

**THE GREAT ILLUSION:
How Governmental Interference Leads Us
to Disregard That Which Is Not Seen**

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Law is force. It is one man demanding that another man act according to the law-maker's wishes - at gunpoint. Whether or not law and force have a place in civilized society does not change the fact that law is force. It may be used to protect individual rights, or to encroach upon them, but government is a way to force one's neighbor into some action more pleasing to oneself. At its best, government is small and merely protects the right of each individual to his life, liberty, and property. At its worst, legislation feeds upon the strength of society's greatest producers and regurgitates their productivity into the mouths of highway robbers. Too often, it forces all members of the state, great or small, strong or weak, to act according to the dictates of the moment, and stops men from planning for the long term; in this manner it stifles economic productivity and encourages waste and laziness.

Few economists have understood this better than Frederic Bastiat, who spent his life arguing for the reduction of government. One of Bastiat's more well-known works is his attack on the "Broken Window Fallacy;" the tale of the broken window was an eloquent example of the sort of thing which happens when we forget to not only look at the visible, short-term effects of an action, but to also take into account the long-term results which may lead the policy-maker to come to an entirely different decision, if he considers them carefully. To quote Gene Callahan, Austrian economist and author of *Economics For Real People*, Bastiat "held that there is a general distinction between bad economists and good economists: Bad economists look only at 'what is seen'... Good economists look beyond this to 'what is not seen'" (Callahan 303). Very often, "what is seen" are the short-term effects of an action, and "what is not seen" are the long-term effects.

Bastiat's clarity and straightforward economic thinking are obvious in his brilliant paper "That Which Is Seen and That Which Is Not Seen." In it he "...put his finger on one of the prime fallacies in economic thinking which still haunts the world" (Roche 217).

What is this great fallacy? It is the fallacy of observing only the obvious. It is the fallacy of short-sightedness. It is the fallacy of the grasshopper who watched the ants store grain for winter while he played his violin. It is the fallacy which prompted journalists to say of 9/11, "But look - now there are jobs! Now there is demand for new building materials!" Bastiat points out something which should be obvious to every man, woman, and child, but sadly, is not. He tells us to take into account not only *what is seen*, but also *what is not seen*.

Bastiat's point was so important that it prompted Henry Hazlitt to write an entire book on the subject (*Economics In One Lesson*, 1962). Since it is the best known, and probably the best explication of Bastiat's point, I will quote Hazlitt's second chapter at length rather than put myself in danger of plagiarism through inept re-telling of the story:

Let us begin with the simplest illustration possible: let us, emulating Bastiat, choose a broken pane of glass.

A young hoodlum, say, heaves a brick through the window of a baker's shop. The shopkeeper runs out furious, but the boy is gone. A crowd gathers, and... After a while the crowd feels the need for philosophic reflection... several of its members are almost certain to remind each other or the baker that, after all, the misfortune has its bright side. It will make business for some glazier. How much does a new plate glass window cost? Two hundred and fifty dollars? That will be quite a sum. After all, if windows were never broken, what would happen to the glass business? Then, of course, the thing is endless. The glazier will have \$250 more to spend with other merchants, and these in

turn will have \$250 more to spend with still other merchants, and so ad infinitum. The smashed window will go on providing money and employment in ever-widening circles. The logical conclusion from all this would be, if the crowd drew it, that the little hoodlum who threw the brick, far from being a public menace, was a public benefactor.

Now let us take another look. The crowd is at least right in its first conclusion. This little act of vandalism will in the first instance mean more business for some glazier. The glazier will be no more unhappy to learn of the incident than an undertaker to learn of a death. But the shopkeeper will be out \$250 that he was planning to spend for a new suit. Because he has had to replace a window, he will have to go without the suit (or some equivalent need or luxury). Instead of having a window and \$250 he now has merely a window. Or, as he was planning to buy the suit that very afternoon, instead of having both a window and a suit he must be content with the window and no suit. If we think of him as part of the community, the community has lost a new suit that might otherwise have come into being, and is just that much poorer.

The glazier's gain of business, in short, is merely the tailor's loss of business. No new 'employment' has been added. The people in the crowd were thinking only of two parties to the transaction, the baker and the glazier. They had forgotten the potential third party involved, the tailor. They forgot him precisely because he will not now enter the scene. They will see the new window in the next day or two. They will never see the extra suit, because it will never be made. They see only what is immediately visible to the eye.

Bastiat put it very well when he said, simply, that "destruction is not profit" ("That Which Is Seen..." 2). And it never will be.

