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Frédéric Bastiat: World-Class Economic Educator

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Current policy debates are, with few exceptions, echoes of past intellectual disagreements. As scholars learn from experience, very little is new in the history of ideas: just when you think you have found the original roots of an idea, its origin can usually be pushed back even further with more research. One example is the always divisive “free trade versus protectionism” debate. Even after centuries of discussions, books, movements, elections and treaties centered around precisely this topic, we still witness vast outpourings of rhetoric, both pro and con, whenever any new trade-related policy (the ratification of NAFTA, for example) becomes the issue of the moment. A sense of historical perspective can be valuable in these instances, because all the arguments we are likely to hear on both sides of this issue have probably been made before.

One of the most famous participants in the debate between those who favor free trade and those who do not was Claude Frédéric Bastiat (1801–50). Born in Bayonne, France, Bastiat spent the major part of his life farming, studying and in contemplation. In 1848, as revolt and political turmoil engulfed France (for the second

time in 50 years), the king, Louis Philippe, was forced to flee for his life. France was then in a position similar to America’s after its successful break with Great Britain: it had the opportunity to build a new government—and, hence, new public policies—virtually from scratch. As a delegate to the French Assembly from Mugron, Bastiat found himself directly in the middle of this great undertaking. Because of his recently published writings on political economy and his widely known association with the English Anti-Corn-Law League led by Richard Cobden and John Bright, Bastiat was, by 1848, a well-known defender of the general policy called *laissez-faire* (“allow to do”).

Proponents of *laissez-faire* seek minimal or no government regulation of

The Dallas Fed has an active economic education program, focusing on high school teachers of economics. Whenever I address a group of teachers, I invariably find myself extolling the virtues of Frédéric Bastiat as the greatest economic educator of all time. I tell them that if Bastiat isn’t their patron saint, he should be. To increase familiarity with Bastiat, I asked my colleague, Bob Formaini, to write this short primer:

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markets, and Bastiat stood strongly for that tradition. He had seen what burdensome government regulation and taxation had done to his birthplace many years earlier, as well as the serious effect they had on France’s economy during his years of reflection. But the revolutionary government gathered in Paris in 1848 shared many of the same weaknesses that had plagued the French Revolution and that had led to the political terror that followed. Political demagogues of all persuasions played a prominent role in the crafting of policies, and their payoffs to special interest groups, usually the producers of manufactured goods, often led to outrageous inefficiencies. Bastiat was usually outvoted and sometimes ignored by this fervent collection of communists and socialists,

followers of every fashionable anti-free trade thinker of the period. Using clever examples directed to ordinary people, he nonetheless stood firmly by his principles and passionately argued the need for political freedom and its necessary corollary, the freedom to trade without arbitrary government restrictions.

Bastiat did not wish merely for cessation of unnecessary restrictions on commerce. He argued also for freeing the political prisoners languishing in French jails for having done nothing more than express or publish their opinions. Even though most of these prisoners’ political opinions were in sharp contrast to his own, for Frédéric Bastiat, *laissez-faire* meant not just the freedom to trade goods and services but also the freedom to openly trade ideas.

Bastiat was at his very best when creating simple, powerful examples to refute the economic fallacies he believed underlay his protectionist opponents’ arguments. One justifiably famous example is his *Petition to the Honorable Members of the Chambers of Deputies* (see box entitled “A Petition”). Bastiat’s chosen strategy was to take his opponents’ arguments and apply the rhetori-

cal technique of *reductio ad absurdum*. This technique involves pushing an argument to its logical extreme; if absurdity results, then it becomes hard for anyone to continue to believe in that argument. Bastiat's *Petition* is one of the great *reductio* examples in all of economics, but it was only one of many he effectively employed.

