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Nye, John V.C.:

**WAR, WINE, AND TAXES: THE POLITICAL ECONOMY
OF ANGLO-FRENCH TRADE, 1689-1900.**

**Princeton Economic History of the Western World. Princeton, NJ:
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Every once in a while a book is published that shatters preexisting conceptions and delivers an entirely new perspective on a particular subject. With its iconoclastic tendencies, John Nye's *War, Wine and Taxes* is one such book. Nye's work sent tremors through the academic community, prompting economists and historians alike to actually rewrite a part of British commercial history.

Was Great Britain a free trade leader in the nineteenth century? In his 2007 book *War, Wine and Taxes*, Nye challenges this conventional wisdom that postulates the Empire championed free trade policy in Europe, as well as that France was a protectionist bastion that only much later moved on to more moderate protection of its goods on the international market. This misconception, Nye argues, came from the repeal of the Corn Laws in the 1840s in Great Britain. This set of laws was designed in 1815 to protect domestic grains prices against competition from cheaper foreign imports. The abolition of these clearly protectionist laws was seen as a step away from the mercantilist trade policy the rest of Europe practiced, which Nye (1991b) proved to be false, as Britain continued to have higher average tariffs on foreign goods than France until the 1870s. The problem as to why this vision of Britain as a leading free trader still remains is that the conventional free trade philosophy and wisdom come from Britain and her famous economists

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such as David Ricardo and Adam Smith, whose works much contributed to understanding of classical economic theory. Nye notes that the famous stylized example Ricardo used to expand our understanding of comparative advantage – free export of British cloth to Portugal in exchange for import of Portuguese wine – is actually flawed due to Portugal's inefficiency in wine production. The Methuen Treaty between the two states signed in 1704 guaranteed that "Portuguese wine would enter England (and later Britain) at a duty level never to exceed two-thirds of duties imposed on other nations." Nye points out that the only reason behind the import of Portuguese wine to Britain is that the tariffs at the time clearly favored Portugal.

Why would Britain give up French wine in favor of lower quality Portuguese wine? To answer this question, Nye offers a detailed historical perspective of British commerce in Chapters 2, 3, and 4. Before the nineteenth century France and England were seldom on friendly terms. The Glorious Revolution in 1688 saw the ousting of the Catholic king James II by William of Orange, a Protestant who held little love for Catholic France, Europe's predominant power at the time. Enmity between William and Louis XIV grew, and the two sovereigns engaged in a conflict that lasted from 1689 to 1713. The author observed that the war provided a perfect excuse for the English state to cut off all trade with the France, which was its biggest trading partner. This move was especially important for the trade of French wines and spirits, which accounted for at least 20 percent of English imports.

In order to explain the vast percentage of alcohol comprised in the English balance of payments, Nye accentuates the importance of alcohol in the early modern times. As the pre-industrial technology was unable to procure clean water and with tea and coffee yet to become the staples of British drinking culture, weak alcohol was often the only beverage that could quench thirst. Weak wine and beer were therefore immensely popular in all English social strata. During the war, no French products were allowed into England, which helped it turn its enormous deficit with France into a surplus for several years. However, the need for alcohol remained. England needed to find an alternate provider of alcohol, and it found one in Portugal. Portugal in the early seventeenth century was a close ally of England, which had many of her domestics working there in various manufacturing branches. As stated earlier, the Methuen Treaty of 1704 designated Portugal as the English favored foreign wine producer in exchange for the tariff-free import of English textiles. Though cheap, this wine was of very bad quality.

The bitterness and enmity between France and England prevented the emergence of free trade between the two states even after the war ended in 1713. Trade did remain, though plagued by extremely high tariffs aimed at removal of many of the French products from the British market. To understand why open trade with France did not resume after the war, Nye studies the effects that the wars

had on English brewers and favored foreign wine producers. During the war, the English beer brewers found themselves in a very favorable position: protected during the 24 years of Anglo-French conflicts, they grew from few to many, as prominence of beer within the population skyrocketed. Fearing the French competition that would arise from the continuation of open trade, beer brewers lobbied the Parliament not to abolish their protected status in the market. The government obliged because taxing the highly concentrated brewing industry was an easy source of revenue at the time, and created a set of completely new, volume tariffs that all but destroyed cheap French wines imports to England. This is because the tariffs were by volume not by price, and thus had a disproportionate effect on cheap, low-quality wine. These very high tariffs reduced the French imports to Britain for about 95% compared to what they were before the war. Moreover, Nye claims that Britain would have been importing 20 to 100 times more wine today if there had not been for the high tariffs on wine in the nineteenth century. Thus for all but the highest classes, wine had become an unattainable item on the shelves of the British shops for decades. Nye argues that the gradual switch from wine to beer in the British lower and middle classes explain why today Britain is a beer drinking, rather than a wine drinking nation.

In Chapter 6, Nye explained how the rapid development of domestic beer industry led to a symbiotic relationship between the British state and the breweries. The increasingly massive consumption of beer by the British people enticed the transformation from small-scale breweries to mass producing ones. As raising taxes in Britain has always been politically very difficult to implement, the British government now saw an opportunity to successfully raise taxes from the well developed and protected beer industry. To further encourage this tendency, the British government introduced a set of laws aimed to limit entry into the brewing industry thus effectively creating an oligopoly of the existing breweries in the beer market. The heavy taxation of this oligopoly, Nye explains, contributed about 40 percent of the revenue that comprised the British budget at the time. The oligopoly would achieve monopolistic profit as the state would protect it, and the oligopoly would provide the state with the necessary revenue used to fund many wars in that era. The victim of this state-breweries symbiosis was the British people who, unable to politically voice their dissatisfaction yet, had to suffer the oligopoly.

It was not until the 1840s that Britain began to consider the possibility that lowering tariffs on French wine might maximize customs duties revenue. However, only after the passage of the Anglo-French Treaty of Commerce (1860), Britain moved toward free trade with France, while still somewhat protecting the domestic beer industry. The British average tariff rates were at a steady fall ever since then, and in the 1870s they fell below the French rates for the first time. Nye stresses the importance of this treaty as most other European nations, having seen the signing of the free trade agreement between the two major powers, followed

suit and allowed for creation of many interconnected free trade treaties across the continent, and subsequent pan-European free trade enthusiasm.

Nye's work thus clearly showed that the British state was never unilaterally implementing free trade policies throughout most of the nineteenth century as previously believed. Further, Nye effectively debunked the myth of "fortress France" and "free market Britain," and explained the success of collecting British tax revenues, that the Empire eventually used to greatly expand its territory during eighteenth and nineteenth centuries. The author's clear prose with a plethora of supporting diagrams proved his hypothesis and revised much of the nineteenth century commercial history of Britain and Europe.