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THE RISE OF FREE TRADE IN WESTERN EUROPE, 1820-1875

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I

Almost 25 years ago, I wrote a paper on the varied responses of five European countries - Britain, France, Germany, Italy and Denmark - to the fall in the price of wheat at the end of the nineteenth century [Kindleberger, 1951]. The present investigation is antecedent to that in time and concerns the spread of free trade in Europe after the Napoleonic Wars. While the movements are in opposite directions, the method is the same: to test an ordinary economic model for generality by the use of secondary materials on a number of broadly similar cases. The problems chosen are limited, and do not relate to general-equilibrium problems such as business-cycle or growth, which tend to be underdetermined. The method may be called "comparative economic history in the small." It is helpful, in my judgement, for testing models for generality, and suggests the need to go outside the confines of economic forces to wider social and political considerations.¹

1. The view is sometimes expressed that it is useful for economic historians to exhaust economic explanations, before calling on social and political factors [Crouzet, 1972, p. 120n; Pincus, 1972, p. 1]. This makes some sense in terms of professional formation, but the scientific principle that the simpler explanation the more powerful it is surely does not require that all the elements of an explanation be drawn from the same discipline.

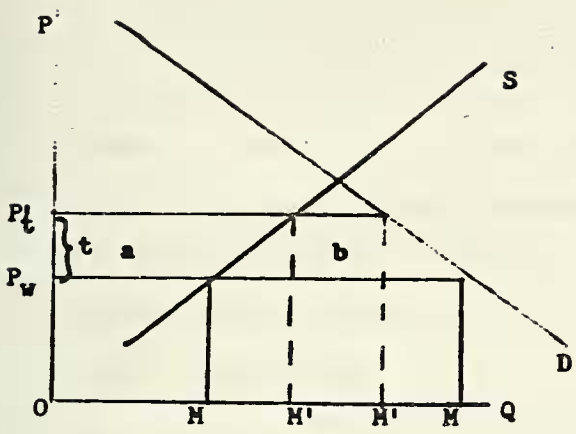
II

The textbook theory of tariffs, and of their converse, the movement to freer trade, has more elements than we need for the nineteenth century, but also lacks some. In the usual comparative statics, a tariff may be said to have ten effects: on price, trade, production (the protective effect), consumption, revenue, terms of trade, internal income distribution, monopoly, employment and the balance of payments. For present purposes we can dispense with the employment effect - despite the "Notes on Mercantilism" of The General Theory [Keynes, 1936, Chapter 23], and balance-of-payments effects, except in the case of Italy.²

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2. British political economists believed in Hume's law - an international version of Say's law - that imports create exports, and relied on it in the debate over whether tariff reductions should be unilateral or reciprocal. Nor were they wrong in the case of Corn Law repeal.

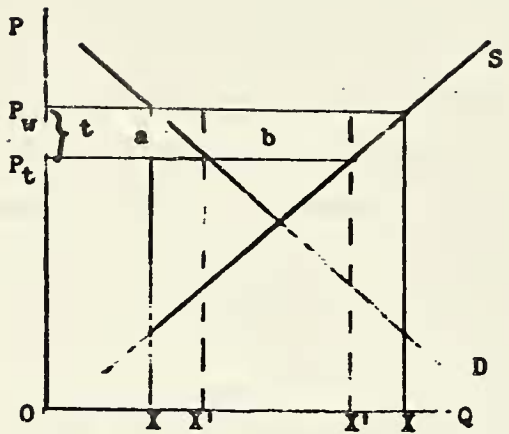
The terms-of-trade effect arises only in connection with export taxes; and the monopoly effect must be converted to dynamic form, that increased imports stimulate growth by forcing competition and responsive innovation, as claimed in the twentieth century for the European Economic Community.

We may illustrate the bulk of the needed effects with the simplest of partial-equilibrium diagrams of a familiar sort. In Figure 1, an import tariff, t , raises the domestic price P_t above the world price P_w (assumed to be unaffected by the tariff), reduces trade from MM to $M'M'$, expands production by MM' , and reduces consumption by $M'M$. An increase in rent to producers consists of the quadrilateral a ; revenue accruing to the



Import Tax in Partial Equilibrium

Figure 1



Export Tax in Partial Equilibrium

Figure 2

government is represented by b. Removal of the tariff reverses all movements. An export tax in Figure 2 reduces price and trade, cuts down on producers' rent, increases consumption, reduces production and earns governmental revenue. Conversely, removal of an export tax raises price, production and producers' rent, enlarges trade, reduces domestic consumption, loses revenue.

Most of these effects can be shown in general equilibrium, but will not. The redistribution effect in this case extends to factors of production - the Stolper-Samuelson theorem based on the Heckscher-Ohlin-Samuelson trade model. A tariff on imports or an export tax raises return to the scarce factor, reduces them for the abundant. The converse holds for freer trade.

In the nineteenth century when direct taxation was limited, the revenue effect could not be disregarded as it is today. Prohibition of exports or imports had in varying degree all other effects on price, trade, production, consumption, redistribution, monopoly, but wiped out revenue (and the terms of trade). This assumed that the prohibition or prohibiting tax was effectively enforced and not undermined by smuggling. The higher the tariff or export tax, the higher the incentive to evade the king's custom.

Static theory needs two further elements. The first is a theory of incidence. With more than two factors, are rents retained by the initial recipient or are they competed away in bidding for still more scarce resources? The second is another factor, or institutional interest, beyond the normal agriculture and manufacturing, i.e. the merchant, with whom may be included shipping. The merchant is interested in maximizing trade, not

for its impact on production or consumption, but to increase turnover, on which, provided national merchants and ships are used, he earns a return. For trade, any goods will do, including those of foreigners which have no impact on domestic production or consumption (of the goods in question). (Shipping interests of course insist on the use of national-flag vessels.) The petitions in favor of freer trade which open our period - one drawn up in Germany by Friederich List in 1819 [Pollard and Holmes, 1968, I, p. 365-69] and the more famous English petition of the merchants of 1820, written by Tooke and presented to Parliament by Baring [McCord, 1970, pp. 49-54] were more mercantile than interested in production.

Such is the economic model. Political and sociological elements will be added as required, and will include: the view (e.g. of Cobden) that free trade leads to peace; trade treaties as foreign treaties in general, desired for reasons of foreign policy, balance of power and the like; ideology, bandwagon effects, and the need of most men to be consistent. It is especially necessary to indicate the relationships between economic interest and political power.

In his interesting study of the formation of the United States tariff of 1824, Jonathan Pincus asserts that tariff-making can be explained by the success or failure of various interests in obtaining rents, the quadrilateral a in Figure 1. In this view, the tariff is a collective good, passage of which requires limited numbers of concentrated producers: if the interested parties are diffuse, the fallacy of composition takes over as each element seeks to become a "free rider," leaving the transactions costs of engineering the tariff change to others. This is a theory applicable to representative democracies, and leaves little room for executive leadership.³ Nor does it

make allowance for intermediate goods.

3. For the theory of collective goods, see Olson [1965, rev. 1971], Breton [1974], and, introducing leadership, Frohlich, Oppenheimer and Young [1971]. Frohlich, Oppenheimer and Young view leaders as political entrepreneurs, interested in maximizing their "surplus" or profit in providing collective goods against taxes, extortions, donations or purchases. But the leader's personality also plays a role as he may derive pleasure or utility simply from being head of the administrative apparatus [p. 43]. In these theories, there is little room for the hereditary leader, leadership based on seniority, as in Japan, or for responsibilities of leadership, unless the last can be regarded a negative surplus, which is minimized through fulfillment.

That diffuse interests are less well served than concentrated ones in the legislative process is widely accepted in the theory of tariff formation in comparing producers and final consumers. Households count for little in tariff-making since the interest of any one is too small to stir it to the political effort and financial cost necessary to achieve results. With intermediate goods, however, the consumption effect cannot be disregarded, as industries which rely on a given import, or on a product exported by another industry, may be as effectively concentrated as producers of final goods. Insofar as this relates to decisions about export taxes, of course, it does not affect the United States because of the constitutional prohibition of export taxes, imposed by regional interests on the federal government in 1783.

On the Pincus theory, the movement toward free trade in Western Europe would have to be based on the dominance of the interests of consumers of intermediate imports over those of their producers, and of producers of exports over consumers of exported intermediates. A variety of other general explanations have been offered:

In Bastiat's view, the rise of free trade was the result of the spread of democracy [Bastiat, 1842, noted in Gershenkron, 1943, p. 65].⁴

4. Where the spread of democracy transfers power from the scarce to the numerically high abundant factor, it is possible to link Bastiat's view to the Stolper-Samuelson theory relating tariffs to internal income distribution. But even under democracy, there are long lags in the transfer of political power among shifting sectors, which accounts for the well-nigh universal over-representation of agriculture in democratic legislatures. And simple examination of the facts suffices to disprove Bastiat's generalization.

