

GUIDE TO THE ANALYSIS OF THE SPANISH TRANSLATION OF ANNE ROBERT JACQUES TURGOT'S REFLECTIONS ON THE PRODUCTION AND DISTRIBUTION OF WEALTH

VICTORIA CORREA MERLASSINO
UNIVERSITY OF BARCELONA
BARCELONA
merlassino@gmail.com

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1. INTRODUCTION

The aim of this guide is to help students with the interpretation and reading comprehension of A. R Jacques Turgot's masterwork 'Reflections on the production and distribution of wealth'. This guide focuses on the analysis of the Spanish translations of Turgot's main work and the interpretation of it as well.

2. THE AUTHOR: ANNE ROBERT JACQUES TURGOT

2.1 BIOGRAPHY



Turgot was born in Paris on May 10, 1727 and died in Paris on March 20, 1781. He came from an old Norman family but did not always use his title Baron d'Aulne. He was an economist of the Physiocratic school, a politician, a reformist bureaucrat and a writer. His family wanted him to become a priest, so he was educated at the college of Louis-le-Grand, before taking a degree in theology at the seminary of St. Sulpice and at the Sorbonne. It was while studying theology that Turgot discovered political economy and wrote his first essays on economics and history, most notably an oration on "A Philosophical Review of the Successive Advances of the Human Mind" (1750) where he made the first of several contributions to the development of the "4 stage theory" of economic and social development from hunter gatherers, to slave-based societies, to the peace and prosperity made possible by market society.

In 1751 he decided not to enter the priesthood, preferring instead a career in royal administration. In December 1752 he was appointed a councilor to the Paris Parlement where he served 1753-61, and in 1753 purchased the office of *maître des requêtes*.

Turgot's early writings included a defence of religious toleration in *Lettres sur la tolérance* (1753) and several articles written for Diderot's *Encyclopédie* in 1757 (including "Fairs and Markets" and "Fondations"). Although Turgot was forced to withdraw from any further formal association with the Encyclopedists because of his official position, he was able to maintain contact with enlightened circles through the salon of Madame Geoffrin.

Also during the mid-1750s Turgot came into contact with members of the French free market school known as the Physiocrats. He met Dr. Quesnay and Dupont de Nemours and traveled extensively with Vincent de Gournay (who was the free market Intendant for Commerce) on his tours of inspection around the country during 1753-56. It was Gournay who is reputed to have coined the expression "*laissez faire, laissez passer*" when asked what government economic policy should be. When Gournay died in 1759 Turgot wrote a lengthy "Eloge de Gournay" in which he defended laissez-faire economic policies with an eloquence which other members of the Physiocratic school too often lacked.

Turgot had two opportunities to put free market reforms into practice: on a local scale when he was appointed Intendant of Limoges in 1761-74; and on a national level when the new king Louis XVI made him Minister of Finances between 1774-76. During the first period Turgot combined economic and legal reform with a concerted propaganda effort to defend these reforms in a series of memoirs, memos and formal opinions which were disseminated both within the government and published publically. His attempted reforms were extensive and comprised a veritable "revolution in government". Had they succeeded the French old regime might well have opened up its economy, overcome its internal economic problems and thus averted the Revolution which was to break out in 1789. Turgot aimed to make taxation more equitably based, to spend tax revenue on roads and other infrastructure, to replace forced labour obligations (such as the *corvée*) with paid labour, to end military requisitioning of goods and transport, and to make service in the local militia voluntary. These reforms were accompanied by the publication of his most important economic works such as the *Mémoire sur les prêts d'argent* (1770); *Lettres sur la liberté du commerce des grains* (1770) addressed to the Abbot Terray in an effort to prevent the free trade legislation of 1764 from being revoked; and his major work *Réflexions sur la formation et la distribution des richesses* (1766) which is one of the clearest statements of the Physiocratic position.

What emerges from these works is a clearly articulated and impassioned defense of individual and economic liberty. One key point is that Turgot did not share his fellow Physiocrats' faith in enlightened despotism, preferring a notion of political liberty (such as constitutional limits on royal power and strong regional government) more in keeping with Montesquieu's ideas. When the American Revolution broke out he followed events there with a keen interest.

The death of King Louis XV in May 1774 gave Turgot his second opportunity to introduce free market reforms to France. The new king Louis XVI appointed Turgot first as Minister of the Navy and then as Finance Minister from 1774-76. As Finance Minister Turgot attempted to reproduce on a larger scale the reforms he had pioneered at Limoges. In his Six Edicts of 1776 Turgot tried to bring an end to official corruption and to military requisitioning, to abolish many local monopolies, to introduce banking and taxation reforms, and to return to internal free trade in grain.

