

François Quesnay & the Physiocrats

François Quesnay Tableau

François Quesnay (1694 – 1774), a French surgeon, born in *Méré* to a family of laborers. Quesnay was orphaned at thirteen. He learned to read from a household medical companion and quickly acquired a voracious appetite for more books and more learning. After a brief apprenticeship, some schooling at *Saint-Côme*, and marrying a Parisian grocer's daughter, Quesnay a huge step up in social status and became a surgeon in *Mantes*. Through his rapid self-education and skills, he gradually climbed up and finally entered into the service of local aristocrats. He became physician in King Louis XV's court and the leader of a sect of '*enlightenment*' thinkers also known as '*physiocrats*' and '*économistes*'.

Quesnay's interest in economics arose in 1756, he was asked to contribute several articles on farming to the *Encyclopédie* of Diderot and d'Alembert. Quesnay delved into the works of the Maréchal de Vauban, Pierre de Boisguilbert and Richard Cantillon and, mixing all these ingredients together, Quesnay gradually came up with his famous economic theory. In 1758, Quesnay wrote his *Tableau Économique* -- renowned for its famous "zig-zag" depiction of income flows between economic sectors. It became the founding document of the Physiocratic sect -- and the ancestor of the multisectoral input-output systems of Marx, Sraffa and Leontief and modern general equilibrium theory.

Quesnay's Tableau set out three classes of society, and showed how transactions flowed between them. The three classes were:

- (a) landowners,
- (b) the farmers and farm-labourers, and
- (c) others, called 'sterile class'

According to him, only the agricultural sector produced any surplus value, the rest only reproducing what it consumed. He anticipated Malthus's fear of under consumption arising from excessive savings. Net income would be reduced if the flows in the *Tableau* were interrupted by delays in spending. This was the first attempt to construct a macroeconomic input-output model of the economy. In fact, progress in this field had to await the application of matrix algebra and computerization. Quesnay suggested a single tax, '*l'impôt unique*', on the net income from land, arguing that the nation would thereby save tax-collecting costs. Only agriculture yielded a surplus, and therefore ultimately it bears all taxes anyway.

The Physiocrats

The Physiocrats were a group of French Enlightenment thinkers of the 1760s led by the French court physician, François Quesnay. The founding document of Physiocratic doctrine was Quesnay's *Tableau Économique* (1759). The members of Physiocrats were Marquis de Mirabeau, Mercier de la Rivière, Dupont de Nemours, La Trosne, the Abbé Baudeau and others. To contemporaries, they were known simply as the *économistes*.

The cornerstone of the Physiocratic doctrine was Quesnay's axiom that only agriculture yielded a surplus – known as '*net product*'. Manufacturing, the Physiocrats argued, took up as much value as inputs into production as it created in output, and consequently created no net product. Contrary to the Mercantilists, the Physiocrats believed that the wealth of a nation lies not in its stocks of gold and silver, but rather in the size of its net product.

French agriculture at the time was trapped in 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 and buy their inputs from cheapest source. An even bigger obstacle was 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 labor 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.

It is at this point that the Physiocrats jumped into their *laissez-faire* attitude. They called for the removal of restrictions on internal trade and labor migration, the abolition of the *corvée*, the removal of state-sponsored monopolies and trading privileges, the dismantling of the guild system, etc.

On fiscal matters, the Physiocrats famously pushed for their "single tax" on landed property -- *l'impôt unique*. According to Physiocrats, any tax levied throughout the economy will just pass from sector to sector until they fall 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.

A general *laissez-faire* policy and the "single tax" were the speediest, least distortionary and least costly ways of arriving at the natural state. The Physiocrats believed that net product of the natural state was the maximum net product sustainable over the long run. The policy measures advocated by the Physiocrats went very much against the interests of the nobility and the landed gentry. But because Quesnay was the private physician to Madame de Pompadour, the mistress of King Louis XV, the Physiocratic clique enjoyed a good degree of protection in the French court. The Physiocrats became so influential that even after the death of Pompadour, they remain a furious publisher of different journals and articles that promote their ideas.