Global Economic Governance During the Middle Ages: The Jurisdiction of the Champagne Fairs

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To be published in *International Review of Law and Economics*
Abstract

This article reviews the history literature on the Champagne fairs and points to reasons why Avner Greif’s (2006) model of collective responsibility and inter-city reprisals may not apply. The literature shows that the unique success of this trading platform rested on a limited-access, extra-territorial jurisdiction, with a de facto global reach: contracts and judgments issued at the Fairs were expected to be enforceable across Europe, via a mix of agreements and power struggles with local, municipal courts. The threat of reprisals worked merely as a reflection of the specific market power first accumulated by the Fairs, and then lost. Hence, analytically, they may still be envisaged as an equilibrium institution, though one that does not emerge from horizontal interaction between independent, similarly-weighted cities, as in Greif’s model: vertical interaction between merchants communities and political rulers have to be envisaged. Insolvency, rather than pure moral hazard, is used as the reference case for market disorder, calling for some mechanism of long-distance enforcement.
1. Introduction

The Champagne Fairs are generally seen as a most significant episode in economic history for at least one good reason: they were the first large, cross-European trading place to emerge after the Dark Ages. From the early twelfth century and for some two hundred years, Mediterranean traders, primarily the Italians, travelled to Champagne and sold luxury goods like spices and silk. On the return trip, they typically carried Northern European textiles, such as English or Flemish woolen fabric. Later, debt instruments were also exchanged on a large scale, making the Fairs as well the first European financial place. Lombard (read “Italian”) bankers were the dominant and the most innovative force in this market.

However, more than in trade per se, scholars have been mostly interested in the legal and institutional set-up within which exchange flourished again. Already in the late nineteenth century, German historians engaged in a fierce debate about the respective development of self-governed cities and fairs—including the Champagne ones. The great legal historian Levin Goldschmidt [1], or Siegfried Rietschl [2], asserted that cities were established around pre-existing markets where wealth and entrepreneurship had already accumulated. Alternately, the great Belgian historian Henri Pirenne [3,4], and even more so Max Weber [5], brought all their weight beyond the “city-first” thesis. Only these unique, early liberal political entities, they argued, could design the rights and institutional infrastructure that complex markets require. Huvelin [6] then proposed a kind of third way: while some commercial institutions, like merchant guilds and their courts, emerged most clearly at the municipal level, he argued that fairs, especially the largest ones, were founded and ruled on the basis of privileges granted by a lord, typically a king. Two relatively independent genealogies of market institutions may thus be identified, which responded to contrasted rules of interaction with political rulers.

Remarkably the more recent contributions to this debate have followed similar lines of argument. In an influential article, Milgrom, North and Weingast [7] have taken again the case of the Champagne fairs and proposed a formal model built on an avowedly “market-first” perspective: in their view, the only third party in charge of regulating exchanges was “private judges” who could ostracize dishonest merchants. Greif [8,9], on the other hand, aligns rather with the alternate, “city-first” perspective. In his view, the key rule was the threat of inter-city reprisals, hence a principle of collective liability, which induced municipal courts to punish all delinquent merchants in a similar manner, without discriminating foreigners.

In other terms, what these many authors discuss are competing perspectives on the relationship between contractual exchange, the jurisdiction of markets, and the broader political order. And what first attracts them to the medieval commercial revolution is the “pre-Westphalian” context of those
times. Territorial states with uncontested sovereignty and a monopoly over legitimate enforcement capacities were at best embryonic, so that, in practice, people, including merchants, were subjected to multiple overlapping jurisdictions—monarchic, feudal, municipal, religious, imperial [10, 11]. Rather than being neatly drawn, borders were thus diffuse, so that the contrast between domestic and international trade, as we know it, was not yet established. Even the legal and political difference between foreigners and local people, or citizens, is difficult to delineate [12, 13]. For these reasons, the enforcement of market discipline was doomed to rely upon institutional solutions quite different from those that would be developed later when uncontested territorial sovereigns would hold sway.

The ongoing discussion on the Champagne fairs is weighed down however by the difficulty in accessing the core history literature. First, the main contributions are written in French, Italian, German, and English—in this order. Second, most of them date from the 1860s to the 1950s, and are generally to be found in low-visibility, often defunct, undigitalized publications. This article starts therefore from a comprehensive reading of this body of literature. On that basis, it revisits the “old German debate” from a perspective that is explicitly inductive: it starts from the unique, though most significant, experience of Champagne and tries to draw more general conclusions about the governance of early long-distance markets.1 Who ruled the Fairs and how were these rulers controlled? What made it possible to enforce contracts and judgments in places as far away as London and Florence? And why did the Fairs in Champagne receive such major support from merchants across Europe, and for such a long period?

In a recent contribution, Edwards and Ogilvie [14] have taken a comparable line, starting from a bibliography quite close, though not identical to the one being used here. Their main aim, however, is to denounce the light political dimension of models like those that have been just mentioned: they thus discount the role of both private-order institutions and reprisals, and build a strong case defending that the Fairs were, in practice, strongly and directly anchored onto existing political and judicial institutions. Even the demise of the Fairs would have responded to political causes. After they had long prospered under the benign protection of the Count of Champagne, the absorption of this province into France would have caused the sudden death of this market, at the hands of a short-sighted, cash-strapped king.

This article does not contest the main propositions and empirical evidence brought forward by these authors [14]. It differs by offering a more analytically developed explanation of how and why the Fairs worked so well by looking at both the local and the European levels. Regulatory institutions in Champagne actually addressed problems of “global governance” in a formal manner. At the end of a long process of trials and errors, the response they proposed was very much akin to a limited access, extra-territorial court, with a pan-European jurisdiction. In their mature age, contracts and judgments

1 By convention, in the following pages, Fairs (with a capital letter) refers specifically to the Champagne market, while fairs (without capital letter) is used as a generic term, independent of location.
that carried the seal of the Fairs benefited from universal, across-the-board priority over those of all other trading places. In case of default, these debt titles were supposed to be senior against any other in Europe. Moreover, for decades, a large corps of Fairs officials is known to have ridden to places like London, Ghent or Sienna in order to obtain judicial cooperation. They relied at this point upon a complex game of agreements, bargains and power struggles with political authorities, which unfolded in the shadow of ever-possible reprisals. Accounting for this remarkable trade regime asks that one engage constructively the propositions of other authors and hopefully come up with solutions that better account for the available empirical knowledge.

In practice, the analytical discussion that builds on the history literature starts from a puzzle in Avner Greif’s model of collective responsibility [8, 15, 16]. On the one hand, he briefly refers to the Champagne fairs, and rightly so. They relied extensively on reprisals against distant cities. On the other hand, this trading platform could not be regulated only by a decentralized, “symmetric” and informal regime of reprisals between free cities, for one simple reason: in Champagne, there was just no significant community of merchants or producers that could be blackmailed [17]. The Fairs were in fact in the hands of feudal lords and their men, hence the problem pointed at by Edwards and Ogilvie of how to control their discretion or arbitrariness. Some kind of transaction or agreement between lords and merchants must have taken place in order for this complex, cross-European market to be sustainable.

