Johannes Bracht* and Friederike Scholten-Buschhoff  
Between Rack Rents and Paternalism: Economic Behaviour and the Lease Market in Westphalia, with a Particular Focus on the 19th Century 
Wuchermiete oder Paternalismus: Wirtschaftsverhalten und Pachtmarkt in Westfalen im 19. Jahrhundert

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Abstract: Departing from research on Westphalian leases between 1600 and 1900 the paper discusses the lease market of and price determination on three Westphalian estates. While economic history approaches suppose that leases can be seen as market relations and are therefore useful indicators to measure agricultural productivity, a more anthropological perspective emphasises the social relations between lessor (here: noble estate owner) and leaseholders. The choice of an adequate perspective has significant implications for research on agricultural productivity based on rents and leases. Our results indicate that the contractual arrangement of leasehold (well defined duration, announcement, auctions) was used to achieve the highest possible leases. However, at least until the 1830s, demand for leasehold land was rather low and leaseholders could benefit from a lack of competition. Price determination of leases resulted in rents below the Ricardian rent. Therefore, we argue that important assumptions of the established price approach, which uses leases as proxies for productivity, are not met and the analysis of agricultural productivity requires additional evidence on the leaseholder’s income and profit.

JEL-Codes: N 13, N 53, Q 15

Keywords: modern economic history, rent, price formation, paternalism, Germany, Adel, Agrargeschichte, Agrargesellschaft, Geschichte des ländlichen | | |

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1 Introduction

Until the 20th century most parts of agricultural land in northwest Germany were tilled by peasants in a shared landownership between peasant and landlord.¹ In the following, we refer to this relationship as a manorial system (Grundherrschaft). However, besides various long-term or even hereditary property rights, we can find a continuity of short-term leasehold (Zeitpacht) in some regions and especially within large noble estates: Farms or plots were owned by the landlord, and contracted to a peasant or smallholder for a certain period ranging from one to twelve years, in some rare cases even longer. In return, the landlord received a specific amount of money per year.² Contrary to medieval leasehold ownership, which was evolved into better property rights during the Early Modern period, in the 17th, 18th, and 19th centuries new plots were leased out primarily by landlords or institutions. These plots were derived from deserted farms or parts of the noble demesne. In the period of agrarian reforms during the 19th century, these leases were not transformed into full peasant ownership and remained short-term leasehold mostly until the 20th century. Short-term leases seem to have been concentrated on the region of Cologne and the left bank of the lower Rhine since the 13th century.³ Nevertheless there were noble estates with leases in Westphalia as well, and we can benefit from estate accounts with leases at best from c. 1550 onwards.

² The English term rent is used ambiguously, because predominantly rent went beyond the rent of land and included houses and infrastructure. David Ricardo therefore defined land rent as the remuneration accruing solely to the factor of production, i.e. land. We refer to the latter as Ricardian rent. (Ricardo’s opposite type, the contractual rent as an agreed rent, which included the remuneration of a capital part, is of no importance in this article, which deals exclusively with the lease of single plots). The German term Rente has also various meanings: (a) due in the manorial system, (b) the economic rent of land and any economic resource, (c) retirement pension. We prefer the term lease as corresponding to the German term Pacht and lease price corresponding to Pachtzins.
In economic history, the interpretation of leases and rents as the flow of the actual resource has a firm place, as they are used as indicators of productivity and economic change. In historical contexts, data on yields is scarce, thus some scholars infer productivity by means of the price for the factor land, namely rents or land prices.\textsuperscript{4} Referring to the early modern enclosures Deirdre McCloskey argued that productivity growth can be inferred by analysing the movement of one factor price only: the price of land, here, the rent. Labour and capital were mobile input factors.\textsuperscript{5} Factor and product prices were determined on integrated markets. As a result, having constant wages and interest rates independent of any specific locality, land was the only truly local factor and therefore reflected the entire productivity increase. Although McCloskey originally designed her price approach to analyse local productivity boosts resulting from enclosures, some scholars limit the informative value of leases to long-term development.\textsuperscript{6} At least in the space and time period dealt with here, capital interest and wages were actually rather "sticky", in other words, they changed infrequently and with low rates of change. In addition, 19th century credit markets in Westphalia were not integrated and this can be questioned for labour markets as well.\textsuperscript{7}


\textsuperscript{5} McCloskey, Enclosure; Idem, Economics, p. 155.


\textsuperscript{7} J. Bracht, Geldlose Zeiten und überfüllte Kassen – Sparen, Leihen und Vererben in der ländlichen Gesellschaft Westfalens (1830-1866), Stuttgart 2013, pp. 186-199; U. Pfister et al., Life
Philip T. Hoffman broadens the approach and integrates all input and output prices and shares into his assumption: Productivity growth means producing more with the same input (output growth on the same unit of land), or producing the same output with less input (same output on less land). Profit from productivity increases on the side of the lessees will only last for a short time, namely until factor and output prices are adjusted. Thus, productivity gains will lead to either decreasing product prices or increasing factor prices (land, leases, wages, credit costs, energy costs). Taking this mechanism into account it appears possible to infer productivity changes by the movement of prices for products and factors.8

One objection to this approach is that the assumption that prices and input volumes of all input factors are entirely available in the sources is rather far from research practice.

Another objection is that this approach refers directly to the neoclassical idea that the input of a production factor must be purchased at a certain price, which is deduced from a market equilibrium where supply equals demand. Jean Jacquart and Gérard Béaur both argued that the relations between lessors and lessees strongly influence the development of leases.9 And, in a harsh review of Philip Hoffman’s approach, George Grantham argued against the interpretation of leases as proxies of productivity. He clarified that the analysis of lease time series has to be based on an analysis of the price formation, in which productivity changes are only one possible factor for price changes.

From our point of view, scholars should consider other reasons as well, which, in a classical perspective, would be treated as market failure or extra economic influences.10 If one takes the criticism seriously, but without rejecting the price approach from the outset, one should first look for empirical evidence for the individual assumptions criticized, evaluate the results and finally assess whether and under which restrictions leases can be argued with the price approach. We pursued this question as part of a study on rents in Westphalia.11

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8 Hoffman, Growth, p. 84.
10 Grantham, Paradox.
The price approach is based on three key assumptions:

1. The lessors behaved economically rational in the sense that they intended to appropriate the maximum of the value added. No extra-economic factors appear in price formation.\textsuperscript{12}
2. Land was scarce and demand for leases was high.
3. As a consequence, lease prices were actually the economic rent and no profit was left to the leaseholders and tenants.\textsuperscript{13}

In the following, we address and test these assumptions of the price approach, departing from an analysis of the third assumption. Following an introduction into our data and sources and the three estates studied in chapter two, chapter three presents an approach to assess the lessees’ profit from leases. The key result is that lessees indeed enjoyed a profit after deducting the lease. Chapter four analyses whether lessors – in our case noble landowners and their stewards respectively – behaved \textit{capitalistic} in the sense that they assessed the lease as a market price and intended to appropriate the entire surplus of a leaseholder. We conclude that not later than in the last decades of the 18th century both estate holders and stewards developed profit orientation. The fifth chapter is devoted to the most important question whether the conditions for price formation were met: a competitive market of supply and demand. In the sixth


\textsuperscript{13} This assessment can probably be traced back to Adam Smith, who took it for granted that the landlord would set the rent so high that the tenant would be left with only little more than the bare necessities. “The landlord endeavours to leave him no greater share of the produce than what is sufficient to keep up the stock from which he furnishes the seed, pays the labour, and purchases and maintains the cattle and other instruments of husbandry, together with the ordinary profits of the farming stock in the neighbourhood. This is evidently the smallest share with which the tenant can content himself without being a loser, and the landlord seldom means to leave him any more” (\textit{A. Smith}, The Wealth of Nations, ed. b. Edwin Cannan, Reprint of 1976, Chicago 2008, p. 161 [= book 1, ch. 11]. In this respect, Smith assigns the landowner an intentional role in the formation of the rent price. In the case of a farmer, he sees the rent as the first expenditure item and the own remuneration rather as a residual (Book 1, ch. 6; 2008, p. 60). Cf. \textit{R.C. Allen}, Enclosure and the Yeoman: the Agricultural Development of the South Midlands 1450-1850, Oxford 1992, p. 181; \textit{M.T. Knibbe}, Agricultural Productivity in the coastal and inland Area of Friesland, 1700-1850, in: \textit{Olsson/Svensson (Eds.)}, Growth and Stagnation, p. 106; \textit{Hoffman}, Growth, p. 225-228; \textit{Hoffman}, Second Thoughts, p. 47.
chapter we present the formal contract arrangements as an expression of low market demand and the landlord’s risk aversion. Chapter seven concludes.

