

Economic history Who were the physiocrats?

Economics' first systematic thinkers

IF YOU asked twenty well-educated souls to identify a physiocrat, only a couple could help you out. Writers like A.R.J. Turgot, the Marquis de Condorcet and Francois Quesnay are not household names, unlike Adam Smith or David Ricardo. But they are important. According to one late-19th century historian, the physiocrats (who called themselves the "économistes") created "the first strictly scientific system of economics". Physiocracy was a theory of wealth. The physiocrats, led by Quesnay, believed that the wealth of nations was derived solely from the value of agriculture. Quesnay's understanding of value-added was rather primitive—he could not see, for example, how manufacturing could create wealth. Farmers, on the other hand, could. As Karl Marx explains in "Das Kapital", "the Physiocrats insist that only agricultural labour is productive, since that alone, they say, yields a surplus-value". The physiocrats are most commonly known for these simplistic economic ideas. But this was not their most important contribution to economic thought. Rather, it was the physiocrats' methodological approach to economics that was revolutionary. Before physiocracy, economics was not a very scientific discipline. [As we discussed](#) in a previous blog post, mercantilist thinkers sometimes assumed that amassing gold was the best economic strategy. Economic efficiency was a pretty alien idea. But Quesnay was a scientist (for most of his life, he was a medical doctor). And he wanted to apply the scientific principles of medicine to the study of wealth. The "Tableau Economique", which shows in a single page how an entire economy functions, is Quesnay's most famous contribution. Quesnay showed that the economy was something to be respected, analysed and understood—much like a human body. It could not simply be moulded to suit the will of a self-important monarch. This was a hugely important step forward. The Comte

de Mirabeau, an important figure during the Revolution, considered Quesnay's Tableau to be one of the world's three great discoveries—equalled only by the invention of printing and the discovery of money. Familiar notions of contemporary liberal economics derive from Quesnay's scientific approach. **The physiocrats, like many other thinkers of the eighteenth century, subscribed to the idea of a "natural order". They showed that unchanging laws governed all economic processes.**

Consequently, it is generally thought that the physiocrats were opposed to government intervention. The dead hand of the state would only corrupt the natural evolution of the economy. Jacob Viner, the Canadian economist, referred to the physiocrats as one of the “pioneer systematic exponents” of laissez-faire (alongside Adam Smith). A good example of the physiocrats' new, scientific approach to economics is found in the writings of a little-known disciple, Louis Paul Abeille. Abeille, writing in the 1760s, discussed the grain trade. He opposed mercantilist ideas of what to do during a period of food scarcity—for example, after a bad harvest. Received wisdom suggested that during a period of scarcity, a government should step in and forcibly lower the price of grain, so that people could afford to buy it. Governments might also choose to ban grain exports. But Abeille argued that government intervention in the grain trade was self-defeating. With lower prices, he argued, grain producers would produce less. They would also make less profit—and therefore have less money to invest in the next year's harvest. **Government intervention, in other words, would disrupt the efficient working of the free market in grain, which would ultimately turn scarcity into a famine.** So he argued that the government should step back and let local prices rise. Producers in other parts of the country would respond to the high prices, and the area would be flooded with grain. Problem solved. But Abeille recognised that there would be a time lag between the price rise and the demand response. And so according to some writers, the implication of Abeille's argument is that people who cannot afford grain should be allowed to die. Efficient economic management trumped humanitarianism. Unsurprisingly, many writers criticised the physiocrats for their dogmatism. Adam Smith, in an amusing passage

towards the end of the "Wealth of Nations", reckoned that they were carried away by the desire for perfection. Smith, aware that Quesnay was a medical doctor, argued that: | Some speculative physicians [...] have imagined that the health of the human body could be preserved only by a certain precise regimen of diet and exercise, of which [...] the smallest, violation necessarily occasioned some degree of disease or disorder [...] however [...] the human body frequently preserves, to all appearances at least, the most perfect state of health under a vast variety of different regimens [...] Mr. Quesnai [...] seems to have entertained a notion of the same kind concerning the political body. Smith reckoned that the physiocrats wanted a perfect system of laissez-faire economic management—or no system at all. But on this occasion, Smith got it wrong. The physiocrats were less dogmatic than most people think. Turgot, for example, subscribed in theory to the idea that free trade in grains was the best way of resolving scarcity. But he was responsible for dealing with an actual famine in south-west France in 1770. And in practice, Turgot supported a variety of programmes that cannot be described as laissez-faire: a programme of public employment and support for imports, among other policies. The Marquis de Condorcet, another writer associated with the physiocratic school, was also in favour of expanding public employment during periods of dearth. The physiocrats are a misinterpreted bunch. Much of their economic theory is rather useless. But their approach to the study of economics was an invaluable contribution. And, unlike much academic economics today, their fascination with abstract models did not make them as inflexible and authoritarian as many believe. Suggested reading list:Albaum, M. (1955). "[The Moral Defenses of the Physiocrats' Laissez-Faire](#)". [paywall] *Journal of the History of Ideas*, 16(2), 179-197. [A good, and brief, discussion of physiocratic thought. An excellent introduction. In particular, deals with the flexibility of physiocratic ideas]. Foucault, M., Senellart, M., & Ewald, F. (Eds.). (2009). *Security, Territory, Population: Lectures at the College de France 1977--1978*. Macmillan. [The chapter on scarcity demonstrates Foucault's conventional (and, this blog would argue, incorrect) understanding of mercantilism in comparison to classical economics]Fox-Genovese. E. (1976). *The origins of*

physiocracy: Economic revolution and social order in eighteenth-century France. Ithaca: Cornell University Press. Neill, T. P. (1949). ["The Physiocrats' concept of economics."](#) The Quarterly Journal of Economics, 63(4), 532-553. [Looks at Quesnay's writing in particular. Neill argues that all physiocrats post-Quesnay confused his ideas, with the result that physiocracy hardened into a more rigid dogma that was purely concerned with economic efficiency]. Rothschild, E. (2013). [Economic sentiments: Adam Smith, Condorcet, and the enlightenment.](#) Harvard University Press. [An excellent discussion of the physiocrats, especially in relation to Smith. See in particular the chapter 'Economic and Political Choice'] Ware, N. J. (1931). ["The physiocrats: A study in economic rationalization."](#) [paywall] The American Economic Review, 607-619. [Not discussed in this blog post. A good discussion of the socio-political context of the emergence of physiocracy].

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This was a hugely important step forward. The Comte de Mirabeau, an important figure during the Revolution, considered Quesnay's Tableau to be one of the world's three great discoveries—equalled only by the invention of printing and the discovery of money.

Familiar notions of contemporary liberal economics derive from Quesnay's scientific approach. [The physiocrats, like many other thinkers of the eighteenth century, subscribed to the idea of a "natural order"](#). They showed that unchanging laws governed all economic processes. Consequently, it is generally thought that the physiocrats were opposed to government intervention. The dead hand of the state would only corrupt the natural evolution of the economy. Jacob Viner, the Canadian economist, referred to the physiocrats as one of the "pioneer systematic exponents" of laissez-faire (alongside Adam Smith).

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