

Bastiat: The man who saw what wasn't there

By [Brian Lee Crowley](#)

There can be few countries where Frédéric Bastiat would have felt more at home than Canada. A brilliant writer, polemicist and economist (when economists still thought wit and limpity mattered), Bastiat made his name by lampooning with elegance and rigour the commonest economic sophisms of his day. His native France was at a crucial turning point. King Louis Philippe had been forced to abdicate by the 1848 revolution, and the French were casting about for new principles on which to base social and political life.

A member of the National Assembly in that short-lived Second Republic, Bastiat, whose bicentennial we celebrate this year, was served up a veritable gourmet's delight of economic silliness by his fellow deputed, as well as by civil servants, demagogues, editorialists and ordinary folk. His happiest hours were spent laying bare the fallacies on which these common errors were based.

He would have loved Canada because, while in his day he was a formidable figure, the economic fallacies he so convincingly dispatched have, like the monster in a bad horror film, risen from the dead to wreak havoc again and again. And few places offer soil as hospitable to muddled thinking as Canada. A Canadian Bastiat, making a living from exploding economic mythologies in simple but effective language, would never want for work, or innocent pleasure.

At the core of Bastiat's writings was the most important lesson in economics and public policy. And it is no exaggeration to say that that lesson owes its most powerful telling to Bastiat. The lesson? That every transaction has two kinds of party: those who are visible parties to it, and those who are touched by its consequences, but are invisible if you look only at the transaction itself.

If I choose to spend my money on a computer, that money is then not available for me to spend on, say, food or dentistry or books. My computer dealer and I engaged in a transaction that made us both better off (he preferred having my money to having the computer, and I the reverse). But one cost of that transaction is all the other things that I might have done with my money but now cannot. I have enriched the dealer, the manufacturer. But by my decision I have chosen not to enrich the grocer, the dentist and

the bookseller. This is what is known as the "opportunity cost" of our choices: Each one opens some doors, but closes others.

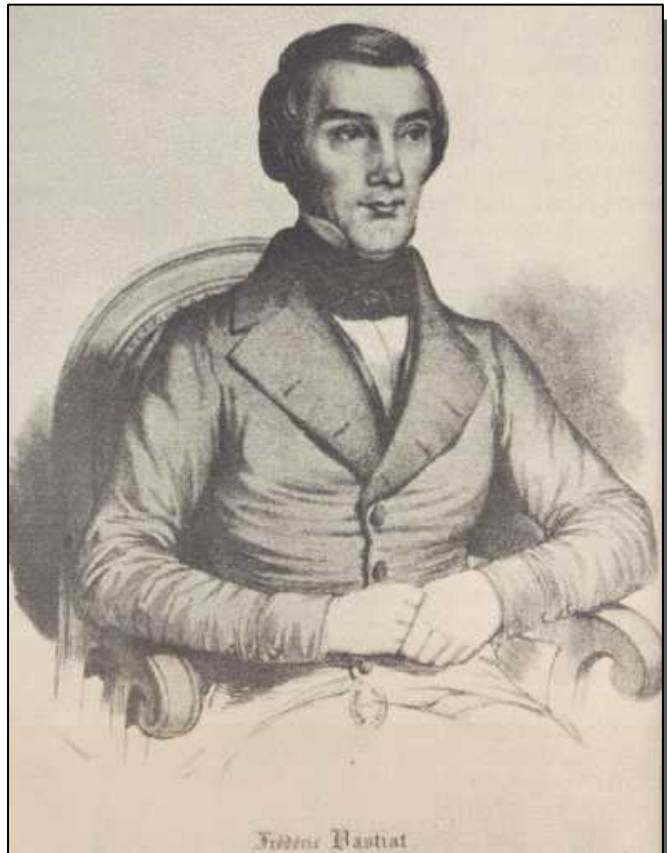
This insight informs every part of Bastiat's work. For example, he was perhaps the first to draw attention to the "broken window fallacy." If one looked only at what is seen, one could understand, he said, the common reaction to a shopkeeper's window broken by vandals: "At least it creates work for the glazier." The shopkeeper's misfortune is quickly transformed into a benefit for the community because it makes money circulate and "creates" work.

