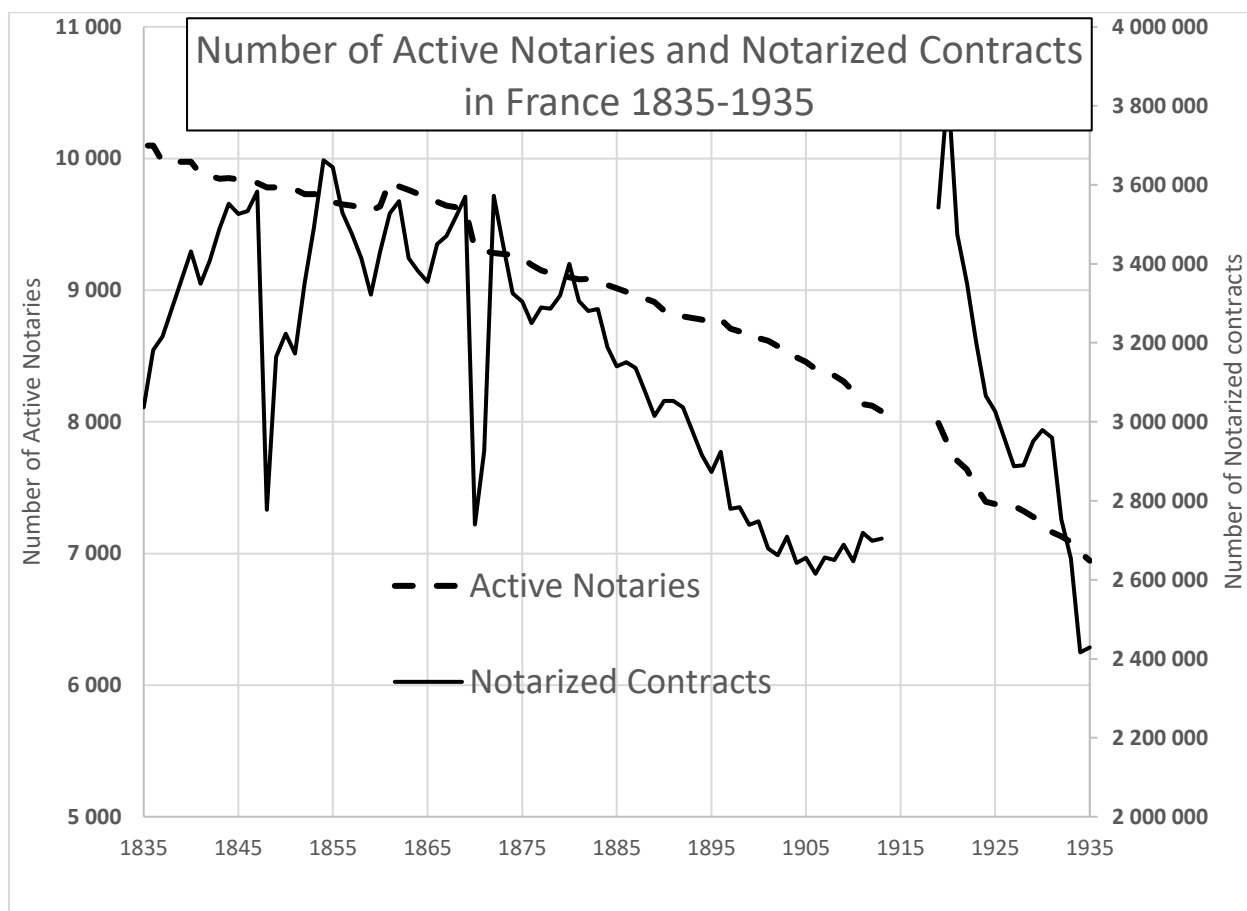
Table 5: Reasons études are transferred by decade, 1850s-1930s (percent)

Reason	notary leaves	1850s	1870s	1890s	1910s	1920s	1930s
Death		17.0	19.7	21.7	12.1	17.6	14.5
Retirement		55.3	57.8	49.6	38.8	41.7	33.6
Ill health		8.5	10.4	7.0	17.2	16.7	21.7
Trade up to bigger étude		0.0	4.0	4.3	10.3	9.3	11.2
Problem with étude		19.1	8.1	13.9	7.8	5.6	14.5
Suppression of étude		0.0	0.0	3.5	13.8	9.3	4.6

