

# Thoughts on Bastiat (With a Nod to Keynes!)

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*Remarks at the Bastiat–Hoiles Prize Dinner*



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*The views expressed are my own and do not necessarily reflect official positions of the Federal Reserve System.*

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Thank you, Amity [Shlaes].

This is an important evening. We gather under the name of Frédéric Bastiat to celebrate those who write about free markets, a concept that for many of today's foremost economic policy pundits is as provocative as a Texan evoking the virtues of a Frenchman.

Bastiat would no doubt be pleased that this most famous of dining rooms is not lit by candlelight, but by the agent of creative destruction that is electricity. Of course, the term “creative destruction” is Joseph Schumpeter's, not Bastiat's. Like Bastiat, Schumpeter was an eccentric. Having immigrated to America and to Harvard, Schumpeter was said to introduce himself to his first class by saying he wished to be considered “the greatest economist in the world, the greatest horseman in Austria and the best lover in Vienna.” To which he quickly added, “I never became the greatest horseman in Austria.” Schumpeter was impossibly vain, but discerning. It is no small thing that he described Bastiat as “the most brilliant economic journalist who ever lived.”<sup>1</sup>

In July, Jim Grant wrote a fine piece on Bastiat for the *Wall Street Journal*, titled “For Love of Laissez-Faire,” reviewing an English-language collection of Bastiat's letters titled *The Man and the Statesman*. Grant quotes Bastiat as praising the qualities of readable literature as follows: “It has to be short, clear, accurate and as full of feeling as of ideas, all at the same time.”<sup>2</sup> You might be aghast at my quoting Keynes as having suggested what I think might be a good addendum to Bastiat's literary advice: “Words ought to be a little wild, for they are the assault of thoughts upon the unthinking.”<sup>3</sup>

Tonight, we celebrate a small coterie of women and men who write “short, clear, accurate” articles that are “full of feeling” for the idea of free markets and, if not necessarily wild, do, in fact, frontally assault run-of-the-mill thinking.

Tonight, we celebrate not just free markets, but freedom itself. Freedom to express thought. Freedom to challenge convention. Freedom to be heard and to be seen and felt doing so.

“The cause of freedom is not the cause of a race or a sect, a party or a class—it is the cause of human kind, the very birthright of humanity.”<sup>4</sup> Anna Julia Cooper, the daughter of a slave and one of the first African-American women to earn a doctorate—at the University of Paris, no less—said that.

“Don't wink at a girl in the dark.” My father said that.

Amity was kind to mention my dad and what he overcame. Like Bastiat, my father was orphaned at a young age—at the age of 6. Unlike Bastiat, he did not inherit an estate in Mugron. In fact, until he was picked up by local magistrates in Queensland, he and his father, my grandfather, begged for food on the streets in the aftermath of the depression that gripped Australia at the turn

of the previous century. Unlike Ms. Cooper, he never received an education. He barely made it through fourth grade; he certainly did not get a formal education in economics. Yet, like Ms. Cooper, he understood the romance and power of freedom. And he understood what Bastiat taught us all: He understood an idea that is “full of feeling,” unseen or improperly communicated, is the equivalent of the proverbial tree that falls in the forest. He could not have spelled it, but he instinctively understood the meaning of praxeology; his quip about winking is as good as any to remind economists of the need to understand the basics of human action and reaction when they ply their models and their prescriptions for what ails us.

The nice things that Amity said about me were all made possible because my father and mother came to America. Because they believed that here, more than anywhere else, human endeavor was prized, and that here, freedom was and is the “birthright of humanity.” Having been a ward of the state, my father taught his son—me—that individual effort is the sole proven basis for advancement; that dependence on government, which he managed to escape, is just another word for entrapment and, however well intentioned, severely regressive.

Most everyone in this room tonight is concerned that, as Bastiat wrote in the aftermath of the French Revolution of 1848, we are at risk of becoming a nation where “the state is responsible for providing a living for everyone.”<sup>5</sup> The reality is that even if this were desirable, which it is not, pliant fiscal authorities—Republican and Democrat—who have led us down this road for decades find themselves in a financial cul de sac; they have run out of enabling money.

Of course, they could skip the curb and keep on moving in the same direction were the central bank to accommodate them by monetizing their debts. But we all know that ends ultimately in the most ruinous of scenarios, the onset of hyperinflation. It is a far better thing for them to face up to the fact that they have been improvident and must now change their ways—that they must not, and cannot, hide under the skirts of the Federal Reserve. The central bank must never become an accomplice to feckless government. Indeed, as we at the Fed and central banks worldwide are guardians of a fiat currency—a faith-based currency—it is imperative that we never, ever, ever, be seen to have the slightest inclination to countenance doing so. For that fragile faith, once violated, can never be restored.

To be fair, our politicians develop their initiatives according to what gets them elected and reelected. This is how a democracy works. Those of us who cherish freedom know that democracy is freedom’s great enabler. Thus, it is incumbent upon all of us to provide the people with the information they need to make informed judgments, not in obscure math published in elite journals, but in plain language they understand, disseminated through media they can readily access.

The awardees tonight do all of us one better: They strip bare the hypocrisy of the nanny state, see through the veil of differential calculus and complex formulae that modern economists have come to rely upon, and in the very best tradition of Bastiat and his disciples, appeal to logic to expose the unintended consequences and longer-term effects of popular policy prescriptions. They do so in readable form that would do Bastiat proud: They wink in the brightest of daylight, communicating their passion for free markets for all to see. Tonight, we honor their courage. We applaud the strength of their conviction and obstinacy in sticking to their principles. And not unimportantly—thanks to Tom Smith, Pamela Hoiles, Charles Kadlec, Jim Piereson and

others—we reward them with generous prizes so that they will keep on doing what they do so well: Articulating the virtues of free and open markets.

After dinner—and what I am certain will be a far more entertaining speech than this one, by Professor [Russ] Roberts—this year’s Hoiles Prize and Bastiat Prize will be presented. I was honored to be a judge for the latter. I learned something from each of the articles I read from each of the six worthy Bastiat Prize finalists. You are all bright, shining stars. Yet, Amity, being the discreet task master and master of surprise that she is, has not even revealed the winner to the judges. I am eager to find out. So in my best Texan imitation of what I am sure was the most frequent of all of Bastiat’s exhortations: *À table et place au spectacle*. Let’s eat and get on with the show. *Mille fois merci*.

### Notes

<sup>1</sup> *History of Economic Analysis*, by Joseph A. Schumpeter, New York: Oxford University Press, 1954, p. 500.

<sup>2</sup> “For Love of Laissez-Faire,” by James Grant, *Wall Street Journal*, July 23, 2011.

<sup>3</sup> John Maynard Keynes, as quoted in *New Statesman and Nation*, London, July 15, 1933.

<sup>4</sup> *The Voice of Anna Julia Cooper: Including a Voice from the South and Other Important Essays, Papers, and Letters*, by Charles Lemert and Esme Bhan, Lanham, Md.: Rowman & Littlefield, 1998, p. 106.

<sup>5</sup> *The Collected Works of Frédéric Bastiat, Vol. 1: The Man and the Statesman: The Correspondence and Articles on Politics*, by Frédéric Bastiat, Indianapolis, Ind.: Liberty Fund, 2011, p. 205.