

Frédéric Bastiat as an Austrian Economist

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## Frédéric Bastiat as an Austrian Economist

### I. Was Bastiat an Austrian Economist?

Bastiat was one of the most influential economists of the 19<sup>th</sup> century and continues to enjoy widespread popularity more than one hundred years after his premature death.<sup>1</sup> He is celebrated as a popular economic journalist, an effective propagandist, and a successful advocate of free trade.<sup>2</sup>

Despite the fact that Bastiat's name continues to be raised in support of free trade or economic justice by economists of various schools of economic thought, the economics profession does not take his writings seriously.<sup>3</sup> For example, his written contributions are rarely mentioned or referenced in scholarly journals.<sup>4</sup> Guido Hülsmann explains that Bastiat's:

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<sup>1</sup> See Rothbard (1995, pp. 448-453, 466-470 for a description of Bastiat's influence in Europe and America. See Hébert (1987), Roche (1971) and Russell (1965) for biographical information and analysis of Bastiat's influence and contributions.

<sup>2</sup> For example Goodwin (1972) argues that Bastiat be emulated to teach the ideas of the economics profession to the general public.

<sup>3</sup> Recent exceptions are O'Donnell (1993), Vedder and Galloway (1989) and Salerno (1988).

<sup>4</sup> Bastiat has often been referred to in journal articles (by his last name only) but his books, articles, and speeches are almost never referenced. He could take some comfort from the fact that the same fate has befallen other great thinkers. Galileo, for example, is often

"journalistic and polemic style of many of his great works was taken as a proof of lacking sophistication. The very clarity of his style and his masterful ability to communicate essential ideas on different levels of exposition (scientific, journalistic, and propagandistic) and with various literary means (sober deductive reasoning, aphorisms, irony, striking illustrations) were thus turned against him."<sup>5</sup>

Indeed Bastiat is generally not even considered an economist and is certainly not considered an economic theorist. Joseph Schumpeter, the eminent historian of economic thought called Bastiat "the most brilliant economic journalist who ever lived" but concludes, "he was not a theorist." Another renowned Austrian economist, F.A. Hayek failed to defend Bastiat against this charge in his introduction to Bastiat's collected works.<sup>6</sup> Even his intellectual biographer claimed that with respect to economics, Bastiat "made no original or significant additions to the science."<sup>7</sup>

The task therefore of depicting Bastiat as an Austrian economist would seem daunting for his status as an economic theorist is denied by some Austrian economists and even his stature as an economist is neglected in favor of his

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mentioned in leading economics journals but his works are rarely mentioned and some evidence indicates that those referring to Galileo's contributions have never even read his written works.

<sup>5</sup> Hülsmann, forthcoming.

<sup>6</sup> Hayek, introduction to Bastiat's *Selected Essays on Political Economy*, pp. ix-xii.

<sup>7</sup> Russell, p. vii.

strengths as a polemist and propagandist, roles that are themselves eschewed in the Austrian school's notion of economics as a value-free science. Furthermore, Bastiat lived, wrote and died before the publication in 1871 of Carl Menger's *Principles of Economics* and the official founding of the Austrian school.

The case for Bastiat as an Austrian economist rests squarely on his writings. First, he is writing as an economist, except in an interesting tone and with a style and clarity to which the modern profession of economists is generally unaccustomed.<sup>8</sup> His ability to weave the conceptual with wit has long been appreciated by his readers, but his detractors view this effective style as unprofessional and unscientific.<sup>9</sup> These critics should remember that other great thinkers such as Galileo used this type of style. Second, Bastiat's work on economic theory and method clearly places him in the Austrian school or at least as a crucial precursor of that tradition.

Certainly Bastiat cannot be matched up, point for point, with either the future fathers of the Austrian school or its current embodiment in the United States. Bastiat had a short career and died at a young age before

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<sup>8</sup> Bastiat exhibits a comprehensive knowledge of all the major works in economics.

