

# The futility of mercantilist wars: starting from France and Hamburg

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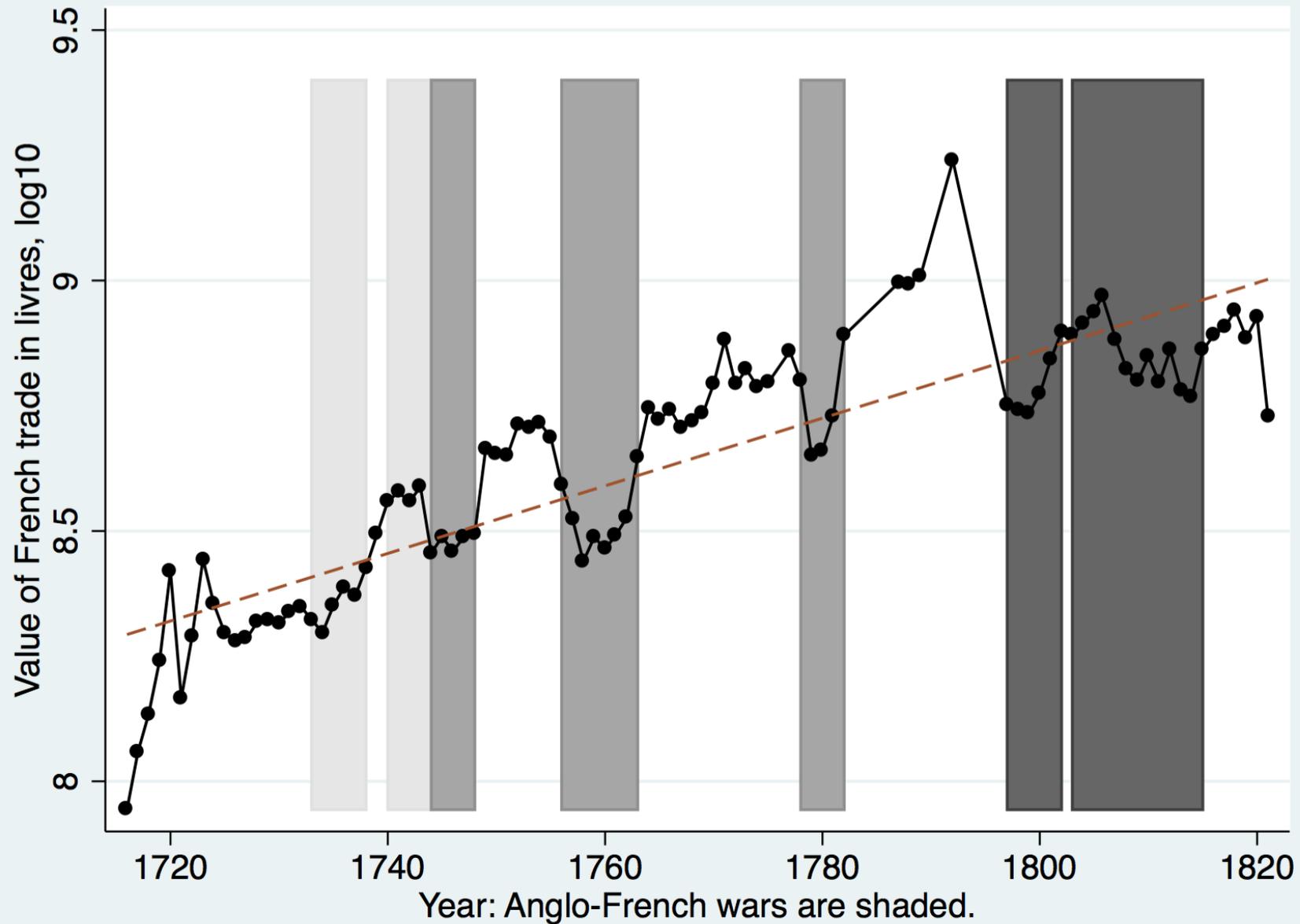
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# Introduction (1)

