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A NEWSPAPER ARTICLE ON THE LIFE OF FREDERIC BASTIAT -- HON. RON PAUL
(Extensions of Remarks - July 26, 2001)

[Page: E1453] [GPO's PDF](#)

HON. RON PAUL OF TEXAS IN THE HOUSE OF REPRESENTATIVES Thursday, July 26, 2001

- Mr. PAUL. Mr. Speaker, I commend to the attention of members an editorial appearing in the Wall Street Journal which is headlined ``In Praise of an Economic Revolutionary." The column is authored by Mr. Bob McTeer, president and CEO of the Federal Reserve Bank of Dallas.

- In his article, Mr. McTeer highlights the life of Frederic Bastiat, a member of the French Chamber of Deputies during the 19th century who made great contributions to both individual liberty and free markets with clear, simple and humorous observations and arguments. Bastiat was a pioneer in the field of economics who fought against the protectionist fallacies and absurdities that persisted in his day and indeed continue to haunt us today.

- Bastiat understood well what few in Congress have come to grasp--that it is absurd to favor producers over consumers and sellers over buyers. This is because producers and sellers benefit from scarcity and high prices while consumers benefit from abundance and low prices. As a consequence, when government policies favor producers, the citizens of the United States are faced with scarcity and unnecessarily high prices. In essence, the economic pie is made smaller for all.

- As members of Congress we should note, as Bastiat did, that because we have limited resources and unlimited wants, it is unwise to create inefficiencies for the purpose of creating or protecting jobs. As Mr. McTeer writes, ``Progress comes from reducing the work needed to produce, not increasing it."

- By supporting protectionist policies that tend to create stagnation and hurt consumers, some members stand in the way of economic progress that would benefit all. Yet we should reject these policies and in the tradition of Bastiat do away with the absurd notion that inefficiencies are good for this country and its people.

- Mr. Speaker, again I commend Mr. McTeer's column and encourage the recognition of the economic revolutionary, Frederic Bastiat.

IN PRAISE OF AN ECONOMIC REVOLUTIONARY (By Bob McTeer)

``The state is the great fictitious entity by which everyone seeks to live at the expense of everyone else,"--Frédéric Bastiat (1801-1850)

Claude Frédéric Bastiat was born in Bayonne, in the southwest of France, 200 years ago last Friday. This week, I kicked off a conference in nearby Dax, France, celebrating Bastiat's

contributions to individual liberty and free markets.

The whole world should be celebrating the birthday of this pioneer of free-market capitalism.

Bastiat's output was prodigious, especially in the last five years of his life. Through his writing and speeches, and as a member of the French Chamber of Deputies, Bastiat fought valiantly against the protectionism and socialism of his time. He proselytized for free trade, free markets and individual liberty. His weapons were wit and satire; his method was the *reductio ad absurdum*. More than any other person before or since, he exposed economic fallacies with a clarity, simplicity and humor that left opponents with no place to hide.

The most famous example of Bastiat's satire was his petition to the French parliament on behalf of candlemakers and related industries. He was seeking relief from "ruinous competition of a foreign rival who works under conditions so far superior to our own for the production of light that he is flooding the domestic market with it at an incredibly low price." The foreign rival was the sun. The relief sought was a law requiring the closing of all blinds to shut out the sunlight and stimulate the domestic candle industry.

Despite the publication of Adam Smith's "The Wealth of Nations" decades earlier, Bastiat was still fighting the mercantilist view of exports as good and imports as bad. He pointed out that under this view, the ideal situation would be for a ship loaded with exports to sink at sea. One nation gets the benefit of exporting and no nation has to bear the burden of importing.

Bastiat once saw an editorial proposing a Bordeaux stop on the railroad from Paris to Spain to stimulate local business. He wondered, why only Bordeaux? Why not have a stop in every single town along the way--a never-ending series of breaks--so the prosperity could be enjoyed by all? They could call it a "negative railroad."

This point is true even today. Trade with Mexico has boomed since the passage of the North American Free Trade Agreement and so has truck traffic across the Rio Grande. Luckily we have bridges to facilitate the crossing. But while the bridges were made for crossing, the hundreds of warehouses near the border were not. They're for storing and waiting--where Mexican truckers are required to hand over their cargo to domestic carriers. Bastiat had his "negative railroads." We have "negative bridges."

Then there's Bastiat's broken-window fallacy. It seems someone broke a window. It's unfortunate, but there's a silver lining. Money spent to repair the window will bring new business to the repairman. He, in turn, will spend his higher income and generate more business for others. The broken window could ultimately create a boom.

Wait a minute, Bastiat cautioned. That's based only on what is seen. You must also consider what is not seen--what does not happen. What is not seen is how the money would have been spent if the window had not been broken. The broken window didn't increase spending; it diverted spending.

Obvious? Sure, but we fall for a version of the broken-window fallacy every time we evaluate the impact of a government program without considering what taxpayers would have done with the money instead. Some people even judge monetary policy by what happens, without considering what might have happened.

Most economic myths give way to Bastiat's distinction between the seen and the unseen. Related concepts include half truths and whole truths, intended and unintended consequences, the short run and long run and partial effects and total effects. Henry Hazlitt expanded on these themes in his wonderful book, "Economics in One Lesson." If you don't have time to read Bastiat's collected works, try Hazlitt's book.

Bastiat called attention to the absurdities that come from favoring producers over consumers and sellers over buyers. Producers benefit from scarcity and high prices while consumers benefit from abundance and low prices. Government policies favoring producers, therefore, tend to favor scarcity over abundance. They shrink the pie.

Bastiat stressed that because we have limited resources and unlimited wants, it's foolish to contrive inefficiencies just to create jobs. Progress comes from reducing the work needed to produce, not increasing it. Yet, a day doesn't pass that we don't hear of some proposal to "create jobs," as if there's no work to be done otherwise. If it's jobs we want, let's just replace all the bulldozers with shovels. If we want even more work, replace shovels with spoons. Bastiat suggested working with only our left hands.

I was cautioned that most of the participants in the Bastiat conference would probably be from

other countries, since Bastiat's free-market views aren't highly regarded in France. That reminded me of my visit to Adam Smith's grave in Scotland a couple of years ago. I went into a souvenir shop about a block away and asked what kind of Adam Smith souvenirs they had. They not only didn't have any, they'd never even had a request for one before. What a shame!