

**This excerpt on the Physiocrats and Turgot is taken
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THE PHYSIOCRATS**

In an apartment at Versailles, under the rooms and the favoring eye of Mme. de Pompadour, that economic theory took form which was to stir and mold the Revolution, and shape the capitalism of the nineteenth century.

The French economy had been struggling to grow despite the swaddling clothes of regulations — by guilds and Colbert — and the Midas myth of a mercantilism that mistook gold for wealth. To increase exports, diminish imports, and take the “favorable balance” in silver and gold as a prop of political and military power, France and England had subjected their national economies to a mesh of rules and restraints helpful to economic order but harming production by hampering innovation, enterprise, and competition. All this — said men like Gournay, Quesnay, Mirabeau *pere*, Du Pont de Nemours, and Turgot — was quite contrary to nature; man is by nature acquisitive and competitive; and if his nature is freed from unnecessary trammels he will astonish the world with the quantity, variety and excellence of his products. So, said these “physiocrats,” let nature (in Greek, *physis*) rule (*kratein*); let men invent, manufacture, and trade according to their natural instincts; or, as Gournay is said to have said, *laissez faire*—“let him do” as he himself thinks best. The famous phrase was already old, for about 1664, when Colbert asked businessman Legendre, “What should we [the government] do to help you?” he answered, “*Nous laisser faire* — let us do it, let us alone.”

Jean-Claude Vincent de Gournay was the first clear voice of the physiocrats in France. Doubtless he knew of the protests that Boisguillebert and Vauban had made to Louis XIV against the stifling restrictions laid upon agriculture under the feudal regime. He was so impressed by Sir Josiah Child’s *Brief Observations Concerning Trade and Interest* (1668) that he translated it into French (1754); and presumably he had read Richard Cantillon’s *Essay on the Nature of Commerce* (c. 1734) in its French form (1755). Some would date from this last book the birth of economics as a “science” — a reasoned analysis of the sources, production, and distribution of wealth. “Land,” said Cantillon, “is the source of material from which wealth is extracted,” but “human labor is the form which produces wealth”; and he defined wealth not in terms of gold or money, but as “the sustenance, conveniences, and comforts of life.” This definition was itself a revolution in economic theory.

Gournay was a well-to-do merchant operating at first (1729-44) in Cadiz. After extensive business dealings in England, Germany, and the United Provinces, he settled in Paris, and was appointed *intendant du commerce* (1751). Traveling through France on tours of inspection, he observed at first hand the restraints put by guild and governmental

regulations upon economic enterprise and exchange. He left no written formulations of his views, but they were summarized after his death (1759) by his pupil Turgot. He urged that existing economic regulations should be reduced, if not removed; every man knows better than the government what procedure best favors his work; when each is free to follow his interest more goods will be produced, wealth will grow.

These are laws unique and primeval, founded on nature alone, by which all existing values in commerce balance one another and fix themselves at a determined price, just as bodies left to their own weight arrange themselves according to their specific gravity;

that is, values and prices are determined by the relations of supply and demand, which in turn are determined by the nature of man. Gournay concluded that the state should intervene in the economy only to protect life, liberty, and property, and to stimulate, with distinctions and awards, the quantity and quality of production. M. Trudaine, heading the Bureau of Commerce, accepted these doctrines, and Turgot gave them the force of his eloquence and acknowledged probity.

Francois Quesnay followed a slightly different physiocratic line. Son of a landed proprietor, he never lost his interest in land, though he was trained to be a physician. He made a fortune by his skill in medicine and surgery, and rose to be physician to Mme. de Pompadour and the King (1749). In his rooms at Versailles he gathered a coterie of heretics — Duclos, Diderot, Buffon, Helvetius, Turgot...; there they discussed everything freely except the King, whom they dreamed of transforming into an “enlightened despot” as the agent of peaceful reform. Immersed in the Age of Reason, Quesnay felt that the time had come to apply reason to economics. Though he was a self-confident dogmatist in his works, he was in person a kindly soul, distinguished by integrity in an immoral milieu.

In 1750 he met Gournay, and soon became more interested in economics than in medicine. Under careful pseudonyms he contributed essays to the *Encyclopedie* of Diderot. His article “Farms” ascribed their desertion to high taxes and conscription. The article “Grains” (1757) noted that small farms were incapable of profitably using the most productive methods, and favored large plantations managed by “entrepreneurs” — an anticipation of the agricultural mammoths of our time. The government should improve roads, rivers, and canals, remove all tolls on transportation, and free the products of agriculture from all restraints of trade.