- Jefferson noticed that European nations « were nations of eternal war» (1823).
  - Indeed, from 1700 to 1825, 2 years out of 3 experienced conflict between major european powers (<https://ourworldindata.org/war-and-peace/>)
  - Rivalry between Great-Britain and France was central (« 2<sup>nd</sup> Hundred Years War 1688-1815)
- There were many reasons for this situation. Yet...
  - Especially after the death of Louis XIV, mercantile rivalry was an important motivation of Anglo-French wars. (Crouzet 2008, Wallerstein 1980...).
  - Each nation was jealous of the other's commercial success and the British believed war was a good way to curtail them
    - The French did not really believe it, because they did not have much naval success
- And so there was a long list of wars between France and Britain. The main ones :
  - War of the Polish Succession (1733-1738)
  - War of the Austrian Succession (1740(44)–1748)
  - Seven Years' War (1756–1763)
  - War of American independence (1775(78)–83)
  - French Revolutionary Wars (1792–1802)
  - Napoleonic Wars (1803–1815)
- From the British point view, it was all in vain till the 1790s (they were right to be angry in the late 1730s).

# Total French trade and Anglo-French wars

note : inflation was very low before 1792



# Introduction (2)

- Question of this paper: how come the pre-1792 wars did not have a lasting effect on French trade ?
- What do we know about the effect of wars?
  - Most of the works are on the 19th and 20th century
  - No agreement on the exact effect, but most believe there are long-lasting effects of war (, Blomberg & Hess (2004), Glick & Taylor (2005), but not Barbieri & Levy (1999)...)
  - The only one of 18<sup>th</sup> century : Rahman (2007)
  - The resilience of French trade has been remarked by historians (Riley (1984))
- Why do we care?
  - Important to understand the effect of wars in general
  - Important to understand (and contrast) the geopolitical history of the 18<sup>th</sup> and 19<sup>th</sup> century
  - Important to understand the globalization/deglobalization cycle from 1490s to 1840s