But, Bastiat cries, if the shopkeeper is forced to spend \$50 to replace his windowpane, that is \$50 he can now no longer spend on the new sweater that he wanted. And he had a perfectly good window before it was broken. So, far from the broken window creating a social benefit, it is, in fact, a tiny social calamity. The \$50 has been spent employing the glazier, it is true, but only at a net loss to the community as a whole. Before, the shopkeeper had a window and \$50. Now he has exactly what he had before (a sound window), but not his \$50, and so cannot buy his sweater. Both he and the community have been impoverished, not enriched.

Deep down we all understand this, and that is why Bastiat loved to test people's commitment to these fallacies by pushing them to their logical conclusion. If one broken window causes money to circulate, then surely 1,000 broken windows will create 1,000 times more social value. Perhaps someone should be hired to break windows full time. No? Bastiat didn't think so either.

Think of all the proposed projects where one of the main benefits is the number of jobs it will "create." Consider the controversy that arose in Nova Scotia when the government decided to eliminate the toll on the Canso Causeway, thus "destroying" a few jobs.

But, Bastiat would have asked the critics, if you are really serious, you must admit that one toll booth will create a few jobs, but many toll booths would create even more.



"The state is the great fictitious entity by which everyone seeks to live at the expense of everyone else," wrote Frédéric Bastiat in his work *The State* first published in 1848 in French.

Perhaps we should authorize everyone to set up a toll booth on any road they please, and to live from the "job" thus "created." Each toll collector would be enriched, but at the cost of making each traveller poorer. Value would not be created for society, but destroyed.

What confers some superficial plausibility on such "job creation," of course, is that it is often the work of government, and governments are supposed to act for the "common good." Bastiat saw this as an obfuscation. People could believe in the social usefulness of many forms of government intervention only by ignoring their unseen consequences.

Take the recent campaign by United Steelworkers' president Leo Gerard to throw up barriers against imported steel. Bastiat had his number. Tariffs and anti-dumping actions might be effective at preserving the jobs of a few steelworkers, and if we look only at those visible consequences, such actions might seem quite sensible.

But what about the effects on all other workers? If steel is more expensive because of these restrictions, then cars and washers and lamps and rakes and a whole series of other things are going to be more expensive. Fewer people will be able to afford them, and fewer people will be employed to make them. No new jobs will be created; all that will happen is that jobs will be transferred from steel consumers to steelmakers.

And the community as a whole will be impoverished. If it now costs \$250 more to buy a pickup truck, the truck may still be bought, but the person who buys it will have \$250 less left over with which to buy other things. Before, society had the pickup truck, plus \$250. Now it has only the truck.

That is one of the reasons why Bastiat decried the state as "that fiction by which we all seek to live at one another's expense." Governments are prone to being captured by the interests of producers, such as steelmakers or dairy farmers or egg producers. But the interest of producers is always in shortages and high prices. That is the very opposite of the interest of consumers, which is always for abundance and low prices. But while the interests of all consumers always coincide, the interests of producers do not: Steelmakers want high steel prices, but producers of cars and appliances do not. The real common good is thus best satisfied by abundance, not shortages, and low prices, not high ones.

And this is true for workers too. The notion that a job lost in an industry is lost forever and never replaced elsewhere is simply not borne out by experience. The list of things that humanity wishes to accomplish, as Bastiat observes, is infinitely long. What is lacking is not jobs to be done, but rather the means to pay for them to be done.

And where will the money come from to pay for this extra work? Well, if -- through improved efficiencies, using cheaper foreign steel and improved machinery -- we can produce better cars, cheaper, we can spend the money now left over on things we couldn't afford before. Focusing only on the visible job losses distracts us from seeing the greater wealth created by transferring our newly freed productive resources to new and more valuable uses.

But, as in Bastiat's own time, governments, like many commentators and voters, are easily beguiled into believing the most arrant nonsense about how introducing wilful inefficiency and waste enriches society. Bastiat's great contribution was to show, simply and strikingly, the mechanisms by which these sophisms made society worse off. But it seems each generation has to learn these truths for itself. Unfortunately, while every generation is condemned to pay the price of economic wisdom scorned, not every generation is blessed with a gifted communicator and visionary, like Frédéric Bastiat, who can see that most important thing: what isn't there.

Brian Lee Crowley is founding president of the Atlantic Institute for Market Studies, a public policy think-tank in Halifax.

E-mail: BrianLeeCrowley@aims.ca