

The Anglo-French Commercial Treaty of 1786

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I

The XVIIIth century was one of the great eras in the movement for free trade. The most outstanding expression of that spirit is undoubtedly the writings of many political economists of whom Adam Smith stands out as the shining light.

The free, or at least freer, trade movement revealed itself in other more overt ways. As far back as 1713, articles 8 and 9 of the Treaty of Utrecht provided for a reduction in tariffs and other barriers to the trade between France and England. These articles never, however, came into force as Parliament refused to ratify them.

During the century, France and England were often at war which hardly provided auspicious conditions for the making of commercial treaties between the countries. Nevertheless the Treaty of Versailles, besides ending the War of American Independence, provided for a renewal of the commercial provisions of the Treaty of Utrecht except that article 18 allowed for renegotiations with the commercial agreement to be concluded by 1 Jan. 1786. The time allowed for the negotiations was later extended at the request of the British government.

The negotiations began when the British government sent its negotiator, George Craufurd, to Paris in September 1784. Not much headway was made in the negotiations until Craufurd was replaced in March 1786 by a more important political person, William Eden, after whom the treaty has been named. The treaty was signed on 26 September 1786 but did not go into effect until May 1787. Although it officially lasted until January 1793 when France and Britain again went to war, trade between the countries became seriously disrupted on the outbreak of the French Revolution in June 1789.

It may appear that the impetus for the freeing of trade came from Britain. During that same era in the late XVIIIth century, the British government conducted trade negotiations with Portugal, Spain, Russia, Poland, Prussia, Sweden and the Two Sicilies. None of those negotiations came to any agreement.

The failure to conclude trade negotiations with other countries may have been due to the British government not being keen enough to obtain agree-

ment at the expense of a hard bargaining that only succeeded with France because the French government was the one that most wanted the agreement. This possibility may seem surprising in view of the opinion that the treaty worsened the French balance of trade¹ and greatly depressed the French textile industry.² It has, however, been suggested that the French government's interest arose from its concern over the state of its finances. The Seven Years War had particularly upset French finances in requiring heavy borrowing with its subsequent large interest service charges on the budget. Then financial demands arising from French participation in the War of American Independence added an extra fillip to its shaky finances. As a result the foreign minister, the Comte de Vergennes, was eager to ensure a prolonged period of peace during which French finances could be restored and thought that a way to keep the peace with Britain was to give her an economic stake in the form of expanded trade.³ Furthermore more imports would give more tariff revenue to a government that was frantically looking for additional sources of tax revenue in an era when much of a government's revenue came from customs receipts.⁴

In line with this opinion are the French government's pressing for the trade agreement. It was reluctant to prolong negotiations. It opened the negotiations by giving a little *hors d'oeuvre* to Britain by allowing British imports to come into France at the lower tariff rates than would have been in force if Britain had accepted articles 8 and 9 of the Treaty of Utrecht.⁵ It reacted to British procrastination by issuing an *arrêt* in February 1785 that imposed a 60% ad valorem tariff on certain British goods; another *arrêt* in July 1785 to prohibit the import of foreign cottons, muslins, gauzes and linen; a further *arrêt* in October 1785 to prohibit the import of foreign iron, steel and cutlery.⁶

In Britain, there were marked differences in support of the treaty. The supporters and opponents have been listed:⁷

"In favour of opening the trade with France

The manufacturers of iron and hardware goods and cutlery; of cottons, and fustians; of muslins, and gauzes; of linens; glass; saddlery; the curriers.

¹ J. EHRMAN, *The British Government and Commercial Negotiations with Europe, 1783-1792*. (Cambridge: University Press, 1962), pp. 205-206.

² C. SCHMIDT, "La Crise Industrielle de 1788 en France", *Revue Historique*, 97 (Jan-Avril, 1908), pp. 78-94.