<sup>9</sup> For example, Frank Knight referred to Bastiat as that French writer.

he had a chance to fully elaborate his economic thought.<sup>10</sup> He was fully concerned with the many practical problems of France and had few opportunities to turn his attention to theoretical and methodological issues. He was writing for men of practical affairs, and often implied that he was uninterested in impressing or gaining standing in French academia. In fact, he wrote about the systemic problems of the French academy.

The modern revival of the Austrian school has centered its attentions on the contributions of Ludwig von Mises, F.A. Hayek, and Murray N. Rothbard but this has not prevented the newest generation of Austrian economists from showing their sympathies with, and interest in the works of Frederic Bastiat, nor even from claiming him as one of their own. This sympathy for the content and scope of his writings as well as its continuing applicability is clearly seen in Paul Cleveland's article, "The Life and Work of Frederic Bastiat: One Man's Call for Liberty." Austrian school economist Guido Hulsmann has called Bastiat one of the "greatest geniuses" of economic science who excelled as a theoretician and Thomas DiLorenzo has written about Bastiat as an economic analyst in a book on the greatest

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<sup>10</sup> Bastiat mentions in *Economic Harmonies* that the book was written in great haste, probably due to his severe health problems and other duties.

economists in the history of the Austrian school.<sup>11</sup> So as you can see, the case for Bastiat as an Austrian economist is not so improbable after all.

## II. Bastiat and Austrian economics

What is Austrian economics? Common distinctions that set Austrian economics apart from other schools of thought rest on ideology and style. Austrians are often considered radical free market ideologues, not interventionists or socialists, and their style is literary, not mathematical or statistical. On both of these criteria Bastiat would clearly be classified as an Austrian economist. But these distinctions are not rigorous because, for example, Chicago school economists are typically not socialists, and Marxist economists typically employ a literary style. The true distinctiveness of the Austrian school rests in its methodology and theory of value, two areas in which Bastiat and the Austrians have much in common.

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<sup>11</sup> See Cleveland (1994), DiLorenzo (1999), and Hülsmann (forthcoming).

## Methodology

The methodology of the Austrian school is referred to as *praxeology*, a term introduced by Ludwig von Mises in modern times. This method, however, did not spring forth from Ludwig von Mises or even Carl Menger, but has been in existence and development since the beginning of economic science.<sup>12</sup> Jean-Baptiste Say was one of the first to fully describe this method and is one of greatest influences on Bastiat's economics.<sup>13</sup>

Praxeology is the science of human action and therefore is the basis to study economic behavior and other social sciences such as sociology, history, political science, and war. The subject matter of the social sciences is human action and Austrians find its methodological foundation in the existence, nature, and implications of human choice. The existence of human choice implies scarcity and felt uneasiness while the nature of man is purposeful action implying that humans are motivated to overcome their felt uneasiness and the limitations of scarcity. The laws of human action are discovered through deduction, such as the law of diminishing marginal utility, but both human choice and human uniqueness preclude the

establishment of constant relations, empirical regularities, or correct quantitative forecasts through the use of mathematics or statistics. Not surprisingly, Austrian economists place great emphasis on methodological individualism, methodological subjectivism, and value theory.

This methodology is clearly separate and distinct from the approach of the natural sciences whose subject matter is not purposeful and does not make choices. We cannot understand gravity or water directly and so the tools of mathematics, statistics, and laboratory experiments are employed to decipher their properties and understand their nature. We can understand human choice, economizing behavior and social interaction because it is of our own nature and experience. A bar of zinc does not *choose* to be attracted to a magnet, but a customer does evaluate, value, and choose whether to buy that same bar of zinc.

The mental experiment is the basic tool for deducing the implications of human action. Here the economist employs the *ceteris paribus* assumption to isolate the issues under investigation and then mentally examines the variables to logically determine the casual relationship between them and possibly to arrive at qualitative

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<sup>12</sup> See for example Thornton (1999).

predictions about the future. The use of this and other "imaginary constructions" is therefore the method by which economists can determine economic theory, or laws of economic behavior.<sup>14</sup> These laws in turn become the crucial knowledge (along with many other forms of knowledge) by which we can understand the past, present, and future.

