CHAPTER 1

Problems of Perspective: The Myth of Free Trade Britain and Fortress France

WHY do the British drink beer and not wine? How did commercial tariff policy designed to protect domestic interests help the British state raise revenues to the point where Britain emerged as the leading European power of the eighteenth century? These two seemingly unrelated issues are at the heart of the one of the most important and underexplored cases in modern economic history. To understand the political economy of British wine tariffs is to open a window onto the ways in which small policy decisions can have large, long-term consequences. It provides us with an exceptional historical case with which to see how patterns of trade, consumption, and taxation are shaped by international geopolitics and the economics of special interests. But before discussing the arguments contained in this book, it might be helpful to understand something about its intellectual genesis.

This chapter lays out how British trade policy was neither so free nor so selfless as many had thought. This is done by not simply looking at British average tariffs over time but also by comparing them to the tariffs of France, who by most accounts was both less enthusiastic about free trade and more desirous of protecting domestic production interests. Furthermore the analysis in this chapter looks closely at which tariffs British chose to lower or remove, and which remained after the reforms of the 1840s. It will then be seen that British liberalism was wanting when measured against the yardstick of protectionist France. More significant is the fact that most of the goods that continued to be taxed were precisely those products that had been the source of mercantilist conflict a century and a half earlier. And many of the tariffs of the mercantile system that Adam Smith had so vigorously denounced remained in place and continued to serve many of the protectionist goals that had been sought as early as the mid-1600s.

Why these tariffs have been ignored and still tend to be dismissed by those making use of the story of British free trade will then be discussed. The analysis will then move to why interpreting the tariffs illustrates different conceptions of the role of trade policy and the nature of protection. All this will then serve as the starting point for the rest of the book's move backwards in time to the beginnings of the Anglo-French trade wars.

The last two decades have witnessed serious revisions in our views of modern English and French economic history. For instance, our views of the relative sizes of the state in late seventeenth and eighteenth century Britain and France have been altered by the work on the relative tax burdens in the two countries (Mathias and O'Brien, 1976a, 1976b; O'Brien, 1988). Without overturning the conventional findings of Eli Heckscher (1935), regarding the interventionist character of the French relative to the British governments, the more recent research has reversed the received wisdom concerning the relative size of the state and the average tax burden in the two nations.

Conventional wisdom still treats the nineteenth century from a perspective of strong contrasts between the two nations. England is still viewed as having had the liberal, virtually minimalist state par excellence with small government, laissez-faire at home, and free trade abroad, while France had the backward economy, dirigiste government, and was closed to trade. Why such a difference? How can we reconcile the conflicting views and what changes must have been wrought to bring about this transformation? The problems of reconciling these interpretations are made greater still when taking into account the revisionist work in economic history that has done much to diminish the perception of French economic failure in the nineteenth century.[1] The revisions narrow the development gap between the two nations and have stimulated new thinking about the course of economic growth in the two wealthiest European nations.

The conventional literature has stressed the ideological changes in English governance beginning in the early to mid-1800s, in particular the embrace of laissez-faire as an overarching principle. Under no circumstances are the importance of this intellectual shift and its influence on the thinking of other national elites contested. But in policy terms, the changes were more gradual. The major change is supposed to have come in the area of international trade and in the move to free trade in the nineteenth century.

Paul Bairoch writes the following of the period in the *Cambridge Economic History of Europe*:

> The situation as regards trade policy in the various European states in 1815–20 can be described as that of an ocean of protectionism surrounding a few liberal islands.
>
> The three decades between 1815 and 1846 were essentially marked by the movement towards economic liberalism in Great Britain. This remained a very limited form of liberalism until the 1840s, and thus only became effective when this country had nearly a century of industrial development behind it and was some 40–60 years ahead of its

> neighbors. A few small countries, notably The Netherlands, also showed tendencies towards liberalism. But the rest of Europe developed a system of defensive, protectionist policies, directed especially against British manufactured goods. (Bairoch, 1989, p. 6)

But an examination of British and French commercial statistics suggests that the conventional wisdom is simply wrong. There is little evidence that Britain's trade was substantially more open than that of France. Very little of the existing work on British or French trade has taken a comparative perspective, and there has been little economic as opposed to political analysis of the commercial interaction between nations. Most of the economic work has focused on the volume of trade in the two nations and has taken the changing tariffs for granted as an interesting stylized fact.

When the comparison is made, the trade figures suggest that France's trade regime was more liberal than that of Great Britain throughout most of the nineteenth century, even in the period from 1840 to 1860. This is when France was said to have been struggling against her legacy of protection while Britain had already made the decision to move unilaterally to freer trade. Although some have recognized that Napoleon III had begun to liberalize France's trade regime even before the 1860 treaty of commerce, both current and contemporaneous accounts treat the period before the 1860s as protectionist in France and relatively free in Britain.

A proper reading of the evidence would suggest a more balanced, less heroic view of British trade policy, and it would underline the links between government policy in the eighteenth century and its constraining influence on government action in the nineteenth century. The demonstration that all is not well with the traditional picture of a uniquely free trade Britain in the nineteenth century rests on a simple comparison that had never been made previously. The simplest and most basic index of overall tariff levels is the nominal average tariff—that is, total tariff revenue as a fraction of the value of all imports. On the basis of the conventional stories of free trade in Britain and high tariffs in France, what would you expect the outcome to be?

