

‘Global’ Markets in Theory and History: Towards a Comparative Analysis

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Abstract: This paper argues against the widely shared assumption that the coordination of markets depends primarily or exclusively on institutions at the level of the nation state. It shows instead that coordination problems of ‘global’ markets can be addressed through a variety of governance mechanisms combining different forms of private and public authority. This is illustrated through an analysis of long-distance exchange networks and cross-border markets in late mediaeval Europe, which emerged and operated within a polycentric and multilayered transjurisdictional system long before the rise of the nation state. The paper concludes that a comparison of different historical forms of transnational markets can open new perspectives for analyzing the contemporary era of globalization.

1. Introduction¹

While there is wide acceptance that the globalisation of economic relations is an important feature of contemporary capitalism, the study of ‘global’ markets has so far received relatively little systematic attention from economic sociologists. This is all the more astonishing since one of the basic premises of the new economic sociology is to regard economic action as a historically and spatially contingent form of social action (Swedberg/Granovetter 1992: 6-7; Beckert/Zafirovski 2006). While one might not be surprised to see economists denying the specificity of ‘global’ markets, economic sociologists should have a genuine interest in exploring their cross-societal nature and the transnational institutions which coordinate exchange within them. This gap in the sociological study of ‘global’ markets has been recently addressed by very interesting case studies which explore, for example, interactions among cross-border financial traders (Knorr Cetina/Brugger 2002; McKenzie 2004) or among a variety of public and private actors in transnational CO₂ emission trading (Engels in this volume). There is, however, still a need for a historical and comparative approach which can help to situate case studies in a broader framework of analysis (Swedberg 2003: 131ff). This would allow economic sociology to provide a richer account of contingency in the historical and spatial configuration of so-called ‘global’ markets. This paper is a modest attempt to contribute to such a research agenda.

The paper starts from the proposition that there is no such thing as ‘a global market’, but that there are rather various historically contingent forms of transnational markets.² Building on the work of economic historians, the paper suggests a research agenda for the study of transnational markets which approaches them as socially and politically constructed and institutionalised phenomena originating from the struggle of historically and geopolitically situated actors over power in exchange relationships. While a full elaboration and demonstration of such a research agenda certainly exceeds the format of a journal article, the present contribution aims nevertheless to expose the benefits of such a comparative approach

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² Below, the notion of ‘transnational’ is used as interchangeable with transjurisdictional, transborder and cross-border, bearing in mind the different nature of political authority and state formation in mediaeval times to that of the period of the nation state.

towards the analysis of cross-border markets by presenting illustrative examples from one historical period.

In principle, there are many historical examples of exchange networks and markets which transcended the borders of the political jurisdictions of the day, whether the nation state or some pre-modern form of political sovereignty. Therefore, one could look at long-distance trading and nascent or developed transborder markets in a whole series of periods and world regions, ranging from those in the Early Roman Empire (Temin 2001) and the mediaeval Mediterranean and Baltic (Braudel 1992a, 1992b) to the trading empires of the Dutch and English East India Company (Chaudhuri 1978, Ferrier 1973) and the globalised markets in the gold standard period in the late nineteenth and early twentieth century (Held et al. 1999).

This article focuses on the late mediaeval period during which, in the terminology of Braudel (1992b: 22), a European world economy emerged. This economy was characterised by exchange networks cutting across overlapping political jurisdictions within Europe together with expanding trade with other continents (Wallerstein 1974; Wolf 1997 [1982]). The late mediaeval period is of particular interest because it was not only characterised by various rather sustained long-distance trading networks but also gave birth to the first pan-European markets in which ‘by the 12th century prices were fluctuating in unison’ (Braudel 1992a: 228). The examples presented in this article are drawn from a variety of long-distance trading networks, some of them originating and expanding over foreign territory from specific city-states or cities. They are meant to provide a stimulating device for thinking further about a research agenda for the comparative analysis of ‘global’ markets rather than providing an exhaustive treatment of the available historical evidence. As will be shown below, the analysis of the pre-nation-state period opens up new perspectives on contemporary ‘global’ markets, not least by pointing to mechanisms which govern cross-border markets in the absence of a world state or world regulator.

The results of this illustrative excursion into mediaeval history highlight that ‘global’ markets are by no means a recent phenomenon but already existed prior to the emergence of national markets. Furthermore, the findings indicate that national and ‘global’ markets should not be regarded as distinct and opposed entities, but that in fact many ‘global’ markets are in reality transnational markets, in the sense that exchange networks and market mechanisms operate across the borders of states but only rarely encompass all geographical areas or economic

sectors of the world economy. These transnational markets are shaped by the interests, motivations and behaviour of market actors originating from different societies and by the institutionalised rules and standards which have historically emerged from previous struggles over control in these markets.