Free trade has been regarded as the interest of the bourgeois class in England and the landed aristocracy on the Continent, while protection has been sought by the aristocracy in England and the bourgeois manufacturing classes on the Continent [Helleiner, 1973, p. 63].

Somewhat more dynamically, Johnson asserts that countries whose competitiveness in world markets is improving tend to move in the free-trade direction while countries whose competitiveness is deteriorating tend to move to increasing protection. A footnote states "Outstanding examples are the adoption of free trade by Britain in the 19th century...the espousal of freer trade by the United States and Canada in the period

after the Second World War" [Johnson, 1965, p. 118].

In what follows we shall find these views insufficiently detailed.

III

The beginnings of free trade internationally go back to the 18th century. French Physiocratic theory enunciated the slogan laissez faire, laissez passer to reduce export prohibitions on agricultural products. Pride of place in practice, however, goes to Tuscany, which permitted free export of the corn of Sienese Maremma in 1737, after the Grand Duke Francis had read Sallustio Bandini's Economical Discourse [Stuart, 1876, p. 24]. Beset by famine in 1764, Tuscany gradually opened its market to imported grain well before the Vergennes Treaty of 1786 between France and Britain put into practice French Physiocratic doctrine. Grain exports in Tuscany had been restricted under the "policy of supply," or "provisioning," or "abundance," under which the city-states of Italy limited exports from the surrounding countryside in order to assure food to the urban populace. Bandini and Pompeo Neri pointed out the ill effects this had on investment and productivity in agriculture.

The policy of supply was not limited to food. In the 18th and early 19th century exports were restricted in, among others, wool and coal (Britain), ashes, rags, sand for glass and firewood (Germany), ship timbers (Austria), rose madder (the Netherlands), silk cocoons (Italy). The restrictions on exports of ashes and timber from Germany had conservation overtones. (The policy of supply for local manufacture is evocative of recent action in the United States of export quotas on wheat, soya beans, steel scrap and peeler logs; in June 1974 the New York Times carried an

advertisement by a group of public-utility companies urging export quotas on coal.)

The industrial revolution in Britain led further to prohibitions on export of machinery and on emigration of artisans, partly to increase the supply for local use, but also to prevent the diffusion of technology on the Continent. We recur to this below in the discussion of British progress to free trade.

What was left of the policy of supply after the Napoleonic War ran quickly down. Prohibition of export of raw silk was withdrawn in Piedmont, Lombardy and Venetia in the 1830s, freedom to export coal from Britain enacted in the 1840s. The details of the relaxation of restrictions are recorded for Baden [Fischer, 1962, passim] as part of the movement to occupational freedom. The guild system gradually collapsed under the weight of increasing complexity of regulations by firms seeking exceptions for themselves and objecting to exceptions for others. A number of prohibitions and export taxes lasted to the 1850s - as industrial consumers held out against producers or in some cases, e.g. rags, the collectors of waste products. The reduction of the export tax on rags in Piedmont in 1851 produced a long-drawn-out struggle between Cavour and the industry which had to close up 13 plants when the tax was reduced [Bulferetti and Costantini, 1966, pp. 495-501]. To Cavour it was evident that the salvation of the industry lay in machinery and the substitution of other materials, not in restricting export through Leghorn and Messina to Britain and North America.

The elimination of export taxes and prohibitions in 19th century Europe raises doubt about the universal validity of the theory of the

tariff as a collective good, imposed by a concentrated interest at the expense of the diffuse. It seems likely that the interest of groups producing inputs for other industries are normally more deeply affected than those of the consuming industries, when it comes to taxation or regulation of trade of the good in question, but it is hardly possible that the consuming is always less concentrated than the producing industry.

IV

The question of export duties sought by domestic manufacturers on their raw materials, and of import duties on outputs demanded by producers for the domestic market was settled in the Netherlands in the 18th century in favor of the mercantile interests [H.C.R. Wright, 1955, pp. 58-59]. These were divided into the First Hand, merchants, shipowners and bankers; the Second Hand, which carried on the work of sorting and packing in staple markets, and wholesaling on the Continent; and the Third Hand, concerned with distribution in the hinterland. The Dutch staple trade was based partly on mercantile skills and partly on the pivotal location of Amsterdam and Rotterdam, not to mention a number of other staple towns dedicated to trade in particular commodities, largely perishable, non-standardized and best suited to short voyages. The First Hand dominated Dutch social and political life and opposed all tariffs on export or import goods, above a minimum for revenue, in order to maximize trade and minimize formalities. From 1815 to 1830 when Holland and Belgium were united as the Low Countries, the clash between the Dutch First Hand and Belgian producers in search of import protection from British manufactures was continuous and heated. The First Hand objected to taxes for revenue on coffee, tea, tobacco,

rice, sugar, etc. and urged their replacement by excises on flour, meat, horses and servants [*ibid.*, p. 112].⁵ Tariffs for revenue must be held

5. Semmel notes that Smith thought of wealth as goods; Malthus as the product of land. In agricultural countries, Malthus held, the poor live well, and this is not true in commercial countries [Semmel, 1970, p. 51].

down to prevent smuggling and to sustain turnover. The safe maximum was given variously as 3 percent [*ibid.*, p. 139], 5% [p. 113] and on transit even as 1/2%. Transit in bond, and transit with duty-cum-drawback were too cumbersome and subversive of handling in Dutch staple markets. The Dutch made a mistake in failing to emulate London which in 1803 adopted a convenient entrepot dock with bonding [Porter, 1847, Chap. 16]. The loss of colonies and of overseas connections in the Napoleonic Wars made it impossible from early in the period to compete with Britain in trade. Equally threatening was the rise of Hamburg which supplied British and colonial goods to Central Europe in transit for 1/2 percent revenue duty maximum [Bläsing, p. 85], many products free, and all so after 1839 [MacGregor, p. 246]. More serious for the Netherlands than competition of other ports, however, was the rise of direct selling as transport efficiency increased. Early signs of direct selling can be detected at the end of the 17th century when Venice and Genoa lost their role as intermediary in traffic between Italy and the West [Bulferetti and Costanti, Chap. 2]. By the first half of the 19th century, the signs were abundant. "By the improved intercourse of our time (1840), the seller is brought more immediately into contact with the producer" [Bowring, 1840, p. 38].

Twenty years earlier, the Belgian members of a Dutch Belgian fiscal commission argued that "there was no hope of restoring Holland's general trade. Owing to the spread of civilization, all European countries could now provide for themselves in direct trading" [H.C.R. Wright, p. 124].

It is a mistake to think of merchants as all alike. As indicated, the First, Second and Third Hands of the Netherlands had different functions, status and power. In Germany, the republican merchants of Hamburg differed sharply from those of the Imperial city, Frankfurt, and held out fifty years longer against the Zollverein [Böhme, 1968, Chap. I]. Within Frankfurt there were two groups, the English-goods party associated with the bankers, and the majority, which triumphed in 1836, interested in transit, forwarding, retail and domestic trade within the Zollverein. In Britain a brilliant picture had been drawn of a pragmatic free trader, John Gladstone, father of William, opposed to timber preferences for Canada, enemy of the East India Company monopoly on trade with China and India, but supportive of imperial preference in cotton and sugar, and approving of the Corn Laws on the ground of support for the aristocracy he hoped his children could enter via politics [Checkland, 1971, pp. 139,333]. The doctrinaire free traders of Britain were the cotton manufacturers like Gladstone's friend, Kirman Finlay, who regarded shipowners and corn growers as the two great monopolists.

The doctrinaire free trade of the Dutch merchants led to economic sclerosis [Crouzet, p. 120], or economic sickness [Blüsing, 1973, p. 83]. Hamburg stayed in trade and finance and did not move into industry. In Britain, merchants were ignorant of industry, but were saved by the coming of the railroad and limited liability which provided an outlet for their surplus

as direct trading squeezed profits from stapling.⁸ The economic point is simple: free trade may stimulate, but again it may lead to fossilization.

6. John Gladstone had earlier moved into sugar plantations and slaves.

Compensation on his slaves at emancipation helped finance his railroad investments.

V.

