

# BASTIAT'S LEGACY IN ECONOMICS

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Claude Frédéric Bastiat (1801-1850) is one of the greatest economists ever. His role as organizer of the French, and inspiration of the nineteenth-century continental European free-trade movement is not controversial, and all historians recognize him as a great pamphleteer—some even calling him “the most brilliant economic journalist who ever lived.”<sup>1</sup>

It is however not generally recognized that Bastiat was also a significant theoretician whose discoveries have had a lasting importance.<sup>2</sup> His intellectual legacy has been unduly neglected because it concerns problems that are not on the radar screen of twentieth-first-century mainstream economists. It has much common ground with present-day Austrian economics, though, and the purpose of this article is to unearth some of these similarities and to help restore Bastiat to his rightful place in the history of economic science.<sup>3</sup>

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<sup>1</sup>Schumpeter (1954, p. 500). For current editions of Bastiat's most important theoretical works, see Bastiat (1964a, 1964b, 1964c, 1983, 1996, 2001). In the present article, I will rely heavily on Bastiat (1851). On Bastiat's formative years, see Paul-Dejean (1997).

<sup>2</sup>Consider Schumpeter's (1954, p. 500) famous dictum: “I do not hold that Bastiat was a bad theorist. I hold that he was no theorist.” This seems to have been the death sentence for mainstream research on Bastiat's place in the history of thought. Bastiat is, for example, not discussed in Blaug (1997), Backhouse (1985), Ekelund and Hébert (1990), and Niehans (1990). His contribution to the theory of value is mentioned in Pribram (1983, p. 193) and in a volume edited by Blaug (1986b, p. 56). Blaug's account sums up present-day mainstream opinion among historians of thought. Stating that Bastiat “even sought to provide his liberalism with a theoretical pedigree,” most notably through his theory of value, Blaug (1986a, pp. 14f.) maintains: “As an economic theorist, he was third rate.”

<sup>3</sup>For other work making such claims, see Hülsmann (2000b) and the following papers published in the volume of the *Journal des Economistes et des Etudes Humaines* celebrating Bastiat's bicentenary: Barmoullé (2001), Thornton (2001), and Lane (2001). These works complement other recent accounts of various Austrian economists that recognize Bastiat as one of their leading precursors but underestimate his theoretical achievements;

## HARMONY VERSUS EQUILIBRIUM

Bastiat is often presented as a champion of the doctrine of harmony. While this is correct, it is generally not well understood what this doctrine actually says and how it contrasts with more recent views about the interrelation of social phenomena.

Bastiat's *magnum opus* bears the telling title *Economic Harmonies*. It is in this book that he develops and defends the thesis that the interests of all members of society are harmonious if and insofar as private property rights are respected or, in modern parlance, that the unhampered market can operate independent of government intervention.

The nub of his argument is a very simple one. He asserts that there is nothing in the *nature* of the free market that would make its well-ordered operation impossible from the outset. In other words, the free market does not *inherently* operate against the interests of any strata of the population. The only group whose interests it cannot possibly reconcile with the interests of all other groups are the impostors or thieves who live off the invasion of other people's property. As Bastiat said about these limits of otherwise universal economic harmonies: "However much we love reconciliation, there are two principles that cannot be reconciled: liberty and coercion."<sup>4</sup>

Thus the free market *can* satisfy all interests except for the interests of those who, for whatever reason, seek to invade the property of others. As a consequence it is not necessary to call for institutionalized intervention. There is of course no guarantee that the market will satisfy each individual at each point of time. Bastiat does not claim that the market would be free from "causes perturbatrices" (pp. 489ff.), that is, from error or violence. Quite to the contrary, he spends many pages of his book emphasizing these features of the social

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see Mises (1985, p. 197), Kirzner (1987), Rothbard (1995, pp. 444ff.), DiLorenzo (1999), and Garelo (2001). Other works, although fundamentally sympathetic to Bastiat, entirely fail to grasp his significance as an economic theorist; see in particular Russell (1969) and Roche (1971). Significantly, French contemporaries or near-contemporaries of Bastiat, such as Molinari (1851), Paillottet (1851), Fontenay (1881), and Bidet (1906), usually saw in him a great contributor to economic science, although their accounts focus on less technical aspects than the present work.