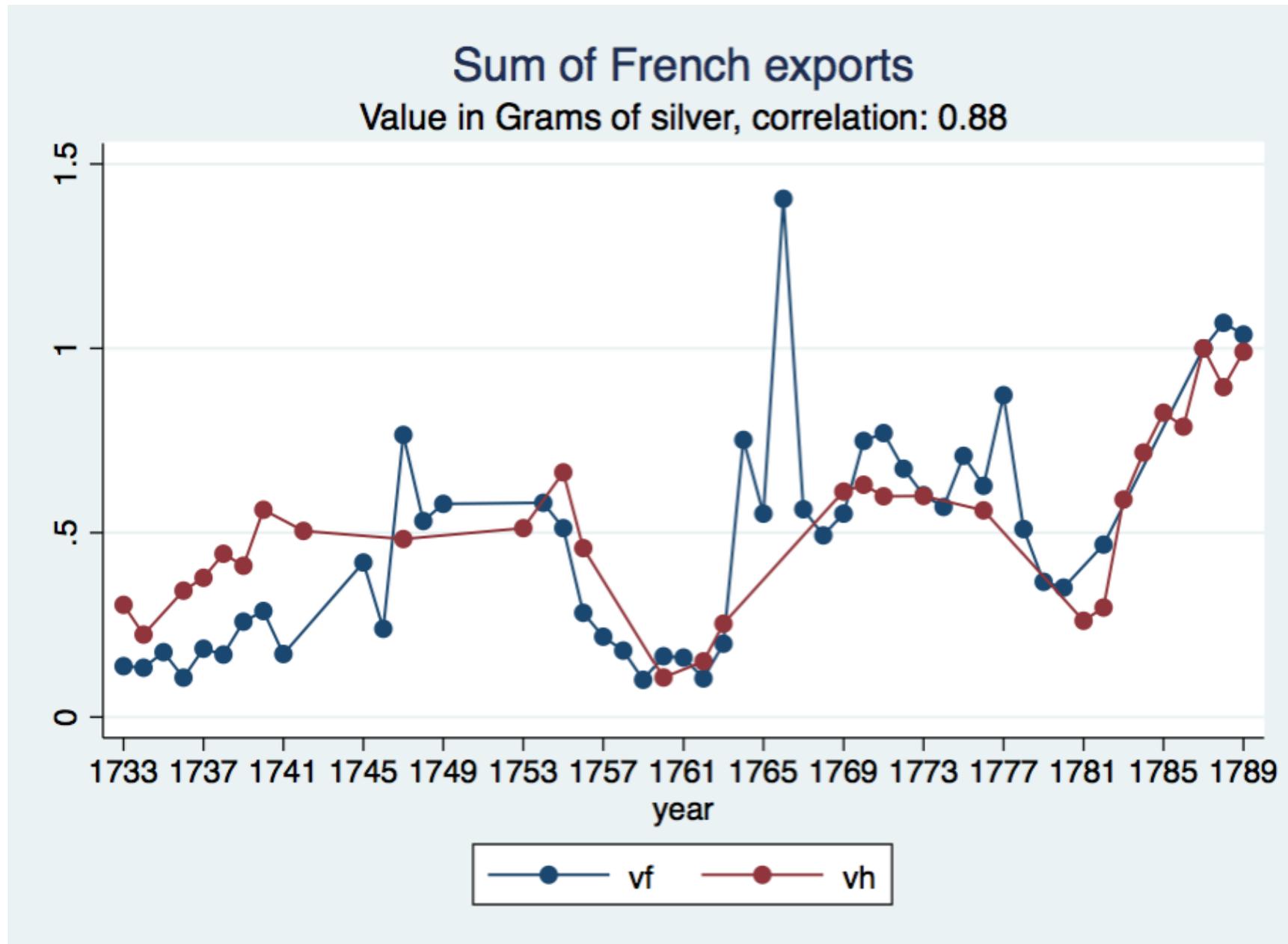
# Introduction (3)

- What do we add?
  - We distinguish trade with neutrals, allies and foes
  - First study at the sectoral level
  - Focus on Hamburg, which was neutral during the period (double check)
- Outline
  - Shall we believe these data?
  - What happened to trade with Hamburg?
  - What happened to trade in general?
- Conclusion
  - Distinguishing between goods is very important
  - War was indeed (very) bad for entrepôt trade... but not so much for the rest before the Napoleonic war (Trafalgar? Blockade? Continental system? )