Bastiat was also famous for his vehement arguments against invasive government and unjust laws. It is my argument that his writings lead to the conclusion that invasive government is detrimental to society not only because, as Bastiat says, there is no “greater evil than this: the conversion of the law into an instrument of plunder” (*Law* 8), but also because it leads members of society to commit the fallacy of the Broken Window - to look only at the immediate effects of an action, disregarding later consequences. It does this in two ways. Firstly: far too often, voters and legislators enact a governmental policy which has negative long-term effects (“that which is not seen”) which, if they had been properly identified and weighed, would have made the short-term effects of the policy (“that which is seen”) much less desirable. Secondly, invasive governmental policy has a negative effect on society because it brings uncertainty into daily life, and if a man is uncertain of government’s actions tomorrow, he cannot act today with tomorrow in mind. Excessive government not only directly involves itself in activities which ignore the implications of that which is not seen, but also creates an atmosphere of uncertainty which prompts individual citizens to ignore the unseen on a more specific level.

Before I write further I must clarify a point of terminology. For the purpose of simplification, I will here use the words “law” and “government” interchangeably. Bastiat’s references to “law” were in the context of the nineteenth century French governmental enforcement system, and when he speaks of law, he refers to what we in the early twenty-first century would commonly call government. That is to say: “law” does *not* mean “justice,” in this paper. Justice and law are two of those things which in a perfect world would coincide, but in the real world rarely do. Law is that system by which man to attempts to enact justice.

Law must be backed up by force, or it does not serve its purpose. The only way a law can be useful is if it is validated by a gun. As Bastiat says, “We must remember that law is force

and that... the proper functions of the law cannot extend beyond the proper functions of force” (*Law* 24). Law (that is to say, government) is merely an extension of personal force. Bastiat believed that if it is correct for a man to defend his life with force, then it is correct for him to defend his life with force by hiring a security guard, and it is correct for him to defend his life with force through the agent of the government. However, if it is not appropriate for a man to steal his fellows’ goods through force, then it cannot be right for him to hire a mercenary to steal his fellows’ goods, or to steal his fellows’ goods through the government. “If the very purpose of law is the protection of individual rights, then law may not be used - without contradiction - to accomplish what individuals have no right to do” (Richman xi.). Since law is force, it must be restrained to the occasions appropriate for force. When it is not so restrained, citizens subject to that law are plunged into a chaotic and irrational society. In such a society, it becomes impossible to look beyond what is seen and plan accordingly, since that which is not seen (the long-term effect of one’s actions) is actually not affected by actions of the moment. When collective force is used to do what individual force may not rightly do, then law has overstepped its bounds, Bastiat believed.

To understand the effects of inappropriate laws it is necessary to understand the proper function of law (according to Bastiat). Law and/or government are very dangerous things, and Bastiat knew this. “Like others, Bastiat recognized the single greatest threat to liberty is government” (Williams iv.). Still, despite the threats to individual freedom posed by a centralized mechanism of force such as government, Bastiat believed law had a valid purpose: that of serving as an agent of force on behalf of those citizens under its dominion. “It is the collective organization of the individual right to...[just] defense” (*Law* 2). (The question of whether Bastiat has committed the error of wrongly assuming that what is true for a part, is true

for the whole, will not be addressed in this paper, although it is acknowledged. For now it is enough to simply understand his claim.) So, by Bastiat's standards, the appropriate function of law is to be a collectivization of individual rights - specifically the individual right to the use of force in self-defense (defined loosely here as being a response to any initiation of violence, including violation of private property rights). Bastiat felt that law's main purpose was to defend those under its protection from plunder. "When... does plunder stop? It stops when it becomes more painful and more dangerous than labor. It is evident, then, that the proper purpose of law is to use the power of its collective force to stop this fatal tendency to plunder instead of to work" (*Law 6*). Although law does have this legitimate aim, it (like any large means of force) will tend to fall prey to the motives of plunderers. When law is used for plunder it has negated its purpose - for this reason, Bastiat was adamant that law be kept in its proper place. He felt that for a law to be of any use it must be respected, and that "The safest way to make laws respected is to make them respectable" (*Law 8*). In his mind, this was done by restraining law to its duties as an extension of personal force.