The average tariff levels of both France and Britain are given from 1820 to 1900 in figure 1.1. These figures are based on the work of Imlah for the United Kingdom and Lévy-Leboyer and Bourguignon for France. They indicate quite dramatically that British average tariffs were substantially higher than those in France for the greater part of the nineteenth century. This is especially startling for the period from 1840 to 1860 after Britain began the repeal of her Corn Laws and the move to freer trade and before the 1860 Anglo-French Treaty of Commerce, thus

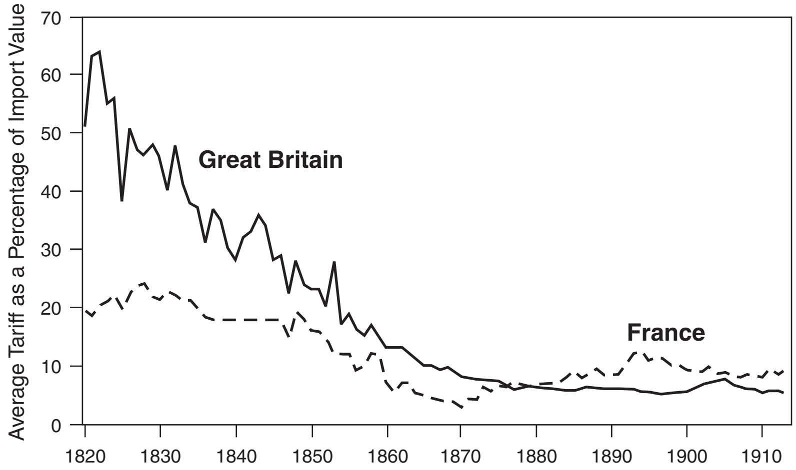

Figure 1.1. Average Tariff Rates: Tariff Revenue as a Fraction of All Imports (Imlah, 1958; Lévy-Leboyer and Bourguignon, 1985).

refuting the traditional stories of a lone free trade Britain surrounded by hostile, anti–free trade nations such as France. In fact, not only was Britain's tariff higher than that of France until 1860, it was about on a par with the average tariff of the United States—a nation not known in the nineteenth century for its devotion to free trade.

Average French tariffs in the earlier period were comparable to, but lower than those in Britain after she had begun her move to free trade with the abolition of the Corn Laws. Judging by the absolute size of the fall in average tariff levels, Britain seems to have shown a much greater change in tariff levels than France.[2] But Britain started out from much higher levels—over 50 percent—than did France, which never exceeded 25 percent in any single year. Bearing in mind the high point from which British tariff levels fell, one notes that the changes in tariffs seemed to fit the conventional chronology, beginning in the late 1820s and falling rapidly from the 1840s onward.[3] Similarly, French tariffs steadily declined until the early 1850s and then plummeted to a low of around 3 percent in 1870—well below the minimum for Britain at any time in the nineteenth century. French tariff levels remained at quite low levels until the move back toward protection in the last ten or fifteen years of the century. British average tariff levels did not compare favorably with those of France until the 1880s and were not substantially lower for much of the time. The view of Britain as the principled free trader is most consistent with the tariff averages from the end of the nineteenth century, indicating Britain's commitment to keeping tariffs low in opposition to rising protectionist sentiment both at home and abroad. Furthermore, her movements toward free trade were magnified by the scale of her involvement in the world economy. In fact, Britain's rapid shift to freer trade was fully matched in timing and extent—and even anticipated (in the French discussions of tariff rationalization before 1830)—by the commercial restructuring taking place in France.

There is no widely accepted and perhaps no possible universal index of "partially free" trade. Either a nation admits all goods without taxes, restrictions, and supplementary domestic distortions of any sort or it deviates from the pure ideal of free trade. Into the latter category all nations fall. Thus there will always be room for argument regarding what is an "acceptable degree" of "unfree" trade. Moreover, it will always be difficult (many economists believe it to be impossible) to rank countries whose choice of restrictions are quite dissimilar. This problem plagues any comparison of Britain and France. So the point of this chapter is to demonstrate that using a number of reasonable and varied measures, France's trading regime emerges as freer than that of Britain for most of the nineteenth century. It does *not* argue that France's trade was freer than Britain's on every relevant margin.

The nominal average tariff is not a perfect measure of a nation's deviation from free trade, but do note that it is the common first measure (and is often the final measure) used by many authorities to discuss the relative openness or freedom of a nation's trade. Notably, both Imlah (1958) and McCloskey (1980) used just this measure in their seminal and influential discussions of Britain's move to free trade.[4] Their common use however, does not free us from confronting the weaknesses of the measure. In particular, high tariffs on some items may lead to such a drop in their importation (as was the case with British tariffs on French wine and spirits, and French tariffs on finished textiles) that these tariffs do not receive much weight in the calculation of the averages.