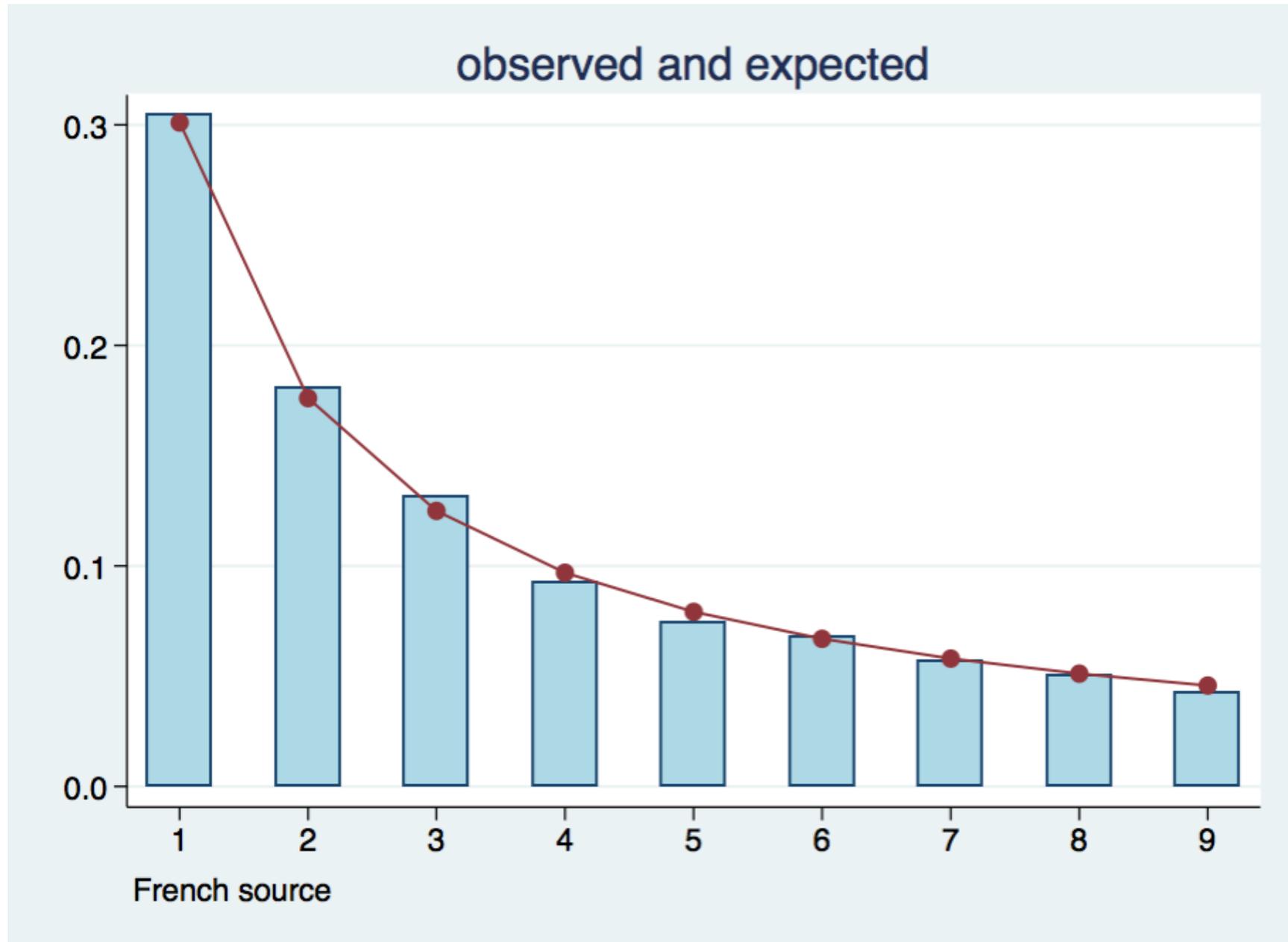
# Shall we trust the data?

- Where do the data come from?
  - French data: Bureau de la Balance du commerce (created in 1713)
    - Big administrative change in the 1780s. Continuity of the data up to 1821, with numerous gaps
      - By partner \* goods (from 250 to 3000 depending on the year) \* ports (up to 1789)
      - Before 1749, there is no national « by goods » data
      - We impute values by an analog to the repeated sales method
  - Hamburg: import toll registers between 1733-1798 (not all years)
    - This has a number of drawbacks that I will not discuss today
- They fit! (well, except Hamburg reports 50% of trade)
  - They both fit Benford's law too

# French exports to Hamburg Nord measured in Hamburg or in France (1787 = 1)



# Frequency of the first digit



# The effect of war on French exports to the Nord

- We first run the aggregate regression
  - $\ln(\text{exports}) = \text{Cst} + b_1 \text{year} + b_2 \text{war}$
  - We add a trend time break in 1795 and war-specific fixed effects
  - Without a break, only R&N wars have an effect. With a break, only Mercantilist wars have an effect
- And then we look into categories of goods
  - Sugar, coffee, wine, eau-de-vie
    - They were chosen because they are present in the Hamburg database
  - Sugar and coffee are the only ones to be negatively affected consistently by wars.

