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An economic analysis of Napoleon's Continental System

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AN ECONOMIC ANALYSIS OF NAPOLEON'S CONTINENTAL SYSTEM

A THESIS
SUBMITTED TO THE FACULTY OF ATLANTA UNIVERSITY IN
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR
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INTRODUCTION

The Continental System is the term that Napoleon gave to that group of measures by means of which he confidently hoped to destroy British economic prosperity as a preliminary to the destruction of Britain's political influences; however, the Continental System introduced only one new factor in the century-old commercial rivalry between Great Britain and France. This was the joining of the entire continent with France proper in the execution of the various acts of policy which France had previously employed unilaterally against the British. At the time that Napoleon formally established the Continental Blockade he was in sufficient control of Europe to resist Great Britain by forming a military alliance with Prussia and a naval alliance with Holland and Spain. His objective, however, was not only the ruin of the British as the great historian Seely believed; rather it was a European confederation of states under his personal domination. By establishing a continental blockade against British goods and strongly condemning British maritime practices, Napoleon could pose as the protector of continental interests against an unprincipled Britain and still inflict as crushing a blow upon the British economic system as he could have done by following any other scheme. If Great Britain agreed to revise her maritime code and restore the colonies of France and her allies, the Emperor's grand design in Europe and in the East would progress rapidly. If the British refused to come to terms, he
would confront the islanders with an armed continent -- as for a brief while he was able to do.¹

It is the purpose of this paper to discuss some of the economic aspects of the Continental System. In doing so, the writer will present four areas of concentration: (1) the background of the Continental System; (2) the immediate origin and course of the Continental System; (3) the limitations of the System; and (4) the consequences of the Continental System.

CHAPTER I

THE BACKGROUND OF THE CONTINENTAL SYSTEM

Anglo-French Commercial Relations

Although it was not until 1806 that Napoleon formally launched his Continental System, England and France had been commercial adversaries since the early Middle Ages. To go no further back than the mid-seventeenth century, there are evidences of hostility in the customs regulations between the two countries. From 1660, and especially after 1678 when the two nations were on the brink of actual war, commercial rivalry and mutual embargo may be regarded as the normal state of relations between them. 1 Following the mercantile theory that a country was strong only to the extent that its exports exceeded its imports, and that the motherland should have the monopoly of trade with its own colonies, the two states professed a policy of general prohibition of each other's products. But in practice, however, smuggling on a very extensive scale and the use of the license system made the actual traffic between the two realms far different from what it was supposed to be in theory. This divergence between reality and professed policy became all the more apparent in the latter half of the eighteenth century when the forces of the industrial revolution and the doctrines of economic liberalism (laissez-faire)

helped to weaken the old mercantile thesis.²

While the new ideas gradually gained more and more popularity in both Great Britain and France, it was in Britain that they received their "for all time classical synthesis"³ in Adam Smith's *The Wealth of Nations*, which sternly criticized the old system that existed, especially in the form it assumed in the trade relations between Great Britain and France.⁴ The result of these new forces was the Anglo-French commercial treaty of 1786, which ended the century-old commercial conflict between the two countries. Among other things, this settlement openly recognized the great change in their trade relations and allowed the entry of British manufactured products into France without the harsh restrictions of earlier times.⁵ Customs duties were lowered on all items, usually down to 10 or 15 percent of the value of the goods, while import prohibitions were completely abolished. But so unpopular was this treaty with the French textile manufacturers, who were hurt by British competition, that they endeavored to end it at the first opportunity — an opportunity which came in 1793 with the renewal of war between France and Great Britain. Subsequently, from 1793 until the close of the Napoleonic era, the commercial


relations between the two states followed consistently the older traditions of blockade and commercial restriction.

**Economic Status of Great Britain and France**

During the period with which this paper is concerned, the economic stability of Great Britain as the leading maritime and colonial nation formed a continuous source of speculation and doubt for many Europeans. It was perhaps natural that this mistrust was most prevalent among French revolutionaries because to those who adhered to the economic philosophy of the Physiocrats, it was obvious that a state so completely removed from the land was unnatural and, therefore, not sound.

But the belief in the instability of the position of Great Britain developed not only from general considerations of this nature but also from many actual conditions and developments which showed quite clearly the beginnings of economic decay in the great island nation. Moreover, it cannot be overemphasized how long people had felt that they had seen signs of this decay. Perhaps the most significant of these signs was the rapid increase in the British national debt during this period, especially when considered in the light of the generally accepted belief that such a development must eventually lead to national bankruptcy. Even the economic literature of Great Britain itself during the eighteenth century is full of prognostications relating to the impending ruin of the country. Especially interesting in this connection is Adam Smith's gloomy analysis of the state of affairs. In his opinion, the debts of all the great
nations of Europe would in the long run most likely ruin them. Although he felt that Great Britain, because of her superior system of taxation, was in a better position than most countries to weather the storm, he warned his readers that Great Britain could not support itself without great distress. When Smith gave this opinion, in 1771, the funded British debt was £124,000,000 and the war with the American colonies caused that figure to double. After Great Britain entered the revolutionary wars at the beginning of 1793, her national debt amounted to £230,000,000. Later on, the war was financed to such an extent that by the time of the Peace of Amiens, in 1802, the debt had risen to what was, for that period, an unbelievable sum of £507,000,000 -- a figure that takes added significance when it is realized that the funded debt of Great Britain at the outbreak of World War I was no more than £587,000,000. Under these circumstances, Adam Smith's warning could not fail to make an impression and, indeed, it is found as a main weapon used against Great Britain in an essay published in 1796 with the provocative title, "The Decline and Fall of the English System of Finance." The author was Thomas Paine, the well-known republican and free thinker, who, some years earlier, had fled to France and become a member of the National Convention.

To all this must be added the fact that there were many signs of the weakening of the British credit system. The main cause of this was the Bank Restriction Act of 1797, which released the Bank of England from the obligation to redeem its notes -- an obligation which did not reappear for a period of over twenty years. With these and other disastrous developments closing in at this time, it is no wonder...
that one contemporary observer maintained that "those who have long
predicted disturbances and ruin for England have never had greater
reasons for their gloomy prophesies."6

Although Britain appeared to be approaching economic disaster,
in France the situation was even worse, at least until the arrival
of Napoleon. As a matter of fact, Professor E. F. Hecksher main-
tains that it would have been difficult to discover anything more
hopelessly shattered than the finances of France at this time. He
further states that the economic status of France represented nothing
less than the most thorough-going national bankruptcy despite the
noble efforts of men such as Necker and Turgot who acted as Finance
Ministers in France.

Perhaps the most costly economic error of the French government
prior to the coming of Napoleon was the treaty of alliance with the
colonists in America who had revolted against the British government.
This successful venture upon which France entered proved extremely
expensive, increasing the already huge national debt by more than one
and one half billion livres. It was to some extent the participation
in the American Revolutionary War by the French that precipitated
the French Revolution of 1789. With the coming of the revolution,
the financial crisis grew increasingly worse until finally, in 1796,
the French monetary system completely collapsed.

With the arrival of Napoleon in 1796 and his subsequent unilateral

6Hecksher, Continental System, p.64., quoted in F. N. Mollien,
Memoires d'un Ministre du Tresor Public, 1780-1815, I (Paris:
Gomel, 1898), 185.
assumption of French governmental authority, all state expenditures were carefully audited, and France enjoyed monetary stability throughout the entire empire. Napoleon was able to balance his budget during most of the imperial era by employing extraordinary financial expedients, which included the sale of national property and the imposition of indemnities upon the enemy and subject states.