A first response to this is straightforward. Reweight the tariff measures making different assumptions about the distribution of import quantities. This follows an existing adjustment in the literature; McCloskey's (1980) study of British trade policy wherein a given year's tariff was recomputed using import quantity weights from other periods, in particular, years with very low tariffs. This more fully approximated the weight of a given tariff under nearly free trade conditions. In the case of prohibitions, differences in the domestic and foreign prices of certain goods were used as the upper-bound implicit weights and then applied the highest reasonable number to each category of items. In addition, one can test for the sensitivity of the French figures to large swings in import composition and tariff rates by applying the rates in every period to the import shares in every other period. Furthermore, the weights were

Table 1.1
Alternative Calculations of the British Tariff Rate: 1841, 1854, and 1881

	Weighted by Each Commodity's Share from the Year:		
Using Individual Tariff Rates from the Year:	1841	1854	1881
1841	35%	30%	27%
1854	25%	18%	16%
1881	13%	10%	6%
Total decline	22%	21%	21%

Source: McCloskey, 1980, p. 309

Table 1.2
Alternative Calculations of French Tariff Rates using Different Decadal Import Weights

	Percentages, Using Weights in the Decade:				
Decade	*1827–36*	*1837–46*	*1847–56*	*1857–66*	*1867–76*
1827–36	20.82	19.10	19.97	21.43	19.96
1837–46	18.73	16.86	17.55	19.05	17.67
1847–56	14.63	13.41	13.03	14.33	13.10
1857–66	8.89	7.35	7.17	6.89	5.81
1867–76	8.74	6.76	6.40	6.02	4.93

Source: France, Administration des Douanes, 1878

selected in all cases to bias the calculations only *against* the French, choosing to ignore similar problems in Britain.[5] When the recalculations are made, the findings are clear and unambiguous: France's average tariffs are lower by decade than those of Britain until the late 1870s and the new averages are very insensitive to changes in the weights used, often changing by only a few percentage points even if the tariff weights on textiles are biased upwards. Under no set of reasonable assumptions could the French averages be made so high as to match those of Great Britain before around 1870.[6]

Table 1.1 presents the table used by Deirdre McCloskey, in examining the fall of British tariffs under different assumptions. Table 1.2 shows a variety of alternative calculations of French tariff rates using the trade weights from different decades drawn from the official trade statistics. (The reader may note that the figures used were actually lower than the tariff averages reported by Lévy-Leboyer and Bourguignon I used to construct the figure comparing British and French tariff rates. I cannot reconstruct their figures and so revert to material in the Tableau Décennal du Commerce.)

The French figures are robust to fairly substantial respecification. In contrast to the British figures, which change greatly depending on which weights are used, the French averages are fairly stable, partly a testimony to the low French rates and the extent to which so much of French trade was not subject to any tariff at all. In no case do the average tariffs increase by more than two to four percentage points. The numbers used in calculations were selected to bias the results upward. To deal with the problem of prohibitions on textiles, the effective tariff was assumed to be 50 percent. This figure was derived from the comparative prices on cotton yarn for the period from 1825 to 1864, calculated by O'Brien and Keyder (1978, p. 46) using an exchange rate of 25 francs to the pound. O'Brien and Keyder's figures show cotton yarn in France to be some 30 to 40 percent higher than in Britain during this period; 50 percent would seem to be a reasonable upper bound. This number is consistent with the writings of even the most fervent French protectionists who argued that a rate of 30 to 40 percent, consistently applied, would have been sufficient to defend existing producers against foreign competition.[7] Most of the textiles excluded had fairly elastic demands and therefore faced much smaller effective tariffs.[8] No easily comparable price series are available for wool, but woolen textile prices did not seem to be systematically higher in France than in Britain. Jean Marczewski's numbers show even a lower average price for raw wool in France than in Britain throughout the century (1965, p. xxii). At any rate, using the 50 percent markup from cotton yarn for wool is certainly an overestimate. Besides my using a high tariff rate in these cases, the use of the import composition of the 1860s and 1870s with the tariff rates for the earlier periods ignores any changes in income or responses to lowered textile prices that would have increased consumption of such products (so long as they could be imported), thus tending to overstate the weight of textiles in the recalculations. Any further adjustments that minimize the upward bias would only serve to confirm that French tariff levels averaged 10 to 15 percent for the 1840s and 1850s and 4 to 8 percent for the 1860s and 1870s.[9]

Another common concern centers around the problem of "openness," and rejects tariff levels as an inappropriate measure to begin with. This view would use a measure such as imports or total trade as a fraction of national product to indicate trade openness. The underlying idea is interesting, but the simple application is probably misleading. Given the resource bases and degree of trade specialization of the two countries, it is