<sup>4</sup>Bastiat (1851, p. 12; my translation). The quote shows that Schumpeter (1954, pp. 440, 500) was wrong in asserting that Bastiat put "exclusive emphasis upon class harmony." Bastiat in fact followed Charles Dunoyer and other early nineteenth-century French economists who had blended Quesnay's harmony doctrine with a new doctrine of class antagonism, namely, the antagonism of the political class and the industrial class (see Liggio 1977, Raico 1977, and Weinburg 1978). What set these so-called *industrielistes* and Bastiat apart from Ricardo, Saint-Simon, and Marx was not the stress on class antagonism per se, but their different views on the concrete manifestations of class antagonism. Whereas Ricardo and the socialists held that there were antagonisms inherent in the free market, Bastiat and the *industrielistes* stressed that conflicts of interest were endemic only to political action.

world (see, for example, 1851, pp. 494ff., 554ff.). His point does not refer at all to the question of whether all members of society always *act* in harmony with each other, but to the question whether their *interests* are always harmonious. Bastiat denies the former, but affirms the latter. The interests of all members of society are harmonious as long as they respect each other's property, deriving from self-ownership, because cooperative production is more physically productive than individual production.<sup>5</sup> Each member of society can profit from a well-ordered division of labor, and there is nothing in the market that would make such a division of labor from the outset impossible.

In making the case for the harmony of interests in the free market, Bastiat argued on a rather fundamental level in order to confront a large and diverse group of intellectual opponents all at once. He did not confine himself to discussing each proposal for government intervention on its own merit, but addressed the common premise of all these proposals, namely, the premise that in an unhampered market some interests are *inherently* antagonistic.

Bastiat analyzed many such alleged antagonisms of interest in detail, proving in each case that the allegation is unfounded. For example, although debtors and creditors seem to have conflicts of interest, this is not really so because a debtor himself has an interest in the well-being of his creditor, lest he would be unable to obtain further credits. And a creditor himself has an interest in the well-being of his debtor because only a healthy debtor can pay interest. Bastiat discussed countless similar relationships, such as those between consumers and producers, proletarians and owners, workers and capitalists, rural and urban population, citizens and foreigners, landowners and residents, the people and the bourgeoisie, etc. He also refuted Malthus's population theory, according to which population growth must bring about food shortages and, hence, end up in conflicts of interest between the members of society.

Virtually all of the arguments he made in regard to these specific issues penetrate to the heart of the matter. For example, in dealing with the proposal to prevent unfair competition by equalizing the conditions of production, Bastiat (1964b, pp. 29f.) observed:

To equalise the conditions of production is not only to obstruct exchange to some extent but also to attack exchange at its very foundations; for exchange is based precisely on the diversity, or, if you prefer, on the inequalities of fertility, skill, climate, and temperature, that you are seeking to eliminate. . . . At the race track, if one of the horses wins the prize, the other loses it; but when two horses work to produce something useful, each will produce an amount in proportion to his strength; and although the stronger will render the greater service, it does not follow that the weaker will render none at all.

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<sup>5</sup>Mises (1998, pp. 158ff.) later stressed this point in discussing the law of association.

Bastiat's case for the free market was however not only based on refutations of individual government interventions, but also on a general refutation of the common premise of all proposals for government action. He brilliantly argued that all these proposals involved some variant of the claim that the free market by its very nature antagonizes the interests of certain individuals or groups. This is the great subject of his unfinished *Economic Harmonies*. In the preface, which he addressed to the Youth of France, Bastiat (1851, p. 3; my translation) stressed that

What sets the various socialist schools . . . radically apart from the school of the economists is not this or that question of detail . . . ; it is the point of departure, it is this preliminary and paramount question: Are human interests, left to themselves, harmonious or antagonistic?

A brief look at the history of twentieth-century economic thought confirms Bastiat's insight into the common denominator of interventionist schemes. The most important economic justifications for government intervention stressed the existence of business cycles, monopoly, public goods, and unemployment. In each of these cases, the perceived problem was claimed to be a market failure, which is nothing else but the claim that the problem under consideration springs from the very nature of the market. The market cannot possibly solve it, at any rate, it cannot solve it as well as the government, the great *deus ex machina*, which is therefore necessary to bring relief.

