Free Trade and Protection in Nineteenth-Century Britain and France Revisited: A Comment on Nye

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In a recent article in this JOURNAL, John V. Nye disputed the "conventional wisdom" that Britain was a paragon of free trade and France a practitioner of protection in the nineteenth century.[1] Nye's case is based primarily on figures for tariff revenue as a percentage of the value of imports, calculated using various weights. These figures, as Nye interprets them, "suggest that France's trade regime was more liberal than that of Great Britain throughout most of the nineteenth century . . . British average tariff levels did not compare favorably with those of France till the 1880s and were not substantially lower for much of the time."[2]

In this comment I argue that the rate of tariff revenue is an inadequate and potentially misleading indicator of whether a country's commercial policy tends toward free trade or protection. In examining the structure of Britain's tariff in the second half of the nineteenth century, when those problems were particularly acute, I found that the tariff was carefully constructed to avoid protecting domestic producers. A cursory examination of French policy, by contrast, indicates that domestic producers were protected by substantial tariff barriers.

In figure 1 of his article, Nye presented evidence on tariff revenue as a percentage of the total value of imports in Britain and France over the course of the nineteenth century. In the first half of the century, the average rate of tariff revenue appears initially to be much higher but to decline more rapidly in Britain than in France, until the rates converge in the two countries at about 5 to 10 percent around the 1860s. In the second half-century, the rates remain roughly stable at this level until the end of the century. Taking these tariff revenue measures as a proxy for average tariff levels in the two countries, Nye judged France to have been equally as liberal in its commercial policy as Britain was over the course of the nineteenth century, bringing into question what he believes to be the traditional view on the matter.

Given these figures for the first half of the century, Nye asked, why have economic historians "concluded that Britain was the solitary free trader in the early to mid-nineteenth century?"[3] This questioning of the conventional wisdom is curious, because no scholar of the period has disputed the fact that Britain's commercial policy was quite protectionist prior to the 1840s. What is disputable is using the rate of tariff revenue as the sole metric by which to rank-order two countries in terms of the liberality of their commercial policy, as Nye did when he concluded that "there is little evidence that Britain's trade was substantially more open than that of France. . . . France's trade regime was more liberal than that of Great Britain."[4] That rates of tariff revenue were higher in Britain than in France for some decades does not mean a priori that Britain was less open to trade than France: those data alone are not revealing about nominal or

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[1] John Vincent Nye, "The Myth of Free-Trade Britain and Fortress France: Tariffs and Trade in the Nineteenth Century," this JOURNAL, 51 (Mar. 1991), pp. 23–46.

[2] Ibid., pp. 25, 27.

[3] Ibid., p. 24.

[4] Ibid., p. 25.

effective rates of protection across sectors, and other plausible measures of "openness" suggest different conclusions (for example, imports as a percentage of GDP averaged 5.1 percent in France and 13.1 percent in Britain over the 1830s).[5] Focusing on aggregate tariff revenue figures alone can also prompt misleading inferences about a country's trade regime. One might view the sharp decline in the rate of British tariff revenue from the 1820s to the 1840s as a sign of trade liberalization. But because many of Britain's tariffs were specific duties, "the burden of duties imposed on trade *increased* with the post-war deflation of prices."[6] Thus the decline in the rate of tariff revenue—driven by rapidly growing imports of duty-free raw cotton—came at a time when the protectionist effect of existing duties was greater, perhaps even reducing their ability to raise revenue.

