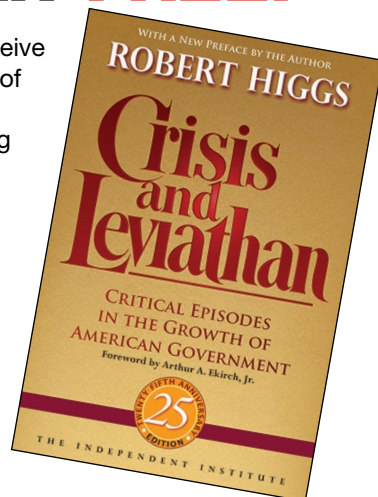


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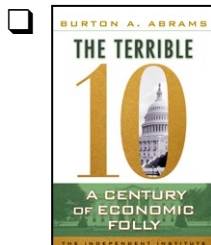
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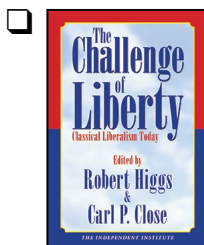
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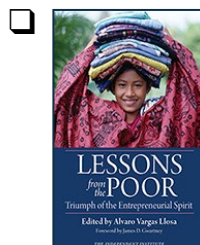
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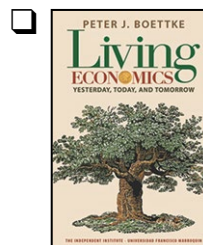
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Bastiat as an Economist



CARLOS RODRÍGUEZ BRAUN AND
MARÍA BLANCO

Economists have not been kind to their French colleague Frédéric Bastiat (1801–50), recognizing him as a mere publicist. J. S. Mill said that he “shines as a dialectician” but lamented his “*parti pris* of explaining away all the evils which are the stronghold of socialists” (1972, 1665). Joseph Schumpeter calls him “the most brilliant economic journalist who ever lived” but adds, “he was no theorist” (1954, 500). Mark Blaug regards Bastiat as a great writer for the layperson and a master of sustained polemics, yet a “third-rate” theorist (1986, 15). In most textbooks on the history of economic thought, Bastiat is dismissed as a popularizer or simply ignored. Marx would find this dismissal pleasing, considering that he wrote off Bastiat with these biting words: “a dwarf economist . . . the most superficial and therefore the most adequate representative of apologetics of vulgar economy” (1975, 1:15, 100). Inasmuch as only the Austrian school of economics vindicates Bastiat—although Friedrich Hayek criticized him on monetary theory (Rothbard 2000, chap. XIV; Thornton 2001, 2002, 82; Hülsmann 2007, 737)—it might be argued that this vindication has more to do with Bastiat’s vigorous libertarianism than with his intellectual contributions. Bastiat, nicknamed “the French Cobden,” certainly was a defender of freedom (DiLorenzo 1999, 61). In the economics profession, however, many opine that he was nothing more: in Alfred Marshall’s words, he was “a lucid writer, but not a profound thinker” (1952, 389, 631n.). In Marshall’s view, his doctrines were “extravagant . . . abstract and trenchant,” and “[t]he lucidity of his style caused his works to have great vogue; but he really understood economic science, in the name of which he professed to write, scarcely better than did the

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socialists themselves” (1961, II:533, 759). John Maynard Keynes agreed and stated that in Bastiat’s works one can find “the most extravagant and rhapsodical expression of the political economist religion” (1972, 281). Notwithstanding this near-consensus among the economists, we maintain that the disdained Bastiat was not only a good political scientist (Hébert 1987), but also a fine economist (Thornton 2002). A review of his ideas on method, economic order, law, value, distribution, and money proves that the “conspiracy of silence” against him—as Joseph Salerno (2006) labels it—is unwarranted.

Methodology

Bastiat follows Jean-Baptiste Say, who defended the existence of universal laws in political economy, deductive in nature and empirically testable by personal experience and observation, not by the use of statistics. Starting from the interrelation between all the sciences, Bastiat defines political economy as the study of wealth, production, distribution, and consumption. This science has “as its special field all those efforts of men that are capable of satisfying, subject to services in return, the wants of persons other than the one making the effort, and, consequently, those wants and satisfactions that are related to efforts of this kind” (1996a, 31–32).

Political economy cannot be the study of an “artificial, contrived and invented order,” “[f]or if there are general laws that act independently of written laws, and whose action needs merely to be regularized by the latter, we must study these *general laws*; they can be the object of scientific investigation, and therefore there is such a thing as the science of political economy. If, on the contrary, society is a human invention . . . then there is no such science as political economy: there is only an indefinite number of possible and contingent arrangements” (1996a, 2).

Human action is the basis of this organization, and its basis is self-interest, which is a fact and not an “adverse judgement,” as describing its basis as selfishness would be. Bastiat goes back to the faculty of sense perception, pain and effort, in an analysis where everything is personal—that is to say, subjective—both the perception of the need and its satisfaction:

We are endowed with the faculty of comparing, of judging, of choosing, and of acting accordingly. This implies that we can arrive at a good or a bad judgment, make a good or a bad choice—a fact that it is never idle to remind men of when we speak to them of liberty. . . . [Socialists] are led to condemn even the basic motive power of human actions—I mean *self-interest*—since it has brought about such a state of affairs. . . . The question, then, is to determine whether this motivating force which, though individual, is so universal that it becomes a social phenomenon, is not in itself a basic principle of progress. . . . But *political economy* is based on this very assumption, that *society* is purely an *association* of the kind described in the

foregoing formula; a very imperfect association, to be sure, because man is imperfect, but capable of improvement as man himself improves; in other words, *progressive* . . . provided the association remains voluntary, that force and constraint do not intervene. (1996a, 7–8, 17, 27–28, emphasis in original unless otherwise noted)

Economic phenomena are human and dynamic, not immutable and not precisely measurable:

Political economy does not have, like geometry or physics, the advantage of speculating about objects that can be weighed or measured; and this is one of its initial difficulties and, subsequently, a perpetual source of error; for, when the human mind applies itself to a certain order of phenomena, it is naturally disposed to seek a *criterion*, a common measure to which it may refer everything, in order to give to the particular field of knowledge the character of an *exact science*. Thus, we note that most authors seek fixity, some in *value*, others in *money*, another in *grain*, still another in *labor*, that is to say, in measures exhibiting the very fluctuation they seek to avoid. (1996a, 43)

Bastiat goes on to exhort: “Let us, therefore, not have the presumption to overthrow everything, to regulate everything, to seek to exempt all, men and things alike, from the operation of the laws to which they are naturally subject. Let us be content to leave the world as God made it” (1996a, 330).

Both Bastiat’s methodology and the importance he ascribes to method in economics are germane to Austrian economists, and both arrive at libertarianism, not only from the idea of justice or for emotional reasons, but also from the notion that a rigorous economic method leads to a liberal economic policy (Thornton 2001).

Harmony and Complexity

Two keys to Bastiat’s thinking are, first, that all legitimate interests are harmonious and, second, that society is complex. Simple, mechanical solutions do not work.