True to Bastiat's spirit, many Austrian and a few mainstream economists have again and again rebutted these twentieth-century allegations of market failure case by case. These rebuttals would certainly gain in strength if they were combined with a more general attack on the fallacy underlying all these individual cases. And when it comes to such endeavours, present-day economists will benefit very much from the careful study of Bastiat's doctrine of economic harmonies.

It is noteworthy that Bastiat's economic-harmonies argument contrasts sharply with the typical twentieth-century argument for the free market, inspired by Léon Walras's work, according to which the market would reach or tend to reach equilibrium, or that it would maximize or tend to maximize social utility. Thus consider how, some decades later, Louis Rougier (1938, p. 70; my translation) puts the scientific case for the free market:

Economic science demonstrates that the maximum satisfaction for trading partners is realized in a regime of free competition. In the exchange of one single product, the free play of demand and supply alone permits to derive the equilibrium price from the great number of individual bargains—the price for which the quantity of a product offered on a market will be best sold in its entirety, given a certain distribution of purchasing power among the members of society at a given point of time.

This type of argument was widespread in the 1930s and still is today, thanks to the efforts of free-market Chicago economists. In distinct contrast, Bastiat did not claim that laissez-faire was bound to produce a state of perfection. His contention was that, where private property is respected, a natural order comes into existence in which individual interests are not antagonistic but mutually supportive. Society then constantly progresses, even though it might never be perfect at any point of time.

#### THE ANALYTICAL SIGNIFICANCE OF PROPERTY AND APPROPRIATION

We have already referred to Bastiat's insight that economic harmonies depend on certain forms of appropriation, namely, on the forms of appropriation constitutive of the free market. Bastiat clearly saw that coercive appropriation—or invasion, as the late Murray Rothbard would call it—brings about an irreconcilable clash of interests, which disturbs and ultimately destroys the operation of the market. His main contribution to positive economic analysis consists in a sophisticated description of the sources and effects of the *disruptions* occasioned by coercive appropriation. “Protectionism,” that is, special-interest policies under the mantle of the law, disrupts the natural harmony of interests and creates conflicts over privileges that end up in socialism and war. For example, a tariff on wine benefits domestic wine producers at the expense of domestic consumers and foreign wine producers.

Because government intervention creates winners and losers, the disadvantaged groups have an incentive to defend themselves by gaining control of the government and using it to their benefit, thus further perverting the law. Once protectionism is accepted as a principle, it sets in motion a process that entirely destroys the providential private property order, ending up in full-blown socialism. The main instrument in this process is the perversion of the law:

It is in the nature of men to react against the iniquity of which they are victims. When, therefore, plunder is organized by the law for the profit of the classes who make it, all the plundered classes seek, by peaceful or revolutionary means, to enter into the making of the laws. . . . Until that time, legal plunder is exercised by the few against the many, as it is among nations in which the right to legislate is concentrated in a few hands. But now it becomes universal, and an effort is made to redress the balance by means of universal plunder. Instead of being abolished, social injustice is made general. As soon as the disinherited classes have obtained their political rights, the first idea they seize upon is not to abolish plunder, . . . but to organise a system of reprisals against the other classes that is also injurious to themselves.<sup>6</sup>

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<sup>6</sup>Bastiat (1964a, p. 55; also 1851, pp. 105ff.). In the twentieth century, the dynamics of interventionism have been a favorite subject of Austrian economists. See in particular Mises (1977) and more recently Ikeda (1997) and the literature quoted there.

Unfortunately, most people lack economic education and are therefore liable to regard such government interference, not as an act of plundering some people for the benefit of others, but as a source of enhancing the wealth of all. For these people, as Bastiat (1964a, p. 144) would say, the “state is the great fictitious entity by which everyone seeks to live at the expense of everyone else.”

Bastiat’s writings on the dialectics of the providential private-property order and man-made law make him an important forerunner of today’s academic discipline of law and economics, even though he approaches this subject from a completely different angle than the mainstream in the contemporary economics profession. Bastiat emphasizes the crucial point that, since law is a man-made institution, it can also be perverted by using it for other purposes than the protection of private property.

