

# Assessing Trade in the Mercantilist Era: Evidence from a New Database on Foreign Trade of Sweden – Finland, 1738 - 1805

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## Main points

- Database on trade 1738 – 1805 > 1000 goods
- Traditional view, Heckscher, secular stagnation in trade
- This paper shows that trade per capita increased nearly twofold
- Decrease of the value of exports in relation to GDP
- Decline in specialization of Swedish exports
- The composition of imports did not alter profoundly and thus no/moderate consumer revolution

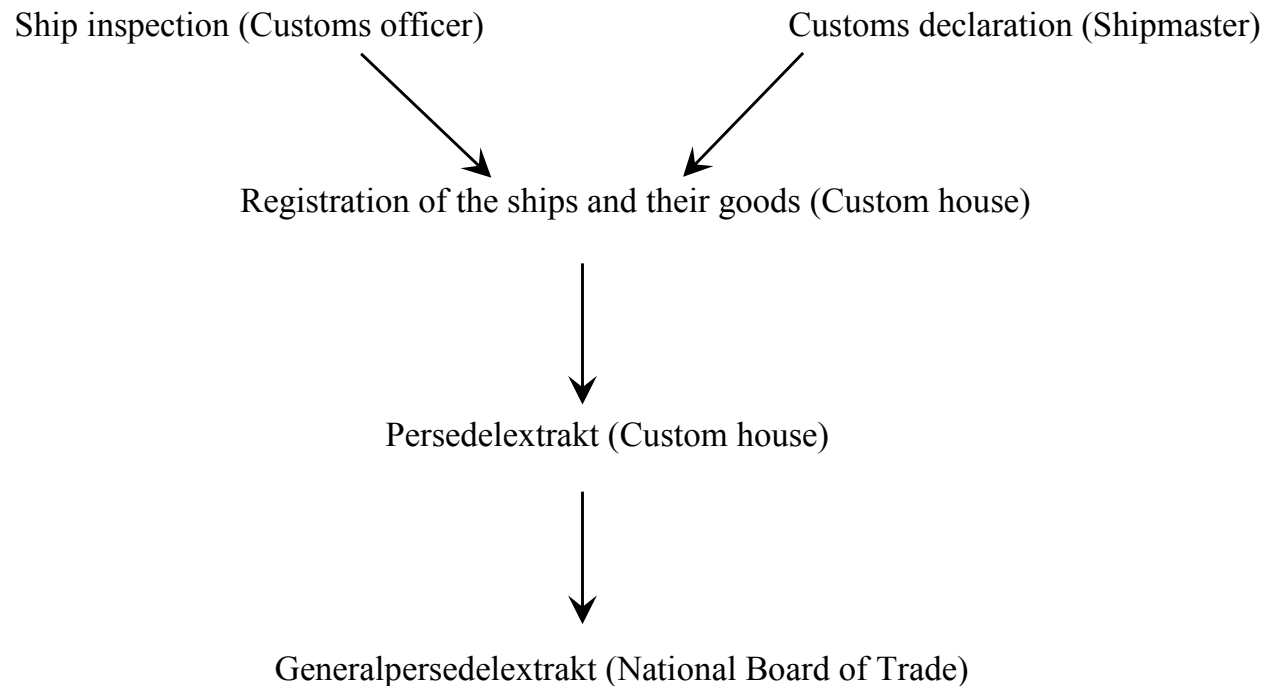
# The database

- Primary sources from the National Archives
- National Board of Trade, Statistics, Series 2., on exported and imported goods
- Mostly quantities of the goods. Limited amount of goods denominated in values
- 83989 non-zero data points
- 855 imported goods to Sweden-Finland
- 377 exported goods
- Number of goods to- and from Finland, less than Sweden
- Trade between Sweden and Finland not considered, around 1820, 10 percent of Swedish exports and imports, respectively (Schön 1984).

## Previous studies

- Heckscher (1949), National Board of Trade, Series 3., Balance of Trade statistics, estimated the value of trade flows.
- Heckscher concluded that trade volume was stagnant throughout the time period.
- Högberg (1969), studied the development of shipping and trade; quantities/shipping tonnage. Increase in trade.
- Vallerö (1969), how statistical data were collected
- Statistics Sweden (1972), a survey on foreign trade, including 1700s data. Most important goods.

