

# Geoists in History

## Francois Quesnay (1694 - 1774) *by Karl Williams*

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The founder of the first systematic school of political economy was actually the consulting physician to France's King Louis XV at Versailles. He had been orphaned as a low-born boy but later taught himself to read and thereby made meteoric advances in pre-revolutionary France, the epitome of class structure. Rags to riches doesn't come any more extreme than this.

Francois Quesnay was born on a farm outside Paris to a humble ploughman and merchant, without the advantages of scholastic education. At 12 he began to master the ability to read, at 13 he was orphaned and at 17 he was able to enter into training as a Parisian engraver.

Escaping the limitations of village life opened up a world of opportunities for an intelligent and ambitious lad such as Francois, and he never hesitated to jump at every prospect. He landed an apprenticeship to a surgeon after which he studied medicine in Paris where he qualified as

a master surgeon. His course in life looked like being unremarkably comfortable at this point, as he married a Parisian grocer's daughter when he was 24 and settled down to practice medicine in the small town of Mantes, 50 km. west of Paris.

But mediocrity was never going to be Quesnay's bag. In a country totally dominated by royalty and nobles, he began his climb up the ladder of influence by becoming qualified as a 'royal surgeon' in 1723 and entered into the service of the Duke of Villeroy in 1734. He began to write medical treatises and, as his skills became widely recognised, he took on more important positions. Aided by his natural charm, his rapid rise continued until he reached the pinnacle of his profession in 1744 when he became personal physician to the absolute ruler of France, King Louis XV, and was installed in the insanely-festooned Versailles palace. With the procession of some of the greatest minds in the western world coming into direct contact with Francois's bril-

liance and spirit of enquiry, it was only a matter of time before an intellectual upheaval took place. It did. It was the creation and development of logical economic thought.

Having the king's ear comes at the price of attracting many jealous enemies only too keen to stab one in the back, but Francois played his cards masterfully and abstained from the intrigues of court. Soon he was one of the club, being made a noble by the king (with his own coat of arms, no less) and was assigned his own apartments at the palace. Becoming recognised as the 'King's Thinker', he would regularly gather around him groups of eminent men to talk through solutions to the greatest problems facing humanity. It's hard to imagine that history has ever seen a more fertile setting for cultivating lofty ideas and revolutionary means of achieving human progress.

Let's pause here for a few words about the bizarre interplay between kings and nobles and the activities at court that Francois witnessed. Historically France's kings had a weak position vis-à-vis their barons. To increase his independence the king impoverished the high nobility by forcing them to be present at the Court, to outmatch each other in luxury and to neglect their properties. The Palace of Versailles was built in this tradition.

The high nobility constituted only half a percent of the population but 'owned' virtually all of the land, leaving the rest in various forms of serfdom. Francois soon saw this as the root of injustice and economic inefficiency, but could not openly declare that the landed class were parasites. As he grappled with his own new science of political economy, he had to dance around certain realities of the day. Nevertheless, his writings and diagrams demonstrated how the landed classes (nobility and church obtained agricultural and industrial services but did not contribute anything itself, and were the rightful target of taxation. Yet Francois could not go so far as to incite rebellion from a united nobility, and it is estimated that Francois was only recommending that about a third of the economic rent from land be collected from his proposed land tax (the *impôt unique*, or single tax).