For Bastiat, harmony is multidimensional: it refers to economics, but also to the accord between economics, politics, and ethics (Bastiat 1862, 7:485). Some critics have simplified Bastiat’s *Economic Harmonies* to an angelic vision of human nature, “the optimistic image that class interests naturally and inevitably coincide to promote economic development” (Hébert 1987, 205). This characterization springs from the usual conception of classical liberalism as a naive doctrine that denies the importance of an institutional framework and trusts blindly in miraculous mechanisms such as the “invisible hand” to bring about a magical uniformity of interests. Though

widespread, this conception is nothing more than a caricature because classical liberals believe in mutually beneficial voluntary agreements contingent on laws and justice: only in this context is it possible to discuss harmony (O'Brien 1975, chaps. 3, 10). The caricature affects important historians of economic thought with very different ideologies, including Eric Roll, who speaks of “the revival of a providential harmony by Bastiat” (1961, 302), and Henry Spiegel, who maintains that “Bastiat based his ultra-libertarian individualism on his optimistic and religious belief in a pre-established harmony of economic interests under which spontaneous development more than coercive institutions would result in widespread increasing incomes” (1973, 427).¹ These opinions fit poorly with Bastiat’s texts, which stress that all *legitimate* interests are harmonious. This qualification is important because if they are harmonious, the solution to social problems is liberty. If they are not, as antilibertarians claim, then the solution is coercion, and because liberty has only one form and coercion many, politics must focus on ascertaining “which, out of all the infinite forms that coercion can assume, is the right one” (Bastiat 1996a, xxii).

But liberty by no means implies trusting that all human interests are always harmonious. In truth, people can follow their interests to do good but also to do evil, when “instead of relying on their own labor, men too often turn to other’s work.” The same interest that can lead to property can lead to plunder: “Self-interest creates everything by which mankind lives and develops: it stimulates labor; it engenders *property*. But at the same time it brings into the world all kinds of injustice. Each kind has been given a different name, but they can all be summed up in the one word, *plunder*. . . . The fact that property and plunder have this common origin makes readily understandable the ease with which Rousseau and his modern disciples have been able to defame and disturb the social order. It sufficed to show only one of the aspects of *self-interest*” (Bastiat 1995, 141). An institutional framework’s indispensable mission is to combat such plundering, which can take the form of robbery, violence, deception, and fraud. The existence of a framework—legal and accepted plunder—that fails to control or even abets this predatory behavior is the central theme of Bastiat’s work titled *The Law*: “There is the plunder that is committed with the consent of the law, through the operation of the law, with the assent and often with the approval of society. It is only this kind of plunder that can assume enormous proportions, enough to alter the distribution of wealth in society, paralyze for a long time the leveling tendencies that liberty promotes, create permanent social and economic inequalities, open the abyss of poverty, and pour forth on the world that deluge of evils that superficial minds attribute to property” (1995, 142).

1. Joseph Salerno points out that the optimist epithet was “invented by opponents” of the French libertarians “and explicitly repudiated by those whom it was intended to designate” (1988, 114–16, 143); see also Salerno 2001. Vilfredo Pareto writes derisively of the *école optimiste* (1964, 1:310, 416).

Far from accepting that interests are automatically harmonious, Bastiat insists on denouncing those interests that weaken the defense of property and seek to usurp it—those that aim to plunder and turn into phenomena that he condemns: war, slavery, and imperialism. But socialists believe that even legitimate interests are antagonistic, and so they recommend political intervention to bring all social interests into harmony artificially—something both impossible to achieve and dangerous to attempt. Equality in society cannot be like equality among horses at a racetrack, where different weights may be placed on the horses to make all of them weigh the same. A similar argument is often used to attack competition—for example, by protesting poor countries’ “unfair competition.” Bastiat would not accept such reasoning. In his opinion, the racetrack comparison is not valid because the race is both a means and an end. Spectators have no more interest in the race than the race itself, but if, instead of making horses run along a track to discover which one is the fastest, we wanted to have the horses bring an urgent piece of news, would it make sense to put obstacles in the way of the fastest ones? Protectionism produces such counterproductive obstruction, disregarding an economy’s true goal: the welfare of citizens. The goal socialism sets is paradoxically achieved through liberty and property: “In all ages, we find men of upright and benevolent character—men like Thomas More, Harrington, and Fénelon—who, shocked by the spectacle of human suffering and the inequalities of wealth, have sought refuge in a communist utopia. However strange this may appear, I assert that the system of private ownership tends, right under our eyes, to make such a utopia more and more nearly a reality” (1995, 139). The argument for general progress is also that for equality:

Thus, we see with what irresistible power the right to private property tends to produce equality among men. First, it sets up a common fund, which each advance constantly increases, and in regard to which equality is perfect; for all men are equal in respect to the value that has been abolished, a utility that has ceased to be remunerable. All men are equal in respect to that part of the price of books that printing has eliminated. . . . I do not deny this inequality, this distress, this suffering. And who could deny them? But I say: Far from being endangered by the right to private property, they are to be imputed to its opposite, the principle of plunder. . . . Is it surprising that there should be inequality among men, when the egalitarian principle, the right to property, has been so little respected up to now? (1995, 140, 143)

For Bastiat, democratic and egalitarian property is nonexistent, and reality boils down to abuses, privileges handed out to businessmen and professionals, price controls, taxes, tariffs, and so forth—all attributable to the state’s aiding the unharmonious interests of society, its being the “fiction” through which everyone aspires to live at the expense of everyone else, and its being the force that usurps

goods and liberties. Converting the state into a dispenser of privileges fosters society's worst interests and damages its members' freedom. Controlling it, however, as Alexis de Tocqueville had also feared, is arduous:

After having judged all men without exception as capable of governing the country, we declare them incapable of governing themselves. . . . Where will we be led by the illusion that impels us to believe that the state is a person who has an inexhaustible fortune independent of ours? People are beginning to realize that the apparatus of government is costly. But what they do not know is that the burden falls inevitably on them. They have been led to believe that if their share has been heavy until now, the Republic has a means, while increasing the general burden, of shifting at least the larger part of it onto the shoulders of the rich. Fatal illusion! . . . I believe that we are entering on a path in which plunder, under very gentle, very subtle, very ingenious forms, embellished with the beautiful names of solidarity and fraternity, is going to assume proportions the extent of which the imagination hardly dares to measure. (1995, 144–45)

Bastiat made a mistake in this area. He concluded that people would come to understand the impossibility of the state's fulfilling its extensive promises and that this understanding would lessen their demands: "the time will come very soon, I hope, when only services within its competence will be asked of the state, such as justice, national defense, public works, etc." Bastiat failed to realize democracy's legitimizing potential to extend political coercion and encourage unharmonious interests. In any case, he saw the root of evil in the abuse of private property: "It is not property that we should blame for the sad spectacle of grievous inequality that the world once again offers us, but the opposite principle, plunder, which has unleashed on our planet wars, slavery, serfdom, feudalism, the exploitation of public ignorance and credulity, privileges, monopolies, trade restrictions, public loans, commercial frauds, excessive taxes, and, lastly, the war against capital and the absurd demand of everyone to live and to develop at the expense of everyone else" (1995, 146).²

In other words, harmony depends on the law, which must defend liberty and property, not violate them, as it will if it encourages our worst interests: if politics and legislation do not intervene, individuals will direct their interests toward reaping the greatest benefit for themselves and everyone else. But if individuals can use the institutional and judicial system for their own benefit and at the expense of everyone else, they will do so, dedicating their time to plunder. Therefore, the only difference

2. Hayek notes that government spending in Nazi Germany was 50 percent of national income and that this fact proves that the country was a dictatorship, given that a democracy cannot withstand such an oversized state (1944, 61). Adam Smith said: "No doubt the raising of a very exorbitant tax, as the raising as much in peace as in war, or the half or even the fifth of the wealth of the nation, would, as well as any other gross abuse of power, justify resistance in the people" (1982a, 324).

between “rent seekers” who push protectionism to block competition and a highway robber is that the former’s activities are deemed to be legal (Barry 2001, 20). Only swindlers and thieves, whose life depends on violating other people’s property, are incapable of reconciling their interests with everyone else’s. Everything can be reconciled except coercion and liberty.