Following Huvelin’s “third way” perspective, this article proposes a seigniorial model of the Fairs that complements Greif’s city-based framework. Drawing from Brousseau, Sgard and Schemeil [18], it is argued that market participants voluntarily submitted themselves to stringent Fairs rules, though only to the extent that they received proportionate guarantees against extortion. The clause that made this deal viable was neither a grand constitutional commitment, nor a pledge of allegiance or loyalty, as was the case of most relations of governance in those times. This clause was much simpler: because participation in the Fairs was based on contract, continuing negotiations on how the Fairs worked were a built-in possibility; alternately, if things went wrong, the merchants could have always opted out of the Fairs, at a comparatively low cost. The architecture of this market may thus be envisaged as the equilibrium-based outcome of an on-going bargain between merchants and rulers that remained however bounded by this relatively weak “quasi-constitutional rule” [19]. Still, access to this large market and to the services offered by the Fairs empowered merchants, so that trade expanded, private demands changed and the institution evolved: a fully-fledged jurisdiction or an efficient, cross-European enforcement mechanism could thus be gradually developed, which eventually made this market unique in history.

Section 2 of this article starts with an account of how the history literature on the Champagne fairs developed, and then presents a hopefully non-controversial summary description of their organization and governance. The following section discusses Greif’s model of reprisals and underlines the
difficulty of accounting, on that basis, of the presence in Champagne of a large debt market, directly exposed to the generic problems that arise from defaults to multiple creditors. Section 4 delves into the specific Champagne-based system of inter-city reprisals and how it was articulated on a mechanism of cross-border judicial coordination, based on formal principles of hierarchy and extra-territoriality. Section 5 builds inductively on these various elements and proposes a simple, equilibrium-based account of the institutional dynamics that accounts for the unique development of the Fairs as of their eventually demise.

2. What the Historians Know about the Champagne Fairs: A Description

2.1. The Development of Scholarship.

The two largest and most widely quoted studies of the Fairs date from the nineteenth century. Bourquelot [20] was the first to explore systematically the core archives and present his results in a manner consistent with modern scholarship norms. Huvelin’s 1897 thesis [6] on the law of the fairs is the natural complement, which also retains high value. The main criticism that these authors received was to rely mostly upon rather late and formalistic descriptions of how the Fairs were established and regulated. Among those who also worked on this material are Goldschmidt [21] and Bassermann [22], on debt contracts and payments. Less important contributions include Alengry [23], for instance, or Chapin [17], who documents the (weak) link between the Fairs and the local cities. The third most prolific man in this field, however, is Robert-Henri Bautier who investigated more systematically the written remains of the Fairs, especially micro-level documents like contracts or debt registers, including early ones. However, his main contributions, between the 1940s and 1960s, were more traditional in approach than what present-day economic historians may expect. Lastly, in this core literature is Thomas [25] who proposes an original account of the decline of the Fairs.

In addition to this central research line, one finds a number of contributions that look at the Fairs on the basis of archives of municipalities, trading houses or notaries located outside Champagne. After Des Marez [26] and Pirenne [27], Flemish archives were extensively explored by the latter’s student, Laurent [28, 29, 30, 31], who is another major contributor to the field. Then there are De Roover, for instance, with his 1946 study of the Bruges fairs [32], and Ammann [33], who references the many German cities that had trade links with the Fairs. From an Italian perspective, Sapori [34] surveyed in detail the Champagne operations of the Florentine Peruzzi House. In a similar vein, Chiaudano [35] dealt with the Ugolini House and Bigwood [36] with the Tolomei, both from Sienna. Later, Face [37, 38] and Reynolds [39] explored the notarial archives left in Genoa by traders who shuttled between Italy and Champagne. This Italian scholarship is comprehensively discussed by Berlow [40].

2 Bautier maintained a considerable amount of clear blue water between himself and the more innovative Annales school. But, in turn, this latter movement did not publish much on the Champagne fairs. On this issue, Braudel [24] only quotes Bourquelot and Bautier.
The third main body of publications is more recent and delves only laterally into the Champagne story. One finds here the broad, well-known, panoramic surveys of medieval trade, like De Roover [41], Lopez [42] or Verlinden [43]. Fernand Braudel’s three-volume work on early capitalist development also falls into this category [24]. One step further away from the Plains of Champagne, authors with very little to say about the Fairs have addressed, often in detail, specific institutions that actually affected them. One is the medieval Law Merchant, with a literature mostly written in English and Italian. The later authors, like Fortunati [44], Galgagno [45] and Padoa-Schioppa [46], present the comparative advantage of being closer to Continental sources, though Donahue [47] or Kaddens [48], for instance, contribute also to this discussion. Another issue is how the local judicial orders addressed reprisals, and, more generally, cross-jurisdictional conflicts over commercial contracts and bankruptcy. A large bibliography may be drawn upon, starting with legal treaties, like De Mas Latrie [49], Del Vecchio and Casanova [50], and Colbert [51]. They are completed by mostly Italian case studies that explore how reprisals were envisaged and regulated: examples extend from Venice [52], to Florence [53] or Bologna [54], while Moore [55] discusses the English experience, specifically in the case of the St Ives fairs. Ogilvie presents a more general overview of the commercial institutions that supported medieval and early modern economic activity [56].

2.2. The Institutional Architecture of the Fairs

Though the origins of the Champagne fairs are unknown, they are generally considered to have emerged as a major trading hub at the turn of the twelfth century, at the heyday of the medieval economic recovery.¹ This also corresponds to the time when the Count of Champagne enacted the first in a long series of statutes about them (1137). Most authors would probably agree as well that the thirteenth century corresponds roughly to the classical age of the Fairs, a period when their institutional framework reached maturity and when their centrality in European trade is most clear. This is also a time when the presence of a developed debt market and a center for monetary clearing and settlement are clearly attested. The denier de Provins, a silver currency issued in one of the local towns, circulated at that time all over Europe; floating exchange rates in this central money market were all expressed in terms of deniers [20, 21, 22, 41].