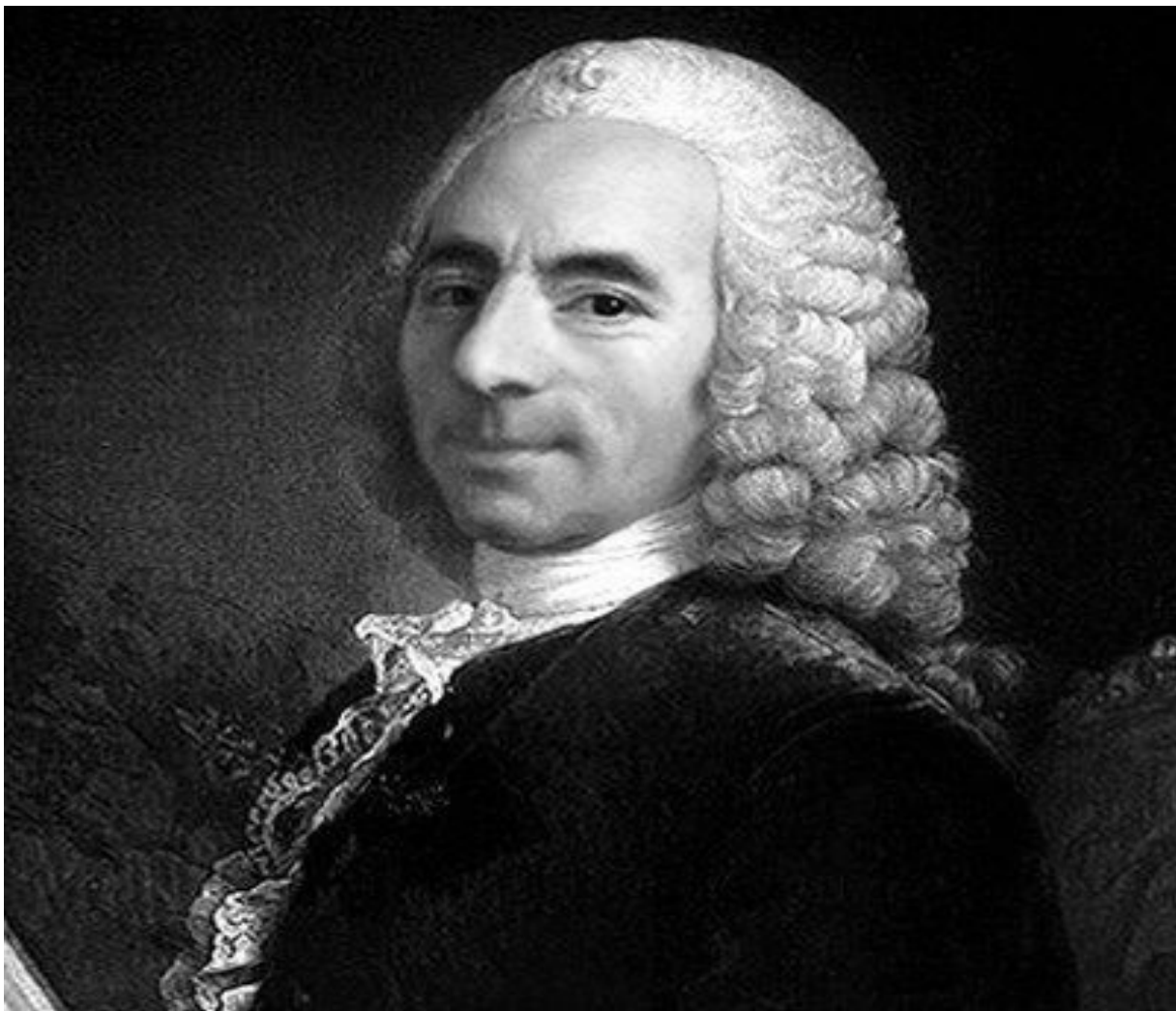
An amazing group of logical and systematic thinkers formed around Francois, and this assembly came to be known as the physiocrats (meaning 'governors of nature'). They rationalised medieval economic ideals, employing to that end the more modern philosophical and scientific methods. Hence in their writings there was a strange blend of conservative and revolutionary thought and, to the modern mind, some inconsistencies. They asserted in a general way that prices were determined by the cost of production and by supply and demand. They assumed that there would be a constant fair price that was obtained under a regime of free trade (it was Quesnay who coined the term '*laissez-faire*'). Some economic historians believe that the most significant contribution of the physiocrats was their emphasis on productive work as the source of national wealth. This is in contrast to earlier schools, in particular 'mercantilism', which often focused on the ruler's wealth, accumulation of gold, or the balance of trade.

In brief, the Physiocrats famously argued for their 'single tax' on landed property this way. Any tax levied throughout the economy would be passed from sector to sector until it falls upon the net product. As land is the only source of wealth, then the burden of all taxes ultimately bears down on the landowner. So instead of levying a complicated collection of scattered taxes (which are difficult to administer and can cause temporary distortions), it is most efficient to just go to the root and tax land rents directly.