The paper is organised as follows. The next section sets out the conceptual framework and provides working definitions based on a brief review of economic and sociological approaches towards the study of markets. Section 3 provides illustrations of city-centred long-distance exchange and cross-border markets in mediaeval Europe which emerged and operated long before the rise of the nation state. Finally, drawing on the evidence of late mediaeval long-distance exchange, the paper concludes by discussing how historical comparison might open new perspectives for the analysis of contemporary transnational markets.

2. What is a market?

The concept of the market in economic theory, which became dominant with the rise of the neoclassical school of the end of the nineteenth century and is still influential in contemporary economics, is highly abstract. Markets are primarily conceived as exchanges of goods between individuals differing in ‘endowments’ and ‘tastes’ but entering into symmetrical economic relations with each other. Under conditions of perfect competition, as elaborated by Walras (1974 [1877]), the price mechanism should match supply and demand, and result in general equilibrium. This market model, however, is not only highly abstract but also very unrealistic. Cambridge economist Joan Robinson (1979: 153), for example, once stated that such a market would be only likely to come into being under the rather rare conditions of a prisoner-of-war camp. Similarly, French regulation theorist Robert Boyer (1996: 108) comes to the conclusion that ‘advances in microeconomic theory have weakened most of the conventional reasons for believing in the absolute efficiency of markets. They are self-regulating and deliver Pareto optima only under very restricted conditions’.

Part of the criticism of the self-regulating efficient equilibrium model of markets has been incorporated by the new institutional economics and its focus on ‘social institutions which facilitate exchange’ (Coase 1988; North 1990; Williamson 1975, 1996). Institutions such as

private property rights and private contracts, a general medium of exchange, commercial law and some kind of enforcement mechanism have hence become regarded as the prerequisites of markets. While transaction cost analysis takes into account asymmetric information and uncertainty about the future, it still conceptualises market order from the starting point of atomistic market actors guided by rational self-interest, calculative models of action and incentive-based behaviour (for a critique of which, see Freeland 1999).

This paper suggests a different view, and starts from the assumption that market exchange, like all economic activity, is social activity (Beckert 2002; Beckert/Zafirovsky 2006; Swedberg 1994). Following Max Weber, *markets* are defined as arenas in which competition over opportunities of exchange between several potential parties leads to exchange for a few actors (Weber 1978 [1922]). Hence, markets and their prerequisites are analysed as socially and politically constructed rather than spontaneously emerging. It is the mutually interacting strategising of a variety of economic actors over opportunities of exchange, including producers, merchants/distributors, consumers, their collective interest associations as well as political and private authorities able to define and enforce rules and norms, which gives rise over time to the emergence and stabilisation of specific markets (Boyer 1996, 1997; Zeitlin 2002).

Markets in a broad sense can be conceptualised as *exchange networks* between buyers and sellers of goods in which both sides strive individually and/or collectively to obtain scarce resources by means of competition. Exchange networks can be confined to *marketplaces*. Historically, such localised bazaars, where goods were bought and sold in a specific marketplace, constituted early forms of markets (Swedberg 2003). The Athenian *agora* or the bazaar economy in Sefrou (Geertz et al. 1979) are examples. *Markets* in a more specific sense, as used in this paper, do coordinate impersonal exchanges over larger geographical distances in such a way that the prices of the same good tend to adjust and converge at the same time in all places of the market (Marshall 1952 [1890]: 325). However, as Boyer (1997) rightly reminds us, price convergence in real markets exists at best as a tendency, and is continuously counterbalanced by the actors' ambition to achieve gains from price arbitrage. Any exchange network of this type requires the *institutionalisation of rules* which respond to its inherent coordination problems, highlighted and summarised by Beckert (2009) as the value problem, the problem of competition and the cooperation problem. Markets can therefore be seen as highly institutionalised exchange networks with specific social

mechanisms and rules of conduct governing standardisation of products, value and price formation of goods, direct and indirect interactions of market actors, dispute resolution, the provision of public goods and a monetary regime (Boyer 1997).

The formation of markets is thus a social process and involves institution building (Djelic/Quack 2003). As part of this process, participants tend to develop shared cognitive-mental models, ‘control conceptions’ in Fligstein’s (2001) words, of what defines property rights and what forms of cooperation and competition are acceptable in a given market. Repeated interactions of market actors give rise to the emergence of formalised institutions such as commercial law, monetary regimes and third-party enforcement. Informal and formalised institutions in turn shape the strategising of the market actors at a given point in time. It is the interactions between historically contingent actors and their often contradictory strategies of controlling the market by means of rule setting and competing in the market over arbitrage opportunities that provide a dynamic dimension to the notion of the ‘social embeddedness’ of markets (Deutschmann 2008). Ironically, only such institutionalised markets seem to be able to generate features that approximate those attributed to the ideal type of price-clearing markets in neoclassical economic theory (Boyer 1997).