Unfortunately, his efforts failed as a result of the political inexperience of the new king, the ability of the vested interests who were being harmed by reform to organize against it, and the food riots which broke out as consequence of a food shortage and rising prices (the famous "guerre des farines"). Turgot was forced to resign in May 1776 and France's experiment in free market reform came to an abrupt end.

Turgot himself never lived to witness the upheaval his own reforms might have helped thwart. He died in Paris of gout at age fifty-four.

For further information about Turgot's life you can read the short biography in the following websites:

<http://mises.org/page/1464/Biography-of-ARJ-Turgot-17271781>
<http://www.econlib.org/library/Enc/bios/Turgot.html>

2.2 INTERPRETATION

Turgot was the French Adam Smith. His Reflections on the Production and Distribution of Wealth, which predated Smith's The Wealth of Nations by ten years, argues against government intervention in the economic sector. Turgot recognized the function of the division of labor, investigated how prices were determined, and analyzed the origins of economic growth. Like François Quesnay, Turgot was a leading Physiocrat who attempted to reform the most stifling of his government's economic policies.

Probably Turgot's most important contribution to economics was to point out that capital is necessary for economic growth, and that the only way to accumulate capital is for people not to consume all they produce. Most capital, he believed, was accumulated by landowners who saved the surplus product after paying the cost of materials and of labor. Turgot agreed with Quesnay's notion of the circular flow of savings and investment, where savings in one period become investment in the next.

LAISSEZ-FAIRE AND FREE TRADE

Turgot's mentor in economics and in administration was his great friend Jacques Claude Marie Vincent, Marquis de Gournay (1712-1759). It is fitting, then, that Turgot developed his laissez-faire views most fully in one of his early works, the "Elegy to Gournay" (1759), a tribute offered when the Marquis died young after a long illness. Turgot made it clear that the network of detailed mercantilist regulation of industry was not simply intellectual error, but a veritable system or coerced cartelization and special privilege conferred by the State. For Turgot, freedom of domestic and foreign trade followed equally from the enormous mutual benefits of free exchange. All the restrictions "forget that no commercial transactions can be anything other than reciprocal" and that it is absurd to try to sell everything to foreigners while buying nothing from them in return.

Turgot was close to the physiocrats, not only in advocating freedom of trade, but also in calling for a single tax on the "net product" of land. Even more than in the case of the physiocrats, one gets the impression with Turgot that his real passion was in getting rid of the stifling taxes on all other walks of life, rather than in imposing them on agricultural land.

VALUE, EXCHANGE AND PRICE

One of the most remarkable contributions by Turgot was an unpublished and unfinished paper, "Value and Money," written around 1769. Turgot developed an Austrian-type theory first of Crusoe economics, then of an isolated two-person exchange, which he later expanded to four persons, and then to a complete market. By concentrating first on the economics of an isolated Crusoe figure, Turgot was able to work out economic laws that transcend exchange and apply to all individual actions.

Turgot saw that a "comparison of *value*, this evaluation of different objects, changes continually with the need of the person." Turgot proceeds not only to diminishing utility, but to a strong anticipation of diminishing *marginal* utility, since he concentrates on the *unit* of the particular goods: "When the savage is hungry, he values a piece of game more than the best bearskin; but let his appetite be satisfied and let him be cold, and it will be the bearskin that becomes valuable to him."

After bringing the anticipation of future needs into his discussion, Turgot deals with diminishing utility as a function of abundance. Armed with this tool of analysis, he helps solve the value paradox:

Water, in spite of its necessity and the multitude of pleasures which it provides for man, is not regarded as a precious thing in a well-watered country; man does not seek to gain its possession since the abundance of this element allows him to find it all around him.

THE THEORY OF PRODUCTION AND DISTRIBUTION

In one sense, Turgot's theory of production followed the physiocrats-- only agriculture is productive, so there should be a single tax on land. But the major thrust of his theory of production was quite different from that of physiocracy. One of Turgot's most remarkable contributions to economics, the significance of which was lost until the twentieth century, was his brilliant and almost off-hand development of the laws of diminishing returns. Here, Turgot went to the heart of the physiocratic error of assuming a fixed proportion of the various expenditures of different classes of people. But, Turgot pointed out, not only are the proportions of factors to product variable, but also after a point, "all further expenditures would be useless, and that such increases could even become detrimental. In this case, the advances would be increased without increasing the product. There is therefore a *maximum* point of production which it is impossible to pass

In short, Turgot had worked out, in fully developed form, an analysis of the law of diminishing returns which would not be surpassed, or possibly equaled, until the twentieth century. Increasing the quantity of factors raises the marginal productivity (the quantity produced by each increase of factors) until a maximum point is reached, after which the marginal productivity falls, eventually to zero, and then becomes negative.

