Explorations in Economic History 49 (2012) 131–148

Contents lists available at SciVerse ScienceDirect

Explorations in Economic History

journal homepage: www.elsevier.com/locate/eeh

What lessons for economic development can we draw from the Champagne fairs?

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ARTICLE INFO

Article history:
Received 23 September 2011
Available online 22 December 2011

Keywords:
Legal system
Medieval Europe
Trade
Private-order institutions
Community responsibility system

ABSTRACT

The medieval Champagne fairs are widely used to draw lessons about the institutional basis for long-distance impersonal exchange. This paper re-examines the causes of the outstanding success of the Champagne fairs in mediating international trade, the timing and causes of the fairs' decline, and the institutions for securing property rights and enforcing contracts at the fairs. It finds that contract enforcement at the fairs did not take the form of private-order or corporative mechanisms, but was provided by public institutions. More generally, the success and decline of the Champagne fairs depended on the policies adopted by the public authorities — for good or ill.

1. Introduction

The Champagne fairs were a cycle of trade fairs held annually in the county of Champagne, a polity governed almost autonomously (despite formal vassalage to France) until annexed to the French kingdom in 1285. These fairs arose in the twelfth century, reached their zenith in the thirteenth century, and declined to mere regional markets after c. 1350. During their medieval heyday, the Champagne fairs took place six times a year and rotated among four towns – Bar-sur-Aube, Lagny, Provins and Troyes – none of which was a major merchant center in its own right. Each fair lasted for about six weeks, followed by a break for merchants to move on to the next fair, so the Champagne fair-cycle constituted an almost continuous market throughout the year, a notable advantage over many other medieval fairs.[1] Although merchants from many countries traded many goods at the Champagne fairs, the core business was the exchange of cloth and wool supplied by Flemish and French traders for spices and luxuries provided by Italian and Provençal merchants. The Italian presence also fostered financial sophistication, and the fairs increasingly attracted international payment and exchange services. The Champagne fairs operated as the undisputed fulcrum of international exchange in Europe for much of the thirteenth century.

Their early success and international importance have made the Champagne fairs a standard-bearer of the medieval Commercial Revolution, from which many scholars draw lessons about the institutional basis for impersonal exchange and long-distance trade.[2] Economists in particular have drawn lessons from the medieval Champagne fairs for modern developing economies. Milgrom, North and Weingast have claimed that the fairs show that private-order contract enforcement is sufficient to support international trade and that a public legal system is not required. They argue that the Champagne fairs fostered international trade through private-order courts in which private judges kept records of traders' behavior. Before agreeing on any deal, merchants would ask a private judge about the reputation of their potential trading partner. By communicating reputational status of traders on demand, the private judges enabled merchants to boycott those who had previously defaulted on contracts. The private judges are also supposed to have levied fines for misconduct, which merchants voluntarily paid because non-payment meant losing all future trade at the Champagne

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[1] Bautier (1953), 113. The medieval Flanders and Brabant fairs were also held over an annual cycle.

[2] Alengry (1915), 13–17, 72–84; Bautier (1953), 143–4; Bloch (1964), 86–7; Braudel (1979), 3:93; Braudel (1981), 419; Chapin (1937), 13; De Roover (1948), 11–12; Laurent (1935); Munro (2001), 14–16; Pirenne (1936), 100–03.

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doi:10.1016/j.eeh.2011.12.002

fairs. This combination of private judges and individual merchants' reputations created incentives for all merchants to fulfill contractual obligations, it is argued, even though state enforcement was absent and repeated interactions between trading partners were rare. From this portrayal of the Champagne fairs, Milgrom, North and Weingast conclude that international trade expanded in medieval Europe through merchants developing 'their own private code of laws', employing private judges to apply these laws, and deploying private-order sanctions against offenders — all 'without the benefit of state enforcement of contracts'.[3]

The medieval Champagne fairs have also been mobilized in support of a second lesson for developing economies — the idea, advanced by Greif, that collective reprisals between corporative groups of businessmen can support impersonal exchange.[4] In this portrayal, law-courts with coercive powers did exist in medieval Europe, but were controlled by local interests which prevented them from protecting foreign merchants' property rights or enforcing contracts impartially. According to Greif, the 'community responsibility system' stepped into the breach by providing incentives for local courts to supply impartial justice. If a member of one community defaulted on a contract with a member of another, and the defaulter's local court did not provide compensation, the injured party's local court would impose collective reprisals on all members of the defaulter's community, incarcerating them and seizing their property to secure compensation. The defaulter's community could only avoid such sanctions by ceasing to trade with the injured party's community. If this prospect was too costly, the defaulter's community had an incentive to provide impartial justice. Greif claims that this combination of corporative justice and collective reprisals provided the institutional basis for international exchange in the early centuries of the Commercial Revolution, and that the Champagne fairs provide a prime example of the 'community responsibility system' in operation.

