

Turgot, a successor of Quesnay, and a forerunner of Adam Smith

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Abstract: Unlike the Nineteenth century, political economy in the Eighteenth century had a scientifically affluent character that encompassed not only what we traditionally regard as economics but also moral philosophy, natural jurisprudence and political theory. Moreover, as far as the historical context of Ancien Régime is concerned, this multi-faced character of political economy had been so rich and complex that it produced polemical confrontations over many subjects ranging from the nature of production and distribution to the ideal international world order. That is the reason why we need interdisciplinary approaches to grasp this science as it was at that time. There existed many ideas in 18th century of France. Some were implementation, such as fiscal reconstruction, liberalization of grain trade and recreation of provincial assembly; others were examined or discussed, such as the moral tension between luxury and necessities, peaceful effect of “doux commerce” and rivalry of industrialism with agrarianism. We recognize the fact that French political economy had been developed as the corpus of social reform ideas through the whole Eighteenth century, and will take up Turgot as a successor of Quesnay and a forerunner of Smith. Quesnay believed the fundamental value would not contain the net product, which corresponds to rent. For Quesnay, the fundamental value works as a floor price, below which the market value cannot fall for a long time or no net product would be generated. In contrast, for Turgot, a fundamental value implies the cost of production (*les frais de la matière première, intérêt des avances, salaires du travail et de l'industrie*). He argued that absolute free competition should be ensured in the market. Turgot put forward the idea on the market mechanism, and thought that the market value would be formed through the forces of the seller and the purchaser. However, in the long run, it should tend towards the fundamental value, the cost of production. Turgot's idea regarding the relationship between the market value and the fundamental value looks similar to that between the market price and the central price of Smith. For Smith, rent plays a passive role in price determination, because its existence and extent depend on whether the price of the agricultural product is able to increase beyond the sum of wages and profit. Rent has no part in the determination of the price.