Source: as in Table 1

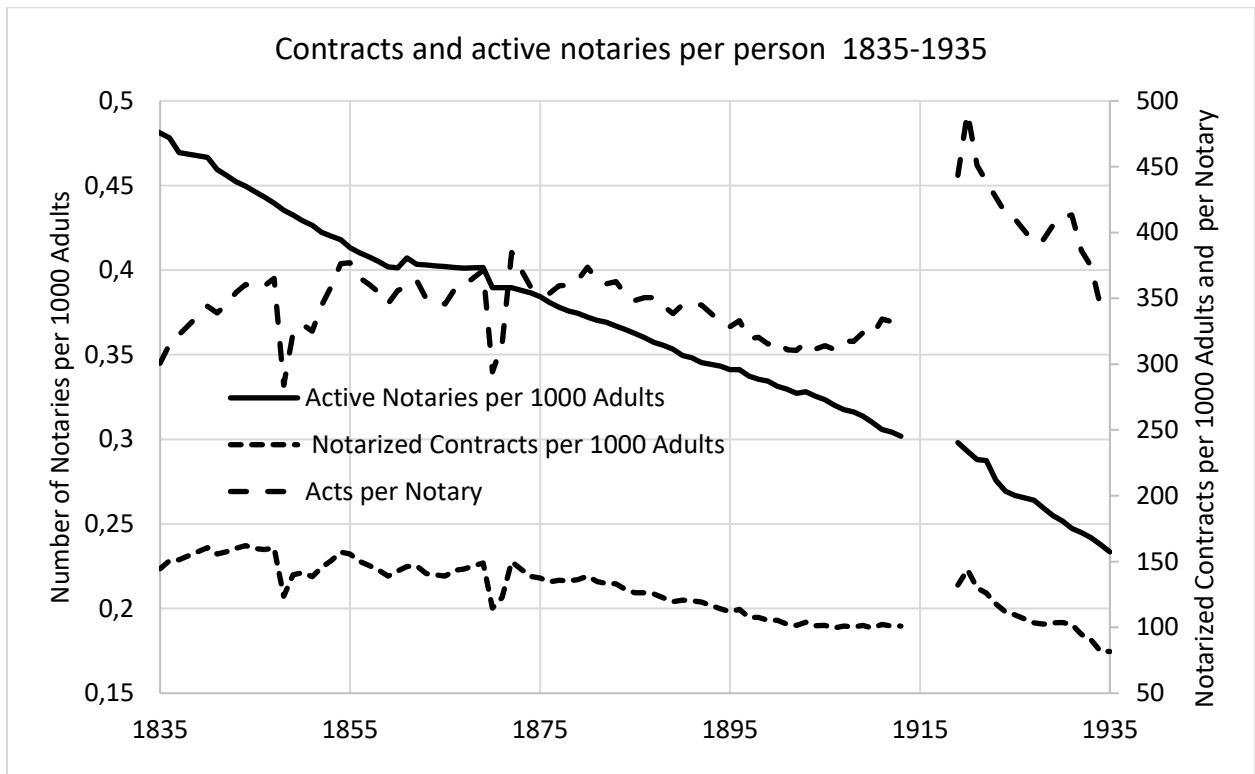
Note: Table does not include cases in which there was no transfer or suppression of the étude, as when a holder becomes an honorary notary. Problems occurred when notaries went bankrupt, owed clients money, failed to keep adequate records or properly perform services for clients, or violated rules against engaging in banking

