

# **Nalanda Open University**

## **Department of Economics**

- Name of Counsellor – Prof. (Dr.) D. N. Jha
- Name of Course Coordinator – Prof. (Dr.) D. N. Jha
- Course – MA Economics (Part –II)
- Paper – X (History of Economic Thoughts)
- Topic – Physiocracy

# PHYSIOCRACY

Collective name of those economic policies and principles which developed France in middle of 18<sup>th</sup> Century.

Physiocracy is also known as 'Agricultural System'.

Economic thinkers who contributed to Physiocracy are known as PHYSIOCRATES.

Physiocrats are regarded as founder of economic sciences and First School of Thoughts.

Physiocracy is known as 'Rule of Nature'.

# Factors gave rise to Physiocracy

- Neglecting agriculture in mercantilism
- Inefficient tax structure
- Poor financial system (Wars and Luxury)
- Farmers exploitation by nobles and landlords
- Unfavourable Economic System
- Emphasis on Individuals rather than Wealth

# List of Some Physiocrats

- Francois Quesnay (1694-1774)
- Mirabeau (1715-1789)
- Dupont de Nemours (1739-1817))
- Turgot (1727-1781)
- Le Trosne (1728-1780)
- Abbe Baudeau (1730-1729)

# **Economic Ideas of Physiocrats**

- The Concept of Natural Order
- The Concept of Net Product
- The Circulation of Wealth

# The Concept of Natural Order

- Nemours called Physiocracy as 'The Science of Natural Order'.
- Gide and Rist said 'Physiocratic system lay in their contribution of Natural Order'.
- Natural Order made by God for welfare of mankind.
- It is Universal and Unchangeable.
- It will increase the happiness of mankind.
- Three important FEATURES of Natural Order
  - (i) Securing pleasure to the people
  - (ii) Increasing Rights of the people without imposing any restrictions on their liberty and
  - (iii) It stands against mercantilism.

# The Concept of Net Product

- Physiocrats held agriculture supreme among all occupations.
- Physiocrats introduced the idea of surplus resulting from the bounty of nature which they called 'Net Product'.
- Commerce and industry are the branches of agriculture as by the Physiocrats.
- Nature works along with man in agriculture.
- Agriculture given dominant place as is important in economic development.

# The Circulation of Wealth

- Physiocrats turned the problem as ‘How the wealth are produced by agriculturists?’
- Physiocrats first analyzed the problem of wealth distribution among the classes.
- Quesnay (Doctor by Profession) a physiocrat discovered ‘Tableau economique’ technique for the distribution of wealth in society based on circulation of blood.



# Function of Physiocratic Government

- To prevent Natural Order.
- To protect Private Property.
- To spread Education in Natural Order.
- To undertake Public Work Programme.
- To eliminate international barriers.

# Practical Ideas of Physiocrats

- Interest
- Population
- Taxation
- Private Property
- Trade
- Functions of State