**Sea Blockade**

During the period 1793 to 1799, the French revolutionary assemblies passed severe decrees for the prohibition of various kinds of British manufactured goods, such as cotton and woolen fabrics, iron and steel products, and refined sugar. They also pursued a strongly protectionist policy against all foreign goods, imposing heavy customs taxes on them when they were transported by foreign ships. But, as in earlier times, this policy of French self-blockade, in reality, was altered by regulations and somewhat weakened by widespread smuggling operations.\(^7\)

Although these measures appeared to be very harsh, initially they were much milder than those proclaimed by the British, which was quite understandable in view of the fact that France was in greater need of aid from neutral countries than was Great Britain (France had need of neutrals for the procurement of its supplies while Great Britain did not suffer this inconvenience because of her widespread empire). At first the practice was milder on the French side also but gradually the French policy completely reversed itself and it

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\(^7\)Gershoy, *French Revolution*, p. 421.
was only a short time until the new tendency acquired official form. On July 2, 1796, the Directory categorically declared in an ordinance that British methods were to be employed against neutral countries in all respects. The culmination of this new trend was not realized, however, until the imposition by the French of the notorious law of January 18, 1798, which maintained that the nationality of a vessel should be determined by its cargo, so that if any ship was transporting goods of any kind coming from Britain or its possessions, no matter who was the owner, this fact alone justified the capture, not only of these goods, but also of the vessel itself and its entire cargo. Moreover, any ship that had docked at a British port was denied the right to enter any French port; previously it had been the practice to capture only those vessels sailing for a British port.

It would have been difficult to go farther; and, by this time, actions were more violent than words. During the two years which this law was in force came all the extreme examples of excessive procedures on the part of belligerents on the seas. Scandinavian vessels were especially vulnerable to this reign of terror, while the only other important neutral power besides Sweden and Denmark, namely, the United States, began what was almost a privateering war against France without any formal declaration of war. The French law was announced without any preliminary warning so that vessels that had sailed without being aware of its provisions fell helplessly into the hands of captors, and once captured, their chances of escape were almost nonexistent. With the importance that British shipping had acquired by this time, it was nearly impossible for a ship to sail
without having on board some item of British origin; moreover, it was not at all necessary that these articles should represent its cargo, in the strictest sense of the term, to guarantee its seizure. A woolen blanket on the captain's berth, a few containers of British coal for the ship's stove, or British eating utensils used by the crew were enough to lead to confiscation. Indeed, one contemporary observer gives the following example of just how far the French went:

Once when a French captor quite exceptionally did not succeed in finding anything British on board a captured vessel, two of the sailors were bribed to disclose the alleged fact that the skipper had had a pair of English boots which he had thrown overboard on the approach of the captors; and that...was enough to bring about confiscation of the cargo. In a suit against five Danish East Indian vessels bearing rich products obviously of Danish origin, the captors succeeded in having the cargoes condemned on the grounds that Lascars included in the crews were British subjects; and in other cases vessels and cargoes were condemned on the grounds that the former had been built in a British shipyard and had been bought after the outbreak of the war -- in spite of the fact that the vessel was a French prize and had been sold to its then Danish owner by the French captor.  

Under these circumstances, justice was not to be found. In fact, those who acted as judges were often ex-privateers or still commercially interested in the captures. The abuses increased to such an extent until they completely outgrew the control of the shaky government of the Directory. On one occasion, for example, Reubell, one of the members of the Directory, informed the Danish representative in Paris that a French Prize Court had condemned and caused to be sold for the benefit of the captor, a Swedish ship with a cargo destined for the French government itself.

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As indicated above, the British government, during this same period, also established a policy of blockade. Immediately after the outbreak of war, Great Britain authorized the capture of all ships and goods belonging to France. But while it pursued this policy quite vigorously, its intention was never to starve France or to stop French imports. It was always the desire of the British to regulate French trade for its own benefit and never to encourage the French self-blockade of British products. The British policy was actually an effective system of strengthening the commercial prosperity of Great Britain. It helped to stifle the trade of the French possessions of the West Indies with France and her European allies to the advantage of the British colonies. It also allowed Great Britain to transport the products of the enemy colonies to her own ports. Furthermore it greatly aided the total foreign trade of the United States, whose merchants and shipowners gained huge profits in transporting the products of the French, Dutch and Spanish colonies to Europe. But while this "carrying" trade of the American vessels had been declared legal by some observers, the position of the American and European neutrals was very dangerous. In fact, Great Britain used its unparalleled superiority to participate in illegal and damaging practices which often led to the confiscation of the neutrals' cargoes. Nevertheless, despite the interference of British warships, this period was a lucrative one for American merchants, agrarians and shippers. The whole situation, in reality, was quite similar to

the first years of World War I, when the United States, posing as
the great neutral, was able to realize huge profits as a result of
supplying food and other commodities to the warring nations.10

Continental Blockade

With Napoleon's rise to power in 1799 the commercial conflict
between France and Great Britain grew more severe and eventually in-
cluded the entire continent. However, as early as 1747, proposals
were introduced in the French Bureau of Commerce to unite France, Prussia
and the Scandinavian states for the purpose of destroying the maritime
supremacy of Great Britain. But it was not until after and in connec-
tion with the outbreak of war between France and Great Britain in 1793
that this tendency acquired any lasting significance. The attitude took
one or another of two views according to circumstances: either all of the
continental countries were regarded as commercially dependent on Britain
and therefore necessary objectives in the military and economic war waged
by the French Republic against its greatest enemy, or they all had the
same interest in crushing the power of Great Britain and were, there-
fore, the natural allies of France. From available sources, it seems
that most Frenchmen adhered to the first view. An example of this
is given in a speech which the French naval officer, Kersaint, delivered
in the Convention on January 1, 1793, before the outbreak of war, in
which he advised countrymen with the usual revolutionary clarity,
to face the struggle with the entire world. In his opinion, France
alone had her own industry and wealth, while Spain, Portugal and Holland

10Gershoy, French Revolution, pp.41-21-22.
and the Italian states worked mostly with British money and British goods. America and Asia, he maintained, were also economically dependent on Great Britain. In fact, he declared, that nowhere on the face of the globe could any lucrative trade be found that did not include the British. Consequently, the French authorities, along with Kersaint, concluded that the acquiescence of Great Britain could not be enforced except by attacks on her trade and that this, in turn, could be realized only by a continental blockade. A perfect example of what the French government hoped to accomplish by a continental blockade can be found in the instructions to the French envoy at the Hague, dated August 23-4, 1795:

The alliance with Holland offers the most important result of all, namely, to exclude the British from the continent, to shut them out in wartime from Bayonne to North of Friesland and from access to the Baltic and North Seas. The trade with the interior of Germany will then return to its natural channels....Deprived of these immense markets, harassed by revolts and internal disturbance which will be the consequence, Great Britain will have great embarrassment with her colonial and Asiatic goods. These goods being unsaleable will fall to low prices and the British will find themselves vanquished by excess, just as they had wished to vanquish the French by shortage.11

11Heckscher, Continental System, pp.51-57.
CHAPTER II

IMMEDIATE ORIGIN AND COURSE OF THE CONTINENTAL SYSTEM

Commercial War Immediately Prior to the Continental System

It is well known that the coming to power of Napoleon at the close of 1799 did not lead to general peace, certainly not to peace between Great Britain and France; and the activities which have been described earlier consequently continued on both sides. Napoleon, as were many of his contemporaries in France, was convinced of the hollowness of the British economic system. He firmly believed that a nation's trade was of little value in comparison with its industry and agriculture; he was certain, therefore, that Great Britain's ostensible prosperity was more apparent than real. Hence, he could bring about the economic destruction of Great Britain by closing her continental markets.

