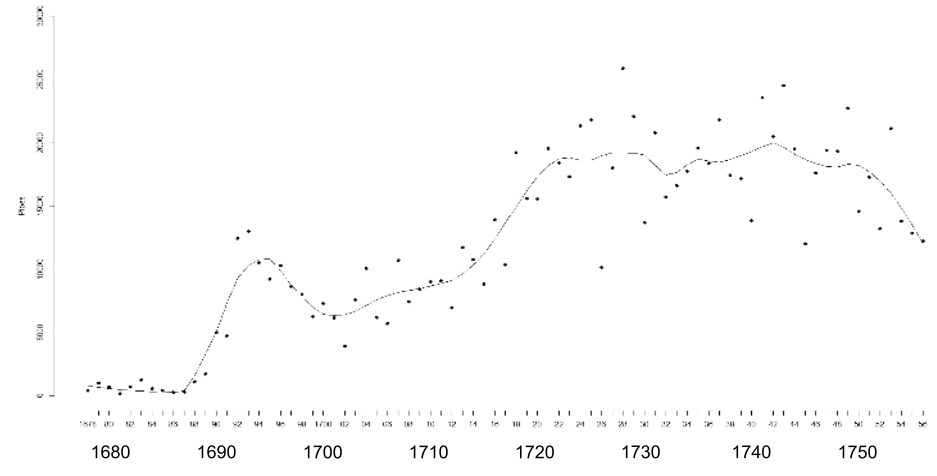

Collapse of the Douro region's wine industry in 1756?

Work in progress

Wim Koevoets

Wine exports from Oporto: 1678-1756



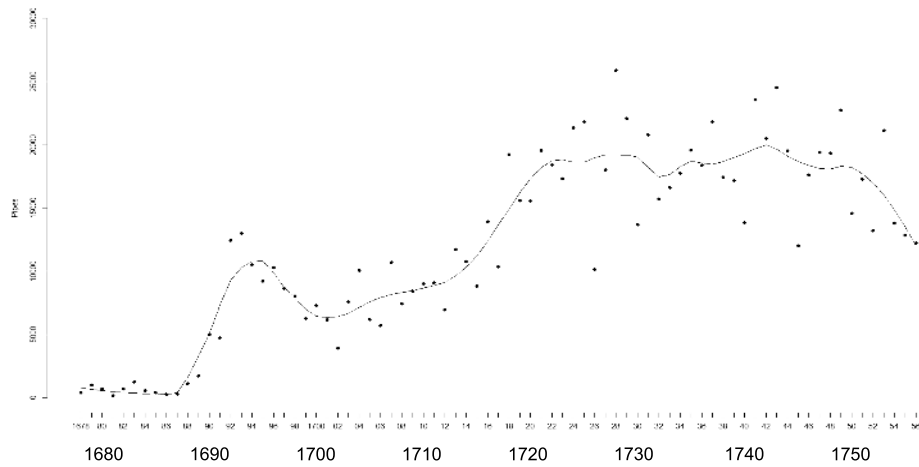
Problems early 1750s

- Dishonest practices:
 - Use of raisins, grapes of regions and countries to produce wine “as if” from the Douro region.
 - Complaints/practices:
 - Complaints by English buyers.
 - Shippers and growers involved
 - Disputes between wine shippers and growers.
-
- Regulation by state monopoly on 10 September 1756
 - Companhia Geral de Agricultura das Vinhas do Alto Douro*
 - Quality control
 - Price control
 - Demarcation area
-

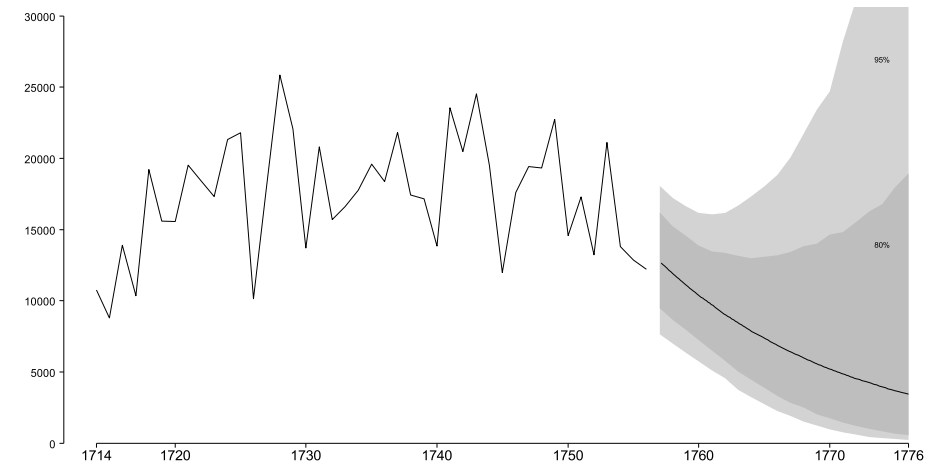
Near collapse in 1756?