# Reliability of the Statistics:



## **Reliability of the Statistics:**

- Several phases in customs documentation where errors could occur
- Smuggling is reported to have been large on imports
- Double registration with regard to exports (possible for imports)
- Custom houses could identify discrepancies between various documents received. Still, difficult correct inconsistent reporting

# Number of imported goods each year



# Number of exported goods each year





## **Method: Estimation of the values of exports and imports**

- Recording of imports and exports according to the c.i.f. and f.o.b. procedure
- Heckscher (1949) deflated nominal data with a price index that did not reflect the composition of foreign trade
- By contrast, this study argues that export- and import deflators must use market prices
- 1.) Values of the quantities of the goods
- 2.) Volume values
- 3.) Nominal values

## Method: Estimation of the values of exports and imports

- Value series, database, estimate relative prices of goods (administrative prices).
- Also, used market price data on commodities other source material
- This price data,  $p_{x,t}$ , for good X, compared to that in the database,  $p_{x,SNBT}$
- 1.) Geometric average market price, for a good x,  $p_x$ , 1738-1750 (constant price estimate).
- 2.) For most goods, there was no  $p_x$ , 1738-1750

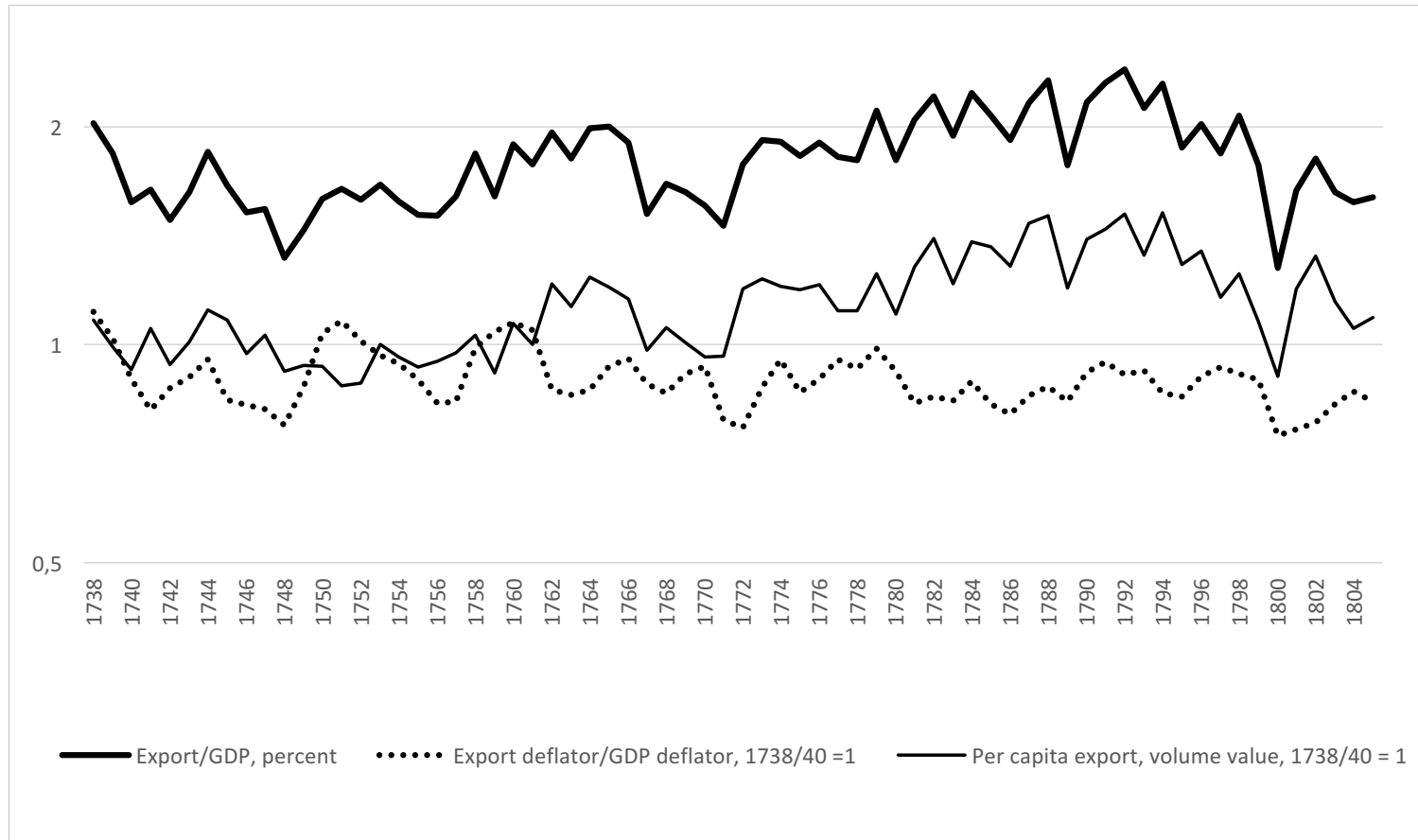
## Method: Estimation of the values of exports and imports