## French exports to the North in logs

	No breaks	One break	No breaks	One break
Time trend	0.02*** (0.00)	0.04*** (0.00)	0.02*** (0.00)	0.04*** (0.00)
Time trend after 1795		-0.00*** (0.00)		-0.00*** (0.00)
All wars	-0.28 (0.15)	-0.12 (0.12)		
Land wars			0.01 (0.24)	0.09 (0.18)
Mercantilist wars			-0.15 (0.19)	-0.53*** (0.15)
R&N wars			-0.73** (0.23)	0.46* (0.22)
Constant	-13.35** (4.13)	-47.97*** (5.72)	-21.39*** (5.19)	-56.23*** (5.73)
Observations	90	90	90	90
R-squared	0.38	0.62	0.42	0.68

## French exports to the North in logs

	goods FE and time- trends	goods FE and time- trends with break in 1795	goods FE and time- trends	goods FE and time- trends with break in 1795
War # Coffee	-3.35***	-1.51***		
War # Eau de vie	0.32	0.31		
War # Sugar	-1.65***	-1.05***		
War # Wine	-0.57	-0.49		
War # Other	-0.10	-0.10		
Land_war # Coffee			-4.16***	-2.34***
Land_war # Eau de vie			-0.27	-0.24
Land_war # Sugar			-0.03	0.20
Land_war # Wine			-1.10*	-1.08*
Land_war # Other			0.31	0.32
Mercantilist_war # Coffee			-1.90***	-1.88***
Mercantilist_war # Eau de vie			0.26	0.16
Mercantilist_war # Sugar			-0.92*	-1.80***
Mercantilist_war # Wine			-0.12	-0.21
Mercantilist_war # Other			-0.30	-0.33
R&N_war # Coffee			-5.12***	1.62
R&N_war # Eau de vie			0.90	1.22*
R&N_war # Sugar			-5.61***	-0.84
R&N_war # Wine			-0.73	-0.45
R&N_war # Other			-0.17	-0.08
Observations	409	409	409	409
R-squared	0.39	0.65	0.51	0.68

# The effect of war on French exports in general

- We will now move to French trade in general
  - Same exercise, except we interact war variables with war status (adversary, allied (including colonies), neutral)
  - The neutrals are mostly unscathed.
  - The time break changes the effect of Mercantilist wars and R&N wars
- Idem with categories of goods
  - You can see where this is going...
  - We have not yet found a good way to present the information : just grant me the point.
- So?
  - Land wars had little effect of trade
  - Mercantilist wars mainly had an effect through blocking intercontinental trade
  - R&N wars had a larger effect

## French exports in logs

	country FE and time- trends	country FE and time-trends with break in 1795	country FE and time- trends	country FE and time-trends with break in 1795
Adversary	-0.88***	-0.39***		
Allied	-0.29***	-0.23***		
Neutral	-0.12	-0.15*		
Land_war adversary			0.00	0.00
Land_war allied			0.18	0.09
Land_war neutral			0.16	0.04
Mercantilist_war adversary			-0.61*	-0.73***
Mercantilist_war allied			-0.14	-0.49**
Mercantilist_war neutral			0.07	-0.20
R&N_war adversary			-1.06***	0.27
R&N_war allied			-0.55*	0.24
R&N_war neutral			-0.46	-0.14
Observations	1046	1046	1046	1046
R-squared	0.64	0.77	0.65	0.78

# Conclusion

- What have we done?
  - New data (I am impressed by it)
  - Qualified effects of war on Franco-Nord/Hamburg trade
  - Qualified effects of war in general
- What was happening?
  - We have known for some time that French trade was resilient to war
    - Use of the neutral flag
    - Re-routing of exports
  - This was becoming more and more difficult, as the treatment of neutrals was becoming stricter and stricter
  - (To some extent, the historians knew all of that before...)
- What other questions?
  - When was the turning point? The 1790s or the 1800 (and the Continental System and the Blockade)?
  - Probably not the loss of colonies by itself
  - Have a better good-specific study that we can show you...
- So what?
  - All in all, the trading system seems to have been quite resilient