2 The Data and Sources

Our analysis is based on leases of the Westphalian estates Nordkirchen, Assen and Anholt between 1600 and 1900 and the qualitative sources from Nordkirchen. Quantitative data is provided by the account books of the noble estates. They deliver the lease entries which were employed to construct lease indexes. The analysis of market conditions is primarily based on qualitative data of lease contracts and letters between the estate holders of Nordkirchen and their stewards between 1790 and 1850.

Nordkirchen is situated in the centre of Westphalia, 26 km (16 mi) from both Münster and Dortmund. The Nordkirchen data include the villages Nordkirchen, Südtkirchen and Capelle. Assen (community Lippborg) is situated east of the Ruhr district. Anholt, a small city, was the centre of the independent Lordship Anholt until 1803. From 1815 all three estates studied here were part of the Prussian Province Westphalia, more specifically, the administrative district Regierungsbezirk Münster, which was north of the Ruhr area and remained mostly unindustrialised during the 19th century. The population density in the local districts (Kreise) studied in 1818 was between 44 (Kreis Lüdinghausen with Nordkirchen) and 54 (Kreis Borken with Anholt) inhabitants per km². This was roughly equal to the density in the entire province Westphalia (53 inhabitants/km²). Whereas the density in the province generally increased due to the urbanization of the Ruhr, in the local districts studied it increased only very little and amounted in 1871 to between 56 (Lüdinghausen) and 62 (Borken) inhabitants per km². Thus, the three estates represent a part of Westphalia which remained rural, even until today. The proximity to the developing Ruhr area was reflected in increasing market orientation of the agricultural producers, rather than in population increase and actual urbanization.14

In addition, Westphalia’s land/labour-ratio was about 23 percent lower than the Prussian average.15 But in contrast to the average land/labour-ratio in France, Spain, the Netherlands or Great Britain/England, the Prussian land/

15 A. Meitzen, Der Boden und die landwirtschaftlichen Verhältnisse des Preußischen Staates nach dem Gebietsumfange 1866, volume 1, Berlin 1868, p. 335.
labour-ratio itself was lower, but higher than the Belgian and Austrian one.\textsuperscript{16} This means that the scarcity of land, and thus the demand for land in Westphalia was theoretically higher than in most of the countries, which have been subject to research on agricultural rents. Though the main landownership in Westphalia – as well as in the entire part of Germany west of the river Elbe – was the manorial system of divided property, in which peasants enjoyed hereditary property rights, in some parts of Westphalia leasehold was quite widespread. In 1861 a quarter of all farms in the \textit{Regierungsbezirk Münster} were managed as leasehold farms. In the western part of it, in the local districts of Ahaus and Borken, the share of leasehold property exceeded 40 percent.\textsuperscript{17} From this perspective, both the theoretical demand for land and the local conditions seem appropriate to allow the drawing of general conclusions from the analysis.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{fig1.png}
\caption{The Estates of Nordkirchen, Anholt and Assen in Westphalia (borders of 1815). Source: created by Johannes Bracht.}
\end{figure}


\textsuperscript{17} A. Meitzen, Der Boden und die landwirtschaftlichen Verhältnisse des Preußischen Staates nach dem Gebietsumfange 1866, vol. 4, Berlin 1869, pp. 199-271.
3 The Lessee’s Profit

The lessee’s profit after deduction of the lease paid to the landlord is a significant variable in the price approach of agricultural productivity. Recognizing a simple profit-and-loss account, a farmer’s profit results from the difference between gross output in monetary values and production costs, capital costs, and living costs.\(^{18}\) An owner-occupier farmer with full property of the land would not have to pay land use cost. A peasant in a manorial relationship of shared property, however, had to deduct feudal dues and services as monetary costs from his output. The lessee has to deduct the lease from his monetary output as well. It was paid at the very beginning of each year of cultivation; this means that the lessee made payments in advance. At the end of each harvest, it became apparent whether the net output was high enough to gain even an entrepreneurial profit, or if the lease exceeded the net output, which meant that the annual balance turned negative and the lessee had to borrow or to use money saved.

Fortunately, we have a contemporary estimate of the net income and its share of the gross income, which were determined in a conceivably accurate manner for that time by the officials of the tax authorities in the 1820s for all municipalities in the Prussian province. For this purpose, they collected average agricultural yields and all necessary operating costs, and calculated from them the monetary net income per hectare of agricultural land of each crop type and all qualities. Figure 2 is based on the data aggregated as a result of this survey and presents an overview of the average cost and income structure of Westphalian agricultural land. The input costs, including the families’ living costs as day wages, amounted to 56 percent of the monetary output. 44 percent were left as a residual net output. It is equivalent to the concept of a rent as a residuum – as underlining the works of both Smith and Ricardo – which allowed the tenant to cover production costs and to maintain his capital. A peasant in the Westphalian manorial system would have paid the feudal dues and taxes from this residuum, a leaseholder the lease, whereas the lessor in most cases paid the tax.

Hence, the lease is paid out of the net output. Net output in turn is correlated to total factor productivity, if certain assumptions are met. Assuming that prices, shares and factor input quantities remain constant, an increase of gross output – productivity growth – would therefore result in an increase of net output as well. This increase of net output overstates the increase in productivity, but both are highly correlated.\(^\text{19}\) Thus, net output growth is, under certain assumptions, a useful indicator of productivity growth. The question in this chapter is, whether leases in Westphalia can be taken as equal for net output or not. In the case that net output exceeded leases, entrepreneurial profit was left to the lessee. Theoretically profit could also be negative, when the lease exceeded net output. Actually, this situation would have probably been limited to extraordinarily bad years. A constant loss would have been terminated by either the lessee’s bankruptcy, the change of the lessee or, in most cases, by the reduction of the lease price. If leases fell short of the net output, however, some value added would have remained

\(^{19}\) Allen, Enclosure, p. 175.
unobserved in the form of profit. In this case exact calculations of productivity by using the price approach seem unfeasible.\textsuperscript{20} At best, under the assumption that the relationship between lease price and net output is known and remains constant, the lease price can be used to estimate the rent in Ricardo’s sense, namely as the lease price solely for the use of the pure land. Also, in the case of a constant lease/net output-relationship and under the assumptions of constant wages and capital interests, the deflated leases can indicate productivity changes. But how reasonable are these assumptions? The first decisive question is, whether leases were really equal to net output and no profit was left to the lessee.

There is generally very little data on yields and monetary output and actually no evidence about the actual agricultural output of leased plots. However, between 1822 and 1835, the Prussian state conducted an evaluation of the economic situation in Westphalian agriculture in order to adjust the land tax. By using complex cost estimations, the Prussian administration determined the monetary net output relevant for the determination of taxable income (\textit{Steuerreinertrag}) including labour costs (although work was actually carried out by family members) calculated in imputed day wages, capital and other input costs, but excluding any other costs for the factor land like leases or dues. The Prussian surveyors calculated gross output by multiplying average local gross yields according to different soil qualities with average regional market prices. Costs were calculated in a very detailed manner based on local factor shares and prices. Labour and capital costs were included as imputed costs. Figure 2 is based on the aggregate results of the entire survey. Due to the very low output price level of the 1820s used in the estimations, the actual monetary net output of arable and – in particular – pastoral land in the subsequent decades can be assessed to be higher than stipulated.\textsuperscript{21}

Thus, the results provide estimations of the average monetary net output of each plot, which can be used for comparisons with lease prices. In fact, our analysis shown here is the inversion of a kind of analytical cross-check made by the Prussian tax authorities: they took leases from the period 1790-1828 as a reference for controlling and assessing their net output estimations and interpreted lease prices below the tax net output as confirmation for the correctness of the estimation. Note: the authorities considered entrepreneurial profit as the rule case. In Westphalia as a whole, leases amounted to an average of 66 percent of the net proceeds estimates; this is 29 percent of the monetary gross out-

\textsuperscript{20} See the debate between \textit{Grantham}, Paradox; and \textit{P.T. Hoffman}, An Author’s second Thoughts, in: Historical Methods 33, 2000, pp. 46-50.

