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# The Making of a Market

*Credit, Henequen, and Notaries  
in Yucatán, 1850–1900*

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## What Do Notaries Do?

### *The Formal and Informal Roles of Notaries*

A man enjoys a good name and reputation among his peers when he accomplishes his duties justly and strictly; without a good name the authority that the law conveys to a notary would lack its most precious and solid base.

—*El novísimo escribano instruido*, 1859

A golden name is better than a golden bed.

—Mexican proverb

The agricultural boom altered Yucatán's financial infrastructure, and notaries became the conduits to long-term finance in the state. While large agricultural trading houses secured trade credit from foreign brokers, and smaller producers raised short-term credit with letters of credit and IOUs, long-term credit continued to be a personal transaction. Mortgages were the most reliable and enforceable personal credit loans because they were secured by collateral and recorded by a notary. Although the mortgage contract was only one of the many forms of debt credit instruments available in Yucatán, it was one of the few to survive in the historical archive. Personal debts, unlike mortgages, were not recorded systematically. Although they occasionally appear in probate records or wills, personal debts were recorded as evidence of unpaid debts. Commercial credit also suffered from a lack of systematic recording. An IOU, for example, may have been written on a sheet of paper and kept safe until it was repaid. As a general rule an IOU was neither registered nor kept with a third party, and therefore, it is rare to find this sort of document in the historical archive. Mortgage contracts, on the other hand, were recorded by a third party—a notary, who kept the original version of each contract in bound ledgers, whereby the evidence of the debt existed not only until the debt was repaid

but long afterward in the ledger that became an enduring historical record. These records allow a historian to trace almost all mortgages ever recorded by notaries in Yucatán, and not only the ones that remained outstanding. This chapter unfolds the role of notaries in this market, from the legal rules determining their civil role to the act of recording the mortgages in their offices and the interactions that happened in between. The first part assesses the notary's formal role, as defined in legal and notarial codes. The second part develops the informal role of notaries and its significance in the development of the mortgage market.

### The Formal Role of Notaries

The civil procedure of Mexico was based on Roman law, imported by the colonial Spanish rule, and gave notaries an integral role in the legal system, which had relied on written documentation since the colonial period. Also called *escribanos* (scribes) during this period, notaries recorded the procedures, documents, and contracts of colonial society. They traveled to the Americas in the sixteenth century with Hernán Cortés, who dictated his first reports on his arrival to Mexico to his scribe, Diego de Godoy.<sup>1</sup> Throughout the colonial period, scribes stood at the center of civil, penal, and ecclesiastical record keeping. Scribes were classified according to three different functions related to the offices for which they were keeping records: (1) *escribanos reales* (royal scribes) were attached to royal courts or offices in the colonies; (2) public notaries such as the *escribanos mayores de armada* (army scribes) or the *escribanos de entradas de las cárceles* (scribes who recorded the arrival of conscripts to the prisons) were attached to public institutions; and (3) the *escribanos de número* were assigned numbered offices and recorded the contracts for the civilian population. All notaries were trained in the same way, but once assigned, the differences among them were dictated by the kind of documents they recorded and the social and institutional context in which they worked. Their title was conferred by the Spanish Crown, and the numbered notarial offices were the only ones that were salable and transferable.

In the postcolonial and modern period, the office of the notary was divided into two main categories: national notaries (equivalent to the royal scribes) and public notaries (who owned their numbered offices).<sup>2</sup> The granting of the title was transferred in 1863 to the judicial power of the French occupation, which would prove to have indelible effects on the

formal role of scribes, who by then were referred to as *notarios*. The Mexican Congress enacted the first comprehensive postcolonial notarial code under Maximilian—a code that has served as the model for each successive notarial code ever since. The Ley Orgánica del Notariado y del Oficio de Escribano established clear rules for notarial function and made them applicable throughout the entire nation. The law formalized the use of the term “notary,” which could refer only to the head of the notarial office, while “scribe” referred to a notary’s assistant, who was allowed to sign documents that did not involve high value or large amounts of property but could not act independently of the notary. Increasing the record-keeping responsibility of notaries, the law also mandated that the notarial office keep a copy of all contracts signed by the notary or assistants together with an inventory or an index of the documents. The 1865 code further standardized the notary’s duties across the country by requiring each office to display a map of the Mexican Empire, a map of the city in which the office was situated, and a list of all notaries, scribes, agents, and judges whose documents were in the office’s records. The new code established the necessary components of legal public documents recorded by notaries, requiring the name, birthplace, residence, civil status, and occupation of each party to a contract; a detailed explanation of the contract; and the signatures of all parties and witnesses, as well as that of the notary.

The 1865 law formalized the duty of the colonial scribe and brought the formal function of Mexican notaries closer to that of their French counterparts. The law reinforced the educational requirements of notaries, who even before the 1865 code received education similar to that of lawyers. The notary-to-be was required to study civil law, be trained in the writing and keeping of public documents, and undergo an apprenticeship with a notary, judge, or lawyer. The 1865 law further tied the notaries’ training to that of lawyers; Maximilian’s notarial code stipulated that notaries had to take preparatory courses for a career in the judicial system and then a two-year course on notarial law, as well as perform a two-year apprenticeship at another notary’s office. Moreover, they were required to take and pass a handwriting class, which perhaps explains the surprising similarity in handwriting among notaries. Aspiring notaries in Mexico City had to present their qualifications and application to the Colegio de Escribanos (notarial college). Apprentices in other states and territories, including Yucatán, could become notaries simply by presenting their completed exams and degrees to the local ministry of justice and superior tribunal courts.<sup>3</sup> This last step conferred the title of *notario*. The assignment to a particular

notarial office was determined by the local civil court (in Yucatán this would have been in Mérida), which allocated the offices as they became available.<sup>4</sup>

In contrast to the European notarial tradition that allowed offices to be handed down through generations, each notarial office in Mexico was assigned to one specific notary, who had the right to sell or transfer the office to another notary, something that usually occurred at the end of a notary's career. Yucatán did not have a notarial school (the main one, the Colegio de Escribanos, was in Mexico City), but its notaries-in-training studied at the local law school, the Escuela de Jurisprudencia de Yucatán, which conferred the credentials that the notarial school in Mexico City required of all notaries.

Notaries charged fees for their services to maintain their office and pay their employees; notaries often hired assistants (some of whom were apprenticing notaries) and clerks, who often appeared as witnesses on notarial contracts. State congressional budgets established fee schedules for notarial documents, because recording such documents were considered public services. The contracts recorded by a notary never indicated whether the fees were in accordance with those outlined in the congressional papers, as records of fees were kept in a separate ledger of accounts, which were not part of the public record and have not appeared among the surviving archival documents. References to notarial fees are also scant, except in the case of civil court documents, which occasionally mention the administrative costs of a case. Notarial expenses were clearly outlined, suggesting that the fees were fixed and not based on commission.<sup>5</sup> The amount paid for a notary's signature as witness to a document, for example, would include the Mex\$1.87 tax paid on the document, the notary's fee of Mex\$2.00 to witness said document, Mex\$2.13 for notarial stamps, and Mex\$1.63 for the registration cost of the document.<sup>6</sup>

Notaries were respectable members of the legal profession—learned and literate men whose participation in legal affairs was usually limited to the recording and witnessing of documents and contracts. Most of them lived and worked in Mérida, where they dealt with clients from a very broad social spectrum. Impoverished day laborers recorded the sale of their small plot of land at the notary's office; widows countersigned the guardianship of their children's inheritance to their deceased husband's brothers; and landowners registered labor contracts with new hires.

Notaries recorded everything, including land sales, labor contracts, guardianships, business associations, wills and testaments, and credit contracts.