Harmony does not mean that the market satisfies every aspiration all the time. Nor does it mean that members of society always act in concordance—a fantasy in complex societies. Instead, individuals’ interests are in harmony because they do not violate each other’s property and because cooperative production is always more productive than isolated production—a relationship that Ludwig von Mises, referring to David Ricardo’s analysis of the division of labor and mutually advantageous exchange, called the “law of association” (1996, 159ff). Note here that the antilibertarian image of the market as a “jungle” is the exact opposite: antilibertarians allege that there is no way to reconcile freely the interests of workers and employers, producers and consumers, owners and tenants, debtors and creditors, citizens and foreigners, and so forth, and therefore, they say, politics must intercede. Intervention, however, destroys harmony by creating winners and losers and by giving everyone an incentive to use the state and the law (thereby perverting both) for their own benefit. The end result is socialism, or universal plunder and social injustice. Bastiat opens *The Law* by stating its religious foundation: “We hold from God the gift which includes all others. This gift is life—physical, intellectual, and moral life” (1998, 1). He defends the market not because it is more efficient, but precisely because it creates a nonantagonistic order of interests; his libertarianism is more *ius* naturalist than utilitarian. Hayek remarks: “Bastiat was indeed right in treating freedom of choice as a moral principle that must never be sacrificed to considerations of expediency; because there is perhaps no aspect of freedom that would not be abolished if it were to be respected only where the concrete damage caused by its abolition can be pointed out” (1995, 7).

Harmony in this sense differs markedly from the caricature used to stigmatize libertarianism and meshes well with Bastiat’s other key concept: the complexity of society and the economy. He expands on this concept in his last essay, published in July 1850. Its title, *What Is Seen and What Is Not Seen*, follows Smith’s description of the invisible in the market.³ The subtitle is *Economics in One Lesson*, the same title Henry Hazlitt (1946) uses to express the idea of opportunity cost. Bastiat writes:

Have you ever been witness to the fury of that solid citizen, James Goodfellow, when his incorrigible son has happened to break a pane of glass? . . . The glazier will come, do his job, receive six francs, congratulate

3. The Smithian metaphor, as tends to happen with metaphors in the sciences, is despite everything an unfortunate one. It suggests that someone’s hand, though invisible, is directing the market. For Smith and for Bastiat, however, in the invisible hand metaphor the adjective, not the noun, is the important thing. It is more appropriate to point directly, as the French economist does, to the invisible. In fact, in letter 22 of the first series of *Sophisms*, Bastiat (1996b) criticizes the metaphor as harmful to political economy.

himself, and bless in his heart the careless child. *That is what is seen*. But if, by way of deduction, you conclude, as happens only too often, that it is good to break windows, that it helps to circulate money, that it results in encouraging industry in general, I am obliged to cry out: That will never do! Your theory stops at *what is seen*. It does not take account of *what is not seen*. *It is not seen* that, since our citizen has spent six francs for one thing, he will not be able to spend them for another. (1995, 10)

Hazlitt aptly calls Bastiat a “master of *reductio ad absurdum*” (1996, 9). Bastiat frequently resorts to eye-catching examples that Jörg Hülsmann compares to modern counterfactual analysis (2001, 65): Is it good that the railroad from France to Spain stops in Burgundy to spur activity in that region? Well, build the “negative railway,” one that stops in a thousand towns and generously enriches them all. Don’t protectionists allege that more work means more wealth? Well, banning citizens from using their right hand would double the demand for labor, and poverty would magically disappear. Isn’t it good to have a “favorable” trade balance? Then storms that sink boats bringing goods to France will benefit the nation. Perhaps the most renowned example is Bastiat’s *pétition des fabricants de chandelles* from the manufacturers of candles, who demand that the government protect them from the unfair competition of a foreign rival: the sun. They need aid for their sector and ask the authorities to order the boarding up of all windows to ensure the consumption of candles will increase and, as a result, jobs and prosperity will, too.

The economic lesson instills modesty in the face of complexity and the unforeseen and undesired consequences of human actions and, in particular, policies. As Robert Hébert points out, for libertarians this lesson is a fundamental one: “[I]f we judge economic policy only on its immediate and superficial effects, we fail to achieve the intended results and we gradually and inevitably extinguish liberty.” (1987, 205).

William Stanley Jevons thinks that this economic lesson is “admirable.” He appreciates Bastiat’s theory of exchange and salutes his “simple clearness of language, and a brilliancy of wit and illustration to which no English economist can lay claim” (1981, 46; see also Jevons 1965, 8, 49; 1970, 261; 1981, 51, 133–38; Salerno 1988, 125). And Eugen von Böhm-Bawerk, who could be critical of Bastiat (1957, 288–93; see also Salerno 1988, 120), wrote: “I’ve always thought one of Bastiat’s best ideas, among the many he had [was summarized in the title *What Is Seen and What Is Not Seen*]”: “This motto describes perfectly one of the most important contributions theory has made to the praxis. The praxis has clear and penetrating eyes, and it misses nothing of ‘what is seen.’ But, it does not see everything. And ‘what is not seen’ is often hidden, the flip side, the decisive and true side of things” (1999, 134–35; see also Hennings 1997, 60).

In Hayek’s opinion, the text—which Vilfredo Pareto praised for its “admirable clarity” (1964, 2:6)—is an example of Bastiat’s ability to do theoretical work

and provide a foundation for libertarian thought: “No one,” comments Hayek, “has ever stated more clearly in a single phrase the central difficulty of a rational economic policy and, I would add, the decisive argument for economic freedom” (1995, 6).

