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John V. C. Nye, *War, Wine, and Taxes: The Political Economy of Anglo-French Trade, 1689-1900*. Princeton and Oxford: Princeton University Press, 2007. xvi + 174 pp. Tables, figures, notes, bibliography, and index. \$32.95 U.S. (cl). ISBN-13: 978-0-691-12917-4.

Review by David Todd, University of Cambridge.

The opposition between British—or Anglo-American—economic liberalism and French *dirigisme* is an enduring cliché in economic history. On both sides of the Atlantic Ocean, the dual notion that Britons and Americans have long been natural supporters of free markets while Colbertism was deeply ingrained in French attitudes towards the economy, still informs contemporary debates about economic policy. John V. C. Nye asserts in *War, Wine, and Taxes* that as far as eighteenth- and nineteenth-century trade policy is concerned, the contrast between British free trade and French protectionism is no more than “a myth.” From the early nineteenth century, British statesmen admittedly became adept at describing themselves and their policies as staunchly pro-free trade, whereas their French counterparts were unlikely to use a more liberal discourse than that of “moderate” protection. Yet, Nye’s thorough analysis and quantitative measurement of British and French tariffs suggests that until the early 1880s, Britain pursued more protectionist policies than France. Although it is based on a contentious definition of protectionism that rejects the traditional distinction between revenue-generating and protective customs duties (discussed below), this counter-intuitive result has wide-ranging implications for our understanding of the comparative political economies of Britain and France, from the age of Louis XIV and Oliver Cromwell through the political ascendancy of Adolphe Thiers and William Gladstone.

The book’s first chapter summarizes the empirical findings that lie at the heart of Nye’s thesis. Using tariff revenue as a fraction of all imports to measure effective protection against foreign competition, Nye finds that the British tariff averaged between fifty and sixty percent in the early 1820s, while the French tariff stood at just a little over twenty percent in the same years. Both tariffs thereafter steadily declined, the British tariff more rapidly than the French. Yet it was only from the late 1870s that the French average tariff marginally began to surpass the British. How does Nye account for such a surprising result and previous misrepresentations of the two countries’ commercial policies? Rather than trying to assess the overall level of protection against foreign competition, contemporaries and historians have tended to focus on a few items of the tariff that corresponded with the supposedly “leading sectors” of the Industrial Revolution, such as textiles, machinery, iron, or steel. French tariffs on such imports, which included outright prohibitions on cotton and woolen textiles, were indeed higher than British tariffs. Yet, the recent historiography of the Industrial Revolution has shown that the quantitative importance of these sectors in British and other industrializing economies should not be exaggerated, as traditional sectors continued to make up the majority of national incomes well into the nineteenth century.[1] Nye’s insistence on the necessity to take into account the whole economy when measuring protection is therefore legitimate and welcome, but his measurement of overall protection relies on an assumption that many economic historians would deem, at best, heroic. According to Nye, all customs duties on imports are essentially protective, even the so-called fiscal duties on imports of goods that cannot be produced at home, such as coffee, sugar, or wine in the case of Britain, because such duties entailed major distortions of consumer preferences, usually in favor of goods produced in

Britain or in British colonies and subject to a lower level of indirect taxation. Nye also analyzes the higher British and lower French Imports/ and Exports/GDP ratios. These ratios are often used to measure the openness of national economies, but Nye rightly stresses that the moderate inferiority of French ratios is at least as likely to reflect the greater diversity of productions and larger outlets offered by the French national market.

Chapters two to six seek to bolster Nye's contention that the traditional distinction between fiscal and protective duties is invalid by highlighting how interwoven taxation, commercial policy, and diplomacy were in Britain from the last decade of the seventeenth until the late nineteenth century. The distinction is shown to be even more invalid by focusing on the political economy of the British tariffs on alcoholic beverages, especially on a quintessentially French product, wine. Britain came out victorious in what some historians have called the Second Hundred Years War against France, from 1689 until 1815, largely thanks to an extraordinary financial effort based on a steady increase of fiscal revenue, which rose from 16 percent of per capita incomes in 1700 to 24 percent in 1800 and a staggering 36 percent between 1803 and 1812. This increase primarily relied on the growing importance of the indirect excise taxes on widely consumed products, notably alcoholic beverages. By 1790, the excise taxes on beer, malt, and domestic spirits represented nearly 30 percent (and customs duties on foreign alcoholic beverages another 10 percent) of all British fiscal revenue. Only incessant wars with France and the adoption of a high tariff on wines, based on volume rather than on alcoholic strength to put lighter French wines at a disadvantage with Spanish and Portuguese wines, permitted the rapid growth of a highly concentrated British brewing industry in the early eighteenth century and a high level of indirect taxation on its output. British brewers in effect agreed to pay enormous excise duties to the British government in return for protection against all except the finer French wines. This typically mercantilist arrangement shows that the allegedly revenue tariff on wines was also, in intent as well as in practice, a protectionist tariff. Nye's counterfactual calculations suggest that if Britain had not adopted an anti-French wine tariff in the early eighteenth century, British imports of French wines, instead of decreasing fivefold by the mid-nineteenth century, would have increased fortyfold.