The shortcomings of the tariff revenue measure for judging commercial policy are particularly apparent in the second half of the century. In that period tariff revenue rates were comparable in the two countries, and Nye takes France to have been equally as liberal in trade policy as Britain. In 1846 Britain repealed the Corn Laws that protected agricultural producers and reformed its tariff through the 1850s. With Gladstone's famous budget of 1860, Britain eliminated all remaining protectionist duties and maintained a tariff only to raise fiscal revenue on a few imported consumption items that either were not produced at home or were already subject to domestic excise taxes.[7] After 1860 but before 1875, duties on sugar, timber, paper, and a few minor items were abolished. After 1875 Britain's tariff was applied on the following items: beer, playing cards, chicory, cocoa, coffee, essence of spruce, certain fruits, malt, plate, spirits, tea, tobacco, vinegar, and wine.[8] From 1875 until at least 1897, this list constituted the entire schedule of foreign goods subject to import duty—all other goods were duty free. Just four of these goods—tobacco, tea, spirits, and wine—accounted for over 95 percent of customs revenue in 1880.[9]

These isolated tariffs were not protectionist duties. A protectionist trade policy impedes international trade in order to shelter (protect) domestic producers in import-competing sectors from foreign competition. These tariffs, in contrast, were carefully imposed for revenue purposes, a distinction that is key to understanding British trade policy during this period. When there was domestic production of the imported good, Britain's tariff had no protective effect, because by design it merely offset domestic excise taxes not applied to imports—that is, these tariffs were the natural extension of domestic excise taxes to foreign goods. Almost half of the 26 items in the 1860 tariff code were subject to duty "solely for the purpose of countervailing duties of excise on the like articles produced in the United Kingdom."[10] An excise tax levied at the place of

[5] Maurice Lévy-Leboyer and François Bourguignon, *The French Economy in the Nineteenth Century* (Cambridge, 1990), table A-3; and B. R. Mitchell, *British Historical Statistics* (Cambridge, 1988), pp. 451, 831.

[6] Albert H. Imlah, *Economic Elements in the Pax Britannica* (Cambridge, 1958), p. 120 (emphasis added).

[7] As Gladstone put it, the changes in 1860 marked "a final disappearance of all protective and differential duties; and the merchant, with the consumer, will know that every shilling that he pays, he pays in order that it may go to the revenue, and not to the domestic as against the foreign producer." *Hansard's Parliamentary Debates*, 3rd series, vol. 156 (1860), p. 868.

[8] House of Commons, *Sessional Papers*, "Customs Tariffs of the United Kingdom from 1800 to 1897," vol. 85 (London, 1898), pp. 890ff.

[9] Calculated from data in House of Commons, *Sessional Papers*, "Annual Statement of Trade of the United Kingdom (1880)," vol. 137 (London, 1881).

[10] House of Commons, "Customs Tariffs," p. 40. Nye denied the economic basis for distinguishing between protective and revenue tariffs, calling it an "artificial distinction," even though Adam Smith accepted the legitimacy of tariffs designed to offset domestic excises because they did not protect domestic producers from import competition (Smith, *Wealth of Nations*, London, 1776,

sale to consumers, of course, would have made such tariffs unnecessary. But excise taxes were usually assessed on British producers to ensure tax compliance, and consequently tariffs levied at customs ports were required to cover the same imported goods. Without such tariffs, domestic and foreign goods would have competed on unequal terms that favored imports.

This fiscal feat of equal tax treatment for domestic and foreign goods was accomplished in the Anglo-French (Cobden-Chevalier) Commercial Treaty of 1860, which was passed by Parliament as part of the budget of 1860. According to Article VII of the treaty, Britain agreed

> to admit into the United Kingdom merchandize imported from France, at a rate of duty equal to the excise duty which is or shall be imposed upon articles of the same description in the United Kingdom. At the same time the duty chargeable upon the importation of such merchandize may be augmented by such a sum as shall be equivalent for the expenses which the system of excise may entail upon the British producer.[11]

Imports from all sources received this same treatment because Britain automatically extended all provisions of the Anglo-French agreement to other countries. For example, Article VIII of the accord read as follows:

> In accordance with the preceding Articles, Her Britannic Majesty undertakes to recommend to Parliament the admission into the United Kingdom of brandies and spirits imported from France, at a duty exactly equal to the excise duty levied upon home-made spirits, with the addition of a surtax of two pence per gallon, which will make the actual duty payable on French brandies and spirits eight shillings and two pence the gallon.[12]

