

Lisa Bernstein

University of Chicago Law School

“Revisiting the Maghribi Traders (Again): A Social Network and Relational Contracting Perspective”

ABSTRACT: Avner Greif’s study of trade among the Maghribi Jewish merchants across the Islamic Mediterranean in the eleventh century is a seminal work in the literature on Private Ordering. Yet in recent years it has come under attack from other historians of the Geniza who point to facts that they view as undermining his theory of coalition-governed reputation-based trade. This essay suggests that the work-a-day actions of merchants captured by the formal multilateral governance forces at work in Greif’s model can also be understood through the lens of social network analysis. Viewing the Maghribi coalition as a bridge and cluster network with small world properties provides an alternative account of how the Maghribi were able to support trade across long distances with little if any reliance on the public legal system. This account together with insights from relational contract theory, suggests that the facts identified by Greif’s critics do not undermine his central insight--namely that a reputation-based enforcement mechanism played a core role in supporting the Maghribi’s long distance trade. However, this account also reveals a bias in the set of historical letters and accounts that are used to understand the Maghribi trade--revealing that they focus primarily on the trading relationships in which private ordering was most likely to have been effective in supporting exchange. More broadly, the network approach may be helpful to scholars and policy makers interested in better understanding the promise and limits of relying on private rules, norms, and institutions to support trade in developing or transition economies. By highlighting a relaxed set of preconditions that are sufficient to effectively support multilateral reputation-based trade, the network approach suggests that private order might be able support exchange or contribute meaningfully to public order in a broader range of contexts than is commonly appreciated.