From an organizational perspective, and from an early hour, there were six successive fairs each year, each of them taking place on precise dates, in four different small towns, about 120 km east of Paris (hence the plural, in the fair-s).² Each fair lasted roughly two months, so that, in practice, the market

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¹ [20, 57]; Alengry [15], Bautier [57,58], and Edwards and Ogilvie [15] discuss alternate hypotheses regarding the chronology of the Fairs.
² Bourquelot [20], Huvelin [6], Goldschmidt [21] and Bessermann [22] describe in detail the sequences of exchanges, the registration of transactions, the clearing of payments and fair-to-fair lending by Lombard bankers. Private contractual practices are discussed, among others, in Bautier [59, 60], Face [37, 38] and Roger [61], Roover [41].
worked all year round. The unfolding of each of these fair was also minutely codified: merchants first had a number of days to arrive and settle; different types of goods would then be successively exchanged; and a two-week final period was dedicated to the clearing of payments, then to the signing and sealing of debt contracts that would extend payment to one of the following fairs. At that moment, if any debt remained unpaid or non-financed, the debtor was declared in default: future access to the market was closed, and his goods and person could be seized. Indeed, there was a prison at the Fairs.

Two Gardes des Foires, appointed by the Count of Champagne and later by the King, were supported by a number of officials like the Sergents des Foires, or bailiffs, and later by public notaries. They were in charge of governing and policing the fairs, a mandate that started with the supervision of the conduit, i.e., the physical protection granted to all incoming and outgoing merchants and to their merchandise, during the whole journey. In practice, the King of France contributed from early hour (1209) to the constant diplomatic efforts that allowed the conduit to remain operational. Examples include interventions in support of merchants from Piacenza or Venice, or for attacks suffered in Provence or in Pavia [6, 20], though the mandate of the Serjeants also extend also to un-paid debt.

The social organization of the market was also tightly regulated. Merchants who traded in the same product had to open shop at the same place, and those who came from the same city had to live together. Most of them were organized in Consulates that interacted directly with the Fairs’ authorities and adjudicated conflict among their own members. In the glory days of the Fairs, there were no less than 22 Italian consulates in Champagne, plus Spanish, Flemish or Southern French ones. The former eventually came under the umbrella of a single “Capitano”, who was therefore one of the great men of the place. Both the Consuls and the Capitano, however, were agents of city governments, hence they had an explicit political character. They were not the representatives of the merchants’ communities, or their guilds.

2.3. The Jurisdiction of the Fairs

What was missing until well into the thirteenth century was a specific jurisdiction. Before that time, in order to confirm their contractual rights, merchants typically relied on multiple enforcement guarantees. They asked that their contracts receive the seals of different powers, like the civil courts of the Champagne province, municipal authorities, a local lord, or, quite often, a bishop or an abbot [6, 14]. Hence, in case of trouble, they were able to rely upon multiple, possibly complementary remedial strategies. Bautier [60], for instance, has studied 180 letters of credit issued between 1255 and 1262 in

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5 The staff of the Fairs eventually became quite large. In 1317, there were 40 public notaries in Champagne, versus 60 at le Chatelet in 1314; there were 140 sergeants or bailiffs (1317), compared with 150 in Paris in 1309; see Bautier [59] and Bourquelot [20].

6 For the collective organization of the Italians in Champagne, see Bourquelot [62], Huvelin [63], Schaube [64], Sayous [65]; see also Goldschmidt [21] and Amman [33] regarding the German presence at the fairs and the local “Haus der Deutschen”.
Champagne by the Ugolini trading house, from Sienna: all of them were covered by several seals. He also states that the Pope had a personal agent at the Fairs, with the authority to engage his master’s authority so that the threat of ex-communication would have contributed directly to market discipline.\(^7\)

A fairs’ jurisdiction emerged from a long process of institutional and political consolidation. As analyzed by Bautier \([57, 58, 66]\), the Gardes first confirmed contracts with their personal seals: the first known occurrence dates from 1225. Then a Seal of the Fairs appeared for the first time on a 1257 document, a clear signal that a fully fledged jurisdiction had emerged. This seal no longer represented the individual person in charge of it, but the court per se; hence it underlined the perpetual character of this institution. The next threshold point was reached when the Fairs were transferred under the authority of the King of France in 1273. From then on, their jurisdiction was explicitly anchored onto the Paris central court of justice, le Châtelet; together with the Grands Jours de Provins, this is where final appellate trials took place \([6, 14]\). The Champagne fairs and the Paris Châtelet were also the first two institutions in France to receive a Grand Seal. This endowed them with considerable judicial authority: sentences rendered at the Fairs were enforceable across the whole kingdom, notwithstanding the local courts and seigniorial authorities.\(^8\)

The royal statutes made clear, however, that trials should follow the typical rules of merchants’ courts: rapid pace adjudication, difficult access to (non-suspensive) appellate procedures, and a large role given to equity principles; the possibility to play for time and to contest jurisdiction were also clearly limited \([6, 30]\). Prison for debt could be decreed much more easily than under any other jurisdiction, even before the case had been judged. Not in the least, many edicts and declarations reiterate that the Fairs judges would not follow the \textit{ius commune}, i.e., everybody’s local civil law, but les \textit{coutumes des marchands}. As usual in those times, however, the insistence on rules of procedure contrasts starkly with the absence of any description or codification of these customs, a point that does not imply, however, that they did not exist \([46, 47, 48]\). Hence, this Champagne court(s) became part of the legal and judicial order of the kingdom, but, as a \textit{jurisdiction d’exception}, it remained governed by specific rules with regard to altogether substantive law, procedure and execution.\(^9\)

2.4. \textit{The Decline of the Fairs}

The emergence during the 1370s of a new institutional set-up, fully integrated into the monarchic order, is altogether highly significant and quite confusing. First, much more archival sources are

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\(^7\) Both Bautier \([57]\) and Bässermann \([22]\) make this point, but they offer only limited information on how it was leveraged to the benefit of which type of creditors.

\(^8\) The literature is not entirely clear on whether a single court was eventually formed, or whether the decisions of different judges, all based in Champagne, could benefit from the high protection of the Fairs, if needed.

\(^9\) As usual on the Continent, the law that governed transactions between merchants, like sales, debts, partnerships, or bankruptcy, was no part of the local civil law. This pattern is still observed today in most Civil Law countries, including France, where commercial law and commercial jurisdictions are formally separated from the respective civil institutions.
available on the ulterior period than on the previous one, though they typically come through the prism of judicial and executive decisions. Second, the political discontinuity should not be overstated: in the 1270s, the King had been a party to the overall management of the Fairs for many decades. As said, since 1209 he had been in charge of the Conduit hence, based on Huvelin [6], of most of the relationships with foreign princes and cities, which were essential to the continuing success of the Fairs; of course, his leverage in this complex game was far superior to that of the local Count. Last is the contested question of whether over-taxation was a factor in the eventual demise of the Fairs.

While most authors probably agree that their golden age was at an end in the 1290s, shortly after absorption into the kingdom, others also point to continuing regulatory and market activities until the 1320s, if not the 1340s. Bautier, for instance, defends that the commercial fair started to decline as early as the 1260s, and that financial exchanges experienced a “brutal decline” sometime after 1320. As they try to account for this demise, authors first point to structural developments in European trade flows. New business techniques would have allowed merchants to stay home and send permanent agents to foreign trading cities [41]; the North-South trade in Europe may have shifted to either the maritime route, or eastwards, via the new road opened between Italy and Germany, through the Brenner Pass [24]; and the emergence of a strong textile industry in Northern Italy might have changed relative advantages [58]. These factors may then be complemented by non-economic exogenous shocks: a series of wars between France and Flanders from the 1290s’ onwards, then between France and England after 1337, plus the Black Plague of 1348, which is often seen as the official end to the medieval recovery.