- Akerlof (1970) - Lemons principle
 - Asymmetry in information about quality between sellers and buyers
 - Market could disappear or supply low quality goods only if no institutions arise to reduce the asymmetry.
 - What could have happened in the absence of regulation in 1756 during the period 1757-1776?
 - Forecasting - 12 statistical/econometric time series models
 - Choose “best” in terms of ability to forecast
 - “Best” → lowest prediction error
-

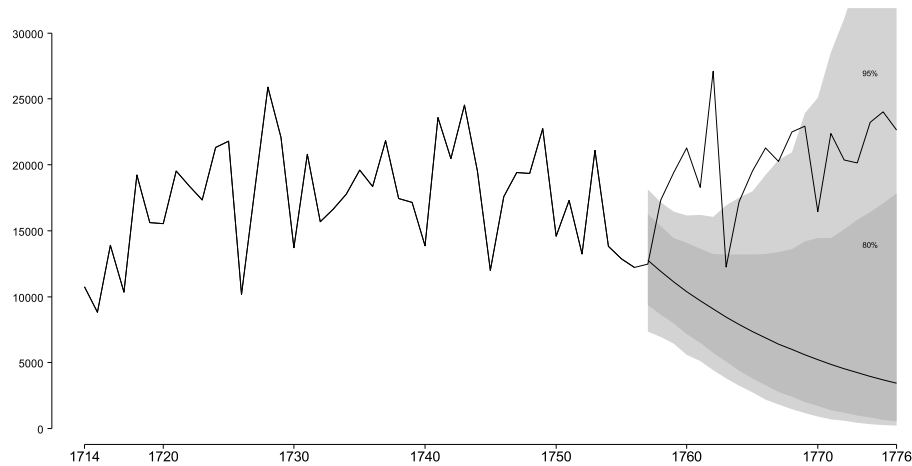
Wine exports from Oporto: 1678-1756



Near collapse in 1756?



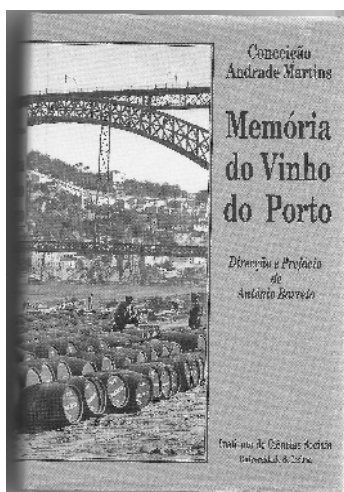
What happened actually after 1756?



Discussion

- Results show lower exports in the absence of regulation → consistent with prediction of Lemon's principle.
- Remedies other than (strong) regulation?
 - Certification
 - Labels on bottles
 - Wine experts (courses, public tastings)
- Likely given government's incentives in 1756?
 - Decreasing income from Brazil (gold, minerals)
 - Lisbon earthquake in 1755
 - Change of government in August 1756

Data



- 1714-1776 (63 observations)
- Checked with other sources:
 - i. Guerner (1814)
 - ii. Forrester (1848)
- Out of 63 observations:
 - 60 identical
 - 2 → small difference (0.01% and 0.6%)
 - 1 → apparent typo → use Forrester/Guerner

Data

- Sample period: 1714 – 1776
 - Why?
 - Likely measurement error → Evidence of fraud (end 1600s, start 1700s)
 - Embargoes of 1678-1685, 1690-1696 prohibited imports of wine from France to England → export of French wine as if it were Portuguese.
-

Data

- In 1706 municipality authorities of Bordeaux (France) decided to carry out inspections in order to prevent such fraud (Ludington (2013)).
 - After 1706? Likely according to Nye (2007).
 - 1714: Treaty of Utrecht – War of the Spanish Succession
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