When it was proposed in the Assembly that it would be economically profitable to interrupt a railroad line at Bordeaux because such a stop would stimulate trade there, Bastiat suggested that this hypothetical effect might well be extended to the entire length of the railway:

But if Bordeaux has a right to profit from a break in the tracks, and if this profit is consistent with the public interest, then Angoulême, Poitiers, Tours, Orléans, and, in fact, all the intermediate points... ought also to demand breaks in the tracks...for the more there are of these breaks in the line, the greater will be the amount paid for storage, porters, and cartage at every point along the way. By this means, we shall end by having a railroad composed of a whole series of breaks in the tracks, i.e., a *negative railroad*.¹ (Bastiat's emphasis)

Bastiat's conclusion from the following analysis is as trenchant today as when he first penned this essay in 1845:

Whatever the protectionists may say, it is no less certain that the *basic principle of restriction* is the same as the *basic principle of breaks in the tracks*: the sacrifice of the consumer to the producer,

A Petition

From the Manufacturers of Candles...
To the Honorable Members of the Chamber of Deputies
Gentlemen:

You are on the right track. You reject abstract theories and have little regard for abundance and low prices. You concern yourselves mainly with the fate of the producer. You wish to free him from foreign competition, that is, to reserve the *domestic market* for *domestic industry*....

We are suffering from the ruinous competition of a foreign rival who apparently works under conditions so far superior to our own for the production of light that he is *flooding* the *domestic market* with it at an incredibly low price: for the moment that he appears, our sales cease, all the consumers turn to him, and a branch of French industry whose ramifications are innumerable is all at once reduced to complete stagnation. This rival, which is none other than the sun, is waging war on us so mercilessly that we suspect he is being stirred up against us by perfidious Albion, particularly because he has, for that haughty island a respect he does not show for us. [This reference is to England and its often foggy weather.]

We ask you to be so good as to pass a law requiring the closing of all windows, dormers, skylights, inside and outside shutters, curtains, casements, bull's-eyes, deadlights, and blinds—in short, all openings, holes, chinks, and fissures through which the light of the sun is wont to enter houses, to the detriment of the fair industries with which, we are proud to say, we have endowed the country, a country that cannot, without betraying ingratitude, abandon us today to so unequal a combat.

First, if you shut off as much as possible all access to natural light...what industry in France will not ultimately be encouraged? If France consumes more tallow, there will have to be more cattle and sheep, and, consequently, we shall see an increase in cleared fields, meat, wool, leather, and especially manure, the basis of all agricultural wealth. If France consumes more oil, we shall see an expansion in the cultivation of the poppy, the olive, and the rapeseed....Our moors will be covered with resinous trees. Numerous swarms of bees will gather from our mountains the perfumed treasures that today waste their fragrance, like the flowers from which they emanate. Thus, there is not one branch of agriculture that would not undergo a great expansion.

The same holds true for shipping. Thousands of vessels will engage in whaling, and in a short time we shall have a fleet capable of upholding the honor of France....It needs but a little reflection, gentlemen, to be convinced that there is perhaps not one Frenchman...whose condition would not be improved by the success of our petition.* ■

*From *Economic Sophisms*, 56–60.

of the end to the means.²
(Bastiat's emphasis)

Bastiat predicted that, like the first French Republic after the revolution, the Second Republic was also doomed to fail because of its economic policies. In fact, after his untimely death in 1850, France turned once again to a dictator—Louis Napoléon—to “fix” the mess

of the Assembly had made. A second wonderful opportunity to build a democratic and capitalist country had been squandered—destroyed by false arguments on the effects of trade restrictions (see box entitled “The Effects of Tariffs on a Nation's Wealth”).

Yet through all the debates and political turmoil, Bastiat's counterarguments re-

mained effective. With neither hostility for his adversaries nor nostalgia for the overthrown monarchy, he repeatedly turned his opponents' words against them in revealing the emptiness of their arguments. Bastiat argued primarily that those voting for protectionist policies were voting for *scarcity* over *abundance*. How is it ever possible, he asked, that the average person and, presumably, the nation can prosper by restricting the supply of precisely those things people need?

Allow me to emphasize this point, at the risk of repeating myself. There is a fundamental antagonism between the seller and the buyer. The former wants the goods on the market to be *scarce*, in short supply, and expensive. The latter wants them *abundant*, in plentiful supply and cheap. Our laws, which should at least be neutral, take the side of the seller against the buyer, the producer against the consumer, of high prices against low prices, of scarcity against abundance.