"Deprived of these immense markets," he wrote, "harassed by revolts and internal disorders which will be the consequence, England will have great embarrassment with her colonial and Asiatic goods. These goods being unsalable will fall to low prices and the English

1Heckscher, Continental System, p.77.
Furthermore, he thought he saw the signs of economic disintegration in Britain in the abnormal growth of the funded debt, in the cancellation, on the part of the Bank of England, of the redemption of its notes, and in the gradual inflation of the currency; therefore by closing the mainland to the British and forcing them to buy their food products from France, paying for them with hard money, he could empty the gold reserves of the Bank of England. The British credit would then break down, British subsidies to the continent would cease and France would emerge victorious.

Such was the Napoleonic idea of the commercial war and, to insure the success of his endeavor to close the continent to the British, he extended the practices of the revolutionary assemblies to the North Coast of Europe, to Italy and to Switzerland. Although, in 1800, he offered to revise the revolutionary decrees against British merchandise, substantial pressure from French manufacturers compelled him to continue the restrictions; therefore no stipulations were made in this connection in the Treaty of Amiens (1802) which once again established peace between Great Britain and France. However, the period of peace was of short duration. In April, 1803, the Corps Legislatif announced a new tariff law which made no concessions to British commerce, thus making unavoidable the renewal of war in the following month. After the initiation of hostilities, the Emperor tightened the restrictions upon colonial goods of British origin, and also against the

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4Gershoy, French Revolution, p.422.

neutrals that participated in smuggling activities. On the British side, the most important step taken was the extension of the paper blockade to the coast between the mouth of the Elbe and the port of Brest.

After his significant victory at Austerlitz on December 2, 1805, Napoleon was free to operate his grand design of conquering the sea by land; that is, of using his military power on the continent to close European markets to the British, while simultaneously winning those markets for French manufacturers. The new tariff of April 10, 1806, was a vivid expression of his policy. According to this law, all colonial products were subjected to heavy customs duties, raw cotton became dutiable and all cotton goods with certain exceptions (those that could not be produced in France) were completely excluded. While Napoleon realized the problems that this measure would bring to the French manufacturers, he was satisfied that after a year or two of hard times they would be grateful to him for eliminating foreign competition.

By these measures, Napoleon felt that he had effectively closed the French, Italian and Swiss markets to British industry and trade; but it now remained for him to block the rest of the continental ports in the same manner. In attempting to do this, he employed the old policy of prohibition directed specifically against Britain without giving up the French customs policy which was prohibitive against all.

On the contrary, the latter policy went hand in hand with the former throughout his period of rule.  

**Berlin Decree**

The immediate occasion for the introduction of the Continental System was the issue of the British Order-in-Council of May 16, 1806, which proclaimed the entire coast of France in a state of blockade.  

However, this first order-in-council was, in itself, a reply to Napoleon's earlier command for the closing of the neutral North German coast to British products. Napoleon's next offensive, however, was postponed until after his victory over the Prussians at Jena and Auerstadt. He subsequently gave orders to his commander in Northern Germany to occupy Hamburg, Bremen and Lubeck and take all British goods and manufactured products on the continent, because from there the goods had been going to Germany and the remainder of Europe. In fact, most of the American shippers' trade was carried on through the aforementioned cities. The result of this audacious order was the capture of huge amounts of British merchandise stored in the warehouses of the cities of Hamburg, Bremen and Lubeck and the enrichment of Napoleon's war treasury.

Although Napoleon by this time had initiated many measures aimed at destroying British commerce, it was not until November 21, 1806,

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7 Heckscher, Continental System, pp. 86-87.


when he issued the well known Berlin Decree, that the Continental
Decree was formally inaugurated. In this declaration, he posed as
the guardian of European economic affairs and as the protector of the
liberty of the seas. Among other things, the preamble to the decree
made the following charges against Britain: (1) it failed to abide by
international law; (2) it used the right of blockade to hamper trade
relations between nations; (3) it extended the right to capture mer-
chant vessels; (4) its acts had benefited itself at the expense of
everybody else; and that (5) therefore, retaliation was justifiable.
The decree itself declared that: (1) Great Britain was in a state of
blockade; (2) trade and intercourse with the island was denied and
mail would be captured; (3) all Englishmen in the French Empire
were to be taken as prisoners of war; (4) English warehouses and
goods and merchandise of English origin or ownership would be taken
as legal prize; (5) half of the confiscated goods would go to repay
French merchants for losses sustained as a result of capture by English
ships; (6) no vessel that had visited England or any of her possessions


could be received in any port; (7) execution of the decree was placed in the hands of the Ministers of Interior Relations, War, Marine and Finance, in addition to the Director General of Ports. But without a fleet, Napoleon could not actually enforce, as later developments will reveal, his blockade of the British Isles.  

The main results of that declaration, therefore, were endured by neutrals such as the American shippers, who ran the risk of capture at the hands of French privateers. The prohibition of trade with Britain was also felt by the neutrals in Europe, who were exposed to Napoleon's armies. For thus needlessly antagonizing the neutral shippers and cutting off neutral trade from France, the eminent historian, Leo Gershoy, maintains that Napoleon has been sternly criticized by many observers of his regime. But the Emperor, aiming precisely at defeating the British economically by a self-blockade of the entire continent, could never have reached this goal by permitting neutral trade to continue. He further realized that France and her allies would suffer overwhelming hardships as a result of his decision; but he felt that the damage to Great Britain would be even greater, if not fatal.

British Retaliations and French Responses

As a measure of defense against the Berlin Decree, the British issued an order-in-council on January 7, 1807, which forbade neutrals


to trade between the ports of France and her allies. Because of British domination of the seas, the neutrals, especially the American and Danish ships operating in the Mediterranean, suffered more seriously from the British order than they did from the more elaborate Berlin Proclamation. Since this measure of reprisal was only of limited importance, constant pressure was put on the British government for a more effective policy. Furthermore, with Russia, Prussia and Denmark ostensibly on the side of France, and the Iberian and Italian peninsulas almost completely under Napoleon's control, it was quite necessary for Great Britain to initiate policies to prevent the breakdown of her economic system. This decisive step was taken with the issuing of over twenty-four orders-in-council during the closing months of 1807.

These orders, in reality, reasserted a "paper" blockade by declaring that all ports from which British ships and goods were excluded should thereafter be subject to the same restrictions in regard to trade and navigation as though they were actually blockaded by a British fleet. The trade of countries or colonies that observed Napoleon's system was declared illegal and all such merchandise and the vessels that carried it were to be recognized as legal prize goods.

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17 J. H. Rose, "Napoleon and English Commerce," English Historical Review, VIII (October, 1893), 714.


19 Heckscher, Continental System, p. 114.
Moreover, any neutral ship that carried documents which declared its cargo to be of non-British origin, was to be considered a lawful prize of war. As one can plainly see, by these acts, Great Britain sought to penalize neutrals that adhered to the Napoleonic decrees. But, in order to acquire the support of the neutrals, the British government held out certain allurements to them. It allowed the neutrals to trade directly between British ports and the enemy ports in the colonies, and between neutral ports and any enemy colonial port not actually blockaded by British ships. In addition, the neutral trade with the closed continental ports was also consented to, but only on the condition that the neutral first drop anchor at a British port, unload its cargo and pay fees equal to an import duty before it could secure the right to proceed to a European port. Because British merchandise required no reexport certificate, this provision obviously favored the carriage of British goods, especially sugar, coffee and cotton, to the mainland on British ships.