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*"Thus the form of assessment which is the most simple, the most regular, the most profitable to the state, and the least burdensome to the tax-payers, is that which is made proportionate to and laid directly on the source of continually regenerated wealth (land)."*

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Quesnay's system of political economy was summed up in his *Tableau économique* (1758), which diagrammed the relationship between the different economic classes and sectors of society and the flow of payments between them. In his *Tableau* Quesnay developed the notion of economic equilibrium, a concept frequently used as a point of departure for subsequent economic analysis. Of explicit importance was his identification of capital as *avances*—that is, as a stock of wealth that had to be accumulated in advance of production. His classification of these *avances* distinguished between fixed and circulating capital.

French agriculture at the time was trapped in a morass of medieval regulations which shackled enterprising farmers. The monopoly power of the merchant guilds in towns did not permit farmers

to sell their output to the highest bidder nor buy their inputs from the cheapest source. An even bigger obstacle were the internal tariffs on the movement of grains between regions, which seriously hampered agricultural commerce. Public works essential for the agricultural sector, such as roads and drainage, remained in an awful state. Restrictions on the migration of agricultural laborers meant that a nation-wide labor market could not take shape. Farmers in productive areas of the country faced labour shortages and inflated wage costs, thus forcing them to scale down their activities. In unproductive areas, in contrast, masses of unemployed workers wallowing in penury kept wages too low and thus local farmers were not encouraged to implement any more productive agricultural techniques.

Quesnay's principles rested upon his philosophy

of social ethics, on the restoration of human solidarity, on the negation of economic nationalism, on the doctrine of equal exchanges and natural liberty, and on the combination of moral discipline with economic freedom.

Those who had influenced Quesnay were many and varied. While his rooms at Versailles had become a meeting place of great minds, his economic ideas were coloured by his early studies of Aristotle and Thomas Aquinas. But perhaps the deepest influence on Quesnay came from China whose standardized system of taxation and universal education he openly advocated. The concept of natural order originated in China and the Chinese believed that there can be good government only when a perfect harmony exists between the 'Way of Man' (governmental institutions) and the 'Way of Nature'. In fact, the concept of the natural order of physiocracy originated from Chinese Taoism. Furthermore, it is thought that the name and doctrine of "laissez-faire" was inspired by the Chinese concept of *wu wei*.

So these were the major influences on Quesnay, but whom did Quesnay influence in turn? Adam Smith studied the work of the physiocrats extensively while residing in France, and as Smith became a geoist himself it's not hard to speculate that this was, at least in part, because of Quesnay. Smith wrote that Quesnay's set of proposals were "perhaps the nearest approximation to the truth that has yet been published upon the subject of political economy, and is upon that account well worth the consideration of every man who wishes to examine with attention the principles of that very important science". In particular, Smith praised Quesnay's anti-mercantilism, his repudiation of money as the essence of wealth, and his condemnation of interference with natural economic processes. Crucially, we can see from Smith's writings that he was firmly in agreement with Quesnay on the state collecting the economic rent of land.

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*To secure the greatest amount of pleasure with the least possible outlay should be the aim of all economic effort... when everyone does this the natural order, instead of being endangeredl be all the better assured."*

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Henry George himself wrote in his magnum opus, *Progress and Poverty*,

*"The French Economists of the last 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".*

Of course, George would greatly polish and develop Quesnay's ideas.

The French Revolution exploded onto the world only a few decades after Quesnay's ideas were gaining strength among the thinking classes. While the Revolutionary Constituent Assembly did actually establish a degree of land taxation in December 1789, it wasn't long before such reforms were overwhelmed and swept away by all the chaos of the revolution that was to follow.

Thomas Paine was undoubtedly influenced by the "economists" since while residing in France he visited and had a close association with the physiocrat, Condorcet. In his tract, *Agrarian Justice*, Paine advocated using the rent of land for public revenue.

Quesnay died on December 16, 1774, having lived long enough to see his great pupil, Turgot, in office as minister of finance as well as having a grandson become a member of France's first Legislative Assembly. But today the founder of the science of political economy is almost unknown. Meanwhile we witness economic policies ignoring the collection of rent from land and instead endorsing negative gearing, capital gains discounts and endless taxes on honest work. Those comical figures clowning around in powdered wigs were certainly a lot closer to economic sanity than nowadays.

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