

THE PHYSIOCRATS—THE PHILOSOPHY OF NATURAL LAW

It is somewhat strange that, while so much has been written on economic subjects, so little has appeared in English on the Physiocrats, or Economists as they called themselves. Adam Smith, who in his sojourn on the Continent had become personally acquainted with them as well as familiar with their writings, gave a brief and on the whole accurate account of them in the *Wealth of Nations*. His description of their theories as an agricultural system of political economy gave too narrow an impression of the scope of their thought, for the land is the source of much else than agricultural products. Their teaching which he describes as a "liberal and generous system" and "the nearest approximation to the truth that has yet been published upon the subject of political economy" undoubtedly influenced him, especially their plea for complete freedom of trade.

It was not until 1897 that an English book devoted to this subject appeared, Mr Henry Higgs' *The Physiocrats*, a useful but thin volume which was far from covering the ground completely. Now Mr Max Beer, in *An Enquiry into Physiocracy* (George Allen & Unwin Ltd., 6s.), has approached it from a new angle, endeavouring to show how the ideas of Dr Quesnay and his followers are linked with those of earlier thinkers. On the one hand he traces their ideas to the doctrine of the law of nature as expounded by Greek and Roman writers and by the Schoolmen and on the other to a reaction against the regulative and mercantilist policies which were stifling production in France.

These two streams of thought strengthened one another. The doctrine of the law of nature implied that men were born free and equal and their happiness was to be secured by following the natural laws regulating the universe; positive law should be brought into conformity with natural law; but positive law was necessitated by man's failure to use his reason and his free will in conforming to natural law. This provided a philosophical justification for repealing the numerous monopolies, regulations, and discriminations which had been devised with a view to encouraging French industry and which were ruining and impoverishing agriculture. The belief in natural law is a leading feature of physiocracy, as is implied in the derivation of that term from two Greek words meaning the rule of nature. It is curious that Adam Smith makes no express reference to this, except to mention that Quesnay held that the political body "would thrive and prosper only under a certain precise regimen," to wit, that of "perfect liberty and perfect justice." Yet it is in their insistence upon the existence of natural laws in economics that they are entitled to be called the founders of the science of political economy.

It is a less important tenet of the physiocrats that has loomed largest in the eyes of Adam Smith and of subsequent commentators. This is the doctrine that industry and manufactures are sterile or non-productive, and that only agriculture and the other occupations which extract wealth directly from the land are productive, because they alone yield a surplus or net product (*produit net*). As Mr Beer points out, this view can also be traced to the Schoolmen. The reasoning upon which it is founded is simple. The price of a commodity is regarded as made up of the cost of the

labour and the cost of the materials embodied in it. The value of the product is made up of the value of what is embodied in it; there is no net gain or surplus. In agricultural production, however, the value of the product represents more than the value of the labour and the materials consumed; there is a surplus which goes to the landed proprietor as rent. If the premises be granted, the argument is unassailable. Adam Smith with sturdy common sense rejected it, but fell into a fallacy of a similar nature when he regarded the labour of those engaged in rendering personal services as unproductive. Such labour is unproductive of material commodities, just as the labour of the artisan in the physiocratic system is supposed to be unproductive of rent. To label such labour as unproductive generally is quite another matter. The physiocrats seem also to have failed to observe that net produce and rent arise not merely in respect of agricultural land, but also in respect of urban land. No one has yet explained the origin of this omission, which is the more remarkable in that they lived for the most part in the capital, and the ground rents of Paris even at that time were not negligible. It is easy to be critical of the physiocrats in the light of after acquired knowledge; but it is not so excusable that recognized text-books of economics up to the present day have by the disproportionate space given to agricultural rents conveyed the impression that these were more important than urban and other rents.

The immediate predecessor of the physiocrats was Boisguillebert (1646-1714), author of various works dealing with economic questions. In these the principle of natural law in economic life is already well developed. If individuals are free to exchange their goods and services without external compulsion, whether by tariffs or other taxes or by monopolies or privileges, there will be a just balance of equilibrium between them. "Peace and equilibrium can only be the result of liberty of exchange." "Nature, or providence, can only ensure justice, if no one else interferes." He repeats the same idea in a sentence which contains perhaps the earliest example of the phrase "laissez faire": "Il n'y avait qu'à laisser faire la nature." (It is only necessary to leave nature free to act.) Boisguillebert was a strong critic of the mercantilists. He denounced the monopolies granted to certain manufacturers, the restrictions imposed on the corn trade, the unequal and arbitrary incidence of the *taille* and the *aides*, and the high tariff which he considered to be as deadly as the *aides* ("Les douanes sont aussi funestes que les aides.")

The founder of the physiocratic school was François Quesnay (1694-1774). He was born in a country village and is supposed to have been of humble origin. He studied medicine in Paris and practised at Mantes and gained a reputation by various books on medical and philosophical subjects, becoming a member of the Académie des Sciences of Paris and of the Royal Society of London. In 1749 he was appointed physician to the Marquise de Pompadour, and later to Louis XV, and spent most of the remainder of his life at Versailles. It was during this period that his physiocratic writings appeared in various journals, anonymously or under a pseudonym.