The movement toward freer trade in Britain began gross in the 18th century, although net only after the Napoleonic Wars. In the initial stages, where was little problem for a man like Wedgewood advocating free trade for exports of manufactures under the Treaty of Vergennes with France, but prohibitions on the export of machinery and the emigrations of artisans [Heaton, 1936, pp. 398-99]. Even in the 1820s and 30s, a number of the political economists - Torrens, Baring, Peel, Nassau Senior - advocated repeal of the Corn Laws but opposed export of machinery [Semmel, pp. 181ff]. The history of the 19th century is seen by Brebner not as a steady march to laissez-faire but as a counterpoint between Smithian laissez-faire in trade matters and Benthamic intervention after the Reform Bill of 1832 which produced the Factory, Mines, Ten Hours and similar acts from 1833 to 1847 [Brebner, 1962, pp. 254,256].

First came the revenue aspect, which was critical to the movement to freer trade under Huskisson in the 1820s, Peel in the 1840s, and Gladstone in the 1850s. Huskisson and Gladstone used the argument that the bulk of revenue was produced by taxes on a few items - largely colonial products such as tea, coffee, sugar, tobacco, and wine and spirits - and

that others produced too little revenue to be worth the trouble. Many duties were redundant - e.g. import duties on products which Britain exported in volume. Others were so high as to be prohibitory or encouraged smuggling and reduced revenue by this means. When Peel was converted to free trade, it was necessary to reintroduce the income tax before he could proceed with his repeal of 605 duties between 1841 and 1846, and reductions in 1035 others. The title of Sir Henry Parnell's treatise on freer trade (1830) was Financial Reform.

But Huskisson was a free trader, if a cautious one. He spoke of benefits to be derived from the removal of "vexatious restraints and meddling interference in the concerns of internal industry and foreign commerce," [Huskisson speeches, 1832, II, p. 328]. Especially he thought that imports stimulated efficiency in import-competing industry. In 1824 the prohibition on silk imports had been converted to a duty of 30 percent regarded as the upper limit of discouragement to smuggling. In a speech on March 24, 1826, said by Canning to be the finest he had heard in the House of Commons, Huskisson observed that Macclesfield and Spitalfield had reorganized the industry under the spur of enlarged imports, and expanded the scale of output [ibid., pp. 503-05]. Both Michel Chevalier [Labracherie, 1929, p. 131] and Count Cavour [Whyte, 1925, p. 131 (sic)] referred to this positive and dynamic response to increased imports in England.⁷

7. For a modern analogy, note that the rise in wages following the organization by trade unions of the U.S. needle trades immediately before and after World War I, did not wipe out these industries so much as force their reorganization on more efficient and capital-intensive lines. In terms of Figure 1, the removal of the tariff shifts the

supply curve \underline{S} , down and to the right through some point on \underline{P}_w to the right of the left \underline{M} 's vertical line.

Restrictions on the export of machinery and the emigration of artisans went back, as indicated, to the industrial revolution. The prohibition of export of stocking frames was enacted as early as 1696. Beginning in 1774 there was a succession of restrictions on tools and utensils for the cotton and linen trades and on the emigration of skilled artisans. The basis for restriction was partly the policy of supply, partly naked maintenance of monopoly. Objection on the part of the machinery manufacturers led to a Select Committee of Inquiry which produced an inconclusive report on machinery in 1825. Most witnesses were solidly against restrictions, but Manchester manufacturers were opposed to repeal. Their most telling argument was the policy of supply, that their needs should be served before those of foreign competitors [Select Committee, 1825, pp. 11,17]. Freedom had been granted to the emigration of workmen, in 1824, before the Inquiry finished, but the recommendation of the Select Committee, followed in Huskisson's legislation, was that machinery be permitted to be exported abroad only under license by the Privy Council. Licenses were then granted freely for all machinery except the critical small parts for spinning cotton and linen yarn, and drawings, plans and models for them. Included among those permitted were steam engines, lathes and tools which produce textile machines [Select Committee, First Report, 1841, para. 11, p. 4] and especially - a hint of mercantilism - tools and machinery which were products of British soil and British labor [*ibid.*, p. 8]. After the depression of the late 1830s, pressure for removal of the prohibition came from all machinery manufacturers. Following further investigation

by a Select Committee of Parliament, the export prohibition was withdrawn.

The main arguments against prohibition of the export of machinery and emigration of artisans were three: they were ineffective, unnecessary, and harmful. Ineffectuality was attested to by much detail in the Select Committee reports on the efficiency of smuggling. Machinery for which licenses could not be obtained could be dispatched illegally in one of a number of ways - by another port, hidden in cotton bales, in baggage or mixed with permitted machinery, and in a matter of hours. Guaranteed and insured shipments could be arranged either in London or Paris for premia up to 30 percent.

That prohibition was unnecessary was justified first by the inability of foreigners, even with English machinery and English workmen, to rival English manufacturers. Britain has minerals, railways, canals, rivers, better division of labor, "trained workmen habituated to all industrious employments," [Select Committee, 1825, p. 12]. "Even when the Belgians employed English machines and skilled workers, they failed to import the English spirit of enterprise, and secured only disappointing results," [H.C.R. Wright, p. 130]. In 1825, the Select Committee concluded it was safe to export machinery, since seven-year-old machinery in Manchester was already obsolete [Select Committee, 1825, p. 44].

In the third place, it was dangerous. Restriction on emigration of artisans failed to prevent their departure, but did inhibit their return [Babbage, p. 363]. Restriction of machinery, moreover, raised the price abroad through the cost of smuggling, and stimulated production on the Continent. The improvement in the terms of trade through restriction of exports (but failure to cut them off altogether) was deleterious for its protective effect abroad.

The greater coherence of the Manchester cotton spinners over the machinery makers spread over Manchester, Birmingham and London may account for the delay from 1825 to 1841 in freeing up machinery, and support Pincus' theory for the need of concentrated interests. But the argument of consistency was telling. In 1800 the Manchester manufacturers of cloth had demanded a law forbidding the export of yarn, but did not obtain it [Polanyi, p. 136]. The 1841 Second Report concluded that machinery making should be put on the same footing as other departments of British industry [Second Report, p. xx]. It is noted that Nottingham manufacturers approve free trade but claim an exception in regard to machinery used in their own manufacture [*ibid.*, p. xiv]. Babbage observed that machinery makers are more intelligent than their users, to whose imagined benefits their interests are sacrificed, and referred to the "impolicy of interfering between two classes" [Babbage, 1835, p. 364]. In the end, the Manchester Chamber of Commerce became troubled by the inconsistency and divided; the issue of prohibition of machinery was subsumed into the general attack on the Corn Laws [Musson, 1972, p. 49]. In the 1840s moreover, the sentiment spread that Britain should become the Workshop of the World, which implied the production of heavy goods as well as cotton cloth and yarn [Chambers, 1968, Chap. 1].

Rivers of ink have been spilled on the repeal of the Corn Laws, and the present paper can do little but summarize the issues and indicate a position. The questions relate to the Stolper-Samuelson distribution argument, combined with the Reform Bill of 1832 and the shift of political power from the landed aristocracy to the bourgeois; the incidence of the Corn Laws and of their repeal, within both farming and manufacturing sectors; the

potential for a dynamic response of farming to lower prices from competition; and the relation of repeal to economic development on the Continent, and especially whether industrialization could be halted by expanded and assured outlets for agricultural produce, a point of view characterized by Gallagher and Robinson [1953] as "free-trade imperialism." A number of lesser issues may be touched upon incidentally: the interaction between the Corn Laws and the Zollverein, and its tariff changes in the 1840s; whether the repeal of the Corn Laws, and that of the Navigation Acts, would have very long delayed had it not been for potato famine in Ireland and on the Continent; and whether the term "free-trade imperialism" is better reserved for Joseph Chamberlain Empire preference of fifty years later.

In the normal view, the Reform Bill of 1832 shifted power from the land and country to the factory and city, from the aristocratic class to the bourgeois, and inexorably led to changes in trade policies which had favored farming and hurt manufacturing. One can argue that the repeal of the Corn Laws represented something less than that and that the Reform Bill was not critical. The movement to free trade had begun earlier in the Huskisson reforms; speeches in Parliament were broadly the same in 1825 when it was dominated by landed aristocrats as in the 1830s and 40s. Numbers had changed with continued manufacturing expansion, but nothing much more. Or one can reject the class explanation, as Polanyi does, and see something much more ideological. "Not until the 1830s did economic liberalism burst forth as a crusading passion." The liberal creed involved faith in man's secular salvation through a self-regulating market, held with fanaticism and evangelical fervor [Polanyi, 1944, pp. 133-37]. French Physiocrats were trying to correct only one inequity, to break out of the

policy of supply and permit export of grain. British political economists of the 1830s and 1840s, who won over Tories like Sir Robert Peel and Lord Russell, and ended up in 1846 with many landlords agreeable to repeal of the Corn Laws, represented an ideology [Moore, 1965]. "Mere class interests cannot offer a satisfactory explanation for any long-run social process." [Polanyi, pp. 152-153].