In 1758 Quesnay published a *Tableau economique* that became the basic manifesto of the physiocrats. Though printed by the government press in the Palace of Versailles under the supervision of the King, it condemned luxury as a wasteful use of wealth that might have been employed to produce greater wealth. In Quesnay’s view only the products of the earth constituted wealth. He divided society into three classes: a *classe productive*, of farmers, miners, and fishermen; a *classe disponible* — persons

available for military or administrative offices; and a *classe sterile* — artisans who work up the products of the earth into useful objects, and tradesmen who bring the products to the consumer. Since taxes laid upon the second or third class ultimately (in Quesnay's view) fall upon the owners of land, the most scientific and convenient impost would be a single tax (*impot unique*) upon the annual net profit of each parcel of land. Taxes should be collected directly by the state, never by private financiers (*fermiers generaux*). The government should be an absolute hereditary monarchy.

Quesnay's proposals now seem to be vitiated by their underestimation of labor, industry, commerce, and art, but to some of his contemporaries they appeared as an illuminating revelation. The most colorful of his followers, Victor Riqueti, Marquis de Mirabeau, thought that the *Tableau economique* rivaled writing and money as among the noblest inventions of history. Born in 1715, dying in 1789, the Marquis precisely spanned the age of Voltaire. He inherited a comfortable estate, lived like a lord, wrote like a democrat, entitled his first book *L'Ami des homes, ou Traite de la population* (1756), and earned the name he had taken, "Friend of Mankind." After publishing his chef-d'oeuvre he came under the influence of Quesnay; he revised his book accordingly, and enlarged it into a six-volume treatise that went through forty editions and shared in preparing the mind of France for 1789.

The Marquis was not as disturbed by human multiplication as Malthus was to be in 1798. He held that a nation is made great by a large population, and that this is made possible by "men multiplying like rats in a barn if they have the means of subsistence" — as we will see. He concluded that every encouragement should be given to those who grow food. The unequal distribution of wealth, he thought, discourages food production, for the estates of the rich take up land that could be fertile farms. Mirabeau's preface told the King that the peasants were

the most productive class of all, those who see beneath them nothing but their nurse and yours — Mother Earth; who stoop unceasingly beneath the weight of the most toilsome labors; who bless you every day, and ask nothing from you but peace and protection. It is with their sweat and (you know it not!) their very blood that you gratify that heap of useless people who are ever telling you that the greatness of a prince consists in the value and number... of favors that he divides among his courtiers. I have seen a tax-gathering bailiff cut off the hand of a poor woman who clung to her saucepan, the last utensil of the household, which she was defending from distraint. What would you have said, great prince?

In *Theorie de l'impot* (1760) the revolutionary Marquis attacked the tax-collecting farmers general as parasites preying upon the vitals of the nation. The angry financiers persuaded Louis XV to imprison him in the Chateau de Vincennes (December 16, 1760); Quesnay induced Mme. de Pompadour to intercede; Louis released the Marquis (December 25), but ordered him to remain on his estate at Le Bignon. Mirabeau made a

virtue of necessity by studying agriculture at first hand in 1763 he issued *Philosophie rurale*, “the most comprehensive treatise on economics prior to Adam Smith.” Grimm called it “the Pentateuch of the [physiocratic] sect.”

Altogether this unique Marquis wrote forty books, right up to his dying year—all despite the trouble given him by his son, whom in desperation he sent to prison as a measure of safety for both. Like that son he was violent and dissolute, married for money, charged his wife with adultery, let her return to her parents, and took a mistress. He denounced *letters de cachet* as intolerable tyranny, and later prevailed upon the ministry to issue fifty of them to help him discipline his family.

We find it hard to realize today the commotion raised by the publications of the physiocrats, and the ardor of their campaigns. Quesnay’s disciples looked up to him as the Socrates of economics; they submitted their writings to him before going to print, and in many cases he contributed to their books. In 1767 Lemer cier de la Riviere, sometime governor of Martinique, issued what Adam Smith considered “the most distinct and best connected account of the doctrine,” *L’Order naturel et essential des societes politiques*. In economic relations (ran the argument) there are laws corresponding to those that Newton found in the universe; economic ills arise from ignorance or violation of those laws.