Still, Bourquelot [20], Bassermann [22], Alengry [23] and Milgrom et al. [7] all give the first role to taxation. Edwards and Ogilvie [14] have restated the argument and built probably the stronger case for such a direct link. They assemble many pieces of evidence, mostly from the 1290s, of a sharp increase in tax rates as of occasions when Italian bankers have been molested, discriminated or expelled from the country [67]. Apparently, similar attacks were also targeted at the Jews [25, 67]. Given that this repressive cycle came about closely after the transfer of the Fairs under royal authority, and as it was followed by a documented decline in trade, Edwards and Ogilvie conclude on an actual, causal link. The main puzzle raised by this explanation is that the Lombard bankers left for Bruges and London, but also for Paris and Lyon apparently.10

Thomas [25] provides the main alternate account of the decline of the Fairs. It is a synthetic rather than a mono-causal account, and gives more consideration to the continuing activity of markets until the mid-fourteenth century as well as to the many attempts to re-launch them.11 Thomas first accepts

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10 Bourquelot [62] mentions the departure of Italian bankers to Lyon as early as 1296. Together with Braudel [24] and Bautier [58, 67], de Roover [41] also defends that the Fairs' decline was due, among other things, to the competition from Paris, where many Italian banking houses were established, though they traded in Champagne. In turn, during the course of the 15th century, Paris would have lost ground to Geneva and Lyon.

11 Edicts reforming the Fairs were issued in 1324-26, 1331, 1344-45, 1351 and 1360.
that regulatory interventions and taxation have affected trade flows. He then defends that, after 1315, especially between 1322 and 1326, when the King tried to re-launch the Fairs, via open negotiations with the merchants’ communities, this would have proved too late: underlying structural developments in the European division of labor now made trade reversal too difficult, and thus gave a path-dependent character to the initial fiscal shocks. Second, on the financial side, the gradual strengthening of a number of principalities and emerging states would have weakened the cross-jurisdictional regulation of the Fairs. This would have made the enforcement of debt contracts more difficult across more rigid borders. Moreover, as great feudal lords, cities and Church grande es borrowed in increasing number at the Fairs, this market would have also shifted (in today’s terms) from the financing of trade and private businesses to something closer to a sovereign and municipal debt market. This subjected the Fairs to interests with which they could not easily cope when under stress. Against this backdrop, Thomas identifies two proximate causes of the collapse of the Fairs: first were communitarian pressures against usury, specifically in the case of Lombard bankers and the Jews; second, the beginning of the Hundred Years War changed almost overnight the French King’s trade-off between the long-term benefit of a financial market and fiscal expediency. He then killed the (Italian) hen with the golden eggs before Edward III of England defaulted on his own debt to the Bardi and the Peruzzi houses in 1343–46 [68]. Bank failures in Italy would have then signaled the end of a first era of financial integration.

Without denying the specific value of the respective arguments, it is a fair bet that the exact circumstances and timing of the Fairs’ demise may never be fully identified. Archival records are fragmented, and it is hard, by definition, to assess the balance between external shocks and the inner resilience of a market that coordinated such a large array of private interests. Beyond this, explaining the demise of a given institution is not the same thing as accounting for its logic, i.e., for the actual rules and interests that held it together and allowed it to operate in this case for so many decades and over such a large geographical space. At this point, a more analytical, or synchronic, approach should be more fruitful.

We now discuss in more detail how the Avner Greif model of reprisals accounts for long-distant medieval trade. The next following two sections (4 & 5) then formulate a set of hypothesis that may help understand why the Fairs worked with such success while also shedding some light on the internal fault-lines that may have contributed to their collapse.

3. Avner Greif’s Symmetric Game of Reprisals

3.1. Free Cities in a Cold War

Like Milgrom et al., Greif [8, 9] founds his model of market discipline on the notion of credible threats of exclusion and shapes his overall argument in game-theoretic terms. However, contrary to the
former contribution, the players in his game are not individual merchants, but communities of merchants, or, in fact, cities, fully equipped with courts, enforcement institutions, and a local monopoly over the legitimate use of coercive power. Market discipline then arises from the threat of mutual reprisals between cities: if a given trader has behaved badly, it is up to his home city to sanction him and compensate the aggrieved business partner. If this does not happen, then the goods of any traders from this city may be seized. Third parties would thus support the cost of bad behavior by fellow citizens, unless they could bring order within their own ranks.

The institutions in charge of this game are the municipal courts, which Greif models as intrinsically (initially) biased against foreigners. The threat of reprisals thus works as a corrective mechanism that forces judges to repress all delinquent traders in a similar manner—both local ones and foreigners. The similarity of sanctions across municipal jurisdictions signals therefore that they are actually coordinated: they all work independently though in parallel, along the same substantive principles. This decentralized, informal institutional equilibrium is deemed to have made long distance trade sustainable.

Significantly, this model presents many similarities with the realist paradigm in International Relations theory: sovereign entities interact in anarchy and may converge (for instance, in a Cold War context) toward an informal rule of mutual deterrence that works independently of domestic institutions—despotic or liberal. The policy-making or adjudicating process is supposed to be entirely dominated by the brutal pressure exercised by the international realm. Therefore, this is a world where burghers may bargain through political institutions with their prince, and where the princes interact strategically with each other in a lawless environment. Although this framework is analytically powerful and consistent, it also comes with two serious drawbacks that extend to Greif’s model. Both perspectives envisage international order, or coordination, as the result of expectations that reflect perceptions of raw power relationship; hence they tend to discount the role of formal rules and organizations, like those governing a global trade platform, for instance. Somewhat paradoxically, they may also have difficulties accounting for the specific impact of private agents and market power on global governance: by construction, Greif’s medieval model asks that all trading cities have a similar weight; if not, smaller players may have difficulties disciplining larger ones, so that exchanges may be affected.