Under a two-sector model, free trade comes when the abundant factor acquires political power and moves to eliminate the restrictions imposed in the interest of the scarce factor which has lost power. In reality factors of production are not monolithic. Some confusion in the debate attached to the incidence of the tax on imported corn within both farming and manufacturing. The Anti-Corn Law League of Cobden and Bright regarded it as a tax on food, taking as much as 20 percent of the earnings of a hand-loom weaver. Cobden denied the "fallacy" that wages rose and fell with the price of bread [Cobden, 1870, pp. 4,18]. Benefits, moreover, went to the landlord and not to the farmer or farm-labourer, as rents on the short leases in practice rose with the price of corn [*ibid.*, p. 57]. There are passages in Cobden which suggest that hurt of the Corn Laws fell upon the manufacturing and commercial classes rather than labor⁸ but the speeches

8. The Corn Laws "inflict the greatest amount of evil on the manufacturing and commercial community..." [*ibid.*, p. 57], "silversmiths and jewellers get orders not from the Duke of Buckingham but from Manchester, from Glasgow or Liverpool or some other emporium of manufactures" [*ibid.*, p. 90].

run mainly in terms of a higher standard of living for the laborer who would spend his "surplus of earnings on meat, vegetables, butter, milk and cheese," rather than on wheaten loaves [ibid., p. 106]. The Chartists were not interested in repeal, but in other amenities for the workers. Peel's conversion to repeal waited on his decision that wages did not vary with the price of provision, and that repeal would benefit the wage-earner rather than line the pockets of the manufacturer [Chambers, p. 71].

In the event, with Gladstone's reductions in duties on meat, eggs and dairy products, with High Farming, and an end to the movement off the farm and out of handwork into the factory, real wages did rise in the 1850s, but so did profits on manufacturing. As so often in economic debates between two alternatives, history provides the answer which economists abhor, both. Nor did the repeal of the Corn Laws bring a reduction in incomes to landlords - at least not for 30 years - as the farm response to the repeal of the Corn Laws, and high prices of food produced by the potato famine, was more High Farming.

Cobden may have only been scoring debating points rather than speaking from conviction when on a number of occasions he argued that the repeal of the Corn Laws would stimulate landlords "to employ their capital and their intelligence as other classes are forced to do in other pursuits" rather than "in sluggish indolence," and to double the quantity of grain, or butter, or cheese, which the land is capable of providing [ibid., p. 70] with "longer leases, draining, extending the length of fields, knocking down hedgerows, clearing away trees which now shield the corn" [ibid., p. 100] and provide more agricultural employment by activity to "grub up hedges, grub up thorns, drain, ditch" [ibid., p. 103].⁹ Sir James Caird

9. Paul A. David expresses the view that it was unprofitable to ditch, drain and level the fields for the sake of accommodating mechanical reapers, because of the low level of wages in the early 1850s, despite the cheap loans to drainage made available by the Conservatives as compensation for the repeal [David, 1971]. Note, however, that Cobden called for altering the landscape - and long leases needed to make it worthwhile for farmers to undertake investment on their own account, rather than that of the landlord - without reference to agricultural equipment.

insisted that High Farming was the answer to the repeal of the Corn Laws [Caird, 1848] and many shared his view [Moore]. The fact is, moreover, that the 1850s were the Golden Age of British farming, with rapid technical progress through the decade though it slowed thereafter. Repeal of the Corn Laws may not have stimulated increased efficiency in agriculture, but they did not set it back immediately, and only after the 1870s did increases in productivity run down.

The political economists in the Board of Trade - Bowring, Jacob, MacGregor - sought free trade as a means of slowing down the development of manufacturing on the Continent. They regarded the Zollverein as a reply to the imposition of the Corn Laws, and thought that with its repeal Europe, but especially the Zollverein under the leadership of Prussia, could be diverted to invest more heavily in agriculture and to retard the march to manufacturing. There were inconsistencies between this position and other facts they adduced: Bowring recognized that Germany had advantages over Great Britain for the development of manufacturing,

and that Swiss spinning had made progress without protection [Bowring, p. 55]. The 1818 Prussian tariff which formed the basis for that of the Zollverein was the lowest in Europe when it was enacted - though the levying of tariffs on cloth and yarn by weight gave high effective rates of protection despite low nominal duties - to the cheaper constructions and counts. Jacob noted that the export supply elasticity of Prussian grain might be low, given poor transport [Brown, 1958, pp. 135,171ff]. "To export machinery, we must import corn" [Testimony of Thomas Ashton, First Report of the Select Committee on the Exportation of Machinery, 1841, para 235], but imports of corn were intended to prevent the development of manufactures abroad, whereas export of machinery assisted it. The rise and progress of German manufacturing were attributed to restrictions on the admission of German agricultural products and wood, imposed by France and England, but also to "the natural advantages of the several states for manufacturing industry, the genius and laborious character and the necessities of the German people, and...especially the unexampled duration of peace, and internal tranquility which all Germany enjoyed [MacGregor, 1848, p. 68].

The clearest statements are those of John Bowring. In a letter of August 28, 1839 to Lord Palmerston, he asserted that the manufacturing interests in the Zollverein "is greatly strengthened and will become stronger from year to year unless counteracted by a system of concessions, conditional upon the gradual lowering of tariffs. The present state of things will not be tenable. The tariffs will be elevated under the growing demands and increasing power of the manufacturing states, or they will be lowered by calling into action, and bringing over to an alliance, the

agricultural and commercial interests" [Bowring, p. 287]. In his testimony before the Select Committee on Import Duties in 1840 he went further: "I believe we have created an unnecessary rivalry by our vicious legislation; that many of these countries never would have been dreamed of being manufacturers" [Minutes Evidence, p. 59, para. 782].

On this showing, the repeal of the Corn Laws was motivated by "free-trade imperialism," the desire to gain a monopoly of trade with the world in manufactured goods. The Zollverein in the 1830s merely indicated need for haste [Semmel, p. 149]. Torrens and James Deacon Hume, among others, had been pushing for importing corn to expand exports, in the 1820s before the Zollverein was a threat.

Reciprocity had been a part of British commercial policy in the Treaty of Vergennes in 1786, in treaties reducing the impact of the Navigation Laws in the 1820s and 1830s - treaties entered into reluctantly, and over the opposition of the shipping interest, but unavoidable because of retaliatory measures in the United States, Prussia, etc. The French were suspicious, fearing that they had been outraded in 1786. They evaded Huskisson's negotiations in 1828. But reciprocity was unnecessary, given David Hume's law. A unilateral reduction of import duties increased exports [Platt, 1968, p. 87]. Restored into the British diplomatic armory in 1860, reciprocity later became heresy in the eyes of political economists, and of the manufacturing interest as well.

The view that ascribes repeal of the Corn Laws to free-trade imperialism, however, fails adequately to take account of the ideology of the political economists, who believed in buying in the cheapest market and selling in the dearest or of the short-run nature of the interests of the Manchester

merchants themselves. It was evident after the 1840s that industrialization on the Continent could not be stopped, and likely that it could not be slowed down. The Navigation Acts were too complex; they had best be eliminated [Clapham, 1962, p. 161]. The Corn Laws were doomed, even before the Irish potato famine, though that hastened the end of both Corn Laws and Navigation Acts, along with its demonstration of the limitation of the market solution under some circumstances [Woodham-Smith, 1962].

"A good cause seldom triumphs unless someone's interest is bound up with it" [Mill, quoted by Sennel, p. 207]. Free trade is the hypocrisy of the export interest, the clever device of the climber who kicks the ladder away when he has attained the summit of greatness [List, quoted by Fielden, 1969, p. 85]. But it was more in the English case, a view of the world at peace, with cosmopolitan interests served as well as national.

It is difficult in this to find clearcut support for any of the theories of tariff formation set forth earlier. Free trade as an export-interest collective good, sought in a representative democracy by concentrated interests to escape the free rider would seem to require a simple and direct connection between the removal of the tariff and the increase in rents. In the repeal of the Corn Laws, and the earlier tariff reductions of Huskisson and Peel, the connection was roundabout - through Hume's law, which meant that increased imports would lead to increased prices or quantities (or both) exported on the one hand, and/or through reduced wages, or higher real incomes from lower food prices on the other. Each chain of reasoning had several links.