Moreover, notaries' records of these contracts with their signature on them made the contracts legal and enforceable; the notary's signature on the documents and its record in the notary's ledgers represented the agreement between the parties and the legality of that agreement. Obtaining this signature was not a voluntary decision by the contract parties; they were required by law to use a notary to guarantee the legality of all contracts, especially concerning any real estate transactions. In that vein, any contracts that affected the integrity of the ownership of real estate or any type of property had to be notarized, including wills, purchase agreements, and, of course, mortgages.<sup>7</sup>

The stricter definition of the duties of notaries codified under Maximilian in 1865 reinforced the administrative organization of notarial activity and maintained the notary's primacy in the property-recording process. As a consequence, while mortgages had to be recorded because they could affect the ownership of a parcel of land, loans that were not collateralized by land could not affect the ownership of land and therefore did not have to be recorded.<sup>8</sup> This division created an automatic separation among credit contracts: loans that were not collateralized with a plot of land or any other form of real estate were not legally required to be recorded in a notary's office. By the same token, uncollateralized loans, if unrecorded, did not benefit from the enforceability provided by the notarial contract.<sup>9</sup> As representatives of the *fe pública* (public faith), notaries conferred legitimacy to contracts because a notary's signature guaranteed judicial legitimacy, and the collateral built into these mortgages represented a legal promise not only to repay but also to transfer ownership of the collateralized land in case of default. The legal enforceability of contracts drawn up by notaries and the collateral in the case of mortgages reduced the risk of nonrepayment and facilitated the enforcement of contracts. This enforceability, coupled with the legal proviso for the recording of mortgages, was at the heart of the notarial role in mortgage markets.

The focus on collateral had its roots in the liberal Reform Laws, which, beginning in 1859, had intended to modernize landownership and reduce the landed wealth of the church. Wishing to leave behind the backwardness associated with their colonial past, liberal governments had enforced the gradual confiscation and sale of ecclesiastical, communal, and village lands.<sup>10</sup> Not only did Maximilian not interrupt that process, but he also supported throughout Mexico the creation of large haciendas made up of the previously broken-up parcels of cattle ranches, village lands, and any piece of land that was or seemed uncultivated. Benito Juárez enacted the

1870 Civil Code, which only reinforced the effects of the Reform Laws and Maximilian's equally liberal intentions. The effect in Yucatán in the wake of the henequen boom was to inflate the price of and demand for land and increase the need for credit.

The 1870 Civil Code incorporated many of the changes initiated under Maximilian. Although Maximilian and Juárez stood on opposite sides of a political minefield, both shared similar views in terms of legal and economic policies in the spirit of the laws that should structure the civil and commercial interactions of a modern nation. The code also required mortgages to be recorded publicly, which gradually led to the creation of regional public records offices. The code also established that mortgages needed to be specific, meaning that specific assets needed to be specified as collateral, rather than as a customary general reference to assets owned by the debtor. The specification requirement—including the length of the contract, the statute of limitation in case of default or late payment, and the irreversibility of the legal decision in case of default and litigation—all contributed to strengthening the legal enforceability of mortgages as a credit instrument.

The relationship between notaries and clients built up over years. People needed a notary's service at many times in their lives—when they inherited a piece of land, sold their home, made a loan, entered into a business association with a partner, or signed their will. The important personal and business relationships that notaries had with their lenders and borrowers marked the mortgage market and developed over time. Not surprisingly, three of the most active notaries in Mérida's mortgage market also had very long careers. Table 4.1 charts the careers of these notaries and their colleagues and competitors between 1850 and 1895. All notaries (except the ones who barely recorded mortgages) are represented here. Column 1 accounts for the number of years each of these notaries was actively recording mortgages and other contracts. Columns 2 and 3 mark the span of their careers. The names of the three leading notaries in the mortgage market—Manuel Ávila Maldonado, Carlos Aranda, and José Anacleto Patrón Zavalegui—appear in boldface.

Table 4.2 complements table 4.1 and accounts for each notary's share of the total mortgage activity.<sup>11</sup> The first row in the table accounts for the total peso amount of mortgages transacted in a particular year. The table highlights three characteristics of the notarial market in Mérida. First, notaries did not always have mortgages to record: notaries who did not appear from sampled year to sampled year did not disappear from Mérida;

**Table 4.1** Active years of recording mortgages per notary between 1850 and 1895

	Number of years active	Span of years mortgages were recorded	
		First contract	Last contract
<b>Manuel Ávila Maldonado</b>	39	1856	1895
Manuel Barbosa	30	1850	1880
Gregorio Pérez Escarrega	30	1862	1892
<b>Carlos Aranda</b>	28	1861	1889
<b>José Anacleto Patrón Zavalegui</b>	24	1875	1899
José Anacleto Patrón	23	1855	1878
José María Sánchez	22	1871	1893
Francisco Flota	20	1864	1884
Gumersindo Poveda	19	1850	1869
José Calbeto	18	1850	1868
Joaquín María Mendoza	16	1850	1866
Francisco Rojas	16	1860	1876
José Ceferino Aguilar	15	1861	1876
José María Río	12	1858	1870
Eligio Guzmán	12	1872	1884
José Andrade	12	1884	1896
José Dolores Aranda	12	1884	1896
Ladislao Cantón	11	1858	1869
Francisco del Río	10	1850	1860
José Dolores Rocha	9	1850	1859
Víctor Rendón	9	1868	1877
José Antonio Alayón	8	1869	1877
Eugenio del Rosario Patrón	5	1850	1855
Antonio Patrón	4	1850	1854
Miguel Acevedo	4	1890	1894
Manuel de la Calleja	3	1850	1853
Manuel Fernández	3	1850	1853

SOURCE: Protocolos notariales, AGEY and ANEY.

NOTE: The year 1850 was probably not the first year of activity for Manuel Barbosa, José Calbeto, Manuel de la Calleja, Francisco del Río, Manuel Fernández, Joaquín María Mendoza, Antonio Patrón, Eugenio del Rosario Patrón, Gumersindo Poveda, and José Dolores Rocha, but it is the first year in which I started following them.

they just did not record any mortgages in those particular years. Among these notaries, mortgages were not a very large part of their business, and they did not have large stakes in the market itself, as the examples of José Anacleto Castillo and José María Sánchez suggest. In the four observed years of Castillo's activity, he never recorded more than about 13 percent of the market share of mortgages. Sánchez's share of the mortgage market increased from 2 percent in 1875 to 10 percent in 1890, but mortgages never became his specialty. Similar to most notaries, Castillo and Sánchez



Table 4.2 Notaries recording mortgages between 1850 and 1895

Notaries	Percentage of total share									
	1850	1860	1870	1875	1880	1885	1890	1895		
<b>Manuel Barbosa</b>	1.74	27.18	7.44	5.67	—	—	—	—	—	—
Pedro José Canto	2.53	—	—	—	—	—	—	—	—	—
Manuel de la Calleja	1.64	—	—	—	—	—	—	—	—	—
Francisco del Río	3.06	9.06	—	—	—	—	—	—	—	—
Manuel Fernández	5.02	—	—	—	—	—	—	—	—	—
Pedro Irabien	0.67	—	—	—	—	—	—	—	—	—
Joaquín Mendoza	0.95	4.99	—	—	—	—	—	—	—	—
Antonio Patrón	22.91	—	—	—	—	—	—	—	—	—
Eugenio del Rosario Patrón	29.39	—	—	—	—	—	—	—	—	—
Gumersindo Poveda	1.34	—	—	—	—	—	—	—	—	—
José Dolores Rocha	19.96	—	—	—	—	—	—	—	—	—
Ladislao Cantón	—	17.54	—	—	—	—	—	—	—	—
José Anacleto Castillo	—	13.12	0.26	—	—	1.12	0.22	—	—	—
<b>Manuel Ávila Maldonado</b>	—	20.54	9.04	41.00	8.92	1.81	13.93	10.67	—	—
José María Río	—	7.57	3.61	—	—	—	—	—	—	—
Francisco Flota	—	—	37.79	—	47.66	—	0.57	—	—	—
Francisco Rojas	—	—	29.35	2.55	0.19	—	—	—	—	—

