

The political economy of expulsion: the regulation of Jewish moneylending in medieval England

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Abstract This paper develops an analytic narrative examining an institution known as ‘The Exchequer of the Jewry’. The prohibition on usury resulted in most moneylending activities being concentrated within the Jewish community. The king set up the Exchequer of the Jewry in order to extract these monopoly profits. This institution lasted for almost 100 years but collapsed during the second part of the thirteenth century. This collapse resulted in the expulsion of the Anglo-Jewish population. This paper provides a rational choice account of the institutional trajectory of the Exchequer of the Jewry. This account explains why it ultimately failed to provide a suitable framework for the development of capital markets in medieval England.

Keywords Taxation · Usury · Rent creation · Parliament

‘If there is one thing about kings...if there is one general thing about them which we seem to learn from the history books, it is that more than not they were hard up...Through their lack of money they have been put in the most desperate straits; savage confiscations of Jews and Templars, civil wars in England and revolutions in France’

John Hicks (1969, 82)

1 Introduction

This paper examines the relationship between the state and credit markets—by focusing on a particular case study: the attempt to regulate and tax Jewish

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moneylending in thirteenth century England through an institution called the 'Exchequer of the Jewry'. The eventual collapse of this institution is of an additional interest because it directly led to the expulsion of the Jews from England and the negotiations that accompanied the expulsion consolidated the role of parliament, and helped to lay the foundations of the later emergence of constitutional government.

One of the most important questions raised by recent research in economic history concerns the relationship between political and economic institutions and how markets perform and function.¹ This paper attempts to tackle the same subject: the relationship between political institutions and markets, but it does so in a different way. It constructs an analytic narrative of a historical event and uses this to shed light upon broader questions concerning how institutions develop over time.² In so doing it casts new light upon a separate topic, and this is the role of minorities in economic history. Autocratic states alternately protect or persecute minority groups. Edward I's decision to expel the Jews from England in 1290 has puzzled historians, economists and political scientists alike.³ The Jewish community in France were expelled in 1306, readmitted in 1317 and expelled again in 1394 (Jordan 1989, 1998). Expulsions occurred in many German principalities during the fifteenth and sixteenth centuries, and in Spain and Portugal, the largest Jewish population in Europe was forced to either convert or leave in the 1490s.⁴

Historical accounts of expulsion of the Jews from England focus on either Edward's greed or bigotry. Both of these explanations pose a number of puzzles however. The latter factor cannot account for the timing of the expulsion, while a major problem with the former explanation is that recent research shows that the king did not directly financially benefit from the expulsion (Mundill 1998). Despite this, it is possible to provide a rational choice explanation of the expulsion of the Jews, and this is what this paper sets out to do. In the process it illuminates a set of broader questions concerning the relationship between the state, limited government, and ethnic or religious minorities.⁵

Religious and ethnic divisions in a society can be a source of economic rent to the state and that rulers have an incentive to construct institutions designed to extract this rent. In thirteenth century England an institution called the Exchequer of the Jewry was designed to extract and protect the revenue stream generated by Jewish

¹ North and Weingast (1989) is the most widely paper in this area, in part, because it has had a wide influence outside of economic history. The central claims of the paper: that the Glorious Revolution improved the terms on which both the state and private actors could borrow, have been widely contested (Clark 1996; Epstein 2000; Sussman and Yafeh 2006).

² The rationale and value of such analytic narratives is set out in Bates et al. (1998).

³ Recent historical treatments of the subject include Mundill (1998), Stacey (2003) and Huscroft (2006). Economists who have investigated this question include Veitch (1986); Barzel (1992) and Barzel and Kiser (2002). Katznelson (2005) is a recent paper by a political scientist on the topic.

⁴ Jewish communities were expelled from Strasbourg in 1388; the Palatine in 1294; Austria in 1420; Fribourg and Zurich in 1424; Cologne in 1426; Saxony in 1432; Augsburg in 1439; Würzburg in 1453; Breslau in 1454 (Poliakov 1955, 119).

⁵ The classic reference is perhaps Kuznets (1960). See the essays contained in Brezis and Temin (1999) for a survey of the literature on minorities in economic history, particularly Landes (1999) and Botticini and Eckstein (2005, 2007). A controversial older reference is Sombart (1915, 292–307).

moneylending. This analysis is very much in keeping with the literature that has found that governments often have an interest in creating monopoly privileges (Tullock 1967; Krueger 1974; Ekelund and Tollison 1996).

2 A theory of medieval government

This paper considers the incentives and constraints that medieval rulers faced. North's (1981) neoclassical theory of the state and Olsen's (1993) model of a stationary bandit both predict that a government will attempt to maximize the revenue stream it can extract from the population at large.⁶ Governments have 'two objectives: one, to specify the fundamental rules of competition and cooperation which will provide a structure of property rights (that is, to specify the ownership structure in both factor and product markets) for maximizing the rents accruing to the ruler; two, within the framework of the first objective, to reduce transaction costs in order to foster maximum output of the society, and therefore, increase tax revenues accruing to the state' (North 1990, 24). This implies that the constraints facing political actors will, in turn, determine the extent of the state, the ways in which revenue is collected, and what public goods are provided.

The ruler has to resolve the problem of making credible commitments. A ruler who is powerful enough to enforce internal order is also powerful enough to expropriate the population. Such a ruler cannot make credible or binding promises since he has the ability to go back on his word if it suits him to do so. Indeed, such a ruler cannot credibly promise *not* to act despotically, and any words to that effect will be viewed as cheap talk.⁷ The problem of constraining the king is partly ameliorated but not solved, by repeated interactions and the possibility of a ruler building a trustworthy reputation, because no ruler or dynasty rules forever.

The problem of 'tying the king's hands' is a universal one.⁸ But it is a problem that has historically been resolved in many different ways. North and Weingast observed that '[r]estrictions on the ex post behavior of the state improve the state's ability to maintain its part of bargains with constituents, for example not to expropriate their wealth' (North and Weingast 1989, 808). Constitutions can be understood as institutional solutions to the commitment problem. Constitutions and parliaments are however not the only way to resolve the problem.⁹ Feudalism—the

⁶ What political scientists and economists call the 'state,' in practice comprises a coalition of interest groups and not a single unitary actor (Haber et al. 2003; Myerson 2007; Greif 2008; North et al. 2009), but this prediction remains a useful one.

⁷ Still more fundamentally, as Barzel (2000) noted, the ability of an autocrat to tax his population is plagued by a knowledge problem that precludes revenue maximization in practice: since it is impossible for even an absolute ruler to continuously monitor the behaviour of his subjects, it is impossible for him to know how much revenue he *can* extract.

⁸ North and Weingast (1989) posed this problem in the context of the Glorious Revolution. C.f. Levi (1988); Root (1989); Barzel (2000). The problem of making credible commitments also underlies the analysis of Acemoglu (2006); Acemoglu and Robinson (2006, 2008).

⁹ For example, Stasavage (2002) argues that an autocratic ruler can make binding problems without relinquishing his discretionary power so long it is evident that a sufficient number of the autocrat's own

dispersal of coercive power—can also be understood as a response to the commitment problem. Under feudalism, the king headed a coalition of other military specialists, and coercive power was subcontracted out along the feudal hierarchy. This coalition was tied together by promises of future cooperation embedded in oaths of allegiance, marriage ties, and formal alliances. These ties acted as implicit contracts, and therefore as constraints on the actions of the king. The consequence of this was that with respect to other violence specialists—both the great magnates of the realm and the lowly knight in a castle—the king could be held to his promises.¹⁰

During the middle ages, feudalism permitted stable coalitions of violence-specialists to emerge and rule.¹¹ Medieval Europe was an agrarian society: in ‘the ninth and tenth centuries the rural way of life was universal. Entire countries, like England and almost of the Germanic lands, were absolutely without towns’ (Duby 1968, 1962, 5). The basic unit of economic organization was the manor (Postan 1972, 73–110). The institution of serfdom tied scarce labour to the land, and enabled a ruling elite to maximize surplus extraction (Domar 1970). This elite comprised providers of both defence and religious services. The aristocracy and the Church were supported by the rent generated by the peasantry and extracted through a combination of labour dues and tithes. This system was stable because the state of military technology conferred battlefield dominance to the armored knight mounted on horseback, and to become a knight, an individual needed both a considerable amount land and to have spent many years training for warfare.¹² Military and economic power were fused to together in another way as well. Ganshof (1951) defined feudalism in terms of a contractual relationship between the vassal who provided military service and the lord who granted land.¹³ The vassal held his land as a fief from his feudal overlord. As a result, coercive power was widely dispersed. The king did not possess a monopoly on legitimate violence. He maintained his

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supporters would be harmed if he reneged on his promise. If multiple players have veto power this increases the possibility of an autocrat making credible commitments.

¹⁰ Similarly the king was constrained with regard to the Church, which was intimately bound to the secular nobility by family connections—since the younger sons of the nobility were expected to become priests.

¹¹ This analysis is similar to North and Thomas (1973). Unlike North and Thomas (1973), it does not emphasize the contractual or efficient nature of these institutions. This view is obviously highly simplified, but I believe that it consistent with the recent historical literature (see Wickham 1997; Bisson 2009).

¹² In the fourteenth century it cost 2*d* a day to maintain a warhorse in December, which is the same as the daily wage of an infantry man in the field (Preswich 1999, 33). Archers and pike-men would eventually overturn the battlefield dominance of the mounted warrior in the fourteenth century. Unmounted men-at-arms played an important role even during the twelfth and thirteenth centuries as Preswich (1999) emphasizes.

¹³ What follows is related to the discussion contained in Volckart (2000a, b) Volckart stress the bilateral character of the ties that linked lords and their vassals. High information costs meant that kings and other feudal overlords could not monitor the behaviour of their feudal subordinates and had to grant them autonomy—even to such an extent that there might be economic or military competition between vassal and overlord.

military force on the basis of his own resources as did the other great lords of the realm.¹⁴

Feudal government was personal and lacked much of formal apparatus associated with statehood.¹⁵ Related to this was another feature of feudal government: the medieval ‘state’ was a domain state (Schumpeter 1954). The king lived off the royal demesne. This ‘consisted of all the land in England which the king held *in dominio*, “in his own hands,” land which was not held of the king by someone else’ (Hoyt 1950, 2). The king’s economic resources were ‘virtually exclusively in his personal domains as a lord, while his calls on his vassals would be essentially military in nature. He would have no direct access to the population as a whole, for jurisdiction over it would be mediatized through innumerable layers of subinfeudation’ (Anderson 1974, 151). The king depended on his customary revenues, only occasionally requiring feudal gracious aid. This aid was grounded, not in the principle of consent, but in the feudal ‘principle that in time of great need the vassals ought to come to their lord’s assistance, first with services and payments in kind, and, by a later interpretation, with money’ (Mitchell 1951, 234).