Johnson's view that free trade is adopted by countries with improving competitiveness is contradictory to the free-trade-imperialism explanation, that free trade is adopted in an effort to undermine foreign gains in

manufacturing when competitiveness has begun to decline. The former might better account in timing for Adam Smith's advocacy of free trade seventy years earlier - though that had large elements of French Physiocratic thought - or apply to the 1820s when British productivity was still improving by leaps and bounds, and before the Continent had started catching up. In turn, free-trade imperialism is a better explanation for the 1830s than for the end of the 1840s, since by 1846 it was already too late to slow, much less to halt, the advance of manufacturing on the Continent.

Vested interests competing for rents in a representative democracy, thrusting manufacturers seeking to expand markets, or faltering innovators, trying as a last resort to force exports on shrinking markets - rather like the stage of foreign direct investment in Vernon's product cycle when diffusion of technology has been accomplished - none of these explanations seems free of difficulties as compared with an ideological explanation based on the intellectual triumph of the political economists, their doctrines modified to incorporate consistency. The argument took many forms - static, dynamic, with implicit reliance on one incidence or another, direct or indirect in its use of Hume's law. But the Manchester School, based on the political economists, represented a rapidly rising ideology of freedom for industry to buy in the cheapest and sell in the dearest market. It overwhelmed the Tories when it did not convert them. Britain in the nineteenth century, and only to a slightly lesser extent the Continent, were characterized by a "strong, widely-shared conviction that the teachings of contemporary orthodox economists, including Free Traders, were scientifically exact, universally applicable, and demanded assent" [Fielden, p. 78]. In the implicit debate between Thurman Arnold who regarded economic theorists

(and lawyers) as high priests who rationalize and sprinkly holy water on contemporary practice, and Keynes who thought of practical men as responding unconsciously to the preaching of dead theorists, the British movement to free trade is a vote, aided by the potato famine, for the view of Keynes.

VI

France after 1815 was a high-tariff country which conformed to the Pincus model for a representative democracy with tariffs for various interests, except that a) there were tariffs for all; and b) it was not a democracy. The Physiocratic doctrine of laissez faire for agricultural exports had been discredited in its reciprocal form by the disaster wreaked by imports up to 1789 under the Treaty of Vergennes.¹⁰

10. Gouraud blames the treaty on the French negotiator, Calonne, a "man of spirit but of incredible frivolity and insouciance regarding the public good." He notes that "Dupont de Nemours was a writer whose work is impossible to read today and one who exaggerated, if that is possible, the grossest errors of Quesnay." One telling thrust is a sarcastic quotation from a memorandum of Dupont regarding the exchange of agricultural products against manufactures: "Nothing is easier than to overtake the British in hardware where their superiority is not based on any natural production" [Gouraud, 1854, p. 27].

The Continental system, moreover, provided strong protection to hothouse industries which was continued in the tariff of 1816, and elaborated in 1820 and 1822. To the principles of Turgot, that there should be freedom of grain trade inside France but no imports except in period of drought,

were added two more: protection of the consumer by regulating the right of export of wheat - a step back from Physiocratic doctrine - and protecting the rights of producers by import tariffs [Gouraud, p. 198]. In introducing the tariff of 1822 for manufactures, Saint-Cricq defended prohibitions, attacked the view that an industry which could not survive with a duty of 20 percent should perish, saying that the government intended to protect all branches together: "agriculture, industry, internal commerce, colonial production, navigation, foreign commerce finally, both of land and of sea" [*ibid.*, p. 208].

It was not long, however, before pressures for lower duties manifested themselves. Industries complained of the burden of the tariff on their purchases of inputs, and especially of the excess protection accorded to iron. It was calculated that the high rate of protection against English iron cost industrial consumers 50 million francs a year and had increased the price of wood - used for charcoal, and owned by the many noble mâîtres de forges - by 30 percent on the average and in some places 50 percent [Amé, 1876, pp. 170-74]. Commissions of inquiry in 1828 and 1834 recommended modifications in duties, especially to enlarge supplies which local industry was not in a position to provide, and to convert prohibitions into tariffs. A tumult of conflict broke out in the Chamber among the export interests of the ports, the textile interests of Alsace and Normandy, the mâîtres de forges and the consumers of iron, with no regard, says the protectionist Gouraud, for the national interest. The Chambers were then dissolved by the cabinet, and tariffs adjusted downward, in coal, iron, copper, nitrates, machinery, horses.

The reductions of the 1830s were followed in the peaks of business

by similar pressure for reductions in prosperous phases of the cycle of the 1840s and 1850s [Lévy-Leboyer, 1951-52, p. 96].

A troubled question involving conflicted interests in this period was presented by sugar, for which it was impossible to find a solution agreeable at the same time to colonial planters, shipowners, port refiners, consumers and the treasury. Colonial supply was high cost and a 55 francs per 100 kilograms duty on foreign supplies was needed to keep the sugar ports content. This, however, made it economical to expand beet-sugar production, begun during the Continental blockade, and the sugar ports turned to taxing this domestic production, less heavily at first, but with full equality in 1843. By this time it was too late, and with the freeing of the slaves in 1848, French colonial sugar production no longer counted.

One interesting proposal emerged during the conflict: a bill submitted to the Chamber by planters, shipowners and port refiners to prohibit the growing of beet sugar and appropriating 40,000,000 francs as an indemnity to the inland refiners thus expropriated [Girault, 1916, p. 59]. It failed against the resistance of the beet-sugar industry, which was said to have had "a monomania of living."

The free-trade movement in France had its support in Bordeaux, the wine-exporting region; Lyons, interested in export of silk; and Paris, producer of so-called Paris articles for sale abroad - cabinet ware, perfumes, imitation jewelry, toys, etc. Later Norman agricultural interests in the export of butter and eggs to London teamed up with Bordeaux in wine to resist the attempts by textile interests to enlist agriculture in favor of higher tariffs [Auge-Laribe, 1900, p. 66]. (It was a cruel joke of Nature to destroy the export markets of Lyons by pébrine, the silk disease, and

of Bordeaux through phylloxera, which attacked grape vines, and weaken the resistance to French high tariffs in the 1880s and 1890s.)

Intellectual support to free trade led by Bastiat from Bordeaux, and with Michel Chevalier as its most prestigious member, is dismissed by Lévy-Leboyer [p. 92] as unimportant.¹¹ Moreover, Cheavlier's role in persuading

11. Gouraud notes, however, that British pressure for mutual reductions of duties began to affect both government and public opinion in the early 1840s. One form this took was an attempt to emulate the success of Prussia in widening its market area, and Léon Faucher, a leading spirit of the Société d'Economie Politique, undertook an exploration in the Revue des Deux Mondes of a customs union among France, Switzerland, Belgium, Piedmont, Spain and Portugal. The question was taken up by the government which decided that trade with Switzerland was flourishing and stood in no need of such stimulus, that Spain and Portugal were too competitive. It concluded that France had a great regard for Belgium and Piedmont, but was under no obligation to make great sacrifices for them. Reciprocal trade treaties were substituted for a customs union, mainly to keep Belgium out of British clutches and Piedmont out of Austrian [Gouraud, p. 367].

Napoleon III to sign the Anglo-French Treaty of Commerce in 1860 has been thrown into question by evidence that it was Persigny, another Saint-Simonien, and former ambassador in London when Louis Napoleon was in exile there, who drafted the famous letter of January 15, 1860 from Napoleon III to Fould which outlined the complete economic program of the Empire, including competition for industry [G. Wright, 1938-39], rather than Chevalier, as

maintained by Dunham [1930, pp. 83-84]. Nonetheless, Chevalier had an important part in the negotiation of the treaty, and in persuading Napoleon III to impose it on France in the face of the united opposition of the Chamber of Deputies. Some attention to his thought is required.

