

Patricio Ortiz

History 16: Traders & Crusaders

Primary Source Paper, Draft

## Salvation's Nice and All, But What About the Return in This Life?

### Risk Management and Planning in the Crusades

Any financial undertaking requires answers to a few basic questions: who are the counterparties, how is risk allocated between them, what enforcement mechanisms exist if one side fails to deliver, and how much of the arrangement is centrally administered versus negotiated through something resembling a market? The crusades were, among many other things, an enormously tricky financial problem and through an investigation of a few primary sources it is possible to better understand the development and approaches to risk management in the crusades, especially by contrasting the sources amongst themselves. In this way, it is possible to trace a progression in the sophistication of financial arrangements.

The sources in question span 1200 to 1253: Pope Innocent III's set of letters to the Archbishop of Canterbury (1200–1201) shows a repricing of spiritual obligations into monetary ones; the expense accounts of King Louis IX of France (1250–1253) show a single sovereign absorbing the full cost of a crusade onto his own ledger; and ultimately a Genoese chartering contract from 1250 shows private counterparties splitting costs through contractual terms. As we move from source to source (and forward in time) from papal letter to royal accounts to commercial contract, the number of counterparties increases, the role of centralized authority diminishes, and the financial mechanisms grow more granular, specified, leading to a better understanding for actors therein of the financial risk involved.

Innocent III's 1200 letter to Hubert Walter addresses a practical difficulty: many who had taken the crusade vow could not go. His response functions as a sort of underwriting (whether he would have described it in such modern terms or not). He assesses each category of crusader for what they can contribute relative to what they cost, and prices their obligation accordingly. The weak and the poor, he writes, "go thither more to the disadvantage than to the advantage of the enterprise, since

the former cannot fight and the latter are obliged to beg.”<sup>1</sup> Craftsmen and farmers who “can gain the necessities of life by their own labors and contribute to the support of the land” are better kept home.<sup>2</sup> For those remaining, the Pope proposes “a distinction . . . between those who are believed to have a temporary impediment and those whose impediment is lasting,” where the latter group “must compound” financially according to their means.<sup>3</sup>

As always, more interesting than the sorting Innocent III is doing is the logic behind it. Innocent III is evaluating each class of crusader along dimensions that almost any credit analyst would recognize: capacity (can they fight?), productivity (will they generate value at home?), and means (can they pay instead?). His September 1201 reply goes even further, arguing that “if any taker of a vow is useless for fighting, although able to make the journey, it is better for him to redeem his vow than to incur expenses.”<sup>4</sup> This is a spiritual promise being explicitly converted into a financial transaction. And he seems to be setting the conversion rate, not through negotiation or market forces, but from a *centralized* assessment of who can afford what. I.e., a central authority pricing each individual’s obligation to the crusade.

Louis IX’s expense accounts from the Seventh Crusade represent a step beyond Innocent III’s framework, though not in the direction of market sophistication. The accounts cover three years and twenty-five days, and the total comes to £1,053,476, 17 shillings (hereafter s.), 3 pence (hereafter d.).<sup>5</sup> In modern terms, this is full sovereign exposure: every cost, every unforeseen-but-ultimately-real loss sat on one balance sheet with no hedging mechanism visible anywhere in the accounts. War expenditures alone ran to £594,600. The king’s own ransom cost £167,102, about 15.9% of total expenditure(!). Knights received wages of 7s. 6d. per day; the 424 knights in the king’s company cost above £157 per day, on wage alone.<sup>6</sup> However, one partial and particularly interesting note is quite revealing: the accounts list “Total of gifts and payments made to knights

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<sup>1</sup>Innocent III, “Letter to Hubert Walter, Archbishop of Canterbury, 1200,” in *Crusade and Christendom*, 49.

<sup>2</sup>Innocent III, “Letter to Hubert Walter,” 49.

<sup>3</sup>Innocent III, “Letter to Hubert Walter,” 49–50.

<sup>4</sup>Innocent III, “Reply to Hubert Walter’s Further Queries, September 1201,” in *Crusade and Christendom*, 51.

<sup>5</sup>“Crusade Expenses of King Louis IX of France, 1250–53,” in *The Crusades: A Reader*, eds. S. J. Allen and Emilie Amt, 3rd ed. (Toronto: University of Toronto Press, 2024), 197.

<sup>6</sup>“Crusade Expenses of King Louis IX,” 195–97.

serving without wages for the entire time aforesaid” totaling £65,189 across the full period.<sup>7</sup> Some knights, it appears, served not for fixed pay but for gifts and future promises, bearing some of the risk themselves in exchange for uncertain future compensation. Even this, though, remained at the king’s discretion. And since the cost structure was not negotiated between equals, and there is no co-investor in these records; the crown is the sole obligor.