Do you wish a society to attain the highest degree of wealth, population, and power? Trust, then, its interest to freedom, and let this be universal. By means of this liberty (which is the essential element of industry) and the desire to enjoy—stimulated by competition and enlightened by experience and example — you are guaranteed that everyone will always act for his own greatest possible advantage, and consequently will contribute with all the power of his particular interest to the general good, both to the ruler and to every member of the society.

Pierre-Samuel du Pont summed up the gospel in *Physiocratie* (1768), which gave the school its historic name. Du Pont spread the theory also in two periodicals whose influence was felt all the way from Sweden to Tuscany. He served as inspector general of manufactures under Turgot, and fell with Turgot’s fall (1776). He helped negotiate with England the treaty that recognized American independence (1783). He was elected to the Assembly of Notables (1787) and the Constituent Assembly (1789). There, to distinguish him from another member called Du Pont, he was called Du Pont de Nemours, from the town that he represented. Having opposed the Jacobins, he was endangered by their rise to power; in 1799 he exiled himself to America. He returned to France in 1802, but in 1815 he made his final home in the United States, where he founded one of America’s most famous families.

On the face of it the physiocratic doctrine appeared to favor feudalism, since feudal lords still owned, or feudal dues from, at least a third of the land of France. But

they — who had paid hardly any taxes before 1756 — were appalled at the notion that all taxes should fall upon the landowners; nor could they accept the removal of feudal tolls on the transport of goods through their domains. The middle classes, which were thinking of new dignities, resented the idea that they were a sterile, unproductive, part of the nation. And the *philosophes*, though mostly agreeing with the physiocrats about relying on the King as an agent of reform, could not accompany them in making peace with the Church. David Hume, who visited Quesnay in 1763, thought the physiocrats “the most chimerical and arrogant set of men to be found nowadays since the destruction of the Sorbonne.” Voltaire lampooned them (1768) in *L’Homme aux quarante ecus* (The Man with Forty Crowns). In 1770 Ferdinando Galiani, an Italian habitue of d’Holbach’s “synagogue” of atheists, issued *Dialoghi sul commercio dei grani*, which Diderot in that same year translated into French. Voltaire said that Plato and Moliere must have joined in writing this excellent contribution to the already “dismal science” of economics. Galiani ridiculed with Parisian wit the physiocratic notion that only the land produces wealth. To free the trade in grains from all regulation would (he argued) ruin the farmers of France, and could produce a famine at home while clever merchants exported French grain to other states. This is precisely what happened in 1768 and 1775.

A story tells how Louis XV asked Quesnay what he would do if he were king. “Nothing,” answered Quesnay. “Who, then, would govern?” “The laws” — by which the physiocrat meant the “laws” inherent in the nature of man and governing supply and demand. The King agreed to try them. On September 17, 1754, his ministry abolished all tolls and restraints on the sale or transport of grains — wheat, rye, and corn — within the kingdom; in 1764 this freedom was extended to the export of grains except when these should reach a stated price. Left to the operation of supply and demand, the price of bread dropped for a time, but a bad harvest in 1765 raised it far beyond normal. The shortage of grains reached the famine stage in 1768-69; peasants grubbed for food in pigsties, and ate weeds and grass. In a parish of 2,200 souls 1,800 begged for bread. Some officials were apparently guilty, but Louis XV was not. He had commissioned certain dealers to buy grain in good years, store it, and put it on the market in years of scarcity; but when this was sold it was at prices too high for the impoverished to pay. The government took tardy remedial measures; it imported grain and distributed it to the neediest provinces. The public clamored for restoration of state control over the trade in grain; the Parlement joined in the demand; it was at this juncture that Voltaire published his *L’Homme aux quarante ecus*. The government yielded; on December 23, 1770, the edicts permitting free trade in grain were revoked.

Despite this setback, physiocratic notions made their way, at home and abroad. An edict of 1758 had established free trade in wool and woolen products. Adam Smith visited Quesnay in 1765, was attracted by his “modesty and simplicity,” and was confirmed in his own predilection for economic liberty. He judged “the capital error of this system... to lie in its representing the class of artificers, manufacturers, and merchants as altogether barren and unproductive,” but he concluded that “this system, with all its imperfections, is perhaps the nearest approximation to the truth that has yet been published on the subject of political economy.” The ideas of the physiocrats accorded well with the desire of England — already the greatest exporter among the