The theory of the state outlined by North and Olsen suggests that feudal monarchy was a stable system of government so long as the economy remained agrarian and so long as military technology remained unchanged. In the twelfth and thirteenth centuries the conditions that made feudal monarchy a self-supporting political and economic equilibrium began to change (Britnell and Campbell 1995). Langdon and Masschaele (2006) detail the growth of towns, markets, ports, and the increasing commercialization of wool production. They contend that ‘virtually everyone in the social hierarchy had avenues to explore in the new entrepreneurial conditions of the later twelfth century’ (Langdon and Masschaele 2006, 54). This new urban economy threatened to undermine the basis of the manorial economy. The towns undermined the system simply because they were a source of non-feudal wealth. The profits generated by trade and commerce could not be easily extracted via traditional means and the expansion of trade produced a mercantile elite that was richer than their feudal overlords. The towns did not fit within the traditional feudal hierarchy, and in many places they actively subverted it, for example, offering freedom to serfs who successfully escaped from their lords.¹⁶

At the same time as the feudal economy was being eclipsed, the feudal monarchy faced mounting financial problems. The need for revenue was driven by the

¹⁴ In late thirteenth century England, for example, a powerful nobleman like Roger Bigod, earl of Norfolk possessed a military retinue comprising five bannerets, nine knights and seventeen men-at-arms (Preswich 1999, 41).

¹⁵ In France until ‘the thirteenth century, the king, aided by his advisers, personally handled all aspects of French government. Moving about his realm from one royal residence to the next, he deal with problems of justice, economy and administration as they arose. (Shennan 1968, 3). A similar analysis applies to England. Commenting on the Anglo-Saxon monarchies, Jolliffe observed that ‘Alfred appears less as a king than as a great country gentlemen, drawing his rents from his estates and spending them magnificently upon good works and a great household’ (Jolliffe 1967, 1937, 53).

¹⁶ This view of the role of towns in the feudal economy owes much to Smith (1776) and Pirenne (1925). It is heavily contested by Marxian historians. Wickham contends that ‘[u]rbanism and commerce were thus integral parts of the feudal mode of production, and did not in themselves undermine it’ (Wickham 2007, 39). C.f. Brenner (2007).

increasing costs of warfare. The king's customary feudal revenues—consisting of the proceeds of royal farms, profits of justice, feudal incidents, tolls, and fines—were in decline. Attempts to increase such feudal revenues 'encountered customary and practical limitations' before 'Magna Carta proved a roadblock against further movement along that line' (Kaeuper 1988, 33). Twelfth and early thirteenth century monarchs attempted to squeeze as much revenue out of their feudal rights as possible through 'fines, *conventiones*, *oblata*, forfeitures, the exploitation of vacant churches, and sheer seizure' because this 'conformed more effectively with the King's political opportunities than the attempt to impose a widespread public tax' (Harriss 1975, 6). The king tampered with the coinage and levied fines on 'non-noble acquirers of fiefs' (Henneman 1971, 13). Nobles were encouraged to commute their military service into money in the form of *scutage* and many towns were granted the right of self-government in return for a fee.

The commercial revolution of the twelfth and thirteenth centuries was consequently a period of institutional experimentation. The development of long-distance trade in medieval Europe was hindered by the fact that foreign merchants' property rights could not adequately be guaranteed. Greif et al. (1994) examine how merchant guilds managed to overcome this problem in thirteenth century Europe. Predatory rulers had an incentive to expropriate individual foreign merchants, which mechanisms based on reputation alone could not overcome. Greif et al. (1994) argue that merchant guilds were able to ostracize rulers who violated merchants' rights, or failed to adequately safeguard their security. The ability of the merchant guild to credibly 'punish' rulers who expropriated merchants from their city depended on the guild's domestic monopoly power. If the merchant guild did not have a domestic monopoly then it would be unable to prevent individual merchants from defecting and violating any embargo. The merchant guild can therefore be understood as one institution that emerged in order to cope with the inability of feudal rulers to make credible commitments to individuals who were not their feudal subordinates.

There was an alternative form of governance that emerged (or reemerged) in the middle ages, and this was the city state. Van Zanden and Prak (2006) argue that in North Italy, the Low Countries, and parts of Germany, a concept of citizenship emerged that was able to both constrain the power of the state, and overcome the free-rider problems that hinder the adequate provision of public goods. As a consequence, city states could develop the apparatus to tax commercial activity because they developed 'democratic' institutions that constrained the power of the executive. But the concept of citizenship developed by the medieval city states was a club group; it could act as a unifying force within the city because it was based on the exclusion of outsiders. This meant as a governance model, it was difficult to expand. Moreover, the emergence of independent city states in England was precluded by the early development of a strong feudal monarchy.

3 The Exchequer of the Jewry

The commercial revolution made it important for the kings of England to access new sources of revenue. The model of the state developed by North and Olsen

implies that this need for revenue necessitated new political and economic institutions. The Exchequer of the Jewry was one such institution. It can only be understood in the context of the medieval prohibition on charging interest. There were two components to this prohibition. The first component was a social norm based on a widespread aversion to the idea of lending money at interest.¹⁷ The second component was the legal prohibition on usury itself. Throughout the medieval period any loan (*mutuum*) which involved the borrower repaying more than the original principle was deemed usurious (de Roover 1967, 258). The Church condemned usury in increasingly severe terms during the thirteenth century; the punishments for manifest usury were increased, and a number of legal innovations were introduced in order to increase the effectiveness of the prohibition.¹⁸

The prohibition of interest had an important impact on Jewish communities across medieval Europe. Over the course of the twelfth century, Jews across Europe found themselves increasingly driven out of trade, and instead began to occupy an economic niche as moneylenders.¹⁹ The Church condemned usury universally but, throughout most of Europe, canon law was only applied to Christians and not to Jews.²⁰ This transformation from traders to moneylenders was particularly marked in England. The Jewish community in England was small—perhaps 3,000–5,000 strong in a population of around 4 million in the middle of the thirteenth century—yet, by 1200 ‘Christian financiers had withdrawn from the business of lending money against bonds, leaving the business almost entirely in the hands of Jews for the next 50 years’ (Stacey 1995, 93).²¹

¹⁷ Stow (1992) notes that ‘[f]or medieval, interest by its nature was repugnant, especially when it was contractually undisguised, openly charged and could not be described as legitimate profit’ (Stow 1992, 219).

¹⁸ From 1179 onwards, manifest usurers could be excommunicated. In 1207, it became possible to bring a case in a canon court against a suspected usurer in the absence of a plaintiff. The Second Treaty of Lyon in 1274 threatened to suspend bishops who did not prosecute usurers. The Council of Vienne of 1311 declared open usurers to be heretics and condemned rulers who continued to tolerate usury (Tanner 1990). Munro (2008) calls this the medieval campaign against usury.

¹⁹ A complementary hypothesis is that many Jewish lenders had a competitive advantages over Christian lenders. Richardson notes that ‘Jews... were more open in their dealings, more willing to take risks, more accessible to high and low, and so were regarded as the universal pawnbrokers and mortgagees.’ (Richardson 1960, 80). Botticini and Eckstein (2005, 923) note that because they were more literate and numerate that the rest of the population Jews ‘had a comparative advantage in the skilled occupations demanded in the new urban centers’ such as banking and moneylending. Barzel (1992) speculates that Christian merchants would be prepared to borrow money from Jews when they would not borrow from fellow Christians because the Jews were legally prohibited from a large number of trades and businesses and thus could not take advantage of any information disclosed.

²⁰ As Stein notes ‘even Innocent III... accepted *de facto*, if not *de jure*, a differentiation between Jew and Christian before the law. This is supported by ‘the fact that we have no surviving court decisions against Christians who took interest from Jews’ (Stein 1956, 144). To escape prosecution, Christians had to charge disguised interest when lending to other Christians, which made renewing loans costly, undermined verification of the loan, and reduced creditors ability to collect (see de Roover 1948, 57–58). Jews could face some sanctions from canon courts. In particular they could be excommunicated, which entailed being denied any contract with Christians. On this see Jordan (1986).

²¹ ‘Nowhere else in northern Europe was there a Jewish community with so much wealth per capita, or one so completely dependent upon moneylending, as were the Jews of England in the century or so prior to 1275’ (Stacey 1995, 93). Robert Chazan writes that ‘[t]he overwhelming impression from this wide-ranging evidence is the significance of Jewish moneylending to the general English

The religious prohibition on usury had two consequences: (1) moneylending was monopolized by pariah groups; and (2) the profits associated with moneylending were higher than they otherwise would be. This was an instance of what Max Weber called ‘pariah capitalism’ (Weber 1927).²² As Braudel wrote: ‘[i]n a society which operates certain prohibitions, which regards as unlawful usury and even money-handling—the source of so many fortunes not only in trade—it is surely the social machinery itself which reserves to ‘outsiders’ such unpleasant but socially essential tasks’ (Braudel 1979, 1982, 166). This specialization made the Jewish community extremely important to the king, but it also made them unpopular and vulnerable.

