

# The Physiocratic Formula

François Quesnay

*The physician and economist Quesnay (1684-1774) was a leader of the physiocratic school, which before Smith preached the principles of economic laissez-faire: free trade and governmental nonintervention in the marketplace. This selection is from his General Rules for the Economic Government of an Agricultural Kingdom, written in 1758.*

I. Sovereign authority should be exercised by one; it should be superior to all members of society and above the unjust aspirations of private interests, for the object of rulership and of obedience is the security and the protection of the legitimate interests of all. The principle of the separation of power through a system of checks and balances is a sinister idea which can only lead to discord among the great and to the oppression of the small. The division of society into different groups of citizens in such a way that one group exercises sovereign authority over the others is in opposition to the national interest, and tends to give rise to conflicts between the private interests of different classes of citizens: such division would invert the system of government of an agricultural kingdom which has to unite all interests in a supreme end—namely, the prosperity of agriculture, which is the source of all wealth of the nation as well as that of all citizens.

II. The nation should be instructed in the general laws of the natural order, which for obvious reasons constitutes the most perfect order. The study of human jurisprudence is not at all sufficient to produce capable statesmen; those who devote themselves to public administration must be instructed also in the principles of the natural order, which is most advantageous to men organized in society. Moreover, it is necessary that the sum total of the practical and enlightened knowledge which the nation acquires through experience and reflection be added to the general science of government, so that sovereign authority, always guided by evidence, may decree the best possible laws and see to it that they are observed in the interest of the security of all and in order to achieve the greatest possible prosperity of society.

III. Let the sovereign and the nation never forget that the land is the only source of wealth and that it is agriculture which multiplies it. For the increase of wealth assures the increase of population. Men and wealth make agriculture prosperous, expand trade, stimulate industry, and increase and perpetuate riches. Upon this rich source depends the success of all parts of the administration of the kingdom.

IV. The property rights in land and personal wealth should be guaranteed to their legitimate owners; for the safety of property is the real basis of the economic order of society. Without this safety of property, the land would remain uncultivated. There would be neither proprietors nor peasants to make the necessary investments required in agriculture if they had not the guarantee that their land and the products thereof belonged to them. It is this feeling of security and the guarantee of permanent ownership which gives people the incentive to work and to employ their wealth in the improvement and cultivation of the land as well as in trade and industry. Only the sovereign power is capable of guaranteeing the safety of property of the subjects who have an original right (*droit primitif*) to the division of the fruits of the land, which is the sole source of wealth.

v. Taxes should not be destructive or out of proportion to the sum total of the national revenue. Any increase of taxes should be dependent upon the increase of this revenue. Moreover, taxes should be levied directly and without delay on the net product of land and not on wages or on the price of foodstuffs, in which case they would not only be expensive to administer but would also be detrimental to trade and would destroy annually part of the national revenues. Nor should taxes be levied on the cultivators of the soil, for the advances in agriculture should be considered as a capital fund which must be preserved in the most careful manner in order to provide the money required for the government as well as the income and the subsistence for all classes of citizens: otherwise, taxes degenerate into a system of spoliation causing a general decline which must promptly ruin the state.

VI. The advances of the cultivators of the soil must be adequate to make possible, with the aid of annual expenses, the greatest possible product; for if the advances are not adequate, annual expenditures will increase in proportion and will yield a smaller net product.

VII. The entire annual revenue ought to find its way back into the circulation of wealth and should pass through this process to the fullest extent; there should not be created pecuniary fortunes, or at least the magnitude of such fortunes should not exceed the amount of pecuniary fortunes re-entering into circulation. For, otherwise these fortunes are bound to interfere with the distribution of one part of the annual national revenue; the owners of these fortunes would intercept for their own use part of the national capital—thereby interfering with the return into circulation of the advances in agriculture, the wages of artisans, and the expenses on consumption which have to be made by the various classes of persons engaged in remunerative professions. This interception of national capital would have the effect of diminishing the reproduction of the national revenue and of the fund available for taxes.

VIII. The economic government should concern itself only with the encouragement of productive outlays and trade in raw produce, and should not intervene at all in matters pertaining to the sterile expenditures.

IX. A nation with a substantial area of agricultural land and capable of carrying on an extensive trade in raw produce should not encourage too much the use of money and the employment of men in the manufacturing and trade of luxuries at the expense of work and outlays in agriculture. For, above all, the kingdom ought to be well populated with well-to-do cultivators of the soil.

X. Never should a part of the annual revenue leave the country without compensation in money or in merchandise.

XI. Emigration of inhabitants who take their wealth with them should be avoided.

XII. The children of rich, independent peasants should stay in the rural areas in order to perpetuate the labor force. For if some discontent causes them to leave rural areas and to move to the cities, they will carry with them the riches of their fathers which were used in the cultivation of the soil. It is not so much human beings but riches which ought to be attracted into the rural areas; for the greater the amount of capital employed in the cultivation of the soil, the fewer the number of men required in agriculture and the greater its prosperity and its revenue. This is true, for example, with reference to the large-scale and efficient production of grain (*grande culture*) by well-to-do peasant farmers, in contrast to the small-scale production (*petite culture*) of poor and dependent peasants (*metayers*) who work with oxen or cows.