nations — to reduce export and import dues. The doctrine that wealth would grow faster under freedom from governmental restrictions on production and distribution found sympathetic hearing in Sweden under Gustavus III, in Tuscany under Grand Duke Leopold, in Spain under Charles III. Jefferson's affection for a government that governed least was in part an echo of physiocratic principles. Henry George acknowledged the influence of the physiocrats on his advocacy of a single tax falling upon realty. The philosophy of free enterprise and trade charmed the American business class, and gave an added stimulus to the rapid development of industry and wealth in the United States. In France the physiocrats provided a theoretical basis for freeing the middle classes from feudal and legal impediments to domestic trade and political advancement. Before Quesnay died (December 16, 1774) he had the comfort of seeing one of his friends made controller general of finance; and had he lived fifteen years more he would have seen the triumph of many physiocratic ideas in the Revolution.

THE RISE OF TURGOT: 1727-74

Was Turgot a physiocrat? His rich and diverse background repels every label. He came of an old family — “*une bonne race*,” Louis XV called it — which had through generations filled with distinction important posts. His father was a councilor of state and *prevot de marchands* — the highest administrative office in Paris. His older brother was *maitre de requetes* (secretary for petitions and claims), and a leading member, of the Parlement of Paris. As a younger son, Anne-Robert-Jacques Turgot was intended for the priesthood. In the College Louis-le-Grand, in the Seminary of St.-Sulpice, and in the Sorbonne he passed all tests with credit, and at the age of nineteen he became Abbe de Brucourt. He learned to read Latin, Greek, Hebrew, Spanish, Italian, German and English, and to speak the last three of these languages fluently. In 1749 he was elected a prior of the Sorbonne, and in that capacity he delivered lectures two of which made a stir beyond ramparts of theology.

In July, 1750, he addressed the Sorbonne in Latin on “The Advantages that the Establishment of Christianity Has Conferred upon the Human Race”: it had rescued antiquity from superstition, had preserved many arts and sciences, and had presented to mankind the liberating conception of a law of justice transcending all human prejudices and interests. “Could one hope for this from any other principle than religion?... The Christian religion alone has... brought to light the rights of humanity.” There is an echo of philosophy in this piety; apparently the young prior had read Montesquieu and Voltaire, with some effect upon his theology.

In December, 1750, he addressed the Sorbonne with a *Tableau philosophique de progress successifs de l'esprit humain*. This historic enunciation of the new religion of progress was a remarkable performance for a youth of twenty-three. Anticipating Comte

— perhaps following Vico — he divided the history of the human mind into three stages: theological, metaphysical and scientific:

Before man understood the casual connection of physical phenomena, nothing was so natural as to suppose they were produced by intelligent beings, invisible, and resembling themselves... When philosophers recognized the absurdity of these fables about the gods, but had not yet gained an insight into natural history, they thought to explain causes of phenomena by abstract expressions such as essences and faculties... It was only at a later period that, by observing the reciprocal mechanical action of bodies, hypotheses were formed which could be developed by mathematics and verified by experience.

Animals, said this brilliant youth, know no progress; they remain the same from generation to generation; but men, by having learned to accumulate and transmit knowledge, is able to improve the tools by which he deals with his environment and enriches his life. As long as this accumulation and transmission of knowledge and technology continues, progress is inevitable, though it may be interrupted by natural calamities and the vicissitudes of states. Progress is not uniform, nor is it universal; some nations advance while others retreat; art may stand still while science moves on; but the sum of the movement is forward. For good measure Turgot predicted the American Revolution: “Coloneis are like fruit, which clings to the tree only until it is ripe. By becoming self-sufficient, they do what Carthage did, what America will sometime do.”

Inspired by the idea of progress, Turgot, while still in the Sorbonne, planned to write a history of civilization. Only his notes for some sections of the project survive; from these it appears that he had intended to include the history of language, religion, science, economics, sociology, and psychology as well as the rise and fall of states. His father's death having left him an adequate income, he determined, late in 1750, to leave the ecclesiastical career. A fellow abbe protested, and promised him rapid advancement, but Turgot replied, according to Du Pont de Nemours, “I cannot condemn myself to wear a mask throughout my life.”

He had taken only minor orders, and was free to enter a political career. In January, 1752, he became substitute attorney general, and in December counselor in the Parlement; in 1753 he bought the office of *maitre des requetes*, in which he won a reputation for industry and justice. In 1755-56 he accompanied Gournay on tours of inspection in the provinces; now he learned economics by direct contact with farmers, merchants, and manufactures. Through Gournay he met Quesnay, and through him Mirabeau *pere*, Du Pont de Nemours, and Adam Smith. He never listed himself as of the physiocratic school, but his money and his pen were main supports of Du Pont's magazine, *Ephemerides*.