³ L. CAHEN, "Une Nouvelle Interprétation du Traité Franco-Anglais en 1786-87", *Revue Historique*, p. 185 (Juillet-Décembre, 1939), pp. 266-270.

⁴ J.H. ROSE, "The Franco-British Commercial Treaty, 1786", *English Historical Review*, 23 (October, 1908), pp. 723-724.

⁵ W.O. HENDERSON, "The Anglo-French Commercial Treaty of 1786", *Economic History Review*, 2nd Series, 10 (August, 1957), p. 106.

⁶ ROSE *op. cit.*, 711-712, and Ehrman, *op. cit.*, pp. 31-32.

⁷ EHRMAN, *op. cit.*, p. 46.

In favour, with reservations

The East Anglian clothiers; Yorkshire woollen and worsted merchants and manufacturers; Nottingham hosiery manufacturers; and calico printers.

Divided, or doubtful

The Wiltshire and Gloucestershire clothiers; the wine merchants.

Against opening the trade

The tanners, and leather merchants and manufacturers; the hatters; the paper hangers and manufacturers; the silk weavers; the producers of bar iron".

When the treaty was eventually signed, its provisions were:⁸

"On imports from France direct to Britain

WINES, to England and Scotland—no higher than those 'now' levied on the wines of Portugal.

WINES, to Ireland—no higher than those 'they now pay'.

VINEGARS — 7^s. a gallon, instead of 67 5^s. 3¹/₂d. a ton.

OLIVE OIL — no higher than those 'now' paid by the most favoured nations.

On imports from one country to the other

BEER — 30 per cent ad valorem.

HARDWARE, CUTLERY, CABINET WARE, TURNERY, IRON, STEEL, COPPER, BRASS — not to exceed 10 per cent ad valorem.

COTTONS 'of all sorts', WOOLLENS including hosiery — 12 per cent ad valorem.

CAMBRICS, LAWNS — 5^s, or 6 Livres Tournois, per demi piece of 7 3/4 English yards.

LINENS—reasonable rates: for those imported into England and Scotland, no higher than those 'now' levied on the linens of Holland and Flanders; for those imported into Ireland, no higher than those 'now' levied on the linens of Holland so imported.

SADDLERY — 15 per cent and valorem.

GAUZES 'of all sorts' — 10 per cent ad valorem.

MILLINERY, 'made up of muslin, lawn cambric, or gauze... or of any other article admitted under the present tariff' — 12 per cent ad valorem; if containing any other article—no higher than those paid by the most favoured nations.

PORCELAIN, EARTHENWARE, POTTERY — 12 per cent ad valorem".

PLATE-GLASS and 'GLASSWARE IN GENERAL' — 12 per cent ad valorem".

These provisions favored those cotton, iron and pottery industries that most enthusiastically petitioned Parliament in support of the treaty.⁹

⁸ *Ibid.*, pp. 60-61.

⁹ W. BOWDEN, "The English Manufacturers and the Commercial Treaty of 1786 with France", *American Historical Review*, 25 (October, 1919), pp. 18-35.

Table I
BRITISH WINE IMPORTS¹⁰

	Total		port		Madeira		French Wine	
	£s	tuns	£s	tuns	£s	tuns	£s	% of total £s
1784	351,893	10,716	267,931	718	15,068	386	8,680	2.5
1785	366,510	11,236	280,910	600	12,602	391	11,388	3.1
1786	371,406	11,112	277,805	512	10,756	419	9,431	2.5
1787	523,007	15,118	377,937	558	11,722	1857	41,788	8.0
1788	573,368	17,012	425,295	1021	21,437	1088	24,505	4.3
1789	590,229	18,559	463,966	1126	23,638	854	19,208	3.3
1790	655,949	20,201	505,037	1403	29,465	780	17,546	2.7
1791	736,421	22,036	550,902	1462	30,697	926	20,840	2.8
1792	862,814	26,939	667,185	1252	26,729	1617	40,142	4.7
1793	523,984	15,592	386,339	1008	21,218	563	14,830	2.8

II

The Anglo-French treaty was the only commercial treaty between France or Britain and other European powers to be signed during the decade of 1783-1793. As it reduced tariffs on the trade between France and Britain while no similar reductions in tariffs occurred between either of these countries and other European countries, it is reasonable to postulate that the tariff reductions help to explain some of the changes in the amount and structure of Anglo-French trade during the few years during which the treaty was in force.