This was the method of economics employed by Bastiat. He repeatedly emphasized that economics was a *science* of universally valid *laws* that are discovered by logical deductive reasoning. His understanding of economic science was that an economic law was "revealed, it is not created by the demonstrator."<sup>15</sup> The Austrian flavor of his approach can be found in his conception of self-interest:

We cannot doubt that *self-interest* is the mainspring of human nature. It must be clearly understood that this word is used here to designate a universal, incontestable fact, resulting from the nature of man, and not an adverse judgment, as would be the word selfishness.<sup>16</sup>

And no one before or since Bastiat has emphasized more emphatically that the science of economics is founded in *human action* itself. "For this reason we cannot avoid going back to the primary phenomena of human sensation and

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<sup>13</sup> Rothbard, p. 446.

<sup>14</sup> See Mises, *Human Action*, pp. 236-237 for a description of this method of "imaginary constructions" and pp. 237-252 for applications of this method.

<sup>15</sup> Bastiat, *Harmonies*, p. 26

activity."<sup>17</sup> Bastiat also describes the uniqueness of man in terms of an inherent felt uneasiness or purposefulness in overcoming the condition of scarcity:

Hardly has he learned to satisfy his hunger when he seeks to tickle his palate; to cover his nakedness, when he seeks adornment; to shelter himself from the elements, when he dreams of beautifying his dwelling. His mind is as restless as his body is demanding.<sup>18</sup>

As Thomas DiLorenzo has concluded, Bastiat's view of economics as an intellectual endeavor was essentially identical to that of the modern Austrian school primarily because Bastiat viewed the subject matter of economics as *man* who compares, judges, makes choices, and acts.<sup>19</sup>

Bastiat was, of course, not just interested in the deduction of universally valid economic laws, but also their application to areas of human interaction outside of commerce. He explained the "relationships, or rather, the harmonies, that exist between political economy and the other moral and social sciences."<sup>20</sup> Therefore he incorporated topics such as government, law, war, religion and charity in his writings. When contemplating the limits of the social sciences, Bastiat acknowledged:

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<sup>16</sup> Bastiat, *Harmonies*, p. 27.

<sup>17</sup> Bastiat, *Harmonies*, p. 26.

<sup>18</sup> Bastiat, *Harmonies*, p. 62.

<sup>19</sup> DiLorenzo, p. 63.

<sup>20</sup> Bastiat, *Harmonies*, p. 24.

I am not one of those who believe that a science has inherently its own natural and immutable boundaries. In the realm of ideas, as in the realm of material objects, everything is linked together, everything is connected; all truths merge into one another, and every science, to be complete, must embrace all others.<sup>21</sup>

Not only does Bastiat adopt the correct Austrian approach to economic theory and method, but also he clearly sees the problems of adopting the methods of the physical science where constant relations do exist and where mathematics and statistics are applicable. Bastiat did not object to the use of mathematical illustrations, but was opposed to their use in the deduction of economic theory because they were flawed methods in the realm of human action and had introduced numerous harmful errors into economic doctrine. He also noted the good things, such as insurance, that have developed with the assistance of experimental statistics. However, he is clear that there are no constant relations on which economics can be placed on a mathematical basis.

A line no more resembles a force or a velocity than it does a value or a utility. Nevertheless, the mathematician finds lines and diagrams helpful. Why should not the economist also? There are values that are equal to each other; there are values that have known ratios to each other of a half, a fourth, double, triple. There is no

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<sup>21</sup> Bastiat, *Harmonies*, p. 29.

reason for not representing these differences by lines of varying lengths. Such is not the case with utility.<sup>22</sup>

Bastiat clearly understood the fundamental difference between the social science of man and the physical science of matter. In particular he understood the attraction of the methods of the physical sciences for economists and the difficulties and potential for error they can introduce into the social sciences. Therefore he strongly warned against the dangers of applying the methodology of the physical sciences to economics:

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."<sup>23</sup>

He returns to this methodological warning while discussing the natural inequality of resources, the diversity of man, and the subjectivity of tastes:

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<sup>22</sup> Bastiat, *Harmonies*, p. 331.

