The futility of mercantilist wars. A case study of France and Hamburg between 1713 and 1820

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Literature

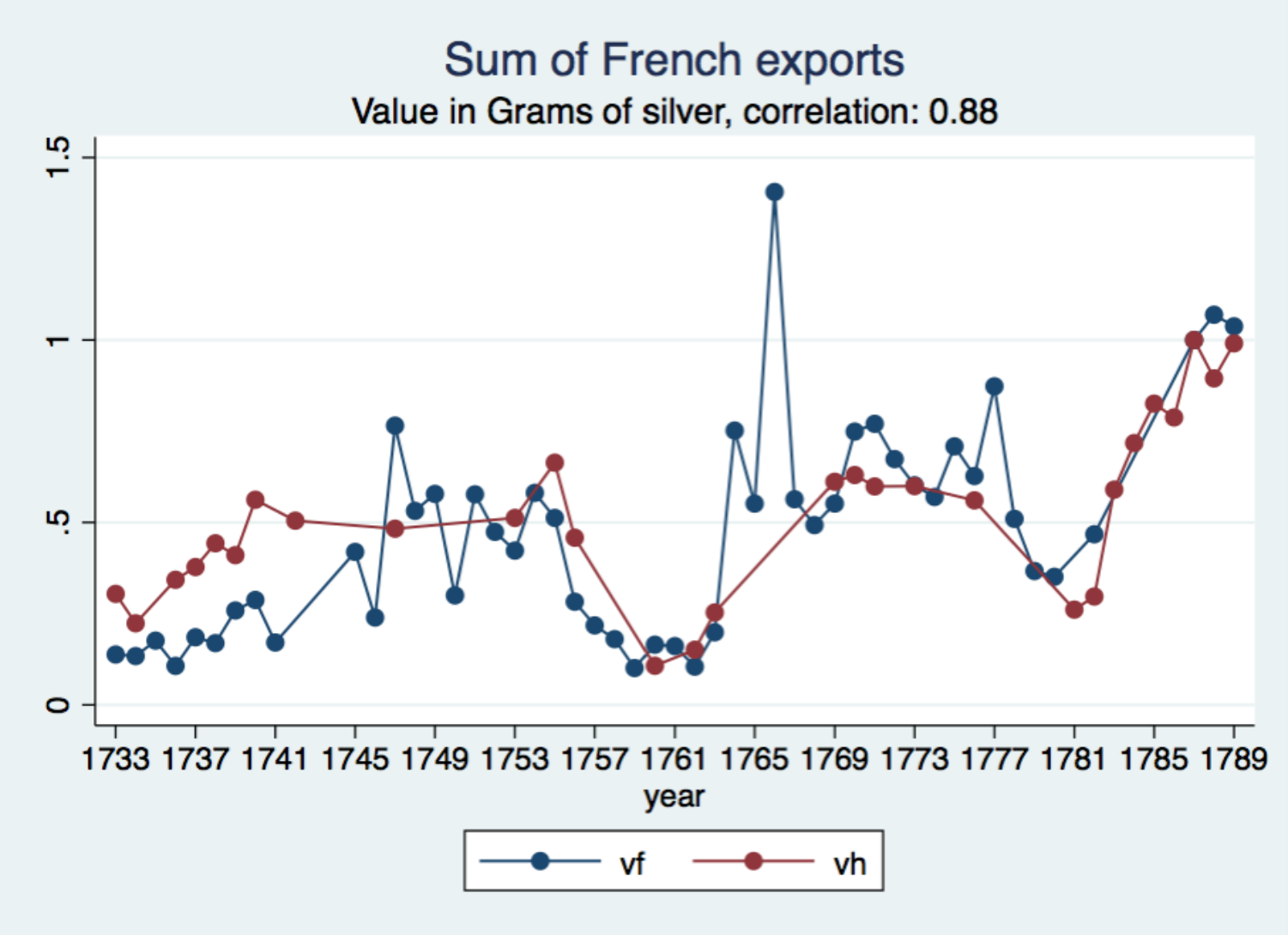
- Glick and Taylor 2005: *Collateral damage: trade disruption and the economic impact of war*
- Riley 1984 *Seven Years War and the Old Regime in France*
- Rahman 2004. *Fighting the Forces of Gravity - Seapower and Maritime Trade between the 18th and 20th Centuries*

Contribution to the Literature

- I am using a unique dataset spanning from beginning to 18th century to mid 19th century.
- I am analysing the specific case of neutral countries.
- I do a breakdown by product and find strikingly different results depending on the product.