The notion of markets as a historically contingent construction allows for a multiplicity of market regimes with different types of social relations, strategising interactions, control conceptions and formal institutions. It can be applied to the analysis of markets in different time periods as well as to a variety of interconnected markets in a single time period. In particular, it can be employed to compare markets in the pre-modern and the modern period, thereby transgressing the watersheds defined by classical authors such as Marx (1974 [1857-58]) in terms of the transition from feudal to capitalist modes of production and Polanyi (1957 [1944]) as the (incomplete) capitalist transformation of fictitious goods into market commodities.

Starting from the coordination problems which market actors face under conditions of uncertainty (Beckert 2009), the approach suggested in this paper combines elements of the social network analysis of markets (Burt 1988; Granovetter 1985; White 2002), the political-cultural analysis of power relations in markets (Fligstein 1996, 2001) and the comparative study of market institutions (Campbell/Lindberg 1990; Whitley 1999). The former have highlighted the importance of social relations, mutual observation and interaction of

competitors for the emergence of informal common understandings in exchange networks. They have found a close correlation between market structures and the control strategies of corporate actors (Baker 1984; Powell et al. 2005) and have also established the existence of hierarchies among market actors according to socially defined variables such as company status (Podolny/Philipps 1996; Podolny/Page 1998). The role of demand patterns and the influence of consumers and political authorities, though, have remained relatively neglected.

The political-cultural approach as proposed by Neil Fligstein (1996, 2001), in contrast, places the empirical study of exchange networks, and markets in particular, in a broader analytical framework which also considers power relationships and control mechanisms. For the purpose of this paper, the most relevant argument is that socially skilled actors strategise to shape the institutionalised rules of the exchange network in ways that increase their control over outcomes. One of the limitations of Fligstein's (2001) analysis, to which I return below, is its state-centredness and primary focus on the construction of national markets as part of the building of modern capitalist societies. The same applies to comparative institutionalist approaches to markets which, while highlighting the variety of existing institutional market arrangements and performance criteria (Hamilton/Biggart 1988; Quack et al. 2000) and the interconnectedness of markets and other forms of economic coordination (Campbell/Lindberg 1990; Whitley 1999), direct their attention almost exclusively to national markets.

'Global' markets, as historical or contemporary phenomenon, have been surprisingly neglected in all three accounts of the new economic sociology. While some of its ancestors, such as Sombart (1987 [1916]) or Polanyi (1957 [1944]), referred to the international interconnectedness of trade and exchange and saw national markets as being embedded in a wider international division of labour with repercussions for the development of national markets, proponents of the new economic sociology are remarkably silent on these issues. Either 'global' markets are regarded as marginal at best – as exemplified by Fligstein's (2001: 189) statement that globalisation is likely to be overstated because there is little evidence for worldwide convergence in economic organisation due to 'distinct institutional arrangements that outline the relations among investment, ownership, control and economic growth' – or critics of globalisation tend to perceive of 'global' as a deterritorialised economic force unleashed from the institutionalised rules of nation states. This version of disembodied 'global' markets, ironically, approximates to the abstract market mechanism presumed in

neoclassical economics which the new economic sociology has set out to criticise as an unrealistic model of real-world market exchange.

Among the manifold reasons for the neglect of a more thorough sociological analysis of 'global' markets, two seem particularly relevant and will be discussed below. The first reason is a strong and often exclusive focus on the nation state as a political authority; the second one is a preference for perceiving markets as unified social orders. In this paper, it is argued that with a revision of these limitations, economic sociology can be fruitfully applied to a comparative analysis of transnational markets in the past and present.

Firstly, the new economic sociology, much in line with Polanyi's (1957 [1944]) original argument, considers the construction of modern markets as intimately intertwined with the construction of nation states. If not mentioned explicitly, the nation state is at least implicitly considered as the exclusive framework within which modern markets develop. Historically, by means of legislation and policy making, nation states guaranteed property rights and shaped governance structures, rules of exchange and conceptions of control, at the same time as they became the addressees of market participants strategising to influence these rules and norms. In a reversal of this argument, markets in the period before or after the heyday of the nation state tend to be perceived as short on institutionalised mechanisms to deal with problems of coordination.

Equating political authority with the modern nation state, however, is historically inappropriate and theoretically misleading (Mann 1986). A more differentiated consideration of other types of political authority during historical and contemporary periods opens up a much broader spectrum of possible socially structured market constellations and provides tools for a sociological analysis of a variety of 'transnational' markets. As the historical illustrations presented in the next section will show, urban and feudal authorities, princedoms and kingdoms come into play when analysing the constitution of long-distance exchange networks in mediaeval times.