A supplementary convention in February 1860 raised the surtax (with French consent) to 5 pence per gallon. Consequently, after 1860 the excise on domestic brandies and spirits was 10s. per gallon, and the import tariff on all foreign brandies and spirits was 10s. 5d. per gallon, the difference being "to countervail the charges to which the British manufacturer was subject in consequence of conducting his business under Excise supervision."[13]

The principle of equal tax treatment of domestic and foreign goods applied to all other dutiable imports. Imported malt used to produce beer was charged 25s. per quarter after 1860 because there was an excise on domestic malt of 21s. 8½d., the differential again owing to administrative costs. When the excise on malt was repealed in 1880, so was the import duty on malt. The malt duty was replaced by a direct excise on domestic beer of 6s. 3d. per barrel and an import tariff of 6s. 6d. per barrel. Tariffs on gold and silver plate, playing cards, and vinegar were also levied to match existing excise taxes on British producers of those goods. In determining the duty on tobacco products, exacting calculations were made to equalize the tax treatment of domestic and imported cigars and avoid discrimination in favor of British producers.[14]

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book 4, chap. 2). For a more recent discussion, see W. M. Corden, *The Theory of Protection* (Oxford, 1971), pp. 11–12.

[11] House of Commons, *Sessional Papers*, "Treaty of Commerce between Her Majesty and the Emperor of the French, January 23, 1860," vol. 118 (1860), pp. 473–74. British policy survived the expiration of the Anglo-French accord because its stance was one of unilateral free trade; the policy was not viewed as a negotiating concession, and it extended the provisions of the accord to all other countries unconditionally.

[12] Ibid., p. 474.

[13] House of Commons, "Customs Tariffs," p. 166.

[14] Domestic excise taxes (on beer, plate, playing cards, vinegar, and so on) are listed in the "Annual Report of the Commissioner on Inland Revenue," and import tariffs (on the same) are listed in the "Annual Statement of Trade of the United Kingdom." On malt and beer, also see Stephen Dowell, *A History of Taxation and Taxes in England*, Vol. 4: *Taxes on Articles of*

Imported commodities that were not produced in Britain—such as tea, coffee, raw tobacco, and fruits—were also burdened with tariffs without having a protective effect. Such tariffs are essentially equivalent to a domestic excise tax and entail a consumption cost, but they do not protect domestic producers from foreign competition—provided there are no significant domestically produced substitutes. Nye maintained that there were domestic substitutes for at least one such good, asserting that the wine tariff "must have" had a protective effect because wine and British-produced beer were likely substitutes in consumption. As beer was already subject to a domestic excise tax and equivalent import tariff, Nye probably intended to show that wine was taxed more heavily than beer, although he presented no evidence to this effect.[15]

All alcoholic beverages were chosen for excise taxation because they were relatively inelastic in demand and hence capable of raising large amounts of revenue.[16] According to my rough calculations, Britain's tax treatment of domestic beer and French wine was approximately equal. Wine imports from 1862 through the end of the century were taxed on the basis of alcoholic content; wine under 26 degrees of proof spirit were subject to a 1s. per gallon tax, and wine from 26 to 46 degrees of strength were assessed 2s. 6d. per gallon. Virtually all French wines (98 percent from 1871 to 1879) were in the 16- to 20-degree range and subject only to the 1s. tariff, whereas virtually all wines from Spain, Portugal, and elsewhere (92 percent from 1871 to 1879) were above 26 degrees and thus subject to the higher tariff.[17] After the repeal of the malt tax in 1880, the excise tax on domestically produced beer was 6s. 3d. per barrel; the import duty on foreign beer was 6s. 6d. per barrel. Although the per-gallon tax on wine was higher than on beer (1s. on French wine, almost 2s. on all wine, and 0.2s. on beer), the ad valorem tax burden was comparable because beer was less expensive: the average retail price of beer inclusive of duty ranged from 0.8 to 2s. per gallon, whereas the import price of French wine exclusive of duties was roughly 9.5s. per gallon and of all wine on average just over 7s. per gallon. According to these figures, after 1880 domestic beer was taxed at a rate of 9 to 26 percent, imported beer at about 14 percent, French wine at 10 to 16 percent, and all wine at about 25 percent.[18] Although other wines were more heavily taxed than