THE THEORY OF CAPITAL, ENTREPRENEURSHIP, SAVINGS, AND INTEREST

In the roster of Turgot's outstanding contributions to economic theory, the most remarkable was his theory of capital and interest, which, in contrast to such fields as utility, sprang up virtually full-blown unrelated to preceding contributions. Turgot's theory of capital proper was echoed in the British classical economists as well as the Austrians. In his great "Reflections," Turgot pointed out that wealth is accumulated by means of consumed and saved annual produce. Savings are accumulated in the form of money, and then invested in various kinds of capital goods. Furthermore, as Turgot pointed out, the "capitalist-entrepreneur" must first accumulate saved capital in order to "advance" their payment to laborers while the product is being worked on. In agriculture, the capitalist-entrepreneur must save funds to pay workers, buy cattle, pay for buildings and equipment, etc., until the harvest is reaped and sold and he can recoup his advances. And so it is in every field of production.

Turgot goes on to point out that the physiocrats assume without proof that savings simply leak out of circulation. Instead, he says, money will return to circulation immediately; savings will be used either (a) to buy land, (b) to be invested as advances to workers and other factors, or (c) to be loaned out at interest. All of these uses of savings return money to the circular flow. Advances of capital, for example, return to circulation in paying for equipment, buildings, raw materials, or wages. The purchase of land transfers money to the seller of land, who in turn will either buy something with the money, pay his debts, or re-lend the amount. In any case, the money returns promptly to circulation.

Turgot then engaged in a similar analysis of spending flows if savings are loaned at interest. If consumers borrow the money, they borrow in order to spend, and so the money expended returns to circulation. If they borrow to pay debts or buy land, the same thing occurs. And if entrepreneurs borrow the money, it will be poured into advances and investments, and the money will once again return to circulation. Money saved, therefore, is not lost; it returns to circulation. Furthermore, the value of savings invested in capital is far greater than that piled up in hoards, so that money will tend to return to circulation quickly. Furthermore, Turgot pointed out, even if increased savings actually withdrew a small amount of money from circulation for a considerable time, the lower price of the produce will be more than offset for the entrepreneur by the increased advances and the consequent greater output and lowering of the cost of production.

The peak of Turgot's contribution to economic theory was his sophisticated analysis of interest. We have already seen Turgot's remarkable insight in seeing interest return on investment as a price paid by laborers to capitalist-entrepreneurs for advances of savings in the form of present money. Turgot also demonstrated--far ahead of his time--the relationship between this natural rate of interest and the interest on money loans.

THEORY OF MONEY

While Turgot did not devote a great deal of attention to the theory of money, he had some important contributions to make. In addition to continuing the Hume model and integrating it with his analysis of interest, Turgot was emphatic in his opposition to the now dominant idea that money is purely a conventional token. In contrast, Turgot declared, "it is not at all by virtue of a convention that money is exchanged for all the other

values: it is itself an object of commerce, a form of wealth, because it has value, and because of value exchanges in trade for an equal value."

In his unfinished dictionary article on "Value and Money," Turgot develops his monetary theory further. Drawing on his knowledge of linguistics, he declares that money is a kind of language, bringing forms of various conventional things into a "common term or standard." The common term of all currencies is the actual value, or prices, or the objects they try to measure. These "measures," however, are hardly perfect, Turgot acknowledges, since the values of gold and silver always vary in relation to commodities as well as each other. All moneys are made of the same materials, largely gold and silver, and differ only on the units of currency. And all these units are reducible to each other, as are other measures of length or volume, by expressions of weight in each standard currency. There are two kinds of money, Turgot notes, *real* money--coins, pieces of metal marked by inscriptions--and *fictitious* money, serving as units of account or numeraires. When real money units are defined in terms of the units of account, the various units are then linked to each other and to specific weights of gold or silver.