The Champagne fairs thus play a central role in the analysis of the institutional foundations of market-based economic activity. But what are the correct lessons to draw from these fairs about the institutional preconditions for economic development? To answer this question it is important to establish what the evidence shows about the causes of the fairs' success. The only full-length studies of the fairs were carried out in the nineteenth and early twentieth centuries,[5] and even the most recent empirical accounts date back to the 1970s.[6] The time is thus ripe for a renewed examination of the historical evidence on these fairs and a critical assessment of any lessons they might hold for economic development. These are the objectives of this paper. The evidence shows that contract-enforcement at the fairs did not take the form of private-order or corporative mechanisms, but was provided by public institutions. More generally, the success and decline of the Champagne fairs depended, for good or ill, on the policies adopted by the public authorities.

2. The ascendancy of the fairs and 'generalized' institutional provision

What explains the outstanding success of the Champagne fairs in attracting and mediating international trade in the medieval Commercial Revolution? Champagne had periodic fairs from at least the early twelfth century, although initially they enjoyed no international importance. Between 1137 and 1164, merchants from Flanders, Arras, and many parts of the kingdom of France began to attend fairs in Champagne, and by 1174 they had been joined by Italians.[7] By 1190 Italian merchants were visiting Champagne in significant numbers and the annual cycle of six fairs was well established.[8] On this basis, the beginning of the Champagne fairs' European preeminence is usually taken to be about 1180. During the first half of the thirteenth century the volume and sophistication of business at the fairs grew as international merchants attended in increasing numbers. Scholars universally agreed that the Champagne fairs were in their ascendancy at least until c. 1260, both as an emporium for the trade in wares and as the 'money-market of Europe'. How can this ascendancy be explained?

The policies of the counts of Champagne played a major role in the rise of the fairs. The counts had an interest in ensuring the success of the fairs, which brought in very significant revenues.[9] These revenues in turn enabled the counts to consolidate their political position by rewarding allies and attracting powerful vassals.[10] As a result, the counts were willing to provide various institutional mechanisms needed for the successful operation of an international fair, and – crucially – were able to avoid selling privileges to special-interest groups that would have limited trade.[11]

The first institutional service provided by the counts of Champagne consisted of mechanisms for ensuring security of the persons and property rights of traders. The counts undertook early, focused and comprehensive action to ensure the safety of merchants traveling to and from the fairs, and were unusual among medieval fair-authorities in devoting considerable political and military resources to extending this guarantee beyond their territorial boundaries.[12] As early as 1148, when moneychangers from Vézelay were robbed on their way to the Provins fair by a French nobleman, Count Thibault II wrote to the regent of France demanding that the moneychangers be compensated and declaring, 'I will not let take place with impunity such an injury, which tends to nothing less than the ruin of my fairs'.[13] In 1149, when another French nobleman seized the goods of merchants traveling to the Champagne

[3] Milgrom et al. (1990), 2 (quotation), 10, 20, and passim.
[4] Greif (2002, 2006a, 2006b).
[5] Notably Bourquelot (1865); Huvelin (1897); Bassermann (1911); Laurent (1935); Chapin (1937).
[6] New findings are presented in Bautier (1953), of which Bautier (1970) is a curtailed translation; Thomas (1977) presents new evidence on the declining, fourteenth-century fairs. Surveys based on secondary literature are provided by Verlinden (1965), 126–34; Schönfelder (1988); and Knights (1992).
[7] Bautier (1953), 110–11; Laurent (1935), 49–50, 84–5, 96, 100–01.
[8] Reynolds (1931), 380; Face (1957); Bautier (1953), 115; Laurent (1935), 86.
[9] Bassermann (1911), 3; Bourquelot (1865), II:175–206.
[10] Alengry (1915), 50–1. For examples, see Evergates (2010), 166, 169, 219–26, 237–8, 242–3, 250, 286.
[11] Chapin (1937).
[12] Bautier (1953), 117–18; Laurent (1935), 258–9.
[13] Bourquelot (1865), I:32 324–5; Goldschmidt (1891), 229 n. 153.