Data

- French dataset:
  - Data from the *Bureau de la Balance du Commerce*
  - 3407 bilateral flows between 1713 and 1815
  - 868 different goods are found in the dataset only 4 of which appear more than 31 times
- German dataset:
  - The data come from the Hamburg import toll register
  - 1609 observations of aggregate exports flows between 1733 and 1798
  - They appear as category of goods, not as single products


Sum of French exports
Value in Grams of silver, correlation: 0.88
0
.5
1
1.5
1733 1737 1741 1745 1749 1753 1757 1761 1765 1769 1773 1777 1781 1785 1789
year
vf
vh

Econometric Specification

- I use the French database.
- I run a first regression on trade with Hamburg on aggregate and disaggregate flows.
- I then run another regression on aggregate and disagregate trade of all France trading partners.

Impact of wars on Hamburg series (1)

- I first run a regression on the aggregate exports:

$$\exp(Exports_{i,t}) = \beta_0 + \beta_1 Year + \beta_2 War$$

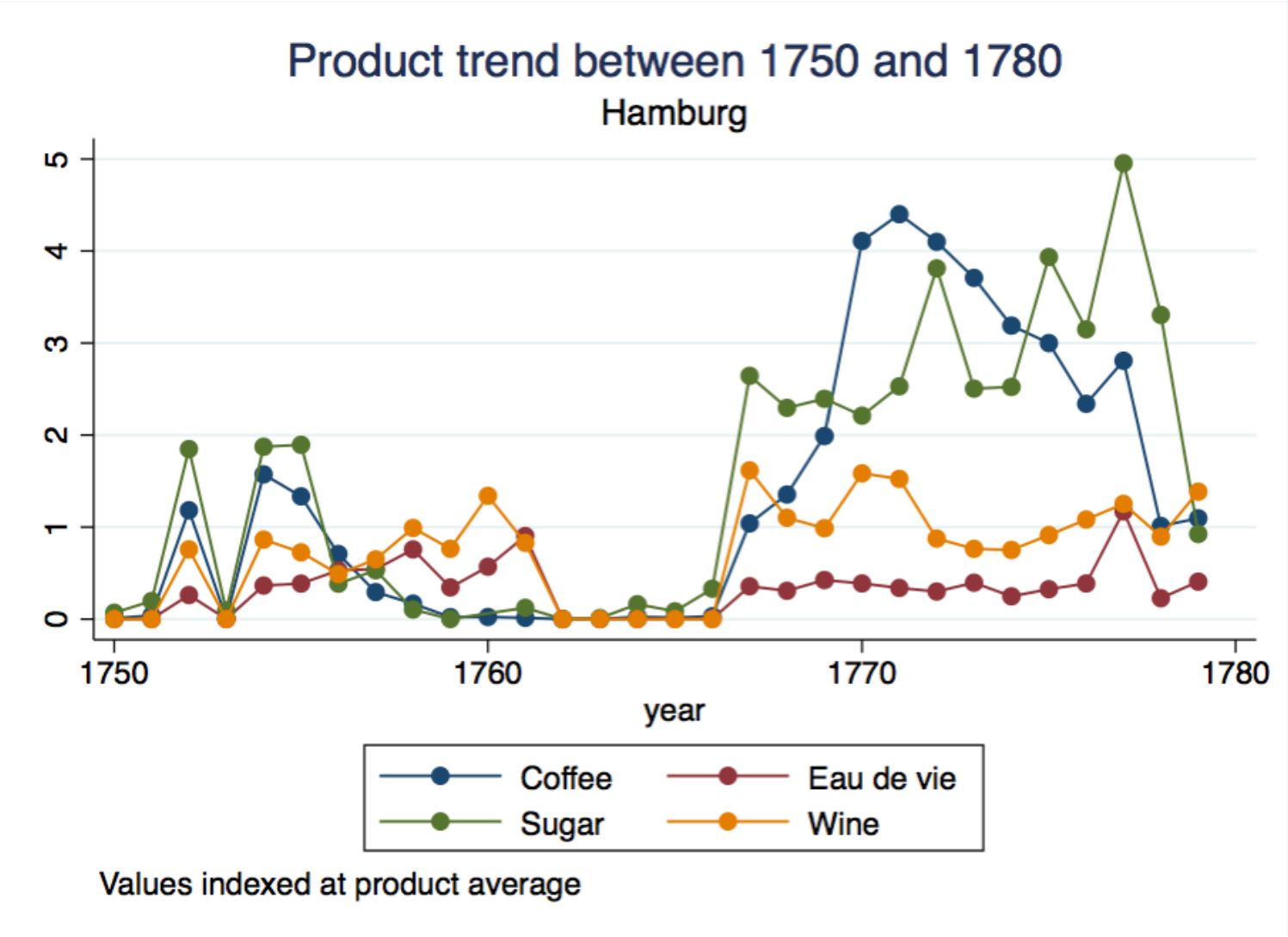
- I then split exports into different products:

$$\exp(Exports_{i,t}) = \beta_0 + \beta_1 Year + \beta_2 WarCoffee + \beta_3 WarEauDeVie + \beta_4 WarSugar + \beta_5 WarWine + \beta_6 WarOther$$

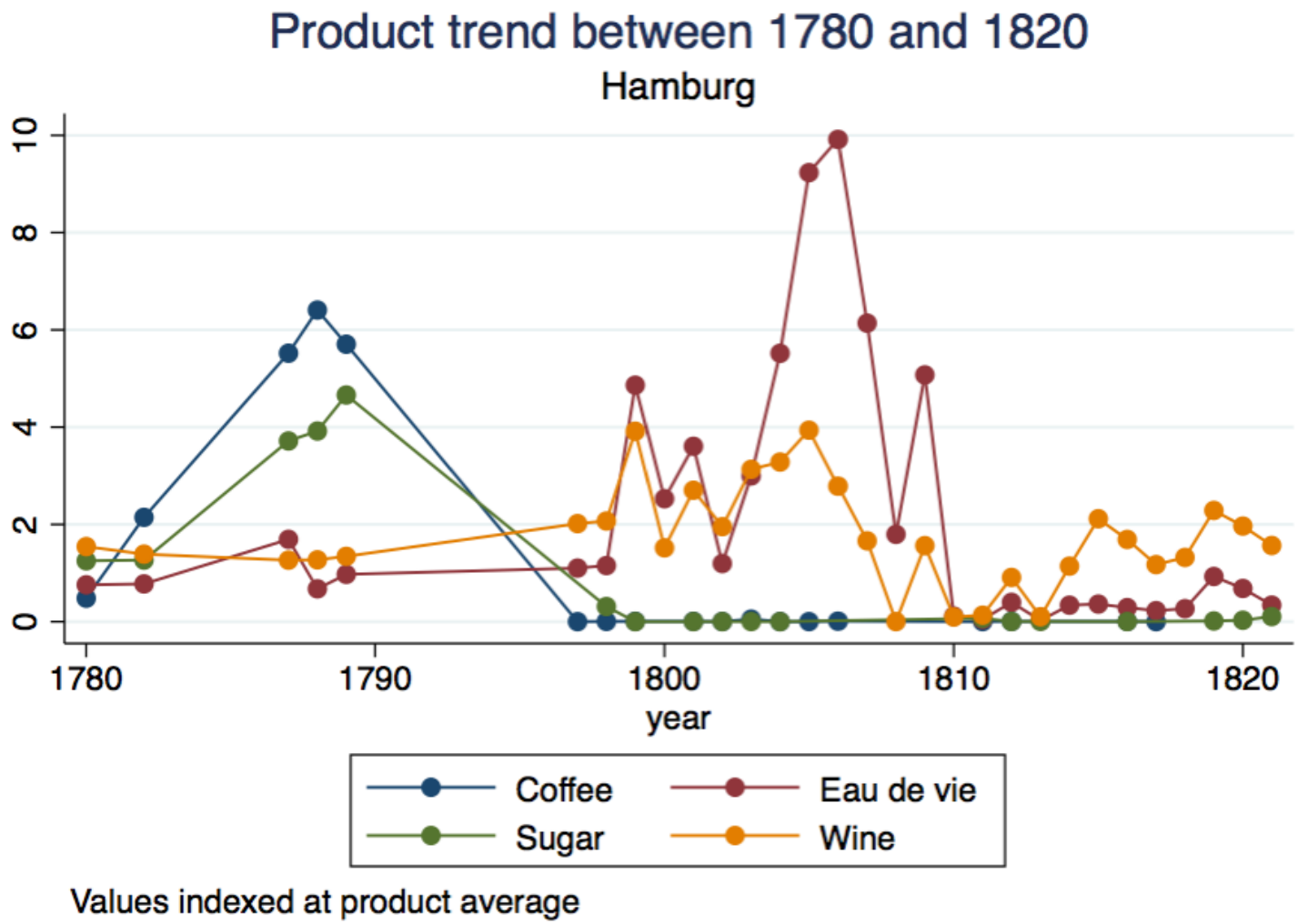
Impact of wars on Hamburg series (2)