<sup>23</sup> Bastiat, *Harmonies*, p. 43.

The factors enumerated in this chapter that enter into the science of economics and constitute it are essentially variable and diverse. Wants, desires, materials and forces supplied by Nature, muscular strength, bodily organs, intellectual faculties, moral qualities--all vary according to the individual, the time, and the place. No two men are alike in any one of these respects and even less alike in all of them taken together. Furthermore, no man is exactly like himself for two hours running.<sup>24</sup>

Therefore political economy does not have the luxury of laboratory experiments and cannot be made to correctly mimic the methodology of the physical sciences:

The science of economics, therefore, does not have the advantage, as do the so-called exact sciences, of possessing a measure, a yardstick, enabling it to determine the precise intensity of desires, efforts, and satisfactions.<sup>25</sup>

Bastiat's conception of economics as a theoretical science is buttressed by his use of imaginary constructions created via deductive reasoning. In his frequent use of the *state of isolation* Bastiat theorized that exchange and the division of labor define society because in the state of isolation there was no exchange or division of labor. He even refers to this construction as an "imaginary case." In the absence of all exchange, capital, and knowledge the isolated individual is doomed no matter how bountiful nature may be. In his conception, our wants exceed our

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<sup>24</sup> Bastiat, *Harmonies*, p. 56.

capacities and humanity will cease to exist. In contrast, society relies on exchange and the division of labor to create productive capacities that exceed past wants and provides an environment in which new wants can be imagined, adopted, and achieved.<sup>26</sup>

Interestingly, Bastiat explicitly recognizes that the impossibility of the isolated state is something that cannot be demonstrated by experience or direct observation, but only through deductive, logical reasoning:

Our senses cannot grasp something that does not exist. You can prove to my mind that a triangle never has four sides; you cannot, in support of your argument, place before my eyes a tetragonal triangle. If you did, you would destroy your assertion by your own evidence.<sup>27</sup>

Likewise, you cannot prove the impossibility of the state of isolation through observation, but only by logic.

Bastiat's doctrine of "what is seen and what is unseen" has long been viewed as an antidote to Keynesian economics and it could also be viewed as the foundation of Hayek's "unintended consequences," but in Bastiat's writings it is clearly a methodological lesson. In their trade, economist must rely on deductive theoretical

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<sup>25</sup> Bastiat, *Harmonies*, p. 56.

<sup>26</sup> Bastiat, *Harmonies*, p. 103.

<sup>27</sup> Bastiat, *Harmonies*, p. 61.

analysis (the unseen) and must not rely on history and statistics (the seen).<sup>28</sup>

### Value Theory

Austrian economists consider value theory to be the foundation of economic science. They emphasize methodological individualism in which only individuals make choices and make determinations about value. They also emphasize methodological subjectivism where the *subject* determines the *value* of the object and this valuation cannot be exposed to any direct external observation or measurement. Valuation takes place in human action and utility is an ordinal relation, not a cardinal measure. Austrians emphasize that economics is premised on the use of the correct value theory and attribute many of the errors of economists to faulty value theories, such as the labor theory of value.

Bastiat also placed value theory as the foundation of economic science and believed that the problems in economic theory stemmed largely from a lack of a valid and universally accepted theory of value. He believed that his work on value theory solved many dilemmas of Classical

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<sup>28</sup> Bastiat, *Selected Essays on Political Economy*.

economic theory, provided reconciliation between socialist and capitalist thought, and was his primary contribution to economic thought. However, Bastiat's approach to value theory was criticized both in his day and ours.<sup>29</sup>

As Professor Salerno has demonstrated, the criticisms of the English classical and post-classical economists are dubious. The entire English school had an objective cost tradition that they had to defend and they simply dismissed Bastiat and other French liberals out of hand. The exception to this rule was William Stanley Jevons, the great English economist who was one of the three economists who initiated the Marginal Revolution (along with Carl Menger). He had read the entire breadth of English and French traditions and found theoretical brilliance in the French economists such as Bastiat and Cantillon, not his fellow Englishmen. Salerno quotes Jevons on the relative merits of Cairnes and J.S. Mill vs. Bastiat:

While Mr. Mill has most erroneously denied that consumption of wealth is a branch of political economy, Bastiat logically commenced with human wants and made the consequent demand and consumption of commodities the natural basis of the science of human wealth. It is probably that when the true logical order of treatment of the science comes to be carefully reconsidered, the order adopted by Mr. Mill will be rejected, and that of Bastiat more nearly followed.