In short, despite the formal revival of the blockade, the primary goal of the British government was to force goods of all kinds, British or enemy, upon the continent by way of a British port. These orders-in-council dating from the autumn of 1807 were completely in accord with the traditional English policy of commercial warfare. And it was this system of ordinances that made up the foundation of British policy until the death of the Continental System.

Not to be outdone, Napoleon, in reply to the British measures, intensified the pressure on neutrals by announcing the Milan Decree of
December 17, 1807.  

By the provisions of this decree, any ship which had visited a British port, paid a fee to Britain, or had even been examined at sea by the British was made a legal prize. Furthermore, the British Islands were declared to be in a state of blockade, both by land and sea. Thus the Milan Decree was the logical culmination of the Emperor's policy of preventing the export of British goods on neutral carriers. For him, there were now to be no more neutrals, because he sincerely believed that neutrals were either the British in disguise or had become the allies of the British by adhering to the orders-in-council.

**American Involvement in the Continental System**

During the period of the Continental System, American foreign policy was geared toward strict neutrality. The Napoleonic decrees on the one hand and the various British orders on the other, however, made this position quite difficult to maintain. Furthermore, many Americans held the opinion that "no self respecting nation could tamely submit to restrictions imposed on it by foreign powers."

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22 State Papers and Public Documents of the U.S., VI, 74.


This was especially hard for the United States in the case of the British restrictions, after the Leopard-Chesapeake affair which took place on June 22, 1907. On this date the "Leopard," a fifty-gun British vessel, stopped the American-owned "Chesapeake" off the coast of Virginia, just beyond the three-mile limit, and demanded the surrender of seamen who were said to be deserters from the British Naval Service. Then the demand was refused, the British ship began to fire on the American ship. The "Chesapeake" was in no way prepared for battle, however, and after twenty-one of its men had been wounded or killed, it chose to surrender. The British then arrested four men from the American ship, claiming that they were deserters. Because the captain of the "Leopard" refused to accept the surrender of the "Chesapeake," the American vessel was returned to her home port. The American public, to say the least, was furious. Barrels of water intended for British warships were broken, public meetings were held, and many people demanded war. Jefferson, however, remained calm and for the time being contented himself with an order declaring the ports of the United States closed to British war vessels.25

The "Chesapeake" affair and the subsequent near approach to war demonstrated to the most optimistically inclined, the necessity of more aggressive steps. But nothing of major significance was done until December 18, 1807, when Jefferson submitted to Congress the brief note which read as follows:

The communications now made, showing the great and increasing dangers with which our vessels, our seamen, and

merchandise are threatened on the high seas and elsewhere, from the belligerent powers of Europe, and it being of great importance to keep in safety these essential resources, I deem it my duty to recommend the subject to the consideration of Congress, who will no doubt perceive all the advantages which may be expected from an inhibition to the departure of our vessels from the ports of the United States. Their wisdom will also see the necessity of making every preparation for whatever events may grow out of the present crisis.

This recommendation was sent together with documents from France and Great Britain showing the necessity of providing protection for the commerce of the United States. The message was read on the same day in the Senate and referred to a committee which presented a bill almost instantaneously. Subsequently, the Senate affirmed the measure by a vote of 22 to 6 and sent it to the House within five hours after its first reading. While it is true that some members of the Senate had recommended that the bill be given further consideration, many others had been pleased with the sign of vigor on the part of the President and had pleaded for immediate action. Among these were John Quincy Adams, who had proclaimed: "The President has recommended the measure on his high responsibility. I would not consider; I would not deliberate; I would act!" Meanwhile, the members of the House had also responded. Upon the arrival of the presidential communication, John Randolph took the lead and moved that an embargo be approved immediately. On the next day, however,


Randolf reversed his position and opposed the embargo by insisting that it represented a response to French orders. But in spite of widespread disapproval caused in part by Randolf's defection, the embargo was passed on December 21, 1807, by a vote of 82 to 44.

The act which Jefferson approved on December 22, 1807, prohibited the departure of all vessels docked in American harbors, if destined to some foreign port or place.28 The only exceptions were foreign vessels which were allowed to leave after being told of the establishment of the law. Discretionary power, however, was given to the President to suspend these restrictions to any ships at his will and pleasure.29 Still more forceful was the enactment of a law in April, 1808, which both disallowed all loading of vessels except under the control of authorities and also, in general terms, forbade any vessel to leave without the special permission of the chief executive for any U.S. port or any district adjacent to foreign territory. Also the customs staff was authorized to seize any suspiciously large stocks of goods in such border regions. Furthermore, the law gave to naval and customs ships the right to search vessels suspected of intending to break the law.30

But what was the effect of the embargo on the belligerents?


against whom it was aimed? Perhaps the first apparent impact was an increased hatred within the British ruling class for the United States. In the summer of 1808, for instance, at a large affair in London, Sir Francis Baring proposed a toast to the President of the United States. Almost immediately his voice was drowned in a sea of boos and nays. Britain was in the mood to suffer great hardships before it would bend its knees to the Americans. In reality, there was no serious cause for alarm on the part of the British or anyone else for that matter, because in most instances the embargo was a complete failure. Canadian smugglers realized large profits, while British shippers took over the abandoned carrying trade of their Yankee competitors. American seamen unable to find work were faced with the alternative of starving or finding jobs elsewhere. Thus, many American sailors, as well as British subjects or deserters, were driven to Britain's merchant marine or navy.

On the other hand, the contraction of American food products and other supplies created real problems in some areas of the British Empire, most notably in the West Indies and Newfoundland. In addition, the embargo also exerted substantial pressure upon industrial life in Great Britain. A number of textile factories, for instance,


32 Heckscher, Continental System, p.131.

were forced to shut their doors, while their owners frantically petitioned the government for the repeal of the orders-in-council that had driven the Americans to the embargo. Thousands of unemployed industrial workers faced poverty and starvation. The acute shortage of grain even caused the British authorities to curtail the brewing of alcoholic beverages.

Why then did Jefferson's embargo fail to force concessions from the British? First of all, the classes hardest hit in Britain were unable to vote and could exert little pressure on the government. In addition, the proud Britons who resented the commercial restrictions of the United States, braced themselves to endure any hardship.

The American law, if possible, had still less effect, in the direction intended, that is, on Napoleon's policies. Similar to Great Britain, France was constantly capturing American ships and, in doing so, she acted in a much more violent manner than the British, especially when confiscating vessels simply and solely because they had been subjected to examination by British cruisers, a situation which they could not possibly have escaped. Acts of this nature were carried on to such an extent that, in 1808, for instance, an American brig was declared a lawful prize because it had been examined by the British despite the fact that, immediately after the examination, it endeavored to flee from the British cruiser into the port of Bilbao, which was under the control of one of Napoleon's allies, and thus had done its best to show its desire to obey the French decrees. As a matter of fact, Napoleon was so little inclined to exclude the United States from his belief that neutrals did not exist, that he managed to
find in the Embargo Act a justification for seizing all American vessels that called at French or allied ports. In a letter addressed to his financial minister he declared that:

...as the government of the United States had laid an embargo on its vessels and resolved not to carry on foreign trade during the war, it is evident that all the vessels that say they come from America really come from England and that their papers are fictitious; and consequently all American vessels that come to the ports of France, Holland, the Hanse towns or Italy were to be seized.\[34\]

This was the Bayonne decree and it represented all that the United States obtained from France by the Embargo Act.