3.2. Market Exit and Bankruptcy

12 This feature is most clearly reflected in Greif equivalent use of the terms “communities” and “cities”. See Mearsheimer [69] for a classical exposition of the realist perspective in international relations that underlines the limited relevance of both international organizations and domestic institutions, in mediating interactions between sovereigns. Bull [70] is another classical text on the international society that discusses the pre-Westphalian, medieval European order.
These two underlying terms - institutions and hierarchy – shape indeed the discussion about the type of transactions that may take place at the Fairs and how the underlying contractual risks are addressed. In practice, Greif aligns with the many authors, including Milgrom et al., who envisage market discipline as a problem of opportunism or moral hazard, i.e., behaviors that are typically referred to as “cheating”. A credible threat of ostracism should then bring delinquent traders back into the fold, via straightforward rational expectations of eviction. An entirely different class of disputes arises from insolvency: a situation where trading is credit-based (rather taking the form of cash transactions or barter), and where a merchant with multiple creditors becomes unable to pay back all his due. Rather than a more effective endogeneization of market rules, this situation calls for a paradigmatic bankruptcy rule: a tightly regulated, judicial procedure that first forbids further transaction by the debtor, then coordinates creditors, and eventually confirms a rule-based distribution of capital losses, typically based on some seniority rule—with or without liquidation. These elements explain why a bankruptcy rule is always a very public, hierarchic institution that mobilizes the unique legal and coercive powers of a sovereign: city ruler, prince or parliament.

Yet, because they are tied to a superior (or sovereign) political authority, bankruptcy procedures typically work within a given jurisdiction. Problems of coordination thus emerge as soon as merchants start picking up debt abroad. If a bankrupt merchant has debts in Champagne and goods in Flanders and England, the superior solution is obviously to pool them and impose a single rule of distribution among all creditors, enforced by a single judge. Alternately, a hierarchy of jurisdictions (hence of debt titles) may govern the distribution of dividends, so that some creditors would be served before others—perhaps those whose debt titles carry the seal of the Champagne fairs? If no such mechanism prevails, territoriality and procedural fragmentation will tend to dominate, so that defaults among long-distant merchants will probably deliver messy, unpredictable and unfair outcomes. In practice, a cross-border debt market of any significant size may not emerge at all.

These two paradigms of market crisis, namely moral hazard and insolvency, thus call for contrasted models of judicial coordination. In Greif’s model, courts work independently though along similar substantive principles, so that conflicts of jurisdiction have not to be envisaged. In the case of

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13 Without question, default and bankruptcy may be caused by moral hazard, for instance if debt write-offs are easy to obtain or if the institution is manipulated. Still, incompetent businessmen, failed technical innovations, unanticipated price movements, liquidity or demand shocks, are other standard, external causes of insolvencies.

14 Santarrelli [71] documents how these typical features of a bankruptcy law were gradually assembled in the northern Italian cities, mostly during the course of the 12th and 13th century. Classical contributions from the economics of bankruptcy laws include Jackson [72] and Warren [73].

15 The issue of bankruptcy law is mentioned in Greif [8, page 325, note 19]: “Budget constraints are ignored. Bankruptcy under the community responsibility system introduces a difficult state verification problem, which was recognized during the period. Communities had to pay.”

16 The opposition between a universal and a territorial approach to bankruptcies has shaped the debate on cross-border cases since the seminal essay by Carle [74]. See also Elliot [75] on the outcome to be expected from similar though independent bankruptcy procedures, working in parallel; Omar [76] and LoPucki [77] for recent restatements of the debate between universality and territoriality.
bankruptcy, procedures have to be coordinated, either by formal rules, like an international treaty, or via a de facto, informal hierarchy; both imply however that jurisdiction over specific persons, goods or contracts may have to be explicitly ceded. This is where the realist game between political players comes back into the picture: judging one’s own subjects has been since the Middle Ages a core attribute of what sovereignty is about, however narrowly established sovereignty is. Hence, ousting one’s subjects from their home jurisdiction has never been an easy decision—even when those subjects are opportunistic, serial defaulters.

We now turn back to the specific case of the Champagne fairs and analyze: i) how reprisals were articulated to formal rules of coordination with local jurisdictions, across Europe; and ii) how this regime was explicitly hierarchic, so that the Fairs’ jurisdiction over market participants was de facto global.

4. Market Discipline and Reprisals

4.1. Inter-City Reprisals

Retaliation against merchants and their home cities were not necessarily an archaic institution that would have belonged to an early phase of institutional and economic development. The literature shows that, while rather unregulated forms of reprisals seem to have been common in England for instance, including at the St Ives fairs [55], in Italy they became at an early hour an entire part of the emerging rules of international public law that structured relationships between cities [50, 52]. As underlined by Pirenne, the Princes and the Podestas were keen to control the risk that private wars, or tit-for-tat excommunication games, could get out of hand and contradict their emerging raison d’Etat [27, 78]. This institutionalization process is illustrated in the way reprisals were organizationally and procedurally articulated to domestic bankruptcy procedures, which were already at that time highly structured public institutions [71]. Until the early eighteenth century, reprisals would remain without much formal evolution an accepted international remedy offered to private agents; we may even see a distant trace of this practice in the still active rule of reciprocity [49, 51].

Though a rather informal regime of reprisals may have been at work at an early hour in Champagne, the Fairs eventually followed the rule-based, Italian route: this regime reached maturity at about the

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17 Moore [55] underlines the local and rather informal character of the St Ives fairs, which are generally considered as the most important in medieval England: 67% of the participants came from fewer than 50 miles; 8.8% came from abroad, though none of them from Italy, Spain or Southern France.

18 “The right of reprisal is conceded by the sovereign to a private person when judicial remedies in the foreign country have been ineffectual; this person may then take back his property or its equivalent, possibly by force. (…) It is therefore a right that is essentially public and which belongs to the sovereign.” [49].

19 The conjunction of collective liability and the ultimate institution of individual responsibility—bankruptcy—was clearly observed in Florence where the court of the Mercanza managed both bankruptcy proceedings and reprisals, whether Florence had the initiative or whether it was at its receiving end [50, 53]. A similar account has been made in the case of Venice [52].
same time when the Fairs’ jurisdiction had been fully developed. The first documented case of retaliation was apparently brought against merchants from Cologne (1260), and then from Cahors in South-West France (1264); later cases involved Maline in Flanders (1277), Florence (1279), England (1299) or the Duchy of Lorraine (1315) [57]. The procedural steps that could eventually lead to outright reprisals have also been well documented [6, 22, 30, 57].

i. If a payment due at the end of the settlement period of each single fair was not paid or not financed, the debtor was declared in default and market exit was governed by elements of a local bankruptcy rule. The debtor’s person and his goods were seized if he was still in Champagne, and future access to the Fairs was closed (the so-called défense de foire). Liquidation of assets was standard practice and the return on those sales was shared on a pro-rata basis among all Fairs’ creditors. There are suggestions that arrangements between creditors and debtor could be confirmed, though evidence regarding majority vote are scarce and contradictory [6, 31, 79].

ii. If this could not be obtained, typically if the delinquent traders had flown away, the first formal step for the creditor was to obtain from the fair’s court a Lettre obligatoire, which marked the beginning of the execution process. This Lettre was then sent to the representative of his community in Champagne (the Capitano, in the case of the Italians), the head of his home city (the Podesta, in Italy) and his merchants’ guild (la Mercanza).

