

Alfred Marshall's Notes on the Physiocrats

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Editorial Introduction

Presented below are early notes made by Alfred Marshall on the Physiocrats.¹ The composition of the notes appears to date to the early 1870s. In 1868 the young Marshall, who had just been elected to a fellowship at St John's College in Cambridge, was asked to give lectures on political economy for the Moral Sciences Tripos. Henceforth, Marshall engaged in ever more intensive research into a subject that, he increasingly believed, offered a research project in waiting (Cook 2009, chapter 5).

As Marshall himself recall in several later letters, his early interest in the Physiocrats was awakened when he set out to trace the genesis of Adam Smith's doctrines. In 1892, for example, we find him writing to Langford Lovell Price:

In the early seventies, *when I was in my full fresh enthusiasm for the historical study of economics*, I set myself to trace the genesis of Adam Smith's doctrines ... On the business side I thought he was entirely British (Scoto-English): as regards philosophy and 'tone,' I thought he was not so Scotch as was commonly supposed nor did I think he was French ... But as regards analysis, and the developments of economic science proper, he seemed to me entirely French ... I found so much in the Physiocrats which I had thought to belong to Adam Smith, that at first I got quite set against him. But afterwards I thought that many of these things were in substance older even than the Physiocrats; and that it was the form of his thought rather than the substance that he owed especially to them.²

Again, four years later, we find Marshall writing to Edwin Cannan, welcoming his book on Smith and informing him:

what a godsend I should have regarded the book 25 years ago when I was trying to make up my mind as to the influences exerted on Adam Smith by English & French influence side by side, like the waters of the Rhone & Saone for some time after their junction, & that I thought that intellectually the influence of the French was much the greater, but that of Locke predominated all others as regards the tone of his aims: while of course he was far more influenced by Adam Smith than by all the external world. But my knowledge

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¹ John Whitaker has published some of these notes, specifically those on Turgot and on Smith's treatment of rent (Whitaker 1975, vol. II: 252 – 255). The large bundle of early manuscripts from which these were taken was, in his view, "too diffuse, incomplete and limited in interest to justify any attempt at reproduction *in extenso*" (*Ibid.*: 252). Whitaker dates these early notes as a whole to the late 1860s and early 1870s.

² Pigou, 1925: 378 (emphases added). In 1891 Price had published his *Short history of political economy in England, from Adam Smith to Arnold Toynbee* (London, Methuen).

of the French School did not extend much beyond Turgot's work & Daire's collection.³

As the notes published below illustrate, Marshall turned to Turgot's *Réflexions sur la formation et la distribution des richesses* (1770) in order to compare it with Smith's theory of rent. Marshall's conclusions were that Turgot "assumes that every one is at starvation door except landowners & capitalists: & he assumes that any tax on profits of capital will cause such an enormous diminution in capital that the state will suffer more than it gains ... On these assumptions his conclusion that a tax on anything but rent will have to be paid by the landowners together with charges of collection is true". But where Turgot simply "says the competition of other artisans limits the means of each artisan to his own subsistence", Smith explains "the reason of this": "men like all other animals multiplies in proportion to his means of subsistence". Thus, Marshall concludes, "the definite step made in advance of Turgot by Adam Smith was the recognition of the population principle". Nevertheless, he goes on to add, "the distinction between Adam Smith & Ricardo is that Ricardo knew clearly what he was assuming: & Smith did not". Marshall's focus on the relationship between thought and words – and on the possible inadequacy of the mode of expression of past economic thought – was a key feature of his early reading of the history of political economy.

These notes also shed light on other aspects of the development of Marshall's thought. For example, in what became the appendix on 'The growth of economic thought' of his *Principles of Economics* (1890), Marshall insists that, because of their confusion of the ethical principle of conformity to nature with the causal law of nature, the direct influence of the Physiocrats on modern thought was not great (Marshall [1890], 1961: 756). Their "indirect influence", however, has been very great:

For, firstly, the clearness and the logical consistency of their arguments have caused them to exercise a great influence on later thought. And, secondly, *the chief motive of their study* was not, as it had been with most of their predecessors, to increase the riches of merchants and fill the exchequers of kings; it was to diminish the suffering and degradation which was caused by extreme poverty. They thus gave to economics its modern aim of seeking after such knowledge as may help to raise the quality of human life.⁴

In Marshall's reading notes we find some early indications of these reflections. In his notes on François Quesnay, drawn from Léonce de Lavergne's *Les Économistes Français du XVIII^e Siècle* (1870), Marshall writes that for Lavergne "the essence of Quesnay's system" was "That ... the severity of property is the essential foundation of the economical order of society. It is the security of permanent possession which encourages labor and the employment of wealth and the improvement and the cultivation of land, and in commercial and in commercial undertakings". However, he goes on to note that in Lavergne's view, "the central point of Quesnay's position was his preference to indirect taxation", for these are "not

³ Whitaker 1996, Vol. II: 171. Marshall's second reference is to Eugène Daire's *Collection des principaux économistes, Physiocrates* (Guillaumin, Paris, 1846).

⁴ The wording of this Appendix dates substantially from the 1st edition (Marshall [1890], 1961, vol. II: 750). Emphases added.

destructive or disproportional to the whole of the revenue of the nation”. He further observes that “a low price of commodities should not be regarded as profitable to poor people, for a low price of commodities lowers their wages, diminishes their comfort [and] deprives them of occupation”.

The notes are kept in the archive folder M 4/15 in the Marshall Archive in the Marshall Library in Cambridge.