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<sup>29</sup> See Russell, p. 40 and Hébert (1987) who report on English critics

Jevons also noted in his seminal contribution to economics that the English economists were living in a "fool's paradise" and the reason for their neglect of the theoretical contributions by the French liberals was apparently their inability to comprehend them. Indeed, as Salerno points out, Bastiat is but one of many French liberal economists who were belittled by English economists as propagandists rather than theoretical innovators.<sup>30</sup>

However, more damaging to the argument here are the comments from Bastiat's intellectual biographer, Dean Russell. He concluded that Bastiat opposed the two most important aspects of Austrian value theory. First, Bastiat opposed the Austrian notion of a double inequality of value in exchange because in Bastiat's view, "service is the source of all value, and any exchange implies *equal* value." Second, while Bastiat opposed the labor theory of value, "he actually endorsed it unknowingly under another name-- service."<sup>31</sup>

Russell further notes that Bastiat was fully aware of two important precursors to Austrian value theory, Friedrich von Storch who contributed the subjective nature of value and Etienne Bonnot de Condillac who contributed

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such as Cairnes and Marshall.

<sup>30</sup> Salerno (1988).

<sup>31</sup> Russell, p. 34.

the mutual gains and double inequality of value in exchange.

Thus Bastiat had full opportunity to make a vital contribution to economic thought by developing those two ideas advanced by Condillac and Storch with which he was obviously familiar. Not only did he miss the opportunity but, worse still, he specifically denied the validity of their concepts.<sup>32</sup>

This harsh criticism merely mimics the views of earlier English critics and Russell admits that they were somewhat unfair because Bastiat seemed to be a link between the objective theory of value of the classical school and the subjective theory of value of the Austrian school.

To anyone familiar with Bastiat's contributions, the criticisms of the English economists and Russell would seem curious indeed. While it is true that the mechanics of Bastiat's theory of value are unorthodox and possibly flawed, no one had written in a more clear and emphatic language that value was subjective and not objective, physical, or intrinsic. Bastiat grappled with the objective value theories of the English economists, such as Adam Smith and came to the following conclusion:

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<sup>32</sup> Russell, p. 35.

We see that it is implied here (by the English economists) that value refers to the modification of things rather than to men's satisfactions. This is a colossal error; for it is good that the form of things be modified, it is solely in order to attain the satisfaction that is the goal, the end, the consummation of all effort. If then, we achieve the satisfaction by immediate and direct effort, the result is the same; if, moreover, the effort can be transferred, exchanged, evaluated, it contains the principle of value.<sup>33</sup>

Indeed, Bastiat even charged his most important predecessors in the praxeological tradition (i.e., Senior, Scrope, and Say) of creating an exception in their theories of value in the case of land. Bastiat argues that there is no value in land, only in the services of those who first discovered, acquired, and developed that land and that value is irrespective of how much physical labor that might have been involved in improving the land or whether the current owner acquired the land originally or through purchase, exchange, or gift. For Bastiat men only bargain in terms of the values of things, while the gifts of nature have no "value."

Political economists, by misunderstanding this fundamental consideration, have weakened the theoretical basis of the defense of the right to private property, representing it as an unnatural institution, necessary, but unjust.<sup>34</sup>

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<sup>33</sup> Bastiat, *Economic Harmonies*, p. 130.

<sup>34</sup> Bastiat, *Economic Harmonies*, p. 128.

As we can see, Bastiat's view is that market value is bargained for and is attributed to the entrepreneurial decisions behind each service exchanged whether it is essentially a labor service, capital service, or land service.

