

# The Physiocrats: Part Two

by David Domke

Throughout the seventeenth and eighteenth centuries the divide between rich and poor widened. As towns grew, speculators made fortunes on real estate, helping to create the class that was to grow in dominance and influence and finally achieve hegemony with the French Revolution: the bourgeoisie, made up of non-aristocratic land owners, artisans, shopkeepers and civil servants.

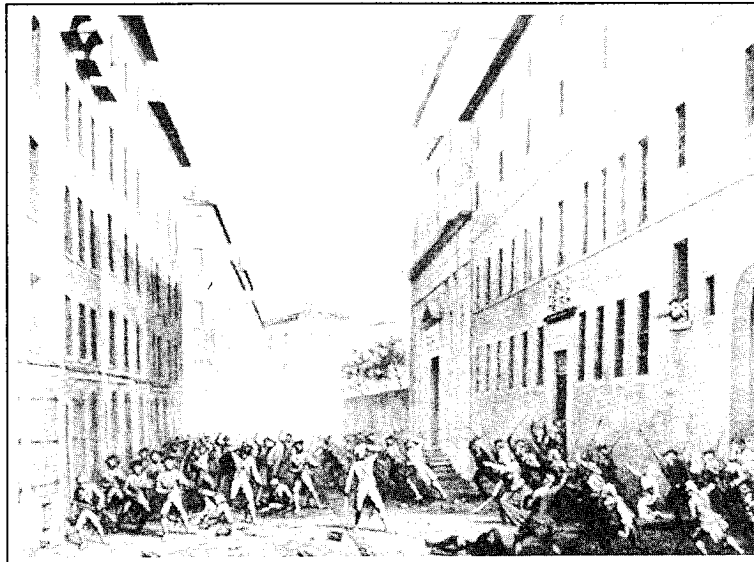
In the fifteenth century, the condition of French peasants had increasingly improved. With refinements in agricultural production and a steady rise in prices for farm products, many peasants were able to either set up long-term lease arrangements with landlords or to buy land holdings outright. Agricultural returns to the peasantry rose by fifty per cent, which in turn stimulated peasant productivity. Before long, the social differentiation and class divisions within the peasantry deepened. Richer peasants, some of whom were able to accumulate holdings of up to two hundred acres, continually dispossessed the less well off among the peasantry, forcing them to become agricultural laborers. This led to a breakdown of peasant solidarity; as rural economies shifted more and more toward commodity production for growing urban areas, the traditional strengths of the village community were constantly undermined. Large landlords leased their properties to tenant farmers, who in turn hired wage-labor from the dispossessed peasantry.

With the growth of industry and trade the land owners more than doubled the rents, to extract as much surplus as possible for an ever-widening commercial market, and these increases were passed on to the peasantry in various forms: lower wages, forced labor in the towns during the off-season, and sundry forms of taxation. By the eighteenth century with the shift from feudalism to capitalism land became valuable less for its fertility and what could be directly produced from it and more for its strategic location for the purposes of trade. Mercantilism and colonialism were bringing the larger European countries into open conflict with each other as each strove for monopoly control

European powers were reaping the benefits of the huge surpluses and new opportunities for capital accumulation afforded by mercantilism, they traveled the globe, appropriating new lands from which to extract raw materials.

As capitalism was coming to fruition in the major European countries - and rapidly changing those countries' internal productive relations - those same countries sought to project outward the structures of the old feudal order, imposing feudalism on peoples of foreign lands.

The Physiocrats reacted to this shift in the production of wealth and the subsequent radical changes of productive relations in society. They proposed that agricultural production was the only real means of producing wealth and that trade



and commerce succeeded only in transferring wealth from one owner to another. They saw trade as "sterile" and unproductive because they believed that only nature can create a true surplus - what Turgot called the "pure gift of nature" - a value over and above that which is reaped for subsistence. Quesnay, in his *Tableau Economique*, names agricultural workers as the only truly productive class in society and the landowner as one who appropriates the surplus created by the land workers. Turgot, in his work "Reflections on the Formation and Distribution of Wealth", stated that the landowner, or *proprietaire cultivateur* could, from the surplus that nature gave to his labor, "pay men to cultivate his land; and for men who live on wages it was as good to earn them in this business as in any other. Thus ownership could be separated from the

Turgot goes on to say that this separation between owner and cultivator is to the landowner's advantage: "The mere workman who has only his arms and his industry, has nothing [unless] he succeeds in selling his toil to others. In every kind of work it cannot fail to happen that the wages of workman are limited to what is necessary to procure him his subsistence." Mercier de la Riviere had a labor-based idea of production similar to Turgot's. He admonished the owners of industry: "Moderate your enthusiasm, you blind admirers of the false products of industry...open your eyes and see how many live in poverty, or at least in need, among those producers who understand the art of converting twenty sous into a thousand francs. To whom does this enormous increase in value fall? Those through whose hands it is accomplished reap no benefit therefrom. Take warning then from this contrast."