Our transcription utilises the following conventions:

Italics - manuscript word or phrase is underlined

<triangular brackets> - word or phrase is crossed out; only such crossings out as are still legible have been recorded

asterisks - word or phrase written above the line

underlining – letter or word is illegible

When reference to books is given in the footnotes, [ML] signifies that this book was owned by Marshall and is currently located in the Marshall Library, Cambridge.

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(A) Lecture Notes

Editorial Note: Four folios (ff.6, 7, 8, 9) numbered by Marshall from 1 to 4. On each folio Marshall has written on the right hand side ‘*Physiocrats*’, and in the centre ‘Lect[ure] Not[es]’.

Physiocrats

Lect Not

Sterile:⁵ Daire is right in saying that there is no harm in this word: there is no more error introduced by it than by calling a singer an unproductive laborer.

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Productive. A Smith. M^cCulloch. Mill: the question really one of taste: what the word ought to mean – tending to heap up sources of enjoyment

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On fallacy at the bottom of the Physiocratic doctrine viz: that the value which any manufactured commodity has in excess of raw produce is fixed. Let a tax be put on <this> manufactured produce – it will exchange for so much less raw produce. People may choose to buy less of it real wages may fall; population may be acted on

[f.7] The physiocratic theory would be roughly true if all <laborers> *but proprietors* were actually at starvation limit: ie if the artisans, should they get less real returns to their labor would instantaneously die & the farm laborers also. If only one *set* were, the others would partially change their occupation.

As a matter of fact the mercantile & manufacturing classes are few of them near starvation limit: most of them well off.

Put a tax on manufactured commodities & there will be a net produce at once.

[f.8] Assume existence of land of fertility all equal to least in England, no rent <approx> paid (such is they say approx: the case in Texas &c) Levy varying taxes on gross produce of land: gov have now nett produce. What is result real wages & profits have shrunk.

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Adam Smith on mines.

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Ricardian theory of rent not applicable without modification to mines: yet <ye> here A.S. gives it.

[f.9] Physiocrats had not thought theory out. A Smith had but fragmentarily.

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A. S. on *rent*.

//

Rent increases above return to Capital; when *right* amount is put on.

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But “right” means <sup> that which an average farmer will see to be right. That employed under such circumstances that only the farmer of exceptional enterprise, skill &c will undertake outlay is rather wages of superintendence.

⁵ The headings ‘Sterile’ and ‘Productive’ seem to refer to seven folios of notes under the same headings; now contained in the archive folder M 4/19 (and also published in this issue of MSB).

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Rent of mines must have references to gross produce

(B) Notes on the Physiocrats

Editorial Note: Five folios (ff.10, 11, 12; ff.4, 5). On the top right of the first three folios (ff.10, 11, 12) is written ‘*Physiocrats*’. On the far right of the second and third folios (f.11 and f.12), which are numbered, Marshall has also written ‘*Tocqueville*’ in the top centre. On the top right of the last two folios (f.4 and f.5) is written ‘*Physiocrats Compared with Hobbes*’, and on the top left of both ‘(*Austin*)’.

Physiocrats

This name was not originally adopted by the Economists but arose from the title of one of Dupont de Nemours works w^h was “*Physiocratie, ou constitution naturelle du government le plus avantageux aux genre humain* 1768

Sargant (Recent P. E p 14)⁶ refers to this & says “It is curious that this was not an abbreviation of P. Econ: but indicated that... Frugality was the leading notion of the school” He refers to the passage in the Dictionnaire⁷ in w^{h8} the previous statement is made: but I find no authority for the latter.

Physiocrats

Tocqueville.

Tocqueville says that Voltaire while charmed with English scepticism was struck by the defects rather than the excellencies of English liberty. The philosophic movement in general devoted itself to propositions almost too vague to have a bearing upon practice. The physiocrats “without abandoning theory, clung more closely to facts. The former said what might be thought, the latter sometimes pointed out what might be done. All the institutions which the Revolution was about to annihilate for ever were the peculiar objects of their attacks; none found favor in their sight. All the institutions, on the contrary, which may be regarded as the product of the Revolution, were announced beforehand by these economical writers, and ardently recommended; there is hardly one of these institutions of which the germ may not be discovered in some of their writings; and those writings may be said to contain all that is most

⁶ Sargant, W. L., *Recent Political Economy*, (London: Norgate and Williams, 1867).

⁷ Coquelin, C., *Dictionnaire de l'Économie Politique, Contenant l'Exposition des Principes de la Science, l'Opinion des Écrivains qui ont le plus Contribué à sa Fondation et à ses Progrès, la Bibliographie Générale de l'Économie Politique par Noms d'Auteurs et par Ordre de Matières, avec des Notices Biographique et une Appréciation Raisonnée des Principaux Ouvrages*, 2Vols, (Paris: Guillaumin et cie., 2nd edition, 1854) [ML].

⁸ In the original manuscript this ‘wh (signifying ‘which’) is repeated twice.

substantial in the Revolution itself.” He stigmatises as “literary nonsense” Quesnay’s assertions that “despotism is impossible when the nation is enlightened” and that “the system of checks is a fatal idea in government” together with other assertions by his disciples, such as that “struck by the evils arising from abuses of authority, men have invented a thousand totally useless means of resistance, whilst they have neglected the only means which are truly efficacious, namely, public, general and continual instruction in the principles of essential justice and natural order”

(see *Turgot*)

[f. 12] He quotes from Letrowne “the state of France is infinitely better than that of England, for here <the> reforms can be accomplished which can change the whole condition of a country in a moment; while among the English such reforms may be always thwarted by political parties.” Every member of the school has “passed an emphatic eulogy on China.”