\textsuperscript{21} \textit{Bracht}, Zeiten, pp. 63-74.
put or 34 percent of total production costs (see Figure 2). However, these results must be interpreted with caution, because the process of the selection of reference leases is unclear. Both peasants and landlords were interested in low estimations of the monetary net output to minimise their tax burden.

Our analyses, however, is based on more reliable cross sections of leases in Nordkirchen and Assen in 1848, and Anholt in 1825, documented in separate registers juxtaposing lease prices and net output estimations. In Figure 3 net output estimations are entered onto the horizontal axis, leases prices onto the vertical axis. The diagonal presents the theoretical case that all leases were equal to net output. This result would suggest that no profit exceeding the subsistence costs is left for the lessee and his family. The visual evidence is that most lease prices on arable and pastoral land and meadows were lower than the estimated net output of the corresponding plots. This means that leases from the mid-19th century did not comprise all the revenues of the plot and left an entrepreneurial profit to the farmer.

The statistical evidence has been estimated according to this model:

\[
\ln(P_i) = c + \alpha \ln(NetO_i) + \varepsilon_i
\]  

where \(P_i\) is the lease price, \(\varepsilon\) is the error term, \(c\) the constant, and \(\alpha\) the coefficient of the logarithmic net output. After conversion we get the following equation, which allows calculating estimated lease prices from given net output values.

\[
P_i = e^c \times NetO_i^\alpha \times e^{\varepsilon_i}
\]  

Table 1 shows the linear trends estimated. Inserting net output values into the equation 2 leads to average lease prices according to the model. Inserting 5 Taler net output – the net output value of a small plot in Nordkirchen – into the equation with Nordkirchen coefficients leads to a lease price of slightly 4.4 Taler, 88 percent of the net output value. An average plot of 50 Taler net output, one of the biggest plots in Nordkirchen, could be leased for 30 Taler, which was 60 percent of

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22 Bracht, Zeiten; M. Kopsidis, Marktintegration und Entwicklung der westfälischen Landwirtschaft 1780-1880. Marktorientierte ökonomische Entwicklung eines bäuerlich strukturierten Agrarsektors, Münster 1996, p. 163. Considerable differences in the relationship of rent and total costs is indicated by Knibbe, Agriculture, p. 97. For northwest German farms around 1760 see Achilles, Lage.

23 The rents of Nordkirchen and Assen from 1848 have been calculated back to 1830 to ensure comparability. For this purpose, we used rent indices; presented in detail in Bracht/Pfister, Landpacht, pp. 132-198.
Tab. 1: Estimation Results (Bivariate Ordinary Least Square Regression).

<table>
<thead>
<tr>
<th></th>
<th>Assen</th>
<th>Anholt</th>
<th>Nordkirchen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent variable</td>
<td>Lease prices 1830 (based on prices 1848)</td>
<td>Lease prices 1825</td>
<td>Lease prices 1830 (based on prices 1848)</td>
</tr>
<tr>
<td>Constant</td>
<td>-0.277 ** (-3.007)</td>
<td>-0.118 (-0.444)</td>
<td>0.152 (0.983)</td>
</tr>
<tr>
<td>ln(NetOutput)</td>
<td>0.944 ** (21.746)</td>
<td>0.999 ** (17.289)</td>
<td>0.830 ** (13.437)</td>
</tr>
<tr>
<td>R² corr.</td>
<td>0.78</td>
<td>0.79</td>
<td>0.68</td>
</tr>
</tbody>
</table>

ln(NetOutput): natural logarithm of the net output calculated by the Prussian cadastre administration between 1822 and 1835. In parentheses: t-values. Level of significance: **p<0.01, *p<0.05, +p<0.1. Sources: see figures 3-5.

the net output value. That smaller plots were more expensive per unit area than larger ones is also evident from the Anholt and Assen data. In Assen, where most plots were smaller than 10 Taler net output, a plot of 5 Taler net output cost only 70 percent of the net output, a 50 Taler plot only 61 percent. This phenomenon is known as plattage mechanism. The reason for more expensive small plots was probably the more labour-intensive arable production or horticulture on small plots yielding higher output. Another possibility is that smallholders considered a small plot a subsistence security in hard years and thus the premium as a security premium. The leases in Anholt, however, ranging from a net output value of 29 Taler to approximately 260 Taler, do not show a similar plattage mechanism. The ratio of leases from 1825 and net output decreased only slightly from 88 percent (smallest plots) to 84 percent (biggest plots). Thus, in Anholt the plattage effect was nearly non-existent, probably as a result of the generally relatively big plots, so that plots were neither used for horticulture nor as subsistence security.

At the bottom line we find evidence that entrepreneurial profits on the lessees’ side were an empirical fact in the local society of owner occupiers and smallholders. They were highest in Nordkirchen and smallest in Anholt, in none of

26 Hoffman, Land Rent, pp. 51-53, and Hoffman, Growth, p. 786, discuss the interpretations of land hunger of smallholders, market power of big farmers, and of higher leases for small plots including a risk premium, because smallholders did not provide any securities like livestock.
Fig. 3: The Ratio of Lease Prices and Net Output 1822/35 in Nordkirchen. Source: own estimations based on LWL-Archivamt, Nordkirchen, A 7254, p.70.

Fig. 4: The Ratio of Lease Prices and Net Output 1822/35 in Assen. Source: own estimations based on LWL-Archivamt, Assen, A 2621.
the three cases did the landowners succeed in completely skimming off the land rent. Any interpretation of leases as proxies for productivity must consider the fact that lessors and lessees contracted leases within margins. A time series of leases could capture the development of the economic rent correctly, provided that the ratio between both measures was constant in time. This again assumes that lessors had a time-constant pursuit of profit, and that the relationship between supply and demand remained constant. Both assumptions should be critically scrutinised.

Fig. 5: The Ratio of Lease Prices and Net Output 1822/35 in Anholt. Source: own estimations based on Landesarchiv NRW, Departement Westfalen, Regierung Münster, Katasterverwaltung, E III 1a.
4 The Economic Behaviour: Rack-Renting or Benevolent Paternalism?

Most scholars assume that the lessors successfully appropriated the total surplus, and that they intended to earn rack-rents, in other words the highest possible rent a lessee could afford to pay. In theory, rack-renting requires competition of an unlimited number of demanders and a clear profit-seeking behaviour of the landlord. Both are, among others, also crucial characteristics of a market. Even though every single market differs from basic economic theory, these assumptions need to be questioned in particular in our case.

Market exchange is by far not a self-evident or natural mechanism. The lease of land on a manorial estate in early modern times can also be interpreted with the concept of paternalism. In this meaning paternalism defines asymmetrical relationships, in particular between the state and an individual. Dworkin defined that “Paternalism is the interference of a state or an individual with another person, against their will, and defended or motivated by a claim that the person interfered with will be better off or protected from harm”. Historians have applied a – to some extent different – concept of paternalism since the 1970s. Following Berdahl “paternalism delivered structure and ideology of social relations in Prussia during the Early Modern period”. Roberts and Howkins emphasised that paternalism was the dominating attitude and moral foundation of 19th century English nobleman, in particular of the estate owners.

“A model paternalist could not help in thinking in moral categories, whether it was about the duties of the landlords or the duties of the poor. There were just and unjust landlords just as there were the worthy and unworthy poor.”

In this view, paternalism also implied normative instructions for economic behaviour:

27 Pronounced e.g. Hoffman, Growth, p. 97, see also Knibbe, Lokkich Fryslân, p. 271.
32 Roberts, Paternalism, p. 7.
“Morality should govern all relations, including economic ones. There should be a just price, a fair rent, and equitable wages, since such practices fitted in with a society where the doctrine of duty ruled more than the doctrine of rights of capital or rights of labour.”

At present, paternalism is widely accepted as a concept to explain the relationships between lords and peasants: Manorial power was a form of social practice—it had to be negotiated continuously between lord and peasants/tenants. The target of paternalism was to fulfil the moral order of a hierarchic society, including the duty to care for subordinates. However, British historians also emphasise the divergence between morality and social practice. According to Heal and Holmes social responsibility was a traditional noble ethic in the Early Modern period, but already in the 16th century some estate holders practiced rack-renting and intended maximal exploitation. Certainly, the actual social practice and behaviour differed from the moral ideal. “The landowners of England, when it came to rents, cottages, leases, wages, and allotments believed in the profit motive, hard bargaining, and market forces”. This indicates that in 19th century England benevolent paternalism and market liberalism were probably merged into a new and diffuse noble attitude, merely in the sense that a noble manor could not be efficiently managed excluding the one or the other.