Bastiat thus used property and appropriation as fundamental elements of his analysis—they were starting points of his reasoning rather than mere tools for the practical implementation of the results of his reasoning. It was precisely this method that rendered his case for laissez-faire odious to Cairnes (1965), Jevons (1968), and other British economists, and also to the new generation of French economists that filled the new chairs of political economy in the last quarter of the nineteenth century (see Salerno 2001). In their eyes, Bastiat’s method involved a *petitio principii*—it presupposed something to be true that could be substantiated only at the end of the analysis.

But this objection missed the point. Bastiat did not argue from the hypothesis that this or that property right was in fact given, or from the postulate that it should guide public policy; rather he engaged in a comparative analysis of two radically different forms of appropriation—property and spoliation, or creation and theft (1851, pp. 220, 502)—and the comparative effects of creation versus theft exist irrespective of which one of them comes to be realized in the economy under consideration.

*Contra* Cairnes and his other later critics, then, Bastiat’s conscious analytical use of property and appropriation was perhaps his most significant contribution to economic science, but the scathing criticism of the later British and French authorities in political economy discouraged virtually all succeeding economists from following in his footsteps. When Murray Rothbard in the early 1960s and Hans-Hermann Hoppe in the late 1980s started reviving this method, they did so almost from scratch and without reference to their great French predecessor.

#### HUMAN ACTION, PROPERTY, AND VALUE

In Bastiat’s thought, property plays an eminent role not only in the analysis of government intervention, but also in value theory. Unfortunately, virtually all of his thoughts on the relationship between property and value are developed in his unfinished *Economic Harmonies* (in particular, in the chapters dealing

with exchange, value, and property), on which he worked at his deathbed and which is therefore characterized by an almost feverish, repetitive insistence on some few crucial facts that sustain his argument. The following exposition will put these facts in their overall context. According to Pellissier-Tanon (2001), the most detailed presentation of Bastiat's value theory is in Gonnard (1941, pp. 338ff.).

The first thing to notice is that Bastiat confines his analysis of value to market phenomena. When he uses the word "value" he means an exchange ratio established on the market. Thus from the outset, the scope of his analysis is more limited than the one of modern marginal-utility analysis, which also uses the expression "value" in a completely different sense. It goes without saying, however, that the different terminology does not per se count against Bastiat or demonstrate a contradiction between his value theory and the modern value theory.<sup>7</sup>

The central proposition of Bastiat's value theory is the bold characterization of market exchange ratios as ratios of human services (Bastiat 1851, p. 118). Again and again he asserts that value is the relationship between two services exchanged on the market and that, moreover, only human services have value, whereas the services of nature are always gratuitous.

These positions seem to be irreconcilable with modern marginal-value theory, which explains market prices in terms of consumers' choices. But as we shall see, Bastiat's theory of services and values relates to market prices in a way that is not at all covered by modern value theory. The latter seeks to explain the exact ratio at which things are exchanged on the market, but this is not at all Bastiat's concern.<sup>8</sup> His main interest is in explaining *what* people

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<sup>7</sup>Bastiat in fact agreed with Condillac's and Say's point that each partner in a market exchange profits from the interaction. Yet in his eyes, this formal characteristic of all market exchanges—he called it a truism—cannot explain why these exchanges come into existence in the first place (see Bastiat 1851, pp. 81, 122). The true explanation is that cooperative production is more physically productive than isolated production (see Bastiat 1851, pp. 86f. 97). Ludwig von Mises (1998, p. 144) has taken essentially the same stance, stressing the central importance of this point in the following words:

The fundamental facts that brought about cooperation, society, and civilisation and transformed the animal man into a human being are the facts that work performed under the division of labour is more productive than isolated work and that man's reason is capable of recognising this truth. But for these facts men would have forever remained deadly foes of one another, irreconcilable rivals in the endeavours to secure a portion of the scarce supply of means of sustenance provided by nature.