Bastiat asked his contemporaries who were clamoring for more government intervention to consider what is not seen: they should look past government spending and ponder the taxes needed to pay for it. He asked them to consider that in Paris they could buy food brought there from many places because untold numbers of free citizens were pursuing their own self-interests, not because of some central planner’s actions. Economics must study this order and explain liberty’s consequences: affordable goods, high salaries, employment, and so forth. A free society is not divided into antagonistic classes but made up of people with initiative who are alert to different and better ways of doing things. In Bastiat’s writings, one sees Smithian recommendations, such as defending consumers rather than producers who demand that consumers be denied freedom or backing free association, such as business partnerships or unions, but never their obligatory funding or their “acquired rights.” A variety of subjects comes up in *The Law*: spending money forcibly extracted from citizens is not philanthropy; it is unjust to seize anyone’s property; free trade is not a question of economics, but of justice; there is no liberty without private property; libertarianism is not antisocial; it is a false belief that if the state were to cut back, we would sink into impoverishing and egotistical chaos; it is also false the goods and services provided by the state would not be provided in its absence. Moreover, the goal of living at the expense of others damages not only the economy, but also, more important, a society’s morality, liberty, and sense of justice. Harmony in complex orders demands respect for the law that in all circumstances protects property; violating property rights cannot be justified, whether perpetrated by a single person or by many people: given that no individual has a just right to enslave another individual, it is impossible for a group of individuals to possess that right.

Value, Property, and Land Rent

Bastiat’s theory of value is commonly regarded as uninteresting or “simply a disguised version of the labor theory of value” (Hébert 1987, 205). Knut Wicksell, who thought Bastiat was “admirable,” nevertheless decried his being a “harmony economist” and his founding of “labour as the only creator of wealth” (1977, 4, 27–28; see also Wicksell 1954, 40–43). But, apart from the fact that Marx (1867) was under no such delusion, Bastiat’s theory is more than this description and fits into the previously mentioned harmonization of interests, stemming from the case of land rent, in which he offers a thesis different from that of the classical economists. It is understandable, however, that experts have interpreted his theory of value as one based on labor. Bastiat wrote along these lines: “it is not the coal that we pay for, but the labor required to extract it and to transport it” (2004, 124–25).

Each individual's physical and intellectual effort, subjective and not commensurable, makes desirable the service that a good renders to its demander. Bastiat does not refer to the labor implied in production in the same way that Ricardo does, and, contrary to Say, he analyzes supply from the perspective of demand (Garello 2004, 100–10). “Value is in the service”: “As regards the notion of value, it is a matter of complete indifference whether I render my fellow man a direct service—for example, by performing a surgical operation—or an indirect service by making him some medicinal preparation; in the latter case the *utility* is in the substance, but the *value* is in the service, in the intellectual and material effort made by one man for the benefit of another. It is pure metonymy to attribute value to the material commodity itself, and in this case, as in so many others, the metaphor leads science astray” (1996a, 63).

Utility, for Bastiat, is the substrate of value attributable to nature, labor, and “almost always” the combined activity of both. But “I call value only that portion of utility that labor imparts or adds to things, so that two things have value when those who have labored over them exchange them freely for one another.” This is not a simple labor theory of value. A man will reject an exchange if “the thing that is offered to him would require less labor from him than what is demanded of him for it. It would be futile to tell him: ‘I have worked less than you, but gravitation helped me and I have included its value in my reckoning.’ He will reply: ‘I too can make use of gravitation, with labor equal to your own’” (1995, 127).

Therefore, if two people agree to an exchange, they do so to receive equivalent services: “If one of them has the aid of a natural resource that is also at the disposition of the other, that natural resource will not count in the price. The right to refuse renders such a consideration impossible” (1995, 127). Bastiat sums up the relation among value, utility, and labor in the following way:

Water is worth nothing. It does not have value, although it has utility. If we all always had a spring right at our feet, evidently water would not have any value, since there would be no occasion to exchange it. But if it is half a mile away, we must go and get it; that is work, and there is the origin of its value. If it is a mile away, that is double work, and hence double value, although the utility remains the same. Water for me is a gratuitous gift of Nature, on condition that I go and get it. If I do so myself, I render myself a service by taking some pains. If I entrust this task to another, I put him to some trouble and owe him a service. Thus, there are two pains, two services, to compare and discuss. The gift of Nature always remains free of charge. (1995, 128)

Thus, technical progress, which means nature does more and labor does less, lowers prices as goods come to encompass more of the free part and less of the costly part. Air has utility, but no value, except for the air held in a diving bell—in that case, air is worth something. According to Bastiat, however, the latter air is worth only the labor

that went into pumping it into the bell, and to say it is worth something is a metonymy: the air remains a free good. Therefore, “[t]he consumer pays for all the services that are rendered him, all the trouble that he is spared, all the labor that he occasions; but he enjoys, without paying for them, the gratuitous gifts of Nature as well as the forces of Nature that the producer has put to work” (1995, 129).

Classical economists squandered much energy on distinguishing among labor, classes, and productive and unproductive groups. Bastiat thought rightly that this distinction is absurd:

Services are exchanged for services. . . . Manufacturers, lawyers, doctors, civil servants, bankers, merchants, sailors, soldiers, artists, workers, all of us, such as we are, except for the exploiters, render and receive services. Now, since these reciprocal services alone are commensurable with one another, it is in them alone that value resides, and not in the gratuitous raw materials and in the gratuitous natural resources that they put to work. Let it not be said, then, as is customary nowadays, that the merchant is a parasitic middleman. Does he or does he not take pains? Does he or does he not spare us labor? Does he or does he not render services? If he renders services, he, as well as the manufacturer, creates value. (1995, 130)

The legitimacy that stems from the exchange of services, not from the labor, is extended to interest⁴ and land rent in a harmonic world:

Two brothers separate. One goes whale fishing; the other goes to open up land in the Far West. Then they exchange whale oil for wheat. Does this mean that for one of the parties to the transaction the value of the soil counts for more than the value of the whale counts for the other? Comparison can be made only of services received and rendered. Hence, these services alone have value. This is so true that if Nature has been very generous to the land, that is, if the harvest is abundant, the price of wheat drops, and *it is the fisherman who profits from it*. If Nature has

4. “We have recently heard it said that land rent is an illegitimate form of income. Without going that far, many people find it hard to understand why capital should yield perpetual revenue in the form of interest. ‘How,’ they say, ‘can capital, once formed, yield perpetual revenue?’ Here is the explanation of this perpetuity and of its legitimacy, illustrated by an example: I have one hundred sacks of wheat. I could use them to live on while I devote myself to useful labor. Instead of that, I put them out on loan for a year. What does the borrower owe me? The full return of my hundred sacks of wheat. Does he owe me only that? In that case, I would have rendered a service without getting anything. He owes me, then, besides the simple return of my loan, a service, a remuneration whose amount will be determined by the laws of supply and demand: that is, interest. It is evident that at the end of the year I still have one hundred sacks of wheat to loan, and so on forever after. The interest is a small portion of the labor that my loan has put the borrower in a position to perform. If I have enough sacks of wheat so that the interest suffices for my existence, I can be a man of leisure without harming anyone; and it would be easy for me to show that the leisure thus achieved is itself one of the spurs to the progress of society” (Bastiat 1995, 265). See also Bastiat 1849a.

been generous to the ocean, in other words, if the fishing has been good, it is the whale oil that is cheap, *to the profit of the farmer*. Nothing proves better that the gratuitous gift of Nature, although put to work by the producer, always remains free of charge for the consumers, on the sole condition that they pay him for putting it to work, that is, for his service. (1995, 131–32)

Implicit in and essential to this reasoning is the existence of free competition, which keeps prices from rising and therefore is just (Bastiat 1995, 264). Property owners must not be able to restrict competitors from entering the market and plowing more land. If they do, they will be able artificially and unfairly to raise the price of their services, as happens with any activity that enjoys the privilege of imposing barriers to entry. What happens if all land is occupied? The only way to achieve a balance in services would be for the land to multiply—which is exactly what happens. There are infinite possibilities for work as long as people have the freedom to move from one place or job to another.⁵ If property owners block this freedom, they can benefit, but “they become oppressors . . . introducing into society the cause of inequality and misery”: “The right that must be demanded, because it is incontestable, inviolate, and sacred, is *the right to employment* in the true sense of the term, i.e., freedom, the right to ownership, not of the soil only, but of one’s labor, one’s intelligence, one’s faculties, one’s person—a right that is violated if one class can forbid to other classes the *free exchange of their services* whether abroad or at home. In so far as this freedom exists, landed property is not a privilege; it is, like any other freedom, only *man’s right to the fruits of his own labor*” (1995, 134).