Bastiat wrote that "Law is organized Justice... [And that] Justice is achieved only when injustice is absent" (*Law 25, 20*). Which is to say: law is a negative. It serves a definable purpose, and the casual observer may know very simply when the law has out stepped its bounds. Since law serves as an extension of the rights of individuals, law may not do what the individual may not do. Bastiat's scale of determining the rightness or wrongness of a law was very simple; he merely answered this question: Does this law do something which I, the individual citizen, may or should do? Does this law use force in a manner in which I may use it? If the answer is yes (as in the case of a law allowing for the arrest, fair trial, and prosecution of a murderer) then it is a good law. If the answer is no (as in the case of a law requiring that one

citizen give the product of his labor to another involuntarily and with no payment) then it is a bad law. In the words of Bastiat himself: “But how is this legal plunder to be identified? Quite simply... see if the law benefits one citizen at the expense of another by doing what the citizen cannot do himself without committing a crime” (*Law* 17). For Bastiat, law must be based on individual rights, and when it reaches beyond the bounds of what the individual may do, it is an unjust law.

What happens when an unjust law is enacted? Government contradicts itself; it violates individual rights instead of protecting them; “When that [plunderous] philosophy becomes widespread, the nation is headed toward chaos and then dictatorship” (Russell 14). How exactly does a plunderous government lead the society into a state of chaos?

When law reaches beyond its proper bounds, it negates itself. It causes uncertainty and irrational action among those it was designed to protect. It causes men, in short, to focus only on what is seen, and to ignore what is not seen. It threatens the lives of men; it becomes force used inappropriately. Ultimately, law strayed from its rightful boundaries enables murderous plundering and becomes the tool of those it was meant to halt. “In each case [of unjust law], the person who resolutely demands and defends his God-given right to be left alone can... suffer death at the hands of our government” (Williams v.). With this sort of end in view, why would men take the time or the chance on considering the long-term consequences of their actions? When government becomes too big, it destroys economic productivity by no longer allowing individuals to plan for the long term.

Hazlitt continues his clear analysis by making the excellent (though like many true economic statements, obvious) observation that the more we get for the less work, the happier we are. “The economic goal of any nation, as of any individual, is to get the greatest results with

the least effort” (Hazlitt 71). Far too often, government advocates claim that the object of economic policy should be to “create jobs.” They have forgotten to observe that which is not seen; the fact that we don’t want jobs. We want stuff. For the last few millennia (at least), humans have spent their time trying to find ways to escape work. We want productivity, yes, but most of us don’t want work. When governmental agents pen a policy which “creates jobs” at the cost of productivity, it is acting to the detriment of everyone concerned. And when law, which is force, *requires* members of society to act in a way which increases jobs and lowers productivity, then law has overstepped its bounds and negated its purpose.

There are two ways that government (or law) can lead members of the society it rules to forget that which is not seen. The first is by direct action - by forcing citizens to take part in something which is ill-advised; some project which is being undertaken for the sake of the short-term benefits, with no thought of the long-term consequences. The second is indirect - this happens when citizens live under conditions where government action creates such uncertainty that it is not possible to know the reality of “that which is not seen,” and not possible to act on it. There are countless social projects which the government has taken upon itself to endeavor on the part of its citizens. One such project is welfare; another is the wildlife preserve/national park system. By spending “government” money (stolen from tax-paying citizens) on projects which the legislators see as beneficial, the law forces members of society to take part in something which, on their own, they would not. We know that the citizens will not invest their money in such a project unless they are forced, simply because they do not. This leads us to believe that when an individual citizen weighs what is seen (the short term benefits) against what is not seen (the long-term costs) he finds the project unproductive. He’d rather keep his money. This leads us to Henry Hazlitt’s claim that “it is highly improbable that the projects thought up by the

bureaucrats will provide the same net addition to wealth and welfare, as would have been provided by the taxpayers themselves, if they had been individually permitted to buy or to have made what they themselves wanted” (Hazlitt 36). In a way, *no* government project can be productive, since government only takes on those projects which individuals deem less useful.

The welfare system is a perfect example of both the direct and indirect ways in which governmental invasion causes citizens to ignore what is not seen. For the purpose of this example I will define “welfare” as being either (a) forced philanthropy, which happens when money, the product of labor, is taken (through taxes) from those who produced it and given to those whose only claim upon that product is that they themselves have produced nothing, or (b) government jobs, which appear when those who have no productivity to offer, and cannot find a job in the private sector, are hired by the government to do something useless or almost useless, merely for the purpose of bringing the unemployment numbers down.

What Is Seen: The short-term benefits of welfare are that legislators may claim they helped society (increasing their chances of being re-elected), that actual unemployment numbers go down (but remember, we should be interested in productivity, not jobs), and that there are fewer homeless and street bums.

