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 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; 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 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 remained 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.2 (Bastiat’s emphasis)

The protectionists answered such arguments by appealing to the fear that foreigners would take away the nation’s money by “floodling” 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?5

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 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....[What 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.”

“Ahh,” 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.

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. (Bastiat’s emphasis)

Notes

2 Ibid., 14.
3 Ibid., 13–15.
4 Ibid., 15.
5 Ibid., 72.
6 Ibid., 129–30.
9 Economic Sophisms, 141.

Further Reading

On Frédéric Bastiat
Bastiat, Frédéric (1964), Selected Essays on Political Economy (Irvington-on-Hudson, N.Y.: Foundation for Economic Education).