By restricting legitimate moneylending to the Jews, the Church inadvertently created a source of monopoly rents.²³ Various monarchs attempted to capture these rents by licensing and taxing Jewish moneylending.²⁴ As a result, the wealth accumulated by the most powerful and successful Jewish moneylenders was vast. Aaron of Lincoln, the richest of all Jewish moneylenders, left approximately £100,000 on his death in 1186 (Jacobs 1898).²⁵ A prize of this size must have been an irresistible temptation for the king, if he could get his hands on it. This resembled a mechanism design problem: the king wished to capture the steady stream of monopoly profits that the prohibition generated in a way that did not damage or destroy their source.²⁶ First, he had to be able to enforce the Jewish monopoly over moneylending. Second, the king had to be able to credibly promise the Jewish community that he would not only protect them from outside predation, but that he would not expropriate them himself. This meant that the rent extraction problem facing the king was at heart a commitment problem (McChesney 1987). In order to maximize the value of the revenue that could be extracted from Jewish

Footnote 21 continued

economy...moneylending was the mainstay of Jewish economic activity, the means by which the Jewish community as a whole maintained its economic viability and won the political support requisite to its survival’ (Chazen 1997, 26).

²² *Paria-Kapitalismus*—Weber developed this category in response to Werner Sombart’s claim that the Jews had played an essential role in the emergence of capitalism. In his account of the rise of capitalism he contrasted ‘speculative pariah capitalism’ with the Puritan ‘bourgeois organization of labour’ (Weber 1930, 245). This concept has been criticized (see Cahnman 1974; Momigliano 1980).

²³ Perhaps this was not necessarily done unwittingly. It was thought better for Jews to endanger their souls by lending money at interest than for Christians to engage in the practice. This monopoly was a monopoly in the economic sense. It did not mean that every moneylender was Jewish.

²⁴ The prohibition was a lucrative source of rents because it minimized rent dissipation. In public choice theory, the creation of political rents induces rent-seeking behavior as producers bid for the right to be the monopolist (Tullock 1967). This causes the rents to be dissipated as each would-be monopolist expends resources trying to capture them. In the case of the medieval prohibition on usury, the costs of rent-seeking were low because the monopoly was enforced by religious as well as legal penalties, and the Church made it extremely costly for other groups apart from the Jews to become licensed pawnbrokers and moneylenders.

²⁵ In 2007 pounds this is approximately £50 million. In contemporary terms it made him the second richest individual in the country after the king.

²⁶ The political extraction of rents is considered by McChesney (1987) who shows that it can be in the interests of political actors to extort private parties by threatening to expropriate existing rents. McChesney (1987) stresses the ability of extract rent depends on both the credibility of the threat to expropriate if the appropriate payments are not made and the credibility of the promise not to expropriate if they are.

moneylending the king required a commitment technology.²⁷ The next section presents the argument that the Exchequer of the Jewry enabled the king to partly overcome his inability to make credible promises to parties outside the feudal system.

3.1 The establishment of the Exchequer of the Jewry

The Exchequer of the Jewry was to be an important source of revenue during the reigns of four kings of England: Richard I (1189–1199), John (1199–1216), Henry III (1216–1274) and Edward I (1274–1307). Pressed for revenue, Henry II (1154–1189) seized the estates of rich Christian and Jewish moneylenders after they died on the grounds that they were usurers.²⁸ This gave the king a financial interest in the fortunes accumulated by prominent Jewish moneylenders, and as a result of this the Great Exchequer began dealing with the legal affairs of the Jewish community from 1179–1180 onwards (Brown and McCartney 2005, 307). As a consequence, the Exchequer of the Jewry was set up some time in the 1180s to tax Jewish debt (Madox 1703). Under Henry II's successors the wealth of the Jews began to be systematically extracted.

The beginning of the reign of Henry II's son, Richard I was marked by a series of pogroms. The worst massacre occurred in York in March 1190 when local authorities were unable to protect the Jewish community from local barons and the bishop of Durham. The apparent aim of the attack was to burn the records of debts owed to Jewish lenders.²⁹ According to contemporaries, Richard was furious at the loss of revenue and the affront to royal authority.³⁰ As a response, in 1194 the royal government imposed a number of new measures that were aimed at preventing another such incident (Cramer 1940). These measures, which systemized Jewish lending and codified the position of the Jews in society, were known as the Ordinance of the Jewry. From this point onwards, the Exchequer of the Jewry took on the additional responsibilities of acting as a repository for all Jewish debts, as a law court, and as bridge between the Jewish community and the king.

Richard Huscroft notes 'whilst designed to better protect the Jews from physical attack, [this was] primarily intended to make their financial exploitation more systematic and methodical' (Huscroft 2006, 56). The reforms meant that if another massacre occurred, the records of Jewish loans would be preserved. Jewish lending was handled by the office of the Great Exchequer, the *Saccarium Judeorum* which ensured that

²⁷ McChesney (1987) stresses the ability of extract rent depends on both the credibility of the threat to expropriate if the appropriate payments are not made, and the credibility of the promise not to expropriate if they are.

²⁸ The king could legally inherit the riches of unrepentant usurers i.e. those who did not make restitution on their deathbed. He also took the fortunes of Christian usurers like William Cade.

²⁹ This was a reaction by the barons to 'their own financial exploitation at the hands of the Angevin government (Dobson 2003, 147). Stow observes that 'the town patriciate disassociated itself from the massacre; the initiators were heavily indebted members of the middle and even upper knightly class, motivated by fears of foreclosure' (Stow 1992, 111).

³⁰ In the account given by William of Newburgh of Richard's reaction to this massacre, 'He [Richard] is indignant and in a rage, both for the insult to his royal majesty and for the great loss to the treasury, for to the treasury belonged whatever the Jews, who are known to be the royal usurers, seem to possess in the way of goods' (quoted in Schechter 1913, 129).

1. Jewish moneylenders were protected by officers of king;
2. Debts to Jewish moneylenders were enforced;
3. The king taxed interest charges, and gained discretionary access to a developed tax base.

A system of registries recording every loan made by a Jewish moneylender was established. In the law book of Henry II, Jews had been required to declare in writing before Christian witnesses all debts owed to them as well as how much property they owned. Concealing such information was an offence. In the Ordinance of 1194, this was taken further: unrecorded transactions were made illegal, and the chirographs recording each loan, known as the *starrs* from the Hebrew word *shtar*, meaning “contract”, were kept in a special chest, the *archae cyrographorum*, whose keys were entrusted to two Christians and two Jews. These inventories meant that king could accurately assess the wealth of the Jewish community. Every major town contained its own chest of Jewish debts, and certainly by 1233 at the latest, Jews were confined to towns in which there were chirograph chests, unless they had special permission to live elsewhere (Brand 2003, 74). According to Brown and McCartney (2005, 312): ‘The king’s policy of keeping the Jews together in a few towns seems to have been to facilitate protecting and efficiently taxing them. The object of these chests was primarily to ensure the safety of Jews’ debts which like all else belonging to them, the king had come to regard as his own property, and to enable him to gauge their wealth’.³¹

Together with the Church’s prohibition on usury, the Exchequer of the Jewry created a quasi-nationalized credit monopoly. The main business of the Exchequer was regulating and reclaiming loans. This was the responsibility of the *Scaccarium Aaronis*: ‘anyone in possession of lands that the debtor held at the time of contracting the debt or subsequently acquired was liable for a share proportionate to their share of the debtor’s lands’ (Brand 2003, 76). The officers of Exchequer enforced repayment directly, reducing the default risk Jewish lenders faced. Christian lenders did not have access to an equivalent debt registry, and in the case of Christian lenders, the law favoured borrowers over creditors.³² By limiting the number of lenders and by preventing them from competing with one another (by controlling where Jew could settle) the Exchequer of the Jewry enabled the king to maximize the revenues that he could obtain from taxing credit markets.

The Exchequer of the Jewry was an significant source of Royal revenue, although data problems preclude an accurate assessment of exactly how important it was. The

³¹ According to the view attributed to Henry of Bracton, a leading thirteenth century jurist, summarized from *De Legibus et Consuetudinibus Angliae*: ‘The Jew can have nothing of his own, for whatever he acquires, he acquires not for himself but for the king; for the Jews live not for themselves but for others and so they acquire not for themselves but for others’ (quoted Pollack and Maitland 1895, 468). Similarly according to the contemporary *Leges Edwardi Confessoris*, ‘the Jews and all that they have are the king’s, and should any one detain them or their chattels, the king may demand them as his owns’ (quoted in Pollack and Maitland 1895, 468). This ‘same legal fiction’ held that all Jews ‘were slaves of the king’s chamber, his royal treasure, and therefore not to be harmed by anyone except, of course, the king himself’ (Nirenberg 1996, 21).

³² ‘English law had favored the debtor over the lender. Not only had debts been easily repudiated, but there had also been no satisfactory legal remedy by which a creditor could compel a debtor to pay a delinquent obligation’ (Bowers 1983, 62).

reason for this is that the Exchequer provided several sources of revenue: the most important of which was the tallage. The court rolls record how much each tallage on the Jews was assessed for. The tallage was a feudal tax a lord could levy on his dependents at a time of his choosing. It was levied on the Jewish community as a whole, but the bulk of it was paid by a small group of wealthy moneylenders (Stacey 1985).³³ The tallage was important principally because it was a discretionary tax. If the monarch needed a large amount of revenue quickly, a tallage could be assessed at punitive rates. The proceeds of the Jewry could be pledged to pay for a number of expenses incurred by the king.³⁴ The Exchequer of Jewry had an additional advantage as a source of revenue, it promised to increase with the commercialization of the economy, at a time when traditional feudal revenues were declining (Britnell 1993). Furthermore, since every debt was recorded, taxing the Jews was ‘dreadfully simple’ (Stow 1992, 218). In other words, the costs of taxation were low.³⁵

Figure 1 depicts the tallages assessed on the Jewish community during the thirteenth century. The revenue series in Fig. 1 is driven by the costs of warfare. King John fought a series of campaigns in France during the first part of the century. In 1211 King John levied a tallage assessment of £44,000 to pay for his war against the Welsh and the planned campaign against Philip II of France that culminated in defeat at the Battle of Bouvines.³⁶ The other peak in the tallage series in the 1240s can be explained in reference to Henry III’s unsuccessful campaigns in France and his backing of the Papacy’s wars against the Emperor. Edward I fought a number of costly wars against the Welsh between 1277 and 1284, but as Fig. 1 demonstrates these were not financed by taxes on the Anglo-Jewish community.