The prime interest of the Société d'Economie Politique and of Chevalier was growth [Lutfalla, 1970, pp. 500,515,517]. His two-year visit to the United States in 1833-35 impressed him with the contribution of transport to economic growth and contributed to his 1838 major work on The Material Interests of France in Roads, Canals and Railroads. American protectionist doctrine of Henry Carey seems not to have affected him, though a steel-maker friend who delivered a eulogy to the American Philosophical Society, expressed the pious hope that it was impossible for a man of his views to be a "reckless free trader" [Robinson, 1880, p. 7]. Polytechnicien, graduate of the Ecole des Mines, Chevalier's first interest in freer trade came from a project to establish woollen production in the Midi, and to obtain cheaper imported wool [Lévy-Leboyer, p. 95]. Much of his later reasoning was in terms of the penalty to industry from expensive materials: charging 35 francs for a quintal of iron worth 20 imposes on industry "the labor of Sisyphus and the work of Penelope" [Chevalier, 1855, p. 538]. His major argument, at the Collège de France, and in his Examen du Système Commercial, cited the success of Spitalfield and Macclesfield when Huskisson permitted the competition of imports; and the experience of the manufacturers of cotton and woollen textiles in Saxony who were worried by the enactment of Zollverein but sufficiently stimulated by import competition so that in two or three years their industry was more flourishing than ever [Labracherie, 1929, pp. 130-31]. The letter of Napoleon III to Fould [Pollard and Holmes, I, pp. 384-86]

talks in the specifics of the need to abolish all duties on raw materials essential to industry to encourage production, and to reduce by stages the duties on goods which are consumed on a large scale. In the more general introduction it states that "lack of competition causes industry to stagnate," echoing the Chevalier view. Chevalier himself was one of the judges of the Universal Exposition of 1855 in Paris and noted that France received so many prizes that no one dared confess to be a protectionist [Chevalier, p. 521]. In another statement, the free traders were encouraged by the fact that foreign goods remaining from the Exposition could not be sold with a low 22 percent special duty [Lévy-Leboyer, p. 98]. This is evocative of the later view that French readiness to adhere to the European Common Market in 1957 derived from the success of the steel industry in meeting German competition in the 1950 European Coal and Steel Community.

There were economic purposes behind the Anglo-French treaty, as evidenced by the proposal in France in 1851 for tariffs of 20 percent, 10 percent and duty-free on wholly manufactured goods, semi-finished manufactures and raw materials [Illasu, 1971, p. 80]; by the actual reductions in duties on coal, iron and steel in 1852 as the railroad boom picked up; and by the legislative proposal designed by Napoleon III in 1855, but not put forward until after the Crimean War, to admit 241 items duty free, reduce tariffs on 19 others, remove all prohibitions and set a top limit of tariffs of 30 percent. This last was turned down by the Chamber and Napoleon promised not to submit a new tariff proposal before 1861.

Economic interests were involved, and the theories of great men like Cobden and Chevalier, and perhaps Persigny. There was, however, more. Napoleon III was starting to engage on foreign adventure. He wanted to

rid Italy of Austrian rule by use of arms. The British opposed his military measures, despite their recent use of force in Crimea. The treaty was used to buy British neutrality, as much as or more than to stimulate growth in France. Moreover, it did not need to be submitted to the Chamber. Under the Constitution of 1851, the Emperor had the sole power to make treaties, and such treaties encompassed those dealing with trade.

The move was successful both politically and economically. With the help of the French armies, Italy was unified under the leadership of Piedmont, and French growth never faltered under the impetus of increased imports. French industries met competition successfully and checked the growth of imports after two years [Rist, 1956, p. 937]. While its effects are inextricably intermingled with the effects of the spread of the French railroad network, it "helped to bring about the full development of the industrial revolution in France" [Dunham, p. 179].

Further, it added impetus to the free-trade movement in Europe. This was already under way in the early 1850s, following repeal of the Corn Laws. The Swiss constitution of 1848 called for a tariff for revenue only and protective duties were reduced progressively from 1851 to 1885. Netherlands removed a tariff on ship imports and a prohibition against nationalization of foreign ships. Belgium plugged gap after gap in its protective system in the early 1850s only to turn around at the end of the decade and adopt free trade down the line. Piedmont, as we shall see, and Spain, Portugal, Norway and Sweden (after 1857) undertook to dismantle their protective and prohibitive restrictions [Rosenberg, 1934, pp. 24-26]. But with the Anglo-French treaty the trickle became a flood. France, Germany, Italy and Britain engaged in negotiating reciprocal trade treaties

with the most-favored nation clause.¹²

12. Most lists are given separately by country. For an overview, see Pollard [1974, p. 117]. For an analysis of the impact of repeal of the timber duties and the Navigation Acts in stimulating export-led growth in Scandinavia, see Norman [1970]. The stimulus to shipping in Norway and to timber exports in Sweden led via linkages to industrialization which the free-trade imperialists were seeking to avoid.

Following French defeat at Sedan in 1870 and the abdication of Louis Napoleon, the Third Republic brought in the protectionist Thiers. The Cobden treaty was denounced in 1872. Reversal of policy waited upon the repeal of the Le Chapelier law of 1791, taken in the heat of the French revolution against associations, which forbade economic interests from organizing. When it was finally removed in 1884, agricultural interests were free to form syndicates which shortly took up agitation for protection against American grain. Dunham claims that a country with leadership would have accepted a moderate tariff in 1875, but that the free traders had neither organization nor conviction, i.e. too many free riders [p. 333].

The French movement to free trade was taken against the weight of the separate interests,¹³ in the absence of strong export interests, with an

13. Apart from consumers of imported materials and machinery. But see the view of Lhomme that the State adopted free trade because it loved the grande bourgeoisie and knew their interests better than they did; that the grande bourgeoisie recognized this fact and agreed with the tariff reductions except for a few intransigent protectionists like Pouye.-Quartier [Lhomme, 1960, p. 179]. It is, however, impossible

to accept this rationalization of the fact that freer trade was imposed on business, against its will, except for those producers relying on imported inputs.

admixture of economic theory of a dynamic kind, and imposed from above. The motivation of that imposition was partly economic, partly, perhaps even mainly, political. Moreover, it had a band-wagon effect in spreading freer trade, as the case of Germany indicates.

In the French case, the leadership overwhelmed the concentrated economic interests. That leadership earned its surplus to use Frohlich, Oppenheimer and Young's expression, in a coin different than economic, i.e. in freedom to maneuver in foreign policy. It may be possible to subsume increases in the leadership surplus in this form into an "economic theory of national decision-making" with costs to vested interests accepted in exchange for political benefits to a national leader, ruling by an imposed constitution, the legitimacy of which is not questioned. The effort seems tortured.

VII

As mentioned earlier, the Prussian tariff of 1818 was regarded as the lowest in Europe when it was enacted [Pollard, p. 112, Huskisson, III, p. 131]. But the duties on coarse yarns and textiles were effectively high, since the tariff was levied by weight; Jacob in 1819 noted that the "system of the Prussian government has always been of manufacturing at home everything consumed within the Kingdom; of buying from others, nothing that can be dispensed with," adding "As scarcely any competition exists, but with their own countrymen, there is little inducement to adopt the inventions of other countries, or to exercise their facilities in perfecting their

fabrics; none of these have kept pace..." [pp. 201-02]; and Baden, on joining the Zollverein which adopted the Prussian tariff for the totality, believed itself to be raising its tariff level when it joined [Fischer, pp. 128,134].¹⁴

14. It may have been that the increase in duties in 1821 raised the Prussian tariff appreciably, although Huskisson's characterization of it as well below the British was made in a speech of 1827. In 1821 Prussia raised duties on textiles, clothing, hardware, sugar and coffee. The British retaliated with a tariff on raw linen. The higher price in Britain helped stimulate mechanization of the industry; the lower price in Silesia led to its collapse [Williams, 1973, p. 200]. This dynamic response to an increase in British tariffs can be laid alongside the dynamic response in silk to a reduction, to suggest that the responsiveness of the economy was more important than the nature of the stimulus.

The Prussian tariff dominated that of the Zollverein, organized in the years from 1828 to 1833, primarily because Prussia took a very liberal view of tariff revenues. Most goods by sea entered the German states via Prussia, directly or by way of the Netherlands, but the text of the Zollverein treaty of 1833 provided that the revenues from the duties after deduction of expenses would be divided among the contracting states according to population [Pollard and Holmes, I, p. 374]. Prussia thus received 55 percent, Bavaria 17 percent, Saxony 6.36, Wurtemberg 5.5, etc. and was said in 1848 to have sacrificed about 2 million thalers a year, exclusive of the fiscal loss sustained by smuggling along the Rhine and Lake Constance

[MacGregor, p. 6]. This can be regarded as a side-payment made by the beneficiary of income distribution under Pareto-optimal conditions to gain its policy, or as the disproportionate share of overhead costs of collective good saddled on the party that most wants it [Olson and Zeckhauser, 1966].

Despite adjustments made in Prussian customs duties between 1819 and 1833, the tariff remained low by British standards. Junker grain growers were hopeful of importing British manufactures in order to sell Britain more grain. Junker bureaucrats, brought up on Adam Smith and free trade by instinct, were fearful that highly protective rates would reduce the revenue yield [Pollard, p. 112].