In addition to his thoroughgoing subjectivism, Bastiat can easily be exonerated from the charge associated with his position that value is equal in exchange. It is quite apparent from reading any of Bastiat's works that he viewed all types of economic exchange as mutually beneficial, that there were gains from exchange, and that the interests of all parties to free and voluntary exchange were in harmony with one another. For example, Bastiat opposed all forms of protectionism so that people could further benefit from the division of labor.<sup>35</sup>

What then did Bastiat mean when he claimed that exchange was based on equal values? It seems that value for Bastiat was not the subjective satisfaction of a good or service (which he labeled satisfaction), but was rather the mental value that an individual placed on a good at the time of exchange. Bastiat theorized that the individual established this value by examination and valuation with reference to alternatives such as the labor necessary to

produce the good themselves. In other words, what was important for Bastiat was the mental act of the individual when engaged in human action, or rather interaction, a very Austrian viewpoint.

It is important to note that Bastiat did not deny the contribution of Condillac that both parties to an exchange profit, only that it was not sufficient and does not really explain the full picture as to why exchange takes place. "Even granting that the proposition is true, we see in it only a statement of fact, not an explanation."<sup>36</sup> Likewise with Storch's contribution that men bargain their surpluses for the surpluses of others, Bastiat does not deny the point but he also does not see an explanation of an economy based on a complex division of labor and exchange, only "how two men happen to strike a bargain."<sup>37</sup>

Bastiat sees the real explanation for exchange in the division of labor for this is where the benefits of exchange are truly created and derived. The division of labor logically implies exchange and Bastiat views society as a gigantic voluntary cooperative or association. He explains that the benefits of the division of labor as described by Smith are a primitive form of the more general

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<sup>35</sup> Bastiat, *Economic Sophisms*.

<sup>36</sup> Bastiat, *Harmonies*, p. 66.

<sup>37</sup> Bastiat, *Harmonies*, p. 66.

association that also involves natural resources, capital, and knowledge, with diversity and inequality only increasing the power of exchange.

The reader can now well perceive the true power of exchange. It does not imply, as Condillac says, *two gains*, because each of the contracting parties sets more store by what he receives than by what he gives. No more is it a matter of each giving from his surplus to acquire what is necessary. It is simply that, when one man says to another, "You do only this, and I will do only that, and we'll share," there is better employment of labor, talents, natural resources, capital, and, consequently, there is more to share."<sup>38</sup>

Thus, Bastiat is not denying Condillac and Storch, only that their explanations do not explain the more general reason why people exchange. That is, to take advantage of the gains from the division of labor. For Bastiat, exchange is both the cause and effect of the division of labor that allows the multiplication of *satisfactions* in relation to *effort*. It is also important to point out that Bastiat's discussion takes place in a chapter on "exchange," not value although his analysis remains consistent throughout his writings.

Therefore we can conclude that Bastiat's value theory was very Austrian indeed. He strongly supported

the subjective theory of value and the gains from exchange. His general approach to value showed that value only emerged in the minds of men during the act of exchange and was wholly attributable to the entrepreneurial acts of men (services) rather than to the free gifts of nature.

Bastiat felt that Adam Smith went beyond the physiocrats in value theory and that Say went farther than Smith in improving value theory. Whatever the critics might think of the mechanics of Bastiat's theory of value, he was certainly correct that the theory of value was plagued by error and that the correction must somehow be found in a theoretically derived and consistent theory of value. Bastiat offered such a theory that was clearly a building block for the soon to emerge Austrian school of economics.<sup>39</sup> Therefore we add here that Bastiat advanced the theory of value beyond Say and took a major step towards the modern theory of value as developed by the Austrian school of economics.<sup>40</sup>

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<sup>38</sup> Bastiat, *Harmonies*, p. 71-2.

<sup>39</sup> An examination of their writings indicates that Menger, Bohm-Bawerk, Mises, Hayek, Hazlitt, Rothbard and Kirzner were all intimately familiar with Bastiat's writings.