And while Louis IX’s accounts record the demand side of the market (he spent £32,026 on ships over the course of the crusade<sup>8</sup>), the Genoese chartering contract from the same year accounts for the supply side, and there is a substantive gap in how each party accounts for risk. While Louis records a lump cost, the Genoese contract breaks it into per-unit freight rates, currency-specific pricing, and bilateral penalties. The shareholders of a ship called “Great Paradise” charter it to a group of merchants for a voyage to the territory of Acre,<sup>9</sup> and unlike Innocent III’s broad categories or Louis IX’s lump sums, this document leaves no stone unturned. Dependent on direction, there is far more specificity. Outbound from Genoa, merchants pay “10 *soldi* Genoese per *cantaro*” of cargo. Homebound from the Levant, the rate shifts to “11 bezants Saracen of Syria per *cantaro* of Acre,” with the exchange rate fixed at “3 bezants Saracen of Syria per pound [of Genoese deniers].”<sup>10</sup> By locking in a fixed exchange rate across two currency regimes, both parties eliminate currency risk before the ship has even left port. And both sides face a mutual penalty of “£1,000 Genoese, each party making this stipulation to the others,”<sup>11</sup> which functions as a performance bond (a financial guarantee that both counterparties will fulfill their contractual obligations, forfeitable upon breach). Neither party walks away from this deal cheaply. The contract also caps the number of pilgrims aboard at one hundred (and interestingly, to be located anywhere except between the middle mast and the stern).<sup>12</sup> But the Genoese ship-owners are not interested in the spiritual status of their passengers. We could argue that it’s akin to a cargo management decision

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<sup>7</sup>“Crusade Expenses of King Louis IX,” 197.

<sup>8</sup>“Crusade Expenses of King Louis IX,” 197.

<sup>9</sup>“Genoese Maritime Commercial Contract, 1250,” in *Medieval Trade in the Mediterranean World*, eds. Lopez and Raymond, 240.

<sup>10</sup>“Genoese Maritime Commercial Contract,” 242–43.

<sup>11</sup>“Genoese Maritime Commercial Contract,” 243.

<sup>12</sup>“Genoese Maritime Commercial Contract,” 241.

with each pilgrim occupying a space that could otherwise hold revenue-generating freight, and the contract is calibrated to balance that tradeoff. The care to which the merchants detail where the passengers can board is testament to this being a risk-bearing consideration.

Read together (and constraining ourselves to just these sources), these three documents show a potential causal chain and explanation for the financial burden of crusading by overlapping systems. The papacy functioned as a kind of central planner, pricing each person's contribution based on assessed capacity. The crown bore concentrated, unhedged exposure to every cost the enterprise incurred (perhaps framed as the cost, or shadow price, of staying in the papacy's good graces and maintaining the legitimacy of a monarch's rule). And private merchants, simply reacting to markets rather than deciding them, acted as the most rational actors by distributing costs through bilateral contracts.

And what sets the commercial model apart is exactly that symmetry (from being bilateral). In Innocent III's system, obligation flows in one direction: the Pope assigns, the crusader complies or pays. Similarly in Louis IX's accounts, the crown bears all the cost while knights receive at discretion. Only in the Genoese contract do both parties face the same £1,000 penalty, "each party making this stipulation to the others."<sup>13</sup> Both sides can be held to account. Here risk and obligation bind both counterparties equally, representing a maturity of financial arrangement that the other two models, for all their scale, had not reached. By having both sides face exposure (with an equal cost, i.e. no unilateral risk premium) and both face enforcement the risk is split across both parties and there is a public price for its aggregate premium. In doing so, the commercial contract produced something the other two models could not: actual price discovery, where the cost of transporting cargo, converting currencies, and bearing risk was negotiated, and through this entire process, from papal letter to ledger to merchants' terms, more genuine understanding of the risk and cost of crusading takes shape.

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<sup>13</sup>"Genoese Maritime Commercial Contract," 243.

## Bibliography

“Crusade Expenses of King Louis IX of France, 1250–53.” In *The Crusades: A Reader*, eds. S. J. Allen and Emilie Amt, 3rd ed., 194–97. Toronto: University of Toronto Press, 2024.

“Genoese Maritime Commercial Contract, 1250.” In *Medieval Trade in the Mediterranean World*, eds. Lopez and Raymond, 239–44.

Innocent III. “Letter to Hubert Walter, Archbishop of Canterbury, 1200” and “Reply to Hubert Walter’s Further Queries, September 1201.” In *Crusade and Christendom*, 49–52.

Misprint in the Sources! The Louis IX source has an incorrect/weird conversion of days to years. It says “2,120 days, which is three years and 25 days” but that’s not true. I just use the years in lieu of days rate.