Consumption (London, 1884), pp. 85ff. For tobacco, see House of Commons, "Customs Tariffs," pp. 185ff.

[15] Nye, "The Myth," p. 36. Even if wine had been taxed more heavily than beer, however, beer producers may not have been indirectly protected. One could speculate that if Britain were a "small" part of the European beer market—that is, if beer was imported (exported) under conditions of perfectly elastic foreign supply (demand)—and a tariff on imported wine shifted domestic demand toward beer, the volume of imports would rise (or exports fall) to accommodate the entire increase in demand, and domestic production would not change.

[16] As Gladstone noted, "the principle on which the duty on wine is levied is one which lies at the very root of half our indirect taxation—the imposition of duties on strong liquors." *Hansard's Parliamentary Debates*, 3rd series, vol. 156 (1860), p. 1845.

[17] See House of Commons, *Sessional Papers*, "Report from the Select Committee on Wine Duties," vol. 14 (London, 1878–79), p. 318.

[18] The average import price of French wine (per gallon) was 7.8s. in 1866, 6.1s. in 1870, 9.5s. in 1875, 9.4s. in 1880, 9.0s. in 1885, 10.3s. in 1890, and 9.5s. in 1895 (data collected from various years of the "Annual Statement of Trade of the United Kingdom"). Applying the 1s. tariff yields an ad valorem tariff equivalent ranging from 10 to 16 percent, with an average of about 11 percent at the average 9.4s. per gallon. Wines from other countries were generally subject to the higher tax: in 1879, for example, the average tax burden on all imported wine was about 25 percent, meaning that the average tax burden on Spanish and Portuguese wine was even greater (House of Commons, "Wine Duties," p. 388). As the average import price of foreign beer (mainly from Holland, Germany, Belgium, and Denmark) ranged from 45s. to 48s. per barrel between 1880 and 1895, foreign beer was subject to an ad valorem equivalent of about 14 percent. (The import tariff and import prices are taken from various years of the "Annual Statement of Trade of the United Kingdom.") The average retail price of domestically produced beer in Britain (inclusive of excise)

French wines, domestic beer producers were also subject to direct charges that make any conclusive assessment of the relative tax burden extremely complex and beyond the scope of this comment. But the reason beer was consumed more than wine in Britain is probably because it was much cheaper rather than because it was protected by the excise and tariff code, as Nye implies.[19]

In light of all these considerations, there is no contradiction in saying that Britain heavily taxed a very small set of imported consumption items—essentially just tobacco, tea, wine, and spirits—yet was not protectionist. As the ardent free-trader Richard Cobden observed in 1861, "We have many duties—such as that, for example, on tea—which are too heavy, but they are not maintained in the interests of any British producers."[20]

France also had tariffs on such consumption items, but they were often set higher than domestic excise taxes. French imports of spirits, for example, faced an import tariff in addition to, not instead of, a domestic excise tax, and even the wine industry received tariff protection.[21] Moving away from the few consumption items on which both the British and French levied taxes, one finds that French commercial policy throughout the entire nineteenth century discriminated against a wide variety of foreign products through tariff barriers that were entirely absent in Britain. According to the terms of the Anglo-French Commercial Treaty of 1860, France abolished all prohibitions and could not impose specific duties exceeding 30 percent ad valorem, or 25 percent after 1865, though in practice most duties were set at 10 to 15 percent.[22] Although this was a substantial revision of the French tariff code, it came nowhere near the reforms enacted by Britain, which eliminated all remaining tariffs on manufactured goods in 1860 after having repealed the Corn Laws in 1846.