In 1755 appeared the code “de la Nature” by Morelly, stating that property is detestable. Tocqueville insists on this as showing that the all powerful government which the economists wanted to maintain order, could be and was made by Morelly, the means for bringing about socialism.

(*Austin*)

Physiocrats
Compared with Hobbes⁹

“In regard to the respective aptitudes of the several forms of government to accomplish the ultimate purpose for which government ought to exist, Hobbes’ opinion closely resembles the doctrines, which, about the middle of the 18th century, was taught by the French philosophers who are styled emphatically the *Œconomists*. – In order say the Œconomists, to the being of a good government, two things must pre-exist: 1. knowledge by the bulk of the people, of the elements of political science (in the largest sense of the expression): 2. A numerous body of citizens versed in political science, and not misled by interests conflicting with the common weal, who may shape the political opinions, and steer the political conduct, of the less profoundly informed, though instructed and rational multitude. – Without that knowledge in the bulk of the people, and without that numerous body of ‘gens *lumineux*’, the government, say the Œconomists, will surely be bad, be it a government of one or a few, or be it a government of many. If it be a government of one or a few, it will consult exclusively the peculiar and narrow interests of a portion or portions of the community: for it will not be constrained to the advancement of the general or common good, by the general opinion of a duly instructed society. If it be a government of many, it may not be diverted from the advancement of the general [f.5] or common good, by partial and sinister regard for peculiar and narrow interests – but, being controlled by the general opinion of the society, and that society not being duly instructed, it will often be turned from the paths leading to its appropriate end, by the restless and tyrannical prejudices of an ignorant and asinine multitude – But, given that knowledge in the bulk of the people, and given that numerous body of ‘*light diffusing*’ citizens the government, say the Œconomists, let the form be what it may

⁹ In manuscript, and on this (but not the following) folio, ‘Hobb*e*s’.

will be sharply and steadily impelled to the furtherance of the general good, by the sound and commanding morality-obtaining throughout the community – And, for numerous and plausible reasons (which my limits compel me to omit) they affirm, that, in any society this duly instructed, monarchical government would not only be the best, but would surely be chosen by that enlightened community in preference to a government of a few, or even to a government of many.

Such is the opinion (stated briefly, and without their peculiar phraseology) which was taught by Quesnai and the other Economists, about the middle of the last century. And such is also the opinion (although he conceived it less clearly, and less completely, than they) which was published by their great predecessor, in the middle of the century preceding.” His answer is that ignorance is inevitable, and that a monarchy does not favor its emergence from a state of ignorance, or its good government in that state.

(Jurisprudence. vol. 1. p. 290).

(C) Quesnay *Maxims*

Editorial Note: Eleven folios (ff.15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25) numbered by Marshall from 1 through 11. On the top right of each folio is written ‘*Quesnay*’.

Quesnay

1694-1774.

Lavergne¹⁰ says he was struck by the contrasts between the misery of the country still suffering from Louis XIV’s destructive wars. (Tocqueville says the exhaustion manifested itself early, “France was ruined long before she had ceased to conquer.” He cites Vauban and other authorities. He does not believe that she made any progress during the first half of the eighteenth century. But “30 or 40 years before the Revolution broke out the scene began to change,” government began to care for the people, to do what it could to promote trade and agriculture. In this way the progress under Louis XVI, who himself took great interest in the public welfare, was very rapid. He does not say how much of it he considers to be due to the physiocrats.) Lavergne admits that luxurious expenditure, if drawn from pure sources and devoted to the higher forms of pleasure may be a real benefit to the nation. But the luxury under Louis XV allied itself with *the* corruption of public and private morals. Yet there were not wanting apologists such as Mélin and Voltaire in his *Mondain* who maintained that it was favorable to the development of wealth. “It is against this seductive error that the economists were about to direct their attacks.”

The first things he wrote were articles for the Encyclopaedia on farmers and corn. He gives the following analysis of the way in which the 595 millions of francs which the production of corn cost, was divided:- [f.16]

¹⁰ Lavergne, L., *Les Économistes Français du XVIII^e Siècle*, (Paris: Librairie de Guillaumin, 1870). [ML]

Cost of cultivation	415,000,000.
Rent of the proprietors	70,000,000
Tithes	50,000,000.
Profits of Farmers	27,000,000.
Taille.....	27,000,000.

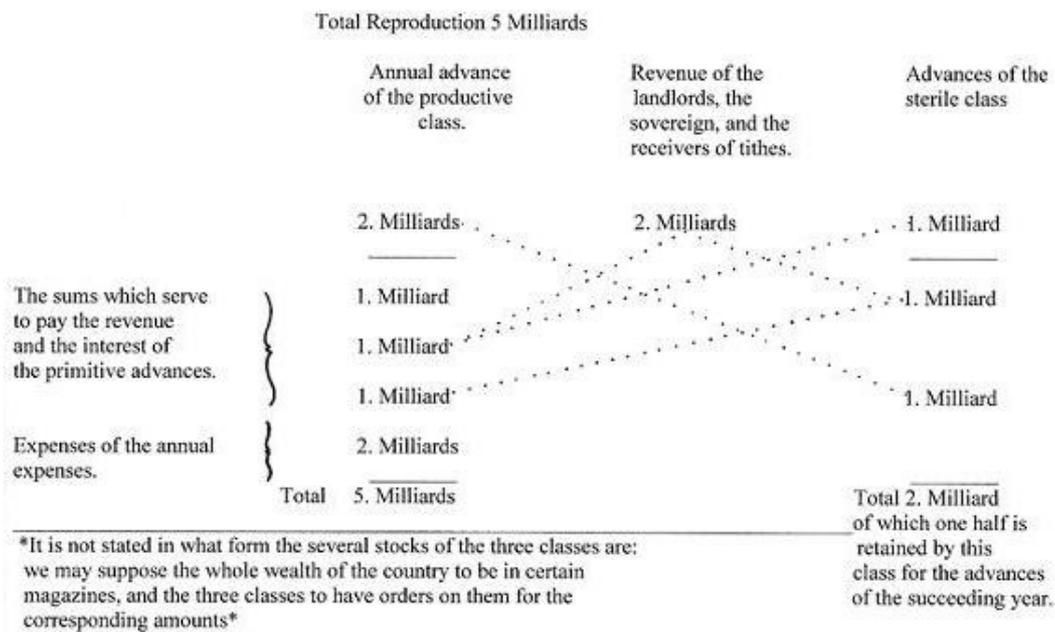
On the whole Lavergne says, agricultural produce appears since Quesnay's time to have been quadrupled in quantity and six-rupled in value. He points out that owing to the rotation of crops there is no such thing as corn-land now, but that the cost of production equals the value of half the gross agricultural produce of France now. (1870)