The statistical record points to a considerable increase in the trade of certain commodities between France and Britain. Those increases are not, however, always significant as the greater quantity of exports or imports between the two countries can still have remained negligible proportions of either their total trade in the commodity, their domestic outputs or their domestic consumptions.

As can be seen from table 1, British imports of wine increased after the treaty came into force but they increased from other countries as well as France. The difference is that the quantity of wine imports from France in 1787 and 1788 averaged somewhat more than 3.7 times the average level of imports in 1784-1786, while total imports, in £s, were less than 1.5 times as high and the quantity of imports of port and madeira were respectively 1.5 and 1.3 times as high. The other contrast is that imports from France fell with the outbreak of the French Revolution while the other wine imports continued to rise until the outbreak of the European war in 1793. This latter decline was, however, only temporary. They rose again in the next two years and then fell to as low as the pre-treaty levels in 1796-1798. French wine continued to be imported throughout the Revolutionary and Napoleonic Wars but did not rise again until the end of the XVIIIth century.¹¹

As for British exports, table 2 gives the record for cotton goods. There is a marked contrast between the exports to France and those elsewhere. The former increased from negligible amounts prior to the treaty, fell markedly in 1789, increased again during the next two years and then fell drastically back to negligible amounts once war broke out.¹³ In contrast, total British exports of cotton goods increased steadily and markedly during the entire period from 1780 to 1807.¹⁴

¹⁰ Source: E.B. SCHUMPETER, *English Overseas Trade Statistics, 1697-1808*. (Oxford: Clarendon Press, 1960), pp. 57-58.

¹¹ *Ibid.*, pp. 58-59.

¹² Source: M.M. EDWARDS, *The Growth of the British Cotton Trade, 1780-1815* (Manchester: The University Press, 1967), pp. 243-245.

¹³ *Ibid.*, p. 245.

¹⁴ *Ibid.*, p. 243.

Table 2
BRITISH COTTON EXPORTS¹²

	Total	Europe	France	% of total
	thousands of £s	thousands of £s	thousands of £s	
1783	787	333	—	—
1784	908	294	—	—
1785	852	366	—	—
1786	901	402	8	0.9
1787	1075	580	93	8.7
1788	1210	621	127	10.5
1789	1814	569	46	2.5
1790	1596	653	85	5.3
1791	1794	591	65	3.6
1792	1922	463	29	1.5
1793	1653	497	5	0.3

British exports of cotton goods to France peaked in 1788 at 10.5% of total British exports, which in turn averaged 23% of British production during the period 1787-1789.¹⁵ These figures imply that even these exceptionally large quantities of British exports to France constituted less than 2½% of Britain's total output of cotton goods. Nevertheless, they can have had a considerable impact on the rival French industry as total imports of cotton cloth from abroad constituted about 25% in terms of quantities and 20% in terms of value of French consumption on average during the 1781-1790 period.¹⁶ The value of French imports of cloth averaged 13 million francs¹⁷ or £500,000 at an exchange rate of £1 = 24 francs.¹⁸ Consequently the peak imports from Britain stood at about 5.5% of French consumption. In the following year, imports from Britain fell to a quarter of this peak value, which may suggest that the surge in the inflow of imports from Britain was too temporary to have had much effect on the French industry.