Outside of Prussia plus Hamburg and Frankfort and the other grain-growing states of Mecklenburg, Pomerania, etc. there was interest in higher tariffs, but apart from the Rhineland, little in the way of organized interests. von Delbrück comments that Prussia and Pomerania had free trade interests and shipping interests, but that outside the Rhineland, which had organized Chambers of Commerce under the French occupation, there were few bureaucrats, or organs with views on questions of trade and industry. Nor did the Prussian government see a need to develop them [von Delbrück, 1905, I, pp. 142-44].

Saxony was sufficiently protected by its interior location so as not to feel threatened by low tariffs, which, as mentioned, were not really low on coarse cloths. On joining the Zollverein Baden was concerned over raising its tariff, and worried lest it be cut off from its traditional trading areas of Switzerland and Alsace. It fought with the Zollverein authorities over exemptions for imported capital equipment, but gradually evolved into

a source of pressure, with Bavaria and Wurtemberg, for higher tariffs on cotton yarns and iron. Fischer points out that the request for lifting the duty on cotton yarns from 2 talers per centner to 5 was resisted by the weavers of Prussia (the Rhineland) and Silesia [p. 136].

Cotton yarns and iron were the critical items. Shortly after the formation of Zollverein, a trend toward protection was seen to be under way [Dawson, p. 20]. The Leipzig consul reported a new duty on iron to the Board of Trade in February 1837 and observed that the switch from imports of cotton cloth to imports of yarn pointed in the direction of ultimate exclusion of both [Brown, p. 113]. Bowring's letter of August 1839 noted that the manufacturing interest was growing stronger, that the existing position was untenable, and that tariffs would be raised under the growing demands and increasing power of the manufacturing states, or would be lowered by an alliance between the agricultural and commercial interests [Bowring, p. 287].

Open agitation for protection began 2 1/2 years after the formation of the Zollverein when the South pushed for duties on cotton yarns. Linen yarns and cloth went on the agenda in 1839 and iron, protection for which was sought by Silesian and west German ironwork owners, beginning in 1842 [von Delbrück, p. 147]. But these groups lacked decisive power. The Prussian landed nobility covered their position by citing the interests of the consumers [Rosenberg, p. 207], and Prince Smith, the expatriate leader of the doctrinaire free traders, in turn, tried to identify free trade and low tariffs with the international free-trade movement rather than with the export-interests of the Junkers [Henderson, 1954, p. 171]. The tariff on iron was raised in 1844, those on cotton yarns and linen

yarns in 1846. von Delbrück presents in detail the background of the latter increases, starting with the bureaucratic investigations into linen, cotton, wool, and soda, with their negative recommendation, continuing through the negotiations, in which Prussia was ranged against any increase and all the others in favor, and concluding that the Prussian plenipotentiary to the Zollverein conference was right in not vetoing the increases, as he could have done, operating on the theory that a compromise was more important than the rationally correct measure of this or that tariff [von Delbrück, pp. 162-164]. The head of the Prussian Handelsamt was not satisfied with the outcome of the conference but had to accept it.

From 1846 on, the direction of Zollverein tariffs was downward, aided first by the repeal of the Corn Laws and secondly by the Cobden-Chevalier treaty. With the increases of the 1840s and English reductions, the Zollverein tariff from one of the lowest in Europe had become relatively high. von Delbrück was one of the doctrinaire free traders in the Prussian civil service - a tradition going back to the 18th century when Vincke read a passage from Adam Smith daily [Benaerts, 1933, p. 334] and notes that in 1863 he had been trying for a reduction on the tariff in pig iron for seven years, i.e. since the tariff reform of 1856, which reordered but did not lower duty schedules. He also wanted a reduction in the tariff on cotton cloth; duties on woollens were no longer needed. The opportunity came with the announcement of the Anglo-French treaty. He noted that Austria had gone from prohibitions to tariffs, that the Netherlands had reformed its tariffs with a five percent maximum on industrial production, that the levels of Italian duties were lower than those in Germany. "Could

we stay away from this movement? We could not." [von Delbrück, p. 200].

Bismarck was no barrier to the Junker bureaucracy. His view about tariff negotiations was expressed in 1879 in the question: "Who got the better of the bargain?" Trade treaties, he believed, were nothing in themselves, but an expression of friendship. His economic conscience at this time, he said later, was in the hands of others [Dawson, 1904, p. 21]. Moreover he had two political ends which a trade treaty with France might serve: to gain her friendship in the Danish question, and to isolate Austria which was bidding for a role in the German Confederation [Lambi, 1963, p. 5]. Austrian tariffs were high. The lower the levels of the Zollverein the more difficulty she would have in joining it and bidding against Prussia for influence. The Zollverein followed the 1863 treaty with France with a series of others.

Exports of grain from Prussia, Pomerania, and Mecklenberg to London as a percentage of total English imports hit a peak in 1862 at the time of the Civil War [Zorn, 1968, p. 296] and proceeded down thereafter as American supplies took over. The free-trade movement nonetheless continued. Only hesitation prevented a move to complete free trade at the peak of the boom in 1873 [Barkin, 1970, p. 33]. There is debate whether the crash of later in the year triggered off the return to protection in 1879 or not. Victory in 1871 had enlarged competition in iron and cotton textiles by including Alsace and Lorraine in the new German Empire. Radical free traders and large farmers achieved the reduction in duties on raw iron in 1873 and passed legislative provision for their complete removal in 1877 [*ibid.*]. But Lambi notes that Gewerbefreiheit (freedom of occupation) had caused dissatisfaction and in some versions subsumed free trade [pp. 83, 113]. By 1875 the iron interests are organizing to resist the scheduled

elimination of iron duties in 1877.

In a 22-line sentence which gave me difficulties, Rosenberg indicates that the difference between the 1873 depression which led to tariffs and the 1857 crisis which did not lay in a) the fact that the interests were not cohesive in the earlier period and b) that Britain did not keep on lowering duties in the later period as it had in the first [Rosenberg, p. 195]. On the first score it may be noted that the Verein Deutscher Eisen- und Stahl Industrielle was formed in 1873 after vertical integration of steel back to iron mining had removed the opposition between the producers and consumers of iron. This much supports a view of the effectiveness of concentrated interests achieving their tariff goals when scattered will not - though again it has nothing to do with representative democracy. On the other hand, the free traders also organized; in 1868 the Kongress Nord-Deutscher Landwirte was organized; in 1871 it was broadened to cover all Germany. In 1872, a Deutsche Landwirtschaftsrat was formed [Lambi, p. 57]. Many of these organizations and the once free-trade Congress of German Economists were subverted and converted to protection after 1875, but a new Union for the Promotion of Free Trade was formed in September 1876 [ibid., p. 191]. German economic interests as a whole became organized, and the struggle was among interests thoroughly concentrated on both sides.

The abandonment of the opposition of the landed interests is perhaps critical. Consumers of iron in machinery, they opposed tariffs on iron up to 1875, but with the decline in the price of grain and the threat of imports, their opposition collapsed. It might have been possible to support tariffs for grain and free trade for iron, but inconsistency is open

to attack. After von Delbrück's resignation or discharge in April 1876, Bismarck forged the alliance of bread and iron. As widely recounted, he had strong domestic political motives for higher tariffs on this occasion, as contrasted with his international political gains from lower tariffs up to 1875.

In general, however, the German case conforms to the Stolper-Samuelson explanation: the abundant factor wants free trade; when it becomes relatively scarce, through a gain in manufacturing at home and an expansion of agriculture abroad, it shifts to wanting tariffs. Doctrine was largely on the side of free trade. List's advocacy of national economy had little or no political force. His ultimate goal was always free trade, and his early proposal of 10 percent duties on colonial goods, 15 percent on Continental and 50 percent on British was more anti-British than national [Williams, p. 199]. In the 1840s he was regarded in Germany, or at least by the Prussians, as a polemicist whose views were offered for sale [Thiedig, 1927, pp. 31-32]. Bismarck is often regarded as the arch-villain of the 1879 reversal of Zollverein low tariffs, but it is hard to see that his leadership role was a major one.