The reason the Physiocrats saw agricultural labor alone as productive lay in the fact that it formed the natural basis for the independent functioning of all other forms of labor. Because they thought this source of production yielded the only real profit, which they called the *produit net* - or net product - the Physiocrats thought land alone should be taxed.

In *The Science of Political Economy* Henry George, while paying high tribute to the Physiocrats, says that the Physiocrats got only half the picture right.

They grasped the main truth, George says, but "had got hold of it through curiously distorted apprehensions.... In grasping the real meaning and intent of the net product, or economic rent, there was opened to the Physiocrats a true system of political economy..." George goes on to say, "...They had grasped the key without which no true science of political economy is possible.... But misled by defective observation and a habit of thought that prevailed long after them, and indeed yet largely prevails... the Physiocrats failed to perceive that what they called the net or surplus product, and what we now call economic rent, or the unearned increment, may attach to land used for any purpose." The defective observation was, of course, that trade and commerce were sterile. "This was their great and fatal misapprehension", George says. But this

their whole system. Henry George says: "In their practical proposition, the single tax, they proposed the only means by which the free trade principle can ever be carried to its logical conclusion - the freedom of not merely of trade, but of all other forms and modes of production, with full freedom of access to the natural element which is essential to all production."

The Physiocrats made another fatal mistake, which George comments on, and it was a political mistake that cost them and their programs dearly.

The year 1774 in France saw the return of the cyclical appearance of bad harvests leading to outbreaks of famine, the hoarding of corn for speculative profit and widespread agricultural riots in reaction to the excessively high price of flour. The rural social unrest and the consequent response by the government became known as the "flour war". River barges were stopped and forced to unload their wares at prices set by the crowds. Attacks on granaries and mills had the same result. A crowd of five thousand threatened to storm Versailles and was only stopped when it was promised flour at two sous a pound by the commander of the Royal Guard. At the same time an infection of cattle murrain decimated the country's herds; Turgot issued an edict for the peasantry to destroy infected animals and bury them in lime; this was met with much resistance from the peasantry. There were widespread reports of cattle smuggling across fields and through forests in the dead of night to avoid the cattle inspection and quarantine.

This happened at the worst time for Turgot's ministry; he had just issued edicts deregulating the meat trade. Turgot's response was to think the peasantry were feigning hunger. He ordered out the national guard and instituted exemplary public hangings.

In abolishing the *corvée* or system of forced labor that the aristocracy imposed on the peasants, Turgot substituted a payment in cash from the peasant - something few peasants could afford. He did, however propose ultimately replacing the *corvée* with a property tax to be paid by all sections of the population. The abolition of forced labor and the idea that all citizens should pay taxes infuriated the aristocracy and this, along with other of Turgot's edicts designed to abolish aristocratic privilege, led in large part to his downfall. The aristocracy took the opportunities presented by the peasant uprisings to attempt to drive a wedge between Turgot and the King. Turgot's response was to make haste and try to impose his reforms as quickly as possible. His friend Maurepas cautioned him to move more

slowly and more cautiously, to spread out his reforms over a number of years.

This Turgot refused to do. In his frustration he turned upon Louis XVI, famous for his hesitancy and vacillation, saying: "Some people think you are weak, Sire, and indeed on occasion I have feared that your character has this defect." He urged the King to install his reforms by royal fiat, over the heads of *Parelement*. Within thirteen days he was dismissed from the Ministry. Many of his supporters within the Ministry were also dismissed as were many of his reforms already in place.

The Physiocrats, with their ends-justified revolution from above, were victims of both their own arrogance and natural circumstance. Unable to see the contradiction of mandating liberalization through the mechanisms of absolutism (they referred to their edicts rather proudly as "legal despotism") and unwilling to take into account the actual material conditions of the populace, their attempts at reform collapsed before they were given any chance of succeeding. In *The Science of Political Economy* Henry George says: "They were deluded by the idea ... that the power of a king whose predecessor had said 'I am the State!' might be utilized to break the power of other special interests, and to bring liberty and plenty to France..." The possibility of true reform was severely limited as long as many feudal structures and aristocratic privilege persisted. Quesnay himself always believed in the absolute monarchy; he said "There can be only one absolute power, the system of counter-balances in government is ruinous." Mercier de la Rivier said "Because of the fact that man is intended to live in a community, he is intended to live under despotism." The most democratic of the Physiocrats appears to have been Turgot, though he never grasped the idea that the people themselves should have a right to choose; in fact, as we have seen, he was all too ready to rely on despotism to achieve his ends.

**T**he case of the poor, Spinoza felt, was an obligation incumbent on the society as a whole. And there should be but a single tax. [Spinoza wrote in 1675:]

*The fields, and the whole soil, and if it can be managed, the houses should be public property, that is, the property of him who holds the right of the commonwealth; and let him lease them at a yearly rent to the citizens. With this exception, let them all be free and exempt from every kind of taxation in time of peace.*

(From *The Story of Civilization* by Will and Ariel Durant, V. 8, p. 653)