The statistical record for exports of iron is not good. Schumpeter gives figures for only the years 1785 and 1790. Furthermore she does not give a

¹⁵ F. CROUZET, "Toward an Export Economy: British Exports during the Industrial Revolution", *Explorations in Economic History*, 17 (January, 1980), p. 86.

¹⁶ T.J. MARKOVITCH, "L'Industrie Française de 1789 à 1964. - Analyse des Faits", *Cahiers de l'I.S.E.A.*, 6 (Juin, 1966), table XVI.

¹⁷ *Ibid.*, table XVI.

¹⁸ J. BOUCHARY, *Le Marché des Changes de Paris à la Fin du 18^e Siècle (1778-1880)*. (Paris: P. HARTMANN, 1937), 30, pp. 107-163.

breakdown by country and instead gives figures for larger geographic subdivisions of Europe.¹⁹ France is assumed to be in her region of central Europe.²⁰ Exports of wrought iron increased about 80% for central Europe and about 50% in total.²¹ The post-treaty increases would have been greater if the level of exports to central Europe was lower in 1790 than immediately after the treaty. In any case the exports to central Europe maintained a level of about 10% of total British exports of wrought iron. Notwithstanding the considerable increase in exports, some of it perhaps to France, that level of the trade flow still remained small compared to the domestic outputs in either country. The quantity of exports to central Europe in 1790 was about 3,160,000 lbs.²² while total British pig iron production was 68,300 tons,²³ which means the exports were about 2% of British output. French output was larger.²⁴ Consequently even exports to an entire region, of which France was only a part, was a small proportion of either British or French production.

Tariffs were reduced on other commodities and British exports of those commodities to central Europe also increased. Glass and earthenware more than doubled;²⁵ wrought copper increased by about 60%;²⁶ coal remained unchanged²⁷ and a variety of woollens and linens increased.²⁸ Some of these increases in exports may have gone to France, particularly in the case of earthenware. As for the other textiles, France was a net exporter of woollen, linen and silk cloth during the decade.²⁹

III

The opening of trade between countries can bring changes in relative prices in each country. In general, prices of imported and import competing commodities fall and the prices of exports rise. This realignment of prices need not have followed the Anglo-French treaty as the statistics of greater

¹⁹ SCHUMPETER, *op. cit.*, p. 64.

²⁰ *Ibid.*, p. 10.

²¹ Wrought iron was the main sort of British iron export during the period and its value, in £s, was more than 90% of the total iron exports. *Ibid.*, p. 26.

²² *Ibid.*, p. 64.

²³ B.R. MITCHELL, *Abstract of British Historical Statistics* (Cambridge: University Press, 1962), p. 131.

²⁴ P. LÉON, "L'Industrialization en France en tant que Facteur de Croissance Economique, du Début du 18^e Siècle à nos Jours". *First International Conference of Economic History*, Stockholm, 1960, p. 199.

²⁵ SCHUMPETER, *op. cit.*, p. 64.

²⁶ *Ibid.*, p. 63.

²⁷ *Ibid.*, p. 63.

²⁸ *Ibid.*, p. 67-69.

²⁹ MARKOVITCH, *op. cit.*, table XVI.

trade do not necessarily imply that the treaty brought more trade between the countries. They may just represent a shift from smuggling to lawful trade.³⁰ In that case, little change in prices need have occurred in either country.

The treaty could have brought a change in the overall balance of payments which would have been reflected, under the species standard, in a change in relative price levels. Either the French or British price level could have fallen relative to the other but the treaty is often considered to have improved the British trade account and worsened that of France.³¹ In that case the British price level should have risen relative to the French. There is little evidence of this in tables 3 and 4. The British price index is Silberling's³² while the French grain index is based only on grain prices³³ (wheat, oats, rye, barley and flour) in Paris. Neither show any pronounced differences in their levels during the post-treaty period compared to the pre-treaty period. If anything, the British price level was rising up to the date when the treaty came into force and then fell while the opposite movements occurred in France. Such movements of the relative price levels imply a worsening of the British and an improving of the French balance of payments, which is consistent

³⁰ EHRMAN, *op. cit.*, p. 28, and CAHEN, *op. cit.*, pp. 276-279.