### III. Conclusion

Bastiat was an economist and can be classified as an important member or precursor of the Austrian school. This is clearly true of his policy views and in the presentation of his ideas.<sup>41</sup> It has been argued here that Bastiat also shared the same methodological approach of the Austrians. Both view economics as a logical science based on deductively derived and universally valid laws of human action. Bastiat and the Austrians are also both opposed to the application of the tools of the physical sciences, mathematics and statistics, to the study of human action. It has also been shown here that Bastiat's theory of value, while widely criticized, does maintain the two Austrian tenets of subjectivism and the gains from exchange.

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<sup>40</sup> See Rothbard, *Classical Economics*, p. 501 for a similar evaluation of Bastiat's contribution to value theory.

<sup>41</sup> See for example DiLorenzo (1999).

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Notes to self:

Pol. Economy is the division of labor, p. 31. pol. Econ is defined as the theory of exchange, value is the comparative estimation of reciprocal services of equal value and thus pol econ can also be defined as a theory of value (price).

Utility refers to the services provided p. 48

Gifts of nature may have utility but do not have value until labor has been introduced, p. 50-51.

Satisfactions and wealth (standard of living) increase as value (prices) decreases. P. 52.

Satisfaction is used by Bastiat to refer to what modern Austrians would call utility or subjective value. "I often use the word *satisfaction* to apply to all our wants and to all our desires, since I think it better corresponds to the wider scope that I feel justified in giving to political economy" not just the consumption of physical goods such as food. P. 57.

Value (price) is in proportion to the services rendered, not the utility of things, p. 53. "This observation overturns the doctrine that places value in the *materiality* of things. P. 53 "Human action, which can never succeed in *creating* matter, alone constitutes the service that man in a state of isolation renders to himself or that men in society render one another, and it is the free appraisal of these *services* that is the

basis of value." P. 53 "between matter and value there is no possible connection." P. 53.

Value is determined in exchange, p. 54

The value (price) of every economic activity is determined, not by the labor it entails, but by the positive effect it produces, which in turn results in increasing or decreasing the general welfare. We have said, apropos of wants of desires, that no two men are alike. The same is true of our satisfactions. P. 58.

"the utility is in the substance, but the value is in the service," p. 63 also another long quote equal value of services on this page.

p.114 value is in the services not the things themselves.

In exchange the two services exchanged are considered equivalents, the goods themselves are not really worth the same in general. P. 115.

"value is no more created by an act of Nature than matter is created by the action of man." P. 116

economic or actual value depends solely on exchange and judgement p. 121.

Bastiat rejects intrinsic value pp. 122-125

Senior, Scrope, Say, Prodhoun, pp. 127-8

Important distinction between utility and value, bottom of p. 139, Bastiat does not wish to quarrel with those who insist that value is based on utility only that value is based on the utility of human services compared and exchanged p. 141. (in other words the free goods provided by nature do not enter into value)

No objective measure of value p. 145.

Therefore measures of value (esp. money) do not allow us to compare two societies.

He puts forth an alternative view of the standard of living.

He will admit that "products have value" if other admit that the value is in the service rendered. We can say that value imparts a value to a good but it doesn't get imbedded in the product but remains subject to the evaluation of the value of the service rendered.

"value does consist in the want or the obstacle or the effort, but in the satisfaction."

Greater value = better paid p. 97.

In defense of "services" see p. 102 and 103

Many factors effect value, increase or decrease it, but the phenomenon itself is

based the evaluation of the service received vs. the service rendered? P. 105

What is value based on--an exchange of services--and the evaluations that take

place in exchange (p. 106). He is not denying that utility is the basis of value, only

that value only exists when services are rendered (p. 107). "I expect to prove that

value no more resides in labor than it does in utility." We do not know what the

value of something is taken from nature that has utility until we start to exchange

(p. 108). It is service that creates and changes value (p. 109).

"Value, far from having any necessary relation to the labor performed by the person rendering the service, is more likely to be proportionate, we may say, to the amount of labor spared the person receiving the service, and this is the law of values. ... value is determined less by the effort expended by the person serving than by the effort spared the person served. P. 111

Progressive interventionism, p. 86.