The record of tallages does not include fines, reliefs and other additional extraordinary demands that the king made on the Jewish community. For example in January 1237, the Calendar of Plea Rolls records the king’s demand that ‘they shall succour R. earl of Poitou and Cornwall, with 3000 marks to make his pilgrimage to the Holy Land’ (Calendar of Plea and Memoranda Rolls, Preserved among the archives of the corporation of the city of London at Guildhall, 1323–1364 1906, 173).³⁷ Nor does it include the numerous fines that the king imposed on

³³ According to the chronicler Matthew Paris, in 1242 the king obtained ‘four marks of gold and four thousand marks of silver’ from Aaron of York (Paris 1852, 459). This impression is confirmed by Stacey (1985) who found that half of the total tallage was paid by just three individuals.

³⁴ For example, it is recorded that on 3rd July 1250, the king promised a ‘[b]ond to Raymond Makeyn, citizen of Bordeaux, to pay him out of the first issues of the Jewry 792 marks for divers debts, to wit, a moiety next Michalemas, and the other moiety the following Easter’ (Calendar of the Patent Rolls, preserved in the public record office, Henry III AD. 1247–1258 1908, 69).

³⁵ McKechnie (1905) observed that ‘[i]f this cunningly-devised system prevented the Christian debtor from evading his obligations, it also placed the Jewish creditor completely at the mercy of the Crown; for the exact wealth of every Jew could be accurately ascertained from a scrutiny of the contents of the *archae*. The king’s officials were enabled to judge to a penny how much it was possible to wring from the coffers of the Jews, whose bonds, moreover, could be conveniently attached until their paid the tallage demanded’ (McKechnie 1905, 268).

³⁶ This was the turning point in the treatment of the Jews from favoured vassals to Royal serfs according to Langmuir (1990).

³⁷ It may be useful to clarify the monetary system used in medieval England. A pound sterling was made up of 20 shillings (*s*) or 240 pence (*d*). A mark was 13*s* and 4*d* or two-thirds the value of a pound.

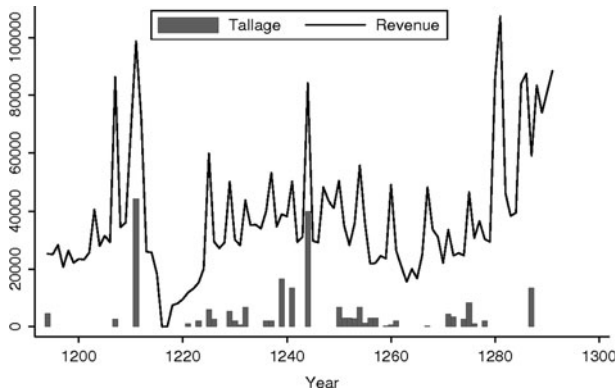


Fig. 1 Total nominal revenue and tallage assessments in £ sterling, 1194–1290. The data on the size of the tallage is from Mundill (1998) and Huscroft (2006). Revenue data is from Ramsey (1925a,b) supplemented and amended by Barratt (1996, 1999, 2001). During the civil war of 1215–1217, no audit of the king's revenue was conducted. The data is from the pipe rolls. The data from Ramsey (1925a,b) for the reign of Henry III is of poor quality because many of the figures and estimates and it is not always clear what is being included or excluded (see Barratt 1996). The quality of price data means that correcting for inflation is also problematic so it has not been attempted. A caveats is required to accurately interpret Fig. 1. There is some controversy about the proportion of the tallage that the was collected (see Roth 1964; Richardson 1960; Stacey 1985). The assessment was an *ex ante* estimate of how much taxation could be taken. The proportion of this that was actually collected depended on the size of the original assessment and the techniques used to collect it. The most recent view based on Stacey (1985) is that the large assessments of the 1240s were for most part collected.

individual moneylenders or their heirs. The king was entitled to take one third of the estate of Jewish lenders on their deaths. In July 1256, Koc son of Aaron, son Abraham, Jew of London had to pay a fine of 20 marks to the king 'so that he and his wife and children be quit of inquisition and suspicion which the king has against them of chattels and moveables of Araon his father, concealed and carried away' (Calendar of the Patent Rolls, preserved in the public record office, Henry III AD. 1247–1258 1908, 489).³⁸

In most years the Exchequer of the Jewry contributed modestly to total revenues. Figure 1 suggests that the significance of the Exchequer lay less in the size of its contribution to the fisc, than in the ability it gave the king to levy huge discretionary taxes during crises, effectively running down the resources of the Jewry as if it were an overdraft.

3.2 The regulation of credit markets

The declared aim of the Exchequer of the Jewry was the regulation of Jewish lending. Did the Exchequer of the Jewry improve contract enforcement? What were the objectives of the royal officials who operated the Jewry and what was the economic impact of their actions? It is impossible to provide quantitative answers to

³⁸ Arbitrary fines were levied on a number of prominent Jewish widows such as Licorcia of Winchester who was imprisoned 'on the grounds that she had stolen a valuable ring destined for none other than Henry III himself' (Dobson 2003, 154).

these questions, as data on the scale of Jewish lending does not exist. Nevertheless, it is possible to provide a qualitative account of the impact of the Jewry on credit markets.

Credit markets were a potent source of revenue for the crown. Access to credit was important because grain storage was costly and households had few alternative ways to smooth out income fluctuations over time. Demand for credit was increasing as the economy became ever more commercialized and market orientated (Britnell 1995; Masschaele 1997; Langdon and Masschaele 2006). Because there were few substitutes for marked-based credit, this demand was highly inelastic.³⁹ The supply of credit could not respond to this demand because the Church's restrictions on usury restricted the supply of moneylenders. As a result rates of interest and tax revenues remained high.⁴⁰

The Exchequer's officers had the power to distrain debtors. They were much more powerful than the manor courts that enforced rural credit markets (see Briggs 2006, 2009). An example of this power can be found in the Patent Rolls of 1263: '[a]s Benedict son of Licoricus, Jew of Winchester, has satisfied Edward, the king's son of the debt wherein he was bound to him; the king charges all sheriffs and bailiffs to distrain the debtors of the said Benedict by their lands and chattels according to the law and the custom of the Jewry to pay the debts which he can reasonably show to be due to him, so that no further clamour shall reach the king by their default' (Calendar of the Patent Rolls, preserved in the public record office, Henry III AD. 1258–1266 1910, 299). Borrowers who defaulted could be easily punished by the officers of the Exchequer because the details of the original loan could be verified by examining the *starrs*. It was in the interests of the crown to ensure that repayment was timely, but this had beneficial effects on borrowers as well.⁴¹ It improved the ability of borrowers to access ready cash when they needed it, and as a consequence, all else equal, it would have had the affect of *lowering* the rate of interest.

³⁹ Traditional agrarian societies respond to these shocks by employing various forms of community-based insurance (see Platteau and Abraham 1987). As societies become more commercialized, however, traditional forms of insurance and consumption smoothing often fail. McCloskey and Nash (1984) examine the high cost of grain storage in medieval England. The scarcity of credit raising the interesting possibility that many land transfers were (imperfect) substitutes for credit transfers (Bekar and Reed 2003, 2008).

⁴⁰ The Ramsey 'inverse elasticity principle' indicates that commodity taxes should be concentrated on goods that are demanded inelastically. The inelasticity of credit demand implies that the indirect taxation of lending may have been relatively 'efficient' from a technical point of view. This is similar to the logic of 'efficient mercantilism' (Congleton and Lee 2009). Congleton and Lee (2009) show that a revenue-maximizing autocrat has an incentive to assign monopoly rights in such a way that indirectly minimizes the deadweight loss associated with monopolization. It is also similar to the account provided by Nye (2007, 68–88) of how the British state in the eighteenth century shifted towards less costly forms of intervention like excise taxes.

⁴¹ This is made explicit in the following vignette from 1287. Rokah (2001) reports that 'the sheriff of Hampshire was told to help Lumbard son of Cressant, a Jew of Winchester, to levy debts proven to be owed him by Lumbard, since he owed the king a 'large sum by reason of the king's tallage lately made throughout the whole Jewry within the realm, which he is unable to pay unless the king help him in recovering the debts due to him' (Rokah 2001, 81).

The evidence from the Norwich court rolls examined by Lipman (1967) indicates that in East Anglia at least, all members of society borrowed money from Jewish moneylenders. However, it was members of the lesser nobility who were most dependent on Jewish lending, as they did not have access to the reciprocal systems of informal insurance or credit that the peasantry possessed.⁴² Robert Stacey has described Jewish moneylenders as ‘a widely available and regularly accessible source of credit for a *knighly* litigant like Richard de Anstey’ (emphasis added, Stacey 1995, 89).⁴³

The Exchequer was in principle supposed to prevent lenders from charging extortionate interest and the weekly rate of interest at which Jewish lenders could lend was regulated. The maximum legal interest rate was *2d* in the pound per week. This amounted to an annual [non-compounded] rate of 43 1/3%. In fact, however, the Exchequer may have acted so as to *restrict* competition between lenders. Certainly the number of Jewish lenders who could settle in a particular town was limited. And it was in the financial interest of the king to keep interest rates high.

However, for most of the thirteenth century, the interest rates charged by Jewish lenders do not appear to have provoked serious opposition from borrowers. Even an commentator, as unsympathetic to Anglo-Jewry as the chronicler Matthew Paris, observed that the terms offered by Jewish moneylenders were fairer than those a borrower could obtain from a Christian usurer, for, he noted, ‘when you return to a Jew the money he has lent you, he will receive it with a good grace, and with only interest commensurate with the time the money has been lent’ (quoted in Menache 1997, 154). It was not in the long-term interest of either the officers of the Exchequer or professional lenders themselves to bankrupt their cliental.⁴⁴

3.3 Contingent debt repayment

Detailed studies on Jewish lending elsewhere in medieval Europe, suggest that lenders made use of both formal and informal sanctions in order ensure repayment. Individual lenders harnessed both information and liquid capital from a wider

⁴² In some areas this was not the case. For instance, the Hospital of St John the Evangelist in Cambridge provided informal loans to noblemen. In her study of the Hospital, Miri Rubin found that many of the landowning benefactors of the Hospital were in fact indebted to Jewish moneylenders. In 1240, on landowner ‘granted the hospital 2 acres in Babraham ‘to God and the hospital’ ... for which he received 23s ‘to acquit me of the Jewry’” (Rubin 1987, 219). In general the evidence from Cambridge suggests that the debtors of the Jews ‘were often townsmen and men of lower knightly rank’ (Rubin 1987, 221).