- 3.) Derived by the product of  $P_{x,SNBT}$  w. geometric average ratio  $P_{x,1738-1750}/P_{x,SNBT}$  of nearby goods
- => Constant prices estimated for all goods
- Estimation of nominal values
- 1.) Taken from market price sources (mainly, Jörberg (1972)).
- 2.) No market price data available => Geometric average of  $p_{1738-1750}$ , of nearby goods
- Thus:  $P_{x,1738-1750} * GEOAVERAGE(p \text{ nearby goods} / p \text{ nearby goods}, 1738-1750)$ .

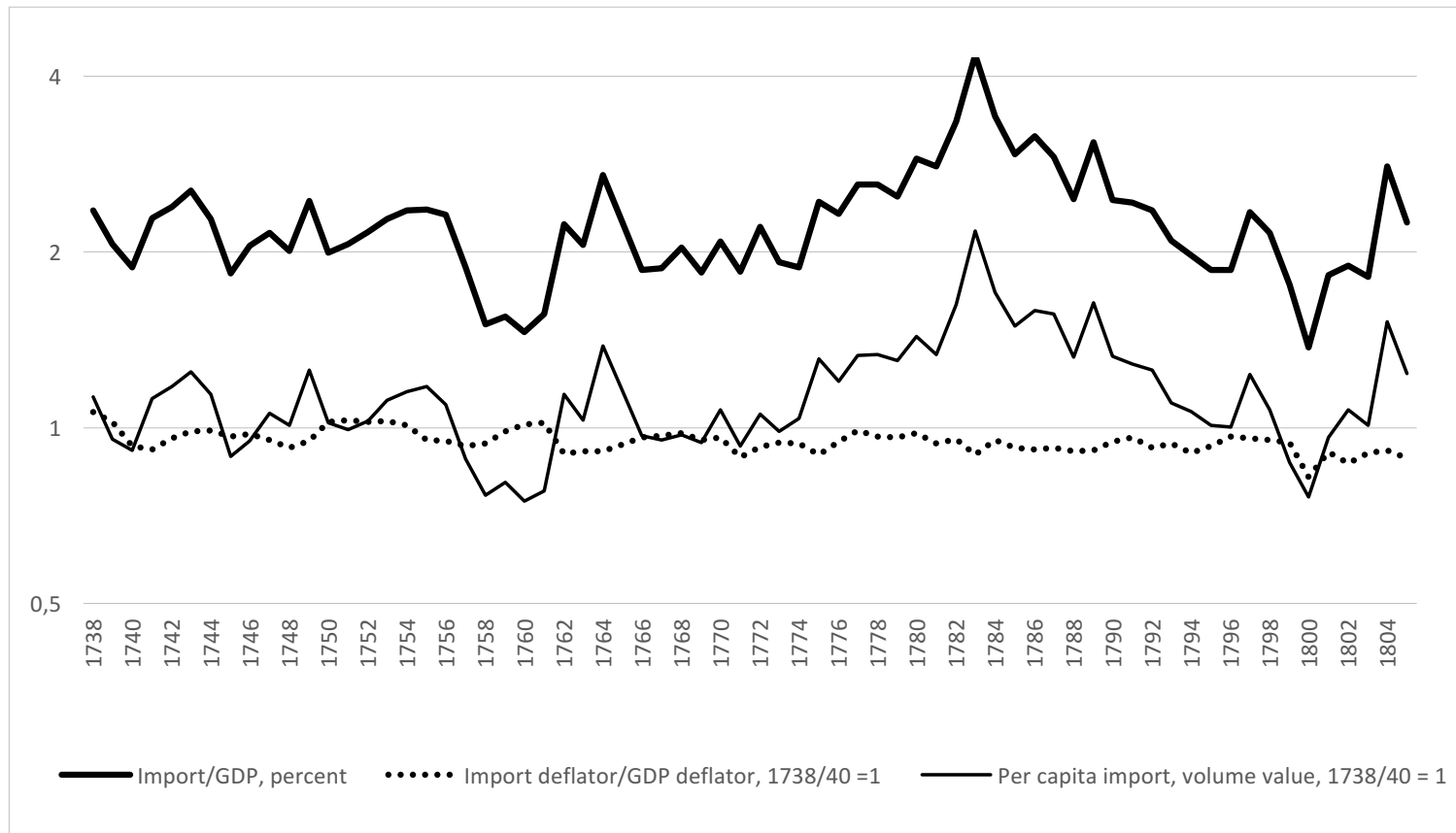
## Results of this study compared to Heckscher (1949) (trade volumes)