Furthermore, it is necessary to incorporate private authority into the analysis of markets as arenas for contesting exchange opportunities. Fligstein's (2001) argument that market actors search to control the rules of the market is also true for 'global' markets. This brings to light a whole range of private business organisations, collective economic organisations and quasi-

non governmental institutions which are involved in the setting and monitoring of the market rules (Boyer 1996: 100; Campbell/Lindberg 1990; Hollingsworth et al. 1994; Streeck 1992). Historically, private self-regulation worked through family and ethnic networks (Braudel 1992a [1979]), as well as international cartels in manufacturing industries (see, for example, Glimstedt 1999 on electrical engineering, and Lilja/Moen 2003 on markets for pulp and paper). Non-governmental organisations played an important role in the international regulation and co-ordination of communication and transport industries at the end of the nineteenth century (Murphy 1994). In contemporary 'global' markets, private service intermediaries, such as law firms, consultancies and rating agencies, play a major part in the setting and monitoring of market behaviour rules (Strange 1996; Cutler et al. 1999; Quack 2007; Teubner 1997).

The second reason for the neglect of 'global' markets is a preference for conceptualising markets unanimously as unified social orders in which actors share a homogenous orientation towards common rules and norms, a tendency which is supported by the concentration of empirical work on single case studies. It is rarely fully acknowledged that producers, suppliers, consumers and political authorities are usually simultaneously involved in several markets with different rules and norms. Consequently, a given market, particularly if it is transnational, is likely to be populated by actors with heterogeneous cultural and institutional orientations.

In this paper, I therefore speak of *transnational* rather than 'global' markets. Transnational markets involve regularised relationships of competition over exchange opportunities which interconnect a growing number of economic actors from multiple political jurisdictions across the world. In pre-modern times, these jurisdictions were governed by feudal and city-states, in modern times they are under the government of nation states, international organisations, and international and supranational regimes. In both periods, a multilayered system of partly overlapping political authority has effected markets that transcend jurisdictional borders. Actors in these markets are not footloose companions but are simultaneously embedded in local/national and worldwide networks of exchange and competition; they are often participants in different types of institutionalised markets with partly distinctive governance mechanism and rules (Djelic/Quack 2003; Djelic/Sahlin-Andersson 2006).

Most, if not all, of the producers, traders, intermediaries and consumers involved in transnational market exchanges are therefore what Sidney Tarrow (2005: 42) calls ‘rooted cosmopolitans’; as they ‘move cognitively and physically outside their spatial origin, they continue to be linked to place, to social networks that inhabit that space, and to the resources, experiences and opportunities that place provides them with’. In return, local or national markets are populated by actors whose orientations vary on a scale between what Robert Merton (1957 [1949]: 394-5) distinguished as locals and cosmopolitans, and could be – drawing on Merton’s argument – bound up with differences in the structure of social relations, the actors’ past experiences and the utilisation of their status for the exercise of influence in exchange relations.

Rooted cosmopolitans do share their origins with the locals but are distinct from them in so far as they strategise on multiple levels. While rooted in local and national markets, at the same time they bridge into other markets with distinctive rules, norms and governance modes. Multiple actors from various jurisdictions are thus interrelated in a transnational layer of exchange networks and its institutionalised rules. My suggestion is that ‘global’ markets should be empirically studied as interpenetrating networks of exchange and competition between jurisdictions rather than being completely disconnected from them, the latter being an empirical question rather than a presumption.

By presenting illustrations of long-distance exchange networks and cross-border markets in mediaeval Europe, the existence of which preceded the formation of the nation state by centuries, the following parts of the paper aim to underpin the claims made in this section. The presentation will consider their geographical and material scope, the nature of the key actors involved in economic exchange, and the ways in which the key coordination problems identified by Beckert (2009) are resolved: a) the need for mutually agreed classifications and valuations of goods in order to be able to trade them; b) the need for regulation of competition between actors with conflicting interests in gaining advantage over or blocking advantages of other market participants; and c) the need for institutions supporting a minimum of cooperation between market participants.

3. Long-distance exchange in mediaeval Europe

From the eleventh to the fourteenth century, Europe experienced a period of economic growth and development which was supported by the expansion of Mediterranean and European long-distance trade (Lopez 1976). The revitalisation of trade between different cities and regions within Europe was accompanied by an expansion of exchange with other continents. Major trade routes extended from the Mediterranean through Persia to China, India and South East Asia as well as into North Africa, and from the Baltic Sea into Northern Europe and Russia. Voyages such as those of the Venetian merchant Polo to Persia and China (1271-1295) were, as Wolf (1997: 24-29) explains, not just isolated events, but revealed how Europe entered into more encompassing relationships with other continents. Within Europe, two geographical zones stood out in terms of their rapid economic development (Braudel 1992b [1979]: 89ff): a zone in Northern Italy, extending through sea trade to all the Mediterranean, including North Africa, the Levant, the Byzantine and later the Turkish Empire, as well as through the silk route into Asia and a northern region centred on the Low Countries, extended by the sea-borne commerce of the Hanseatic League in the Northern and Baltic Sea.