Paternalism, however, can also be interpreted as a means of manorial power. To stabilise the relationship between lord and peasants/tenants (which was inevitable), the lord had to persuade the peasants to accept his power, which means that he or she was compelled to show respect and charity. In this respect it is not reasonable to assume that landlords were able to act as independent selfish economic subjects. Contrary to market exchanges, paternalism requires and fosters personal relationships. Paternalism can be characterised with Karl Polanyi’s concept of reciprocity: The exchanging parties continue to have a relationship which is not only based on the lease contract. In a reciprocal exchange the price for a commodity or service differs from its market value, be-

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33 Ibid.
36 Roberts, Paternalism, p. 142.
cause it has to safeguard that one side is continuously in debt of the other, and thus the relationships will continue.\textsuperscript{37}

Our qualitative sources, which provide subtle insights, are concentrated on the period from 1790 to 1820. Correspondences and protocols are dense but remain a question of interpretation. In an extensive consideration of the future plan of the estate and the demesne economy, the steward stated in 1800 that

“the inhabitants had always been employed by the demesne economy. One has seen it as a duty to employ them all the time, because – apart from weaving – there are only few or no possibilities to earn money in this region. In some cases the aim of correct lease payment had been achieved.”\textsuperscript{38}

Hence, the estate management recognised the duty to help and support the subordinates. This is in line with the historical ideal of paternalism. The actual intention to safeguard rent income by employing the lessors corresponds to the interpretation of paternalism as a means to achieve economic goals. Moreover, we can observe how a steward proposes to change the economic strategy even within the concept of paternalism:

“Most day labourers neglected their weaving business. Moreover, relying on day wages they leased several plots. However, they spent their wage income whenever anything was for sale. [...] after a few years they had considerable, mostly non-recoverable arrears. They transferred the leases or even left the plots untilled. [...] The noble house of Nordkirchen must be careful not to give most of the villagers much leased land or much day labour in the domain economy.”\textsuperscript{39}

Here the steward advises the landlord to be strictly paternalistic in the sense of Dworkin’s definition: Formerly the management of the estate intended to care for lower classes and extended day wage at the estate. This enabled smallholders to extent their farms with leasehold land, which was theoretically a welcome effect, but turned to an even worse situation. In his whole statement we recognise paternalism in a sense of protecting the smallholders from themselves.


\textsuperscript{38} Vereinigte Westfälische Adelsarchive, Nordkirchen, Akten No. 13427.

\textsuperscript{39} Ibid.
However, with the clear intention to achieve the best result for the estate, this letter is also an indication for entrepreneurial rationality.

If we further emphasise the benevolent characteristic of paternalism, what could it mean in the context of leases? It could mean that landlords ...

- avoided exploiting the leaseholders and tenants in monetary and practical terms,
- followed the ideal of a *just* lease, which was lower than the economic rent.
- cared for the well-being of the tenants, trying to arrange what was supposed to be the best for them,
- were willing to reduce leases in hard times,
- or that they did not terminate contracts with a defaulting leaseholder, but continued due to good experience and a long-lasting relationship in the past.

It is important to emphasise here that we merely tried to operationalise the behavioural background of economic actions. Benevolent paternalism must not be taken for economic irrationality. It may, in contrast, even be part of very reflective economic behaviour. Personal care and benevolent behaviour were appropriate means to bind labourers to the estate, and labour was a crucial resource in an economic system of a divided landownership and demesne economies. Actually, paternalism can be seen as the landlord’s way of achieving economic targets in a system of power as a social practice.\(^{40}\)

The first thing to clarify is whether the landlords used the contractual instrument of lease periods and termination to renew contractual relationships and to adjust leases to market conditions. This is a crucial detail, because life-long arrangements with fixed leases are rather inadequate to gain from economic cycles, even though the duration of a lease period does not necessarily express whether a landlord aims at profit seeking or not. A short period promises the chance of quick adjustment to output prices, which is favourable in times of rising prices, but unfavourable when they fall. Concluding contracts with long periods, however, can help reduce transactions costs of searching for a new solvent and reliable tenant. Generally, we can assess lease termination as an indicator for an economic behaviour that prefers market relationships independent of social and feudal bonds and enables participation from market gains.

Figures 6 and 7 show the notification of lease termination in the account books of Nordkirchen and Assen. Since the end of the 18th century, leases were

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increasingly notified as short-term leases with specified terminations. We can therefore argue that this indicates a shift from unterminated to terminated leases. It is, however, also possible that it is just an indication of increasing contractual specification in accounting. Moreover, unspecified leases in the 16th to 18th centuries can both include unterminated or lifelong and yearly renewable leases. Apart from these wide-ranging interpretations, one fact is evident: short term contracts as a core condition for any adjustment of leases to market changes and for any shaping of economic interests, was established in Assen since the second half of the 18th century, in Nordkirchen since app. 1800.

Fig. 6: Notification of Termination and Lease Periods in Assen. Source: own calculations based on Vereinigte Westfälische Adelsarchive, Assen, Akten, Jahresrechnungen.

In the case of Nordkirchen we also have evidence that, at least since 1800, management clearly intended to achieve the highest possible price and lease to the highest bidder in an auction or any bidding procedure, without the encounter of all bidders at one place. Table 2 indicates the number of plots which were notably leased as highest-biddings in different periods, mostly decades, between 1570 and 1909. Again, this is only one positive indication; a missing notification does not imply that no competition was carried out. However, it seems to be clear that the willingness to have bidding procedures and auctions increased in
the second half of the 18th century. It reached the peak in the first decade of the 19th century; in 1800 almost 90 percent of all leases were leased to the highest bidder. In the second decade of the 19th century the share of leases notified as highest biddings dropped again. This may, on the one hand, have been caused by a decreasing propensity to organise auctions when demand was low. On the other hand, it is clear that lease competitions were not abolished after 1820. Although our qualitative data is particularly dense until the 1820s, we also have correspondences from later decades which clearly indicate a continuing practice of auctions. The propensity of auctions might have dropped, but the notification of leases as highest biddings mostly decreased for the reason that competitive biddings have established a common instrument of leasing.

Fig. 7: The Notification of Termination and Lease Periods Nordkirchen. Source: own calculations based on Vereinigte Westfälische Adelsarchive, Nordkirchen, Akten, Rechnungen Nordkirchen, Meinhövel, Davensberg.

Table 2: Share of Auctions to the Highest Bidders Among Leases and Lease Entries in the Books of Account, Nordkirchen, 1570-1909, in per cent.

<table>
<thead>
<tr>
<th>Period</th>
<th>Share of auctions</th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>1570‒1769</td>
<td>0.8</td>
<td>369</td>
</tr>
<tr>
<td>1770‒1779</td>
<td>10.8</td>
<td>102</td>
</tr>
<tr>
<td>1780‒1789</td>
<td>22.8</td>
<td>79</td>
</tr>
<tr>
<td>1790‒1799</td>
<td>27.3</td>
<td>165</td>
</tr>
<tr>
<td>1800‒1809</td>
<td>79.0</td>
<td>157</td>
</tr>
<tr>
<td>1810‒1819</td>
<td>16.8</td>
<td>273</td>
</tr>
<tr>
<td>1820‒1909</td>
<td>0.2</td>
<td>3,992</td>
</tr>
<tr>
<td>1570‒1909</td>
<td>4.9</td>
<td>5,137</td>
</tr>
</tbody>
</table>

Source: own calculations based on Vereinigte Westfälische Adelsarchive, Nordkirchen, Akten, Rechnungen Nordkirchen, Meinhövel, Davensberg.

Paternalistic behaviour could also have been expressed in the fact that lessors were more likely to seek long-term lease relationships and not to change contractual partners at short notice in order to achieve the highest lease in any case. On the one hand, changes of leaseholders seem to be predestined for increases in the lease prices. On the other hand, frequent changes suggest that the landlords did not care so much about the stability of social relations with the peasants and smallholders.

The effects of changes in leasehold on the lease prices are disputed. According to Grantham, however, they can have two opposite effects on the rent: On the one hand, it could rise because the previous rent was too low (at any rate, it was not the maximum rent to be raised by the tenant). On the other hand, it could fall because it was too much for the previous leaseholder. Hoffman, however, formulates the hypothesis that in not competitive markets farmers and estates with great market power could enforce low rents on landlords, who were then eager to attract new lessees without market power who would accept higher rents. In this perspective changes of leaseholders without rent increases indicate competitive markets.