(continues)

Table 4.2 (continued)

Notaries	Percentage of total share									
	1850	1860	1870	1875	1880	1885	1890	1895		
Tomás Ruiz	—	—	1.04	—	—	—	—	—	—	
José Ceferino Aguilar	—	—	5.49	—	—	—	—	—	—	
José Antonio Alayón	—	—	5.47	—	—	—	0.35	—	—	
<b>Carlos Aranda</b>	—	—	—	10.19	25.56	16.39	—	—	—	
Elipto Guzmán	—	—	—	30.97	—	0.23	—	—	—	
<b>José Anacleto Patrón Zavalegui</b>	—	—	—	3.74	11.36	73.12	71.29	74.23	—	
José María Sánchez	—	—	—	2.16	1.45	1.65	10.51	—	—	
Tomás Aranda Arceo	—	—	—	—	3.40	—	—	—	—	
José Dolores Torres Aranda	—	—	—	—	1.45	0.10	—	—	—	
José Andrade	—	—	—	—	—	4.68	0.07	4.56	—	
<b>Gregorio Pérez Escarrega</b>	—	—	—	—	—	0.32	2.29	0.91	—	
Miguel Acevedo	—	—	—	—	—	—	0.02	—	—	
Avelino López	—	—	—	—	—	—	—	—	0.18	
Alfonso Peniche	—	—	—	—	—	—	—	—	9.41	
<i>Illegible</i>	10.79	0	0.51	0.72	0.01	0.58	0.32	0.04	—	
Total pesos lent	74,482	84,002	192,865	157,786	268,752	751,426	975,270	985,191	—	

SOURCE: Protocolos notariales, AGEY and ANEY.

NOTE: The total volume of funds lent in a year represents the sum of all contracts recorded each year. For some years, a notary's ledger may be missing. In most cases, his share of the market (based on his share in the previous and successive years) is small and should not affect the market share distribution.

made their living from recording other transactions, such as land sales, wills and testaments, and all other manner of civil contracts. Second, while longevity mattered in developing relationships with clients, it was not necessarily correlated to market share in the mortgage market. To highlight this, five of the names of the notaries with the longest careers (from table 4.1) are in boldface. Third, the mortgage market tended toward concentration. As the Yucatán economy improved and Mérida's mortgage market grew with it, fewer notaries were handling an increasing number of transactions. As the century advanced, many notaries who had long been recording mortgages were being sidelined, and mortgage activity became more centralized in the offices of a handful of notaries.

Table 4.2 shows the breakdown of each notary's mortgage records (relative to all the mortgages recorded) in each sampled year. The breakdown shows each notary's percentage share of the mortgage-recording activity and also illustrates the fact that notaries did not transfer their offices to family members. Only one surname (Patrón) appears in the table throughout the years with different first names (three of them), and it isn't clear that Eugenio del Rosario Patrón or Antonio Patrón (who were recording mortgages in 1850) transferred their offices to work with Patrón Zavalegui, who became one of Mérida's main notaries. (Patrón Zavalegui also did not inherit their offices.) Some notaries recorded mortgages in one period and never reappeared in that capacity; for example, Manuel Fernández recorded a few mortgages in his 1850 ledger, and José Ceferino Aguilar recorded mortgages for his clients only in 1870. Other notaries were active for long periods of time, although none of the notaries active in 1850 appear in the records by 1890. Two notaries who were active in 1860, José Anacleto Castillo and Ávila Maldonado, were still recording mortgages in 1890, and in any given year more than half the notaries had been recording mortgages for ten years or more, with an average longevity (in terms of mortgage recording) for each notary of about seventeen years.<sup>12</sup>

Table 4.3 shows that near the end of the nineteenth century the market share of mortgage contracts was increasingly concentrated in the hands of a smaller number of notaries. Eleven notaries in Mérida recorded mortgages in 1850, and throughout the rest of the period the number of notaries active in a year ranged from six to nine.<sup>13</sup> This variation is largely due to the fact that not all notaries had clients who needed to borrow or lend through mortgage credit. While notaries recorded a wide variety of civil contracts, and a large proportion of the population would at some point or other require a notary's service, only a smaller proportion of the popula-

**Table 4.3** Summary of active notaries handling mortgages in Mérida

	Number of notaries	Number of mortgage contracts	Top two notaries' share of the mortgage market (%) (in terms of pesos)
1850	11	70	52.30
1860	7	68	47.72
1870	9	135	67.14
1875	7	58	71.97
1880	8	103	73.22
1885	9	184	89.51
1890	9	129	85.22
1895	6	111	84.90

SOURCE: *Protocolos notariales*, AGEY and ANEY.

tion primarily drew on the mortgage market. Furthermore, except for 1860, only two notaries at a time consistently accounted for more than half of all credit contracts signed in Mérida. Column 1 aggregates the number of notaries recording mortgages, column 2 accounts for the number of mortgage contracts in any given year, and column 3 calculates the proportion of the total amounts lent through the mortgages that were recorded by the two notaries with the largest share of the mortgage market.<sup>14</sup>

Column 3 in table 4.3 suggests that notarial activity, as measured by the value of mortgages, had always been highly concentrated (nearing 50 percent in 1850 and 1860). This trend clearly increased as the economy's growth rate accelerated. By the century's end a growing number of the mortgages in Mérida were being recorded by two increasingly busy notaries, suggesting that a few notaries were interacting with an increasingly large group of people. In this context, the relationship of notaries with their clients, especially with respect to credit transactions, became more important. The reputation of each of these clients among other lenders and borrowers, as well as with the notary himself, became a linchpin mechanism of this market.

### The Informal Role of Notaries

Notaries recorded contracts and supplied the legal backbone to social interaction ever since colonial times, but as Mérida's economy grew and ecclesiastical institutions dwindled, notaries also strengthened the rela-

tionship between their borrowers and lenders in a strategic way. Notaries became the link between lenders and borrowers not only because they were acquainted with them but also because notaries recorded the contracts, safeguarded them, and could present the contracts as proof of a client's record. Notaries became the first and last monitor of other people's property (because the notary was the one who recorded the sale transaction) and the informal recipient of information on property value, personal wealth, family businesses, and preferences. One of the notary's main contributions to the credit market was embodied in his most traditional function, namely as the scrivener and record keeper. This formal function was, however, complemented by the information the notary gained about his clients in the process of drawing up their contracts. The notary's main assets were his ledgers, where each transaction was formally recorded and stored, but a notary's wealth included the sense he gained informally about his clients. Unlike investment banks today, notaries were not subject to regulations that prevented them from using their knowledge about one client to benefit another. Even if parties to contracts had prior knowledge about each other, the notary probably knew more about one or both than either did about the other.

The law determined that *de facto* only a handful of people in any one town would become notaries, and in this way allowed only a few people to have a lot of information about everyone else in the community. The amount of information a notary had about his clients and his ability to use this information judiciously was both the currency of his worth in a community and the asset around which he competed against other notaries. The barriers to entering the profession created a closed pool of available notaries, and among these, the drive toward the centralization and concentration of power increased during the henequen boom, especially *vis-à-vis* mortgage contracts.