XIII. Everybody ought to be free to raise on his land such products as his interests, his abilities, and the nature of the soil seem to suggest as the most profitable crops. Monopoly should not be encouraged in agriculture, since it is likely to reduce the net social revenue. The prejudice which tends to promote an abundance of necessities in preference to other products and to the detriment of the price of both is based upon a short-run point of view which fails to take into account the effects of foreign trade... which determines the price of the foodstuffs that each nation is able to raise with the greatest advantage. Apart from the funds designed for the cultivation of the soil, it is primarily the revenue and the tax fund which are riches of the greatest importance, in view of the fact that they permit the protection of the subjects against famine and foreign enemies, as well as the maintenance of the glory and the power of the monarch and the prosperity of the nation.

xiv. The increase of livestock should be encouraged, for it is these animals which provide the manure which renders possible rich harvests.

XV. The lands used for the production of grains should be combined, as far as possible, into large holdings administered by well-to-do farmers; for costs of maintenance and repair of structures are smaller in the case of large farm enterprises, which operate with proportionately lower costs and yield a much higher net product than small farms. The existence of a great number of small peasants is not in harmony with the national interest. The most independent part of the population, which is also most easily available for the various occupations and the different kinds of work which separate men into different classes, is the part maintained by the net product. Each economically worth-while measure

of economy in the performance of work which can be carried out with the aid of animals, machines, water power, etc., is advantageous for the nation and the state, because a greater net product secures a higher income available for other services and other works.

XVI. International trade in raw produce should not be prohibited, for the rate of reproduction is determined by the extent of the market.

XVII. It is important to create outlets for, and to facilitate the shipment of, agricultural and manufactured products by keeping roads in good condition and by improving ocean shipping and navigation on inland waterways. For the greater the reduction of the costs of trade, the greater the addition to the national revenue.

XVIII. The price of foodstuffs and finished articles in the kingdom should not be reduced; for the mutual exchange of commodities with foreign countries becomes disadvantageous for a nation under these circumstances. Upon the price depends the return. Abundance with cheapness is not wealth; scarcity and dearness are misery; abundance and dearness are opulence.

XIX. It should not be assumed that cheapness of foodstuffs is beneficial for the common people. The low price of foodstuffs tends to reduce the wages of the common men, lowers their standard of living, leaves them with fewer work and employment opportunities, and diminishes the national revenue.

XX. The standard of living of the poorer classes of citizens should not be lowered, for these classes would then be unable to contribute their share to the consumption of consumers' goods which can be consumed only within the country. Such a reduction of consumption would have the effect of curtailing the reproduction of wealth, and thus lower the national revenue.

XXI. The proprietors and members of the professional groups should not engage in hoarding (*épargnes stériles*), which would have the effect of withdrawing from circulation and distribution part of their revenues or gains.

XXII. Luxury of a purely decorative kind (*lux de decoration*) should under no circumstances be encouraged at the expense of outlays which might otherwise be devoted to agriculture, to its improvement, or to the consumption of essential commodities. Such expenditures tend to maintain the low price and sale abroad of raw produce and guarantee the reproduction of national wealth.

XXIII. The nation should not suffer any loss in its reciprocal foreign trade even if such trade were profitable for merchants who would gain by the sale of goods abroad at the expense of their compatriots. For the increase of the fortunes of these merchants would cause a contraction in the circulation of wealth, which would have negative effects on the process of distribution and the reproduction of the national revenue.

XXIV. One should not be deceived by an apparent advantage resulting from international trade by simply taking into account the balance of monetary

payments without considering the greater or smaller profit yielded by the goods sold and bought. For frequently the nation which receives a surplus of money is the loser, and this loss affects negatively the distribution and reproduction of national revenue.

XXV. Complete liberty of trade should be maintained. For complete freedom of competition is the safest, the most exacting, and, from the point of view of the nation and the state, the most profitable method of control of domestic and external trade.

XXVI. It is less important to increase population than to increase revenue. For a higher standard of living rendered possible by greater revenue is to be preferred to an urgent need of necessities which would result from an excess of population over revenues; moreover, a higher standard of living makes available more funds for the requirements of the state as well as additional means to make agriculture prosper.

XXVII. The government should be less concerned with economies than with measures necessary for the prosperity of the kingdom. For very great expenditures may cease to be excessive if they lead to an increase of wealth. However, simple expenditures must not be confused with abuses. For abuses could completely absorb the wealth of the nation as well as that of the sovereign.

XXVIII. The administration of government finances either with respect to public revenues or public expenditures should not give rise to pecuniary fortunes which withdraw one part of the revenues from circulation, distribution, and reproduction.

XXIX. The means required to finance extraordinary public expenditures should be obtained from funds available in times of prosperity and should not be borrowed from financiers. For financial fortunes are secret wealth which knows neither king nor fatherland.

xxx. The state should avoid loans giving rise to financial incomes (*rentes financières*); such loans burden the state with debts which are not only all-consuming, but also, through the intermediary of negotiable papers, give rise to financial transactions where discounts add more and more to sterile pecuniary fortunes. These fortunes tend to separate finance from agriculture and deprive the rural areas of funds required for the improvement and cultivation of the land.