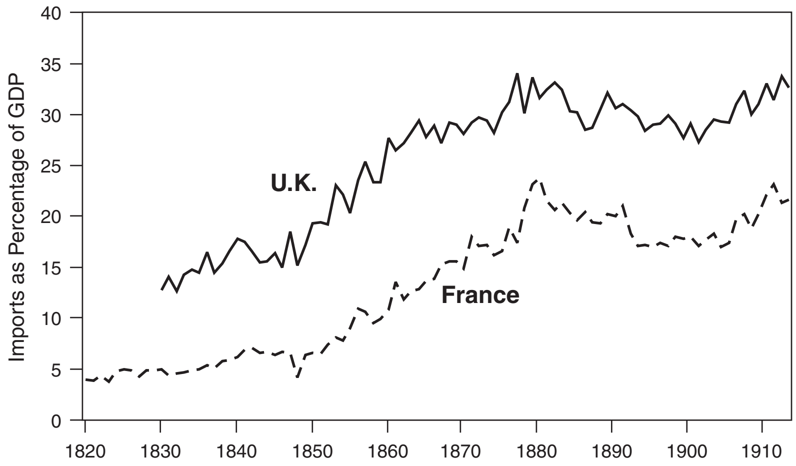

Figure 1.2. United Kingdom versus France Imports/GDP (Mitchell, 1988).

likely that Britain would have imported more goods and engaged in trade more heavily than France even if both nations had moved to "pure" free trade in the early 1800s, so the direct cross-sectional comparison would not be helpful. Thus, that the British ratio of imports to GDP is higher than that of the French throughout the nineteenth century might be evidence either of greater openness *or* of Britain's economy being less diversified in production than France's.

The change in the import/GDP ratio, however, can be a useful indicator of openness in a comparative static sense. All else being equal, a substantial liberalization in a country's trade regime should lead to a rise in its import/GDP ratio. In this regard, figure 1.2 is revealing. As you can observe, the import/GDP ratios for the two countries moved surprisingly in parallel throughout the nineteenth century, confirming the evidence from the nominal average tariff levels that the trade in imports of both countries was similarly improving and that both countries had liberalized around the same time. Had Britain been more vigorous or more successful in the pursuit of freer trade than the French, it is likely that the two ratios would have diverged more.

These ratios are particularly interesting for what they say about the insufficient comparisons heretofore undertaken in evaluating French and British performance. Examining the export/GDP ratio, the curves are quite similar. In fact the French and British ratios are virtually identical by the 1870s, belying the view that France was an unsuccessful trader and in particular the judgment of some that the French export sector underperformed in the last third of the nineteenth century (as argued in

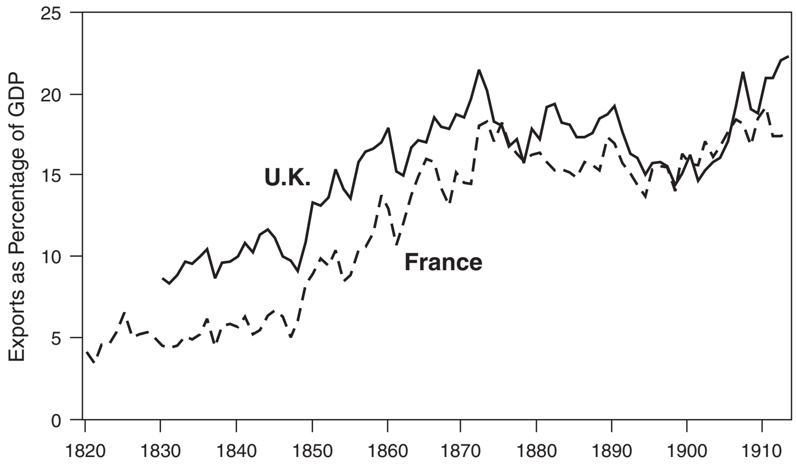

Figure 1.3. United Kingdom versus France Exports/GDP (Mitchell, 1988).

Lévy-Leboyer and Bourguignon, 1985). While the export/GDP ratio fell in France in the 1880s, the same was true for Great Britain—still acknowledged to be the world's leading trading nation. Thus, in structural terms, rather than reasoning from the absolute levels of trade, there is no reason to suppose that the French export sector and the French economy in general did not benefit fully from the worldwide liberalization of trade begun during the reign of Napoleon III. The increased stimulus of greater international competition almost certainly contributed to the enhanced efficiency and global competitiveness of French exporters.

Other potential objections to the comparison of average tariffs have to do with the role of effective protection, and more generally, the problem surrounding the different uses of the terms "free trade" and "protection." Although effective protection (that is the nominal tariff minus the weighted tariffs on inputs into the production of the items) is a useful and common measure of the productive distortions induced by a particular set of tariff policies (introduced by W. Max Corden, 1971), I believe that it is inappropriate in this context. Leaving aside entirely the difficulties in classifying and measuring all relevant intermediate inputs, the greatest concern I have with using effective protection to rank the two countries' trade policies is that it focuses on only one class of distortions resulting from tariffs—those concerning the effects of a tariff on domestic production.

In the discussions of trade policy in Britain and France, the one recurring problem is the difficulty of disentangling the various uses of the terms "free trade" and "protection." In particular, while protection is often viewed as simply the opposite of free trade, it is often defined more narrowly and simultaneously as something less than "unfree" trade. For some observers, protection involves only those instances in which tariffs are used to permit domestic industries producing import substitutes to survive by charging higher than competitive market prices. If this is protection then it does not come anywhere near exhausting what most of us instinctively understand as unfree trade. Ultimately, our interest should not be in protection so narrowly defined but in determining how far nations deviate from some ideal standard of free trade. Tariffs induce a variety of distortions both in consumption and production patterns at home and abroad. An index that gives us a rough idea of these barriers without focusing on any one set of distortions would be ideal; nominal average tariffs (appropriately weighted) do this more clearly than effective tariffs. A high tariff on items not produced at home should rightly be considered a deviation from free trade even if it does not thereby serve to "protect" a specific domestic industry.