	Aggregate	No breaks	One Break	Two Breaks
All wars	-0.545			
	(-4.57)***			
Coffee		-2.436	-1.403	-1.444
		(-5.08)***	(-5.25)***	(-5.20)***
Eau de vie		1.387	1.387	1.387
		(4.34)***	(4.34)***	(4.34)***
Sugar		-1.874	-1.874	-1.136
		(-4.25)***	(-4.25)***	(-3.45)***
Wine		0.0711	0.0711	0.0711
		(.41)	(0.41)	(0.41)
Cons	6.022	-10.14	-26.70	-111.3
	(1.56)	(-0.59)	(-1.61)	(-7.55)
Obs	76	347	347	347
R^2	.319	.460	.556	.645

Impact of wars on Hamburg series (3)



Impact of wars on Hamburg series (4)



Impact of wars on all neutral trading partners (1)

- I first run a regression on the aggregate exports:

$$\exp(Exports_{i,t}) = \beta_0 + \beta_1 Year + \beta_2 Adversaries + \beta_3 Allies + \beta_4 Neutral + \sum_i \gamma_i Country_i + \sum_i \delta_i Country_i Year$$

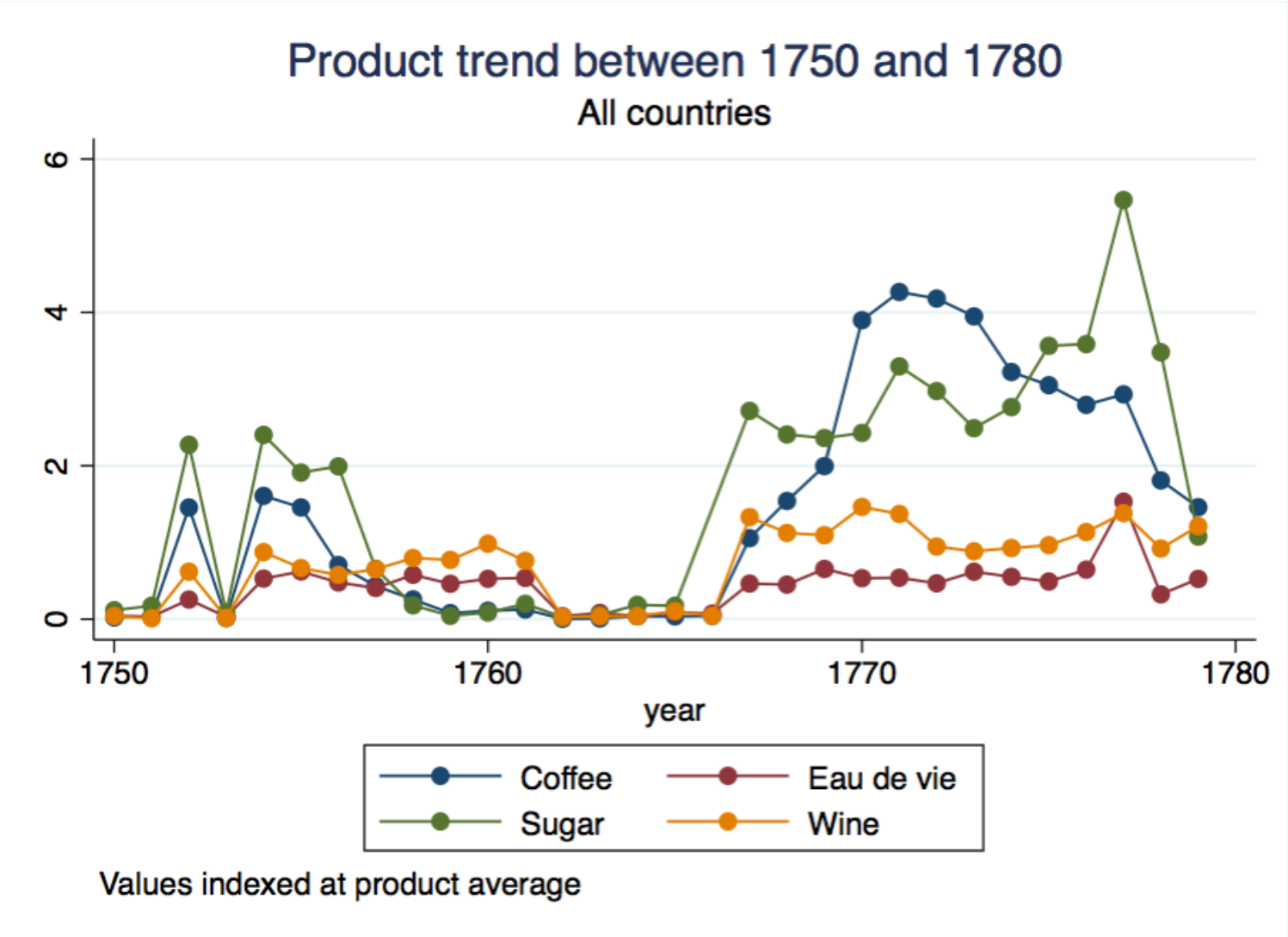
- I then split exports into different products:

$$\exp(Exports_{i,t}) = \alpha + \sum_i \beta_i Product_i Neutral + \sum_i \gamma_i Product_i Allies + \sum_i \delta_i Product_i Adversaries + \sum_{ij} \lambda_i Country_i Product_j + \sum_i \theta_i Country_i Year + \sum_i \phi_i Product_i Year$$