Statistically, the various triggers and motivations that lead to a rent increase are recognisably difficult to filter out, so it is questionable whether they were effective. What is important to us here, however, is the following: Both scholars basically presuppose the same economic behaviour on the part of the lessor aimed at a complete skimming of the entrepreneurial profit. We therefore limit ourselves here to examining the frequency of such discontinuity in leases.

Table 3 shows an analysis of leased plots in Nordkirchen in 1859. It indicates the duration plots were held in the same family (meaning the same sur-

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42 Grantham, Paradox, pp. 40-41.
43 Hoffman, Growth, p. 56; Hoffman, Second Thoughts, p. 47.
name or same farm name) before 1859. A lease register provides the names of leaseholders in 1859. For this year 169 plots are registered. Based on the information from the account books, it is possible to trace back the previous leaseholders. We are able to observe leasehold-chains from 1849 to 1859 having 138 leases, from 1839 to 1859 84 leases, from 1809 to 1859 63 and from 1759 to 1859 38 leases. The most reasonable interpretation of missing information is that either the plot itself has changed (name, size, splits) or the usage or contractual arrangement. If we consider those leases as changes of the leaseholders, 21 percent of the plots were held by leaseholders of the same family or farm for at least 50 years, 9 percent for at least 100 years. If we consider the missing data as a restriction of the sample size, we have to conclude that after 50 years 57 percent of the leases are held by leaseholders with the same surname or farm name, and after 100 years still 42 percent.

Tab. 3: Retention of Lease Plots within the same Family (Nordkirchen, from 1859 backwards).

<table>
<thead>
<tr>
<th></th>
<th>1849/1859</th>
<th>1839/1859</th>
<th>1809/1859</th>
<th>1759/1859</th>
</tr>
</thead>
<tbody>
<tr>
<td>Same surname or farm-name of leaseholder</td>
<td>138</td>
<td>100%</td>
<td>82%</td>
<td>72</td>
</tr>
<tr>
<td>different sur or farm name</td>
<td>0</td>
<td>0%</td>
<td>0%</td>
<td>12</td>
</tr>
<tr>
<td>total number of plots reconstructable predecessors</td>
<td>138</td>
<td>100%</td>
<td>84</td>
<td>100%</td>
</tr>
<tr>
<td>(No of different names)</td>
<td>(70)</td>
<td>(35)</td>
<td>(25)</td>
<td>(15)</td>
</tr>
<tr>
<td>predecessor not reconstructable</td>
<td>31</td>
<td>18%</td>
<td>85</td>
<td>50%</td>
</tr>
<tr>
<td>Total number of plot entries</td>
<td>169</td>
<td>100%</td>
<td>169</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: own estimations based on Vereinigte Westfälische Adelsarchive, Nordkirchen, Akten No. 7254, p.70; database Nordkirchen, 2016 (authorship: Johannes Bracht with Friederike Scholten, Stephanie Klages, Christin-Elisabeth Härtel, Kersten Stemmer, Gerrit Tiefenthal, Julia Jochem und Marlen Keß).

The lease-family bond presented here appears to be weaker than the land-family bond for peasant land in Westphalian villages but stronger than in the famous case of Earls Colne. However, a direct comparison is not permissible because
both the historical conditions and the methods of measuring continuity differ.\textsuperscript{44} Whereas a farm succession occurs about three or four times in a century when an owner died or retired, in short term leases both leaseholders and lessors had the opportunity to quit the contract and change at the end of each lease period. From this perspective the continuity of contracts between the noble landlord and specific families and farms is relatively high. Considering the number of occasions of lease possession changes within 20 years or more (especially in the 19\textsuperscript{th} century, when short-term leases were verifiably widespread), and the great variety of leaseholders’ surnames, the frequency of changes in the leaseholders sur- or farm names must be interpreted as low. More than half of the plots were held by the same family for more than 20 years. Even 35 of 163 plots have been hold for more than 50 years. These numbers indicate strong continuity in the lease relations even in the 19\textsuperscript{th} century. Even if changes of leaseholders were used to increase rents, which we have not tested here, the prevailing impression is that it is not the changes of tenants that decisively characterize the economic behaviour of the landowners, but the many long-term relationships. So, it is not so much the discontinuity as the continuity that raises questions.

Apparently, one decisive reason for such continuity was risk aversion. The great prudence of the estate administration is shown by two contract contents for risk minimization: Participants of auctions were required to own a house or a farm in the village or to provide a guarantee.\textsuperscript{45} Similar conditions were also observed in

\textsuperscript{44} Cf. C. Fertig/G. Fertig, Bäuerliche Erbpraxis als Familienstrategie: Hofweitergabe im Westfalen des 18. und 19. Jahrhunderts, in: S. Brakensiek/M. Stolleis/H. Wunder (Eds.), Generationengerechtigkeit. Normen und Praxis im Erb- und Ehegüterrecht 1500-1850, Berlin 2006, pp. 163-187, here: p. 177; See H.R. French/R.W. Hoyle, English Individualism Refuted – And Reasserted: The Land Market of Earls Colne (Essex). 1550-1750, in: The Economic History Review 56, 2003, pp. 595-622, here: p. 610; see also R.W. Hoyle/G.P. Sreenivasan, Debate: the Land-family Bond in England, in: Past and Present 146, 1995, pp. 151-187. In Earls Colne, the famous case in Essex, about 41 percent of the copyhold land owned in 1700 was retained by the same families in 1750. However, our method differs from measuring a land-family bond: We do not compare the lessees from 1859 with their successors, because in the late 19\textsuperscript{th} century account entries often do not include the leaseholder’s names. Instead, we compare the lessees with their predecessors. Of lesser importance in the case dealt with here is the use of farm names as surnames in Westphalia and northwest Germany. They were also adopted by new successors, who were not tied by kinship to former farm holders. Thus, identical surnames do not only include ascendants in the paternal line, but also any successors of the same farm. The leaseholders of Nordkirchen were to a large extent smallholders, to whom this did not apply.

\textsuperscript{45} Vereinigte Westfälische Adelsarchive, Nordkirchen, Akten No. 3486 (1819), 4758 (1853), 3475 (1790), 3476 (1836/1866 Vol.I.), 3477 (1864/79 Vol.II), 4759 (1857), 4774 (1882), in Nr. 3466, 30.06.1814, the contract required a mortgage of 2,000 Taler.
the context of grain sales on the courtyard. In these cases, it appears that prudence played a significant role here, although potentially interested parties may have been deterred and the lease price did not reach the highest level.

Focusing on social relationships, the following question arises: Did the management prefer a familiar relationship against a high bidding newcomer? Actually, the analysis of letters between landlord and steward shows various methods to increase rents. The first example from 1819 implies that rent increase was clearly associated with the change of leaseholders or at least renegotiations without preference for the former leaseholders.

“Actually, we tried to negotiate every single contract again, and tried everything to increase the lease and not continue an existing contract with the same low lease price with the same old leaseholder or peasant. Thus, every contract was arranged with a higher lease price.”

Renegotiations with established leaseholders were conducted with unabated efforts to increase rents. Even when lease prices increased successfully, the steward sometimes advises to address every tenant for a raise of the rent.

“I believe that another attempt to raise leases would in fact increase the surplus. When I receive your agreement,” he wrote, “I will return to the lessees mentioned and demand a higher offer than yesterday. And if they would not agree, I will announce the leasing another time.”

However, the landlord and his steward were not indifferent to proven loyalty of a former leaseholder. In a correspondence from November 1814 they discussed the continuation of the contract with a tenant. In the course of the new leasing of a specific plot a second potential leaseholder appears next to the former tenant. According to the recommendation of the administrator – “considering the constant proven loyalty [...] and the loyal service [of the former tenant]” – the landlord decides that the former tenant retains his plot if he/she is willing to pay a higher rent. However, the additional charge had to be arranged in accordance with ‘the financial resources of the old man’. This procedure clearly indicates a paternalistic landlordship – but again only to a certain extent: Here, a known tenancy is the preferred option against a new one and the financial situation of the tenant is taken into consideration. The intention of taking care of

46 Scholten-Buschhoff, Verkaufen, p. 351.
47 Vereinigte Westfälische Adelsarchive, Nordkirchen, Akten No. 3486 (1819).
48 „Lakesche Verpachtungsprotokolle“, #45, 23.10.1814, in: ibid., No. 2357.
49 „Lakesche Verpachtungsprotokolle“, #55, in: ibid., No. 2357.
the subordinates prevails over the interest for increasing rents, although the latter clearly existed.