They operate, if not intentionally, then logically on the assumption that *a nation is rich when it is lacking in everything*.³ (Bastiat's emphasis)

The protectionists answered such arguments by appealing to the fear that foreigners would take away the nation's money by “flooding” France with their goods. This fear was a result of two centuries of the popularly accepted mercantilist doctrine in Europe. Mercantilism claimed that physical money was wealth, and when one traded goods for money,

the person surrendering the money “lost wealth” in the exchange. What was assumed to be true for individual trades was, by extension, assumed also to be true for the nation as a whole. “Trade deficit phobia” was a common theme during this period. The primary reason Adam Smith wrote his great 1776 work, *An Inquiry into the Nature and Causes of the Wealth of Nations*, was to refute mercantilism. Bastiat often found himself repeating Smith’s arguments 75 years later. And we are still having this debate nearly 150 years after Bastiat’s death!

Bastiat met the main mercantilist argument as follows:

But, you say, if foreigners flood us with their products, they will carry off our money! Well, what difference does that make? Men are not fed on cash, they do not clothe themselves with gold, nor do they heat their houses with silver. What difference does it make whether there is more or less money in the country, if there is more bread in the cupboard, more meat in the larder, more clothing in the wardrobe, and more wood in the woodshed?⁴ (Bastiat’s emphasis)

Like Adam Smith, Bastiat believed that there was “nothing so foolish as discussing the so-called *balance of trade*.” Mercantilists are well represented in mythology by King Midas, the monarch whose touch turned everything into gold. Although Midas amassed a large amount of gold and became very wealthy, he eventually starved to death. A nation might do the same:

accumulate large amounts of gold and silver while its citizens remain paupers and go hungry. Which do people want: money or goods and services? If you have any doubt, try eating a plate of twenty dollar bills.

The confusion between *money* and *wealth* is an old and stubborn problem. Bastiat saw the distinction clearly, while the protectionists, relying on the old mercantilist doctrine that money *is* wealth, failed to grasp the consequences of this view. Bastiat makes a simple but powerful point that we would do well to remember when examining, say, our own national income statistics:

Similarly, restrictive measures, while reducing the abundance of things, can raise their prices to such an extent that, if you will, every person is, *in monetary terms*, just as rich as he was before.

Whether an inventory shows three hectoliters of wheat at twenty francs, or four hectoliters at fifteen francs, the result will be sixty francs in either case; but, are the two quantities the same from the point of view of their ability to satisfy wants?...

Man does not live on *nominal values*, but on commodities actually produced; and the more he has of these commodities, regardless of their price, the richer he is.⁵ (Bastiat’s emphasis)

This simple observation is very easy to overlook, especially today when we have at our disposal so many statistics concerning national incomes (expressed in nominal values) and trade volumes. But it remains an essential insight of economic

The Effects of Tariffs on a Nation’s Wealth

The honest peasant took his cask of wine to the nearest town and there met a Belgian and an Englishman. The Belgian said, “Give me your wine and I will give you fifteen parcels of yarn in exchange.” The Englishman said: “Give me your wine and I will give you twenty parcels of yarn in exchange, for we English spin at a lower cost than the Belgians.” But a customs officer who was there said, “My good man, trade with the Belgian if you wish, but my orders are to prevent you trading with the Englishman.”

“What,” cried the countryman, “you want me to be content with fifteen parcels of yarn from Brussels when I could have twenty from Manchester?”

“Certainly: Do you not see that France will lose if you received twenty instead of fifteen?”

“I find that hard to understand,” said the vineyardist.

“And I find it hard to explain,” replied the customs official; “but it is a fact: for all our deputies, cabinet ministers, and journalists agree that the more a nation receives in exchange for a given quantity of its products, the poorer it becomes!”* ■

*From *Economic Sophisms*, 61–2.

theory, as true today as when Bastiat wrote it in 1845. He never lost sight of the simple truth that *the purpose of production is consumption*. He therefore saw no reason to have the laws of France lean on the side of producers, especially since producers are, as all people ultimately must be, consumers as well. However, even today many so-called “economic experts” argue that production should be encouraged while consumption should be discouraged! “Encouraging investment” means, *ipso facto*, increasing future consumption. But why is future consumption preferable to present consumption? The implicit assumption is that some people know best what the correct mix of investment and consumption ought to be, and they have the right to try to impose this mix on the nation. *But why is it better to force people to invest today rather than consume when the ultimate purpose of investment is future consumption?* Bastiat wanted

to let individuals decide how much they wished to save and invest and how much they wished to consume today.

