

Economics Seminar, Indian Statistical Institute, New Delhi.

SPEAKER: Brishti Guha, Singapore Management University.

TITLE: **Who Will Monitor the Monitors? Informal Law Enforcement and Collusion at Champagne.**

TIME: 11:30 AM - 01:00 PM

DAY & DATE: Monday, 16th December, 2013

PLACE: Seminar Room 2

Abstract:

I revisit the question of how large-scale impersonal trade became sustainable in the absence of a legal mechanism that could discipline cheats. An important role in this process was played by authorities at medieval trade fairs like the Champagne Fairs, as shown by Milgrom, North and Weingast (1990). However, this only begs the question of why people should trust such authorities, given their vulnerability to collusion. I tackle this issue, first showing that Milgrom et al's model is not collusion-proof, even if it were extended to allow for the possibility of collusion. Secondly, I construct a model showing how the fairs could have survived, as they did for several centuries, in spite of their vulnerability to collusion. My model incorporates historically relevant features such as competition from rival fairs and the role of traders' guilds. Moreover, my model sheds light on other historical facts such as the gradual shift away from community-based punishments towards individual liability.

<http://www.isid.ac.in/~pu/seminar.html>