Long-distance trade in late mediaeval times was based to a large extent on merchant communities, which were organised according to place of origin, kinship and ethnicity (Greif et al. 1994; De Roover 1948). Such communities, like the Maghribis, Venetians, Genoese or the merchants of the Hanseatic League, typically concentrated on trade in certain products on specific trading routes and products. Merchants from Venice and Genoa, for example, competed for dominance in the trade of luxury goods (i.e. spices and silk) from the Levant, and the exchange of these products for cloth and iron goods from the North (Lane 1963). Merchants from the cities of the Hanseatic League traded wood, wax, fur, rye and wheat from the North and the East and exchanged it for cloth, salt and wine from the West and South (Dollinger 1998 [1966]). This intercommunity trade constituted a primary layer of long-distance exchange in the late mediaeval period. On a secondary layer, cross-border exchange between these communities was organised in central marketplaces in leading merchant cities (Venice, Genoa, Lübeck) or in the large European fairs, the most prominent of which were the Champagne fairs, as well as in outposts of the trading networks where merchants of different trading communities exchanged with each other (Greif et al. 1994; Greif 2002).

Long-distance trade offered very high returns for those who were willing to engage in what was at these times a highly risky and uncertain business. Merchants had to invest in building and equipping ships for often month-long journeys; their goods could easily be lost through accidents and pirate attacks; distant trading partners might cheat over pricing or not pay at all

for the goods if they had safely reached their destination; conflicts over contract compliance could give rise to violence between trading communities, collective retaliations and boycotts; foreign rulers of overseas marketplaces might curtail trading rights and confiscate merchandise; and intra-community exchange typically involved ambiguity about the interpretation of contracts and rules.

Historical research shows that, in face of these risks, the expansion of long-distance trade was made possible by the concomitant institutionalisation of rules and governance mechanisms that empowered merchants individually and collectively to engage in a sustained manner in arranging exchange opportunities between partly unknown trading partners and distant marketplaces. A rich literature discussed below points to a variety of governance arrangements which addressed problems such as how to guarantee a minimum of security over physical integrity and property in foreign locations; how to evaluate jointly the quality and value of goods and to come to mutually shared terms of trade with other merchants and foreign merchant communities; how to protect the survival of the merchant community by regulating competition with others; how to safeguard cooperation between merchants under threat of opportunism; how to assure dispute resolution and third-party monitoring of legal rules, as well as how to provide a financial circuit which guaranteed liquidity and investment. The key actors involved were merchant guilds, city-states, feudal rulers and the populations of merchant cities.

One precondition for the re-emergence of long-distance trade within and from Europe was the provision of security. Merchant guilds,³ which consisted of the traders originating from a common locality, played a central role in this respect. One of their goals was to provide collective protection abroad, and to assure the observance of their members' trading rights in foreign lands whose rulers could violate them by use of military force (De Roover 1965). Furthermore, as depicted by Greif et al. (1994: 754), it was common for merchant guilds to negotiate trading agreements with the feudal rulers of foreign jurisdictions, which subsequently gave rise to an expansion of trade. Genoese trade, for example, more than doubled after 1161, when the Genoese legate and the local ruler of North Africa signed a 15-year agreement securing the property rights of the Genoese in this area. Italian traders concluded similar agreements with the rulers of France concerning their participation in the Champagne fairs, and German merchants did so with authorities in Flanders, England and the

Slavic East to trade in their lands (De Roover 1948, De Roover 1965; Dollinger 1998 [1966]). If rulers violated these agreements, merchant guilds had the capacity to threaten boycotts of their marketplaces.

Trading communities, local merchant guilds in particular, played another very important role in establishing and evaluating norms for product quality, the value of goods and the terms of trade for business. Goods were often identified by the name of the place where they originated, and local merchant guilds were in charge of controlling the quality of these goods (Lanzalaco 2007: 303). When travelling abroad, guild members were required by the statutes of their association 'to travel together, to store their goods [...] in quarters that belonged to the guild, to examine the quality of each other's goods, and to witness each other's sales' (Greif et al. 1994: 755). Since merchants often acted as agents for the business of overseas merchants, information about the terms of trade circulated among the members of guilds, and their membership allowed them to threaten other merchants and their communities with punishment in the event of the terms being violated.