Reference has already been made to Quesnay's leading

principle of natural law in economic life, and to his classification of arts, crafts, and manufactures as unproductive. The latter doctrine is connected with the principle that "the land is the sole source of wealth, and it is agriculture that multiplies it." Wealth consists of useful things which satisfy human needs. His view appears to be that industry does not increase the quantity of such things but merely transforms them, while agriculture extracts a new supply from the earth. Agriculture yields two kinds of wealth, or perhaps it would be better to say that the wealth it yields is divided into two parts, one of which pays for the labour and expenses of the cultivators and the other is the *produit net* which affords a revenue for the landed proprietors.

There does not appear to be any indication in the writings of Quesnay of the factors which determine rent, nor of those which determine the price of the produce. The just price, however, can only exist when there is freedom of trade and unrestricted competition. Hence the maxim: "Laisser passer, laisser faire." Leave people free to exchange and to produce. The French mercantilists considered that they had found an adequate reply in pointing out that "the physiocratic doctrine looks upon all communities as a single family which should not have antagonistic interests." It is an ideal which we are still far from attaining, and the Philistines still deride it as Utopian, but it is a grand ideal. In an imaginary dialogue with an advocate of the protectionist view, Quesnay says: "Cease, my friend, to go astray after political speculations which seek to persuade you that in commerce you can profit at the expense of other nations, because a just and good God has determined that that is impossible."

The problem of taxation was a burning one at that time. The great expenses of the court and the state had imposed a heavy burden upon the tax-payers which was much increased by the system of farming out the taxes. Quesnay saw that the methods of taxation were oppressive and uneconomical. He considered that taxes upon workmen, manufacturers or merchants were added to the price of the products which they handled and were ultimately shifted on to the landed proprietors who, in tax-farmers' profits and in other ways, had to pay far more than the state received. This was in accord with his doctrine that the land was the source of all wealth and that the landed proprietors alone received a net profit. He therefore proposed to abolish all existing taxes and to replace them by a single tax on the *produit net* of agriculture. The workmen should be exempted from all taxes. "The tax imposed on workmen who live on their wages . . . is paid by those who employ the workmen; just as a tax on the horses which work the land is simply a tax on the expenses of cultivation." This single tax, however, was not intended to take the whole revenue of the landed proprietors. They were to be left with a fraction, and the remainder was to be divided between state and church in replacement of all existing taxes and tithes.

Mr Beer has written an interesting and a stimulating book. More must yet be done before we have an adequate picture of the work of these bold and original thinkers. Mr Beer devotes most of his attention to Quesnay and has only passing references for the other members of the group. They were all men of strong opinions and acute minds, and they did not always see

eye to eye with Quesnay. Dupont de Nemours, for example, disagreed with Quesnay's proposals to fix the rate of interest by statute. Mr Beer lays too much emphasis upon the idea that the physiocratic doctrine was a reversion to ideas prevalent in the Middle Ages, and was, so to speak, antiquated even before it had been enunciated. It might be more true to say that they were in advance of their time in their insistence upon natural law in the social world—a lesson which has still to be learned by many who to-day imagine that social evils may be remedied by a law *ad hoc* regardless of economic considerations. It is a little sad, also, to find a man of Mr Beer's erudition referring with a certain degree of approval to Voltaire's attack on the physiocrats in *L'homme à quarant écus* and apparently ignorant of the fact that in the edition published by Kehl there is an acute and well reasoned reply by a member of the physiocratic school (perhaps Condorcet). The omission is the more unfortunate in that both sides of the controversy are given in M. Leroy-Beaulieu's *Traité de la Science des Finances*. None the less, Mr Beer has made a useful contribution to the study of the physiocrats which may be read with interest and profit. His concluding remarks are a deserved tribute to those great Frenchmen—they come from one who in passing speaks of himself as once a member of the old Marxist sect—"The glory of the physiocrats rests on their social ethics, on the restoration of human solidarity, on the negation of economic nationalism, on the doctrine of equal exchanges and natural liberty, on the combination of moral discipline with economic freedom. It is those contributions which assure to them a permanent place in the history of economic thought."

DUNCAN CALDER

We much regret to record the death of Duncan Calder at his home, Muirfield, Annan, on 2nd April. It was very sudden, preceded by no illness, he passing away in his sleep. For many years, until he retired recently, he was employed at the Cochran Works, Newbie, Annan. In politics he was an ardent Liberal and heart and soul a devoted adherent of the Henry George doctrine. He was actively associated with the campaign for the Taxation of Land Values conducted throughout Dumfriesshire by the late Harry Llewelyn Davies and Norman McLennan and their co-workers. He had served his apprenticeship as a boilermaker at Fairfield, Govan, and in an accident had the misfortune to lose the fingers of his right hand. He married Janet Paul, sister of John Paul, who was Editor of this journal from its foundation in June, 1894, until his death in April, 1933. Of the children, the elder daughter, Peggy, is married to Dr Arnold Schwarz of Berlin, where she resides with her husband. The younger daughter, Janet, is in London. One son, Neil, is an engineer in Dumbarton, and the other son, William, is engaged at the Cochran Works in Newbie. The *Annapdale Observer*, in a life sketch of Duncan Calder, paid a high tribute to his character and personality, referring to his service as member for some years of the Annan District Council and the School Management Committee, and his constant devotion to the work of the St Andrew's-Greenknowe Church—"a man admired by all with whom he came in contact for his kindness of heart and other personal qualities." That tribute we endorse by long years of intimate acquaintance. We join in offering heartfelt sympathy in their bereavement to the widow and the sons and daughters.