Taking a cue from the public finance aspects of trade policy, some scholars tend to separate tariffs into those for protection and those for revenue. Ostensibly "protective" tariffs protect local producers while "revenue" tariffs merely tax consumption. Thus for these scholars it should not matter that Britain had high tariffs for revenue purposes because these were not "protective" tariffs but merely effective means of extracting revenue.

But in guessing at the intent and perhaps the reality of British tax collection, they miss the point of the debate on free trade. One should not confound issues of optimal tax policy with the very different question of which nation was more of a free trader. Questions of intent or of the political and economic effectiveness of a tariff structure should be separate from discovering the truth behind the existing stories of free trade Britain. Surely (to take a hypothetical extreme case), a nation with high (say 200 percent) average tariffs would not be a free trader whatever the reason for such tariffs. Conversely, we could have a nation (such as nineteenth-century France) that consciously sought to design and implement a tariff system that protected and aided various industries; yet, this same country also imposed tariffs in such a manner that the overall tariff level was low and trade was quite open despite the severity of restrictions on some items that were of limited importance to the overall trade. Yet it was precisely the trade in those items (such as textiles or other newer manufactures) that—given their political and historical significance—helped to shape our impressions of overall trade policy in the two countries. We can debate the importance of the types of restrictions imposed by the two nations, and we might choose to assert that some sorts of restrictions were worse than others, but we would now have to make the case explicitly. Moreover, we would not be allowed to assert that nineteenth-century Britain was the great free trader variously lauded and vilified in scholarship and popular mythology.[10]

Such distinctions between "protective" and "revenue" measures are ingenuous because they get the history of British-French commercial relations wrong. Most of the so-called British revenue tariffs were originally protectionist measures specifically designed to punish the French because of war and as reprisals for the commercial policies against the British dating from Louis XIV. As O'Brien has noted:

> Britain's tariffs were never mere devices for raising revenue. In their range and legal complexity they reflected a penumbra of objectives related to the nation's stance towards foreign, friendly and imperial countries within an evolving international economy. . . . As far as the Exchequer was concerned, navigation acts, codes for the regulation of imperial commerce and bilateral treaties with friendly powers represented real constraints on the possibility of raising more revenue in the form of duties on retained imports (O'Brien 1988, pp. 23–24).[11]

If French average trade levels were lower than, and at worst comparable to, those of Great Britain for virtually the whole of the nineteenth century (and particularly for the first part of the century and for the late Second Empire) how can such a pattern have been ignored for so long? Many conjectures are possible; the analysis will be confined to the most obvious.

Trade formed a much larger proportion of British production than it did in France for most of the century. This fact coupled with the much larger absolute level of total British trade was bound to make British trade policy seem more important to the world at large.[12] Given the high starting level of British tariffs, the steady and ultimately dramatic drop in the average level of British tariffs would have seemed doubly impressive to outside observers focusing on government action that affected very large volumes of trade. In contrast, much of France's commerce was internal and was more seriously affected by domestic economic developments than by trade policy. Tariff reform was a prominent and important accomplishment of Napoleon III, but it was only one part of a large-scale effort to modernize and stimulate the French economy. Furthermore, and despite discussion that has focused on the exogenous politics of the 1860 Treaty of Commerce, the falling average tariff rates show that there were substantial changes in France's overall trading regime even before the treaty came under discussion. Some of these changes were unplanned; others were simply unheralded. Other French reforms in the quarter century before the 1860 treaty did a great deal to improve trading conditions in France through the removal of older prohibitions and a

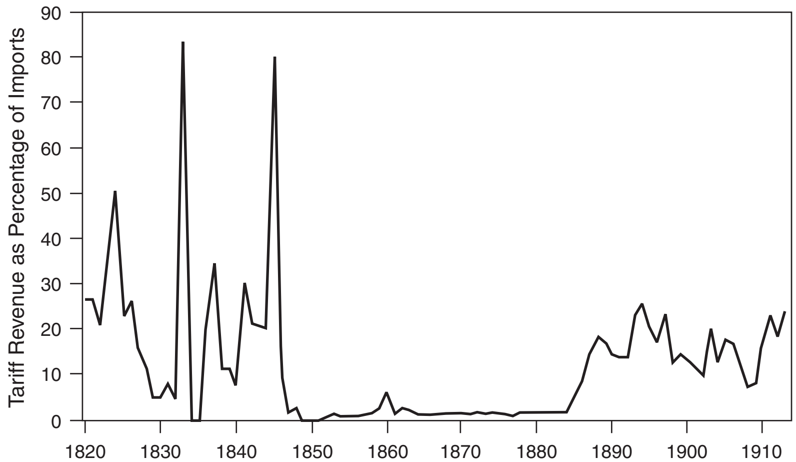

Figure 1.4. France: Average Tariffs on Wheat (Lévy-Leboyer and Bourguignon, 1985).

tariff "rationalization" (imposition of more uniform tariff rates). Like those promoted with only limited success by Huskisson in 1820s Britain, these improvements may not have received as much attention as did the 1860 treaty.