What Is Not Seen: When government spends more, it must tax more. Now, or later, the effects of this spending will affect the citizens subject to the law. Morally, government can only do what individual citizens can do, and, morally, I can’t take your money to give it to a bum. Government has overstepped its bounds and become a predator rather than a protector. If the government will plunder its citizens for this purpose, what will stop it from plundering for another purpose? Now we have uncertainty and the second way in which government leads citizens to forget that which is not seen, by taking away the reality of tomorrow.

There is no better example of deliberate disregard for the unseen consequences of government actions and lost societal productivity than the games played by the Robin Hoods - the welfare proponents. “Steal from the rich, give to the poor.” It is a slogan which most citizens of America have been brought up to believe is valid and heroic. The end justifies the means - if you’re not stealing for yourself, but rather for the sake of that poor bastard dying in the gutter, it’s not really stealing, right?

Wrong. Theft is theft. When the law is used for plunder instead of for liberty, the consequences are disastrous. “Bastiat argued that the only way to satisfy one’s economic wants through the government is to... take from some and give to others” (Russell 14). The law cannot produce. The law is not a productive tool, in the sense of offering a product which men are willing to show their preference for by offering the product of their labor in exchange for it. The law is a gun, not a factory. Philanthropy cannot be forced, or it becomes plunder. “While our government can certainly legally seize our property or tax it away from us, there is no possible way it can create property in the first place” (Russell 23). Since government cannot produce, then the only way it can “help those in need” is through forced philanthropy; it must steal from one citizen to give to another. In order to back up these plunderous policies, governmental agents must argue that they are protecting the “right” of the less fortunate to the means of subsistence; that it is the more productive man’s “duty” to give the product of his labor to his less productive fellows.

Bastiat saw through these arguments supporting welfare which were based on the idea that it is the productive man’s duty to support his less productive fellows. He believed that since it is wrong for him to take my money by force and buy your food with it, it is wrong for the government to do it. Still, the issue is clouded for many citizens because they do not understand

the importance of looking beyond the benefits of the moment; “in every public expense, behind the apparent benefit, there is an evil which it is not so easy to discern” (“That Which Is Seen...” 22). Of course, most men can agree on the benefits of philanthropy. *Voluntary* philanthropy, that is. “If philanthropy is not voluntary, it destroys liberty and justice. The law can give nothing that has not first been taken from its owner” (Richman xii.).

When I produce more than I need for my barest subsistence, and the government plunders the product of my labor, what incentive do I have to produce? In a plunder-free society, the productive citizens are the driving force behind society’s progress. One productive man can “create” work for twenty less productive; he can invent labor-saving devices which make the less productive more productive; and he may, if he desires, involve himself in philanthropy and support those who deserve his assistance. But if the government steals the first fruits of his labor, and gives them to an unproductive citizen who the government has decided is more deserving of it than the producer, then he cannot (and has no reason to) continue producing above his basic need level. When government involves itself in philanthropy, it is forced philanthropy, since government cannot produce - it can only steal. When the producers have the product of their labor stolen from them, they have no reason to produce. So, when government involves itself in philanthropy, it kills the best of society’s producers. Bastiat believed that the way to achieve harmonious human relations (i.e. the way to “encourage” philanthropy) was not through force. “The solution to the problem of human relationships is to be found in liberty” (*Law* 73).

Another problem with the law’s taking part in activities such as philanthropy is that while justice is a negative ideal (trying to stop something from happening - injustice, in this case) and has very discernable limits, ideals which are positive in nature (trying to *do* something such as

help the less fortunate members of society) do not have such easily identified boundaries.

Bastiat said that “...fraternity and philanthropy, unlike justice, do not have precise limits” (*Law* 70). The most justice can do is stop injustice. But there are no limits to welfare - the more money the government hands out to the unemployed, or the unproductive, the more unemployed and unproductive members of society line up to get a piece of the action. But justice mainly consists of retribution for injustice - so no one lines up for more justice, thank you very much.

One more contention Bastiat had with the social planners was that they denied the natural rights and integrity of man. “Bastiat saw a natural and universal harmony in all areas of human relationships” (Russell 17). He believed very strongly in the market system, feeling that “...the interests of capital and labor are harmonious. Each is dependent on the other” (Russell 17). Man, Bastiat felt, has a natural right to three things: his life, his property, and his liberty. Law exists to protect these three. Rights come first - then government. Law is not justice. Hopefully it coincides with justice, but it does not make it. “[I]t is illogical to argue that the basic rights of man come from the government” (Russell 24). Bastiat could not stress enough that rights came before the law, they will be here after the law, and they exist in spite of perverted law.