The below mentioned sources can also provide an introduction to the interpretation of J. Turgot's works:

http://books.google.es/books?id=XthfFstAWOIC&pg=PA265&redir_esc=y#v=onepage&q&f=false

<http://mises.org/page/1464/Biography-of-ARJ-Turgot-17271781>

3. THE SOURCE TEXT: REFLECTIONS ON THE PRODUCTION AND DISTRIBUTION OF WEALTH

The original title of Turgot's best known work is: [Réflexions sur la formation et la distribution des richesses](#). It was written early in the period of his intendancy, ostensibly for the benefit of two young Chinese students. Written in 1766, it appeared in 1769–1770 in Dupont's journal, the *Ephémérides du citoyen*, and was published separately in 1776. Dupont, however, made various alterations in the text, in order to bring it more into accordance with Quesnay's doctrines.

In the *Reflections*, after tracing the origin of commerce, Turgot develops Quesnay's theory that the land is the only source of wealth, and divides society into three classes, the productive or agricultural, the salaried (the *classe stipendice*) or artisan class, and the land-owning class (*classe disponible*). After discussing the evolution of the different systems of cultivation, the nature of exchange and barter, money, and the functions of capital, he sets forth the theory of the *impôt unique*, i.e. that only the net product (*produit net*) of the land should be taxed. In addition he demanded the complete freedom of commerce and industry.

We can divide the *Reflections* into three parts, then Part I can be described as dealing with the characteristics of agricultural society, while Part II and III deal with the changes in these characteristics induced by its transformation into commercial or capitalist society. The key features of this analysis are the manner in which the development of the trade and money, and especially the accumulation of capital, changes the composition of national wealth, the annual revenue, the class structure in society and the manner in which these classes obtain their subsistence.

In part I he first explained that in an agricultural society, although there is already a need for division of labour and exchange (section 1-4), the non-agricultural occupations are still relatively unimportant. Society is therefore divided into proprietors who own the land, the people concerned with agricultural production who produce the greater part of national wealth, and finally the artisans who produce the non-agricultural commodities required by the first two classes and who receive their subsistence in return (section 5, pp. 1-18). Two types of income share arise in such society: the surplus product or rent for the landowners, who are the only owners of the national wealth (sections 19) and the wages, reduced to subsistence by competition, for those who have no property except for their ability to work (section 6). The extraction of the surplus from the working classes by the proprietors has changed according to the various modes of agriculture production which have been practiced

(section 10-8), that is, slavery, bondage to the soil, vassalage, sharecropping and finally, the leasing of land to farmers who supply their own capital for the cultivation of the land for which they pay a regular and pre-determined money rent. This last method, as Turgot put it, is only utilized by countries which are already developed and wealthy; the fourth method was used by less developed and less wealthy areas. Therefore France was in a stage of agricultural transition, since both of these methods were used in various parts of the country (sections 26-7). The discussion of the principle of capitalist farming leads Turgot naturally into a discussion of capital and the nature of commercial (capitalist) society.

The second part of the '*Reflections*' opens with the statement that there is a further way of earning a revenue, which depends neither on work nor on land ownership: this is living off the revenue from money or interest. This requires a discussion of money (section 30), value and exchange (section 31-48) and a discussion of capital accumulation, the need for capital in all sections of industry and the origin of profit (sections 49-55, 59-60, 62-71). Since this form of property permits the receipt of an income without labour, it has to be distinguished from the other form, land (sections 56-8) and consequently the division of the society into classes presented in the first part is modified. With the advent of capital, society is divided into landlords who draw a revenue from their labour (sections 61 and 65).

The third part discusses the legitimacy and determination of interest (section 72-90), the division of wealth into real and personal property – land and capital from which the principal of loans has to be eliminated to avoid double counting (section 91-2) – and the question of whether the revenue of capital is a disposable as that of land (sections 93-9); it then concludes with further remarks on the saving/investment process and the role of money therein (section 100-1). Last but not least, Turgot demonstrates that the progress of wealth takes place through the accumulation of capital, which transforms production in all sectors of the economy and which in addition transforms the division of social classes from that appropriate in an agricultural society to that of landlords, capitalists and labourers.

4. DIFFERENT VERSIONS OF 'THE REFLECTIONS'

The first publication of '*The Reflections*' was in *Éphémérides du citoyen, ou Bibliothèque raisonnée des sciences morale et politiques* (whose director was Dupont de Nemours). It appeared nameless in three deliveries in 1769, but they were published in January and February of the next year because it needed the approval of the censors. So, it was in April 1770 when it was finally printed.