The "tableau Economique" was published in a sumptuous *edition* for Louis XV's own use in 1758; all copies of this edition have been lost, and we are dependent for our knowledge of it, and "apparently of everything else which Quesnay wrote – with the exception of the above two articles, and some others, (for instance, one of objections to his own table, followed of course by answers to these objections, Dictionnaire p 489) on the collection published by Du pont de Nemours in 1767, the title of this or rather of the first book of it was called "Physiocratie". This was the origin of the name of the school. Mirabeau declared that there were <4> 3 important discoveries in Political <Science> *History*; that of writing, that of money, and that of the tableau Economique. [f.17]

*not important*¹¹

The Tableau commences with the celebrated classification into producers, proprietors, and the sterile class. Its formula is the following:-

¹¹ Written later in pencil.



[f.18] His most important principles are given in his “*general maxims of the economical government of an agricultural kingdom*” (The leading passages in them are given with notes by Lavergne.

1 “That the authority of a sovereign be unique and superior to all the individuals of the society and to all the unjust enterprises of individual interests for the object of ruling and of obeying the safety of all and the legitimate interest of all. The system of counter-forces in a government is a fatal opinion which leaves no prospect but discord between the great and the subjection of the small.”

2. That the people receive a political education.

Lavergne defends him from Tocqueville’s attack, “Quesnay had nothing before his eyes but the blind and important turbulence of the parliaments, he knew the profound aversion of Louis XV for the States-General, he could not hope to realise his ideas except by the means of absolute power” Moreover he has qualified his despotism by his striving to make the obedience to it voluntary. {verily, Austin did not in vain compare him to Hobbs}¹²

3 “That the sovereign in the nation never lose sight of the fact that the earth was the sole source of wealth.”

4. That landed property and moveable property be assured to those who are their legitimate possessors for the security of property is the essential foundation of the economical order of society. It is the security of permanent possession which encourages labor and the employment of wealth and the [f.19] improvement <of> and the cultivation of land, and in commercial and in commercial¹³ undertakings.

¹² Square parentheses in the original.

¹³ Sic.

Lavergne says that here is the essence of Quesnay's system, had he never used the word "sterile" there would have been no opposition to him. As to no 4 he is enthusiastic about it, it is the foundation of all social science.

5. "That the tax says he¹⁴ not destructive or disproportional to the whole of the revenue of the nation; that their increase correspond to the increase of the income, that they be levied directly on the net produce of landed property and not on men's wages nor on commodities in which case their cost of collection would be increased, they would injure commerce and would destroy annually a portion of the wealth of the nation."

Lavergne remarks that the system had the advantage of giving an upper limit to the gross amount of taxes which could be levied. He thinks that the central point of Quesnay's position was his preference to indirect taxation, <had the confined> but he could not bring himself to admit the existence of any other than one kind of produce and of income.

(See *Taxes*, direct v. indirect)¹⁵

6. That the capital which is to set to work cultivators be sufficient for it.

7. On currency; somewhat mysterious.

8. "That the government do no trouble itself to favor anything but productive expenditure and the traffic of raw materials and that it allow <unproductive> *sterile*¹⁶ expenditure to take care of itself. qu'il laisse aller d'elles mêmes des dépenses sterile. [f.20]

9. "That a nation which has a large territory to cultivate and the opportunity of carrying on a large traffic in raw commodities do not employ too much money and labour in manufactures of, and in trade in, <*of*> luxuries"

In a note to this Quesnay says "one <never> must never forget how Colbert caused a perfect mania in the country about trade and money without paying attention to the proper occupation of money. He was well intentioned but disarranged the whole economical constitution of an <econom> agricultural country. Honest as ever he says "various causes compelled the emigration of men and of wealth and hastened the progress of the ruin" He accuses Colbert of having practically increased luxury, the splendour of the nation had a rotten basis. Lavergne points out that Louis XIV's wars were a thousand fold as influential as Colbert's System.

10 "That no portion of the revenue go abroad without return in money or commodities."

11. "The emigration of the inhabitants taking their money with them should be avoided."

The former of these two is a hit at such things as Peters' Pence, and the purchase of Indulgences, the latter and such things as the Revocation of the Edict of Nantes.

¹⁴ Sic. The original reads: "Que l'impôt ne soit pas destructif ou disproportionné à la masse du revenu de la nation..."

¹⁵ This would seem to refer to one of Marshall's early notes; however, to date, no such note has been identified.