⁴³ This reflects a more general phenomenon; in all preindustrial societies: ‘[i]ndebtedness was a universal aristocratic disease’ (Crone 1989, 26). The nobility had high expenditures and illiquid income. During the thirteenth century these expenditures were increasingly rapid as the costs of warfare increased (Hilton 1966, 50–51).

⁴⁴ Bowers (1983) showed that the covert interest charged by non-professional Christian lenders like Adam de Stratton in the fourteenth century greatly exceeded what Jewish lenders had charged. De Stratton charged £1 in ‘late charges’ a day for a £40 loan. In another loan he charged £10 in interest every 2 months for every ten marks borrowed (£6. 13s. 4d) (Bowers 1983, 66). Bell et al. (2008) have calculated the rates of interest Italian bankers charged Edward I. Carefully distinguishing the annualized rate of interest charged on a loan from the net profit of the lender, they find that the interest rate charged varied from around 14 to 140% according to factors such as the size of the loan and the fiscal position of the king.

network made up of the larger Jewish community (Botticini 1997). The evidence of Lipman (1967) and Mundill (2002b) also indicates that despite the role of written debt instruments and third-party enforcement, credit markets in thirteenth century England retained many features of personal credit. The process of getting a loan hinged upon personal connections and relations. Lipman observes that ‘when a non-Jew wanted to borrow money he did not necessarily go straight to the wealthiest Jewish lender but to some Jew he knew or merely came across. The latter would undertake responsibility for the loan but might have to get backing for it either at the time or subsequently from other Jews’ (Lipman 1967, 92).

To encourage repayment long-term borrowers could earn favoured customer status, a rank known in Jewish law as a *ma ‘arufia* (Shatzmiller 1990, 100). The *ma ‘arufia* could borrow at a reduced rate of interest, and did not have to post a security as would other borrowers.⁴⁵ Successful moneylenders had to be liquid, and they needed to maintain long-run relationships with their cliental. Lenders were often short of ready currency, and *ma ‘arufia* status enabled Jewish lenders to ‘bestow upon customers favors not necessarily related to moneylending’ (Shatzmiller 1990, 102).⁴⁶

This system of credit was effective in mitigating many of the problems that affect credit markets in agricultural societies. In England, the Exchequer of the Jewry strengthened it further by lowering enforcement costs. However, the benefits of protection and better contract enforcement provided by the Jewry were a two-edged sword. Both lenders and borrowers became more vulnerable if the king decided to levy a large tax on the Jews. This remained a possibility because, although the Exchequer of the Jewry helped to mitigate the commitment problem facing the sovereign, it did not resolve it. If the king had been able to limit his tax demands, he could have been assured of a steady-stream of revenue from the Exchequer. If, however, he decided to extort as much as possible from the Jewish community, then this would risk not only bankrupting the Jewish population temporarily, but it would also damage their ability to earn money for the king in the future, because it would impede their effectiveness as lenders. The king was in danger of killing the goose that laid the golden eggs. The remainder of this paper develops this argument in detail by constructing an analytic narrative that explains how the political crisis of the mid-thirteenth century destroyed the Exchequer of the Jewry.

⁴⁵ There were three important ways in which a moneylender could help out a favoured client. The ‘first was postponement of repayment; the second, remittance of part of the interest; and the third, not asking for documents or any security in connection with the loan’ (Shatzmiller 1990, 116). The most appreciated was the *prolongatio*. ‘Partial remittance of interest was not considered a rare act on the part of moneylenders, judging from what people said about Bondavid. He would do this either by returning some quantity of money or making void, tearing up, or handing over the documents before the debt was fully paid’ (Shatzmiller 1990, 117). Shatzmiller’s depiction of moneylending in Provence closely approximates what development economists call quasi-credit (Fafchamps 1999). The important characteristic of quasi-credit is that repayment is contingent: if the borrower cannot repay immediately, the debt can be rescheduled. The insight of Fafchamps and Gubert (2007) is that internally enforced debt contract must allow for contingent repayment. In medieval Provence, contracts could be enforced externally but doing so was costly.

⁴⁶ Delayed repayment appears to have been a common feature of Jewish lending. Only 12% of debts in Aix-en-Provence in the 1430s were paid back on time (Coulet 1988, 516–518). In England this rate may have been higher because of the Exchequer of the Jewry.

4 An analytic narrative

The Exchequer of the Jewry can be best understood in the context of the problem of tying the king's hands: an unconstrained ruler, powerful enough to enforce internal order and deter foreign enemies, is also powerful enough to expropriate the citizenry. The kings of England faced a credibility problem of this kind in their dealings with the Jewish community. The Jews were valuable to the king as a source of taxation and it was not in his long-run interest to expropriate them outright. But each king possessed the power to expropriate them, and this was reason enough for the Jews not to believe their promises. In general, feudalism resolved commitment problems by dispersing coercive power.⁴⁷ It enabled the king to make credible promises and commitments to other parties who were within the feudal system. The Jews, however, were, in Bracton's formulation, the king's serfs. The king was an unconstrained despot with respect to individuals who were outside the feudal hierarchy. Minorities like the Jews had no way to hold the king to account. Henry III was heard to say that 'no Jew shall remain in England, unless he serve the king, and as soon as any Jew is born, whether male or female, let him serve Us in some way' (quoted in Parkes 1976, 107–108).

The Exchequer of the Jewry was a commitment technology. It provided the king with a financial interest in the welfare of the Jews. A reliable source of discretionary revenue, for the monarch, it also promised the Jewish population relative security of property. Events were to demonstrate that the Exchequer of the Jewry was an imperfect commitment technology. It gave the king an interest in the long-term financial wellbeing of the Anglo-Jewish community, but this interest had to be weighed against his immediate short-term need for revenue. During the 1220s through to the 1240s, the Exchequer of the Jewry provided a regular contribution to the royal treasury. The tallages assessed during the 1230s were usually of the value of £3000 and the Jewish community was allowed several years to meet each assessment (Mundill 1998; Huscroft 2006). This permitted them the time to plan ahead and accommodate the demands of the king. This changed during the 1240s.

4.1 The crisis in the credit market

Henry III assumed the reigns of government in 1227. His reign was shaped by two facts: the feudal revenues of the monarchy were in decline, while the costs of patronage and warfare were rising. These problems came to a head in the 1250s. During the 1230s and 1240s, Henry had generously distributed land, wardships and ecclesiastical benefices as patronage (he was particularly generous to his relatives from Savoy) (Ridgeway 1989, 592). During the 1250s, however, he found it increasingly difficult to reward his Poitevin relatives who had come to England.⁴⁸

⁴⁷ Within the feudal system, 'the highest superordinate level of the feudal hierarchy in any given territory of Western Europe was necessarily different not in kind, but only in degree, from the subordinate levels of lordship beneath it. The monarch, in other words, was a feudal suzerain of his vassals, to whom he was bound by reciprocal ties of fealty, not a supreme sovereign set above his subjects (Anderson 1974, 151).

⁴⁸ Ridgeway observes that 'pressures, political and other conspired to produce a situation where the King's own supply of land suitable for making grants was noticeably less than it had been at any other

Parliament had refused to grant Henry new taxes after 1237. Moreover, in the 1240s, Henry had embarked on a series of costly foreign wars and intrigues.⁴⁹ Another pressure on the king's revenue was the need to provide his heir Edward with an annual income.⁵⁰ The Exchequer of the Jewry was one of the few sources of revenue that he could easily tap.⁵¹ This resulted in the series of draconian tallages that show up in Fig. 1. These tallages raised more revenue than previous tallages because they were assessed in a much more thorough fashion. In 1241, a census of the entire Jewish population over the age of 12 was carried out. Royal officials were sent to all the towns where Jews resided and

[t]he sheriffs of the counties containing archæ or chests for Jewish debts were ordered to have the archæ sealed. The king then appointed men to conduct a 'scrutiny' or examination of each archæ. The examining clerks listed all the contents of each archæ, and then sealed each creditor's bonds in a separate bag. The tax owed by each Jewish community was then assessed, based on the contents of its archæ and payment terms set' (Rokah 2001, 72).⁵²

The tallage was assessed at 20,000 marks or £13,333, payable in several installments. Jews who failed to pay were 'distrained' by the king's sheriffs and taken to the Tower of London. This assessment destroyed the wealth of some of the largest moneylenders in thirteenth century England. Aaron of York was assessed for a sum of £3591 1s. 2½d. David of Oxford paid £1136 13s. Leo of York paid £1257.⁵³

Before this had been fully paid, a second, much larger tallage, assessed at £40,000, was imposed in 1244. This series of heavy tallages amounted to an act of expropriation. In the words of Matthew Paris, the king extracted from 'the Jews whatever visible property those wretched people possessed, not only, as it were, skinning them merely, but also plucking out their entrails. Thus this dropsical

Footnote 48 continued

point earlier in his reign. Henry III was so unwarlike that he could never add to the royal store of escheats by conquest; he relied on windfalls. In the 1250s he was simply unlucky; there was nothing comparable with the demise of the Marshals or the 'great mortality of earls' of the 1240s to assist the task of patronage' (Ridgeway 1989, 596).

⁴⁹ Henry campaigned in Gascony in 1242 and from 1250 onwards he funded the Papacy's war against the Emperor in Sicily.

⁵⁰ Henry was unable to provide Edward with the £15,000 income promised to him.

⁵¹ They were not the only source of revenue. The king also increased the burden of local taxation dramatically by increasing the fees that sheriffs had to pay to hold their offices, which led to the sheriffs levying extortionate fines and other charges. (Maddicott 1986, 5–7).

⁵² According to Matthew Paris: 'The king, about this same time, sent justiciaries to examine into the whole amount of money which belonged to the Jews, both in debts due to them and the money they actually possessed; with them also was sent a base and merciless Jew, in order that he might accuse all others, even at the price of transgressing the truth. This man rebuked all Christians who lamented and grieved at the affliction of his fellow-Jews; and called the king's baliffs lukewarm and effeminate; and gashing his teeth with fury at each one of them, he declared, with great oaths, that they could give twice as much to the king as they had done, although he lied in his teeth, and in order to injure them more effectively, he daily revealed secrets of theirs to the Christian agents of the king' (Paris 1853, 341).

