
It has sometimes been remarked that students in underdeveloped countries find it easier to grasp an analysis based on economic surplus - its creation and circulation - than one based on the mathematical maximising hypotheses of neo-classical economics. Others prefer the pigs-iron-wheat model of Piero Sraffa's *Production of Commodities by Means of Commodities* to Samuelson's marginalist meanderings in his best-selling textbook *Economics*.

An account of the development of surplus theory necessarily starts with the famous French Physiocrat, Quesnay. It was he, in the *Tableau Économique*, who firmly established the production of a 'product-net' or agricultural surplus as the key to the operation of a largely agricultural economy. He proceeded to discuss in detail the circulation of the surplus and why a certain pattern of circulation was necessary for economic growth to take place.

In many of his ideas, Quesnay was followed by Turgot, and it is very appropriate that two neglected essays by these authors should be republished at this time. This has been accomplished as the result of a remarkable piece of digging, and then commentary, by the Professor of Economics at the University of Sydney, Peter Groenewegen.

Recalling the physiocrats' development of surplus theory as a background to reviewing this publication, I would like to underline a few aspects. First, in the cultivation of the soil, the labourers not only
reproduced their own subsistence and their seed-corn etc., which was necessary to replace what had been used up in the course of cultivation, they produced also a surplus which went by custom or contract to owners of landed property. Trade and manufacture on the other hand, were 'sterile', not in the sense that they produced no value, but in the sense that what they added to the raw produce did no more than replace their manufacturing and trading costs and so created no surplus. Second, Marx was to develop Quesnay's ideas further by proceeding to the idea that the production of the surplus under specific historical conditions of the use of the labour force is the key to understanding the essence of particular modes of production.

Third, in neo-classical economic theory (and earlier, in the work of Senior) a surplus approach was avoided with the introduction of the subjective notion of cost-as-a-sacrifice. With this, the distinction between real cost and surplus disappeared. Dissatisfaction with the consequences of this led to the view, among orthodox economists, that 'real cost' is nothing less than 'opportunity cost' or sacrifice of alternative utilities and that statements about Rent as a surplus apply equally to Profit, Interest and Rent. Cassel, for instance, banished the Ricardian categories and treated every price as a scarcity-price and Scarcity became the only social cost. From the standpoint of these economists such a conclusion was perhaps a logical one: given a subjective approach to the problem the whole distinction between cost and surplus as a fundamental distinction must break down.

The result was to destroy some of the best insights that had begun with Quesnay. Economics became a study of price equations studying the everyday working of the market instead, as in Quesnay, of showing how the pieces of the economic system fit together, a system in which the
notion of surplus defined in objective terms had a dominating influence.

Professor Groenewegen assumes the reader knows the developments sketched above and proceeds directly, in a subtle and lucid introductory essay, to examine the background to the original publication of the two essays presented in the reprint, to note their content and discuss the reception they received. (Quesnay's article attracted little attention in 1756 and was widely discussed in France only after the fame of the school of Physiocracy had spread in the 1760's; Turgot's piece which appears in 1767 was in part a rebuttal to criticism of Quesnay, but also formed part of an annual memoranda on the State of tax revenues.

Two aspects of Quesnay's article highlighted by Groenewegen are (a) his use of "deduced facts" from assumed facts and (b) his clear presentation of the classical analysis of the choice of technique (here the relative profits of ploughing by oxen or horse). In passing, Groenewegen draws attention to Forbonnais' disquiet about Quesnay's political arithmetic, 'a conjectural science analogous to medicine. Anyone who has seem modern econometric models altered when the real world data do not fit the hypothesis will understand what is being said. Groenewegen supports Eltis' view that Fermier is important background to understanding the Tableau Economique and Quesnay's thought generally. He criticises Ron Meek's playing down of the significance of the essay, mainly on the grounds that "it caused difficulties of Meek's interpretation of the Physiocratic theory of value and profit". Such a savage indictment ought, I feel, to have been spelled out put in the context of the remarks I made earlier about surplus theory. Alternatively, it
could have been made the subject of a separate article. Meek could have been "toasted" rather than "roasted".

Perusal of *Fermier* shown its republication is totally justified. Not only was it the first essay by Quesnay on economics (and here we have the first English translation) it is also a delight to read. There is, for example, a most enchanting discussion of the relative merits of horses and oxen in relation to manure throughput, illness, epidemics, time spent on pasture, effort put into pulling. Quesnay's prejudices in favour of horses are modified only by his admission that 'oxen are suitable for rye cultivation on very light soil'.

The second essay by Turgot is written in a style which is the very opposite of Quesnay. It is more like the pen of an Oxbridge academic economist than a Frenchman. It has been said that clarity of style often reflects clarity of thought. This certainly seems to be the case here. With a few deft strokes Turgot shows that the 'choice of technique' problem, the choice of horses over oxen has to be related to the social relations of production involved in particular areas - whether a fixed money rent is being paid to the landlord (where the farmers are responsible for their own costs) or whether such expenses are being largely met by the landowner in some measure, with consequent claims on the crop itself. The key is the capitalist farmer, whom Turgot sees as the true creator of the surplus, a quintessential physiocratic axiom. The growth of markets, new taxes and changes in interest rates will, argues Turgot, affect the investment and productivity of the productive class of farmers. This makes it important to see what Turgot has said on matters of rent, interest and taxes, in the analytical model
of his **Reflections**. For further details the reader is referred to Groenewegen's article 'Turgot and Adam Smith' in *Scottish Journal of Political Economy* for November 1969. It is worth making the effort to look this up.

B. J. McFarlane
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The annual meeting for 1982 was held at Toyo University in Tokyo on 6-7 November. The common theme of the annual meeting was again 'Advanced countries-underdeveloped countries problem in the history of economic thought on which the following three papers were read:

1. Michael Chevalier's views on the New World (Takashl Ueno)
2. A.P. von Haxthausen on German agricultural administration (Mitsuo Naganawa)
3. A.I. Gertsen on socialism (Eiichi Hisen)

In addition, the following 14 papers were presented in all:

1. B. Mandeville on civilized society (Kiyofuji Yahata)
2. Proudhon on credit reform (Etsunori Saito)
3. The publication of *Wealth of Nations* and the revision of Theory of Moral Sentiments (Nobuyoshi Kawashima)
4. On the formation of the conception of double character of labour in Marx (Takeo Shibata)
5. The Significance and analytical viewpoint of James Mill's *History of British India* (Michihiro Otonashi)
6. Adam Smith on division of labour (Takeo Nakatani)
7. The French Revolution and the navigation act (Koichi Yamasaki)
8. The logic of Market and the understanding of society in J.B. Say (Keiko Kurita)
9. Yasuma Takada's views on poverty, national life, and the significance of productive forces (Ryoji Kaneda)
10. Economic policy controversy in Germany in the end of the 19th century (Shinichi Tamura)
11. Capital formation and crisis in Classical school, centering on the Ricardo-Malthus controversy (Toru Matsuhashi)
12. The formation of Keynes' *General Theory* (Toshiaki Hirai)
13. How to refute Malthus' *Principle of Population* (Yoshiro Tamano)
14. The introduction of the economics of Keynes into Japan from Indian Currency and Finance to the end of the World War II (Tadashi Hayasaka).