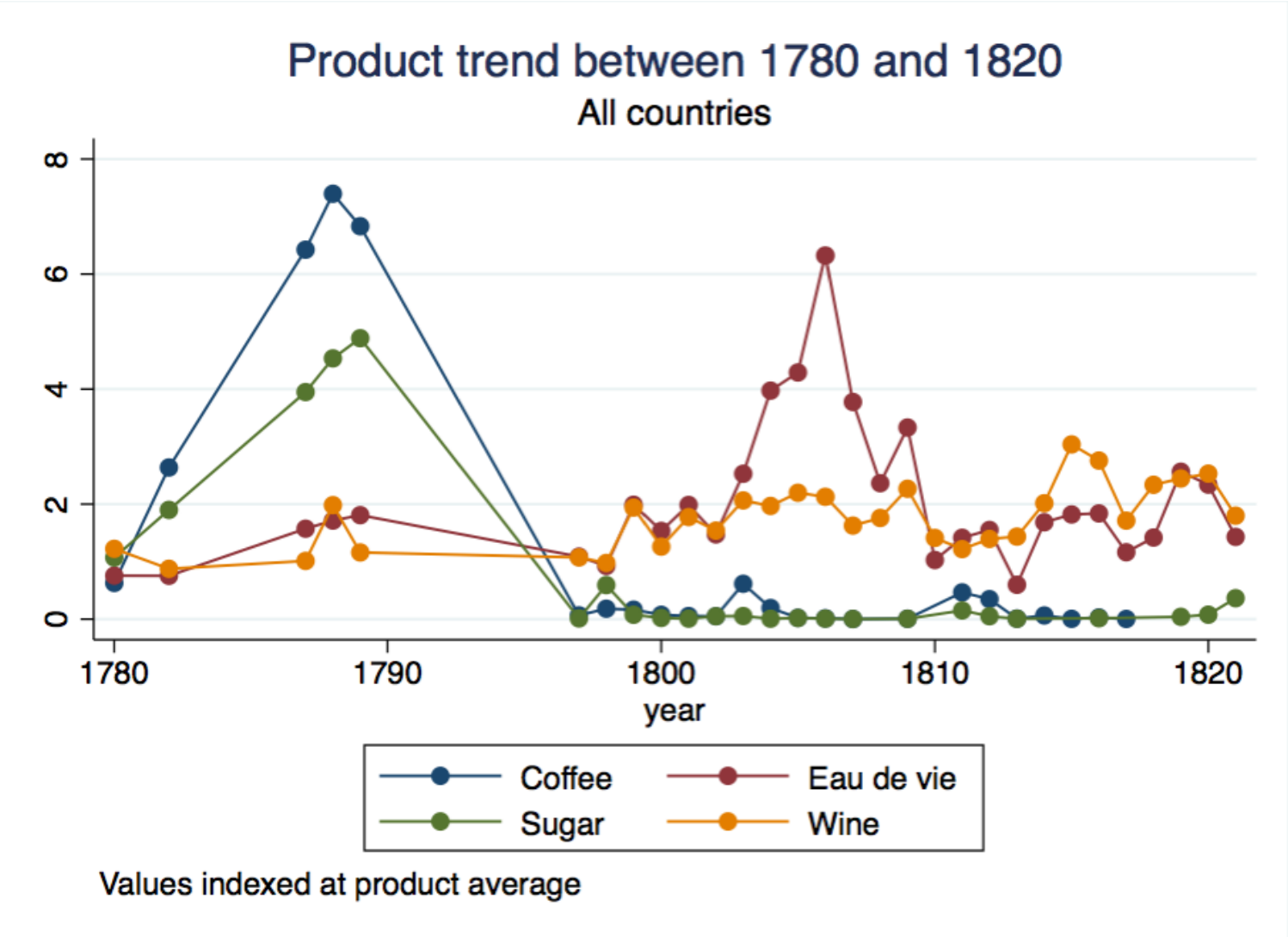
Impact of wars on all neutral trading partners (2)

	Aggregate	No breaks	One Break	Two Breaks
All wars	-0.373			
	(-3.92)***			
Coffee		-1.991	-1.188	-1.188
		(-6.67)***	(-7.32)***	(-7.32)***
Eau de vie		0.953	0.952	0.953
		(5.50)***	(5.50)***	(5.50)***
Sugar		-1.657	-1.656	-1.066
		(-6.12)***	(-6.12)***	(-5.12)***
Wine		0.061	0.061	0.062
		(0.49)	(0.49)	(0.50)
Cons	-40.993	-23.09	109.7	278.7
	(-7.19)***	(-2.01)*	(1.94)	(3.03)**
Obs	789	3145	3145	3145
R^2	.623	.787	.800	.815

Impact of wars on all neutral trading partners (3)



Impact of wars on all neutral trading partners (4)



Conclusion - so far

- Mercantilist war overall had a strong negative and significant impact on trade, for neutral countries.
- On each single product however, results are not so coherent.
- I found negative impact on major colonial products but positive effects on European goods.
- I do not always find stronger impact for adversary countries.

Next steps: (1)

	Aggregate	No breaks	One Break	Two Breaks
All wars	-0.505			
	(-4.86)***			
Coffee		-2.811	-1.347	-1.348
		(-6.08)***	(-2.96)***	(-2.96)***
Eau de vie		0.098	0.098	0.098
		(0.44)	(0.44)	(0.44)
Sugar		-2.572	2.577	-1.238
		(-5.69)***	(-5.71)***	(-2.99)***
Wine		0.074	0.074	0.075
		(0.59)	(0.59)	(0.60)
Cons	-40.99	-23.09	109.7	278.7
	(-7.19)***	(-2.01)*	(1.94)	(3.03)**
Obs	789	3145	3145	3145
R^2	.623	.787	.800	.815

Next steps: (2)

- Cluster countries by trade composition:
  - K-clustering
  - Correlation of total trade by product
- Look at war by war case.
- Robustness checks and existence of of maximum in poisson regression.

Thank you!