In countries with more developed formal financial systems, banks play the role of information brokers in credit transactions. Without banks, kinship networks can play the role of monitors and informal enforcers of moral codes, as we can still observe among current-day rotation credit associations as well as in nomadic communities.<sup>15</sup> In nineteenth-century Yucatán, notaries assumed both these roles as information brokers and monitors who created incentives for good behavior. Not only did notaries in Yucatán hold information about debts, collateral, and ownership in their ledgers, they also had significant amounts of information on their clients through

other mundane interactions—guardianships, incorporations, contracts, land deeds, and wills. Notaries were constantly called on to record civil contracts and interactions, and as a consequence, they became the keepers of information about the current and historical value of collateral presented for a mortgage. They also held the documents guaranteeing the rightful ownership of the collateral and had additional information about any other liens on the collateralized property and assets of the borrower.

This information chain was tremendously valuable to lenders who relied on it for information about future borrowers, but the existence of this information chain also created incentives for borrowers to honor the terms of their contract, lest they be forever tainted in the notary's network. The personal relationship notaries developed with their clients while discovering these details gradually put notaries in an intermediary position to vouch informally for the reputation of anyone who had transacted regularly through their offices. The notary's role in this intermediation remained largely covert, because there were no official stipulations in the notarial codes about brokering of credit contracts or about advising in matters of financial affairs.

The evidence that notaries were acting on behalf of their clients or that they were providing financial advice is indisputable, if indirect.<sup>16</sup> The weakness of kinship ties, the strength of loyalty to notaries, and the depth of notaries' information about their clients all contributed to the development of their intermediary roles. Notaries did not act as brokers, investment bankers, or deposit banks, all of which were nonexistent in Yucatán and which, in other parts of the world, placed funds and deposits on behalf of investors.<sup>17</sup> Instead, notaries were intermediaries in this economy by providing competitive and efficient access to borrowers who could facilitate long-term credit that was not directly tied to the henequen trade. The law created immutable barriers to entry to the profession, and Mérida had at most and at any given time in the nineteenth century, fifteen notaries operating in the city. They were a small group among the Yucatecan society; the 1896 directory of Mérida lists more than sixty lawyers but only ten notaries. This small group, however, did not avail itself equally of the growth in lending. Some notaries were significantly more important in these transactions than others, and the important notaries became central figures in the Mérida mortgage market, while others barely registered a mortgage contract in the entire nineteenth century. Even though a small number of notaries became big in this market, kinship networks played almost no role.

Kinship does not explain the pattern of credit flows in Mérida during the late nineteenth century, although it was an important social glue in preindustrial Mérida. Family businesses and alliances were common, and the city's small population supports assumptions that the wealthiest lenders in Mérida would have been members of well-established trading or land-owning families and that their alliances were bolstered by loans between family members.<sup>18</sup> While this may well have happened, there is no evidence of large intrafamily lending in the ledgers of notaries. This does not mean family members were not lending to one another, but that during the boom years they were not doing it through the mortgage contracts recorded by notaries.<sup>19</sup>

Kinship rates were relatively and marginally higher before the boom in 1850 and 1860, but the total amounts lent and borrowed were small, as were the number of borrowers and contracts. In this context, the kinship rates cannot be interpreted as a symbol of a strong kin-based lending tradition. If there was kinship-based lending in the later part of the century and during the henequen boom, they do not appear in the mortgage contracts in notarial records. And these loans, should they have existed, never made it into the probate record either. The absence of reliable evidence pointing to kinship makes it much more likely that kinship was not a determining variable in the mortgage market and that the connection between kinship and the mortgage market was tenuous. The number of contracts between kin was too low and waning, as table 4.4. illustrates.<sup>20</sup>

**Table 4.4** Kinship bonds in mortgage credit contracts

	Mortgages between kin	Total mortgages	Proportion of mortgages between kin (%)
1850	8	70	11.43
1860	10	68	14.71
1870	6	135	4.44
1875	2	58	3.45
1880	3	103	2.91
1885	10	184	5.43
1890	9	129	6.98
1895	8	111	7.21

SOURCE: Protocolos notariales, AGEY and ANEY.

NOTE: Kinship was established in two ways: (1) by seeing if the contract clearly states the family tie between parties or (2) by matching paternal and maternal last names for siblings and first cousins as well as in-laws.

In the notary's ledgers, most contracts were neither exclusively among the elite nor between family members. We know this because the contracts have so many direct and tacit references to family origin and because of the felicitous Mexican tradition of naming and recording both paternal and maternal last names, allowing an easy discovery of first-degree kin, siblings, parents and children, cousins, aunts and uncles, and nuclear in-laws, such as parents-in-law and siblings-in-law.<sup>21</sup>

The arrival of new lenders in the market in response to the dissolution of ecclesiastical power in the middle of the century provoked a shift in ownership, which was reflected in the notaries' ledger entries. As ecclesiastical loans were transferred to civilian lenders, and ecclesiastical property was sold off, the structure of Yucatán's economy changed. The wider economic changes caused by the rise in the price and production of henequen also contributed to the rise in the number of individual (and nonecclesiastical) lenders throughout the rest of the century, further diluting the need for kin contacts in loans. As the formal requirements of disclosure in contracts increased and as the credit market grew, kinship gradually became even less of a glue that bound lenders and borrowers. The importance of family ties in the framework of financial relations diminished, and in the changing economic and legal contexts, these transactions became more formal, allowing notaries to replace the bond of trust that kinship ties originally conveyed.

Kinship networks were not crucial to mobilize the financial resources we observe in the mortgage contracts. There may have been financial transfers between family members, but there is no way for us to trace them, because they happened outside of the notary's office. Occasionally these loans appear in probate records, but they cannot provide a reliable picture of the extent of nonmortgage intrafamily lending. Of course, some intrafamily lending was recorded, and one can only assume that when mortgages were written between family members, it was because the formal guarantee and the legal enforceability of the notarized contract mattered. The ties that bound family members occasionally needed to be reinforced institutionally—first, to secure repayment and, second, to guarantee some degree of family harmony.

One example of intrafamily credit lending that suggests kinship was not the key mechanism through which credit was allocated is the case of Joaquín Duarte Troncoso, who borrowed a substantial amount from his mother. This case highlights how the formalization of the loan, not the kinship tie,



was the element that held the transaction together. Joaquin Duarte Troncoso had gone increasingly into debt as a henequen planter, and in early 1890 he borrowed thirty thousand pesos from his seventy-five-year-old mother, Concepción Troncoso. Joaquin had already borrowed from other people, as demonstrated by the note attached to the deed of the hacienda he offered as collateral. The lien check performed by the notary or one of his clerks confirmed these prior debts. As the notarial contract highlights, Concepción helped her son, but she also protected her estate; she did not give her son the privilege of an interest-free loan. Moreover, the loan to Joaquin carried an 8 percent interest rate and had a five-year maturity. Joaquin offered the hacienda with the existing lien as collateral, as well as another hacienda he owned in Mérida. Concepción also thought to protect the integrity of her estate and her other children by stipulating in the contract that if she were to die within the next five years (or before the loan was paid back), Joaquin's loan was to be repaid to Concepción's estate. In this case, while kinship might have eased Joaquin's access to his mother's capital, it did not relieve him of the obligations any borrower would have toward a lender.<sup>22</sup>

Although kinship bonds mostly disappeared between lenders and borrowers in the mortgage market, it did not imply that family did not matter in times of financial need. It does suggest, however, that while family members may have seemed like an obvious source of funds for cash-strapped borrowers, the emotional and economic costs of doing business with family might have made such options less attractive, especially if avenues of funding opened up that did not mix business with family. Joaquin Duarte Troncoso's experience, while not unique, became increasingly rare by 1870, when notaries claimed a much more central role in tying non-related lenders and borrowers together.

Families and the reliance on kinship networks are a central story line in Yucatán's history. The weight of the families and networks that made up the *Casta Divina* overshadows many interpretations of the henequen boom. But in the context of this closer analysis of kinship and the mechanics of trust in mortgage contracts, the extended connections between the notary and people outside easily recognizable family networks may have been more instrumental than a family connection. Notaries created trust, and thereby provided a very strong institutional tie, one that could trump family ties, suggesting that the historical development of Mérida's credit networks and capital flows relied less on the political hierarchy of family networks than on the market-oriented hierarchy of risk.