¹⁶ Written in pencil.

12. That no positive or negative inducements be offered to the sons of rich farmers to carry their wealth away from their farms into the towns. Then follows a portion that Lavergne has <judiciously> omitted “The more wealth one employs in cultivation the fewer men it occupies more it prospers and the more revenue it gives. Such is for example, <for corn> the <high> *cultivation on a large* [f.21] <farming> *scale* (grande culture) of rich farmers as regards corn in comparison with the small cultivation (petite culture) of the poor metayers who work with oxen or cows” And in a note he says, “In cultivation <of> on a large scale, one man drives a plough drawn by horses which do as much work as three ploughs drawn by oxen and driven by six men.<”> For the setting up of the grande culture the original charges are heavy but in spite of that the annual expenditure in the latter case is excessive in proportion to the net produce which is almost nothing and ten or twelve times as much land is employed by it fruitlessly.” He goes on at some length on the same strain.

13. “That every one be free to cultivate on his own land such produce as his interest his means and the nature of his soil suggest to him in order that he may obtain the greatest possible produce.” He argues that it is short-sighted policy to favor necessaries when wine for instance, could be more profitably produced for exportation.

14 The importance of cattle for the sake of manure Lavergne states that as late as 1747 an edict forbidding the planting of wines without permission had been re-issued. Turgot endeavoured to establish freedom, but this was not completely done till 1791 under the auspices of one of Quesnay’s pupils.

15. “That the lands employed in the cultivation of corn, he wanted as far as possible in large farms cultivated by rich laborers; for there is less expense ... and more net produce ... the population which is most secure and the [f.22] most disposable for the different occupations, which divide men in different classes is that which is supported by the net produce.” Thus it is the net produce which is of the most importance to the state. {Sully, of course, wanted a large gross produce and a large agricultural population.}¹⁷

Lavergne says that Quesnay would take a different position if he lived now. “Experience shows that *in certain cases* small holdings give in proportion not only more gross produce but as much or even more net produce than large ones.” What Quesnay was really attacking, was low farming. He seems to concede that large farms are required to teach the small farmers improvements.

16. That foreign trade in all commodities be not hindered, for the more we have to send to foreign countries, the more we produce at home. (“Tel est le débit, telle est la reproduction”).

In a note he says, “if one stops foreign trade in corn and other raw materials, one limits agriculture to the state of the population, in place of extending population by means of agriculture. The sale of raw productions abroad increases the revenue <of> *from* landed property; this increases the <expense of> *sums expended by* the proprietors, this again attracts people into the kingdom, the increase of population increases the consumption of raw produce.” He goes on to argue that the trade prevents inequalities of price: this is important, not only from the point of view of the

¹⁷ In the original these are square parentheses.

consumer, but even more from that of the producer. Independently of other considerations, certainty of price is worth a tenth part of the produce of the land. Lavergne says that he somewhere quotes the following passage from a contemporary [f.23] English writer “Let us leave to other nations <disturbances> anxieties about famine ... Instead of vast granaries stored up as a precaution we have vast fields in corn. So long as England did not trouble herself to cultivate corn, except for her own support, she found herself often insufficiently supplied, but since she has made of it an article of commerce its cultivation has so much increased that a good harvest would suffice to support it for five years.”

(Lavergne says, “The exaggeration does not destroy the force of the argument”

17. Importance of good roads, canals, etc.

18. That the price of commodities be not forcibly lowered

19. That a low price of commodities should not be regarded as profitable to poor people, for *a* low price of commodities lowers their wages, diminishes their comfort, deprives them of occupation, and destroys the revenue of the nation (Perhaps it would be better to translate “denrée” food, instead of commodity.) His arguments are various; among them is included that an artificially low price diminishes the supply. The question has lost all practical influence.

20. One must avoid distressing the <poor> *common people*. He quotes with great wrath the doctrine, that one must keep them poor in order to <have> prevent their becoming impertinent. This is a good instance of what Tocqueville refers to, when he says, that the Physiocrats by telling the third Estate how badly they were treated, or without having the power to remedy the evil, accelerated the Revolution. [f.24]

21. “That proprietors and those who exert lucrative professions should not make “sterile savings” which would stop the circulation and the distribution of one portion of their revenues and their profits.”

Daire¹⁸ says, Turgot attacked this doctrine, but Lavergne vaguely defends it, apparently without understanding it. Quesnay means that by abstaining from consuming the produce of sterile workers no good was done. The word sterile has betrayed its inventor. That this is what he meant is shown by the next maxim:-

22 “That we should not encourage luxury of ornament to the prejudice of expenses <acq> required for carrying on and improving agriculture. And of expenses of consumption of food (subsistence) which support the price of raw commodities and the reproduction of the revenue of the nation”.

23. “That the nation suffer no loss in commerce with other nations; even when some citizens gain by it at the loss of their fellow citizens.” He does not explain this, perhaps he refers to monopolies. (see. 25.)

24. We must not be deceived by the apparent advantage of any foreign trade in consequence of its causing an increase of the money in the kingdom; this may often happen when the real advantage of the trade is against us.

¹⁸ Daire, E. (ed) *Œuvres de Turgot*, 2 Vols, (Paris: Guillaumin, 1844). [ML].

25. <Daire says> We must preserve the entire freedom of trade. For the police which is most sure, most accurate, and most profitable *for* the nation and the state in its operation as regards home and foreign trade is the complete liberty of competition.

26. “One should be less attentive to the increase of population than to that of the income. For the [f.25] greater comfort is obtained by *a* great income<s> is preferable to the increasing want of the means of subsistence which presses upon a population whose growth has exceeded its revenues”

Daire and Lavergne make a great flourish about this: it is Malthus’ principle without his clumsiness of expression.