Bastiat did not confine his thinking and writing to political economy. Much of his writing addresses questions in political theory and examines the proper arrangement of the relationship between citizens and their state. One of his books, *The Law*, is both easy to read and comprehend and, like so much of his work, it shines with gems of wisdom on almost every page. One policy in which governments routinely engage and that greatly troubled Bastiat is income redistribution, or what he termed *plunder*. He addressed this topic often, and his thoughts have great merit today:

There are only two ways of obtaining the means essential to the preservation, the adornment, and the improvement of life: *production* and *plunder*.... [W]hat keeps the social

On Restricting Machines to Promote More Employment of Labor

In Bastiat's time, as in ours, the fallacy that technology destroys jobs was prevalent in public debate. The French government (among others) routinely passed legislation that "promoted labor" by restricting the use of capital. All such schemes are, ultimately, self-defeating if the goal is increased production and wealth, although such restrictions can benefit narrowly defined interest groups.

"To get at the root of this problem, one need only remind oneself that human labor is not an *end*, but a *means*. *It never remains unemployed*. If it removes one obstacle, it turns to another; and mankind is rid of two obstacles by the same amount of labor that used to be needed to remove only one....to maintain that a time will ever come when human labor will lack employment, it would be necessary to prove that mankind will cease to encounter obstacles. But in that case, labor would not be simply impossible; it would be superfluous. We should no longer have anything to do, for we would be omnipotent...." (Bastiat's emphasis)

The story of a Western engineer observing the construction of a railroad line in China provides a modern example of this same fallacious thinking: "You ought to use explosives to clear the way instead of all those men with shovels," the engineer informed the Chinese manager.

"If we did that," the Chinese manager responded, "many would be thrown out of work."

"Ah," replied the Westerner, "I thought you were building a railroad but, given your goals, you should take away their shovels and give these men spoons!" ■

*From *Economic Sophisms*, 18–19.

order from improving is the constant endeavor of its members to live and to prosper at one another's expense....I will go still further. When *plunder* has become a way of life for a group of men living together in society, they create for themselves in the course of time a legal system that authorizes it and a moral code that glorifies it.

Plunder not only *redistributes* wealth; it always, at the same time, *destroys* a part of it.⁶ (Bastiat's emphasis)

(from *The Law*)

But how is this legal plunder to be identified? See if the law takes from some persons what belongs to them, and gives it to other persons to whom it does not

belong. See if the law benefits one citizen at the expense of another by doing what the citizen himself cannot do without committing a crime. ...our present-day delusion is an attempt to enrich everyone at the expense of everyone else; to make plunder universal under pretense of organizing it.⁷

As Bastiat saw it, many of our laws and regulations are merely legal plunder, an attempt of all to live at the expense of all. Logically, this is simply impossible. Bastiat wrote that "the state is that fiction by which we all seek to live at one another's expense." A great deal of wealth has been sacrificed in many nations in an ongoing

and failed attempt to square this particular circle.

Although Claude Frédéric Bastiat was not a pathbreaking, theoretical economist, much of his wisdom remains as true today as when he first wrote it. Therefore, it is particularly appropriate to conclude with Bastiat's own words:

Government offers to cure all the ills of mankind. It promises to restore commerce, make agriculture prosperous, expand industry, encourage arts and letters, wipe out poverty, etc., etc. All that is needed is to create some new government agencies and to pay a few more bureaucrats.

We must wait until we have learned by experience—perhaps cruel experience—to trust in the state a little less and in mankind more.

*Heavy government expenditures and liberty are incompatible.*⁸ (Bastiat's emphasis)

And Bastiat's final warning:

Woe to the people that cannot limit the sphere of action of the state! Freedom, private enterprise, wealth, happiness, independence, personal dignity, *all vanish*.⁹ (Bastiat's emphasis) ■

Notes

¹ Frédéric Bastiat, *Economic Sophisms* (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1964), 94–5.

² *Ibid.*, 14.

³ *Ibid.*, 13–15.

⁴ *Ibid.*, 15.

⁵ *Ibid.*, 72.

⁶ *Ibid.*, 129–30.

⁷ Frédéric Bastiat, *The Law* (Irvington-on-Hudson, N.Y.: Foundation for Economic Education, 1968), 21.

⁸ George Charles Roche, *Frédéric Bastiat: A Man Alone* (New

Rochelle, N.Y.: Arlington House, 1971), 239.

⁹ *Economic Sophisms*, 141.

Further Reading On Frédéric Bastiat

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