- According to Heckscher, total exports increased by 16 percent, corresponding to a decline in per capita exports by 24 percent
- This study shows that there was an expansion of total exports by 79 percent, equal to a 17 percent increase in per capita exports.
- As Heckscher stated, total imports decreased by 31 percent, and per capita imports by 55 percent.
- Contrasted by a total increase of imports by 78 percent, as in per capita terms, 16 percent.

## The development of exports 1738-1805



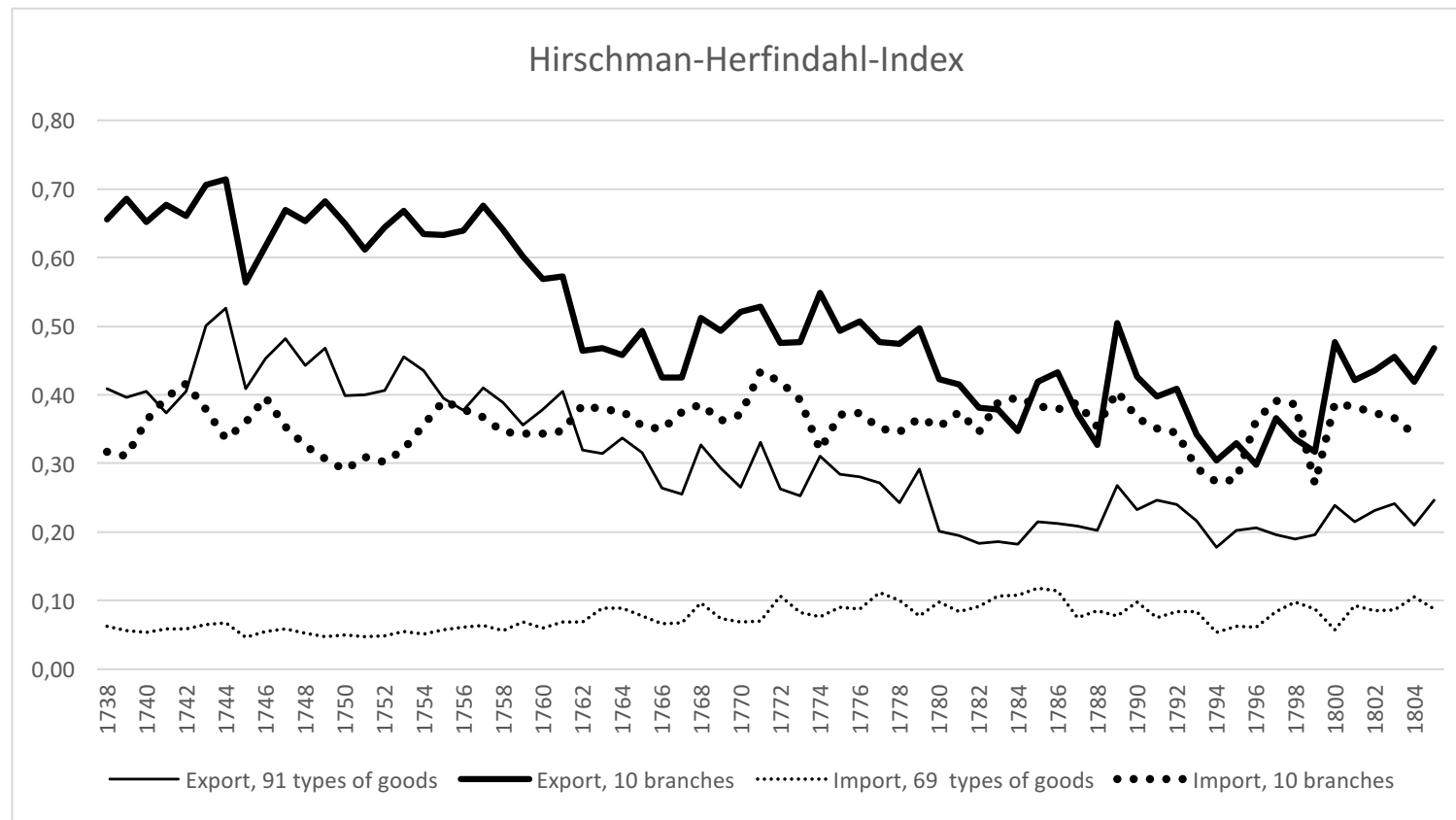
## The development of imports 1738-1805



## Economic Complexity

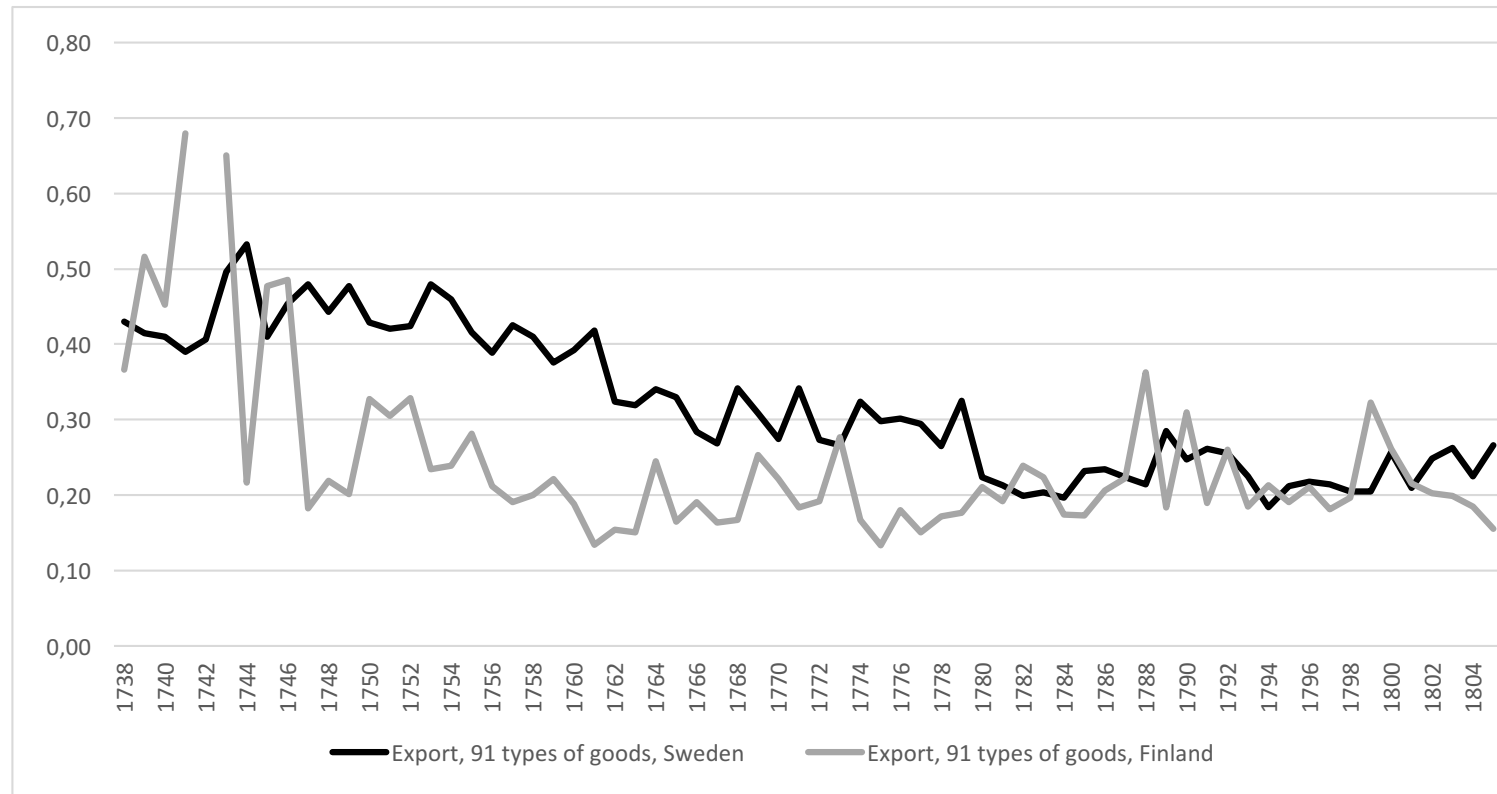
- As workers increasingly specialize in economic activities, productivity improves
- Complexity correlated with per capita income
- Economic growth is dependent on a country's non-tradable capacities: skills, organization, regulation.
- Assessment of complexity: Hirschman-Herfindahl-Index and Shannon Entropy Index.