Meanwhile (1751) his mind and manners won him welcome in the salons of Mme. Geoffrin, Mme. de Graffigny, Mme. du Deffand, and Mlle. De Lespinasse. There

he met d'Alembert, Diderot, Helvetius, d'Holbach, and Grimm. One early result of these contacts was his publication (1753) of two *Lettres sur la tolerance*. To Diderot's *Encyclopedie* he contributed articles on existence, etymology, fairs, and markets, but when the enterprise was condemned by the government he withdrew as a contributor. Traveling in Switzerland and France, he visited Voltaire (1760), beginning a friendship that lasted till Voltaire's death. The sage of Ferney wrote to d'Alembert: "I have scarcely ever seen a man more lovable or better informed." The *philosophes* claimed him as their own, and hoped through him to influence the King.

In 1766 he wrote, for two Chinese students who were about to return to China, a hundred-page outline of economics — *Reflexions sur la formation et la distribution des richesses*. Published in the *Ephemerides* (1769-70), it was acclaimed as one of the most concise and forceful expositions of physiocratic theory. Land, said Turgot, is the only source of wealth; all classes but cultivators of the soil live on the surplus that these produce beyond their own need; this surplus constitutes a "wage fund" from which the artisan class can be paid. Here follows an early formulation of what came to be known as "the iron law of wages":

The wages of the worker are limited to his subsistence by competition among the workmen... The mere worker, who has only his arms and his industry, has nothing except in so far as he succeeds in selling his toil to others... The employer pays him as little as he can; and as he has a choice among a great number of workers, he prefers the one who works for the least wage. The workers are therefore obliged to lower their price in competition with one another. In every kind of work it cannot fail to happen, and actually it does happen, that the wages of the worker are limited to what is necessary for his subsistence.

Turgot went on to stress the importance of capital. Someone through his savings must supply the tools and materials of production before the worker can be employed, and he must keep the workers alive until the sale of the product replenishes his capital. As an enterprise is never sure of success, profits must be allowed to balance the risk of losing the capital. "It is this continual advance and return of capital which constitutes... the circulation of money, that useful and fruitful circulation which gives life to all the labors of the society,... and is with great reason compared to the circulation of the blood in the animal body." This circulation must not be interfered with; profits and interest, like wages, must be allowed to reach their natural level according to supply and demand. Capitalists, manufacturers, merchants, and workingmen should be free from taxation; this should fall only upon landowners, who will reimburse themselves by charging more for their products. No duty should be charged on the transport sale of any article of consumption.

In these *Reflexions* Turgot laid down the theoretical basis of nineteenth century capitalism — before the effective organization of labor. One of the kindest and most

honest men of his time could see for the workers no better future than a subsistence wage. Yet this same man became a devoted public servant. In August, 1761, he was appointed intendant — the king’s supervisor — of the *generalite* of Limoges, one of the poorest regions of France. He estimated that forty-eight to fifty per cent of the income of the land went in taxes to the state and tithes to the Church. The local peasants were sullen, the nobles uncouth. “I have the misfortune,” he wrote to Voltaire, “of being an intendant. I say the misfortune, for in this age of quarrels and remonstrances there is happiness only in living the philosophic life among one’s books and friends.” Voltaire answered: “You will win the hearts and the purses of Limousins... I believe that an intendant is the only person who can be useful. Can he not have the highways repaired, the fields cultivated, the marshes drained, and can he not encourage manufactures?”

Turgot did all that. He labored zealously in Limoges for thirteen years, winning affection from the people and dislike from the nobility. He repeatedly — vainly — petitioned the Council of State to reduce the tax rate. He improved the allotment of taxes, remedied injustices, organized a civil service, freed the trade in grain, and built 450 miles of roads; they were part of that nationwide road-building program (begun by the French government in 1732) to which we owe the lovely tree-shaded highways of France today. Before Turgot the roads had been built by *corvee* — the forced and unpaid labor of the peasantry; he abolished *corvee* in Limoges, and paid for the labor by a general tax on all the laity. He persuaded the inhabitants to grow potatoes as human food, instead of only animals. His vigorous measures of relief in the famine periods of 1768-70 won universal admiration.

On July 20, 1774, a new King invited him to join the central government. All France rejoiced, and looked to him as the man who would save the crumbling state.