³¹ EHRMAN, *op. cit.*, p. 205.

³² Sources: The index is a quarterly index based on 35 articles. N.J. SILBERLING, "British Prices and Business Cycles, 1779-1850", *Review of Economics and Statistics*, 5 (October, 1923), p. 232. Claret and madeira are in s.p. per dozen bottles from quotes in the quarterly kitchen books at Windsor and St. James Palace. P.R.O. L.S.9 (300-4). Calico is in p. per yard at Brandsly, York and Easingwold. J.E.T. ROGERS, *History of Agriculture and Prices in England*, 7, Part I (Oxford: Clarendon Press, 1902), 431-435. Flannel is in p. per yard at Brandsly, Easingwold, York and Harrogate, *Ibid.*, pp. 447-450 and 596. Nails are bar nails in p. per c. at Brandsly, *Ibid.*, pp. 395-396 and in s.p. per lb. W. BEVERIDGE, *Prices and Wages in England from the Twelfth to the Nineteenth Century* (London: Longmans, Green and Co., 1939), p. 297. Iron is pig iron in £s per ton. T. TOOKE, *History of Prices*, 2 (London: Longmans, 1838), p. 406.

³³ Sources: The grain index is a quarterly index based on semiweekly price quotes of wheat, oats, barley, rye and flour at les Halles drawn from the *Journal Général de France*. The cost of living index is from C.-E. LABROUSSE, *Esquisse du Mouvement des Prix et des Révenus en France au 18^e Siècle*, 2 (Poitiers: Imprimerie Renault et Cie, 1933), p. 599. Eau-de-Vie and Cognac are in livres per 27 veltes and are based on monthly price quotes in the *Journal Général de France* and the *Journal de Paris*. Wine prices are in francs per hectolitre and livres per pipe from respectively C.-E. LABROUSSE, *op. cit.*, 1, pp. 275-276 and H. HAUSER, *Recherches et Documents sur l'Histoire des Prix en France de 1500 à 1800* (Paris: Les Presses Modernes, 1936), p. 224. Cotton is raw cotton in livres per quintal of 100 livres, imported from St. Dominique to Bordeaux, and based on semi-weekly price quotes in the *Journal Général de France* and the *Journal de Provence*. Cloth is an index from Labrousse, *op. cit.*, 2, p. 333. Iron is in francs per quintal of 100 livres. *Ibid.*, p. 355.

Table 3
PRICES IN ENGLAND³²

	Index	Claret s./p.	Madeira s./p.	Calico p.	Flannel p.	Nails p.	Nails s./p.	Nails s./p.	Iron £/s./p.	
1784	I	102	53/6				4/6	36/5	5/10/—	
	II	101	»	45/-		20	13			
	III	97	»	»			10			
	IV	98	»	»			10			
1785	I	98	»	44/—	17	12	11.8	4/6	35/4	4/—/—
	II	96	»	»	15.6					
	III	95	»	»			9.6			
	IV	95	»	»	17.	17	12.			
1786	I	96	»	»				4/—	35/4	5/15/—
	II	97	»	»	14.	28				
	III	97	»	»	18.	10				
	IV	101	»	»		24	9.6			
1787	I	102	»	»	18.	15.5	10.	4/—	35/4	4/—/—
	II	101	48/6	43/—	14.					
	III	101	43/6	42/—		24	9.6			
	IV	103	»	»	17.					
1788	I	101	»	»	17.	13		4/—	4/—/—	
	II	99	»	»			9.6			
	III	98	»	»	16.	20				
	IV	96	»	»						
1789	I	96	»	»	15.	14		4/—	5/—/—	
	II	95	»	»	13.		10.			
	III	95	»	»	16.	18				
	IV	95	»	»						