## Economic Complexity/Specialization

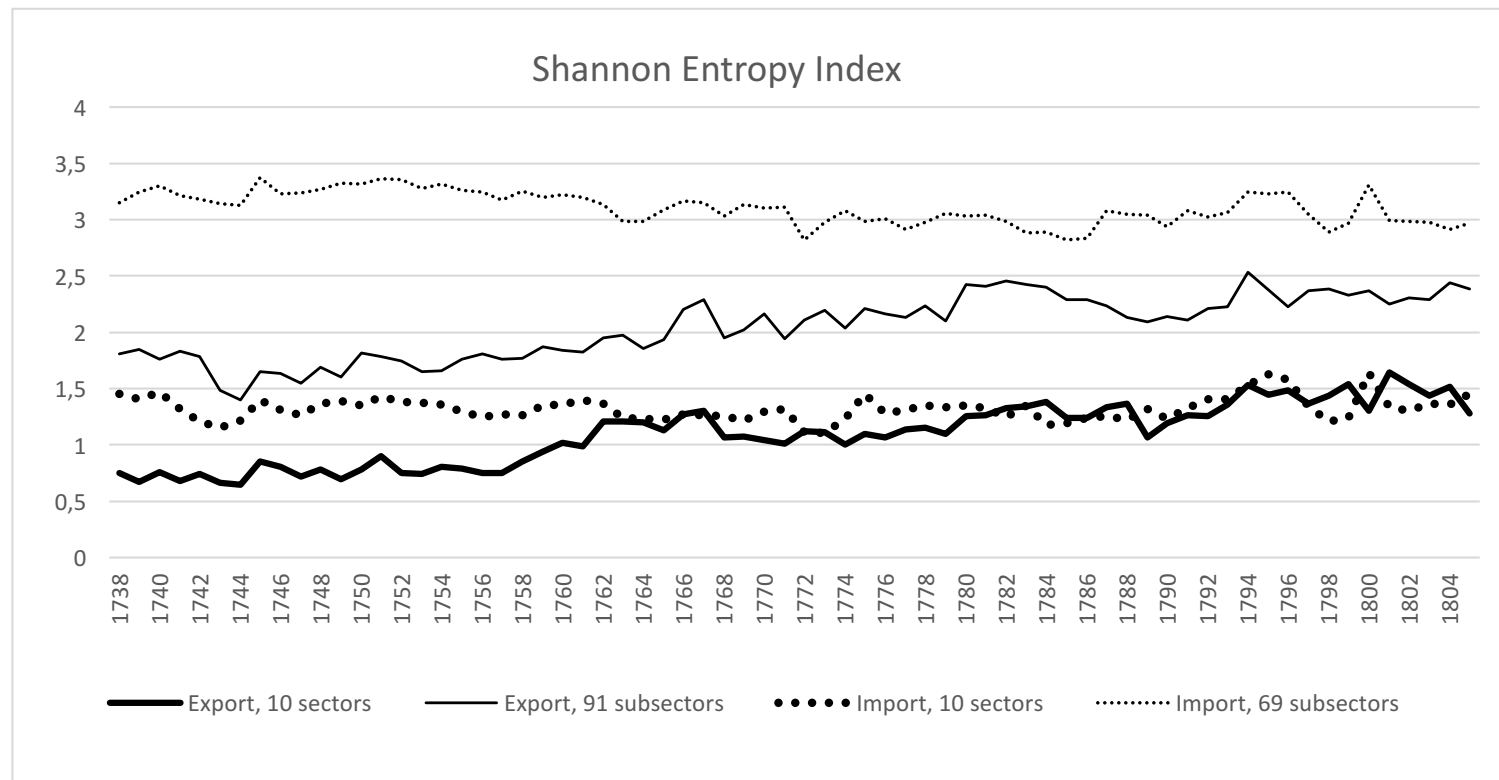




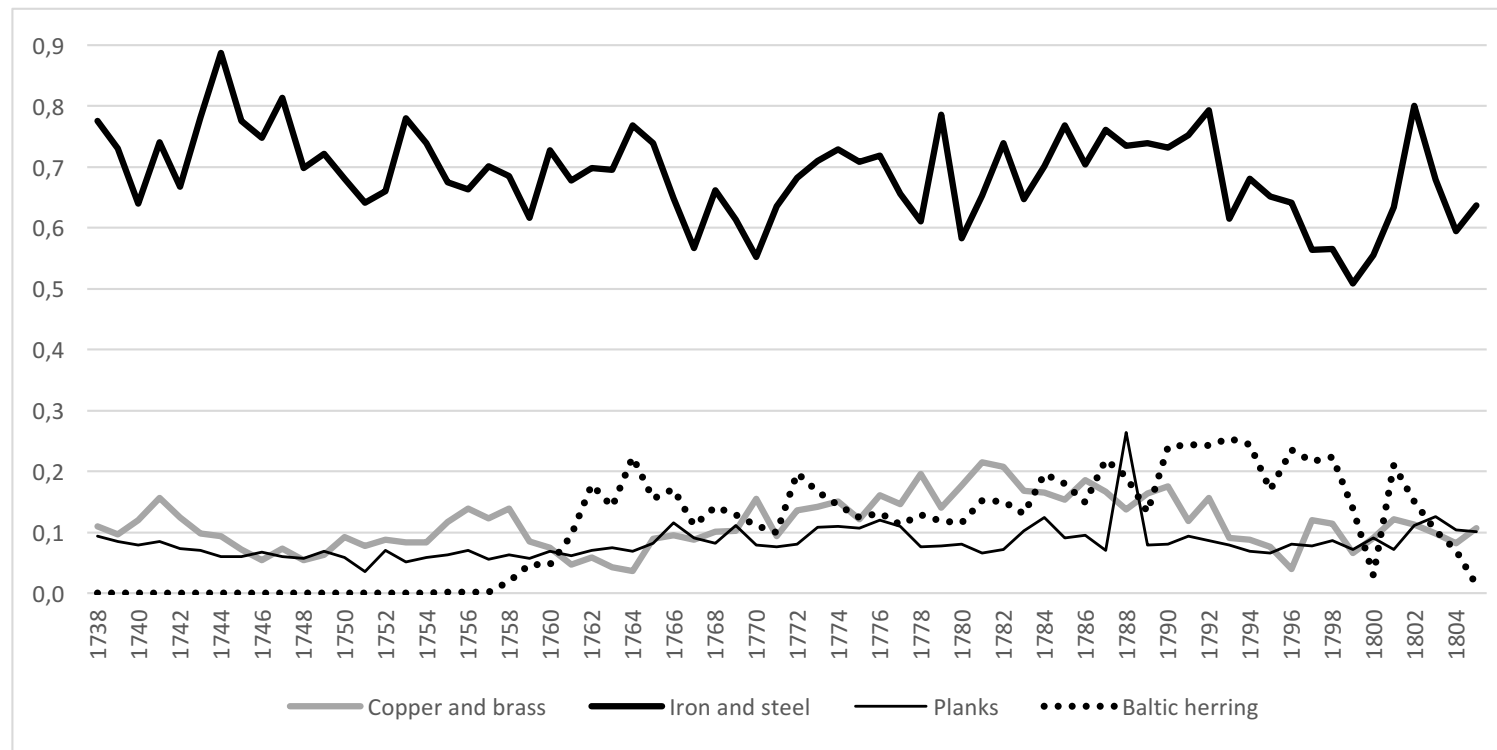
## Economic Complexity/Specialization