The landlords’ willingness to increase leases is also clear in two other extracts from 1818, however, the result was different:

“[The leaseholder] Kampert has had the 3rd Altfeldkamp [the plot] ... until 1813 for 17 Reichstaler per year. 1814 he started to offer only 14 Reichstaler. Since the Rentamt [revenue administration] insisted on 17..., the plot laid fallow 1814. Afterwards we had been glad that Kampert leased the plot for 14 Taler again... We tried several times to achieve a higher price. However, the situation of the plot is only convenient situated for Kampert and the soil is bad. Thus, our attempts did not succeed.”

This quotation indicates a general interest in high leases, but also inflexibility to adjust the price to low demand. In these cases, the administration had to be content with a compromise. In another letter from 1818 the steward stated,

“Due to their remoteness both fields at the Holz-Meinhövel could not be leased to any other leaseholder than to the smallholders Roggenkamp and Kortendiek. Several times a lease per highest bid failed.”

Yet, some tenants were willingly accepting a rent increase. This, again, indicates financial margins and entrepreneurial profit:

“In the year 1811 29th of March the following persons appeared after the official publication [...]: explaining that they want to keep their plot for the current year paying the previous rent or even higher and in the following summer they are willing to take part in a general auction.”

Another correspondence in 1815 informs that the plot “Tüllinghofs Sundern and two Rahdenkämpe” was leased by the owner of a cottage nearby for 200 years and more. For at least 150 years the lease price of 12 Taler had remained unchanged, until the current steward raised the lease to 25 Taler. In 1815 a shepherd was interested to purchase the land for 700 Taler.

“I thought it were good to inform the current leaseholder about this offer. He said he could not do without the leased land, because he invested much into the land and adjusted his livestock and the whole household and the buildings to this land since many years.”

50 Ibid., No. 4285 (1817/18).
51 Ibid., No. 6587 (1818).
52 „Verpachtungsprotokolle des Rentamts Nordkirchen 1797-1823“, #73, in: ibid., No. 3466.
53 Ibid., No. 12155 (1815), 13.06.1815.
The current lessee offered to take the land as lifelong leasehold and to pay 200 Taler recognition fee and the half of the land tax, which generally was paid by the lessor. In the following the steward delivered a detailed comment, whether changing the leaseholder and the contract arrangement was a good choice. He recommended a renewal of the contract with the current lessee in lifelong leasehold because lease prices were highest and subsequent short-term contracts would result in lower leases. Due to the fact that the current leaseholder and his wife were both already over 40 years old, the landlord would be able to arrange a new contract in no more than 30 years. In this written opinion the question of loyalty was never addressed. Considered exactly, the lease increase in this case was extraordinarily high. The recognition fee of 200 Taler divided by the expected lease duration of 30 years would increase the lease for 26 percent. The steward expected that the leaseholder was able to fulfil the new contract, but he/she would have to put up with a significant decrease of the leaseholder’s income.\textsuperscript{54} Hence, on the one hand this example indicates that landlord and steward did not hesitate to endanger the lessee’s financial basis to increase profits. This would mean the exact opposite of the paternalistic ideal. On the other hand, the lessee himself offered the increase. Either he was not informed sufficiently about his economic performance and risked a financial breakdown, or he was able to cope with the rent increase. The latter option would indicate that the former lease was far from a rack-rent. Thus, the increase only reflected the landlords’ “catching up”.\textsuperscript{55}

Yet, attempts of increases sometimes failed, and lease increases could also be realised within continuing relationships. For the period 1800-1830 we can conclude that the management was not willing to concede prices below market level. However, the market level for at least some plots was low, for obvious reasons: They lay at inferior places and the population pressure was low. In the consideration of the “Tüllinghoffs Sundern”, mentioned above, the steward also addressed that the plots were very remote and an auction would not help finding another lessee with a higher bid.\textsuperscript{56}

One last hypothesis of benevolent paternalistic behaviour refers to price formation in times of dearth. Here our results are ambivalent as well. On the one hand we find grain prices below average for low classes. For approximately 20

\textsuperscript{54} Ibid.

\textsuperscript{55} Grantham, Paradox, p. 40.

\textsuperscript{56} Vereinigte Westfälische Adelsarchive, Nordkirchen, Akten No. 12155 (1815).
years in the middle of the 18th century the manor Wissen,\textsuperscript{57} which was the subject of another research project on grain markets,\textsuperscript{58} sold grain at different prices and presumably under different restrictions: the ledgers differentiate between sales to peasants and merchants on the one side, and day labourers on the other side. The latter purchased grain at lower prices.\textsuperscript{59} In Nordkirchen, on the other hand, lease prices were increased in correlation with grain prices. Grain prices probably were the most important reference in lease price formation, but as output prices, not as subsistence costs. When the steward wrote in 1822, that

\begin{quote}
“one has to consider that the preceding leases have been contracted in 1817 when prices were at the highest level, and that prices nearly have decreased for a half since that time. Therefore, the leases can be assessed fairly high”\textsuperscript{60},
\end{quote}

he offers no insight into class differentiated price formation. Output prices were the key reference for the adjustment of lease prices.

We have shown that, at least since the late 18th century, the management of the estate of Nordkirchen was interested in increasing leases. The landlord expected to achieve the highest leases possible and the steward evidently made every effort to fulfil his ambitions.\textsuperscript{61} Paternalistic elements of prices below market level or price formation with regard to long familiar relationships were quite rare. Landlord and steward in Nordkirchen developed profit orientation (if not rack-rent-oriented). We find indications that the economic behaviour of the estate management changed remarkably at the end of the 18th century. Nord-

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\textsuperscript{57} Located in Weeze, Lower Rhine, 20 km distance to the river Rhine, in: Privatarchiv des Schlosses Wissen, Weeze (Familie von Loë), Graf von Loe, 198, pp. 3-6.


\textsuperscript{60} Vereinigte Westfälische Adelsarchive, Nordkirchen, Akten No. 3094.

\textsuperscript{61} We cannot go into the principal-agent-relationship in depth here. It is reasonable to assume a fundamental consensus between landlords and stewards, because control mechanisms were strict and the dynasties were connected through dense personal relations. See S. Patel, Adeliges Familienleben, weibliche Schreibpraxis. Die Tagebücher der Maria Esterházy-Galántha (1809-1861), Frankfurt a.M. 2015, pp. 139, 202.
Kirchen was highly indebted and went bankrupt during the 1790s. Revenues had to be increased. This can also be seen in the number of plots leased per highest bidding, which had increased since the 1770s. From the turn of the 19th century on, formal or informal highest bidding procedures like auctions were continuously used to achieve the highest revenues.

5 The Lease Market: Supply and Demand

Both the classical concepts of the land rent by David Ricardo and Adam Smith and the price approach to measure productivity assume perfect competition among lessors and leaseholders. However, it is obvious that both suppliers and demanders did not make a high number in a rural society. Actually, the appropriate question concerning the local lease market is: was there competition at all and were the demanders and suppliers sufficient to create a market, even a market in a broad sense?

In general, Westphalian noble estates were locally monopolistic suppliers of land. There might have been other smaller lessors such as church communities, charity institutions, but this would not alter the fact that the landlord was by far the biggest lessor and maintained a monopoly position. In order to assess the market power of this monopoly the following section will deal with the procedure of leasing, the price determination and lease contract conditions. Classic economic theory suggests that the monopolistic lessor makes use of a monopolistic market power and hence achieves rack rents probably approximate to the net output of the plot. However, a monopole or collusion of lessees as well as low demand for the land could lower the lease. Therefore, the relation between supply and demand on the local lease market has to be analysed carefully.

It seems the lease market in the 19th century was not a lessor’s market. We must consider that most households owned land in the manorial landownership system and did not depend on additional leasehold property. Actually, depending on the period under scrutiny, a bigger or smaller part of the landed property of the estate prepared for leasing remained unleased. In 1795, during a dialogue with the landlord concerning the future of the entire estate, the steward stated:

62 The noble houses of Westphalia were very often heavily in debt at the end of the 18th century. The main reason for this was excessive consumption for prestige purposes. This may also have been the main reason in the case of Nordkirchen, as the construction of its baroque castle was still a heavy burden on the family in the second half of the 18th century. See H. Reif, Westfälischer Adel 1770-1860, Vom Herrschaftsstand zur regionalen Elite, Göttingen 1979, pp. 73-78.
“It is true that partly due to the threat of war and the quartering of soldiers in 1795 it sometimes was not possible to lease some plots with advantage,” and “the land of the demesne economy is so huge that it was not possible to lease all the plots”.  