The hopelessness of the battle against the disregard of the embargo by the Americans themselves finally led the President and Congress to give it up. The result was a new and famous law, the Non-Intercourse Act, which legalized American trade with all countries of the world except those under British and French control.\[35\] The effects of this law, though somewhat late, were quite promising. Madison, who had succeeded Jefferson as President three days after the passing of the Non-Intercourse Act, was elated to receive a British proposal for a settlement. But the British Minister in Washington, David M. Arskin, went a great deal beyond his instructions and promised on behalf of his government the rescinding of the orders-in-council against the United States, as of June 10, 1809. Acting

\[34\]Melvin, Navigation, p.72.


upon this, in accordance with the authority given him in the Non-Intercourse Act, Madison announced this concession on the part of Great Britain in a declaration which nullified the American Act on the same day.

With this announcement, a large movement immediately began in all American ports, where six hundred ships were waiting to set sail on the appointed day; during the week of June 16 to 23, Liverpool received more American cotton than it had received throughout the entire year of 1807. At this point, however, it was discovered that the British government had disavowed its minister, therefore Madison was forced to renounce his proclamation. The new British envoy who replaced Erskine came, almost at once, into sharp conflict with the American government and was recalled. After this all hopes of a quick settlement of this matter were all but forgotten.

The Non-Intercourse Act now obviously had to be repealed; it was replaced by a third law called Macon's Bill No.2, which, among other things, officially allowed trade with both Britain and France. But it also provided that if either of the two countries revoked its regulations before March 3, 1811, and the other country did not follow suit within three months, the President could, by proclamation, initiate against the latter country the main provisions of the Non-Intercourse Act.\(^{37}\)

The two American laws of 1809 and 1810 gave Napoleon a chance to exercise his mastery of diplomatic manipulation. At first, he

\(^{37}\)Macon's Bill No.2, Statues at Large, II, Sec.4, 605-06 (1810).
completely ignored the Non-Intercourse Act and acted as though he knew nothing about it; however, approximately one year after the American law was put into effect he suddenly announced a measure of reprisal in the form of another decree (Rambouillet Decree) dated March 23, 1810. According to this measure, all American vessels were to be seized and sold for the benefit of Napoleon's treasury. What made this measure especially ruthless, however, was a part that gave it retroactive force as far back as the date on which the American law had come into effect, that is, May 20, 1809. Thus it brought a number of vessels and cargoes (according to American estimates, 100 ships with cargoes valued at $10,000,000), into French hands. Shortly afterwards, when the Emperor learned of the American law of 1810, he immediately saw in it a chance to create a situation quite favorable for himself, namely by means of an apparent concession concerning the Continental Decrees, to pressure the Americans into putting the law into force against Great Britain. Accordingly, on August 5, 1810, he instructed his Foreign Minister, Cadore, to send an ambiguous letter to the American Minister in Paris. While ostensibly announcing the immediate repeal of the French decrees, it included a nullifying attachment: Great Britain would either have to repeal her orders-in-council or the United States would have to reestablish complete non-intercourse against her, both as to exports and imports. This letter was worded so as to commit France to nothing, while tricking Madison, with the hope that a promise had been made. Madison subsequently

issued a proclamation on November 2, 1810, which maintained that non-importation would be imposed on Britain if she did not withdraw her orders within three months. Napoleon had accompanied his presumed pledge with no evidence whatever of good faith, for, on the very date of the Cadore letter, August 5, 1810, Bonaparte ordered the sale of a number of confiscated American ships. Furthermore, there were strong indications that the French decrees were still in effect and that American merchantmen were being seized and robbed.

In the midst of these events Britain stood firm. It naturally refused to repeal its orders-in-council, for any fool could see that Napoleon had not revoked his decrees. In fact, Britain felt a new hatred for the United States for having been so willing to turn against them and toward Napoleon. This feeling was not improved when Congress passed a new measure, on March 2, 1811, which, in accord with Macon's Bill, officially renewed non-importation against Great Britain. The result of the various manipulations of Napoleon was the war of 1812 between Great Britain and the United States. In any case, it was at this point that American events ceased to be connected with those of the Continental System.

Table 1 gives a summary of the development of the events that have just been described with regard to the United States from 1807 to 1812.

The Workings of the Continental System in Europe (1808-1817)

During the years 1808 to 1810 political events in Europe were

Bailey, Diplomatic History, p.135.
TABLE 1

FOREIGN TRADE OF THE UNITED STATES (1807-12)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Domestic Goods</td>
<td>Foreign Goods</td>
</tr>
<tr>
<td>1807</td>
<td>$48,000,000</td>
<td>$59,640,000</td>
</tr>
<tr>
<td>1808</td>
<td>9,430,000</td>
<td>13,000,000</td>
</tr>
<tr>
<td>1809</td>
<td>31,410,000</td>
<td>20,800,000</td>
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<tr>
<td>1810</td>
<td>42,370,000</td>
<td>24,390,000</td>
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<tr>
<td>1811</td>
<td>45,290,000</td>
<td>16,020,000</td>
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<tr>
<td>1812</td>
<td>30,030,000</td>
<td>8,500,000</td>
</tr>
</tbody>
</table>

characterized by the continued extension of Napoleon's Continental System. In 1808, for instance, Etruria was formally incorporated into the French Empire; at the same time, Rome was occupied by French soldiers to be later incorporated also in 1809 together with the rest of the Papal States. By this means, the Italian peninsula came completely under the control of Bonaparte. Of all that is now recognized as Italy, only Sicily and Sardinia were successful in keeping their independence, due largely to the direct aid of Great Britain. During 1809, the occupation of the coast was followed up on the Balkan peninsula -- a movement which had its beginnings as early as the close of 1805

40 Channing, Jeffersonian System, p.228.

with the acquisition of Dalmatia and part of Istria. By the Peace
of Vienna, Austria was forced to cede to Napoleon, among other things,
the rest of her coast and the remainder of Istria and Croatia. From
the point of view of the Continental System, the most significant
thing about it was that Napoleon's power now extended to Trieste,
which with a bit of exaggeration might be called, after the annexation
of Leghorn, the Leipzig of South Europe.

Most historians agree that the year 1807 was a significant year
in the history of the Continental System, and, for that matter, in
the history of the great Anglo-French struggle as a whole. The
change was exactly the opposite of that indicated by the new acquisi-
tions, because the insurrection in Spain gave to events in the Iberian
Peninsula exactly the reverse course to that in the Balkan and Italian
Peninsulas. The effect on the Continental System came about partly
by military conditions, because the coastal defense of the North Sea
was weakened due to the loss of forces required for the war in Spain.
The Spanish insurrection, however, had a much greater influence on
the Continental System, through its consequences for colonial trade
and for Napoleon's colonial empire. One student of Napoleon's colonial
empire has shown how decisively the Spanish events ended Napoleon's
colonial endeavors, which previously had been built to a great extent
on the Spanish possessions, which one by one fell into the hands of
Great Britain. Consequently, during the remainder of 1809, the
British had good reason to be optimistic.

The year 1810, on the other hand, was to be a period of hard
times for both belligerents, both politically and economically. In
France, Napoleon was becoming more and more convinced of the impossibility of forcing obedience to his measures beyond the limits of his own direct authority. For this reason there followed in quick succession, first in March, the acquisition of the Southern part of Holland as far as the Waal River and next the incorporation of the rest of Holland in July after Napoleon's brother, Louis, had abdicated and fled from the country. \(^{42}\) At the same time, advances were being made along the South Coast of the Baltic in the states of Sweden and Prussia.

It was precisely in the Baltic, however, that Napoleon was to make one of his worst blunders -- the break with Russia. Although this occurrence had many causes, the opposition between the two countries became quite clear when the Russian Emperor, Alexander, declined Napoleon's request in the autumn of 1810 to seize a group of commercial ships trading in the Baltic under different neutral flags. \(^{43}\) The final breach occurred as a result of a customs law which Alexander issued on the last day of 1810. As a result of this law, American ships were given preferential trade rights. \(^{44}\) Moreover, as they were the disguise mainly used by British shipping, the whole measure was understandably regarded by Napoleon as an informal way of aiding his worst enemy.