<sup>8</sup>This also sets him apart from Carey (1965, pp. 7ff.) who, while maintaining a similar theory, was primarily interested in explaining the concrete quantities exchanged on the market. In light of modern value theory, it goes without saying that Carey's attempt to derive market prices from prospective labor-service costs is futile.

exchange on the market, and his answer is that they exclusively exchange human services. As we shall see, this answer not only is entirely correct as far as it goes, but also provides a missing link between the modern economic theory of value and prices on the one hand, and the modern libertarian theory of property on the other hand.

For the understanding of Bastiat's value theory, it is crucial to realize that he uses the word "service" in a completely different sense than modern economic science, namely, in the narrow sense of *human* services or, more precisely, in the sense of human actions performed in the service of other people. In his eyes, political economy is a science of human action, and therefore it must be "based on the manifestations of our *activity*, on the *efforts*, on the reciprocal *services* that are exchanged against one another, because they are susceptible of being compared, appreciated, *evaluated*, and which are susceptible of being *evaluated* precisely because they are exchanged against one another."<sup>9</sup> By contrast, needs and satisfactions are unsuitable as foundations for economic science because these phenomena are bound up with each individual and therefore are incommensurable.<sup>10</sup>

Moreover, and equally fundamental, Bastiat argues that people do not merely serve one another through actions that are performed in the near or more remote future, but also through actions performed in the past (Bastiat 1851, p. 233). Thus one delivers a service not only in cutting another person's hair, keeping someone else's business accounts, or giving a piano lesson, but also in surrendering a piece of land that one has previously transformed by one's own hands, or in surrendering a cake that one has previously baked. In the case of the land and the cake, one's past services do not come alone, but "mixed with" the natural resources that they have transformed.

This use of language might be uncommon, but it is certainly not incorrect as far as it goes. Today we are used to speaking of services in the more restricted sense of labor services that are valued and priced independent from the complementary factors of production used in providing the service. For example, the work of the secretary is a service, but not the pen or the computer that is used. By contrast, from Bastiat's point of view, the provision of each of these factors of production is a service: the secretary provides a service in working, the pen producer provides a service in surrendering the pen, and the computer manufacturer provides a service in surrendering his computer. And the entrepreneur provides services to all these factor-owners in surrendering money to them in exchange for the services he receives. It therefore makes perfect sense to characterize Bastiat's market exchanges as exchanges of services.

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<sup>9</sup>Bastiat (1851, p. 117; my translation; emphasis in original). Notice Bastiat's anticipation of the concept of demonstrated preference.

<sup>10</sup>Ibid. This argument is an interesting anticipation of the twentieth-century case against interpersonal comparisons of value.

The importance of this characterization of market exchanges derives from its similarities with the Lockean-Rothbardian theory of appropriation and property.<sup>11</sup> According to John Locke's theory of appropriation—which was the standard theory in Bastiat's circle<sup>12</sup>—one owns a piece of land if and insofar as one has transformed it by one's actions. In exchanging this land on the market, then, one surrenders one's past actions—that is, speaking now with Bastiat, one's past services—for a price, which is itself of necessity either an action or a past action mixed with some natural resource. Thus we see that Bastiat's value theory is nothing but a consistent application of the Lockean insistence on the relationship between property and human action to economic theory.<sup>13</sup>

Austrian economists such as Mises (1998), Rothbard (1993), and Hoppe (1989, 1993) routinely stress that exchange and market prices are based on property. There are no things, they observe, that exchange themselves against one another, as in the Walrasian general-equilibrium approach; rather, all market exchanges take place between human beings, and in all market interactions human beings exchange property. For example, when Brown exchanges an apple for a pear from Green, the apple must be Brown's property and the pear must be Green's property, or no exchange could take place. Now, Bastiat's analysis of exchange and value complements and reinforces Austrian price theory by arguing that, ultimately, all pieces of one's property are past, present, or future actions.

Based on this insight, that what we pay for in market exchanges are but the actions of other persons, Bastiat develops a sophisticated analysis of the relationships between value on the one hand, and the joint operation of human action and natural resources on the other.

Bastiat (1851, p. 122) stresses that the utility of the services of natural resources must be strictly distinguished from the utility of human services. Only the utility of human action is related to property and value, whereas the utility of natural resources is not. The utility of nature has, therefore, no

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<sup>11</sup>Murray Rothbard failed to recognize these affinities because he completely misunderstood the meaning of "service" in Bastiat's thought, to which he gave a modern reading: "Bastiat made an important contribution to economic theory by pointing out that *all* goods, including material ones, are productive and are valued precisely because they produce immaterial services" (Rothbard 1995, pp. 445f.).