27. Government ought not to be stingy of expenses necessary for the welfare of the people. National income cannot be better employed.

28. and 29. An attack on administrators and traffickers who spoil the nation.

30. Wholesale attack on National Debts.

Lavergne says, that the only other things that he wrote were certain contributions to journals: of these the best is that called “Le droit Naturel”. He quotes a passage. (<2’v> q.v.) in which Quesnay gives his general principles that security of property and a knowledge of the laws of nature are the only really important things; that forms of government are a mere trifle. He refers also *to* the admiration of the physiocrats for China.

(D) Notes on Quesnay

Editorial Note: Six folios (f.32, 33, 13, 14, 30, 31), on the top right of each of which is written ‘*Quesnay*’. In the centre of f.32 is written ‘Tableau Econ 1758’. On the left hand side of f. 30 and f.31 appears, respectively, the curious numbering ‘3, 1’ and ‘3, 2’.

Quesnay

Tableau Econ 1758

“One must not think that a low price of commodities is beneficial to the <p> common people,” for the low price of commodities lowers the salary of ‘les gens du peuple’ diminishes their comfort procures for them <less lucr> a smaller amount of lucrative work & recuperation & annihilates the revenue of the nation”

Twiss¹⁹ 151

¹⁹ Twiss, T., *View of the Progress of Political Economy in Europe since the Sixteenth Century. A course of lectures delivered before the University of Oxford in Michaelmas Term, 1846, and Lent Term, 1847*, (London: Longman, Brown, Green, and Longmans, 1847).

Twiss *says many writers attribute* attributes to the M de Gournay the Intendant général of commerce the saying Laissez faire laissez aller. He worked under an independent banner but aided Quesnay in his attacks on the Mercantile Theory.

[f. 33] Twiss p 159 quotes the remark of a distinguished writer that

The comparative merits of *the system of* the Physiocrats & of that of A Smith depend upon their different definitions of wealth & productive labour “If the definitions which the economist have given of them be the most useful & correct the system which is founded upon them is the correct one. If on the other hand the wider meaning assigned to these terms by A Smith be more appropriate then his system must be considered as superior both in utility & correctness”

// On the theories of government of the Economists see Austin I 281.

[f. 13] Twiss pp 156-7 quotes from Bandini 1737 whom the Italians regard as having anticipated Quesnay.

[f.14] One day the Dauphin (Father of Louis XVI) complained of the toils of royalty

“Sire I don’t see that”
“What then would you do if you were king”
“Sire I would do nothing”
“And who would govern”
“The Laws”

A courtier urging the use of force if the Parliament was troublesome said “It is the halberd that maintains the kingdom
“And what then maintains the halberd? It is the public opinion & it is on public opinion that one must work”

*not important*²⁰

3,1

Quesnay

The following seems to be the meaning of the Tableau.

The Productive class has <th> two milliards *in* advance. It produces 5 milliards worth of raw produce. of these it gives one milliard in the form of material to the artizans. receiving in exchange manufactured commodities worth one milliard. The artizans have one milliard in advance which they consume, & the value of their produce one half due to their labour the other half due to the materials is two milliards. one of these as already seen they give to the productive class in exchange for materials [f.31 (3, 2)] the other they give to the proprietors in exchange for one milliard of raw produce which is what they have in advance for the next year. The proprietors have as rent two milliards of raw produce; one of these they consume the other they exchange for one milliard worth of manufactures <from the> with the artizans.

The artizans thus seem to be the only people who consume no manufactured produce: but this difficulty can be got over by assuming them to have time to work up

²⁰ Added later in pencil.

say a milliard & a quarter of raw material; & that consequently their real wages are more than a milliard.

(E) Notes on Turgot

Editorial Note: two folios, both with ‘*Turgot*’ written on the right hand side, but in the centre the first (f.34) is headed ‘Meyer’ and the second (f.35) ‘*Toqueville*’.

Meyer²¹

Turgot

Born in 1727 When in 1779 Louis XVI ascended the throne it was the general opinion that he was the only man who could save France
“The plans of reform contained in his famous letter to the king really contained all that the Revolution later accomplished; but they thereby aggrieved all who would have to make a sacrifice through them” Moreover in 1775 he gave butchers leave to sell meat on Fast-days. A bad harvest gave his enemies opportunities to represent the distress as owing to his measures & to raise popular tumults in all quarters. In 1776 the king was compelled to dismiss him. He spent the rest of his life in science died 1781

Réschérches &c 1744

Tocqueville

Turgot

Turgot himself who deserves to rank far above all the rest for the elevation of his character and the singular merits of his genius had not much more taste than the other economists for political liberty, or at least that taste came to him later than when it was forced upon by public opinion. To him as well as to all the others the chief political security seemed to be a certain kind of public instruction giv<ing>*en*²² by the state on a particular system and with a particular tendency. His confidence in this sort of intellectual drug, or, as one of his contemporaries expressed it “in the mechanism of an education regulated by principles” was boundless. “I venture to assure your Majesty,” <that> said he in a report to the king, proposing a plan of this nature, “that children who are now ten years of age will then grow up as men prepared for the public service, attached to their country, submissive not through fear but through reason, to authority, humane to their fellow-citizens, accustomed to recognize and to respect the administration of justice.”

(F) Turgot *Reflexions*

²¹ Meyer, H. *Neues Conversations-Lexikon. Ein Wörterbuch des allgemeinen Wissens 15 Bände und Kartenband sowie Register*, 17 Vols, (Hildburghausen: Bibliograph.Institut., 1861).