Property cannot be separated from liberty.⁶ It cannot be separated from justice or equality. It is essential to a safe and peaceful (and hence prosperous)

5. He might have responded in this way to objections from, among others, Léon Walras, who writes: “Those economists who, like Carey and Bastiat, have tried to convince us that we do not pay for land-services when we buy agricultural and other products would have to prove that we have all the land we wish for our houses and gardens, not in the wilds of Africa or America, but here where we want to live” (1984, 391). See also Walras 1984, 225, where Walras recognizes the merit of Bastiat’s idea of exchanging services but alleges that it is limited to personal services, and Walras 1992, 305. Walras elsewhere criticizes Bastiat’s thought as superficial or clearly wrong (1987, 406) and deprecates “[1]a petite église de Frédéric Bastiat . . . qui a mutilé la science et paralysé tout développement véritablement progressif” (qtd. in Hutchison 1953, 198).

6. “I question whether it is possible even to conceive of the notion of property without freedom. Am I the owner of my productive capacities, of my labor, and of the products of my labor, if I cannot use them to render services voluntarily accepted? Should I not be free either to work by myself, which involves the necessity of exchange, or to join forces with my fellow men, which is association, or another form of exchange? And if freedom is restricted, is not an injury done to property itself? Besides, how will reciprocal services receive their just relative value if they are not exchanged freely, if the law forbids human labor to perform the services that are the most highly remunerated? Property, justice, equality, and the balancing of services evidently can result only from freedom. Moreover, it is freedom that renders the contribution of the forces of Nature free of charge and common to all; for as long as legal privilege confers upon me the exclusive right to the exploitation of any of the forces of Nature, I charge not only for my labor, but for the use of that force” (Bastiat 1995, 137).

society,⁷ one that values not only labor, but also, above all, socially reciprocal exchange: “Whether I have worked an hour or a day matters little to the one to whom I offer my service. What he is interested in is, not the pains I take, but the pains I spare him” (Bastiat 1995, 138).

For the most part, the classical economists shared the Lockean view in which labor, not land, created value. Property owners, in Adam Smith’s eyes, “like all other men, love to reap where they never sowed” (1981, 67), and they charge rent for the use of something that, according to David Ricardo (1975, chaps. 2, 6, 32) and others, depends on nature. Therefore, rent is not genuine income and works against progress and the welfare of society. This error spread across Europe and to the Americas. Propagandists such as Henry George would continue to popularize it. Other liberal economists, such as the classical British or the Spanish Álvaro Flórez Estrada (Rodríguez Braun 2008), shared the mistaken theory that private property, income from that property, and value find an exception in the case of land. But Bastiat, in his vision of harmonious economics, rejects this possible split: even the fortunate heir to a large estate is productive. To demonstrate this claim, Bastiat notes that in transactions payment is made for labor or, more specifically, for service, not for nature; therefore, rent is a just income, notwithstanding the opposing claim of many of his French contemporaries from *Considérant* to Proudhon. They defended private property in everything except land. Bastiat gathered quotes from Smith, Ricardo, McCulloch, Scrope, and Senior in which they discuss income that surpasses the owner’s investment in improving the land, as an artificial price paid for the natural resources that ought to be free. In this case, they argued, such income is the unfair product of a “monopoly of usurped and confiscated natural resources.” For Bastiat, however, this argument is both false and dangerous: anticipating the future, he perceived that if one type of property right is put in doubt, the process will continue and spread: “I foresaw that the right to property, once weakened in one form, would soon be attacked in a thousand different forms” (1995, 92).⁸

7. “When previous labor and present labor are combined for a single end, in a common enterprise, they remunerate each other; there is an exchange of labor, an exchange of services, on mutually agreed-upon terms. Which of the two parties will obtain the better terms? The one that has less need of the other. We are here confronted with the inexorable law of supply and demand; to complain of it is childish and self-contradictory. . . . For labor to be in demand and well paid, there must, then, be plenty of raw materials, implements, and provisions—in other words, capital—in the country. . . . And what is the essential condition for the formation of capital? It is that everyone be sure of really being the owner, in the full sense of the word, of his labor and his savings. Property, security, liberty, order, peace, economy—these are what interest everyone, but especially and in the highest degree, the proletarians” (Bastiat 1995, 139).

8. “Thus, thanks to a false principle, picked up in the English school, logic attacks landed property. Will it stop there? Don’t you believe it. It would not be logic if it did. As it has already said to the farmer: ‘The laws of plant life cannot be private property and yield you a profit’; so it will say to the manufacturer of cloth: ‘The law of gravitation cannot be private property and yield you a profit’; to the manufacturer of linen: ‘The law of the expansion of steam cannot be private property and yield you a profit’; to the ironmaster: ‘The laws of combustion cannot be private property and yield you a profit’; to the ship-owner: ‘The laws of hydrostatics cannot be private property and yield you a profit’; to the carpenter, to the joiner, to the woodcutter: ‘You use saws, axes, and hammers; thus, you make your work depend on the hardness of bodies and the resistance of materials. These laws belong to everyone and should not give rise to a profit.’ . . . After having rejected landed property, [this false principle] will deny the productivity of capital” (Bastiat 1995, 126). With his Smithian

In conclusion, for Bastiat, services are human actions carried out for others; his theory of value is based not on labor, but on the observed relationship between the labor expended in producing something and the service for which it is exchanged. The subjective aspects of his theory are clear. It is therefore unsurprising that two decades after Bastiat's death Carl Menger mentions him as a predecessor in his interpretation of value or that J. E. Cairnes qualifies Jevons's originality by mentioning Bastiat (see Howey 1989, 26, 64).⁹ Cairnes does so not because he sympathizes with Bastiat's libertarianism. He praises his "dialectical skill" and "refined irony" and even goes so far as to compare Bastiat with Swift, but he stresses that *laissez-faire* lacks a scientific basis and that political economy "possesses capabilities in relation to the positive and reconstructive, no less than in relation to negative and destructive reform. . . . It has nothing to do with *laissez-faire* any more than with communism." In his *avant la lettre* political correctness, Cairnes deplores the alleged increased misery of the British working classes, laying the blame on unbridled and unscrupulous capitalism, and opts for a Third Way, between libertarianism and "the opposite principle of State control, the doctrine of paternal government." He reproaches Bastiat for seeking "not simply to explain, but also, and mainly, to justify the social facts which he undertook to expound." He is unwilling to abandon the classical and Ricardian theory of value and does not recognize any merit in—actually, does not understand—Bastiat's subjective "service" theory (Cairnes [1873] 1965, 244–55, 314, 340). J. S. Mill also reproaches Bastiat for defending private property in land (1965, 424). He wrote to Cairnes congratulating him for his criticism of the French economist and urging him to examine Bastiat's doctrines from a "[s]ocial, or practical point of view, and shew how far from the truth it is that the economic phenomena of society as at present constituted always arrange themselves spontaneously in the way which is most for the common good or that the interests of all classes are fundamentally the same" (1972, 1764).