VIII

Italian moves in the direction of free trade prior to 1850 were tentative and scattered. The abandonment of the policy of supply in Tuscany in the 18th century has been mentioned earlier, as well as the removal of prohibitions on the export of raw silk in Piedmont, Lombardy and Veneto. Lombard and Venetian tariff policies were largely imposed by Austria, which was perhaps not wholly indifferent to local interests and to the promotion of

industry [Greenfield, 1965, p. 113]. Piedmont concluded a series of trade treaties with the larger states, especially France and Britain, and in 1847-48, explored a tariff union with Tuscany and the Papal states [Clough, p. 27]. But the major initiatives were taken after Cavour became Minister of Agriculture Industry and Commerce, when Minister of Finance (1851) and then Prime Minister (1852). The low tariffs which Cavour achieved for the Kingdom of Sardinia, were subsequently extended to Italy as a whole after its unification in 1860 under Cavour's leadership, and followed by a series of trade agreements lowering import duties still further.

As a young man Cavour had visited France and Britain, once in 1833-1835 and again in 1842-43. Like Chevalier, whose lectures he attended in the second visit, he was interested in growth, through the spread of banks, the construction of public works, and especially through market forces encouraged by freedom of trade. He knew Babbage, Nassau Senior, Cobden, de Tocqueville, Sismondi, Cherbuliez, Michalet, Pellegrino Rossi (an Italian free-trader, resident in Paris), Chevalier, and Faucher, wrote long papers on English Poor Laws, the Irish question and the Corn Laws. He rejoiced when the French Chamber adopted a new schedule for sugar in 1843, saying "Monopolies are inter-related. When one privileged industry is sacrificed, a mortal blow is dealt to the Protectionist system." In the same year at the Société d'Economie Politique, Léon Faucher said: "Fine principles of the kind one produces when one knocks at the door of power; but when the door is once opened, and the threshold crossed, one throws them out the window." "Speak for yourself," replied Cavour. "As for me, I give you my word of honor that if I ever happen to be a minister, I will resign, or I will cause my principles to prevail." [Thayer, 1921, pp. 44-66]. Again in

the same period he wrote "I was a liberal in 1831, and am still one in 1843... On all essential political points and in regard to all big social questions, I have not altered my principles and never shall." [Whyte, 1925, p. 279].

Cavour was attacked as a doctrinaire who deserted a tried and effective system to follow an abstract theory [Whyte, 1930, p. 73], but has been defended by biographers as having "a genius for the opportune." [Thayer, 1921, p. 133].¹⁵ His 52 speeches on the tariff question as Finance Minister had high educational quality, says Thayer, and achieved an economic revolution.

15. Compare Williams' attack on Huskisson who is said to have used the existence of half a million people as an experiment to prove the correctness of an abstract theory [Huskisson, II, p. 466]. Huskisson refuted the allegation, saying the government was following not visionaries and hard-hearted metaphysicians, but practical men and circumspectly and cautiously [*ibid.*, p. 476]. Gouraud, it may be added, thought Huskisson very far from the utopia of laissez-faire, laissez-passer. "Everything was conceived by him in the wisest spirit" [pp. 241-42].

There are views that Cavour's successful pressure for free trade represented economic interests. He was a large landowner and the low tariff has been said to "reflect clearly the interests of the large landowners" [Pedone, 1969, p. 242]. Piedmont agriculture was related to western European markets for rice, silks, wine and hides [Castronovo, 1969, p. 16]. The application of Piedmont's low tariff to all of Italy has been said to assure the interests of the ruling classes of Britain and France [Mori, quoted by Luzzatto, 1963, p. 28n].

For the most part, however, it seems evident that in following low tariff policies in the Kingdom of Sardinia in the early 1850s and in Italy after unification in 1860, Cavour was operating on the basis of a theory.¹⁶

16. of an 1835 letter: "The great European question of the moment is the commercial question. At least that is the opinion of all English thinkers. In spite of the reaction of several countries in favor of the protective system, I have no doubt that the cause of free trade is making progress among all enlightened people. In England the intellectual world is completely won over. There is not a man of weight who, at bottom (sic), is not in favor of the abolition of protective tariffs." [Whyte, 1925, p. 282].

His views were widely shared. Prodi notes that the liberal faith in freedom through the market in 1860 not only triumphed but remained sure and irrefutable. There were some like Cappellarsi who wanted to reduce tariffs slowly as industry was getting ready to export, as in England, and Martullo who was conscious of the differences between Italy and England, and elastic in his application of Adam Smith to Italy [Prodi, 1966, pp. 1-10]. For the most part, however, the tariff problem was ignored in Italy until the inquiry of 1870. The industrialists, led by the wool manufacturer Rossi, disliked the Piedmont low tariff and especially the 20 or more trade treaties which followed. Limited transport over land meant, however, that there was no unified domestic market for local manufacturers to exploit.

Clough [p. 114] observes that the advantages which were supposed to devolve automatically from the free movement of goods in international commerce did not seem to accrue to Italy. For one thing, the loss of custom

revenues upset the finances of first Sardinia and then Italy, despite a vigorous expansion of trade [Sachs, 1885, p. 748]. Customs duties had provided 14.7 million lire out of a total revenue of 69.4 millions [Norsa and Pozzo, 1961, 1961, pp. 16,17]. Secondly, the balance of payments turned adverse, partly, perhaps mainly as a result of Cavour's and his successors' programs of public works. Piedmont ran up a large debt which later devolved on the Kingdom of Italy. In 1866 it became necessary to halt redemption of the lira in gold and the depreciation of the currency during the corso forzoso (or forced circulation) alleviated some of the effects of competitive imports. But the spread of the railroad in the 1860s and the low tariff policies proved ruinous to industry, especially in the South. The Sardinian tariff schedule was by and large at the same level as those of Modena, Parma and Tuscany, well below that of Lombardy in most goods, though higher in others, but far below the levels of the Papal States and especially of the Kingdom of the Two Sicilies (Naples) [Parravicinni, 1958, p. 326]. After a long period when the country was "strangely deaf" to the troubles caused by the low tariff [Luzzatto, p. 28], the Commission of Inquiry was launched in 1870, the tariff was raised in 1878 and a new system of high tariffs on industry, modified by trade agreements favoring agriculture, was instituted in its place [Coppo, passim].

IX

My first conclusion reached from this survey was that free trade in Europe in the period from 1820 to 1875 had many different causes. Whereas after 1879, various countries reacted quite differently to the single stimulus of the fall in the price of wheat - England liquidating its agriculture,

France and Germany imposing tariffs, though for different political and sociological reasons, Italy emigrating - in violation of the assumptions of classical economics, and Denmark transforming from producing grain for export to importing it as an input in the production of dairy products, bacon and eggs [Kindleberger, 1951] - before that the countries of Europe all responded to different stimuli in the same way. Free trade was part of a general response to the breakdown of the manor and guild system. This was especially true of the removal of restrictions on exports and export taxes, which limited freedom of producers. As more and conflicting interests came into contention, the task of sorting them out became too complex for government as shown in Gewerbeförderung in Baden, and the refinement of the Navigation Laws in England - so that it was desirable to sweep them all away.

Part of the stimulus came from the direct self-interest of particular dominant groups, illustrated particularly by the First Hand in the Netherlands. In Britain, free trade emerged as a doctrine from the political economists, with a variety of rationalizations to sustain it in particular applications: anti-monopoly, increases to real wages, higher profits, increased allocative efficiency, increased productivity through innovation required by import competition. In France, the lead in the direction of freer trade came less from the export interests than from industrial interests using imported materials and equipment as inputs, though the drive to free trade after 1846 required the overcoming of the weight of the vested interests by strong governmental leadership, motivated by political gain in international politics. The German case was more straightforward: free trade was in the interest of the exporting grain and timber-producing classes,

who were politically dominant in Prussia and who bought off in part, in part overwhelmed the rest of the country. The Italian case seems to be one in which doctrines developed abroad which were dominant in England and in a minority position in France, were imported by strong political leadership and imposed on a relatively disorganized political body.

Second thoughts raise questions. The movement to freer trade in the 1850s in the Netherlands, Belgium, Spain, Portugal, Denmark, Norway and Sweden, along with the countries discussed in detail, suggests the possibility that Europe as a whole was motivated by ideological considerations rather than economic interests. That Louis Napoleon and Bismarck would use trade treaties to gain ends in foreign policy suggests that freer trade was valued for itself, and that moves toward it would earn approval. Viewed in one perspective, the countries of Europe in this period should be considered not as independent economies the reactions of which to various phenomena can properly be compared, but as a single entity which moved to freer trade for ideological or perhaps better doctrinal reasons. Manchester and the English political economists persuaded Britain which persuaded Europe, by precept and example. Economic theories of representative democracy, or constitutional monarchy, or even absolute monarchy may explain some cases of tariff changes. They are little help in Western Europe between the Napoleonic Wars and the Great Depression.

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