⁵³ The size of these sums is evident when it is considered that the average daily wage for a farm labourer in 1300 was 4d (Allen 2001).

thirster after gold cheated Christians as well as Jews out of their money, food, and jewels, with such greediness that it seemed as if a new Crassus was arisen from the dead' (Paris 1854, 274).

The draconian tallages levied by Henry during the 1240s and 1250s caused a crisis in the credit market. The 'savage financial exploitation forced Jews into a variety of expedients to raise cash' (Stacey 1997, 93). It had catastrophic results because, it not only bankrupted a number of prominent Jewish lenders, it also forced the majority of lenders to call loans in early. The demand for instant cash reduced their cash balances, and as result, lenders, who otherwise would have accepted deferred repayment, could not do so, because they had to meet the tallage. Liquidity was drained from the market and this had a ripple effect through the entire economy. Borrowers who could not repay were forced to default. Their debts were in many cases passed on directly to the king. The personal links that connected lenders and borrowers, and that had enabled Jewish moneylenders to extend credit on favourable terms to particular borrowers, were severed. Information on borrowers that would have facilitated future lending was lost.

This seriously reduced the long-run value financial value of Jewish moneylending to the crown (Stacey 1985, 31). Mundill describes it as a watershed, which marked the 'start of a catastrophic decline in Jewish wealth' (Mundill 1998, 77). By the 1250s, it was evident that the Jewish population could no longer sustain the financial burden the king demanded of them. In 1256, with the proceeds of the Exchequer already accounted for, we find Henry promising his favourite, Guy de Lusignan '500 marks out of the first *clear* debts of the king's Jewry' (Calendar of the Patent Rolls, preserved in the public record office, Henry III AD. 1247–1258 1908, 489). By December 1256, Guy had still not been paid, evidently because the resources of the Exchequer were more or less emptied and the king instead assigned him 250 marks out of the eyres of justice from York and Norfolk (Calendar of the Patent Rolls, preserved in the public record office, Henry III AD. 1247–1258 1908, 535).

Since many loans were secured by property, borrowers who defaulted often stood to lose their land. As Jews could not acquire land themselves, a secondary market arose trading the debts owed to Jewish lenders (Elman 1937). A consequence of this, was that the crisis between creditors and debtors was also a crisis in the land market. The sale of Jewish bonds facilitated the accumulation of land into larger, and more efficiently run estates (see Richardson 1960).⁵⁴ It led to a general rearrangement of ownership in favour of major landowners such as the monasteries and the great feudal magnates who had ready cash and could purchase at a discount from Jewish lenders. But it did so at the cost of considerable unrest (Bowers 1983, 61). Stacey notes that

⁵⁴ Henry's queen was involved in these transactions. The Calendar of Patent Rolls for 1258 records a ruling obtaining to a Baranas de Stiuecle, who was unable to repay a loan contracted with Jewish lenders: 'At the end of the term, the manor is to be given back to the queen, to hold until the heirs of the said Barnabas pay her 300 marks whereof she acquitted the said manor touching the Jewry towards Richard, king of Almain, to whom the manor devolved by grant of the king for the debt of the Jewry (Bowers 1983, 61).

‘Because the king demanded that his taxation be paid in cash, Jews were often forced to raise cash by selling their bonds at deep discounts to Christians, frequently royal courtiers, who could collect these debts with a ruthless efficiency quite beyond anything a Jewish creditor could muster. The result was increased pressure on Christian debtors, pressure that could lead ultimately to the loss of the estates upon which their debts were secured’ (Stacey 1997, 93–4).

Men like William de Valence and Richard of Cornwall seized the collateral of a large number of lesser landowners who had borrowed against the value of their land. Cross (1975) details how Sir Geoffrey de Langley acquired the estates of a number of landowners in Wiltshire and Derbyshire as they became indebted to Jewish moneylenders based in London during the 1250s.⁵⁵

4.2 Opposition to the Exchequer of the Jewry

Elements of the Exchequer of the Jewry appears to have been unpopular with barons and the knights from its inception. However, it is not immediately clear why this should be the case. The barons and knights benefited from the Exchequer of the Jewry as borrowers. There were ‘comparatively few English barons and large landed proprietors of the thirteenth century who had not, at some period of their lives, been indebted to Jews. Thousands of their names appear in the rolls of the Jewish exchequer’ (Brown and McCartney 2005, 320).

As Brown and McCartney (2005) observe most of this opposition was directed against the way in which the king used the Exchequer as an instrument of fiscal oppression. The tallages on the Jews were an indirect tax on indebted barons and other, smaller, landowners.⁵⁶ These were the men who formed the early councils or parliaments that the king occasionally called during the reigns of John and Henry III.

The king’s authority over the Jews meant that he could relieve individual debtors if he so wished. ‘Jewish debt could be used as a form of patronage by the king, and as a way of controlling potentially troublesome individuals’ (Huscroft 2006, 27).⁵⁷ Baronial opposition to many practices of the Exchequer was evident in 1215 at Runnymede. Stow observes that ‘at least one cause of the great rebellion in 1215—this time principally by the English magnates—[had been] resentment against royal manipulations worked through Jewish lending’ (Stow 1992, 112). Magna Carta

⁵⁵ Henry d’Aubigny lost his land because he went into debt trying to purchase a marriage for his son. Sir Robert de Willoughby of Kesteven found himself owing £446 13s 4d towards Jewish moneylenders (Cross 1975). Various other examples can be found in Madox (1703, 249–255).

⁵⁶ ‘Through the Jews the King could indirectly tax the people; they served him as a sponge which could be royally squeezed into the king’s coffers when it had drained the country dry by usury’ (Leonard 1891, 111).

⁵⁷ For example in 1244, Henry III pardoned a debt of £110 that his future enemy Simon de Montfort owed to David of Oxford, a rich Jewish moneylender (Maddicott 1994, 33). Thereafter de Montfont made a point of not borrowing from Jewish lenders.

contained numerous provisions that sought to limit some of the aspects of the activities of the Exchequer of the Jewry.⁵⁸

During the first part of the thirteenth century the opposition of the barons was directed at certain aspects of the Exchequer of the Jewry and not the institution itself. This changed in the 1250s when the king increased the demands he placed on the Jewish community. As many smaller landowners defaulted, the ‘result was frequently the transfer of these Jewish bonds into the hands of men about the court who had the means and opportunity to buy them, and ultimately the transfer of the land which was the security for the debt’ (Maddicott 1994, 126). The exploitation of the trade in Jewish debts in order to acquire land was one of the major grievances behind the Second Baron’s War (1264–1267). It appears likely that as the demands of the king put increasing pressure on Jewish lenders many aristocrats became tempted to renege on their debts by opposing the Exchequer of the Jewry directly. This civil war saw a baronial faction, demanding a greater role for parliament in government, oppose the party of the king and the court. During the war there were massacres of Jews in London, Worcester, Canterbury, and elsewhere (Maddicott 1994, 315). The *archae cyrographorum* were broken into and destroyed. The leader of the rebels Simon de Montfort made a point of canceling debts owed to Jewish lenders.⁵⁹

4.3 The rise of parliament and the expulsion of the Jews

In the aftermath of the Second Baron’s War, Henry and then his son Edward I sought to rule with the consent of the barons.⁶⁰ The parliaments of the first part of Henry’s reign had been informal gatherings of the major barons. Edward elevated the importance of parliament and continued the policy initiated by de Montfort of calling representatives of the towns, in addition to members of the feudal hierarchy.⁶¹ ‘Edward, far more than any previous king, reached out and won the favour of the knights and those below them in local society, precisely the group who had, through their representatives in parliament, to consent to the new taxation’

⁵⁸ Chapter Ten of Magna Carta stated that ‘[i]f one who has borrowed from the Jews any sum, great or small, die before that loan be repaid, the debt shall not bear interest while the heir is under age, of whomsoever he may hold; and if the debt fall into our hands, we will not take anything except the principle sum contained in the bond’ (McKechnie 1905, 265).

⁵⁹ Between October 1264 and June 1265, de Montfort pardoned 60 men of debts owed to Jews. As Maddicott comments the object of the policy ‘was to gain popularity for Montfort’s government, at no cost to himself, but at the expense of the Jews and of the king who was the lord of the Jews’ (McKechnie 1905, 265).

⁶⁰ From 1265 onwards Edward was the effective ruler of the country in many respects. Thus we find the Patent Rolls mentioning ‘the counsel of Edward the king’s son and other magnates and lieges of the realm in the king’s presence’ Calendar of the Patent Rolls, preserved in the public record office, Henry III AD. 1266–1272 (1913, 359).

⁶¹ As one historian put parliament ‘was of course a royal innovation begun by John, frequently used by Henry III, and developed by Edward I into an integral part of the constitutions, and all three kings had used the practice for their own purposes, financial, administrative or political, as and when they saw fit’ (Treharne 1986, 26). This supports Tullock’s 1987 hypothesis that representative institutions are typically granted by autocrats because doing so is in their own interest.

(Calendar of the Close Rolls, preserved in the public record office, Edward I AD. 1272–1279 1900, 184).

The monarchy responded to a number of the grievances raised by the rebels, including the issue of the trade in Jewish debts, and the Exchequer of the Jewry. In 1268, parliament petitioned the king, asking for a ban on Jewish lending. In response, Edward made an attempt to moderate the secondary market in Jewish debts. In 1269, the Calendar for Plea Rolls noted that ‘no Jew should sell to anyone any debt owing to him by a Christian without first obtaining the king’s special license and that if any Christian bought such debt, he should not have any more from it than the king would have if it were in his hand’ (Calendar of the Patent Rolls, preserved in the public record office, Henry III AD. 1266–1272 1913, 359). This offer was unsatisfactory because the promise was not enforceable. So long as the Exchequer of the Jewry existed, there would always be a secondary market for debt. Nor was the promise politically viable, since individuals close to Edward, including his wife Eleanor, were able to obtain exemptions.⁶² As Stacey notes, ‘Edward himself may personally have loathed moneylending; but his court was awash in it, and his family deeply implicated in its consequences’ (Stacey 1997, 81). Parliament remained unsatisfied and petitioned to have Jewish moneylending outlawed in 1270 and against in 1274 without immediate success.