The Anglo-French Commercial Treaty of 1786

Table 4
PRICES IN FRANCE³³

	Grain Index	Cost-of Living Index	Eau de Vie	Cognac	Wine	Wine	Cotton	Cloth	Iron
			1. per 27 vel.	1. per 27 vel.	fr. per hectolite	1. per pipe	1. per quintal	fr. per quintal	
1784		101.7			10.98	88.68		100.7	25.55
	I	100	100	95			142.5		
	II	111	88.7	98			155.		
	III	120	83.6	98			162.5		
	IV	121	82.3	81			179.2		
1785		98.6			7.39	104.83		101.	25.91
	I	120	80.2	95					
	II	119	81.8	95			167.5		
	III	116	80.5	95			167.5		
	IV	111					167.5		
1786		95.4			8.03	96.		100.8	25.13
	I	101	74.	75			182.7		
	II	89	74.	75					
	III	79	74	75			210.		
	IV	84	74	75			210.		
1787		96.3			9.77	54.5		100.5	25.89
	I	82	74	75					
	II	77		90			235.		
	III	81	111	95			237.5		
	IV	83	129	121			257.5		
1788		103.9			11.73	100.5		99.9	26.08
	I	84	126	120			237.5		
	II	86	115	110					
	III	101	100	120					
	IV	125	90	125			178.8		
1789		131.2			13.41	120.75			26.21
	I	151	108	125			157.5		
	II	165	108	125			157.5		
	III	133	132.7	155					
	IV	127	188.7	250					

with the view that the main effect of the treaty was to induce larger imports of French wine into Britain.

As for the prices of particular commodities, neither cotton textile nor iron prices changed much in Britain which, in the case of textiles, is in line with Beveridge's annual prices of various kinds of cloth.³⁴ In contrast, wine prices fell appreciably. Both the prices of claret from France and madeira fell. The former fell by 20% and the latter by 5%. Their prices are based on weekly price quotes at St. James and the Queen's palaces. Both series of prices are quite identical and both were apparently set on the basis of long term contracts as neither vary much and only change in early 1787 when the treaty came into force. But the price quoted in Rogers, which fluctuate more, give a similar pattern.³⁵

In France the movement of wine prices is not clearcut. The annual prices given by Labrousse and Hauser show higher prices in 1788 and 1789. A similar pattern exists for the quarterly prices of cognac and brandy which are not very close substitutes to wine.

As for textile prices, the annual price of cloth shows little change between 1784 and 1789 while the price of raw cotton was rising until early 1787 and then fell, which is consistent with the French industry being hurt enough by the treaty to reduce its output and its demand for raw cotton.³⁶

The price of iron is only an annual price. It did not change much, at the most rising slightly in 1787-1789.

The only clearcut evidence from prices is that the treaty brought falling wine prices in Britain and possibly rising wine prices in France. Otherwise little change occurred in either the price levels or the prices of the other major traded commodities.

IV

The trade in wine did increase considerably, with British imports from France rising from an average of 400 tons in 1784-6 to an average of 1500 tons in 1787-8. Wine prices in Britain fell markedly and a 20% fall in the pre-treaty £25 per ton average value of wine imports from France implies a gain in consumer surplus of approximately £2700. Such a gain is only 0.001% of the British level of G.N.P.³⁷

As for iron, the price data indicate little or no change in its prices in either country. Furthermore French imports of iron from Britain were a small proportion of its output.

³⁴ BEVERIDGE, *op. cit.*, pp. 147, 195, 437, 457-458, 680, 705.

³⁵ ROGERS, *op. cit.*, pp. 361-362.

³⁶ This interpretation is not very plausible in the light of raw cotton prices moving in the same fashion in Britain, Mitchell, *op. cit.*, p. 490.

³⁷ Assuming a G.N.P. of £ 232 millions. *Ibid.*, p. 366.