Figure 1



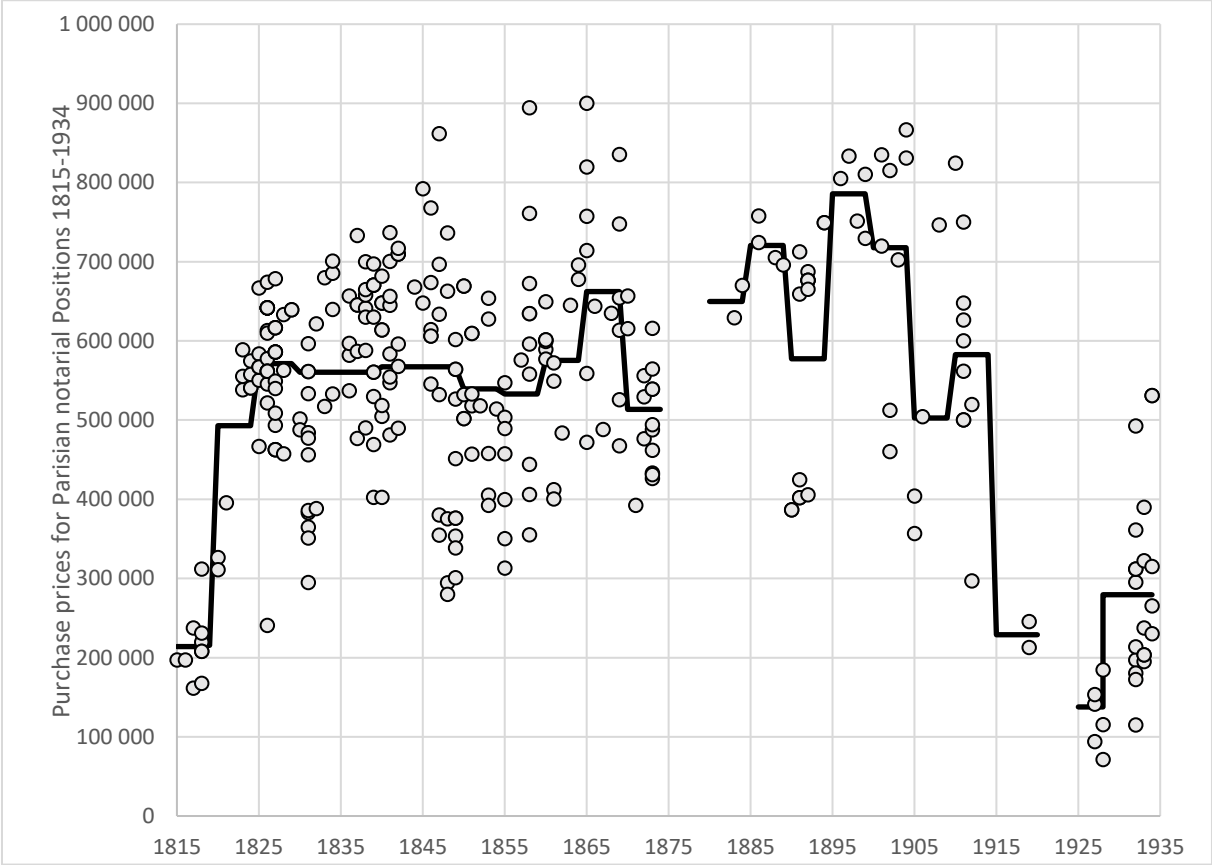
Source: See text.

Figure 2 : Contracts and active notaries per person 1835-1935



Source: see text.

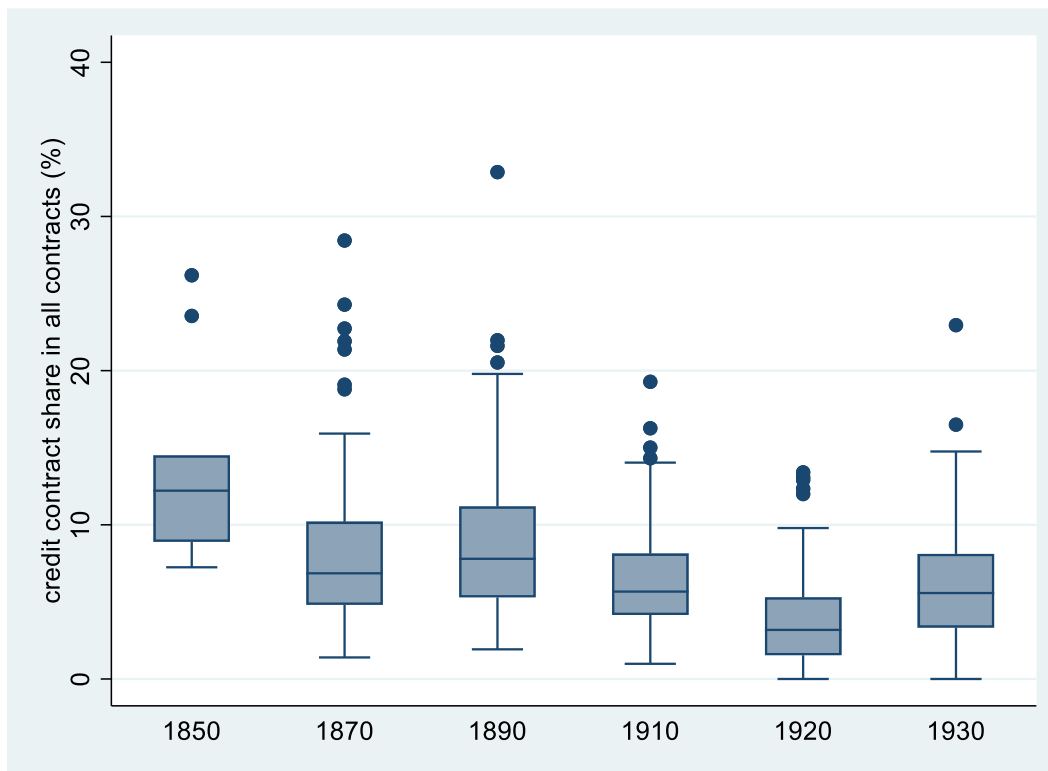
Figure 3: Real prices of Parisian études, 1815-1935