The only way to end the unpopular trade in the secondary debts was to abolish the Jewry. The king, however, did not want to relinquish an important source of revenue without getting something else in return. The tallage ordered by Henry III in 1272 revealed that the Jewish community was unable provide tax revenues on the scale that it had done previously. In many towns only a very small number of Jews were able to contribute to the tallage (Mundill 1998, 78–79). The disappointing receipts of a subsequent tallage in 1275 made it possible for Edward I to negotiate an end to Jewish lending. Parliament was an alternative institution that could be used to raise revenue (Barzel and Kiser 1997; Barzel 1997). The deal between the king and the nobility was cemented in the parliament of 1275. Edward finally agreed to end Jewish usury in exchange for a tax on wool. Current debts would be honored, and the Exchequer would continue to exist in order to manage them, but it would not register new loans. In return, Edward obtained the first country-wide excise tax in English history (Power 1941). Wool was a rapidly growing export industry, and the excise on wool rapidly became an important source of revenue for the English exchequer (see Power 1941; Lloyd 1977). Therefore, he exchanged an asset of uncertain and diminishing value and obtained a more stable and lucrative source of income. As Mitchell (1951) notes ‘[p]roperly administered [excise taxes] yielded far more than any other levy that we have heard about before, approaching the fabulous

⁶² For example on June 18 1272, a license to trade in Jewish debts was granted to a number of people close to Edward himself such as William de Monte Revelli, ‘yeoman of Edward’ and William, a tailor of Edward’s wife, Eleanor. (Calendar of the Patent Rolls, preserved in the public record office, Henry III AD. 1266–1272 1913, 660). Tellingly in 1275, the king ordered the ‘charters whereby Thomas Basset of Weleham is indebted to Benedict de Lincoln, a Jew, and to other Jews of the realm to be withdrawn from the chest of the chirographers of the Jews and delivered to Queen Eleanor, the king’s consort, and to cause them to be replaced after they have been made into bills (*billicate*), so that she may make her profit out of them as shall seem fit to her’ (Calendar of the Close Rolls, preserved in the public record office, Edward I AD. 1272–1279 1900, 184).

sums raised under the Anglo-Saxons' (Mitchell 1951, 6). The excise tax was known as the 'Great Customs,' and levied at 6s 8d per sack of wool, its total value was evaluated at £81,000. Previous monarchs had been able to raise nationwide taxes on movables to fund extraordinary events such as crusade (in 1188) or Richard I's ransom in 1194, but these earlier taxes did not set a precedent for regular indirect taxation of the realm at large.

The king jettisoned the Exchequer of the Jewry because he could no longer afford to alienate the knights and the barons and because alternative way of raising revenue was available. The new fiscal arrangements of the crown after 1275 were, in contrast, politically feasible, which is to say, they satisfied, the logic of dispersed costs and concentrated benefits.⁶³ For the barons and knights who dominated parliament, it made economic sense to defray the cost of abolishing the hated Exchequer of the Jewry onto the population at large through indirect taxes.⁶⁴ The new excises taxes were more efficient sources of revenue than previous forms of royal finance.⁶⁵ They were comparatively simple and cheap to administer and collect. They were less arbitrary than the discretionary tallages levied by Henry III. Demand for wool exports was highly inelastic, so the deadweight loss associated with the tax was relatively small. More importantly still, since it could only be gathered with the consent of the port towns, and was a tax granted by parliament, Lovell (1962), a constitutional historian commented that the 'wool trade was the most important business from the point of view of the developing constitution' (Lovell 1962, 157).⁶⁶

4.4 The expulsion

Fifteen years later, on the 18th July 1290, England's small Jewish population were issued with an edict of expulsion. They had to leave by November 1st carrying with

⁶³ An additional reason was that an exogenous development reduced the future value of the Exchequer of the Jewry and this as the emergence of a number of Italian banking families in second-half of the thirteenth century that specialized in lending to the king and to the Church. Banking families like Riccardi first appear as lenders to the king. Italian merchants were particularly prominent in the wool trade (Bell et al. 2007, 117). The Italians offered more specialized services than Jewish lenders did. The Riccardi were made responsible for managing the customs revenue that came in as a result of the wool tax of 1275. They were able to provide advances on the basis of predicted future revenues and were thereby to smooth the king's income stream (Kaeuper 1973). Since the Italians only lent to a tiny elite at the top of English society and did not reside in England permanently, Italian bankers did not directly displace the Jews as Jews as Veitch (1986) supposed.

⁶⁴ Edward I continued to raise tallages on the Jewish community in 1277 and again in 1287 but as Richardson notes '[i]n estimating the severity of the exactions of the 1270s it must be borne in mind that the total population of all the Jewish communities in the country at the time can scarcely have reached 3,000 souls, and that the great majority of them were poor and moreover that the burden of taxation fell upon a small number of wealthy families who were deprived of a large part of their working capital by the 'great tallage' and whose business was further restricted by the prohibition of overt usury by the Statute of the Jewry of 1275' (Richardson 1960, 216).

⁶⁵ As Britnell (1995) notes '[the] levy on trade instantly became a principle support of royal finances, more regular than any other source of income' (Britnell 1995, 14).

⁶⁶ Butt (1989, 130) observes that the 'new tax brought the wool merchandise of England's primary trade into the fiscal net for the first time'.

them whatever movable possessions they could. Their houses and bonds, and the debts still owed to them were seized by the king. Edward explained the expulsion as part of his duty to uproot the “heinous offense” of usury and the ‘abasement of our people,’ ‘to guarantee the honor of God and the public utility of the Kingdom’ (Stow 1992, 228).

The taxes granted to Edward in 1275 had been made on the basis that Jewish moneylending would now come to an end. Some measures had been introduced with the intention of providing the Jewish population with alternative occupations. This has been dubbed the ‘Edwardian experiment’ (Lipman 1967). As Mundill (2002a) observes ‘the Edwardian experiment tried to encourage Jewish moneylenders to make a living by commerce rather than pure moneylending’ (Mundill 2002b, 48).⁶⁷ A framework for Christian lending was established in 1283 when Robert Burnell created a system of debt recognisances for Christian loans known as the Acton Burnell registry (Mundill 2002a). This was an optional debt registry that enabled special authorized sealed bonds to be drawn up and left in the possession of the creditor. Failure to repay a loan resulted in the seizure of the debtors possession or in imprisonment (McNall 2002).⁶⁸ Nevertheless, many Jews continued to operate as moneylenders. Alternative occupations and trades were often closed to them so many had little option but to continue as lenders. Maddicott describes it as ‘a tactical exercise in public relations’ on which ‘more was promised than was carried through’ (Maddicott 1986, 18). John Pecham, the Franciscan archbishop of Canterbury criticized Edward I in 1285 for continuing to permit Jewish usury and not enforcing the statute of 1275 (Grazel 1966).

Edward returned to England from Gascony in 1289, particularly short of funds, having agreed to the ransom of his cousin, and owing the Riccardi of Lucca £110,000. He considered raising another tax on the Jews, but the most recent tallage in 1287, had financially exhausted the Jewish community. His expenses could only be met by a grant of parliamentary taxation. He had to make a commitment that was *credible* in order to induce parliament to grant him the funds he wanted. This was more difficult than it had been in 1275 as Edward had earned a reputation for going back on his word.⁶⁹ In 1285, he had openly considered legalizing Jewish moneylending and there appears to have been widespread suspicion that he would

⁶⁷ For example in 1279, Edward ordered the sheriff of York to ‘cause proclamation to be made in the country of York and in the city of York that Jews may there freely traffic in lawful goods and merchandises with Christians and Jews, and may buy victuals and other necessaries and may live amongst the Christians, as they were wont to do in times past, and to inhibit any one from laying violent hands upon them or from injuring them otherwise contrary to the king’s peace’ (Calendar of the Close Rolls, preserved in the public record office, Edward I AD. 1272–1279 1900, 577).

⁶⁸ Greif (2006a, b) interprets the Statute of Westminster in 1275 and the establishment of the Acton Burnell registry as marking an end to the Community Responsibility System with respect to debts and Greif (2001a) suggested that the ‘procedures established in England between 1283 and 1285 provided the basis for a contract enforcement mechanism that enabled impersonal exchange based on a central legal system and individual responsibility’ (Greif 2001b, 34–35). This is true but it obscures the fact that a legal framework for enforcing impersonal loans and debts had already existed for three quarters of a century.

⁶⁹ Carpenter (2004) comments that both Edward I and his grandson Edward III: ‘had a nasty habit of making promises in return for their next tax and then rescinding them as soon as parliament had been dismissed (Carpenter 2004, 105).

revive the Exchequer of the Jewry. Stacey notes that '[s]o long as Jews remained in England, Edward's promises to prohibit Jewish moneylending were only as reliable as the king's own word: a situation which cannot have been reassuring to his subjects' (Stacey 1997, 100).

Edward's negotiations with parliament lasted six months. Though we do not know the exact details of the deal that resulted in parliament voting the king a new tax on movables evaluated at £116,346, one condition for the grant was a final end to Jewish moneylending. Expulsion was the only way the king could convince parliament that he had no intention of reconstituting the Exchequer of the Jewry. He had to expel the Jews to credibly commit himself to the policy of ending Jewish lending. As Stacey puts it,

'legislation against Jews and Jewish lending was the essential precondition upon which local society in England was prepared to vote voluntary taxation to the monarchy; and because the king concluded that in 1290, no lesser measure would secure the consent he needed. Edward got his tax, and in return the Commons got the expulsion; and it was on these terms that the tax was justified to the countryside' (Stacey 1997, 101).

This tax was the large single tax granted to any medieval king of England.

In his biography of Edward I, Preswich (1972) used the king's shortage of money as an explanation for the edict of expulsion and concludes that 'Edward's need for funds on his return to England was therefore considerable, and...a cause for the expulsion of the Jews' (Preswich 1972, 202). This does not follow however, as Edward's direct gains from expulsion were small. He dispersed the stone townhouses of prominent Jews to his supporters as a form of patronage. The king also collected receipts of debt worth £20,000, but he never reclaimed the vast majority of these debts (Huscroft 2006, 160). Though earlier monarchs had borrowed heavily from Jewish sources, Edward was not in debt to Jewish moneylenders.⁷⁰ The expulsion did not make sense as a crude act of expropriation since the value of the Jews as an asset still exceeded the amount that the king obtained by expelling them.