In chapter seven, Nye argues that his demonstration invalidates the hegemonic stability theory, popular among political scientists, who see in the leadership of a dominant economic power a necessary condition for the establishment and maintenance of a large international free trade zone. It was not the abolition of the Corn Laws in 1846 that marked the adoption of free trade by Britain, but the signature of the 1860 Anglo-French treaty of commerce, which replaced the high volumetric tariff on wines with a more moderate tariff based on alcoholic strength. It was therefore not Britain, despite its economic dominance, that played the leading part in the rise of free trade in mid-nineteenth-century Europe, but France, thanks to the free trade convictions of Napoleon III and his Saint-Simonian advisors such as Michel Chevalier. Europe's free trade era ended when Germany and France reverted to a policy of moderate protection after 1880. Only then did Britain's policy conform to its official discourse as that country became the leading free trade nation in Europe. But its influence over Continental commercial policies proved limited, and it was unable to maintain the free trade zone created in the 1860s. In the last chapter, Nye, who does not conceal his own preference for free trade, resists any attempt to infer from his findings that high levels of taxation and trade protection may have benefited British economic development and facilitated Britain's rise to economic supremacy in the mid-nineteenth century. Placing his own work in the context of the New Institutional Economic History championed by Douglass North, he still attributes the acceleration of British economic growth to the broad institutional changes brought about by the Glorious Revolution of 1688-1689, such as more secure property rights and a more efficient banking system, but stresses that the strengthening of the state's capacity for taxation came at a cost for the economic welfare of Britons. In Nye's view, it was not thanks to but despite high taxes and tariffs that Britain became the world's leading economic power in the eighteenth and nineteenth centuries.

Not everything is new in *War, Wine, and Taxes*, including the first chapter that reproduces some results published by Nye more than fifteen years ago.^[2] But the book ties up a lot of loose ends in the current historiography of British, French, and European commercial policies in the eighteenth and nineteenth centuries. Contemporaries knew and historians have remained aware that eighteenth- and early nineteenth-century Britain pursued highly protectionist policies.^[3] What is novel in Nye's work is his claim that Britain continued to be more protectionist than France in the years 1845-1875, a relatively short but crucial period, usually described as the zenith of British free trade and its dissemination across Europe. Accepting Nye's findings on the endurance of British protectionism therefore implies a radical reinterpretation of the origins of commercial liberalization in Europe between 1850 and 1875 and of the subsequent return to protection on the Continent. Yet, in a work strangely ignored by Nye, Peter Marsh has already shown that it was not British but French diplomacy that succeeded in establishing the network of commercial treaties that created a first European "Common Market" in the 1860s—on grounds utterly different from Nye's since Marsh attributes the inefficiency of British diplomacy to the loss of bargaining power entailed by Britain's unilateral adoption of free trade in the 1840s.^[4] In a major work that Nye also fails to mention, Martin Daunton already highlighted the interweaving of fiscal and commercial concerns in the policies that led to the gradual adoption of free trade by Britain.^[5] More recently, Frank Trentmann also sought to reduce the significance of the abolition of the Corn Laws, arguing that it was at the turn of the twentieth century that the British ideology of free trade became fully fledged, while the public opinions of Continental countries endorsed a return to protectionist policies.^[6]

Nye undeniably makes an important and valid point when he questions the traditional distinction between fiscal and protective tariffs. Uneven customs duties on imports will often foster the growth of substitute domestic industries, implying that almost all tariffs are partly protectionist in effect if not in intent. The encouragement given to beer consumption by the high British duties on foreign and especially French light wines is a striking example, and readers of Nye's book who enjoy going to a British pub will probably have a grateful thought for the fiscal greed and mercantilist policies of Sir Robert Walpole, Prime Minister from 1721 until 1742. Yet, the invalidity of a strict dichotomy between revenue-generating and protective duties does not imply that all tariffs are exclusively protective. Each tariff should be viewed as partly fiscal, partly protective, in proportions varying according to the specific conditions of each national market. A 50 percent customs duty on imports of pineapple is still likely to have a proportionally greater protective effect in Mexico than in Iceland. Tariff revenue as a fraction of all imports is therefore not only an imperfect way of measuring effective protection against foreign competition, as Nye himself admits, but it is also particularly ill-suited to international comparisons. Adepts of the Laffer curve will also point out that a reduction in the level of taxation on foreign imports may result in an increase in revenue when tariffs are extremely high, as indeed happened when Britain reduced its tariffs on tropical products such as sugar, coffee, or tea after 1842. It is difficult to escape the sad conclusion that there still exists no satisfactory statistical method for measuring the overall protective character of a national commercial policy, let alone for making international comparisons.

Despite his excessive confidence in the reliability of quantitative tools to measure overall levels of trade protection, Nye makes another important and valid point when he stresses the necessity of distinguishing between economic discourse and actual policies. Historians have tended to accept that Britain embraced free trade in the 1840s because contemporary politicians and publicists said so, just as those same historians usually describe French policies as protectionist because most French policy- and opinion-makers declared themselves hostile to free trade. Nineteenth-century free trade and protectionism should perhaps primarily be viewed as ideologies, well worth studying in their own right, but should not be confused with the realities that they tend to conceal. British liberalism and French Colbertism are historical, but also rhetorical constructs.

NOTES

- [1] N. F. R. Crafts and C. K. Harley, "Output Growth and the British Industrial Revolution: a Restatement of the Crafts-Harley View," *Economic History Review* 45 (1992): 703-730.
- [2] J. V. C. Nye, "The Myth of Free Trade Britain and Fortress France: Tariffs and Trade in the Nineteenth Century," *Journal of Economic History* 51 (1991): 23-46, and "Guerre, commerce, guerre commercial," *Annales ESC* 47 (1992): 613-632.
- [3] Ralph Davis, "The Rise of Protection in England, 1689-1786," *Economic History Review* 19 (1966): 306-317.
- [4] Peter T. Marsh, *Bargaining on Europe: Britain and the First Common Market, 1860-1892* (New Haven, Conn.: Yale University Press, 1999).
- [5] Martin Daunton, *Trusting Leviathan: the Politics of Taxation in Britain, 1799-1914* (Cambridge: Cambridge University Press, 2000).
- [6] Frank Trentmann, *Free Trade Nation: Commerce, Consumption and Civil Society in Britain* (Oxford: Oxford University Press, 2008).

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