Merchant guilds were self-regulatory associative orders which existed in most mediaeval merchant cities and which possessed exclusive rights for trading in their home locality. Among other advantages, such as protection, information sharing and social bonding, the rents generated from these exclusive rights allowed merchant guilds to provide incentives for members to follow the rules of the guild whenever they traded outside of their home city. In consequence, the trading rules of merchant guilds from leading mediaeval merchant cities had extraterritorial self-enforcing validity within the trading community and were complied with even in distant trading posts. The effectiveness of the merchant guilds' activities in controlling product and trading standards and producing collective goods was often supported by interventions from the public authorities of their home towns, awarding for example staple rights or military protection.

The guilds were also instrumental in balancing cooperation and competition in mediaeval long-distance trade. While guilds admitted competition among their members, they regulated and limited competition from outside. As outlined above, local guilds were in charge of trade in mediaeval cities. Foreign merchants were usually assigned a compulsory segregated residence (as with the Fondaco dei Tedeschi for the German merchants in Venice), where they

³ The term is used here in a broad sense, including merchant communities from the Italian city-states, which

had to lodge, deposit their merchandise, sell it under the local guild's or local city government's supervision and use the proceeds to buy local goods. The success of the Hanseatic League was based on a similar combination of internal rules, fostering co-operation among the members, with external strategies of military and economic conquest, aimed at obtaining privileges for their trading posts 'abroad' over competitors.

Another institutional feature of mediaeval long-distance exchange networks was the gradual emergence of an interregional financial circuit. Long-distance trade necessitated high investments to finance vessels and goods in advance of their long expeditions (Lane 1933; De Lara 2008), as well as a monetary system which would allow the merchants to balance and transfer payments over longer periods and larger distances. The Italian city-states and the Champagne fairs of the twelfth and thirteenth centuries already operated within a comparatively developed monetary system, which became more elaborated over the centuries that followed (Lane/Mueller 1985). In Venice, for example, 'stock exchange' meetings on the Rialto fixed commodity prices and rates for maritime insurance (later also interest rates for public loans); book keeping was used to transfer payments between merchants without using cash and without having to wait for the fairs' infrequent contract settlement days. Lane (1945). Early forms of overdraft and credit notes were in circulation as well.

Padgett (2001) provides a detailed description of the invention of modern banking in renaissance Florence. Padgett and McLean (2006) show how the coexistence of international trading relations and local guild traditions also gave birth to the invention of a partnership system in Florence that provided for a better distribution of business risk. Other examples of emerging financial centres are the Champagne fairs and the fairs of St. Ives at which traders from all over Europe gathered in the twelfth and thirteenth centuries. They stood out not only for the great variety of goods on sale but also for their money markets and the credit available there. These money markets were largely controlled by Italian money changers and bankers who personally oversaw the balancing of payments for sales and purchases, the deferred payments between one fair and the next, loans to lords and princes, the settlement of bills of exchange which expired at the fair, and the making of new ones to last until the next fair. From these fairs developed the practice of creating artificial 'fair currencies' as a means to reduce currency rate risks (Fischer 1998). The functioning of the monetary systems in European mediaeval city-states and international fairs, though, relied largely on the fact that

were closely intertwined with the government of the cities (see Greif et al. 1994: 762).

the leading merchants and moneylenders knew each other and met regularly in the same localities. The practice was limited to Europe, while merchants trading in the Near East or Asia used silver coins in order to settle their payments with trading partners from other 'world economies' (Braudel 1992b [1979]).

Long-distance trade in mediaeval times took place within a 'patchwork of overlapping and incomplete rights to government' (Strayer/Munro 1959: 115) in which, as Ruggie (1993: 150) sums up, 'authority was personalized and parcelized within and across territorial formations'. Accordingly, the legal rules and customs which governed economic and financial transactions in mediaeval long-distance exchange networks were of a similar pluricentric and overlapping nature. Mediaeval systems of rule were legitimated by common bodies of law, religion and custom, and the distinction between them was often not evident. In consequence, the trading activities of merchants in mediaeval towns were governed by formal laws issued by the city government and the feudal and/or ecclesiastical authority to which, despite its endeavours for autonomy, it might have still stood in service. The implementation of these rules, however, was intertwined with rules of customary law developed from local trading practices. The local 'living law' and its enforcement by local courts, therefore, represented a blending of private and public rule making which is often mistakenly represented in the literature as private self-enforcing law on the part of the merchant community (Greif 2002) and public-order intervention on the part of city governments. As Sachs (2006: 708) argues, the rule setting or enforcement actions of a merchant community cannot be considered 'private' or 'voluntary' in the modern sense to 'the extent that the merchant guild had been officially endowed with municipal jurisdiction' – which was in various degrees and forms the case in the Italian city-states and the cities of the Hanseatic League.