²² Correction (‘en’) added in pencil.

Editorial Note: Eleven folios (f.36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46) numbered by Marshall from 3 to 11. On each folio Marshall has written on the right hand side ‘*Turgot*’ and, after the initial title on the first folio (reproduced below), in the centre of each folio, ‘*Reflexions &c*’.

Turgot

*Reflexions sur le Formations et al Distribution des Richesses 1774*²³

i-iv Commerce could not have existed if all had had an equal share of land.
The origin of commerce

v. “In that circulation which by the change of the objects of <want> desire renders men necessary to one another & forms the bond of society, it is the labour of the Agriculturist which gives the first movement. That, which his *labour* produces from the earth in addition to his personal wants, is the sole fund of the wages which all the other members of the society receive in exchange for their labour.”

These in buying the commodities of the agriculturist gives him nothing more than the exact equivalent of what they receive. He could live without them, they could not live without him.

[f.37] vi The salary of the artisan is limited, by the competition of the artisans, to his mere subsistence.

vii The agriculturist is the only one whose labour produces anything in <add> addition to his²⁴ the wages of his labours. Accordingly, he is the only source of wealth.

viii Division of society into two classes Productive i.e. Agriculturists, Stipendiary i.e. Artisans.

ix – xiii The Agriculturist & Landowner

xiv The labour surplus all goes to the landowner

xv add ... to classes in viii a third class landowners = classe disposable. The reason for the name is that not being compelled “by the cares of existence to take up any special employment <it> may be employed for the general [f.38] wants of society, such as war & the administration of justice, whether by personal service or by a payment of a share of their revenues with which the state may engage them to perform their functions.”

xvi – xviii previous positions expounded

²³ Turgot, A. R. J. *Réflexions sur la Formation et al Distribution des Richesses* (1776) in Daire, E. (ed) *Œuvres de Turgot*, Vol. 1.

²⁴ Sic.

xix – xxx different kinds of cultivation of these that by tenant farmers is proved by experience the best. This is in general the mode of cultivation in the North of France w^h “is incomparably more rich” than the South where the Metayer system prevails.

xxi – xxxii money & commerce

xxxiii People change one commodity for another or commodities for labour For these exchanges each party must convince himself about the quality and the quantity of the thing changed

[f.39] In this <agre> arrangement it is natural that each one should try to <to> get as much and to give as little as he can. And they being alike each of them the master of that which he has to deliver in exchange it is for him to balance his desire to retain (attachement) the commodity which he offers with his desire to obtain that which he wishes to acquire, & to fix accordingly the rate of exchange (la quantité des choses échangés) If they do not agree it will be necessary that they should approach one another by giving way on one side or the other, by offering more or contenting themselves with less.” But in this way three different rates may be fixed on e.g. in three different bargains a < boisseau of wheat> *bushel of corn* may exchange for 4, 6, 8 pints of wine.

[f.40] xxxiv hence the sellers of wine & <lead> *corn* do not look only at the particular bargain before them but they look around them to see how the matter stands with other buyers & sellers, each looks to see whether he cannot get a better offer and “<and> the value is fixed by the balance of the wants & means (facultés) of the whole of the sellers of <lead> *corn* with those of the whole of the sellers of wine.”

“The mean price between the different offers & the different demands will become the price current to which all buyers & sellers will conform in their exchanges & it will be true to say that six pints of wine will be for all the world the equivalent of a < boisseau of wheat> *bushel of corn* if this is the mean price” to which changes of supply & demand have brought the offers.

[f.41] xxxv – xlviii anything will do as a scale to which to refer the exchange values of other commodities but <no> gold & silver have special advantages for this

xlix The<ir is the> use of money is the sole origin of the names buyer & seller

l. The use of money has contributed much to the division of labour

li – lxxii capital, capitalists, &c

lxxiii-v Interest does not depend on the expectation of profit of the particular speculator, but is fixed like the<at of> value of other commodities by reference to the whole number of those who have to lend & the whole of those who wish to borrow

lxxvi – viii The price of money has two sources: in the one the metal in it is compared in value to the commodities for which it is exchanged in the other it is the power of using the money for a definite term w^h is the subject of valuation.

[f.42] lxxx The spirit of economy increases the amount of capital in a country

lxxxii The lowering of interest proves that in general economy has prevailed over <in> currency in Europe

lxxxiii – xcii The function of the capitalist &c

xciiiiv The capitalist himself is disposable

xcv but the state cannot take any share of his profits without loss: for if it does capital will <cease> diminish

xcvi-ii There is no <us> validity in the objection that if he were to <spend> buy land with his capital he would have to pay taxes. For these would be deducted from the price he paid for the land: & moreover by buying the land he does not contribute to the revenues <of the state> which it produces; it would have produced this just as much if he had not bought it.

xcviii There remains nothing as a revenue really <dis> at the disposal of the state except the net produce of the earth. We have seen that the [f.43] interest of money is derived from the proceeds of the land either directly or indirectly <by means> in the form of profits of manufacture & commerce. “For we have seen that the produce of the earth divides itself into two portions of which the one is appropriated to the wages of the cultivator, to his profits, to the return for his advances; the other is the share of the landowner on the revenue from w^h he can spend as he pleases & from which he contributes to the general expenses of the state. We have shewn that all that the other classes of society receive is nothing but the payment of their salaries & profits either by the landowner from his revenue, or by the agents of the productive class from the share devoted to satisfying their wants which they do by purchasing from the industrial class<es>. <that> *However* these profits [f.44] *maybe* divided into wages of artisans profits of contractors & interest on loans they do not change their nature & do not augment the sum of the revenue produced by the productive class above the price of their labour, in which the industrial class does not participate further than the limit at which competition fixes the price of its labour.”

xcix-c. The real values of the country consist only to a small extent in money but are the result of this extra produce of the earth accumulated in small quantities each year.