France, by contrast, maintained a tariff code that covered hundreds of items and, as shown in Table 1, rivaled Russia in its illiberal tariff treatment of major manufactured goods around 1877. Ashley estimated French tariffs on cotton, linen, and woolen manufactures to have been about 15 percent after 1860 and probably over 20 percent by

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was stable in the years after 1880, but ranged from 30s. per barrel for table beer to 43s. per barrel for mild ales to 75s. per barrel for strong ales, meaning that the ad valorem excise tax ranged from 9 to 26 percent. (Retail beer prices are taken from "Report on Wholesale and Retail Prices in the United Kingdom in 1902, with Comparative Statistical Tables for a Series of Years" [London, 1903], pp. 335–36, and table beer prices from M. G. Mulhall, *Mulhall's Dictionary of Statistics* [London, 1884], p. 45.) Which beverage was the beneficiary of better tax treatment is by no means clear from this calculation alone, however. It excludes a £1 annual license fee on domestic beer producers and other related fees on pubs. The ad valorem rates varied because the aim of revenue officials was to levy taxes not on the basis of price but on the amount of alcohol contained in various beverages. A draft parliamentary report in 1879 found that "the principle of taxing alcoholic drinks on the basis of the alcohol they contain has been shown to apply to the beer and spirits produced in this country, and to apply to them even more rigorously than to the wines imported" (House of Commons, "Wine Duties," p. xix).

[19] In designing the new wine tariff in 1860, the Chancellor of the Exchequer expressed great concern that the lower wine tariffs might reduce revenues from the excise taxes on British and foreign spirits. Little mention was made of the wine tariff's effect on the revenues from beer duties, implying that his office viewed wine and spirits as much closer substitutes than wine and beer. See *Hansard's Parliamentary Debates*, 3rd series, vol. 156 (1860), pp. 1847ff.

[20] Quoted in Francis W. Hirst, *Gladstone as Financier and Economist* (London, 1931), p. 197.

[21] On spirits, see House of Commons, "Wine Duties," p. 63; on wine tariffs, see Eugene O. Golob, *The Méline Tariff: French Agriculture and Nationalist Economic Policy* (New York, 1944) and Michael S. Smith, *Tariff Reform in France, 1860–1900: The Politics of Economic Interest* (Ithaca, 1980). On beer tariffs, see House of Commons, *Sessional Papers*, "System of Taxing Beer or Malt in Foreign Countries," vol. 102 (London, 1874), p. 211, which puts the French excise duty on beer at 3.75 FF per hectoliter and the French tariff on beer at 5.75 FF per hectoliter.

[22] Percy Ashley, *Modern Tariff History* (3rd edn., London, 1920), pp. 299–300.

TABLE 1
TARIFFS ON MANUFACTURED GOODS IN 1877
(estimated ad valorem rate, in percentages)

	Britain	France	Germany	Belgium	Holland	Sweden	Russia
Cotton goods	free	n.a. (see text)	4–11	4–19	free	8–13	23–38
Pig and bar iron	free	27–50	free	5–7	free	free	17–50
Chemicals	free	15–19	7–22	free	free	free	17–23
Paper	free	6–11	5	3–5	5	7–19	53
Coal	free	10	free	free	free	free	free

Source: Board of Trade, "Import Duties on British Goods (Foreign Countries)," in House of Commons, *Sessional Papers*, vol. 76 (London, 1877).

TABLE 2
ESTIMATED AVERAGE EQUIVALENT OF IMPORT DUTIES LEVIED ON PRINCIPAL MANUFACTURES EXPORTED BY BRITAIN IN 1902
(in percentages)

Russia	Austria-Hungary	France	Italy	Germany	Sweden	Belgium	Holland
131	35	34	27	25	23	13	3

Source: Board of Trade, "The Comparative Incidence of Foreign and Colonial Import Tariffs on the Principal Classes of Manufactures Exported from the United Kingdom, in House of Commons, *Sessional Papers*, Cd. 1761 (London, 1903).