Mérida might have been a small and lively provincial city in the mid-1800s, but even casual acquaintance among its inhabitants did not prevent elements of asymmetric information to prevail in the interaction between lenders, borrowers, and their notaries. Asymmetric information signifies that not all parties to an agreement will have the same information about one another and that this unequal information will lead to an imbalance of power. This imbalance can be at least partly resolved by intermediation, which makes up for the unequal disclosure of information created by the asymmetry.

A lender and a borrower who agreed to a contract still had basic conflicting interests. The lender's need to be repaid and to reduce the risk of not being repaid may have been in exact opposition to the borrower's need to get a loan and hide a history of bad debts or the existence of prior and outstanding loans. The lender's need for information about a borrower and the borrower's need to withhold details would have been the essence of asymmetric information in Yucatán's credit market, a problem the notary would help resolve.

Similarly, the borrower may have wished to reveal positive aspects of the credit history or the quality of the collateral, which the lender may not have had access to or may have disbelieved. Notaries could bridge the information gap and balance out the asymmetries caused by this limited knowledge. This intermediary function was not a formal part of the notary's profession, but it was in this secondary and informal role that the notary played the most important part in Yucatán's nineteenth-century personal credit economy. This function developed as a consequence of the structural changes in the economy brought on by the henequen boom and by the formal changes in the legal environment.

In the early part of the 1850s and 1860s, the problem of asymmetric information was not an obvious one. Economic activity was restrained, the population level was relatively stable, and ecclesiastical lenders still dominated the market. In this context, defaulting on an obligation to an ecclesiastical institution carried with it not only the threat of future difficulties in accessing church funds but also the potentially more damaging risk of offending the church or a priest. Furthermore, few mortgage loans were being made, because neither the economic nor the legal context provided much of an incentive to the credit market.

By 1870 these kin ties and ecclesiastical privileges in the credit market had been all but eradicated. Relative political stability following the Caste War contributed to rising population levels through the end of the century, as workers from neighboring states moved to work on Yucatán's plantations.<sup>23</sup> In the mortgage market, average loan contracts became increasingly large, and the cost of borrowing rose as well, growing from below 6 percent per year in the 1850s and 1860s to well above 10 percent per year in the latter decades of the century. Formalization of the notarial codes and the elimination of the definition of usury in the civil codes allowed notarial loan contracts to represent the entire range of securitized credit transactions, and as a result, what little kinship lending there was all but disappeared. Lenders became a disparate group of lending individuals, not institutions.

Even so, it remained a small market, and small markets tend to be concentrated; small, emerging markets, such as Yucatán's, tend to be even more so because of the risk involved in developing new ventures. In these contexts, investors usually required greater guarantees of security before exposing their capital to risk. While the concentration of information, wealth, and power has negative effects in the long-term, in nineteenth-century Mérida it behooved lenders and borrowers to transact with those they knew and trusted. So as the economy grew and the need for lenders and borrowers spilled beyond the networks provided by kin, the information obstacles and problems inherent in credit transactions grew as well, and notaries stepped in to offer a potential solution.

#### *The Mechanics of Intermediation*

Information remained the notary's main asset, and it was also the most important currency in his client interactions, such as those dealing with wills and guardianships, a staple of a notary's daily business and a large part of his ledgers. Notaries also recorded land sales and mortgages, which were more subject to the vagaries of the economy. Land and real estate sales provided notaries with significant amounts of information about their clients and their potential client base—information that was central to their relationship with lenders and borrowers and that was supported by the large number of these sales they recorded. As fig. 4.1 illustrates, notaries always recorded more sales than mortgages. The figure illustrates the number of sales contracts and mortgage contracts recorded by the Mérida notaries between 1860 and 1890.

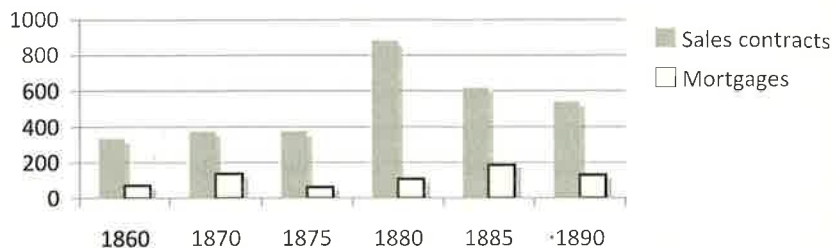


Fig. 4.1 Sales and mortgage contracts in notarial ledgers  
SOURCE: Protocolos notariales, AGEY and ANEY.

The sales data was recorded using the indices at the beginning or the back of ledgers and reinforces the role of previous and repeated interactions as a powerful source of information for notaries and a key piece in the mechanics of the information flow that the notary controlled.

Mortgage contracts can be opaque documents that say little about what happened before the contract was written. But we can read from the trends in the contracts that no matter where or how lenders and borrowers came into contact with each other, the lender chose which notary recorded the transaction. The evidence suggests that lenders and borrowers developed very different relationships with the notaries based on diverse needs. Clients chose their notary when they lent, but if these clients needed to borrow, they would have to follow their lender to the notary of his or her choosing. And while most lenders transacted exclusively with one notary, other lenders recorded their loans with a different notary for each transaction.

Similarly, some borrowers appeared repeatedly in a notary's ledger, but most borrowers appeared only once during 1850–1900, and therefore only once in any of the notaries' ledgers. The borrowers who engaged in repeat business, however, tended to transact with one notary over successive transactions. The notary's relationship with his clients, especially those who looked to borrow repeatedly, created an incentive for borrowers to return to the same notary's office in search of potential lenders, which also promoted good behavior among borrowers who might want to be put in contact with lenders.

Lenders also benefited implicitly from dealing with one notary (or very few). The ledgers of a notary maintained the history of the lenders' transactions, and thus staying with the same notary minimized the bureaucratic side of any transactions. Furthermore, the notary's knowledge about his

client base (especially those clients who might borrow) influenced the notary's ability to steer a lender to one borrower over another. This ability and the skill with which it was exercised were at the heart of the mechanics of the mortgage market during this period. As one notary's market share increased, so did the quality of his information about clients, and the better the information about potential borrowers, the greater the tendency among lenders to record credit transactions solely with that notary's office.

The differences of the notary's relationship with lenders as compared with his relationship with borrowers become more apparent if we analyze repeated interactions. Focusing on those who lent or borrowed more than once during 1850–1900 reveals patterns in their behavior that point to the logic of the notarial role in the mortgage market, as well as the logic of lenders' and borrowers' behavior.

For the purpose of clarity, clients who interacted repeatedly with one notary are referred to as "loyal," a term that suggests a measure of constancy in the relationship.<sup>24</sup> Similarly, clients who recorded their mortgage transactions with different notaries over time are called "switchers." This nominal distinction between loyal clients and switchers, especially after considering whether the clients were borrowers or lenders, reveals patterns of individual behavior as well as insight into the role of notaries.

NOTARIES AND REPEAT LENDERS In any economy, lenders have a privileged position: they have what everyone, especially borrowers, want. Growth requires investment, and in a cash-strapped economy, those with resources are the fortunate ones. But resources are wasted if they are not put to productive use, and lenders in Mérida had to be judicious. Much has been written on the ostentatious consumption of wealthy henequen *hacendados*, but these comments are usually a criticism of the marble palaces and elegant homes built at the turn of the twentieth century in Mérida and the opulent haciendas of the henequen zone. We know little about the effect of this consumption on urban employment rates and infrastructure development. Regardless, at the onset of the henequen boom and throughout the nineteenth century, notarial credit contracts revealed a concern among lenders to allocate their wealth profitably. Once Benito Juárez lifted the interest-rate restrictions imposed by usury laws, most mortgage loans carried an interest rate, revealing the nonaltruistic nature of a credit market. Just as lenders loaned their money for profit, they wanted guarantees that profits would indeed materialize. While covenants built into credit contracts were part of this guarantee, the bond of lender and notary and the

extended relationship notaries had with other parties and offices enhanced a lender's sense of security.