Source: see text.

Note: Real prices calculated using a CPI from Piketty Zucman 2014 with the value of the CPI equal 1 in 1912. The dots are transactions while the line is the average price by five-year period (the line is interrupted 1875-9 and 1920-24 because we have no transaction prices for these two periods)

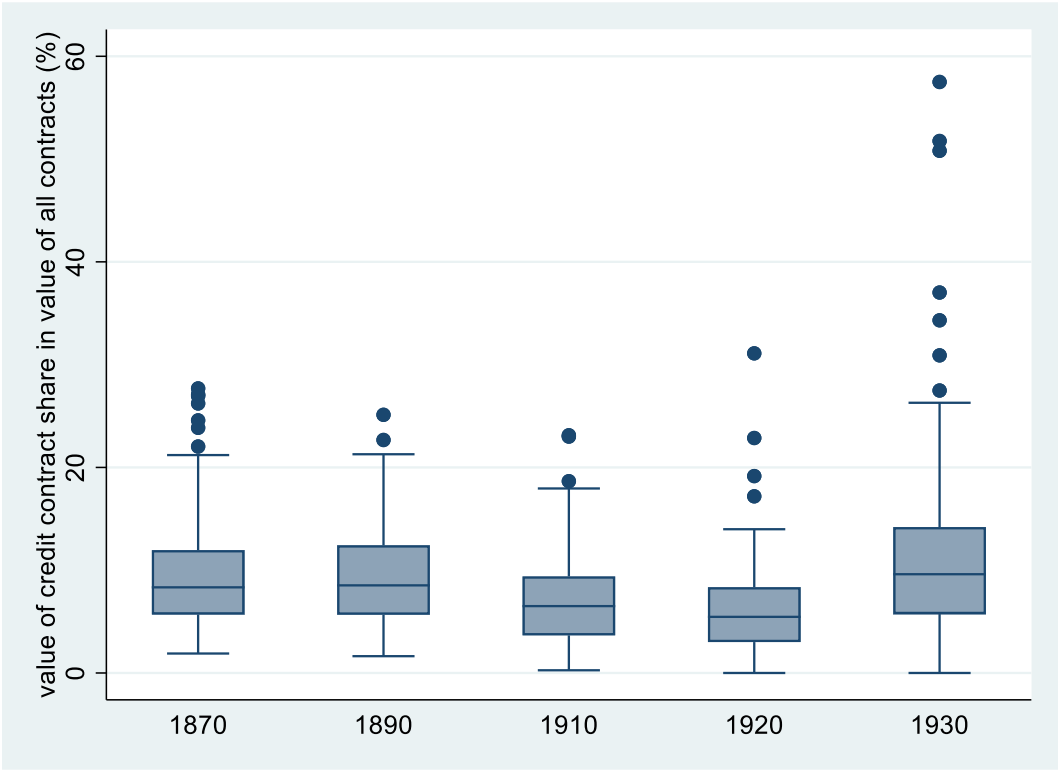
Figure 4—Percent of notarial contracts devoted to borrowing, 1850s-1930s.



Note: box plots report the median of the data as the line inside the box, the 25% and 75% values are the up and lower edge of the box, the dots are the upper outliers.

Source: our sample.

Figure 5: Capitalized value of credit contracts as a percent of capitalized value of all acts, 1850s-1930s.



Note: box plots report the median of the data as the line inside the box, the 25% and 75% values are the up and lower edge of the box, the dots are the upper outliers.

Source: our sample.