

THE PLACE was Compiègne, and the date the 24th August, 1774. Jacques Turgot had recently had an interview with King Louis XVI of France, at which he had accepted the post of Controller-General or Minister of Finance.

His confidence in his ability to do the job was reasonably firm and well-founded: in fact, he had described his proposals to the King in some detail, and had received His Majesty's approval.

Yet his feelings were mixed. If the programme were to stand any chance at all of success, Turgot would need the King's full and continuing support; but would he get it? In order to make as sure of it as he could, he decided, for the King's benefit as well as for his own, to send him a written summary of his plans, and to follow it with a warning of the difficulties they were likely to encounter. So he set to work on a letter.¹

Intended originally for the Church, Turgot had, in 1750, abandoned his theological studies in favour of science and philosophy. In 1752, he became *substitut* and later *conseiller* in the parlement of Paris – a set of law-courts rather than a parliament in the British sense – where he remained until August 1761, when he was appointed to be *intendant* (or royal representative) of the province of Limoges.

It was during this period in Paris that he met the leaders of the physiocratic school of thought, Quesnay, Gournay, Dupont de Nemours, the abbé Morellet and other economists, and was won over to their ideas on freedom and the governing of human affairs according to natural law.²

They advocated government by consent, a minimum of interference with the life of the individual, and, as a corollary, his security in the possession of the fruits of his labour. There should be complete freedom of exchange, and unrestricted market competition, with no monopolies or privileges.

According to their economic analysis, the only productive labours are those of the farmer and the miner; for it is they who

TURGOT'S GALLANT FAILURE

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increase year by year the quantity of raw materials available for man's well-being.

This annual increase to the wealth of the community consists of the excess of the total product over its cost of production, and was named by the physiocrats the *produit net*. The revenue of the state should be derived simply and solely from this "net product" by means of a tax on agricultural and mining land.³

Their reasoning was to this extent defective, that they did not recognise that manufacture and exchange also involve productive labour and the use of land; and this omission has undeservedly deprived them of the credit for their main thesis that, with the growth of society, there also grows a fund that is the natural provision for its material needs. For this reason, Henry George has hailed them as the founders of the true science of political economy.⁴

DETERMINED to put these physiocratic ideas into practice as far as possible, Turgot proceeded to take up his first major

official appointment at Limoges. To alter the whole basis of the revenue was an evident impossibility; but he did continue his predecessor's work on a fresh survey of the land, to arrive at a fairer assessment of the *taille*, a tax levied only on non-nobles.

He also substituted for the *corvée* (or forced labour on public works) a more evenly distributed tax in money. The success of such reforms must have added to the qualified confidence with which he undertook, 13 years later, the much more exacting job of Controller-General for the whole country.

We left him at Compiègne, on the 24th August, 1774, writing his letter to Louis XVI. After the usual formal compliments, which he cut as short as he decently could, he reminded the King of the nature of his reforms, which the two of them must already have discussed. First, there was to be no national bankruptcy. Secondly, there was to be no increase in taxation. Thirdly, there were to be no more loans.

An indispensable condition for the fulfilment of these three aims was economy in both spending and collecting revenue.

REFERENCES

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2. Encyclopaedia Britannica, 11th edition, vol. 27, article *Turgot*, *Anne Robert Jacques*.
3. Encyclopaedia Britannica, 11th edition, vol. 21, article *Physiocratic School*.
4. Henry George, *The Science of Political Economy*, bk II, chIV, 1897.

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Expenditure was to be reduced below receipts to the tune of 20m. *livres* per annum, in order that debts previously incurred might be paid off.

This absolute necessity was to override any protests by administrators responsible for spending, who were in future to make prior reference to the Controller-General.

The King himself, so he was tactfully informed, was to restrain his own liberality to hangers-on at Court, and to think instead of "the misery of those from whom exactions sometimes have to be made by the most rigorous processes...." Private profit from the collection of taxes was a source of corruption among the nobility, and was to be discouraged.

Thus far any prudent Controller-General might have gone; but Turgot the physiocrat went further. What he wanted, and probably above all else, was "a more equitable distribution of taxation, in order that the people may be appreciably relieved, without much diminution of the public revenue". In fact, he wanted the *impôt unique*, or single tax on land.

Then came the rub. Not only, he wrote finally, would the reform of an unjust system be bitterly resisted by those who profited from the injustice, but the King's own generosity, and that of the persons most dear to him (i.e. his wife and his brothers) might well attach them to a universal opposition.

This was putting it mildly. In the event, Marie Antoinette and the future Kings Louis XVIII and Charles X all unhesitatingly espoused the cause of privilege; and Turgot, though he won the struggle for internal free trade in corn, ran into more serious trouble with his attempt to make both nobility and clergy subject to taxation.

He never got round to concen-

take the impact of fiscal policy into account does not mean a neutral response in the market for land and natural resources or the consumer markets.

There is a reciprocal effect on the way that the private sector uses land and distributes income (Banks 1989: 149-53), and on the pricing structure for consumer goods and services, if alternative fiscal policies are adopted.

• **Labour redeployment.** The large-scale reallocation of employees is another unavoid-



• **Abanbegyan: Gorbachev adviser**

able prospect. The impact of this traumatic event could be minimised and even turned into a rewarding experience. But governments can aggravate the transition if they misalign fiscal policy. Here's how:

Taxes (other than those that fall on land and natural resources) tend to raise prices above (marginal) costs of production.

trating the revenue on the land tax at all. The King remained convinced of the rightness of Turgot's views, but, giving in to pressures that might in any case have proved to be irresistible, dismissed him. His term of office had lasted 20 months.

So France went down the slippery slope to bankruptcy, revolution and the most appalling series of wars the world had yet known. The problem that Turgot

This causes unemployment, because less can be bought by consumers than would be the case if Price = (Marginal) Cost of production.

The tax on land values is the only fiscal policy that does not distort the pricing structure of the firm or the economy; so it represents a positive incentive to growth and the rational deployment of resources at the lowest possible prices.

The outcome of the Soviet deliberations on fiscal policy will have far-reaching consequences for world trade. The Soviet Union now wants to integrate herself into the system of international trade, as President Gorbachev reminded President Bush during their foul-weather summit off the coast of Malta.

He already has the choice of the best single weapon for providing the USSR with an exported thrust to economic growth: a country that adopts land-value taxation acquires a major advantage in terms of price competitiveness.

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attempted to resolve still faces us today.

Though we now have the benefit of the more accurate economic analysis of Henry George, will there ever be another statesman of the integrity and general moral stature of Jacques Turgot to try to put it into practice by means of the taxation of the value of all land? Only the future will tell.