<sup>12</sup>See for example Comte (1834), Thiers (1848), Molinari (1849), Faucher (1851), Wolowski and Levasseur (1884), and de Nouvion (1905). On Thiers's property economics, see Stiebler (1999).

<sup>13</sup>As is well known, Karl Marx was engaged in a similar, but fundamentally flawed enterprise. He too tried to derive the value of a good from the labor used to produce this good. But whereas, for Marx, the value of a good was a mystical *substance* deriving exclusively from the labor used to produce it, in Bastiat's eyes its value was the observed *relationship*—established by the mutual consent of trading partners—between the labor used to produce it and the labor used to produce the service for which it is exchanged.

impact on prices, which are determined exclusively by the utility of human action (1851, p. 158). In other words, both human action and natural forces produce useful effects, but one pays only for the utility derived from human action, whereas one never pays for the utility of nature. The latter is always gratuitous, in the sense that it is available for anyone who takes the pains to pick up or “collect” the unowned resources. Says Bastiat:

From the previous chapters, in particular from the one in which we dealt with Utility and Value, we can deduce the following formula:

*Each man enjoys GRATIS all the utilities delivered or elaborated by nature, provided he takes the pains to collect them or to render an equivalent service to those who render him the service of taking these pains for him.*  
(1851, p. 217; my translation; emphasis in original)

Moreover, because human beings constantly strive to increase the physical productivity of their labor through inventions, the division of labor, the accumulation of capital, etc., and because they can do so only by channeling ever more natural forces into their productive ventures, the value of products—that is, their price in terms of past, present, or future actions controlled by the purchaser—constantly diminishes (Bastiat 1851, p. 241). “What happens if a work instrument is used? That utility is more easily collected. Hence, the service [of collecting the utility] has less *value*. Ever since the invention of book printing we certainly pay less for books—an admirable and misunderstood phenomenon!” (p. 153).

Hence, in a progressing society characterized by the increase of technological knowledge, the accumulation of capital, and other factors increasing the physical productivity of human action, all human beings enjoy ever more utility at an ever lower price. In such a society, one always pays for the utility provided through the services of other human beings, but one only pays for this utility, whereas the ever increasing utility derived from the stronger involvement of natural forces comes for free. Irrespective of individual merits, therefore, each member of a progressing human society benefits from the increase of the physical productivity of the labor of any other member of society. These unearned, gratuitous benefits add to the equally gratuitous general conditions of welfare, such as oxygen, gravity, sunshine, etc., which are equal for all individuals. As the availability of these gratuitous utilities increases, the relative importance of the utilities that have to be paid for—namely, the utilities derived from human action—constantly diminishes. Bastiat called this phenomenon the “progressive community” of all human beings, emphasizing again and again: “It is not the ensemble of values that has diminished, but the ensemble of utilities that has increased. It is not the absolute domain of property that has been reduced, but the absolute domain of the Community that has been enlarged” (p. 231; my translation; emphasis in original).

## COUNTERFACTUAL ANALYSIS

Bastiat grasped that his analysis of the destructive effects of appropriation by invasion relied on a rather special type of comparing laissez-faire and interventionism, namely, on counterfactual comparisons. In his great essay “What is Seen and What is Not Seen,” Bastiat presented this insight as a counterfactual tale about a broken window. A boy breaks a pane of glass and the usual economic sophists gather to praise the accident because it keeps industry going. Bastiat (1964a, pp. 2f.) objects:

Suppose that it will cost six francs to repair the damage. If you mean that the accident gives six francs' worth of encouragement to the aforesaid industry, I agree. I do not contest it any way; your reasoning is correct. The glazier will come, do his job, receive six francs, congratulate 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. *It is not seen* that if he had not had a windowpane to replace, he would have replaced, for example, his worn-out shoes or added another book to his library. In brief, he would have put his six francs to some use or other for which he will not now have them.