iii. If no response was obtained, a Fair’s Sergeant would take charge of the negotiation and inquire about the case, the fate of the debtor, his state of affairs, etc. He may even travel to this trader’s home city and ask for the support of local authorities. If they agreed to recognize the capacity of the Sergeant, and therefore the authority of the fair’s jurisdiction, local investigation and proceedings would logically follow. This would lead to the seizure and liquidation of the debtor’s private wealth, including his financial assets; the money would then be returned to the creditors. If this was not enough, then in theory the debtor’s own person could be captured and brought back to Champagne where he would be judged. But there is very little evidence that this latter step was common.

iv. Alternately, if the negotiation between the Sergeant, the attorneys of the debtor or the local authorities failed, or if the latter refused to meet the Fairs’ officials, then the latter would successively send to the city’s authorities three subpoenas (or mandements), asking again for judicial cooperation; sometimes they even send six of them. At this point only, in case of non-response, Greif-like retaliations were declared by the Fairs’ authority. All merchants from this city were banned from the Fairs and their goods could be immediately seized if they dared to show up.

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20 The best description of a specific case of reprisal is Bigwood [36]. It set Siennese debtors, the Grand Tolomei, against Florentine creditors: after almost thirty years of arguments and a detour by Parlement de Paris, the creditors seem to have won the case. But there are no indications that they were actually paid back.
This description first highlights that this regime worked through high courts and high political players. What the Sergeants asked for, when arriving in Bruges or Maline, was the recognition of the contracts and judgments issued at the Fairs, hence the possibility for foreign merchants to benefit from local enforcement mechanisms. Beyond this, the overall impression is that reprisals were only the worst-case outcome in this game. Both the rules of political representation and the procedure point to successive steps and exchanges of information that were played out in a long sequential game that unfold under the shadow of possible retaliations. This was apparently reflected in a rather lax discipline of payments. 21

An hypothesis, at this point, would be that the threat of reprisals actually sustained this overall complex machinery, so that institutional details would have not carried much significance after all. Just like in a classic game of mutual dissuasion, what truly mattered would have been the expectations built into this arm’s length interaction—not the different policy processes that would eventually deliver the expected outcome. Yet, discussing the effects of the expectations of reprisals on actual behaviors asks that there was no ambiguity about how reprisals actually worked – if and when they happened. This is where the puzzle in Greif’s model of mutual dissuasion between free cities comes back into the picture: Champagne was a rather under-developed province where there was no merchant guild, no merchants’ court and no self-government of the cities by the burghers [17]. The early four-city rotating scheme increased further the social distance between local interests and the Fairs’ governing institutions which, as said, were in the hands of powerful lords and their strong men. 22

For these several reasons, accounting for the success of the Fairs calls for an asymmetric or vertical model of reprisals, where the central issue is the risk that local lords expropriate foreign merchants without incurring a backlash from their home-constituency. And at this point, focusing on raw power relations and the fear of an-all-out trade war will not be enough: the rules that structure interaction at the Fairs, as well as between the Fairs and foreign local jurisdictions, should be considered in their own right.

4.2. An Early Model of Off-Shore Court with Universal Priority

What is most striking when reading the contemporary descriptions of the Fairs governance is that they do not just describe a set of traffic rules, or private by-laws, plus a local ad hoc court. In fact they

21 This pattern is illustrated by a set of letters sent in 1279 to the Siennese Tolomei by their agent in Champagne: 72% of payments due that year were in arrears, out of which 37% was “old money from bankruptcies” [80].
22 After acknowledging the centrality of the Champagne fairs, Greif [9, pp. 333-4] offers a short description of their organization and suggests that the absence of a local merchants’ community limited risk of home bias by the fair’s courts.
describe a coherent, self-contained legal and judicial order. By entering the Fairs, the merchants brought their own persons and goods, as well as their contracts, under their specific jurisdiction and executive authority. The Gardes and the Serjeants were in charge altogether of public order, social organization, markets standards, remedies to aggrieved contractors, the payment system, etc. Even the relationships with external, non-Fairs authorities were framed as a matter of public law: the officials that visited foreign cities and asked for judicial cooperation represented the body of the Fairs (le corps des foires), not a private entity or the French Kingdom. They acted in fact as if the Fairs were indeed a self-standing legal person, or a body politic, that could enter into formal transactions in its own right with other early sovereign entities – even though, at this point, they drew benefit from the support of the French king.

Moreover, the network of agreements and relationships that the Fairs relied upon took, as a whole, the form a cross-European, legal and judicial hierarchy that gave superior value to their own contracts and judgments:

i. The rules asked explicitly that local, municipal courts outside Champagne enforce the contracts and the judgments made at the Fairs. But there was no reciprocity: Sienna and Bruges could not blackmail the Champagne courts and ask them to discipline a debtor who had defaulted on a contract in one of these cities. The rules explicitly forbade merchants to be prosecuted in Champagne for contracts drawn up elsewhere.

ii. The Fair’s jurisdiction claimed privileged access to all assets owned by Champagne debtors, wherever these assets may be located. The presumption was that Fairs-creditors would benefit from universal priority over all assets: this was what judicial comity was about. Non-fair lenders were thus defined as junior in a hypothetical bankruptcy proceeding. Or, alternately, the municipal courts would first operate an ancillary proceeding that would serve the fair’s creditors; they might then dispose of the remaining assets to the benefit of the junior, non-fair creditors.

iii. However, the deference of local courts to the Fairs’ jurisdiction did not reflect a straightforward relationship of political domination or allegiance. The travelling Sergeants did not represent the person and the political ambition of the King, as if they had tried to impose French jurisdiction over foreign countries. Indeed, the same rules applied to French and non-French courts, as well as to French and non-French merchants: once they joined the Fairs, they all transacted under the same legal and judicial order.

23 Bourquelot has translated and edited the two most extensive texts of this type, see [20, vol II].
24 See Bourquelot in [20, vol II, p. 324, §20 and 21], and [20, vol II, p. 327]
25 See Bourquelot in [20, vol II, p. 322, §6 and 7].
26 Bigwood [36] describes a conflict between Siennese creditor and Florentine debtors; Laurent [29] has translated and edited a case between a creditor from Maline and Venetian debtors; the same Laurent [30] has also published cases between e.g. the City of London and Florentine creditors (1299); a French noblemen and Florentine bankers (1295); another French noblemen and merchants from Pistoia (1309); a Venetian merchant
iv. Several edicts by both the *Gardes* and the King actually reiterated that the benefit of the Fairs’ protections (symbolized by the Great Seal) was exclusively offered to contracts entered into at the Fairs; attempts to free ride would be punished [6, 20, 21, 30].