During the course of 1811, the breach was more and more widened by Alexander's constantly more open favorable treatment of British shipping. Although, at first, Alexander pretended to go along with the System, later on he gave up all pretense of adherence to it.\footnote{John C. Ropes, \textit{The First Napoleon} (Boston: Houghton Mifflin and Co., 1886), p.81.}

It was this decision that ultimately led to war between the two rulers -- a war in which the French did not emerge victorious.\footnote{Napoleon Bonaparte, \textit{Memoirs of the Public and Private Life of Napoleon Bonaparte} (London: George Virtue, 1837), p.594.}

Napoleon's great plan to defeat the Russians, on their own soil, was doomed to failure and after the remnants of his forces started their long retreat from Moscow, it appeared imminent that the Continental System would soon follow its originator in defeat. Among other things, insurrections took place in nearly all of the ports that Napoleon had seized to implement his grand design. While it is true that they were harshly suppressed, it exceeded even Napoleon's ability to devote to the enforcement of the System the tremendous energy which would have been necessary to prevent it from falling apart. Moreover, the falling away of his forced friends cost the System its continental extensions, so that even his sincere friend, Frederick VI of Denmark, made a cautious move backward; with the marching of the allied troops into France there also followed tremendous amounts of forbidden goods. Finally, the Continental decrees were formally abolished, immediately after Napoleon's abdication in April, 1814; with this move, the System passed into the pages of history.
CHAPTER III

LIMITATIONS OF THE SYSTEM

The Deficiencies of the Administrative Personnel

Although Napoleon launched his Continental System in 1806 with great enthusiasm, substantial difficulties soon emerged to militate against the success of his venture. The major problems of the undertaking included extensive smuggling operations, the almost complete corruption of his official agents and the wide use of licenses.

Napoleon's plan of a continent completely closed to the British was so ambitious in its scope that its effectiveness depended upon officials equally inspired; this was not the case however; instead, his entire staff of civil and military agents employed in the operation of the Continental System were both unwilling and/or incapable of carrying out instructions. Accordingly, graft and corruption, laziness or complete indifference characterized the great majority of the governmental personnel.¹ With few exceptions, the military corps, the naval port officials, the customs authorities, the border police, and the local bureaucrats could not be trusted.² In fact, the system of bribery formed a source of income for many of the servants of the state; and there was hardly a place in the territories

¹Gershoy, French Revolution, p.421.
occupied by France or under French control, where this situation did
not exist. To say the least, these officials found it quite profit-
able to encourage the commercial traffic which they were employed
to stop.  

Smuggling

Smuggling operations were also frequently employed to enhance
commercial intercourse during this period. Bourrienne's Anecdote
gives a description of activities of this type:

To the left of the short road from Altona to Hamburg
there lies a field that had been excavated in order to get
gravel for building houses and roads. The intention was
to repair the broad and long street in Hamburg running to the
Altona gate. During the night, the hole from which the
gravel had been taken was filled up; and the same carts which
as a rule conveyed the gravel to Hamburg were filled with
raw sugar, the colour of which resembles sand. They contented
themselves with covering the sugar with a layer of sand an inch
thick. The pikes of the customs officials easily penetrated
this thin layer of sand and the sugar underneath it. This
comedy went on for a long time, but the work on the street
made no progress. Before I knew the cause of this slowness,
I complained about it, because the street led out to a little
country place which I owned near Altona, and where I used to
go daily. Like myself, the customs officials at last found
out that the work of road-making took rather a long time,
and one fine day the sugar carts were stopped and seized.
The smugglers then had to devise some other expedients.

In the region between Hamburg and Altona, on the right
bank of the Elbe, there is a little suburb inhabited by sailors,
dock-labourers, and a very large number of house-owners, whose
burial ground is in the churchyard at Hamburg. One now saw
more often than usual hearses with their adornments and
decorations, processions, burial hymns and the usual ceremonies.
Amazed at the enormous and sudden mortality of the inhabitants
of Hamburgerberg, the customs house officials at length
ventured to examine one of the deceased at close quarters
and discovered sugar, coffee, vanilla, indigo,....This,
accordingly, was another expedient which had to be abandoned;

3 W. E. Lingleback, "Historical Investigation and the Commercial
History of the Napoleonic Era," American Historical Review, XIX (Janu-
ary, 1914), 274.
but others remained.\(^4\)

With this story may be compared the more informative and reliable description given by Rist, the representative of Denmark at Hamburg:

For some time there had developed a peculiar and flourishing contraband traffic which was carried on from Hamburgerberg with varying success in full daylight and under the eyes of the customs officers. About this I wish to speak, because it was not only peculiar in its kind, but also not without influence upon the manners of the people and later events, and even became the subject of a genuinely humorous popular poetry.

The abundance of cheap colonial goods in Altona, which could not be prevented by any prohibitions or other measures from this side of the frontier, and the similarly unpreventable connection with Hamburgerberg, made this last-named place a regular emporium for contraband goods. Speculators in that line of business had at one time hit upon the idea of entrusting to all kinds of low class people, chiefly women, boys and girls, of the rabble, the task of carrying the forbidden goods in small quantities through the customs guards stationed at the town gates. The attempt had been successful and was soon continued on a large scale. The city gate was thronged with all kinds of canaille coming in and going out in a steady stream. Behind some wooden sheds near the city gate one saw the arsenal of this curious army and its equipment, which was at once disgusting and laughable. There women turned up their dresses in order to shake coffee beans down in their stockings and to fasten little bags of coffee everywhere under their clothes; there boys filled their ragged trousers with pepper in the sight of everybody; others poured syrup in their broad boots; some even claim to have seen women conceal powdered sugar under their caps in their black tangled hair. With these burdens they at once started off, and afterwards delivered over their goods in certain warehouses located near the city gate and received their pay. In this way, immense quantities of goods were brought in; and agreements with these petty dealers, based solely on good faith, seem seldom to have been broken on either side....\(^5\)

These activities were by no means confined to Hamburg, although

\(^4\)Heckscher, *Continental System*, p.188.

\(^5\)Ibid., p.189.
they seem to have been most prevalent there. On the North Sea coast, for example, the smuggling was even more systematic in Bremen, which, Max Schafer has maintained was a "smuggling metropolis." It possessed a special advantage due to the fact that articles could be smuggled in directly from the British. Smuggling also went on in the Balkan peninsula, where the most primitive devices were used. In this area, sugar was packed in small containers weighing no more than 200 kilograms, so that they could be conveyed on horses and asses; in this manner it was transported by armed caravans through Bosnia, Serbia and Hungary to Vienna. And while France proper was probably the most closely watched country of all, even there, according to both British and French sources, smuggling thrived to a very large extent. At the same time that the Berlin Decree was issued, the English Monthly Magazine declared that British goods of various kinds were exported on French orders to France everywhere along the frontiers and could easily be insured up to the point of their destination -- a state of affairs no doubt aided by the cooperation of the French customs officials. Moreover, an articulate and well-informed adventurer, Louis Simond, who traveled through Great Britain in 1810-1811, describes how the British goods were wrapped in packages small enough to be carried by hand and made to imitate the manufacturers of the country to which they were being sent, even to the very paper and exterior covering, with the names of the foreign manufacturers printed on the goods.