Given the variety of existing legal codes in mediaeval towns, long-distance trade was prone to be charged with 'conflict of laws'. Whether an unwritten contract was binding, a partnership had to be registered with the civil authorities or debts collected at a fair had to be documented by a sealed bond, the opinion differed largely between local jurisdictions across Europe (Sachs 2006: 790). While there also appears to have existed a certain degree of homogeneity in guiding principles, such as fairness and what was considered lawful or not, and in procedures of adjudication and enforcement across Europe, the unifying force of such a *lex mercatoria* appears to have been limited, as Sachs demonstrates in his study of the law and courts of mediaeval fairs in St. Ives.

This does not mean that law and legal enforcement were not important conditions for the expansion of long-distance trade. It does imply, however, that the commercial revolution took place in the context of a polycentric and transjurisdictional legal system. Commercial law and legal enforcement was polycentric because it developed from and consisted of various different local legal orders. With the expansion of long-distance trade, these local legal orders expanded beyond the walls of the city of origin of the merchants in question and interconnected across jurisdictional borders. Three developments are worth mentioning here: the extrajurisdictional expansion of domestic law for long-distance trade undertaken *within* a given merchant community; the emergence of specific local laws in pan-European trading places like the big Champagne fairs, Bruges or the fair of St. Ives; the signing of inter-city agreements which guaranteed mutual jurisdiction in dispute resolution.

Personalised authority implied that merchants undertaking long-distance trade carried with them their legal responsibilities towards their city government and their feudal ruler wherever they went. This can be described as extra-border application of locally rooted legal systems: legal rules, dispute resolution and enforcement mechanisms of a merchant town were usually effective far beyond its city walls, since they were applied to contracts made by its merchant community in overseas places. Venetian law, for example, applied to contracts between Venetian merchants no matter whether they were concluded in Venice, Constantinople or Lisbon. Legal rights and obligations were, to a degree, deemed an integral part of membership of the community. Merchants thus carried the legal rules of their hometown with them to other lands when trading abroad. Conversely, cities in distant lands did not include the merchants in their community but permitted them to reside and to establish warehouses within their boundaries. Often, the government or guild of a merchant town negotiated privileges and special rights for their merchants with the government or guild of other trading places, and vice versa. Venetian merchants were granted their own quarters in Constantinople and Durazzo, where they could conduct their business according to their own rules (De Lara 2008). In northern Europe, the Hanseatic League obtained jurisdictional rights for its merchants abroad within the confines of the *Kontor* (Hammel-Kiesow 2008).

The large European fairs were places where traders from various regions came together. At the Champagne fairs in France or at the fairs of St. Ives in Britain one could find merchants from Italy as well as from the Northern European cities. These marketplaces had their own

local law and jurisdiction attached to them. The character of law and its enforcement in these places is controversial. While Milgrom et al. (1990) assume that the Champagne fairs were governed by a private, self-reinforcing 'law merchant', which represented a more or less unified European customary practice, Boerner and Ritschl (2002) highlight that these fairs operated under privileges and charters conferred by the kings of France and within a dense network of treaties with rulers of adjacent territories, which empowered the fairs to establish and enforce its own law of the marketplace. Studying dispute resolution at another large European fair at St. Ives in Britain, Sachs (2006: 698) concludes that the law merchant used at this fair referred predominantly to local sources of law making, rather than to a unified law merchant.

Finally, Boerner and Ritschel (2002: 208) find a stable pattern across Europe which regulated individual and collective liability. A dense network of bilateral and multilateral agreements between mediaeval cities guaranteed the mutual recognition of legal claims and dispute resolutions. Usually, the jurisdiction was defined as in the hands of the debtor's city court, but in some agreements it was also assigned to the court of the creditor or the court of the marketplace. In order to mobilise this system of mutual recognition, a formal procedure had to be followed, according to which the individual liability of the debtor had to be claimed and enforced before communal responsibility could be claimed and confiscation of goods at a collective place could occur. (For a different take on communal liability, see Greif 2002.) Mutual recognition of individual liability was supported by private contracts, laid down with a notary in the merchant's hometown, as well as by city registers, which listed individual cases of debt and places that had refused to protect creditors. Out of these treaties, multi-city alliances like the Italian city league and the Hanseatic League developed.

4. Concluding remarks: looking through the mediaeval lens at contemporary world markets

Clearly, there are many differences between contemporary and mediaeval ‘global’ markets. Among them, there is, first of all, the rise of the nation state as a powerful and resourceful actor which shaped the global political economy of the twentieth and twenty-first century. While economic policies used by governments in the period after World War II to make their national economies benefit from internationalisation under the Bretton Woods regime ran increasingly into problems, there can be little doubt that national governments and government agencies have been powerful agents in shaping the formation and development of explicitly global institutions, such as the World Trade Organisation (WTO) or the Basle Committee of Banking Supervisors. Together with the rise of international organisations and supranational regimes, in particular the European Union, this has added a thick layer of national, international and supranational institutions which aim to govern ‘global’ markets at the same time as an orientation toward the global has deeply penetrated the nation state (Braithwaite/Drahoš 2000). Hence, in order to analyse transnational markets in the contemporary period one has to take into account what Sassen (2006: 18) refers to as a ‘different assemblage’ of territory, authority and rights.