Certainly a large part of the impressions that have been retained about Britain's shift to free trade was owing to the intensity of the debates over the Corn Laws. Large drops in the tariffs on agricultural items were bound to affect British trade, and the ideological nature of the debate stamped commercial discussions in England henceforth. The spotlight on Corn Law repeal obscured the important, though less publicized, changes occurring in France. The graph of average tariffs in French wheat imports (see figure 1.4) shows the dramatic drop in rates around the time of the Corn Law repeal. Although the changes moved in parallel, the British talked of free trade while the French, even under Napoleon III, always spoke of going no further than moderate protection.

Free traders in both England and France were much more concerned with free trade for specific classes of goods they felt were vital to industry rather than with the generalized free trade favored by neoclassical economists. Lucy Brown writes in her study of the free trade movement that the free traders were not averse to tariffs of all kinds:

> It should be emphasized again that Radical free-traders of this kind expressed no objections to the general principle of deriving a large proportion of the public revenue from import duties. To the regressive

> character of taxation which leant heavily on duties on tea, coffee, and sugar they were, as has been shown, largely indifferent, perhaps on the grounds that they were not necessities. There is also a final point. None of these duties, except those on timber, which were strongly attacked, and the duty on Swedish iron, were levied on raw materials used in industry, so that they could not be said directly to raise the price of exports. But in criticizing the corn laws a great deal of emphasis was placed on the argument, which was itself based on a subsistence theory of wages, that the corn laws raised wages and therefore indirectly the price of exports. This line of argument could equally well be applied to duties on tea, coffee, and sugar, but it was not used. The reason for this distinction was probably the commonsense one that there is a large degree of difference between the effects on the cost of living of the price of bread and the effects of the price of tea. Altogether then, there was nothing in the Board of Trade in 1840 comparable to the late Victorian propaganda for the "free breakfast table." (Brown, 1958, p. 157)

France too maintained high tariffs on items of consumption such as sugar, coffee, and olive oil, which made up the largest portion of French tariff revenues. What is striking is how relatively important the limited prohibitions on textiles and tariffs seem to have been in French trade overall. Opening up trade with Britain did increase French imports a bit, but not enough to matter in the overall scheme of things. For the most part that is because France's international trade was fairly open to begin with.

A substantial fraction of French imports were duty free and, though prohibitions may have distorted this figure in the first half of the nineteenth century, the proportion of duty-free items did not change much and even grew in the period when prohibitions were replaced with tariffs.[13] This runs counter to the intuitive notion that the existence of prohibitions masked the true extent of protection by biasing the fraction of duty-free imports upward relative to the years of freer trade. Table 1.3 shows that the proportion of French imports by value that were duty free stood at around 61 percent in 1849 and increased to 65 percent by 1869. What is remarkable is the stability of the shares of dutiable and duty-free items in value terms through periods of widely varying tariff levels and trade restrictions. Thus, with only a third of all imports being dutiable even in the period when moderate tariffs replaced all prohibitions, it should come as no surprise that even fairly large adjustments in the composition of earlier imports would not do much to raise the average tariff levels by more than a few percentage points. Certainly these are not enough to eliminate the 8 to 15 percent gap in average tariff

TABLE 1.3
Percentage of All French Imports Broken Down by Tariff Classification using Current Values

	1849	*1859*	*1869*	*1857–59*	*1867–69*
Duty-free	20.82	19.10	19.97	21.43	19.96
Dutiable	18.73	16.86	17.55	19.05	17.67

Source: France, Direction Générale des Douanes, 1870

rates between Britain and France in the 1830s and 1840s, nor the larger gap that existed in the 1820s and early 1830s.

Perhaps the oddest aspect of received wisdom is that the high British tariffs on French products were simply anomalies, unrelated to the mercantilism of earlier centuries. The British tariffs on French wine were at the heart of mercantilist policy and can be traced back to trade struggles between Britain and France during the long reign of Louis XIV. Even in the nineteenth century the British recognized that the tariffs that remained were protectionist, as is evidenced by the report of the customs officials.

That the wine tariffs were at the heart of the commercial disputes between Britain and France is not in doubt. It was at the center of all negotiations for a century before the 1860 treaty. The leading historian of British commercial diplomacy of the period, Judith Williams, has written that, "the keys to commercial relations between France and Britain were war, political hostility, and commercial rivalry. Commercially each country tried to hurt the other, Britain by preferential duties for Portuguese wines as against French and by protective duties against French silks and woolens, and France by prohibitions and high duties directed against British staple products" (Williams, 1972, pp. 186–87). After negotiating the abortive 1786 treaty between Britain and France, Eden had fretted to the British ambassador to France that British manufacturers wanted, "to exact from this country the terms of the most favored nation as to all the manufactures in case we excel in them; but not to give those terms to wines because our climate does not produce them" (p. 189, citing F.O. 27/20).