Many economists did not appreciate that for Bastiat, as Hülsmann notes, economics is "the science of activity, of reciprocal services that are exchanged because they can be compared and evaluated. They can be evaluated precisely because they are exchanged" (2001, 62–64). Moreover, people serve one another not only with present and future acts, but also with past ones. Thus, land rent compensates the landowner for a service. It represents a past transformation brought about by human labor that can generate an income for the property owner and his descendants.¹⁰

viewpoint, Bastiat opposed Ricardo and Malthus: wealth is a positive sum game, so he felt that both the conflictive connotations of Ricardo's model and the dismal outlook of Malthus's model were misplaced.

9. Menger acknowledges Bastiat's theory of value and his overcoming the "methodological blunder" of assigning land an exceptional position among goods, attempting "to fit land and the services of land into the framework of a system of economic theory with all other goods," but he criticizes the tracing of value "back to human labor or to the services of capital" (1950, 166, 308).

10. In his Ricardian critique of Bastiat, Cairnes claims that the Frenchman does not grasp the "fundamental distinction between land and the ordinary products of industry" (1873, 343–44).

Law and Economics

Bastiat did not believe in the social contract, either in the law as a utilitarian instrument for achieving happiness for the majority or as an arbitrary convention. He believed in natural law: life, liberty, and property, he wrote, do not exist because men have legislated them. Just the opposite. They existed before, and their antecedence explains why men legislate. Human life requires property and liberty to develop and flourish. Laws that oppose them are not true laws, but legal plunder. For Bastiat, genuine economic harmonies demand respect for property. But people are always tempted to live off others, to reach their objectives without exerting effort. When the law facilitates, permits, or promotes this temptation, we are no longer living in a libertarian world, but in a place where markets are distorted—given that markets are the product of liberty—and the law, Bastiat laments, ceases to be a refuge for the oppressed and becomes instead a weapon of the oppressor. Norman Barry notes that *The Law*, a brilliant summary of Bastiat's previous writings, is "in a number of ways a melancholy tale of the collapse of legal standards in his own country" and a reminder that a moral order precedes the dictates of positive legislation, an order of basic rights and limited government (2001, 22). The law, in Bastiat's view, should be simply an efficient public organization for protecting people just rights; if individuals organize and use the law to do more, the law ceases to serve its purpose. Barry reminds us that exactly such unjust uses of the law have occurred on a grand scale: the law, rather than safeguarding fundamental rights, "has managed to allow people to *acquire* rights, which in Bastiat's time had already started to include the right to employment, to welfare and a portion of other people's legitimately created property." Bastiat does not see asymmetry between the law and justice because the law is negative. People have no proper place in negotiating what was just. They can agree only on what is not just: it is not just to violate individuals' personal and property rights.

From its first paragraph, *The Law* deals with this problem: the law has been perverted and has come to attack what it should protect. According to Francisco Cabrillo, "The law was losing its negative reading, the one guaranteeing individual rights, and becoming an instrument that permitted governments to undertake an increasingly important role in economic life. The rights [that] the new laws were creating were no longer each person's natural rights, but rights in defense of the particular interests of specific groups which the State considered its obligation to defend, even though such defense was at the expense of expropriating many people's property" (2004, 19).

Bastiat explains that we are entering into a dangerous dynamic. If the law deviates from its objectives in a way that violates property, then everyone will want to participate in legislating—either to protect his interests from usurpation or to participate in usurping someone else's interests. Such actions will expand the political arena and spread conflict over redistribution. Groups will protest against libertarianism and demand their "acquired rights"; Bastiat counsels: "[D]o not listen to this sophistry by vested interests" (1998, 17). Some authors have highlighted that Bastiat anticipated

modern public-choice theory; the analysis of lobbies, interest groups, and rent seeking; and the law-and-economics focus on the corruption of laws that violate private property (Infantino 1999, 33; Hülsmann 2001, 69).

According to Bastiat, the law is born of the individual right to self-defense: if it is legitimate for each individual to defend his life, liberty, and property, then it is also legitimate for individuals to join together to defend them. But this joint force cannot be used to destroy just rights. This unfortunate result has occurred, however, for two reasons: “stupid greed and false philanthropy.” If men are allowed to live at the expense of others, they will do so. To keep plunder from prevailing, the law must make it more onerous and more dangerous: “all the measures of the law should protect property and punish plunder.” *The Law* inveighs against legal plunder and against both its economic and moral consequences: legal plunder “erases from everyone’s conscience the distinction between justice and injustice. . . . When law and morality contradict each other, the citizen has the cruel alternative of either losing his moral sense or losing his respect for the law.” Bastiat denies Rousseauvians any modern characteristics: they are barbarians, twenty centuries behind the times, stuck in ancient anti-libertarianism, which, as we will see, he condemns.¹¹ He points to the conflict this perversion of the law creates: if the law is limited to protecting life and property, there would not be so much political tension. But everything changes if the law takes from some in order to give to others; if it redistributes in favor of certain classes, “then certainly every, class will aspire to grasp the law, and logically so.” He notes that the law in the United States has confined itself better to its proper role, except in two areas: slavery and tariffs. Slavery violates personal rights, and tariffs violate property rights. He concludes that “double *legal crime*—a sorrowful inheritance from the Old World—should be the only issue which can, and perhaps will, lead to the ruin of the Union” (1998, 5, 6, 8, 13, 15). A strong abolitionist, Bastiat also recognized the North’s protectionism as part of the crisis in the United States. He did not make the mistake of limiting his analysis, as many others did at the time and since, of the coming civil war to a disagreement over slavery (see DiLorenzo 2003).

Extralegal plunder—that is, robbery—does not threaten society and can be dealt with. The real trouble is legal plunder, which places public institutions “at the service of the plunderers, and then treats the victim as a criminal.” How to detect legal plunder? Easy, says Bastiat: “See if the law takes from some persons what belongs to them, and gives it to other persons to whom it does

11. It is interesting to see the utilitarian footnote that the nineteenth-century Spanish translator inserted where Bastiat alludes to Rousseau and democracy, which has a distinctly optimistic view of the state as a mere guardian of liberty (Bastiat 2005, 95). Bastiat, however, says of Rousseau: “This writer on public affairs is the supreme authority of the democrats. And although he bases the social structure upon the *will of the people*, he has, to a greater extent than anyone else, completely accepted the theory of the total inertness of mankind in the presence of the legislators” (1998, 42).