The data set of mortgages reconstructed for this study reveals three types of lenders: (1) those who lent only once; (2) those who lent more than once, each time using the same notary; and (3) those who lent more than once but recorded these contracts with different notaries. Because the relationship between a lender and a notary was affected by the number of times they worked together, one-time lenders cannot tell us much about repeat interactions. Loyal lenders loaned more than once with usually just one notary to record their loans, and switchers lent more than once in any year but not necessarily using the same notary.<sup>25</sup>

The analysis here of repeat lenders and notaries spans fifty years, during which time some notaries left the profession because they died or retired. That said, what determined a lender's repeated visits to the same notary's office? Proximity to their residence would be a likely explanation, but most notaries practiced in the city center, close to the main square, so they would all have been equally near or far from any other part of town. Simple force of habit may also provide an explanation, but that only tautologically explains what drove the habit in the first case. Furthermore, if loyalty were a force of habit, there would be no reason to see rates of loyalty change over time as we see it happening in Mérida. Nevertheless, habits have a way of reinforcing themselves, and if we consider the rate at which notaries recorded *other* contracts (that were not mortgages), we begin to see how some notaries would become more valued by lenders in the mortgage world than others.

Table 4.5 approaches this quandary. Habit alone was not enough to sustain a long-term relationship with one notary; loyalty resulted from a notary's ability to feed the relationship with information about potential borrowers, guaranteeing better security for the lender. Lenders became increasingly loyal to their preferred notaries (see column 3), especially after 1880, when more than half of all loans were issued by repeat lenders (see column 1). Columns 4 and 5 show the results, respectively, of the average number of contracts by lenders who switched notaries and the average number of contracts by lenders who remained with the same notary. Starting in 1885, around two-thirds of lenders continued working with the same notary.

Among the mortgages sampled, loyalty proportions were generally low before the henequen boom. The year 1860 stands out as a time when loyal lenders represented 71 percent of total repeat business that year (column 3),

Table 4.5 Repeat lenders and lender loyalty

	1	2	3	4	5	6
	Percentage of contracts by repeat lenders <sup>a</sup>	Rate of switching by repeat lenders (%) <sup>b</sup>	Rate of loyalty by repeat lenders (%) <sup>c</sup>	Contracts per average switching lender	Contracts per average loyal lender	Total contracts in year
1850	37.14	80.77	19.23	3.50	2.50	70
1860	30.88	28.57	71.43	2.00	2.25	68
1870	45.19	62.30	37.70	4.75	3.83	135
1875	25.86	73.33	26.67	2.20	2.00	58
1880	50.98	65.38	34.62	3.09	2.43	103
1885	55.43	35.29	64.71	3.27	3.30	184
1890	47.29	36.07	63.93	3.14	2.79	129
1895	53.15	33.90	66.10	3.33	3.89	111

SOURCE: Protocolos notariales, AGEY and ANEY.

NOTE: "Repeat lender" refers to a lender who transacted more than once in that given year. It does not account for repeat lending through the years.

<sup>a</sup>The number of contracts by repeat lenders is divided by the total number of contracts.

<sup>b</sup>The number of contracts by switching lenders is divided by the total number of contracts by repeat lenders.

<sup>c</sup>The number of contracts by loyal lenders is divided by the total number of contracts by repeat lenders.

although the total number of contracts by these loyal lenders—sixteen—was quite low. Also, the analysis of loyalty in the period prior to the final alienation of ecclesiastical wealth in Yucatán has to consider the weight of ecclesiastical lenders before 1860.<sup>26</sup> Public welfare institutions, such as the Instituto Literario and the Hospital General, took over debts from different ecclesiastical funds and through 1875 continued to administer the credit contracts alienated from the church. Their share of total loans accounts for the seemingly high rates of loyalty among lenders in the early period of analysis, especially because institutional lenders accounted for up to one-third of total loans in 1860. As of 1875, however, the share of institutional loans had dwindled, and credit through individual lenders became the norm.

The trend in column 3 shows that loyalty levels increased in the latter part of the century. In 1895, 53 percent of lenders were repeat lenders (see column 1), and of these, two-thirds were loyal to the same notary (see column 3), making it the year with the highest proportion of loyal lenders except for 1860. Furthermore, loyal lenders consistently accounted for more than 50 percent of repeat lenders after 1880. Column 4 shows that switchers lent on average at least three times a year, except in 1860 and 1875, when they lent only twice. Loyalty was important and it created a fertile relationship among notaries and their clients, but it was not essential to the market. Loyalty increased, but switching lenders were named in two to three contracts per year.

As economic activity (including sales transactions, as seen in table 4.5) increased, lenders extended loans to many borrowers, and repeat lenders tended to concentrate most of their credit activity in one notarial office. Table 4.6 shows the distribution of loans by size among loyal lenders and switchers and illustrates differences in their lending behavior. As the total peso amount of credit contracts increased between 1850 and 1895, especially after 1880, the percentage of pesos lent by loyal lenders generally increased as well. In this changing economic context, stability in a lender's relationship with an intermediary such as a notary provided a measure of security and reinforced the ties between the two. Repeat lending did not mean, however, that larger amounts were lent per contract (until 1890), as column 2 points out. Table 4.6 further analyzes the distribution of contracts among repeat and loyal lenders and assesses this distribution by the total value of loans, rather than by the number of contracts as shown in table 4.5. Increasing numbers of mortgages were being lent repeatedly by the same group, but this trend did not result in larger average amounts per



**Table 4.6** Size and distribution of credit contracts by repeat and loyal lenders (pesos)

	1	2	3	4	5	6
	Total lent in year	Amount lent by all repeat lenders	Amount lent by loyal lenders	Percentage lent by repeat lenders	Percentage lent by loyal lenders	Loyal loans divided by repeat loans (%)
1850						
Total	74,158	29,826	11,421	40.22	15.40	32.29
Average	1,091	1,147	1,903			
Median	525	802	422			
1860						
Total	84,002	15,318	12,318	18.24	14.66	80.42
Average	1,235	858	725			
Median	965	600	500			
1870						
Total	192,365	72,249	26,960	37.56	14.01	37.32
Average	1,436	1,165	999			
Median	650	700	721			
1875						
Total	156,667	64,967	44,500	41.47	28.40	68.50
Average	2,749	4,060	11,125			
Median	1,000	1,000	11,750			
1880						
Total	268,752	100,195	47,845	37.28	17.80	47.75
Average	2,635	1,890	1,543			
Median	1,450	1,000	1,015			
1885						
Total	751,426	310,097	217,927	41.26	29.00	70.28
Average	4,048	2,352	2,090			
Median	1,200	650	250			
1890						
Total	937,309	256,100	197,700	27.32	21.09	77.20
Average	6,601	4,341	4,822			
Median	2,000	2,000	1,900			
1895						
Total	894,402	475,800	377,200	53.20	42.17	79.28
Average	7,915	8,651	8,573			
Median	3,000	3,000	3,750			

SOURCE: Protocolos notariales, AGEY and ANEY.

mortgage. The amounts being lent per mortgage varied between the lender categories, and the average-size loan by a loyal lender exceeded the average only in three of the eight periods. In 1895 the average loan amount by loyal lenders was slightly higher than the total average, and it was very close to the average amount for repeat lenders; 1875 is an outlier year with

two loans for twenty thousand pesos each by Victoriano Nieves, a loyal lender (and henequen trader), offsetting the balance. The averages and medians of repeat lenders compared to the averages of loyal lenders (columns 2 and 3) were similar enough (except in 1875, which is thrown off by one large contract) to suggest that loyalty or repeat activity did not affect the size of the loans.