What these features add up to is a most remarkable court with, nominally: i) an extra-territorial or “off-shore” jurisdiction; ii) this off-shore jurisdiction was also global, insofar as it operated above local or territorial courts, in France and abroad, in a relationship that was explicitly hierarchic, and therefore problematic; still, iii) this was a limited access court, not a universal or an imperialist court, which could have spontaneously extended its reach without limit. This reflects the fact that only a thin though powerful class of market operators was welcome at the Fairs.27

5. Why It Apparently Worked: Negotiation and Adhesion

There is no consensus view on why and to which extent this superior judicial order actually worked along the stated rules. On the one hand, there is much evidence of leakages as well as many potential explanations for them. To start with, all over Western Europe, cities and merchants’ guilds fought for political autonomy by defending their exclusive jurisdiction over their own citizens or inhabitants. This was not a very supportive starting point for conceding this authority to a distant (royal) court: resistance to the demands for judicial cooperation by the Fairs’ Serjeants was apparently constant [6, 27, 44]. Moreover, the very principle that third parties may suffer costs because of individual indiscipline is intrinsically weak. For instance, larger players, like the big Italian banking houses, were comparatively more exposed to retaliations, whereas their own reputation was often strong enough to offer a personal guarantee of faithful behavior. Hence the Ricciardi, from Lucca, obtained exemptions from the system, as early as 1260 [29]. The Tolomei have been also known to operate via agents from Piacenza, when Sienna was in trouble [30]. It should thus come as no surprise that, while most contributions to the debate mention and comment on the practice of reprisals, they remain noticeably cautious when appraising their exact role and impact.

Yet, the five main authors in the field—Bourquelot, Huvelin, Goldschmidt, Laurent and Bautier—are positive that contracts entered into at the Fairs were generally enforceable across Europe. Moreover, we do not have a default rule of judicial cooperation: if this regime had not been effective at all, it would be hard indeed to see how these large fairs could have endured for such a long time. In this case, we would probably not find the footprints of travelling Sergeants all over Europe. Lastly, one should

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27 The conduit that protected merchants during they travel and while staying at the Fairs made clear that they were not allowed to sell their goods on local, retail markets, while *en route*. At the St Ives fairs, both wholesale and retail sale traders could participate [55].
also consider the very ingenuity of this two-level jurisdictional order: it does not look like a mere sketch, scribbled on a lost notebook by an imaginative lawyer or a disgruntled merchant. The many sources that confirm and describe this regime of judicial cooperation rather suggest an evolutionary, path-dependent process where innovations emerged from proposals and precedents, as from selection and bargaining – said differently, from an on-going discussion between rulers and users [18].

5.1. Princes and Merchants

When trying to understand how these institutions may have worked, and how this discussion was structured, it is useful to once again remember that, contrary to most relations of governance in those times, this one was not based on allegiance, but on contract. Market participants just paid for a commitment to police the market, enforce a given set of rules and possibly provide a market court. If, at any point, regulatory or fiscal innovations ran against their core interests, merchants could always opt out of the Fairs. Of course, in so doing, they might have waived future business opportunities, but their decision to stay or not resulted from a trade-off. Hence, sometimes during the thirteenth century, merchants seem to have left Champagne, while bankers apparently stayed for a few more decades. More generally, a simple assumption is that they acted strategically vis-à-vis the multiple jurisdictions and rulers, and tried to maximize their opportunities and rewards. They observed the political environment within which they operated; they identified the powers that be; and they joined this or that market forum, possibly after some negotiations.

Similarly, the interest of the Princes in enforcing the rules and protecting market integrity can be expected to result from a rational trade-off, which main determinant was their own time-horizon. One may thus observe periods when the long term interest of preserving a large trading center opposed sufficient resistance to short-term fiscal expediency, and vice-versa. Yet, ultimately, this game between princes and merchants remained structured (and bounded) by the opt-out option, which was the ultimate regulatory rule: the fluid, overlapping character of political authority allowed economizing on a more binding covenant, or on a quasi-constitutional commitment between rulers and users, with all the difficulties of negotiating them. With the risks of capture and extortion controlled, it became possible to enter these markets and possibly to bargain with their lords on their actual regulations.

In the case of Champagne, the many occasions for interaction on rules are indeed striking. For instance, the representatives of merchants, the Consules and the Capitano, were most clearly a strong force in the day-by-day operations of the Fairs, but they also represented the interests of merchants’ communities vis-à-vis the Fairs’ officials. Bourquelot [20, vol. I, pp. 172-173] provides references to an occasion in 1299 where the Italian Capitano joined force with the representatives of merchants from Languedoc and Provence in order to influence the writing of an ordonnance (or royal edict) to
reform the Fairs. Bourquelot [62] and Thomas [25] also document a commission for the reform of the Fairs in 1322–26, whose mandate was to respond to the decline in trade that had been observed in recent years.

Another piece of evidence is the rapid-pace succession of edicts that (re-) established the Fairs and detailed their actual operations: the bibliography on Champagne fairs mentions at least 17 such edicts or ordinances, either by the Count of Champagne or the King, between 1137 and 1351. Though this did not impose sharp discontinuities or breakdowns in their development, this points to an ongoing discussion between officials and merchants. The gradual development of the Fairs’ jurisdiction is a case in point, whose end-point was the unique Grand Seal that signaled the high standing of this court, near the top of the judicial order of the kingdom.

5.2. Institutional Equilibrium

The logic of individual adhesion and asymmetric reprisals by the Fairs (and never against them) also created an inherent potential for a self-fulfilling extension of this market. When confronted with an unsettled dispute at the Fairs, the cost of reprisals for a given foreign city is proportional to the total losses that exclusion would cause to its own merchants’ community; prima facie, this should be roughly proportional to the share of this local community that actually visits the Fairs. Municipal rulers and judges would look primarily at this variable when deciding whether to affirm their jurisdiction or to cooperate with the Fairs’ Sergeant. The dynamic element derives from here: larger Fairs imply bigger private benefits for all participants, due, for example, to more abundant supply, more competition, more product diversity or a superior payment system. Therefore, the larger the Fairs, the more attractive they are to individual merchants, and the higher the capacity of the Sergeants to exact judicial cooperation across Europe. All things being equal, contractual discipline is strengthened and the market becomes (even) more attractive. If this intuition is correct, then this trading platform had an inherent potential for producing a natural monopoly. It rested ultimately in the capacity of a central authority (the Gardes and the Serjeants) to mobilize sheer market power into a formal set of rules that would prove both predictable and acceptable.