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” (1998, 16–17). Unlimited interventionism is invited precisely because it is done legally. He anticipated some of the great antiliberty excuses: the need for society to socialize in order to avoid the danger of socialism, the fantasy of the state’s “saving” capitalism, and the large consensus on the welfare state as a check against revolution.

The original impulse was to make the law (falsely) philanthropic—that is, to move from libertarian equality before the law to socialist equality through the law. Today, both the Left and the Right voice the idea of achieving efficiency and equality through political and legal coercion, having freedom and fraternity at the same time—the old thinking behind so many Third Ways. But Bastiat responds: fraternity must be voluntary; if law compels it, then the law oppresses liberty and justice. Because the law is necessarily coercive, it must be limited and exclusively negative: it must hinder injustice. But what about the poor and the marginalized? Bastiat warns against the good intentions of those who resort to the law to improve society without recognizing that poverty is the result of past and present plunder. Poverty cannot be remedied by using the same evil that caused it in the first place. The law cannot create more wealth than there is: if equality for socialists means taking from some in order to give to others, the law becomes an “instrument of plunder” (Bastiat 1998, 27).

Bastiat is a harsh critic of socialism, which even in the first half of the nineteenth century was applying sweet-sounding euphemisms such as *solidarity* and *progress* to the loss of liberty, and he defends himself against the accusation of selfish individualism from which libertarians were already suffering. He also refutes the fallacy that the things the state does would not be done in its absence. Bastiat does not want the state to subsidize the church, education, or culture, but his objection to the state’s undertaking such actions does not mean that he supports atheism, illiteracy, and the absence of culture (1998, 29, 72–73).

Bastiat traces this fallacy and all socialism to antiquity. His perspective evokes Constant’s distinction between the ancient and the modern idea of liberty. Bastiat believes socialism confuses state and society: hence, many infer that if something is not done by the state, no one will do it. This notion, the “mother of socialism,” assumes that “mankind is merely inert matter, receiving life, organization, morality, and prosperity from the power of the state. And even worse, it will be stated that mankind tends toward degeneration, and is stopped from this downward course only by the mysterious hand of the legislator” (1998, 33). He presents a series of quotes from the classics to prove that their authors, no matter how admirable in other areas, did not conceive of free human beings as anything but creatures ordered by power: no people prosper because they are sensible, but only because they have sensible kings. There is a long tradition of distrust of average people and their capacity for autonomous action. Bastiat regrets that the educational system of

his contemporaries venerated a few Greco-Roman wise men who applauded slavery and deemed commerce degrading.¹²

This criticism touches even Montesquieu, who proposed that legislation compulsively take control of citizens' goods and equalize incomes. Bastiat has no sympathy for the "great men" of antiquity or of his own time who attempt to direct peoples like herds "under the philanthropic despotism of their artificial social orders"; he censures Jean-Jacques Rousseau for having praised the "the yoke of the public welfare."¹³ Bastiat describes the arrogance of antilibertarians, who believe they are gods playing with human beings like potters with their clay. His criticism is related to Adam Smith's disapproval of the "man of system" in *The Theory of Moral Sentiments* (1982b, 233–34); such men would rave about organizing society as if people were mere pieces on a chessboard. The logical result is tyranny, and *The Law* includes unsettling passages in this regard: from Saint-Just, "[T]he legislator commands the future. It is for him to *will* the good of mankind. It is for him to make men what *he wills* them to be"; from Robespierre, "[T]he function of government is to direct the physical and moral powers of the nation toward the end for which the commonwealth has come into being"; from Billaud-Varennes, "[A] people who are to be returned to liberty must be formed anew"; from Le Pelletier, "[C]onsidering the extent of human degradation, I am convinced that it is necessary, to effect a total regeneration and, if I may so express myself, of creating a new people" (all qtd. in Bastiat 1998, 52–53). The comparison with fascist and Communist dictatorships is evident: their emphasis on regeneration—the "new man"; their catastrophic vision of reality to justify extreme interventionism; the moral excuses that, already in Bastiat's time, antilibertarians were putting forward—for example, the need to overcome selfishness, materialism, and inequality between rich and poor, evils all falsely attributed to liberty.

Bastiat warns not only of tyrants, but in particular of oppression endorsed by the law, sanctioned by democracy, and applauded by those who at his time were beginning to call themselves social-democrats. An ironic Bastiat comments that as

12. One of the merits of Hayek's *The Fatal Conceit* is its exposure of how history's great minds, from Aristotle to Einstein, have lacked the necessary humility to understand how humanity has managed to prosper and instead have condemned exactly how it was achieved: by virtue of liberty, private property, and trade (1988, 45–47, 59). See also Díez del Corral 1989, chap. 4. During the debates over Spain's disentanglement, the marquis de Valle Santoro warned of the risks to everyone's liberty inherent in even a minor limitation of private property. In the same vein, he distrusted "those Greeks and Romans some people envy, but who, if they were our legislators, we wouldn't stand them for a fortnight" (1840, 28). On Mises and Bastiat on the classics, society, and legislation, see Hülsmann 2007, 35n. See also Bastiat 2002, 104–5, and Humboldt 1993, 47–48.

13. At the end of *The Law*, Bastiat says: "There are too many 'great' men in the world—legislators, organizers, do-gooders, leaders of the people, fathers of nations, and so on, and so on. Too many persons place themselves above mankind; they make a career of organizing it, patronizing it, and ruling it. Now someone will say: 'you yourself are doing this very thing.' True. But it must be admitted that I act in an entirely different sense; if I have joined the ranks of the reformers, it is solely for the purpose of persuading them to leave people alone. I do not look upon people as Vancauson looked upon his automaton. Rather, just as the physiologist accepts the human body as it is, so do I accept people as they are. I desire only to study and admire" (1998, 74–75).

democrats they have unlimited faith in humanity, but as “socialists” they destroy that faith by imposing the universal rule of interventionism: people may not choose freely. Bastiat does not accept this rule: humanity is not so awful, nor antilibertarian politicians so perfect (1998, 55–56).

A century before Hayek, Bastiat noted the impossibility of social justice. Justice cannot be philanthropic and abstain from all oppression. There can be more or less philanthropy, but not more or less justice. He warns: “If you exceed this proper limit—if you attempt to make the law religious, fraternal, equalizing, philanthropic, industrial, literary, or artistic—you will then be lost in an uncharted territory, in vagueness and uncertainty, in a forced utopia or, even worse, in a multitude of utopias, each striving to seize the law and impose it upon you. This is true because fraternity and philanthropy, unlike justice, do not have precise limits. Once started, where will you stop? And where will the law stop itself?” (1998, 79–80). Politics and legislation are not like society and the market because politics can foster the search for one’s own self-interest at the expense of others, which is economically inefficient and morally destructive.

Money

Bastiat presents his theory of money in his 1849 article “Maudit argent!” (Accursed Money!), republished in English under the title “What Is Money?” (2002), a text praised by Thornton (2002). The essay, which uses money supply and demand to attack the old fallacies that confused money and wealth, rests on Bastiat’s idea that a misunderstanding of monetary theory lies at the root of many mistakes: “What I wish to note here is that what we call, by ellipsis or metonymy, the value of gold and silver, rests on the same principle as the value of air, water, the diamond, the sermons of our old missionary, or the trills of Mme. Malibran; that is, on services rendered or received” (1996a, 123).