Public auctions and bidding procedures demonstrate the situation of supply and demand on the local lease market clearly:

“Already on the 25th of September this year [1815] I tried to arrange a public auction. However, in regard to some plots there was so little competition, and those, who made at least one bid, demanded mostly to high discount of the previous lease prices, that only few parcels were leased. Afterwards I had again informal negotiations with some of the lessees. As nearly all leases were renewed... I took a new protocol. The few plots which were left unleased, have been successfully leased today. Now everything is leased again.”

These statements are striking, because this period is generally seen as one of population pressure and land scarcity. In Nordkirchen however, it seems to have been the other way round: apparently land was abundant. However, this particular Westphalian region, the central Münsterland, was not remote. It lay within the inner of clear Thünen circles adjacent to the evolving Ruhr area. In the 1830s, the frequency of cropping here was 77 percent, the Westphalian average only 56 percent. The reason for low demand for land was therefore not a low demand for agricultural products in this region. Land is a very heterogeneous commodity and demand for land was probably very specific: besides their financial situation, demanders had to decide whether location, size, and quality fitted into the farm portfolio. Thus, it is not surprising that demand, at least in a number of cases, was low and will probably have led to leases below the net output.

Leaseholders were effective monopsonists in relation to specific plots of land. On the one hand, collusion among the tenants could completely undermine any gain from a landlord’s monopoly – we will see below that this risk was realistic. On the other hand, remote parcels meant high transport costs for many competitors, so that they did not appear as demanders at all. This effect probably might have been even stronger than the possible opposite of a monopoly by the lessor. Remember the statement of the steward quoted above: One plot was only convenient to the leaseholder Kampert, another two plots situated remote-

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63 Vereinigte Westfälische Adelsarchive, Nordkirchen, Akten No. 13427, 1800.
64 „Verpachtung des Gutes Ahlrott“, in: ibid., No. 12155, No. 19.
65 More cases in ibid., No. 409 (1775/6), 2357 (1815), 7254 (1826-1899), 12834 (1822), 7522 (1849).
ly at the Holz-Meinhövel could only be leased to Roggenkamp and Kortendiek. Due to the social structure, the market for big plots might even have been smaller than for small ones. Only peasants could afford to lease big plots, because large landings required adequate barns and draft animals. However, peasants were a minority compared to the number of smallholders in the village. The splitting of large parcels into smaller ones might have been an alternative when the soil was good and the increase of revenues exceeded the higher transactions costs of concluding contracts and collecting rents. We find reasons that lease prices were contracted below net output.

Low demand for leased plots raises the problem of information transparency. When competition was missing any negotiation about leases depended on information about quality and expected revenues of each plot. In this view, information transparency is also crucial for the question whether leases can be assumed as proxies for economic rent. First, a successful lessor needed to know the market and the competing suppliers and demanders as well as the quality and expected revenues of a plot in order to set an opening expectation or a minimum bid. Previous lease prices might have been landmarks of the price determination, especially in the 17th century. In 1632, during the Thirty Years’ War, several plots near the manor house in Nordkirchen were integrated into the demesne economy and leased out in 1654 again. The plot “Kuhkamp” was leased out between 1609-1627 for 30 Taler, was taken to the demesne between 1631-1653, and was leased afterwards again for 30 Taler. During the interim demesne usage, the steward continuously documented that the plot was “previously 30”.

The plot “Kirchgeist” was leased for 125 Taler between 1609-1627 and for 130 Taler until 1635. It was also taken to the demesne 1632-1653 with the remark that it “previously [was] 130” in every yearly account. In 1654, when it was leased again, the account entry said: “Is in 1627 and preceding accounts documented with 125 Taler, however in subsequent years with 130”.

Another similar case among

67 Nordkirchen database, ErstID 1613058.
68 Vereinigte Westfälische Adelsarchive, Nordkirchen, Akten No. 1602 (1654).
69 Nordkirchen database, ErstID 1613454.
70 Nordkirchen database, ErstID 1613533.
several others is the “Kamp achter dem Hagen”.\footnote{Nordkirchen database ErstID 1613537.} Account books were used as a continuing memory of former prices. “Although the rear and the middle Altfeld have been 100 Reichstaler in 1627, it is now, as it was before, 95.”\footnote{Vereinigte Westfälische Adelsarchive, Nordkirchen, Akten No. 1602 (1654).}

One explanation for the repetition of former prices is that, in the 17th and 18th century, the landlord and his steward acted according to a concept of a right or fair price and not one of maximizing profit, just as implied by the moral idea of paternalism. This right price differed according to the usage and quality of the land, not to changes in demand or supply. In some respect only the amount of land, the number of plots leased varied, not the prices of each lease. However, price variations due to changing land use were registered: “The Brinck: If it is used as pasture, it costs 80 [Taler], this year leased in smaller plots for 143”. 24 years later, in 1752: “The Brinck costs 80–0–0 as pasture, as arable land 111–23–0, and is this year used by the demesne.”\footnote{First citation \textit{ibid.}, No. 2431 (1728).}

The interpretation of a stable just price for land and rents at least in the Middle Ages is established in the case of Sweden as well, albeit contradicted by Söderberg (2013), who argues that land prices were indeed flexible.\footnote{J. Söderberg, Resistance to Commodification: Farmland Prices and Rents in Sweden, 1274-1649, in: Scandinavian Economic History Review 61/1, 2013, pp. 82-99.} However, Söderberg’s argumentation is based on the prices and rents in grams of silver. Considering the massive devaluation of the current mark pennigar in the late Middle Ages, Swedish nominal prices and rents were most probably also stable or nearly fixed. By contrast, our explanation of stable, virtually frozen nominal leases, is based on the importance of continuity of registering former lease prices, expressed in these examples. For the lessors the previous experience was the most important source of knowledge, even if the plots were meanwhile tilled by the demesne economy and therefore current records of revenues existed. Previous lease prices were taken as empirical evidence that households were able to cope with this financial burden and presumably would be able in future as well. Thus, at the end of the 18th century, price evaluation on the lessors’ side is conducted with respect to both the former experience and to facts like soil quality and situation. However, this does not explain the total fixing of leases throughout centuries independently from price variations, cost variations, and from the devaluation of the Taler currency during the 17th and 18th centuries. A just-price moral or any kind of live and let live attitude provided profit both for lessor and lessees. It seems more reasonable that the seigneurial class was both very inter-
ested in stability and inclined to be ignorant towards economic concerns. So, landlords enhanced the market power of demanders.

6 The Formal Lease Contract: Auction, Precaution and Sanction

Only from the late 18th century onwards, we can find indications of lease negotiations in the qualitative sources. As shown above, leases against highest biddings were arranged at the latest since 1770, when estate management was rationalised. Most of the leases notified as “highest biddings” were probably arranged in auctions. Similar to local grain auctions,75 the date for an official lease auction was published five or ten days in advance in regional newspapers76 and in churches in the local and surrounding villages.77 The event itself was carried out in the steward’s house or a local inn, and followed a strict schedule. Before proclaiming the minimum offer for each plot, the steward read out loudly the terms of the auction. First, he proclaimed basic facts: nobody was allowed to make a bid without having a reasonable guarantor – as stated above, from the beginning, the manor consciously restricted the market access to protect against illiquidity of the leaseholder. Besides the definition of the plots, the lease period and the payment practice (recognition fee (Weinkauf), currency, paydays, charge interests) were defined. Apparently, there was a high interest in an easy and quick agreement about the lease. A regular payment was one of the main objectives, but protocols document frequent delays, due to times of crises (wars, bad harvests, bad weather etc.). However, these reasons were no excuses for outstanding payment. Lessees guaranteed with all their belongings (grain and cattle). In case of too late or missing lease payments, the landlord was allowed to collect the cattle and/or grain which belonged to the plot.