Wine remained a problem throughout the nineteenth century after the earlier free trade experiment collapsed in the wake of the French Revolution and the continental wars. By the 1820s the issue of a possible treaty reappeared but as Williams notes:

> Huskisson's plan in 1824 to remove prohibitions on French silks in favor of a duty of 30 percent seemed an opportunity for renewing the offer to reduce duties on French wines, in hopes that now France

> might be willing to lower her duties in steel, iron, copper, and brass, and if possible coal and tin. Instead France added prohibitions on more varieties of woollens and linens, but when Britain proposed an additional 20 percent on French products, which would keep out French wines, a convention for reciprocity in shipping was agreed upon on 26 January 1826. (pp. 191–92)

The British Parliamentary papers document both the extent of British tariffs and prohibitions in the earlier half of the century, and the extent to which the so-called revenue tariffs on wine, spirits, tea, sugar, and tobacco survived throughout the period of "free trade" and were used to protect both domestic and colonial industry.

The British parliamentary report speaks of "the long list of articles which were altogether prohibited to be imported, or could be imported under severe restrictions" lasting virtually unchanged until at least the 1830s, with a few surviving well into the 1860s (Great Britain, 1898, p. 38). In certain cases the prohibitions were said to have been holdovers from British rivalry with the Dutch and reflect the political influence of the East India Company.[14]

It was the commendable accomplishment of the British government to have simplified their tariff structure and eliminated most of these tariffs and prohibitions in the period from the late 1840s to the 1870s. But such measures were also being undertaken by the French, who attracted less notice (perhaps because they had less need of drastic reform in the first place). Moreover, the British emphasis on removing tariffs on *manufactured goods* and not on other "non-essential items" has caused us to ignore the protectionist aspects of those duties augmented "upon purely fiscal considerations" (Williams, 1972, p. 40).

More significant is the fact that the tariffs on wine and liquor imposed by Britain before the 1860 treaty by Britain were levied by volume of wine rather than by alcoholic content or value. This had the effect of favoring Spanish and Portuguese products in which British merchants had a direct interest over the products of Bordeaux and Burgundy.[15] The British Parliamentary report contains this query:

> In the present day, when the duty is levied according to alcoholic strength, it strikes the enquirer as curious that until 1831, French wine, which is alcoholically amongst the lightest of wines, should have been saddled with the highest duty of any description [per gallon]. But so it was, until the year mentioned, when the Wine Duties were greatly simplified, a duty of 5s. 6d. per gallon being then levied on all foreign wine without discrimination, and 2s. 9d. on Cape Wine. In 1840, by the addition of 5 percent to the duties, the two rates became severally 2s. 10 13/20 d. and 5s. 9 6/20 d. and so remained until 1860. (Great Britain, 1898, p. 141)

The French had long complained of the pernicious effects of the British tariff system on the French wine trade. Duties and excises on French alcohol to favor Portugal and Spain were initiated in 1667 and 1685 and had been augmented and refined since then both to protect British beverage interests and to generate revenue. A French report to the minister of commerce in 1858 remarked that French wines had been the British drink of choice in the seventeenth century, but that the preferential tariff treatment of Portugal and Spain and the British investment on the continent that followed had led to the French wines being displaced so that French exports to Britain had barely changed in the last hundred years. They were less in the mid-1840s than they had been in the late 1600s, and British per-capita wine consumption from all foreign countries had actually declined in the first half of the nineteenth century. Moreover, even after the tariffs on wine by volume were "equalized" in 1831, the French bore the brunt of the tariffs; the average barrel had a value of 300 or 400 francs whereas the Portuguese wines with higher alcoholic content were valued at 1,500 or even 2,000 francs (France, Archives Nationales, 1858). Other reports complained that the British were in the anomalous position relative to other nations (taking into consideration the dominance of French wine in world production and trade) of importing ten to twenty times as much wine from Portugal and Spain as from France and consuming substantially less wine in general than would have been warranted by growth in income and population.[16]

The degree to which French wines had been kept out of the British market and the degree of substitution of other wines can be seen from the fact that after the 1860 treaty, when the tariff on all liquor remained high but the gap between French and other wines was partly closed by duties set according to alcoholic strength, imports of French wine rose fivefold in the first decade. This matched the quantities imported from Portugal, and Spanish imports grew from a sixth to a half of in the same period; by 1882 French wine imports to Britain surpassed those from either Portugal or Spain (Great Britain, 1898, p. 156). Complaints that the British tariffs and excises still biased consumption toward the more expensive wines and protected British beer and tea, however, caused growth in total wine consumption from all foreign sources to proceed at a more measured pace.[17]

The section on spirits is equally revealing in that it explicitly discusses the problems of multiple discrimination employed in the British tariff system—with French products at one end, United Kingdom products at the other, and other foreign and colonial spirits in between. Foreign spirits, and especially French brandies, were either prohibited or taxed at a high rate to favor domestic and colonial spirits.[18] Although rum from the colonies enjoyed protection vis-à-vis foreign spirits, colonial producers complained of being excluded by tariffs designed to protect local British products such as gin and whiskey (p. 166). Protection of domestic and colonial producers extended further in the century than even the wine tariffs, which were substantially revised and lowered after the 1860 treaty while those for spirits were even raised. As France was a major producer of both wine and spirits, all this customs activity would have seemed quite exclusionary regardless of the fiscal motivation.[19]