Column 2 shows the sums lent by all the repeat lenders who lent more than once in a year. Column 3 shows the total amounts lent by those lenders loyal to one notary in the given year. Columns 4 and 5 calculate the percentage of total loans by repeat and loyal lenders.<sup>27</sup> Column 6 reveals a significant trend within the boundaries of this measure—loyal lenders became increasingly important in the market (but there were always more loans by repeat lenders than by loyal lenders). In the years after 1870, loyal lenders generally made more than 50 percent of the peso loans made by repeat lenders. Lenders who made more loans and lent larger amounts increasingly relied on the services of a single notary, thus supporting the hypothesis that the more transactions a lender entered into, the more the lender relied on one notary. This further supports the anecdotal cases, which show that the increasing market share of one notary accompanied the increasing reliance of prolific repeat lenders on that leading notary.

The development of this type of loyalty indicated growing trust between client and notary. These bonds were reinforced by the personal relationships that were the backbone of social interactions, especially when the rewards were positive. Personal relationships and word-of-mouth mechanisms undoubtedly helped notaries develop their reputation in the city and with their clientele, and in this market, where financial information relied on informal means of delivery, the notary was in a privileged position to receive and selectively distribute information to and about his clients.

In this context, loyalty to notaries became associated with their market share, leading the rate of loyalty to become associated with high levels of concentration of notarial activity in the mortgage market. Table 4.7 illustrates the concentration levels in the mortgage market. It accounts only for notaries who at some point between 1850 and 1895 recorded at least 20 percent of all credit contracts. The table traces the growth of their share before and sometimes after they reach this level and, of course, ignores notaries who never recorded that many mortgages.

In every year, two notaries usually recorded more than 50 percent of all private mortgages. In doing so, they contributed to the increasing central-

**Table 4.7** Concentration and market share among Mérida notaries (%)

	1850	1860	1870	1875	1880	1885	1890	1895
Manuel Barbosa	3.74	<b>27.18</b>	7.44	3.28	—	—	—	—
Pedro José Canto	2.40	—	—	—	—	—	—	—
Manuel de la Calleja	2.67	—	—	—	—	—	—	—
Francisco del Río	8.35	9.06	—	—	—	—	—	—
Manuel Fernández	7.19	—	—	—	—	—	—	—
Pedro Irabien	0.69	—	—	—	—	—	—	—
Joaquín María Mendoza	0.96	4.99	—	—	—	—	—	—
Antonio Patrón	<b>22.91</b>	—	—	—	—	—	—	—
Eugenio del Rosario Patrón	<b>29.39</b>	—	—	—	—	—	—	—
Gumersindo Poveda	1.74	—	—	—	—	—	—	—
José Dolores Rocha	<b>19.96</b>	—	—	—	—	—	—	—
Ladislao Cantón	—	17.54	—	—	—	—	—	—
José Anacleto Castillo	—	13.1	20.26	—	—	7.49	0.27	—
Manuel Ávila Maldonado	—	20.54	9.04	<b>23.77</b>	8.93	—	<b>13.93</b>	8.72
José María Rúa	—	7.57	3.61	—	—	—	—	—
Francisco Flota	—	—	<b>37.79</b>	<b>42.26</b>	<b>47.66</b>	—	0.57	—

(continues)

Table 4.7 (continued)

	1850	1860	1870	1875	1880	1885	1890	1895
Francisco Rojas	—	—	29.35	1.48	0.19	—	—	—
Tomás Ruiz	—	—	1.24	—	—	—	—	—
José Ceferino Aguilar	—	—	5.79	—	—	—	—	—
José Antonio Alayón	—	—	5.48	—	—	—	—	—
Carlos Aranda	—	—	—	6.89	25.56	14.36	—	—
Eligio Guzmán	—	—	—	17.91	—	5.71	—	—
José Anacleto Patrón	—	—	—	—	—	—	—	—
Zavallegui	—	—	—	3.16	11.36	30.70	71.29	78.95
José María Sánchez	—	—	—	1.25	1.45	9.64	10.51	—
Tomás Aranda Arceo	—	—	—	—	3.40	—	—	—
José Dolores Torres	—	—	—	—	—	—	—	—
Aranda	—	—	—	—	1.45	0.21	—	—
José Andrade	—	—	—	—	—	27.03	0.47	3.73
Gregorio Pérez	—	—	—	—	—	—	—	—
Escarrega	—	—	—	—	—	4.86	2.29	0.74
Miguel Acevedo	—	—	—	—	—	—	0.02	—
José Antonio Alayón	—	—	—	—	—	—	0.65	—
Avelino López	—	—	—	—	—	—	—	0.18
Alfonso Peniche	—	—	—	—	—	—	—	7.68
Total amounts transacted (pesos)	74,482	84,002	192,865	272,786	268,752	130,077	907,054	1,092,038

SOURCE: Protocolos notariales, AGEY and ANEY.

ization of the mortgage market in the late nineteenth century, and table 4.7 shows that it had always been so. Unlike their French counterparts, the notaries of Mérida did not share equally and instead had always vied for greater shares of the private mortgage market. In Mérida, private credit relied on a few key notaries rather than on all of them equally.<sup>28</sup> From 1860 to 1880, two notaries handled at least 40 percent of the recording of mortgages. In 1860 Manuel Barbosa and Ávila Maldonado had more than 45 percent of the market between them, and in 1870 Francisco Flota and Francisco Rojas handled close to 70 percent of the credit contracts. Between 1875 and 1880 Flota led, with Carlos Aranda and Eligio Guzmán far behind. As of 1885 Patrón Zavalegui rose to prominence and his share of the market would outweigh any other notary's through the end of the century.

**LENDER LOYALTY** The previous analysis accounts for the behavior of repeat lenders, but it cannot account for lenders and the relationships they had with notaries with whom they transacted over many years. Notarial market share rather than loyalty emerges as an important binding mechanism between lenders and notaries, and therefore the behavior of some individual lenders over time (rather than in a single year) better illustrates how these mechanisms overlapped. The following example of just this type of long-term relationship is the kind that tied lenders to their favorite notary.

In 1885 Manuel Zapata Bolio lent Mex\$10,000 to Miguel Peón (one of the members of the extensive Peón family) through the notary José Andrade in the only recorded loan Zapata Bolio made that year. Then in 1890 he lent Mex\$600 to Josefa Espinosa de Navarrete, this time through Patrón Zavalegui. (Another member of the Mérida elite, Espinosa de Navarrete was on the committee that would plan the entertainment for Mexico's first lady during Porfirio Díaz's visit to Yucatán in 1906.)<sup>29</sup> In 1895 Zapata Bolio made nine loans for a total of Mex\$137,000, all of which were signed by Patrón Zavalegui and amounted to almost one-fifth of the total allocated through the notary's office that year. Another lender who became a loyal Patrón Zavalegui client was Manuel Dondé Preciat. He made only one loan in 1875 through notary Ávila Maldonado, and in 1880 made another loan through notary Flota. Between 1885 and 1895, all the loans he made went through the office of Patrón Zavalegui, with the exception of one contract in 1890. All of these lenders were also loyal in using their preferred notary for other transactions, and it is in these repeated interactions, highlighted by their recurrent use of one notary to record the loans

they made, that the importance of trust in the intermediary unfolds. The connection between lenders and notary was not kinship based, but it was foundational.