The smuggling trade eventually became so extensive that it

1Ibid., p.190.
became a normal, almost respectable, method of trade. Far from being a mere risky adventure, it acquired the status of a highly organized system—a different type of organization from the usual one, but still a regular organization for a regular trade. 7 It was based upon definite business practices, with fixed commissions proportionate to the dangers involved.

Although the expenses and the risks of the smuggling trade increased the price of the forbidden goods for individual buyers, their desires for them was strong enough to guarantee a large market for the smugglers whose net profit was usually 40 or 50 percent.

**Licensing**

Finally, the third of the factors working against Napoleon—the sale of licenses—made itself widely felt. 8 Those sales increased tremendously from some 2,000 in 1806 to 18,000 in 1810. A license saved the shipper whether British or, as was true in many instances, Russian, Prussian or Swedish, from capture at sea by British war vessels and privateers. It provided a large income for the British Treasury and kept the continent open to British goods. Upon entering an enemy continental port, the chief officer would show his easily obtainable fake papers, which proved that his cargo was non-British and his departure had been from a non-British port. Not without justification, therefore, this system of commercial intercourse

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8* Bourriene, Memoirs*, p. 84.
The Trianon and Fontainebleau Decrees

The failure of the self-blockade forced Napoleon, in 1810, to initiate a set of measures which led him far from the original goals of the Continental System. The basic cause of the new system was his failure to stop the transportation of colonial and manufactured goods to the continent. Although he hoped that the new plan would result in a substantial increase in the French customs revenue, its only consequences were the ruthless promotion of French interests at the expense of his allies and vassal states. He felt that he had found a combination for defeating both the British and the smugglers. In January, 1810, he authorized the auctioning of prize cargoes, prohibited goods included, provided that the purchaser paid a fee of 40 percent, and to make sure that the revenue from these sales would be sufficient to offset the steady losses in the ordinary French customs dues, he let customs officials understand that prohibited goods might be admitted into the ports on the condition that they were falsely labeled as prize goods. "Cotton, however, was not included in these operations, being destroyed in return for an indemnity to the captors."9

In August of 1810, the Emperor announced the fundamental law of his new system, the Trianon Tariff. By this law he legalized the importation of colonial goods such as coffee, cocoa, and sugar on payment of the duty amounting to 50 percent of the value of the

item. The duty on raw cotton, however, was more stringent and, in the case of cotton from America, prohibitive. In this manner, he became his own smuggler, adding to the Treasury of France in customs fees nearly the same percentage of profits that smugglers had been receiving from their vast operations. Although the revenue of the Treasury quickly showed a large gain, the problems that these measures caused to dealers in colonial goods and to cotton producers speedily contributed to a false depression.

With the Trianon Tariff, Napoleon attempted to regulate colonial trade in order to make his government rather than smugglers the beneficiary of this trade. At the same time, he encouraged, on a large scale and at a high price, the sale of temporary trading licenses to favored French merchants, who could now evade in secret those laws which he staunchly defended in public. Napoleon hoped by means of the license system to promote the exportation of French manufactured goods to the continental states in which British goods were still forbidden.

Napoleon's more pressing concern at the moment, however, was to eliminate what remained of illicit colonial trade and to suppress the sale of British industrial products not permitted by his license. This he attempted to do by issuing the Fontainebleu Decree of October 18, 1810, which ordered the destruction of all British manufactured goods except the few articles that had been admitted under licenses.\(^{11}\)

\(^{10}\) Melvin, Navigation, p.217.

\(^{11}\) Ibid., pp.228-29.
But it would be a great mistake to conclude that this law was any more effective than Napoleon's earlier measures. On the contrary, quite the reverse was true, the reasons being the total lack of interest, both private and public, in obeying the regulation. In fact, most people regarded the measure as a joke. Furthermore, whenever the illegal goods were seized, the British did not suffer serious loss because most of the merchandise destroyed had already been paid for by French or German merchants. The Emperor had by now completely changed the original nature and intent of his great plan, and his late System stood fully revealed as a criminal and imperialistic expedient, which under the pretext of destroying the British, worked to squeeze money out of his continental allies and to promote the growth of French industries at their expense.

General Economic Effects of the Continental System on Europe

Although this paper is primarily concerned with the economic effects of the Continental System on Great Britain and France, the author feels that it is also important to note some of the general economic effects of the System on certain other countries.

First of all, among the countries on the continent of Europe there was not one that developed so strongly under the Continental System as Saxony; there were many factors which contributed to this. Among other things, Saxony was located some distance from France and was governed by a native monarch in whom Napoleon had faith.

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12Heckscher, Continental System, p.228.
powerful French interest further demanded that Saxony's economic life should be protected from violent dislocations and crippling restrictions. Under these circumstances it was natural that Napoleon should make provisions for the economic stability of that country.

But while the economic development of Saxony, on the whole, was encouraged by the Continental System, in certain areas of Switzerland the result was just the opposite. In the Swiss and Baden regions, there was a noticeable decline in the previously progressive industrial development, and a depression which was widespread and, in certain districts, quite alarming. This situation was especially bad in the cotton industry and to a lesser extent in the manufacture of silk and the making of watches and jewelry. The most highly developed watch-making industry, during this period, that of Geneva, is said to have declined to a fraction of its former size.13

To outward appearances, consequently, the difference between Switzerland and Saxony was very great. Things were far worse in Switzerland for three basic reasons: (1) the much greater enforcement of the Napoleonic policy there; (2) its closeness to France; and (3) the fact that Swiss industries were mainly concerned with products that competed against those of France.

The Grand Duchy of Berg is another example of a region that suffered as a result of Napoleon's Continental System. Prior to the inauguration of the System, Berg was one of the most advanced industrial countries on the continent, especially in the fields of metal manufacture and of

13Ibid., pp.302-10.
textiles, both woolen and cotton. It was, to be sure, quite superior to the corresponding French industrial areas and was called, for obvious reasons, a miniature England.

It is obvious that a region of this kind would have served better than almost any other to form the central point in a combination of the continent against the industry of Great Britain; and few areas would, at least momentarily, have gained more by such a position. But apparently this would have assumed a willingness to subordinate the interests of French manufacturers to the demands of the uniform continental policy; and it was exactly this willingness that was absent. The very industrial superiority of Berg, therefore, became its handicap under the Continental System. Under such circumstances, Berg, for the most part, realized nothing but injury from the Continental System and after 1810, when conditions everywhere began to get worse, the situation in the Grand Duchy has been described as very sad.¹¹

The economic development in the other continental states during this period differed very little from that of the countries just mentioned. Conditions in Bohemia, for example, seem to have followed the same path as those in Saxony, while Italy, similar to Switzerland, suffered great hardships as a result of the closing of the frontier of South Europe to all quarters. In the north, the great linen manufacturers of Silesia, especially, suffered as a result of the closing of the Italian frontier, creating a very close parallel to the Swiss situation.