75 Scholten-Buschhoff, Verkaufen, pp. 337-340.
77 This decidedly local focus marks a major difference from the English auctions of land and entire estates, which Stefan Fasold discusses in his article in this issue. It would be beneficial if the dissemination of this market instrument in the economic practice of the 18th and 19th centuries was researched more intensively in the future.
In addition, the terms also defined to what extent the tenant was responsible for his plot. The maintenance of the parcel was the main goal. The leaseholder paid and carried out any necessary reparations on the parcel. This proves the overall control over the lease by the manor.\(^7\)

Furthermore, the formal auction terms indicate extreme seriousness and accuracy of the landlords and their administrators on the land market. Potential tenants were expected to act according to the agreed obligations. If they misbehaved, they had to expect harsh consequences – sanctions were contracted to secure entitlements.\(^9\) in case of too late or missed payment (differing from contract to contract), the tenant was immediately under threat of loosing his lease right, and was obliged to pay a) the administration costs for the new lease and b) a possible lease deficit.\(^8\) It is obvious that the manor was highly interested in ensuring the payment of revenues.

The salvatory clause “salva ratificacione” was an integral part in every lease contract and was also popular on the local grain market.\(^8\) “Salva ratificacione” means a lease “under reserve”. Basically, it implies that the validity of an auction depended on the landlord’s consent. The landlord was allowed to refuse a contract even after the auction so that the auction itself was no more than a pre-negotiation. The contractual evidence supports the profit motive of the manor:

> “Frau Reichsgräfin zu Plettenberg-Mietingen [the landlady] will give her written declaration to the auction protocol within two weeks. If she accepts the contract, the highest bidder is bound by his offer and is not allowed to withdraw from the contract.”\(^8\)

This condition is very surprising as we generally deal with an absentee landlordship in the region of Westphalia: The landlord is rarely present on the manor due to numerous duties in town.\(^8\) But it appears that the Reichsgräfin wanted

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\(^7\) Cf. „Verpachtungsprotocole des Rentamts“, 14.10.1805 and 30.06.1814, in: Vereinigte Westfälische Adelsarchive, Nordkirchen, Akten No. 3466.


\(^8\) Cf. „Verpachtungsprotocole des Rentamts“, 30.06.1814, in: Vereinigte Westfälische Adelsarchive, Nordkirchen, Akten No. 3466.


\(^8\) „Verpachtungsprotocole des Rentamts“, 30.06.1814, in: Vereinigte Westfälische Adelsarchive, Nordkirchen, Akten No. 3466.

\(^8\) In the 18th century the landlords of Nordkirchen mostly resided in Münster as they had several political duties to fulfil. This changed in the 19th century: landlords returned to their
to be updated about current lease prices (as well as grain prices) for approving the price – or not. For keeping up the dynamic of the financial year, a quick procedure was necessary which meant intense communication between her and the steward.

Not every lease price was accepted by the landlords. Letters to the administrators even show that they were aware of the danger when not approving the current lease offer: They sometimes asked for an expertise by the administrator whether a new lease auction would lead to higher prices. In frequent cases the answer was negative, as lessees were rarely willing to pay any price for a plot: A lease protocol from March 1815, in which the administrator tried a new lease of certain plots in the parish, illustrates the large conflict potential in these cases:

“The new lease trial on the 17th of March in which I tried to increase the lease prices of Lake [large property including farmland], did not turn out successfully. Instead of making most of the tenants accepting a higher rent, I had problems in augmenting the missing ratification as some tenants used this for finishing the lease contract by themselves. And due to a strong consensus among the tenants, it was difficult to get another tenant.”

The auction generally started with a minimal offer which was mostly at least as high as the former price. The number of bidders is unknown, and sometimes plots remained unleased when the bid did not exceed the minimum bid offer or there was no one interested at all. In these cases, at the beginning of the 19th century, the contemporaries considered a leasing underhand or piecewise as being a proper alternative to a failure auction.

A piecewise lease simply meant dividing a parcel into smaller plots and renting them individually. Potentially, this way was at least as profitable as an official auction. The advantage of this was that more tenants meant a higher profit due to an expected plattage effect and lower financial risk for the manor. A lease underhand was explicable when looking at local grain trade: Here, a sale underhand was rare but mainly appeared when an official auction was not successful. Contrary to economic intuition, underhand does not imply a relatively low price. A sale underhand could be higher as well as lower than the average price. The main idea of the sale or lease underhand was the private negotiation face-to-face merely ignoring key terms of the aforementioned lease contracts.

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84 „Lakesche Verpachtungsprotocolle“ #65, in: Vereinigte Westfälische Adelsarchive, Nordkirchen, Akten No. 2357.

What happened in cases when tenants did not pay their rent? As stated above, the current lease contract was abolished after peasants stopped paying and a new lease contract was tried. However, the landlord remained interested in receiving the outstanding leases, no matter whether they had to be paid in monetary or natural terms. Several claims against peasants considering arrears of rent normally negotiated at the local court proof a harsh treatment of former tenants and disagree with the theory of a paternalistic landlord.\textsuperscript{86} In most of the cases, the former tenant also had to pay additional default interest which means a further financial burden.

In the end, the strong formal design of the lease contracts teaches us two key issues: The landlord demanded both high security and continuous income. Strong formal contracts with sanctions in cases of defaulting lease payments indicate that paternalistic duties on both sides disappeared, if they had ever existed at all. The landlord released himself from any moral duty in cases of individual disasters. The formal contract did exclude any responsibility for remissions.

“A remission of the lease prize will not be made, whatever the excuse will be. The lessee is responsible for all hazards, ordinary or unordinary, foreseeable and unforeseeable”\textsuperscript{87}

The only formal concession by the landlord was an extraordinary termination in cases of fire disasters without the lessee’s or his family’s fault.

A strong lessor’s market would have enabled the landlord to find and change lessees easily and quickly. However, due to relative land abundance and low demand the landlords of Nordkirchen searched extensively for demanders, protected themselves with complex ratification processes against mistakes and bad decisions of the administrators, and established strong formal ties to leaseholders.

7 Conclusion

In the 17\textsuperscript{th} and 18\textsuperscript{th} centuries the local lease market was only to a limited extent price-determining. In the 19\textsuperscript{th} century, the estate management increased efforts to maximise rents and thereby markets became gradually more competitive, transparent and price-determining. Thus, 19\textsuperscript{th} century leases were generally highly correlated to the net output registered in the cadastres for each plot. This indicates that from a synchronic perspective in the first half of the 19\textsuperscript{th} century, variations of

\textsuperscript{86} Cf. Vereinigte Westfälische Adelsarchive, Nordkirchen, Akten No. 12155, 878a, 1122, 1207.
\textsuperscript{87} Ibid., No. 3466, 30.06.1814.
lease prices actually reflected variations in net output, hence the economic value. However, the most important obstacle to the development of a price-determining market was a low demand of leaseholders. Although the population in the local districts studied – and in Westphalia as well – was comparatively high, and the land/labour-ratio was low, demand was not sufficient to secure a price formation suggested by the price dual approach for measuring productivity.

Our analysis has shown that the lease price level deviated considerably from the level of average net output estimated by tax authorities. This finding indicates unobserved profit which accrued to the lessee. In-depth analysis of qualitative material also showed that direct bilateral rent negotiations between the lessor and the previous lessee sometimes resulted in considerable rent increases, which implies that the lessee had enjoyed a certain amount of profit during the preceding contract. The interpretation of lease prices as direct indicators for productivity, as suggested by the price approach, must be limited to local conditions with a clear demand for leased land. There was such in Westphalia too, in Anholt it was probably much larger than in Nordkirchen. For all agricultural regions where the formation of the lease rate was not perfect, however, a lot can be learned about productivity from leases, especially if contextual material is consulted. Information on entrepreneurial profit and on institutional and technological change is of great importance here. Conversely, however, the consideration of the leases then also proves to be fruitful in order to describe the market itself and the actors acting in it and to interpret their market behaviour.

Our focus was on the landlord’s behaviour. Evidence from the 17th and 18th centuries shows that in various cases constant *true* or *fair* prices were arranged. We tested the hypothesis of paternalistic economic behaviour of landlords who did not aim to increase profit at the expense of the *own* tenants on qualitative material. We only rarely found evidence for such an attitude. Rather, we prefer the interpretation that, when demand for land was low, the price-determining mechanism of demand failed. We interpreted *fixed* leases as a result of an extraordinary difficult process of price determination. Immediate adjustment of the prices to output changes was not at highest priority. This also holds for the 19th century, when the landlords of the Nordkirchen estate definitely tried to increase profit. Short terms, auctions, and significant instructions to the steward all point into the direction of maximizing the income from leases. However, contractual arrangements in the 19th century clearly indicate remarkable risk aversion and propensity for security, which limited the number of demanders even further. Hence the lessor’s local monopoly was often confronted with a lessee’s position as a local monopsonist.
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