Quesnay and the Single Tax

By PAVLOS GIANNELIA

A FREQUENT criticism of François Quesnay, eighteenth century Physiocrat, and his associates, is that Physiocracy supposed agriculture to be the only productive pursuit, and that the proposal to impose a single tax on land values proceeded from this fallacy. Mr. M. Beer, in his "Inquiry Into Physiocracy" (Allen & Unwin, London, 1939), says: "Physiocracy presents itself as a compound of inconsistent views and contradictory tenets, yoking together most modern and strictly medieval doctrines," and he continues: "What contribution could be expected in those respects from Physiocrats who denied the productivity of craftsmanship and manufacture, the profitableness of trade and commerce, the equivalence of money with commodities, the legitimacy of banking and finance? Evidently none. 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."

This latter is a fine tribute, but the criticism prompts a closer examination of the Physiocratic philosophy.

Adam Smith observed that the Physiocratic system was a reaction against Colbert's policy of giving preference to the industry of the towns over rural pursuits. The Physiocrats reversed this by favoring agriculture above manufacturing. Quesnay's anti-mercantilism, his repudiation of money as the essence of wealth, and his condemnation of interference with natural economic processes, aroused Adam Smith's deepest admiration. Moreover, Smith was in agreement with Quesnay on rent; for he says: "The rent may be considered as the produce of those powers of Nature, the use of which the landlord lends to the farmer. . . . It is the work of Nature which remains after deducting or compensating everything which can be regarded as the work of man."

Most economists reproach Quesnay for using the unfortunate term "sterile class" to designate craftsmen, professional men, merchants and middlemen, while reserving the name "productive class" for the cultivators of the soil. But the Abbé Nicolas Baudeau, editor of *Ephémérides du Citoyen* and one of the leading interpreters of Quesnay, explains that the word "sterile" was intended to mean the opposite of "fertile," not of "utility." Henry George seems to have appreciated this matter of terminology, for he says: "As I am only acquainted with the doctrines of Quesnay and disciples at second hand, I am unable to say how far his peculiar ideas as to agriculture being the only productive avocation, etc., are erroneous apprehenhions, or more peculiarities of terminology. But of this I am certain from the proposition in which his theory culminated—that he saw the fundamental relation between land and labor, which has since been lost sight of, and that he arrived at practical truth."

Besides, Quesnay's use of the term "class" must not be taken literally, as applying to different types of individuals, but rather as a designation of different types of exertion, which might at different times be expended by the same individual.

Certainly Quesnay did stress the importance of agriculture. *"Pauvres paysans, pauvre royaume,"* was his motto, and he quoted with approval the saying of Socrates: "When agriculture flourishes, all other arts flourish." But a heedful study of his Economic Table reveals that he used the term "agriculture" to include not only the labor of farmers but, in the widest sense, every application of labor on land in extracting every kind of raw material. Furthermore, in calling the rent of land the *produit net,* or net produce, Quesnay was logical in calling those who worked on the land the "productive class" —since, in his view, the *produit net* arose only from the efforts of those who applied themselves directly to the land.

All leading economists since Ricardo have accepted the law of rent as applying to lands used for other purposes than agriculture—for urban as well as rural pursuits. Today, urban rent concentrated on small sites has, in most countries, reached at least the importance of the more widely scattered rural rent. But we must not forget that at the time of Quesnay, urban rent was almost insignificant in comparison with rural rent. In Denmark, for instance, at the opening of the nineteenth century, urban rent was not even one-fourth the amount of rural rent; while today they are both approximately equal. So Quesnay's neglect of urban rent is at least excusable.

While Quesnay spoke of more and less productive classes, and Henry George spoke of the margin of production and the landed and landless, both arrived at the same practical truth and the same remedy for social evils. Says George: "The French economists of the eighteenth century headed by Quesnay and Turgot proposed just what I have proposed, that all taxation should be abolished save a tax upon the value of land. Without knowing anything of Quesnay or his doctrines, I have reached the same practical conclusion."