NOTARIES AND BORROWERS Potential borrowers who did not have access to lenders had to acquire the trust of the notary first, and borrowers who mortgaged their properties to raise funds usually preceded this by interacting closely with one notary. Bibiano Aguilar, for example, borrowed in 1890 and 1895 only through the office of Patrón Zavalegui. Each of his loans was from a different lender, using different collateral in his small hometown of Conkal (about ten miles east of Mérida). Aguilar was a trader and his main residence was in Mérida, but he owned property in his hometown. In the first recorded mortgage, he borrowed from a well-known Mérida trading-house owner, Eusebio Escalante Bates; the subsequent loans were through local Conkal residents.<sup>30</sup> Aguilar's occupation is significant because it confirms a trend in the Yucatán credit market: borrowers who were linked to henequen most often borrowed from lenders who were also involved in the production and trade of henequen.

Another measure of constancy in the borrowing pattern was that repeat borrowers ended up borrowing through the same notary every time, although most of them in the data set did it only once. Any conclusions about borrower behavior must take into consideration that repeat borrowers were a small portion of total borrowers. Their proportion among borrowers over time did not change in a systematic way, and it was actually slightly lower in 1895 (14 percent) than in 1850 (when 24 percent of borrowers were repeat borrowers).<sup>31</sup> Borrowers rarely borrowed more than once a year (except in 1885, when a higher proportion borrowed a greater number of times), and when they did, they never borrowed from the same lender twice. So, while borrowing repeatedly was rare, it was accompanied by high rates of loyalty. Column 1 in table 4.8 illustrates this factor and shows the low rate of repeat borrowing, which is, however, matched in column 2 by extremely high levels of loyalty among these repeating borrowers, a loyalty that cemented their relationship with the notary. Column 3 accounts for the average number of loans in which repeating borrowers were named.

Table 4.8 shows that borrowers tended to follow lenders to the same notary in successive transactions and in doing so, as table 4.7 illustrates, increased the market share of a few notaries. Notaries who benefited from the rise in market share were profiting from the increasing concentration

**Table 4.8** Repeat borrower and borrower loyalty

	1	2	3	4
	Percentage of mortgages by repeat borrowers <sup>a</sup>	Percentage of mortgages by loyal borrowers <sup>b</sup>	Number of mortgages per repeat borrower	Total contracts in year
1850	24	50	2.29	70
1860	24	25	2.29	68
1870	23	52	1.94	135
1875	14	50	2.00	58
1880	28	66	2.07	103
1885	30	78	3.12	184
1890	20	100	2.08	129
1895	14	69	2.29	111

SOURCE: Protocolos notariales, AGEY and ANEY.

NOTE: Repeat borrowers may also be loyal borrowers, so column 1 plus 2 may exceed 100 percent. A "repeat borrower" is a borrower who transacted more than once in a given year.

<sup>a</sup>The number of mortgages by repeat borrowers is divided by the total number of mortgages.

<sup>b</sup>The number of mortgages by loyal borrowers is divided by the total number of mortgages by repeat borrowers.

of information about their clients. Consequently, notaries became recipients of information about their borrowers (especially repeat borrowers), who benefited informally by having access to the notary's information about his other clients.

In an economic climate of high expectations and growth, information contained in the notarial ledgers, such as in the sales contracts, wills and testaments, and other documents attesting to a particular client's assets and reputation, became important, if not essential. The effect of this information chain fostered the relationships between potential borrowers and notaries who were known to have prolific client networks,<sup>6</sup> and this tight connection then reinforced the relationship potential lenders might have with a notary, especially if they relied on him to provide information about a borrower's creditworthiness.

What this demonstrates is that the crucial, fundamental, and decisive relationship in the mortgage market was between borrower and notary, and not between lender and borrower. The success of the mortgage market was predicated on the fruitful outcome of the agreement between lender and borrower, but the notary was the crucial link between them. As table 4.8 shows, in every year except 1860, loyal borrowers accounted for at least 50 percent of repeat contracts. The notary helped borrowers gain access to lenders, and he was the constant element in the transactions,

because none of these borrowers dealt with the same lender twice. In his daily and mundane dealings of recording wills or sales contracts, the notary garnered valuable information about his clients. The increasing loyalty of his clients implies that the centralization of activity among a few notaries contributed significantly to the agility of the market, especially if we think of this market as the space where lenders and borrowers interacted.

**BORROWERS AND NETWORKS** Owning productive land or having the means to trade Yucatán's most profitable crop was, of course, crucial in order to borrow. Borrowers, especially those who remained loyal to one specific notary, also had identifiable stakes in the region's main agricultural activity. Fig. 4.2 illustrates how significant land (a proxy for henequen) and henequen trading was for borrowers in this credit market. The columns display the proportion of loans to all repeat borrowers who were landowners or traders versus the proportion of all mortgages lent to all borrowers not explicitly involved in henequen production or trade.

Fig. 4.2 is a graphic representation of what happens in small, concentrated, and growing markets. The economic momentum drives resources to the sector of the economy where its return is highest and most certain. In matters of credit, the bulk of the wealth generated by the henequen boom was lent to people involved in the trade or production of henequen. The graph is also a powerful illustration that the credit provided by the trading houses was not the only way to finance growth in the industry.

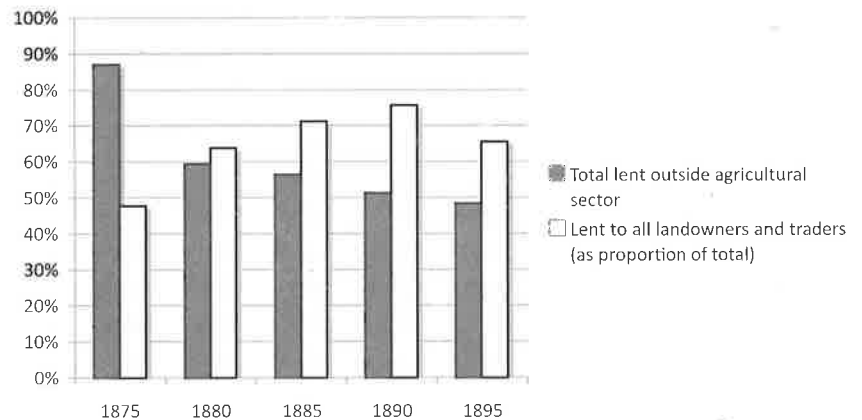


Fig. 4.2 Destination and use of loans  
SOURCE: Protocolos notariales, AGEY and ANEY.



The share of loans to borrowers involved in henequen increased after 1875, even as other borrowers, such as cobblers or schoolteachers, obtained access to credit. The bulk of credit went to borrowers involved in the henequen economy, who not only had more valuable collateral (henequen or access to it) but also perhaps had greater need to raise capital for their commercial endeavors.

The henequen boom and the increasing value of agricultural land used for the production of henequen affected the mortgage market in a most obvious sense—henequen became a prized collateral commodity. In an environment rife with risk, henequen became a safe haven for creditors, who showed a growing preference toward borrowers with a connection to the henequen economy. As an increasing number of people devoted themselves in one way or another to this agricultural sector, their proportional part of the mortgage market increased. This trend is reflected in the occupations that borrowers stated in the contracts, where most of the borrowers identified themselves as traders and large landowners.<sup>32</sup> However, as the market turned more and more to agricultural borrowers, the occupational spectrum among borrowers widened. Cobblers, seamstresses, schoolteachers, and urban artisans also gained access to the credit market. Other merchants, such as butchers, fabric retailers, and a few clerical workers, also joined the ranks of the borrowers. However, among all these borrowers there was never a single repeat or loyal borrower who was a cobbler, a construction worker, a tobacconist, seamstress, or sorbet maker.<sup>33</sup> Perhaps not surprisingly, in this economy that now relied so much on henequen, borrowers who were not large landholders, henequen traders, or individuals that invested in henequen production remained a small component of this credit market.