A more significant consequence of the treaty may have been on the textile industry. Not much change in textile prices seems to have occurred in either country but the growth of British cotton textile exports to France was quite large. Such a growth in trade could have brought gains to either or both countries. In order for the gains to have occurred, the price of the commodity should have risen in the exporting country and fallen in the importing country. Then the gain in producer surplus enjoyed by the industry would have been more than the loss of consumer surplus to the British population. For France, the increased imports and fall in price would have given a production gain and a gain in consumer surplus.³⁸

In order to get a rough indication of the gains, the average of prices during the pre-treaty period (first quarter of 1784 to second quarter of 1787 for British quarterly data; 1784 to 1786 for French annual data) was compared with that during the post treaty period (third quarter of 1787 to second quarter of 1789 for British quarterly data; 1787 and 1788 for French annual data). That comparison indicates that cotton textile prices fell by 3% in Britain and 2% in France. Making the same comparison for price indices indicates that the price index was unchanging in Britain and rose by 1% in France. Accordingly prices both nominal and real, moved in the wrong direction for Britain to reap any gains from trade while they moved in the right direction for France to receive gains.³⁹

In France, the value of the domestic output of cotton textiles was about 50 million francs per year;⁴⁰ total imports averaged 13 million francs and imports from Britain peaked at £127,000 which is equivalent to about 3 million francs at an exchange rate of £1 = 24 francs. A fall of 2% in the nominal prices implies a combined production gain and gain in consumer surplus of 0.06 million francs if the increase in imports came entirely from Britain. That gain is only 0.002% of a French G.N.P. in the neighbourhood of 4000 million francs.⁴¹

Accordingly, the impact of the treaty on the cotton textile market appears to have been a temporary disruption to the French industry with little in the way of gains from trade to either country. The surge in French imports from

³⁸ M. MICHAELY, *Theory of Commercial Policy* (Chicago: University of Chicago Press, 1977), pp. 155-165.

³⁹ The textile prices moved in the right direction in both countries if the impact of technological improvements, even within this short time span, outweighed the influence of the tariff changes. In that case, gains from trade may still have gone to Britain but would have been even smaller for France than those calculated from a simple comparison of prices before and after the treaty.

⁴⁰ Assuming a domestic output of 50 million francs. MARKOVITCH, *op. cit.*, table XVI.

⁴¹ J. MARCZEWSKI, "Some Aspects of the Economic Growth of France, 1660-1958", *Economic Development and Cultural Change*, 9 (April, 1961), p. 371.

Britain came suddenly in 1787 and 1788 and passed as suddenly. The gains, if any, seem too small to compensate for the losses to the French economy of some factors of production in its textile industry being thrown out of employment, some of them leaving the industry and shortly afterwards having to be attracted back to the industry.

Although there may have been little gain from the growth in the trade of particular commodities, the evidence points to an impact elsewhere. Trade increased considerably without much change in prices in either country. This is a record to be expected if the treaty's main consequence was to turn smuggling into a lawful trade. Prior to the treaty, the value of the entire smuggling trade into Britain has been estimated at £2-£3 millions,⁴² which is about 1% of the British G.N.P. Trading by smuggling is usually much more inefficient and requires the use of much more factor services to move goods than lawful trade. Furthermore, its costs include the costs of the government's effort to prevent the smuggling. Making trade into a licit one can free factor services for use elsewhere in the economy. That gain may not have been so trivial. Its size depends on how much of the smuggling trade had been involved in trading with France and how much more costly was smuggling as a mode of trade. It can not have been larger than the increase in the legitimate trade of which both imports and exports more than quadrupled between 1781-5 and 1786-90.⁴³

⁴² W.A. COLE, "Trends in Eighteenth-Century Smuggling", *Economic History Review*, 2nd series, 10 (April, 1958), p. 409.

⁴³ SCHUMPETER, *op. cit.*, pp. 17-18.