This historical narrative is consistent with the analytical framework set out in Sect. 2. The history of the Exchequer of the Jewry demonstrates how a particular institutional innovation was required in order for the king to capture the rents generated by the Church's prohibition on interest. This innovation has to satisfy two requirements. It had to be able to make a credible commitment to moderate taxation rather than expropriation. And it had to be politically viable. To this end, the institution gave the king effective property rights over the Jewish population. This institution was comparatively successful until the king faced a series of fiscal crises as occurred in the 1240s and 1250s. Under these circumstances, the king's promise not to expropriate the Jewry ceased to be credible.

⁷⁰ Using the theory of sovereign debt, Veitch (1986) argued that the arrival of Italian merchant bankers in the thirteenth century meant that the king was able to expel and expropriate the Jews. The evidence that the king did not gain directly from the expulsion shows that accounts that conflated the act of expulsion with that of debt repudiation are mistaken (this also applies to Barzel 1992).

At a constitutional level parliament was prepared to grant Edward taxes only if he, in return, abided by Magna Carta, and promised to respect the wishes of the realm as represented in parliament, and this meant giving up many non-parliamentary sources of income. This required dismantling the Exchequer of the Jewry. The only way to do this credibly was to expel the Jews *en masse*.

The theoretical framework outlined in Sect. 2 suggests that the king's choice of fiscal instrument was determined by what was politically feasible as well as what maximized revenue. Changes in the political environment led to a change in the revenue-maximizing ruler's optimal economic policy. The rise of parliament meant the end of the Exchequer of the Jewry because the king could only make credible promises to parliament if he gave up his ability to raise non-parliamentary tax revenue. The Exchequer of the Jewry was consistent with the political incentives facing the king so long as England remained a domain state. When this political environment changed, kings like Edward I came to realize that they could obtain far larger revenues from regular taxation through parliament than they ever could raise solely from exercising their feudal rights.⁷¹ The demise of the domain state made institutions like the Exchequer of the Jewry *politically* unviable.

The Exchequer of the Jewry was an institution designed to maximize the amount of rent that could be extracted from the prohibition against usury. The ultimate demise of this institution came not because these rents were dissipated (though some dissipation did occur), but because the political incentives facing the king changed. Green observed that it 'was in the Hebrew coffers that the Norman kings found strength to hold their baronage at bay' (Green 1877, 123). The kings after Edward would not have access to these coffers, and as a result parliament would be in a better position to hold them to account.

4.5 No exit but expulsion

In the historical literature the expulsion of the Jews remains a puzzle. Many historians had supposed that in expelling the Jews of England in 1290, Edward I acted out of either 'sincere religious bigotry' or simple greed. The rational choice account developed in this paper does not mean that these alternative explanations are necessarily incorrect, many, in fact, complement it.⁷²

Menache (1985, 1997) traces the rise of anti-semitism in England in the twelfth and thirteenth centuries. She argues that the smear of Blood Libel in particular acted as a 'catalyst in the deterioration of the Jewish situation in England during the thirteenth century' (Menache 1985, 357). But charges of deicide, diabolism, and ritual murder had long poisoned Christian-Jewish relations (Cohen 1994). And, though a case can be made that it was precisely prior to, and during, the period of the expulsions that anti-Judaism became antisemitism as it imbibed 'irrational

⁷¹ As Ames and Rapp (1977); Tilly (1990); Kiser and Linton (2001) have argued it was war that drove both state formation and representative government, an idea that has been recently formalized by Besley and Persson (2009).

⁷² Previously both Veitch (1986) and Barzel (1992) have used similar rational choice explanations to account for the expulsion of the Jews. They treat the expulsion as an act of debt repudiation which seems inappropriate in the light of the more recent research by Stacey (1997) and Mundill (1998).

fantasies', this perspective cannot adequately explain specific changes in a polity or in the mind of a ruler. The Jews were not driven out by the demands of the mob. The expulsion of 1290 was conducted in an orderly manner, and barring one or perhaps two gruesome exceptions, peacefully.

A variant of the same argument is provided by Stow, who argues that thirteenth century monarchs perceived their duties and their roles in religious terms. They could not therefore fail to view the Jews, by the same light, as a 'perennial threat to the integrity of the *utility communis*' (Stow 1992, 285).⁷³ He argues that thirteenth century monarchs came to realize that 'one means of mobilization was to achieve consensus and solidarity by exploring existing antipathies to the Jews, and even by expelling them ... Together with their subjects, medieval kings were pledging their fidelity to the kingdom, not as a modern nation but as the *corpus reipublicae mysticum*, the "holy kingdom with its holy people" (Stow 1992, 282).⁷⁴ Other explanations rely on inscribing special significance to individual events that preceded the act of expulsion. Mundill (1998) places particular emphasis on a period of illness Edward suffered in 1287 that encouraged him to turn to God and drove his Jewish policy, 'a change which was first fostered by religious conviction and convention rather than by political acumen or necessity' (Mundill 1998, 270).

The superiority of a rational choice explanation over accounts which stress the role of contingency and chance, is that a theoretically motivated account can provide an explanation of the king's actions that is consistent with the underlying political economy of the medieval state. A further advantage of a rational choice account of the expulsion developed here is that it can accommodate historical facts that are difficult to reconcile with alternative explanations such as the fact that Jews were denied the right to exit.

All of the alternative arguments detailed above imply that Henry III or Edward I should have been glad if the Jews had voluntarily exiled themselves from England. The right of exit was of vital importance because, as long as the Jews had this option available to them, it imposed a ceiling on the kinds of extractions the kings could subject them to. Jews were economically valuable to rulers, and in parts of central and eastern Europe they were still often invited to settle on favorable terms.⁷⁵ During the 1240s and 1250s, Henry III prohibited Jews from leaving the country. In 1254, Elias of London was explicitly denied permission to flee (Menache 1997, 161). Matthew Paris put the following speech into the mouth of Elias:

⁷³ Similarly Similarly Stow (1981) argued that monarchs like Philip III, Edward I and Philip IV were won over by the rigorist views of clerical anti-usury campaigners like Foulques de Neuilly and Robert Courson. Chazen (1973–1974) adopts a similar argument in his description of Louis XIII's policies in Narbonne.

⁷⁴ Langmuir (1990, 305) argued it was precisely because the Jews were increasingly singled out as the killers of Christ and as despoilers of holy relics that they were so vulnerable to the depredations of the king.

⁷⁵ This happened in central Europe during the twelfth and thirteenth centuries, in parts of Italy in the fourteenth century, and in Eastern Europe during the fifteenth and sixteenth centuries. For example in the middle of the thirteenth century, the diet of Mainz proclaimed that 'as loans are necessary and Christians prohibited to lend on profit, the Jew must be allowed to fill the gap' (Stein 1956, 144).

“My lords and masters, we see plainly that the king purposes to blot us out from under heaven. In the name of God, we ask his permission and safe conduct for us to depart from his kingdom, that we may seek a place of abode elsewhere, under some prince who has bowels of compassion, and will properly observe truth and good faith. Let us depart hence never to return, leaving behind us our houses and household goods.” (Paris 1854, 76).

When Elias defied the ban on leaving and escaped, taking with him his own bonds, Henry III prosecuted him because he had “thievishly carried off Our proper chattels” (quoted in Baron 1975, 44).⁷⁶

The explanations of the expulsion given by Menache (1985, 1997) and Stow (1992) suggest that a policy of encouraging conversions to Christianity should have found favour. But there is little evidence that there was a genuine interest in encouraging conversions to Christianity, despite the fanfare made by both Henry III and Edward I over individual converts. Until 1280, all property of Jews who converted belonged to the crown. This deterred any but destitute Jews from converting. Stacey estimates that despite the increased social stigma and official persecution, they faced by the late 1250s, only 5 or 10% of the Jewish community converted (Stacey 2003, 51).

5 Conclusion

This paper has provided an analytic narrative of the rise and fall of the Exchequer of the Jewry and the expulsion of the Jews. Using evidence drawn from original and secondary sources, it has applied insights from recent work in political economy to examine how political incentives affect credit markets in thirteenth century England. We are now in a position to draw some wider insights from this work and to relate it to the wider literature on state formation and the emergence of constitutional government.

In thirteenth century England, the medieval state pioneered a number of innovations that were designed to provide a source of revenue for the royal treasury by creating an quasi-nationalized monopoly on credit. Indirectly this had led to several improvements in the efficiency of credit, largely because the king had an interest in improving the enforcement technology. However, in the long run this institution was unsuccessful. It was jettisoned at the end of the thirteenth century because it was not politically incentive compatible. From a longer term perspective, the Exchequer of the Jewry looks like an institutional ‘false start’. It failed to result in the development of broad or deep capital markets.

Broader insights can be drawn from this episode. The narrative provides an detailed historical case study that is consistent with recent theories of state development. Consider the theory of administrative power developed by Greif

⁷⁶ When another group of prominent Jews requested permission to leave the country, the response of the magistrates according to Matthew Paris was: “Whither would you fly, wretched beings? The French king hates you and persecutes you, and has condemned you to perpetual banishment; do you wish in avoiding Charybdis to be dashed on Scylls?” (Paris 1854, 76).

(2008). Greif (2008) builds upon the observation that rulers depends on the administrative capacity at their disposal. He introduces the distinction between powerful administrators, who are able to threaten the ruler, and weak administrators, who are not. The main prediction of this framework is that constitutional arrangements are most likely to arise in societies where these administrators have the ability to discipline the ruler, because representative assemblies are required to negotiate with strong administrators. This form of constitutionalism—protection of property for an elite—need not entail similar such protection for, and may, in fact, result in a deterioration in the position of those, outside the elite, as it consolidates the power of one group vis-à-vis another. The present work has provided an illustration of this argument. The issuance of Magna Carta in 1215 and its reconfirmation in 1225 and 1297 secured legal rights for an elite; this paper has shown that the rise of parliament led to a deterioration in the position of England's Jewish population.

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