Bastiat’s argument with the social planners, then, was not merely practical. He felt that man has a moral right to dispose of the product of his labor as he sees fit. “Again and again [Bastiat] challenged the moral basis from which the social architects presumed to control the lives of men” (Roche 141). Bastiat believed that individual rights were inherent in man - that they preceded any form of law or government which could be imposed on man. (Bastiat himself, as a devout Christian, held that such rights had their origin in God, but for the purposes of this paper it serves just as well to substitute the word “Nature” for the word “God,” as regards Bastiat’s arguments.) What are these rights which Bastiat so strongly feels must be respected?

“Life, faculties, production - in other words, individuality, liberty, property - this is man... these three gifts from God precede all human legislation, and are superior to it” (*Law 1*). Bastiat cannot bear the thought of one man violating another’s individuality, liberty, or property by denying him the right to decide on his own form of philanthropy - yet this is precisely what the social architects would do. If we remember Bastiat’s definition of “collective” rights as being based on individual rights, then we will see that, as Thomas DiLorenzo puts it in his biography of Bastiat, “the moral justification for a law... can never be based on a majority vote. All income redistribution through majoritarian democracy is therefore, by definition, immoral” (Dilorenzo 4). There are many things which Bastiat defines as being unjust for law to involve itself in; welfare projects are one the most common activities which violates his definition of a just law.

Bastiat, while he strongly believed that forced philanthropy is morally wrong, also argued that it was impractical in an economic sense; it is one of those governmental activities which both forces resources into unproductive channels (remember, if they were deemed to be productive activities by the members of the market, they government would not “need” to be involved in them) and creates uncertainty regarding the future such that citizens cannot plan for the future in as productive a way as they could have without the government-caused uncertainty. Bastiat believed that “governmental resource allocation is necessarily antagonistic and destructive of the free market’s natural harmony... [and that] collectivism in all its forms is both morally reprehensible (being based on legalized theft) and an impediment to the natural harmonization of human interests that is facilitated by free markets and private property” (Dilorenzo 5). When the government takes on the role of a philanthropist, it throws the entire economy off-balance.

It must be pointed out that Bastiat, while greatly opposing forced philanthropy, was not an anti-social miser. He felt that there was a night-and-day difference between government activity and private activity of the same nature; government was bad, private was good. Even in his own lifetime, Bastiat was accused of being against those things which are generally held to be good for society; he wrote that “We disapprove of state education. Then the socialists say that we are opposed to any education. We object to state religion. Then the socialists say that we want no religion at all... But we assure the socialists that we repudiate only *forced* organization, not natural organization... We repudiate the *artificial* unity that does nothing more than deprive persons of individual responsibility. We do not the natural unity of mankind under Providence” (*Law* 29). There is a vast difference between personal virtue (which is real and valid and dependable) and what government calls virtue and enforces as virtue (which is fabricated and will disappear as soon as the governmental bazooka is lowered for a brief second). “[Bastiat] was only opposed to forced association and was an advocate of genuine, voluntary communities and associations” (Dilorenzo 5). He was strongly in favor of such things as equality - and he understood that only when men are free to act as they were made to, will they be equal in stature, and generous to one another.

So, let us heed Bastiat’s words and “accustom ourselves, then, to avoid judging of things by what is seen only, but to judge of them by that which is not seen.” (“That Which Is Not Seen...” 5) It seems strange that so apparently simple a mistake as that of believing in the Broken Window Fallacy would lead to so many huge political mistakes, but it certainly has. The occurrences of policy-makers seeming to act contrary to rational behavior, simply because they have forgotten to look for that which is not seen, are countless. We must not forget to look beyond the obvious; to reach for “depth in economics ...[which] consists in looking for all the

consequences of a policy instead of merely resting one's gaze on those immediately visible.”
(Hazlitt 194)

A very common manifestation of the Broken Window Fallacy is that which leads governmental agents to forget that law is force, and so cannot rightly be used to do anything other than what force may rightly do. When law oversteps its bounds and violates the rights which it was created to protect, it forces men to act on the spur of the moment, blinding them to that which is not seen. This may occur in a direct manner such as the redistribution of wealth through welfare systems, or it may occur in an indirect manner such as through inflation, but if men attempt to use force to plunder rather than to protect, it will happen. Law is force, and must be treated as such. If law and the force that it implies are dealt with appropriately, then “social progress would be ceaseless, uninterrupted, and unfailing” (*Law* 5).

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