One group, however, did notice that there was a British double standard with respect to free trade: the protectionists. In the vigorous battles over the first attempt at major tariff reform in 1856, a number of writers in France denounced British unwillingness to lower the duties on wine and spirits while vigorously promoting free trade. *Le Moniteur Industriel*, the leading protectionist newspaper, editorialized as follows on its front page:

> The wine-producing nations now know that they are the dupes in this great British market that should enrich them; they know that Great Britain will never sacrifice either their distilleries or their pubs for them. She [Britain] does not go so far in her devotion to the theories of free trade. From competition that she does not fear, she is willingly faithful [to free trade]. But free trade that touches her domestic production is another matter: she will hear none of it. . . . In Spain, as in France, the diplomats of liberalism have shamed the Spanish for their backward ideas regarding the protectionist system and have generously proposed establishing free trade between their two nations. Unfortunately, the Spanish asked if the free introduction of their wines was also included. They responded that that was a separate issue; that it touched too great a number of English interests; that Great Britain drew large revenues from her production of beer and of spirits; that these industries represented vast sums of capital, were the livelihood of masses of workers, and that England could never agree to make such a sacrifice on the altar of her principles. That is how the English understand the regime of free trade! . . . Everything to one side and nothing to the other. (*Le Moniteur Industriel, 1856, p. 1*)

These arguments have been forgotten partly because the protectionists used such rhetoric to bolster unsound and discredited theories, but mainly because trade reform eventually triumphed in France with the coming of the 1860 Anglo-French Treaty of Commerce. Still, however misguided their defense of protectionism may have been, their observations regarding the limitations of British tariff policy were accurate.

Although wine and spirits were the major focus of continental dissatisfaction over British trade policy, protectionist vestiges survived in other high-revenue products such as tobacco. For example, even when "reforming" the duties on raw tobacco and cigars in 1863 (which involved increased duties), the chancellor of the Exchequer spoke of trying "to avoid extending a protective duty to the British manufacturer" (Great Britain, 1898, p. 87). Yet on the average there was a "cover" to the British manufacturer (effective protection in making cigars) of 11 pence per pound. Said cover was an underestimate, established so that the laborers "who were employed in manufacture, amongst whom were women and children, might be well looked after" (p. 186).

Sugar duties were not done away with until 1874. Before then British manufacturers and British colonies had been well protected. Imports of raw sugar came almost exclusively from the West Indies before 1844, and refined sugar was derived entirely from domestic British production. In 1844 raw sugar imports were opened up, but protection was prolonged as a result of extraneous political concerns having to do with a bill designed to distinguish between free sugar and slave-produced sugar from foreign countries. After 1846 these distinctions were eliminated by Sir Robert Peel, but British refiners were protected until 1874 (p. 211).

In the final analysis, the paradoxical gap between historical perception and commercial reality is explained by the observation that writers who talked about trade policy did not really consider the economy as a whole. For the thousandth time it seems, scholars have confused the process of growth and development with industrialization most narrowly defined within a few areas of production: notably, textiles, machinery, iron, and steel. They have confused what was politically important with what was economically significant. When writers from John Clapham to A. L. Dunham spoke of the benefits of free trade they often looked to what was happening in the crucial "leading" sectors. Because France had prohibitions on textiles, for example, they were economically backward in relation to England. That France had no comparative advantage in mass-market cotton textiles, consumed large masses of raw cotton and wool for home production, and generally had a comparative advantage in agriculture and expensive silk and linens rather than spun cotton seems to have been overlooked.

The importance of certain traded commodities to the political debate has misled scholars into confusing trade and protection in these few areas with overall trade and protection.[20] Protection from the imports of French silks (in Britain) and English cottons (in France) dominated much of the political discussion of protectionism in the two nations, despite the fact that consumption of both items was always low in relation to total trade.[21] In contrast, agricultural products were important to both economies, so the British Corn laws and wine duties did increase the gap in the average tariff between France and Britain before the mid-nineteenth-century. In addition, both France and Britain derived many of their import revenues from coffee and tea, assorted foreign manufactures, and construction materials such as wood. These items were always a significant fraction of revenues, and fluctuations in demand for them were more dependent on changing incomes than on changing tariffs. Most of these imports came from nations outside the circle of the half-dozen world trading leaders and were likely to have been left out of discussions of policy designed to increase direct trade between France and Britain. In addition, the problems of colonial protection were an important determinant of trade policy.

Ultimately, there is no way to understand the nature and origin of British tariff policy toward France without focusing specifically on wine and beer (and corresponding taxes on brandy and spirits). The history of policy toward imports of French wine cannot be understood without going back to the period before the British tried to cut off most trade with France and went from imposing moderate tariffs with some protection to prohibitive tariffs that had large distortionary effects that colored both foreign and domestic policy for nearly two centuries.

The next few chapters explore the evolution of British trade history, particularly in relation to the wine trade with France, and demonstrate how the struggle over trade that began in the seventeenth century continued to exert a powerful influence on the history of both countries for the next two centuries, and arguably, down to the present day.