Here is the counterfactual nature of economic argument in a nutshell. In fact, the very title of the essay, “What is Seen and What is Not Seen,” summarizes the point. F.A. Hayek (1964, p. ix) said in just admiration: “No one has ever stated more clearly in a single phrase the central difficulty of a rational economic policy and, I would like to add, the decisive argument for economic freedom.” Conscious that he had hit scientific rock-bottom, Bastiat subtitled the essay “political economy in one lesson”—in virtual anticipation of Henry Hazlitt’s classic 1944 book that had almost the same title, sold more than one million copies, and, as its author acknowledged, did nothing but apply Bastiat’s point to a wider range of economic problems.

Bastiat’s nineteenth-century admirers have very perceptively noticed his net departure from the type of argument cherished by the British school of Smith and Ricardo. His biographer Fontenay (1881) observed that Bastiat in a way continued the research program of the physiocrats. The latter had seen human happiness as the object of economic science, which in turn was for them the science of natural law. By contrast, the British classical economists had reduced economics to a science of (visible) facts and replaced human happiness by a materialistically conceived “wealth.” Bastiat’s great achievement,

according to Fontenay, was to integrate these two approaches into a “science of the facts from the point of view of natural law”—that is, the natural law determining exchange, value, and property.

Unfortunately, this perspective on the nature of economic laws blossomed only very briefly—most notably in the work of Courcelle-Seneuil (1867)—before it fell into oblivion. Bastiat was defamed as a political agitator and his scientific achievements were systematically belittled.<sup>14</sup> Economic science came under the sway of British political economy, which, as far as its materialistic methodology is concerned, found its fulfillment in twentieth-century positivism. And, last but not least, Bastiat’s insights about the essential relationships between the factual or visible parts of human action on the one hand and the invisible or counterfactual parts of human action on the other were replaced by a distinction more congenial to the positivistic mindset, namely, by the distinction between the short run and the long run. The invisible consequences of an action were interpreted as its long-run and thus *not-yet-visible* consequences.

It looks though as if Bastiat himself was not fully conscious of the nature of his argument. On the one hand, he had hit the same nail already in a previous essay, denouncing the *post-hoc-ergo-propter-hoc* fallacy (1964b, pp. 187ff.). On the other hand, even in some passages of “What is Seen and What is Not Seen,” he fell back into the short-run-long-run distinction, for example, in the section on thrift and luxury, which he concludes with the statement:

Morally, the superiority of thrift over luxury is incontestable. It is consoling to think that, from the economic point of view, it has the same superiority for whoever, not stopping at the immediate effects of things, can push his investigation to their ultimate effects. (Bastiat 1964a, p. 47)

However, these inconsistencies were not decisive for the subsequent neglect of his work. The crucial factors were the materialistic-positivistic prejudices underlying the approach of the British classical economists. The latter’s unwarranted a priori notions about the nature of economic science prevented Bastiat—along with other important continental European economists—from gaining wider recognition in the Anglo-Saxon countries and thus, as things stand today, among students of economics worldwide. To this day, these prejudices have prevented an adequate reading of “What Is Seen and What Is Not Seen.” Most readers infer from the essay that certain economic arguments involve comparisons, but few readers have grasped that these arguments are based on comparative economic laws, and in particular that these comparative laws are counterfactual in nature. This is truly ironic given that the essay

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<sup>14</sup>British economists and the men who later filled the new government-financed chairs of political economy in France played the major roles in this anti-Bastiat campaign; see Salerno (1988, 2001).

is so widely known among economists. Bastiat's early death prevented him from explaining the logical structure of his argument in more detail and generalizing his findings. Future research based on his approach will thus no doubt yield a rich harvest.<sup>15</sup>

#### CONCLUSION

We have discussed four areas in which Frédéric Bastiat has made important contributions to economic theory. These contributions have had lasting value and are liable to enrich current research in the Austrian tradition. Bastiat's great themes—harmony rather than equilibrium, property versus spoliation, and property and value—have been almost completely neglected in professional economic science during the unfortunate twentieth century. It is therefore time to return to the works of this genius and to build on some of the foundations he has laid.

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<sup>15</sup>For recent research dealing with the scope and nature of counterfactual laws, see Hülsmann (2000a, 2001).

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