Politicians do not understand the role of money, perhaps because they are immune to the consequences of their own measures—“my own hunger touches me, and the hunger of a nation does not touch legislators” (Bastiat 2002, 90). If money is believed to be wealth, authorities will restrict imports and promote exports in order to increase national prosperity. If every country follows these guidelines, isolationism will result in an international system of hatred, empires, and aggression. When legislators decide for others, “personal interest, that ever watchful and sensible sentinel, is no longer present to cry out, Stop!” (89). This irresponsible action is much more dangerous in the presence of paper money.

Bastiat denies that an increase in fiat money will bring about a situation in which “the equilibrium of values should instantly and simultaneously take place in all things and in every part of the country” (2002, 99). Like Richard Cantillon before him, Bastiat states that a larger money supply will change relative prices in an unequal process that benefits some groups and hurts others.

In spite of Bastiat's sensible ideas on money, Wicksell finds him extravagant:

Not only Proudhon, but also his opponent Bastiat (as is made very clear in Bastiat's sixth letter), were of the opinion that if the banks are permitted to issue paper without full metallic covering, they will be able to a corresponding degree to lower their rates of discount, and that under conditions of free competition this is what they will do. On this line of approach not more than a hair's breadth separates us from the *gratuité du crédit*. It is in any case easy to imagine a situation in which the credit system is so developed that the banks' necessary holdings of cash and their other expenses are reduced to a minimum. Then according to this view the money rate of interest could fall almost to zero *without any increase in the amount of real capital!* What becomes then of all the reasons put forward by economists, not least by Bastiat himself, for the economic justification and necessity for the lending rate of interest, and for its determination by the supply and demand for capital? (Wicksell 1965, xxvii, emphasis in original)

The Swedish economist goes on to say that permanent deviations of the money and the natural rates are impossible: if the former stays below the latter, this difference will increase not merely the price level, but the rate of inflation, which in turn will push the money rate upward. He acknowledges that Bastiat had remarked that prices would increase but did not insist on their progressive rise (Hülsmann 2007, 253n.). But what has this matter to do with Bastiat and his celebrated contemporary and compatriot, the anarchist Pierre-Joseph Proudhon?

Bastiat and Proudhon clashed in the French press at the end of 1849 and the beginning of 1850 on the subject of the legitimacy of interest—an insoluble problem, according to Pareto (1964, 1:317–18). Although Bastiat's rhetoric can be misleading (Baugus 2008, 586–87), and although both he and Proudhon agreed that interest rates tend to fall in a competitive loan market (Long n.d.), it was Proudhon who aimed at a free credit system. Bastiat (1849a) stands for the lawfulness of interest and says that the gratuity of credit is an illusion, a chimera, and that its price decreases only *pari passu* with the increase in real capital: “In proportion as society is more or less advanced, there is more or less facility for the conveyance of a given amount of capital, or its value, from place to place or from hand to hand; but that is not at all the same as the abolition of interest” (1849b). Gratuitous credit is “a most unfortunate notion, a deplorable mistake” (2002, 103–4) that arises from the hatred of capital. Bastiat defends free banking, condemns state intervention in money and finance, and thus concludes his debate with Proudhon: “Gratuity of credit is scientific absurdity, antagonism of interest, class hatred, barbarism. Liberty of credit is social harmony, it is right, it is respect for independence and human dignity, it is faith in progress and the destiny of society” (1850).

Conclusion

The fame Bastiat gained in the mid-nineteenth century was eclipsed shortly afterward when it became clear that the triumph of free trade was ephemeral and that the growth of what Bastiat abhorred—protectionism, imperialism, nationalism, and statism—was unstoppable. These evils plunged the world into an antilibertarian whirlpool that would lead to a terrible first half of the twentieth century.

From that point on, the situation has improved: no war massacres comparable to the two world wars have occurred, and the main totalitarian regimes—communism, in particular—have not reemerged. Has libertarianism triumphed? This claim was advanced for years, and the “neoliberal hegemony” was condemned, even more so since the 2008 economic crisis, but it cannot withstand scrutiny. What has happened is exactly what Bastiat expected: democracy has spread as never before and with it so have government agencies, which are now larger than any time in history. And this development took place just as Bastiat predicted it would: because the law has been directed increasingly against individual liberty, with the ostensible aim of reaching innumerable noble goals. No one dares to limit the law. Both the Left and the Right sing the praises of all things “social” and “democratic,” but in the exact opposite sense of the meaning of these words. When they talk about the “social,” they are never talking about society, but about politics—a totalitarian interpretation Bastiat demolished. And they use the term *democratic* to refer to a system in which citizens choose less and less for themselves because politicians and special interest lobbies choose for them.

Some of the consequences Bastiat feared have come to pass: the struggles over redistribution have demoralized the people and raised tensions; high taxes and state benefits have made the state “the great fictitious entity by which everyone seeks to live at the expense of everyone else” (1995, 115); and even the vain attempt to achieve incompatible goals—usually more spending, but no more taxes—and Third Ways that try to reconcile the irreconcilable: liberty and coercion.¹⁴

14. “The fact is, the state does not and cannot have one hand only. It has two hands, one to take and the other to give—in other words, the rough hand and the gentle hand. The activity of the second is necessarily subordinated to the activity of the first. Strictly speaking, the state can take and not give. We have seen this happen, and it is to be explained by the porous and absorbent nature of its hands, which always retain a part, and sometimes the whole, of what they touch. But what has never been seen, what will never be seen and cannot even be conceived, is the state giving the public more than it has taken from it. . . . Thus, we find two expectations on the part of the public, two promises on the part of the government: *many benefits* and *no taxes*. Such expectations and promises, being contradictory, are never fulfilled. . . . [The state] is always confronted with the same contradiction: if it wishes to be philanthropic, it must continue to levy taxes; and if it renounces taxation, it must also renounce philanthropy. These two promises always and necessarily conflict with each other. To have recourse to borrowing, that is, to eat into the future, is indeed a means of reconciling them in the present; one tries to do a little good in the present at the expense of a great deal of harm in the future” (Bastiat 1995, 116–17). “Citizens, throughout history two political systems have confronted each other, and both of them can be supported by good arguments. According to one, the state should do a great deal, but also it should take a great deal. According to the other, its double action should be barely perceptible. Between these two systems, one must choose. But as for the third system, which is a mixture of the two others, and which consists in requiring everything from the state without giving anything to it, it is chimerical, absurd, childish, contradictory, and dangerous” (Bastiat 1995, 120).

Bastiat's analysis of the economy and institutions is deeper than most economists have maintained. Many ideas against which he fought are still around and in good health but are often presented now in a more sophisticated manner. Hayek notes that "it is doubtful whether there is one among the fallacies which one might have hoped Bastiat had killed once and for all that has not experienced its resurrection" (1995, 7). He goes on to explain that a recent economics textbook makes the absurd claim that in the protectionist petition by the candle makers, the candle makers were right!

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