George and Quesnay also agree on political liberty and free trade. Quesnay says: "The most advantageous policy for a State is, therefore, the continual and progressive increase of its agricultural production, and thus also of the *produit net,*

and the utmost restriction of the gains of the traffickers; that is, payments for their services should be as low as possible. The most rational means to achieve this aim is perfect freedom of trade." And this follows: "Foreign trade, as far as it is absolutely necessary, can be of use only if completely free and competition unrestricted, thus allowing the parties to negotiate on equal terms. By this means it is possible for reason to assert itself and to establish among nations some equity in exchanges." This is in harmony with the ideas in George's "Protection or Free Trade," which he dedicated "to the memory of those illustrious Frenchmen of a century ago, Quesnay, Turgot, Mirabeau, Condorcet, Dupont, and their fellows, who in the night of despotism foresaw the glories of the coming day."

And now, coming to the question of taxation, let us compare Quesnay's "General Maxims of Taxation," from his *Tableau Economique,* with George's "Canons of Taxation" ("Progress and Poverty," Book VIII, Ch. 3):

QUESNAY	HENRY GEORGE
The tax must not be destructive, or disproportionate to the total national income.	The best tax is evidently that which will closest conform to the following conditions: That it bear as lightly as possible upon production—so as least to check the increase of the general fund from which taxes must be paid.
The tax must be immediately imposed upon the net produce and not on the salaries of men, nor on commodities, where it would multiply the cost of collection, be detrimental to trade and destroy every year a part of the riches of the nation.	That it be easily and cheaply collected. . . . A tax on land values can of all taxes be most easily and cheaply collected.
The tax must be raised immediately from the landed estates, because in whatever manner it is assessed, it always falls upon the landed estates. Thus, the simplest and most regular form, the most profitable for the State and the less burdensome for the taxpayers, is the tax which is assessed proportionally to the net produce and immediately upon the source of wealth.	That it be certain. . . . The tax on land values possesses in the highest degree the element of certainty. Were all the taxes placed upon land values, irrespective of improvements, the scheme of taxation would be simple and clear.
The increase of the tax on the net produce follows closely the increase of the national income.	That it bear equally. . . . The tax on land values falls upon those who receive from society a peculiar and valuable benefit and upon them in proportion to the benefit they receive.

Quesnay considered his propositions as being Nature's rule (that indeed being the etymology of Physiocracy). Henry George, in "Social Problems," also apotheosized the single tax on land values thus: "To say that it is the evident intent of the Creator that land values should be the subject of taxation, that rent should be utilized for the benefit of the entire community, will appear no more presumptuous than to say that the Creator intended men to walk on their feet, and not on their hands."

Mr. Beer, in his study on Physiocracy, complains that "the Marquis de Mirabeau went so far as to pronounce the *Tableau Economique* one of the supreme inventions of mankind, the other two having been the invention of writing and the invention of money." Henry George speaks approvingly of this assertion of Mirabeau ("Progress and Poverty," Book IX, Ch. 1).

The *Tableau* was becoming popular among the ladies and gentlemen of the Versailles Court—although they did balk at the idea of a single tax on the *produit net.* "One of the things," says Henry George, "most to be regretted about the French Revolution is that it overwhelmed the ideas of the economists, just as they were gaining strength among the thinking classes, and were apparently about to influence fiscal legislation."

What remains today of the sublime teachings of Physiocracy in the native land of François Quesnay? Very little. Nebulous social concepts seem to have taken the place of Quesnay's precise thinking. An example of this is seen in an article in a recent issue of *L'Illustration,* entitled "The Revolution of Economy." The author suggests a "second salary" to be added to the regular salary, but payable directly to the wife and children of the worker, "which would soon double or triple the income of every Frenchman." The author doesn't explain whence this additional salary should come; probably from the almighty illusory State. Nor how inflation of costs, prices and money is to be avoided. "Taxes," continues the author, "which today are the greatest enemy of production, must become a stimulus instead of a brake." How? By decree? The tax recommended by the author is a "25 per cent single tax." He forgets, however, to specify upon what the tax is to be levied—probably upon income.

An intensive study of the teachings of Quesnay and the Physiocrats would be a good thing for our contemporary thinkers. The words of August Oncken, though written in 1888, remain true today: "The Physiocratic system still awaits its scientific refutation."

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"THERE is no period in history in which there were so great a number of men gifted with real vision as in the time of France immediately preceding the Revolution. These were the Physiocrats of whom Dr. François Quesnay was the titular head. . . . They could have saved France from the ruin that overtook her. Can their teachings yet save America?"

—JOSEPH DANA MILLER.