A second and related distinguishing feature of the contemporary period of globalisation is the expansion of multinational enterprises (Jones 2005) which have ‘internalised’ a significant amount of international exchange as intra-firm trade (Held et al. 1999) at the same time as they have sourced many semi-manufactured goods from global production chains (Gereffi 1996; Herrigel/Zeitlin forthcoming). As a result, contemporary ‘global’ markets are populated by resourceful and powerful organisations rather than individual merchants. Hence, the analysis of contemporary ‘global’ market has to encompass distinctive forms of private authority and self-coordination, as well as the possibility of their absence, and the increasing role of service intermediaries in the informal and formal governance of transnational standard setting and rule setting (Cutler et al. 1999; Quack 2007).

These are just two of the many differences between mediaeval and contemporary transnational markets. Apart from such differences, however, the analysis also points to intriguing similarities. In particular, some of the institutional features of transjurisdictional

mediaeval markets still seem highly topical for transnational markets in the post-nation-state period.

Firstly, the role of communities in regulating transnational business relations seems to be a pervading phenomenon in history, though the nature of the communities, their relative influence and their functions have changed over time. In mediaeval times, merchant communities of common origin, kinship or ethnicity were of outmost importance when it came to overcoming the coordination problems of value formation, competition and cooperation. A few of these kinds of communities have survived into modern times as relics. The Jewish merchant community in the diamond industry, for example, has developed an elaborate set of internal rules and self-governing institutions for conflict resolution which operates outside the public law (Bernstein 1992). Worldwide migration has given rise to transnational communities which use common ethnic ties to facilitate cross-border trade, build up multinational corporations/foster economic development in their countries of origin (Dahles forthcoming; Saxenian 2002). Eder/Öz (forthcoming) describe an interesting case of cross-border trade among different ethnic groups of traders coming together in a localised marketplace in Istanbul. Saxenian and Hsu (2001) show how the dynamics of information technology centres in Silicon Valley and the Hsinchu-Taipei region of Taiwan have become increasingly interconnected through a technical community of US-educated Taiwanese engineers. Meanwhile, new transnational communities of profession, practice and discourse are participating in the regulation of 'global markets' (Djelic/Quack forthcoming).

Secondly, the historical evidence shows that, as much as communities and guilds were essential for the governance of long-distance markets, their informal and self-reinforcing rules interacted in various ways with public authorities and legal systems which, while originating from specific political jurisdictions, were influential beyond their domain. It was the interaction between private self-coordination and public government that provided distinct capabilities of trade expansion and welfare production during the period of the mediaeval commercial revolution. In contemporary transnational markets, a similar blurring of the nature of agents and governance processes is observable: so-called 'public' international organisations like the UN increasingly engage in market activities through the subcontracting of welfare services, while so-called 'private' business associations like the International Council for Toy Industries engage in the production of public goods such as product, safety and health standards (Morgan 2001). Transnational commercial law making and international

arbitration in contemporary 'global' markets often arise from the interplay of private and public rule setting and enforcement (Lehmkuhl 2003; Quack 2007). Extraterritorial application of national law is another very familiar phenomenon of contemporary 'global' trade regulation which parallels mediaeval regulation. From this follows a need to reflect on the usefulness of dichotomous categories of 'private' and 'public' for the analysis of institutional arrangements in contemporary transnational markets.

Thirdly, the analysis of mediaeval long-distance trading also raises the question of who nowadays produces the public goods which proved so beneficial for mediaeval economic expansion. The example of Venice illustrates how a mediaeval city-state was able by military, diplomatic and political intervention to generate and coordinate public goods which fostered a beneficial combination of long-distance trade and local economic development. While the question of public goods has been addressed in contemporary discussions on the role of migrant communities in cross-border technological upgrading (Saxenian/Hsu 2001; Saxenian 2002) and the global interconnectedness of industrial districts and regional clusters (Zeitlin 2007: 232), it certainly deserves additional attention in the analysis of 'global markets'.

In conclusion, the historical evidence presented in this paper supports the view that, during the late mediaeval period, various governance arrangements existed which addressed in a more or less successful and sustainable way the typical problems of coordination arising from long-distance exchange in transjurisdictional markets. If that was the case prior to the formation of the nation state, such polycentric and multilayered arrangements should also be possible in the contemporary era of globalisation. The insights gained from the historical analysis of this paper suggest that economic sociology could benefit considerably from a comparative analysis of different historical and product-specific types of transnational markets to sharpen its arguments and instruments.

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