1877.[23] Table 2 indicates that French tariffs on British exportables ranked among the highest in Europe and covered a wide range of articles in 1902—a year not entirely unrepresentative of the last quarter of the nineteenth century, even though the 1892 French tariff entailed somewhat higher duties than the tariff of 1881. These tariffs are important not because of unwarranted focus on "leading sectors," as Nye seems to suggest, but because both Britain and France were major exporters of manufactured goods that were also facing increased import competition from foreign producers of those goods. Their response to this competition speaks to the general tendency of their commercial policy.[24]

Tariff protection was also extended to French agriculture. In response to midcentury complaints by the *Société des agriculteurs* that "whereas duties on manufactured goods averaged between twenty-five and thirty per cent, agricultural rates did not exceed

[23] Ibid., p. 300. British authorities were unable to compile an ad valorem tariff estimate for cotton goods because of the complexity of the French tariff schedule, which included an array of specific tariffs depending on the particular characteristics of the goods.

[24] Over 75 percent of Britain's exports and roughly 60 percent of France's exports consisted of manufactures in the second half of the nineteenth century, while the share of manufactures in British imports rose from 7 percent (1853 to 1857) to 17 percent (1890 to 1899) and in French imports from 5 percent (1857 to 1866) to 17 percent (1897 to 1906). See Werner Schlote, *British Overseas Trade from 1700 to the 1930s* (Oxford, 1952), pp. 68, 71, and Lévy-Leboyer and Bourguignon, *The French Economy*, p. 48. Smith has this to say about the French tariff on manufactures in the late nineteenth century: "By providing a favorable environment for this cartelization and organization, . . . [the tariff] in some cases provided the increment of protection needed to save domestic producers from foreign competition and to allow them to divide the domestic market among themselves (especially in some branches of textiles and metallurgy)" (Smith, *Tariff Reform in France*, p. 238). Britain imposed no tariffs on imported manufactured goods after 1860.

fifteen per cent,'' protection to French agriculture, particularly to livestock and grain producers, racheted up several times in the 1880s to culminate in the Méline tariff of 1892.[25]

Nye was certainly correct in writing that ''the large imports of tea and wine paying very high tariffs in Britain, . . . with no dutiable imports of corresponding volume in France, do much to increase the average level of British tariffs,'' as he measured them (p. 35). Indeed, taxes on tea, tobacco, and alcohol accounted for virtually all of Britain's ''average tariff'' and raised enough revenue to match France's much broader system of import tariffs. Nye also noted that the large proportion of raw materials and intermediate goods in British and French imports, which over time came to receive duty-free treatment in both countries, tended to lower the average rates of tariff revenue and thus account for their similarity in the two countries.

But enormous differences in commercial policy are consistent with comparable average rates of tariff revenue. To assess whether a country's commercial policy tends toward free trade or protection also requires examining the principles underlying the tariff treatment of various goods. The French tariff was broadly based and designed to protect domestic producers by keeping out foreign goods. The British tariff was an extension of the domestic excise system, levied only on a select number of commodities to raise fiscal revenue without discriminating against foreign goods in favor of domestic goods. Equating British and French commercial policies in the second half of the nineteenth century because their tariffs raised similar rates of revenue misses the essential distinction between free trade and protectionism: whether or not domestic producers are sheltered from foreign competition. By this standard, France flunks and Britain passes the free-trade test.

[25] The quote is from Golob, *The Méline Tariff*, p. 179. As Smith wrote, ''by establishing or at least confirming agricultural protection, the Méline tariff saved the peasants from the foreign competition that threatened to destroy them'' (Smith, *Tariff Reform in France*, p. 241).