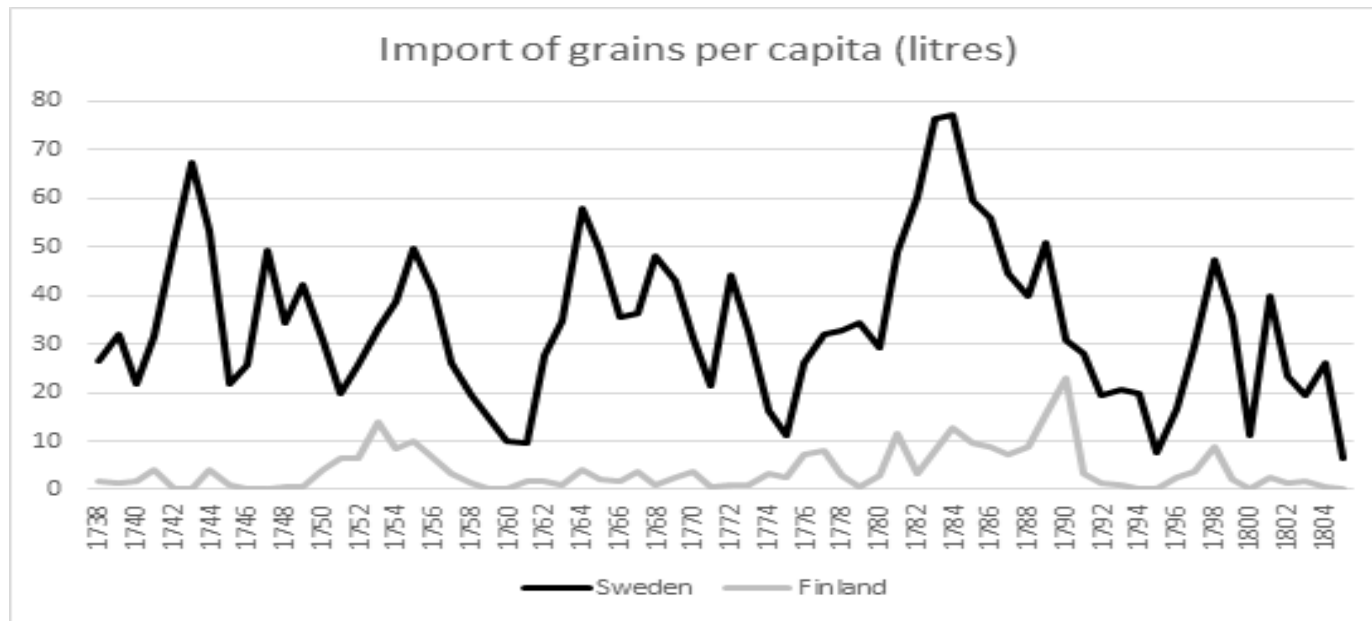
# Economic complexity/Specialization



## Per capita exports of the four most important commodities from Sweden-Finland, denominated in riksdaler specie, 1738-1750



# Imports of grains per capita



## Consumer revolution? Imports of coffee beans, sugar and tobacco, Sweden-Finland (grams per capita)