According to Schumpeter, in "History of economics analysis" (1954), he said that there are several editions of Turgot's works:

1. Edited by Voltaire (1788)
2. Edited by Dupont de Nemours (1808-1811)
3. Edited by Daire y Dussard (1844)
4. Edited by Gustav Schelle (1913-1923)

There are some discrepancies about the numbers of epigraphs in the different versions. To sum up there are:

- One version with 100 epigraphs: published by Dupont in the *Éphémérides*.
- One version with 101 epigraphs: it is in the Bibliothèque National without identification of neither place nor name of the author, dated in November 1766. It contains some rectifications done by Turgot.
- One version with 100 epigraphs: it is a version that contains some rectifications done by Turgot and this publication is the same as the one done by Schelle.

In the following website, there is further information regarding the different version of Turgot's Reflections:

www.taieb.net/auteurs/Turgot/r1769av.html

According to this webpage, Turgot had a lot of discussions with Dupont about some modification the last one applied to his work. There are some correspondences between them about these discrepancies.

5. TRANSLATIONS OF THE REFLECTIONS INTO SPANISH

5.1. Asdrúbal Baptista's translation, 1991 (Venezuela)

There is one translation of 'The Reflections' into Spanish which was done by Asdrúbal Baptista, who was a professor in the IESA (Instituto de Estudios Superiores de Administración) and in the University of los Andes. It was edited by the Academia Nacional de Ciencias Económicas de Venezuela in 1991. According to Eduardo Escartín¹, this edition can be criticized because it was a quiet free translation. He found 4 serious mistakes/differences to mention.

The first clue about excess of freedom used Baptista's work was the title: he translated the French word "richesses", which is a plural word, into "riqueza" singular work in Spanish for "riqueesses". The second aspect underline by Escartín, was about the epigraph XXIII, where Baptista translated "esclavage de la glebe" into "sujeción a la tierra" when in Spanish there is a more appropriate sentence "servidumbre de la gleba". The third one is about the epigraph XXXIII, the Venezuelan professor translated "corderos" (lamb) and in one occasion "oveja" (sheep) the French word "mouton"; and the correct translation is "carnero" (ram). Last but not least, is in the epigraph XLIX, where Baptista wrote the expression "para aumentar el bienestar" (in order to increase the welfare) instead of "para aumentar el desahogo" (in order to increase the relief) what should be more accurate to the French expression "our augmenter leur aisance".

5.2. The translation published by Fondo de Cultura Económica, 1998 (México)

The translation of the "Reflections" appears in the 4th Turgot's volume: "Cuadro filosófico de los progresos sucesivos del espíritu humano y otros textos" published in 1998 by the Fondo de Cultura Económica editorial. This Spanish version has the same number of epigraphs as the G. Schelle's version², 100 in total and it is very faithful to the French original one. According to Escartín, there are some parts that were translated freely and some of them worth to be mentioned. For example:

First of all, in the epigraph VI, Turgot wrote "Il ne gagne que sa vie" and it was translated "gana solo para vivir", when the real meaning would be in Spanish "solo se gana la vida" or "no se gana más que su vida". Although both sentences are very similar, a hint is lost in the one written by the FCE (Fondo de Cultura Económica). Turgot's phrase will be the base of one Marxist terminology.

Secondly, in the epigraph XXXII, "un boisseau du blé" is translated into "10 litros de trigo" (ten litres of wheat), and later in the same epigraph, "deux boisseaux" into "20 litros". With this kind of translation, the references offered by the numbers are distorted apart from the fact that "un boisseau du blé" is not 10 liters.

Another example could be found in the epigraph LVII, "denier" was translated into "interés del dinero", while Turgot used the expression "l'intéré de l'argent" when he wanted to refer to "interest rate". "Denier" is a French unit of measure that has no equivalent in Spanish. But, in that context, Turgot used "denier" as the quotient between the value of the building and the annual rent (the money generated yearly). Therefore, the result of the quotient could not be other than some quantities of years. Thus, the best translation for "denier" should have been "número de anualidades de renta" (number of annuity of rent).

5.3. Last translation: by Eduardo Escartín González, 2003

The last translation of Turgot's masterwork was in charge of Eduardo Escartín. In the introduction he offered a short mention to the Physiocratic school and the context while Turgot wrote his work. He also included in this edition a biography of Turgot and the main ideas of François Quesnay (1694-1774). In his work we not only offered an accurate translation of the "Reflections" but a thorough study of it: he analyzed the main ideas of

¹ In his work "Estudio y traducción de la obra: Reflexiones sobre la formación y la distribución de las riquezas de R. J. Turgot (Noviembre 1766).

² 'Reflections on the production and distribution of the wealth', in Oeuvres de Turgot, Schelle edition, Paris, 1913-23

Turgot, some critical considerations, possible source for Turgot thought and finally the influences that Turgot had in other economist.