[f.45] He assumes (vi vii &c) that every one is at starvation door except landowners & capitalists: & he assumes (x c v) that any tax on profits of capital will cause such an enormous diminution in capital that the state will suffer more than it gains. It is true that he does not know clearly what he is assuming: that his assumptions are implied rather than expressed: & that he would probably have rejected them if they were distinctly proposed to them.²⁵ On these assumptions his conclusion that a tax on anything but rent will have to be paid by the landowners together with charges of

²⁵ Whitaker has “...proposed to him”; which, while making more sense, is not to be found in the manuscript. See Whitaker, John ed., *The Early Writings Economic Writings of Alfred Marshall*, London: Macmillan, 1975, vol. 2, p. 252.

collection is is²⁶ *true*. It is to be noted that the more reckless Ricardians make <just> all these assumptions with one exception. They recognise the existence of a <ta> number of highly salaried individuals who could be taxed. These are the people to whom, whether consciously or not, reference is chiefly made when a tax is spoken of as falling on consumers, but as not being a tax upon wages. The definite step made in advance of Turgot by Adam Smith [f.46] was the recognition of the population principle.²⁷ Turgot says the competition of other artisans limits the means of each artisan to his own subsistence. Adam Smith says the reason of this is that “men like all other animals multiplies in proportion to his means of subsistence” (See *Rent* Adam Smith). The distinction between Adam Smith & Ricardo is that Ricardo knew clearly what he was assuming: & Smith did not. Thus if a more productive crop be introduced as potatoes instead of <rice> *corn*,²⁸ A Smith says the landlords will get a larger share of this larger produce, tacitly & probably not quite consciously bearing his conclusion on the previous assumption.

Ricardo says this result will be ultimately true basing his conclusion consciously on the assumption & arguing that in the meanwhile the reverse consequences will <for> *exist* for a time.

*Note: I have since discovered that the Physiocrats knew the population principle*²⁹

As regards cost of production the place in Turgot where it is conspicuous as the only thing absent w^h ought to be there is (xxiv) “they look round them to see how the matter stands”. <He is very like Jevons>

(G) Smith on *Rent*

Editorial Note: Four folios (f.26-29) numbered by Marshall from 1 to 4. On each folio Marshall has written on the right hand side ‘*Rent*’ and in the centre of each folio, ‘A. Smith’.

Conf *Turgot* <9> 10 & 11

Rent

A. Smith

His position seems to be this:

“Land in almost any situation produces a greater quantity of food than what is sufficient to maintain all the labour necessary for bringing it to market in the most liberal way in which that labour is ever maintained.” p 67

²⁶ Sic.

²⁷ Whitaker (ibid.) reads ‘&’ rather than ‘by’ (and so finds it necessary to add an editorial reference to Ricardo): “The definite step made [by the Ricardians] in advance of Turgot and Adam Smith was the recognition of the population principle”.

²⁸ Word (‘corn’) added in pencil.

²⁹ Added later in pencil at bottom of folio f.45.

And since “Rent is the highest price which the tenant can afford to pay in the actual circumstances of the land” (p 66)

... if land is devoted to the production of food “something always remains for a rent to the landlord” p 67

He clearly recognises (p 67) that this depends on the fact that “men like all other animals naturally multiply in proportion to their means of subsistence.” But he goes on to argue p <6> 73 “That the rent of cultivated land of which the produce is human food regulates the rent of the greater part of cultivated land.” Of course the [f.27] of³⁰ any land affects the rent of all other. But he does <mea> seem to imply a further special truth – land is cultivated for the sake of *necessaries* in general up to that limit at which the necessaries produced will just support the requisite labour. By this means the margin of cultivation & the gross population are determined for any given state of agriculture (using the phrase in a broad sense to include police regulations & modes of transport though these last are not important as far as necessaries are concerned). The surplus products of more favourable soils form a stock which is divided according to the requirements of its owners among different classes of labourers (in a broad use of the term). These according to their requirements portion it out [f.28] among other labourers & so on.

<Ultimately> Let an acre of land be capable of producing α gallons of wine (say) by labour which <produces> can be supported by necessaries in amount β . Then if there remain people who are willing to give tickets for β in exchange for α gall but none who are willing to give more this land will be on the margin of cultivation & may be cultivated for wine though not for corn *if it would produce less than $\beta(1+r)$ necessaries. The rent of any other vineyard per acre *supposing the <other> same amount of capital employed per acre* = produce per acre – α gall.

But A. Smith would seem to wish to go further & to say that the rent of a vineyard was determined by the rent which it could pay as a cornland: This is confused rather than false. The rent of a *field as a* vineyard being given as above, <the> its rent as cornland being also given it is made a vineyard or a cornland as the one rent or the other is the greater

[f.29] It is true that if *corn* rent of a corn land is known, also *its gross produce* also corn price of wine then if we know the total produce of a vineyard which employs the same number of landowners we know the rent of the vineyard in corn.

<But> This might be inverted: but the difference is that the rent of the cornland if corn were the only necessary would be the one datum, the one primitive fact given by external circumstances, & supplying the basis of calculation.

The special difficulty is that the daily necessaries of a labourer cannot be determined as regards either kind or quantity *a priori*. We must express them empirically as a function of time & place.

³⁰ sic.