6 Physiocracy and the Origin of Political Economy

6.1 New elements in physiocratic economics

In the previous chapters we have seen that an analysis of the role of markets and prices in Quesnay’s economics brings to the fore many new elements, which call for a reassessment of its place in the history of economic thought. Most of the traditional reasons for praising Quesnay are confirmed by examining his value theory; but it appears that he has unfairly been held responsible for such failures as the lack of an analysis of prices and markets. However, a reinterpretation of physiocracy cannot be limited to a vindication of Quesnay, and it would be equally useless simply to single out the bits of economic theory which he first put forward.

An evaluation of Quesnay’s contribution to economics requires a further examination of the real flaws and contradictions, some of which could even be called ‘mistakes’, which exist in physiocracy. It is necessary to analyse these ‘black spots’ in physiocratic economics in order to understand its legacy to the classical economists. This can be properly ascertained only by investigating the reasons for inconsistencies in Quesnay’s economic theory, and by establishing their importance, which may have a ‘positive’ as well as a ‘negative’ value.

In Chapters 3, 4, and 5 Quesnay’s contribution on specific economic questions was compared both with the state of economic knowledge in his day, and with the analysis of later economists, Smith in particular. Here I will attempt a more general evaluation of Quesnay’s place in the making of economics as a science. In physiocracy it is possible to find anticipations of many aspects of more recent economic theories, from general equilibrium to input–output analysis (see Chapter 1, 1.2). However, Quesnay’s contribution to economics must be evaluated first with respect to the origin and development of the approach to economic events known as classical political economy. However important Quesnay’s role may be in the general development of economic science, his major merit is that he contributed to the foundation of the theories of surplus. The previous
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chapters have shown that Quesnay can rightly be regarded as the first economist who explicitly adopted the notions of surplus and reproduction in analysing the economic system (see in particular Chapter 3, 3.9–3.11; Chapter 5, 5.4, 5.5, and 5.10, 5.11). In order to properly evaluate Quesnay’s place in economics it is necessary to set his work in the historical and economic context of his times, and to study the relations between his theory and those of the other classical economists and of Marx. This is the purpose of the present chapter.

First, it may be useful to recall briefly the major results deriving from our analysis of physiocracy, which have been examined in the previous chapters. It has been shown that the passages in which Quesnay and his followers describe wealth and revenue as being value magnitudes are not scattered or unimportant aspects of physiocratic economics. On the contrary, they are the manifestation of an attempt to provide a systematic explanation of the working of a system of reproduction in a market economy. The physiocrats devoted much of their attention to the analysis of market phenomena and to the problem of price formation. Quesnay put forward several concepts of price which are linked together by precise logical relationships. In particular, the categories of current and retail price are essential to describe the process of circulation of commodities, and give analytical support to the physiocrats’ opposition to the activities of merchants and professional traders (see Chapter 3, 3.3). Thus the notion of ‘first-hand price’ clarifies the physiocratic distinction between activities which produce wealth and the ‘sterile’ occupations of ‘resale trade’, which simply exchange commodities whose values have already been determined (see Chapter 2). But the most important feature of Quesnay’s investigation of price determination is the fact that his analysis is combined with a view of the economy as a circular process of production. This feature of the economic thought of the physiocrats emerges clearly from their definition of *prix fondamental*. Traditional interpretations have in fact been contradicted, in showing that this category also includes a net element, rent, together with the technical expenses of production (see Chapter 3, 3.7–3.9). Two important results derive from this view. First, Quesnay’s *prix fondamental* is the analytical category which relates market phenomena to reproduction. Secondly, this notion is clearly a bridge linking pre-physiocratic price theories and Smith’s concept of ‘natural price’.

In Chapters 4 and 5 we have seen that Quesnay’s analysis of markets and prices leads to a new interpretation of the physiocratic theories of production and distribution. For instance, the physiocrats