Yet, the potential of this regime for self-destruction is also plainly visible. As said, the contract-based interaction between rulers and users of the Fairs does not allow for strong checks against abuse. Representatives of merchants’ communities may discuss and protest, but their ultimate weapon is the diffuse threat of a disorderly exit by their own constituency. This argument may not be easily leveraged in an open political conflict, typically if the time horizon of the King suddenly shortens and if the incentive for him to prey on the Fairs increases. A good example may be offered by the succession of repressive measures against Italian bankers (1290s), followed by the attempt to re-launch the Fairs by way of an open negotiation with their own representatives (1310s and 1320s).
Other exogenous shocks, like changes in technology or in comparative advantages, may have the same ultimate effect. If, for any reason, a substantial group of merchants within a given community voluntarily opts out of the Champagne fairs, then the potential cost of reprisals for their whole city will be reduced proportionately, so that the incentive for their home courts to cooperate with the Fairs’ jurisdiction will also be affected. Confronted to the pressure to protect local citizens and defend their civic autonomy, they may thus shift to a non-cooperative strategy, in which case withdrawal from the Fairs may become self-fulfilling. In fact, the Fairs’ rulers may just precipitate this outcome by closing their market to this city’s merchants. Moreover, these changing conditions of local trade-offs apply across cities. If a number of peripheral cities withdraw from Champagne, the private benefits of participating in the Fairs and the symmetric cost of being excluded will be reduced for all communities. All municipal judges may thus reconsider their relationship with the Fairs’ jurisdiction.

At this point, the defining feature of the collective responsibility system is not the diffusion of the costs of reprisals to third parties, but the discrete character of the judges’ decisions whether to cooperate or not. The point is that these dynamics work through the decentralized decisions made by two classes of agents: i) individual merchants, who continuously reassess the expected risk-return ratio of travelling to, and trading at the Fairs; and ii) local city officials, who decide on a case-by-case basis whether or not to play by the rules of collective responsibility; in other words, they keep balancing the affirmation of judicial autonomy and the submission to the demands of a distant court, with exorbitant pretentions. This two-way interaction between the decisions of merchants and judges gives the dynamics of this regime an endogenously unstable character that may be further amplified by exogenous shocks, for example on the King’s time horizon, on comparative advantages, or trade technologies.

Two factors provide stability to the system. First, market-based networks externalities are a classical variable that may exercise a strong centripetal effect. Think, for instance, about the way traders and merchant houses worked on the basis of mutual knowledge, personal reputation and private correspondence: these practices should have borne on the individual decisions to join or to exit a given fair, hence to extend, transfer or rebuild business networks [56]. The reliance upon the same monetary unit and settlement system is another classic example that may well apply to the Champagne fairs [81]. The absence of a substitute platform offering similar services should also weigh against highly elastic exit responses by individual merchants, in case of adverse shocks. Second the specific, geo-politic leverage of the French sovereign also stabilize this trading system: he can presumably enforce sentences within his kingdom, via a hierarchic relation (the Great Seal), while also contributing to cross-border enforcement, via realist interactions with other sovereigns—municipal and territorial. Said differently, it provided a backstop against the indeterminate character of enforcement based on market power.
The spatial dynamics of this global market would thus rest on a two-tiered geography: first the rather stable territorial jurisdiction of a comparatively large kingdom; then the Fairs’ properly global, though permanently contested jurisdiction, whose extension fluctuates over time with market power (i.e., an endogenous variable) and monarchic geopolitical power (resp. exogenous). Let’s therefore insist again on the point: the effects of brute, realist power relationship cannot be understood unless one considers how they were leverage into a game that was structured by formal institutions of governance.

The demise of the Fairs may now be envisaged as a consequence of the overall strengthening of emerging territorial sovereignties: as the comparative geopolitical advantage of the prime mover declined (France), bargains over jurisdiction with other political entities became more difficult [25]. Trade dis-integration was then amplified by a negative feedback loop working, outside the kingdom, through the market-power dimension of contract enforcement. Over time, these trends opened the road to the slow transition from medieval trade toward the modern political geography of trade. On the one hand the monarchies were incited to strengthen domestic market integration, primarily via legal and fiscal unification; on the other, they would gradually move towards treaty-based, bilateral relationship across borders. This institutional and political hypothesis contrasts with Greif’s views that the reprisal system hit diminishing return to market size. On the other hand, compared with the fiscal explanation of the demise of Fairs, the present proposition better solves the puzzle of Lombard bankers moving out of Champagne to Bruges or to Lyon, but also to Paris and London, i.e. capital cities [24, 41, 58, 62, 67].

This simple “inductive” model accounts for important features of the Champaign fairs that have been identified in the history literature: i) the observed capacity of this institution to evolve over time, though within limits that derive from their contractual (non-constitutional) character; ii) the unique capacity of the Fairs to extend their geographical reach across Europe and their symmetric vulnerability to outside shocks; iii) the intrinsically problematic character of retaliations, which may prove self-defeating as soon as dissuasion becomes less than entirely efficient. These three features neatly underlines the complementary character of this Champagne model of governance when compared with the “Italian”, or symmetric model of inter-city governance developed by Greif.

6. Conclusion:

A comprehensive reading of the history literature has shown that the Champagne fairs emerged out of a complex, multi-layered political environment within which merchants had to find their ways and

28 The extent of this post-medieval change of perspective is underlined by Epstein [82]: « the main political regime barrier to pre-modern economic growth arose from the state’s inability to enforce a unified, non-discriminatory fiscal and legal regime. (…) Limitation to, rather than excess of, state sovereignty are what restrained the rise of competitive markets. »
choose between the market rules proposed to them by competing Princes, in exchange for a fee. Over
generations, and by trial and error, a most remarkable package of high-value services was bargained
over, which eventually revolved around a self-standing, limited-access jurisdiction, with an extra-
territorial, global character. The hierarchic relation vis-à-vis other jurisdictions, in France and beyond,
worked via a complex machinery of judicial comity, based on voluntary adhesion and the open
leveraging of market and geopolitical power. Hence, frictions and tensions seem to have been a
permanent feature of this institutional set-up: it never took the form of a systematic, fully
institutionalized regime, entirely based on treaties and formal agreements.

Two significant features underline the pre-modern character of this regime. First, the medieval
political order offered to individual merchants a low-cost exit option, if and when they felt threatened;
it also made possible negotiating on what would become, in later centuries, intangible prerogatives of
sovereignty—namely, the ultimate judicial authority of territorial states over private rights, contract
enforcement, and the physical security of people. Second, the social borders of the Fairs’ jurisdiction
appear to have been very closely monitored. The high-powered, impersonal market rights and the
often brutal guarantees of execution that came with them were never allowed to expand from the Fairs
to regional and consumer markets, to retail trade, and more generally to the supply side. Hence, the
peasants, the craft guilds, the largest part of the feudal class as of the bourgeoisie remained by and
large excluded from this market. In those ages, segmentation between jurisdictions reflected a social
environment within which the largest part of the population remained essentially untouched by open
market forces. In order for merchants to become part of a single, cross-European market, they thus had
to be largely cut off from their local bonds and to adhere to the highly original rules and rights that the
Fairs enforced. This thin layer of impersonal rights, and the fragile web that linked local enforcers,
created the utterly non-natural habitat within which long-distance trade expanded. If ever there were a
jurisdiction d’exception, here it was.
Bibliography