¹¹Ibid., pp.311-16.
Conclusion

The Consequences of the Continental System

The Continental System had very little success in its endeavor to destroy the economic system of Great Britain and most of the things it created on the continent lasted for a very short time. From 1807 to 1810, thanks to the license system and smuggling operations, British exports were not seriously affected by the Continental System, although the British shippers experienced a severe loss by having neutrals monopolize most of their reexport of foreign products to the continent. In compensation, however, they were able to find new markets, especially for calicoes and prints in South America and the West Indies.¹

During the same period, France made great efforts to locate native substitutes for the colonial products of which she was denied. Among other things, chicory, dried carrots, acorns and sunflower seeds were used as coffee substitutes, while the increased use of French-grown potatoes was encouraged; for tobacco, excellent substitutes were found in the leaves of gooseberries, chestnuts and milfoil. The shortage of sugar led to the use of many substitutes, such as honey, whey, chestnuts, pears, apples, maize, maple, potatoes, figs, cherries, plums and grapes. Grape sugar was the first try, and over 2,000,000 kegs were manufactured in the years 1810-11 and given a bounty; but this sweetener, which was black and did not

¹Mahan, Influence of Sea Power, p.342.
cystallize, left a great deal to be desired and had a very unpleasant odor.²

At this time, however, the cultivation of sugar taken from beet-roots had been introduced, and the manufacture of beet sugar had begun at several places, especially at a firm operated by Delessert and it was alleged by many observers that this product could not be distinguished from cane sugar. French indigo took the place of the indigo previously brought in from the British colonies. French industries also profited for a short time from Napoleon's policy of economic imperialism. This was especially true in regard to the so-called luxury industries of France.³ The silk factories of Lyons, for example, expanded so rapidly as a result of the extreme protection that Napoleon gave the manufacturers of that city that the amount of production almost doubled that under the Ancien Règne. Other industries to gain were the cotton and woolen manufacturers. These advances were made primarily at the expense of British competition, but not exclusively so, as the situation in Italy clearly revealed. In that country, Napoleon's policy created a virtual monopoly for the French and more than doubled the quantity of French exports. But these were only the beneficial results of Napoleon's vast effort to control European commerce.

After the first decade of the 1800's, both Britain and France felt the effects of the struggle much more sharply. Among other

²Heckscher, Continental System, p. 292.
³Melvin, Navigation, p. 332.
things, the British economy slumped suddenly during the summer of 1810, causing heavy unemployment and a marked depreciation of the British currency. The pound sterling was quoted at more than 15 percent lower than its standard value on the continent. The immediate cause of this state of affairs was an enormous importation of raw materials and colonial goods and a sharp drop in exports to the continent and to the United States. The decline in trade with the United States came as a result of President Madison's revival of the Non-Intercourse Act against Great Britain during the latter part of 1810. To that extent the Triman Tariff and the Fontainebleu Decree, along with Napoleon's annexations in Northern Europe, contributed significantly to the British crisis.

As a result of the self-destruction of Napoleon's System after 1812, the situation in Great Britain improved tremendously. During the crucial year of 1810, in order to increase the resources of his treasury, Napoleon allowed the export of huge shipments of grain from the continent to Great Britain. As the Emperor himself realized, it is probable that even if he had used his control of the great wheat port of Danzig to prevent exports of grain to Britain, the islanders would still have found relief in imports from Prussia and Poland on the continent and also from the United States. In any event, it is extremely doubtful that he could have starved Great Britain into submission. While Napoleon's System inflicted momentary hardships upon the island, it failed to bring about any permanent effects. It did

not in any way stifle the rapid rate of British industrial development, nor did the terrible suffering of the workers from 1810 to 1812 turn the general public against the government. The British public credit system was little affected while British subsidies to her continental allies were not significantly altered.\(^5\)

In France and in her allied and subject states, the crisis was no less severe. To improve the operation of his new tariff war of 1810, Napoleon initiated the policy of annexing the territory where smuggling was most active. In that year, Holland, a section of the Kingdom of Westphalia, the Northeast coast of Germany including the Hanseatic cities and the Republic of Valais in Switzerland, which controlled a vital pass into Italy were all annexed to the French Empire. And within the newly acquired territory as within the earlier acquisitions, French trade was completely uninhibited. But while French prosperity was real up to 1810, Napoleon's faltering fiscal policy had so completely disrupted the normal economic activities of the European continent that this last territorial extension of the French Empire did not ward off disaster. Among other things, the dislocation of normal economic relations, brought on by the license system, the decrees, the confiscation of British goods, the government sale of these goods, and the sudden fluctuation in prices, had produced a tremendous amount of speculation.

In France proper, the new economic policies of 1810 increased the price of colonial goods to such an extent that many Parisian dealers were completely ruined. The loss of the Spanish market brought many

of them to bankruptcy. The manufacturers did little better, since the period of expansion ended with the tariff of 1810, which greatly increased the price of raw materials. The chaos that Napoleon's new policy created among the continental allies of France closed their markets to French goods that were produced especially for them. The false prosperity accruing to the new agricultural activities and, more particularly, to the new manufacturing industries quickly evaporated, while the banks curtailed their loans and credits were strained. The discounts of the Bank of France fell from over 715 million francs in 1810 to 319 million after 1811. Without the support of the banks it was not possible for the manufacturers to carry the burdens brought about by falling markets and rising costs. The business failures in Germany and Holland, involving French manufacturers, precipitated the collapse. Two consecutive years of poor harvests in 1810 and 1811 and the constantly increasing demands of the armies created a terrible shortage of food and prevented a liquidation of the industrial and financial crisis. Rising prices, unemployment, and a general economic paralysis, which lasted to the end of the Empire, was the state of affairs in France which Napoleon vainly sought to improve by secret advances and loans to manufacturers. Foreign trade which had reached 933 million francs in 1806 dropped to 605 million by the end of 1812.

In the allied and subject countries the terrible suffering and disgust caused by the economic war stiffened the opposition of the patriots to Napoleon's one-man rule. By putting pressure upon Alexander to end the neutral and smuggling trade in the southern Baltic, Napoleon only increased the tension between himself and his part-time
ally. Subsequently, on the last day of 1810, the Czar completely broke with Napoleon by allowing the virtual import of colonial goods into Russia and, in the following months, military events completed the destruction of Napoleon's grand experiment of the Continental System. 6

But military events were not the only causes of the failure of the Continental System. Bureaucratic weaknesses, the lack of a fleet and a faulty system of communication also contributed to the destruction of the Emperor's ambitious plan. Furthermore, it should be realized that Napoleon's idea of a blockade of the European continent was clearly premature and the ruthless violence of his methods doomed his venture to failure.

6Ibid., p.450.
APPENDIX

THE BERLIN DECREES, NOVEMBER 21, 1806\(^1\)

Art.I. The British islands are declared in a state of blockade.

II. All commerce and correspondence with the British islands are prohibited. In consequence, letters or packets, addressed either to England, to an Englishman, or in the English language, shall not pass through the post-office and shall be seized.

III. Every subject of England, of whatever rank and condition soever, who shall be found in the countries occupied by our troops, or by those of our allies, shall be made a prisoner of war.

IV. All magazines, merchandise, or property whatsoever, belonging to a subject of England, shall be declared lawful prize.

V. The trade in English merchandise is forbidden; all merchandise belonging to England, or coming from its manufactories and colonies, is declared lawful prize.

VI. One half of the proceeds of the confiscation of the merchandise and property, declared good prize by the preceding articles, shall be applied to indemnify the merchants for the losses which they have suffered by the capture of merchant vessels by English cruisers.

VII. No vessel coming directly from England, or from the English colonies, or having been there since the publication of the present decree, shall be received into any port.

VIII. Every vessel contravening the above clause, by means of a false declaration, shall be seized, and the vessel and cargo confiscated, as if they were English property.

IX. Our tribunal of prizes at Paris charged with the definitive adjudication of all the controversies, which by the French army, relative to the execution of the present decree. Our tribunal of prizes at Milan shall be charged with the definitive adjudication of the said controversies, which may arise within the extent of our kingdom of Italy.

X. The present decree shall be communicated by our minister of exterior relations, to the kings of Spain, of Naples, of Holland, and of Etruria, and to our allies, whose subjects, like ours, are the victims of the injustice and the barbarism of the English maritime laws. Our finances, our police, and our post masters general, are charged each, in what concerns him, with the execution of the present decree.

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