

History of Economic Thought: Physiocracy

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Physiocracy

Physio: nature

-cracy: government, norms, rules



Rule of nature

Democracy

The rule of people (demos)

Bureaucracy

The rule of state officers (people working in *bureau's*)

Physiocracy

Economic value can be extracted only from agricultural activities

- Criticism of mercantilism
- France (to a large extent)
- State, bureaucracy, and, social inequalities

Periodization:

- 1750s – 1776: *The Wealth of Nations* or the American Revolution
or
- 1750s – 1789: the French Revolution

Physiocracy

Pre-physiocratic period:

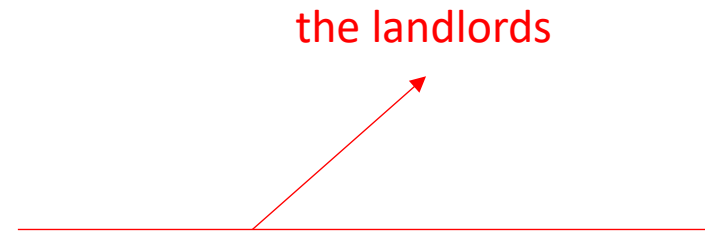
- Repressive
- Monopolist
- Economic and political interests of the aristocratic classes
- Promoting trade, not production

Physiocracy was a reformist movement lead by a group of Enlightenment activists (esp. Dr. Quesnay).

Physiocracy

Pre-physiocratic period:

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Physiocracy and the French Revolution (1789)

Democracy and nationalism against the economic and political interests of aristocratic classes, monarchy, and the Church.

An interpretation: One of the consequences of physiocratic thought was the French Revolution.

An economic problem: How to distribute the “net product” (or surplus) among the productive classes of a society

Physiocracy as a school of thought

- (One of) The first school(s) of economic thought
 - The influence of physiocrats on Smith, Ricardo, and Marx
- First time in history: “les économistes”
 - First time in history: “Scientist” by William Whewell. 1840. *Philosophy of Inductive Sciences*
- Before *les économists*, intellectuals were called “natural philosophers”
 - Attention! Adam Smith was a “moral philosopher”

Ordre naturel or natural order

Nature is governed by laws.

The goal of an intellectual (or a natural philosopher):

- Discover the laws of nature

Then,

- Inequalities will disappear.
- Nations will become wealthier and richer.
- Social harmony will be established.

Ordre naturel or natural order

“laissez faire, laissez aller” or “laissez faire, laissez passe”

- Government is not a natural part of the nature
- Freedom to buy cheap and sell dear
- Not only money, but also production

Natural rights (or freedoms): The right to life, the right to property, the right to free trade

A root of neoliberal ideologies

Marquise d'Argenson (1694-1757)

- French minister of foreign affairs
- “Pas trop gouverner” (Govern not too much)

Produit net or net product

“Gift of nature” as a source of economic value (aka gift economy)

“Land is the mother of all goods.”

Surplus: “the amount of an asset or resource that exceeds the portion that's actively utilized” (Investopedia, accessed March 2022).

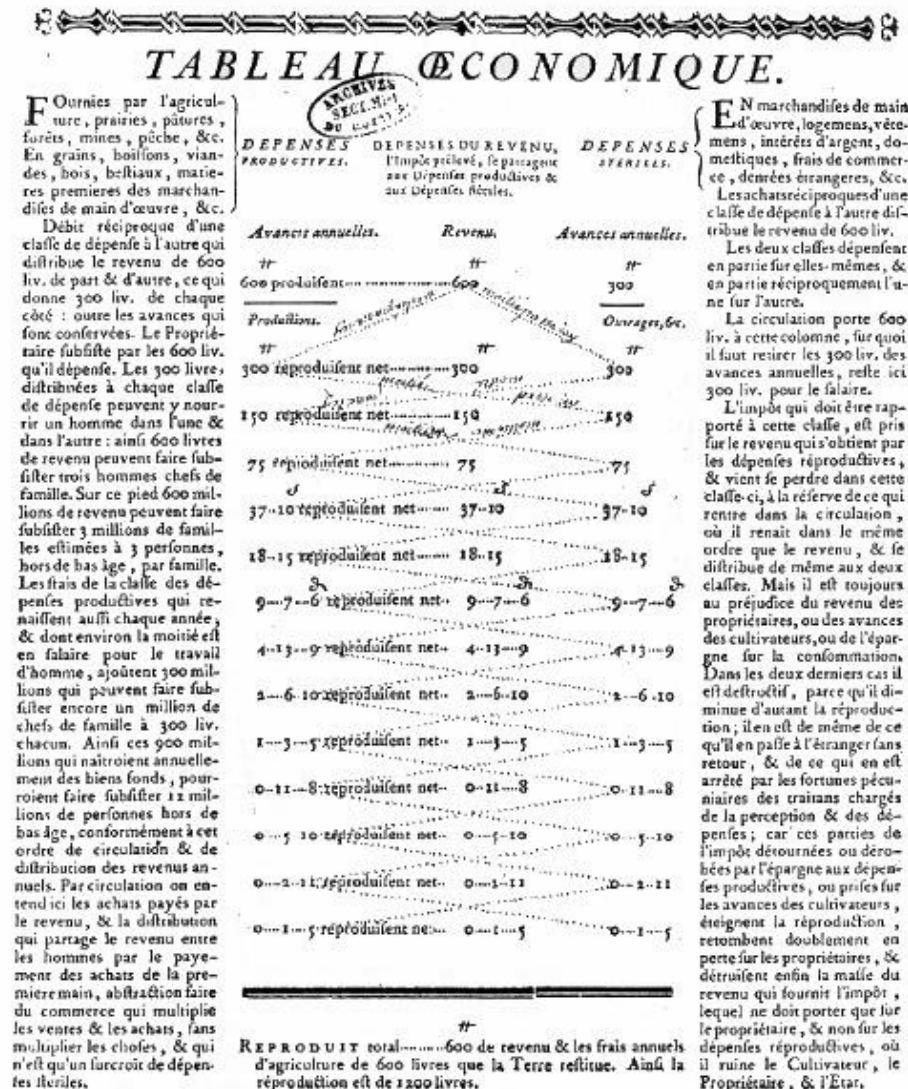
- Trade does not produce value (surplus)
- Trade is solely an exchange of value (surplus).
- Value (surplus) → Agricultural activity
- The wealth of a nation → Productive labor

François Quesnay (1694-1774)



- *Tableau économique* (1758)
- Medical doctor.
- Influenced by William Harvey (1578-1657) and the idea of blood circulation (1628)
- “Confucius of Europe”

François Quesnay and *tableau economique*



Significance:

- (One of) the first macroeconomic model(s)
- Aggregate demand, inter-sectoral dependencies, general equilibrium, tables of input-output
- The most important invention since the inventions of fire and alphabet, according to Mirabeau

Assumptions:

- “National economy”
 - Productive class
 - Land owners
 - Sterile class
- Each class spending equally (ratio: ½).
- Only agricultural activity produces value (surplus).

Turgot

Marquis de Condercet

Richard Cantillon

- İktisadi Planlama, Leontief ve input-output tabloları
- SBF'deki ders (Gazi Özhan)
- Matriksler, ters almalar
- Mülksüzleştirme projeleri

«Armağan»ın antropolojik anlamı

- Gift economy