

## ABSTRACT

### Asymmetric information and markets in transition: Vineyard auctions in the Mosel Valley after the French Revolution

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This paper examines the profitability of investments in vineyards in the Mosel Valley from 1803 to 1808. In the wake of the French Revolution of 1789/91, the now German part of the Mosel Valley was conquered by French troops in 1794 and the “Sarre-Department“ was incorporated into France in 1801. This entailed a big change for the local wine industry: (1) All properties of church and nobility, including vineyards, were confiscated and were put to public auctions. (2) After centuries of strict regulation, the wine market became a market in transition. Vintners were encouraged to bring their wines to market rather than to sell them at fixed prices to the cloisters and the elector of Trier. This resulted in a large range of wine prices according to differing wine qualities. Based on market observations, the French Prefecture published a first 10-class-vineyard classification in 1804 and calculated average market prices for each class. In the wake of the rapidly developing market, this ranking was adjusted several times. This paper refers to prices as determined in 1808.

Most of all vineyards were auctioned off between 1803 and 1805. At that time the value of a particular vineyard was uncertain. Depending on the purchasing price and the wine price, as it turned out later, it was possible to realize a considerable profit. The task was to anticipate the future profitability of a vineyard and to acquire it at a good price. Taking an interest rate of 5% the data shows a wide range in net present values between 0.54 and -2.40 Francs per square meter. Since every acquisition is listed with purchase price as well as vocation of the buyer, the success of each vocation group can be tracked down. It can be shown that there was a considerable asymmetry of information. Whereas professional brokers were less fortunate, vintners could realize the highest new present values of all vocational groups