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RESEARCH ARTICLE

Bastiat on Economic Harmony

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Abstract

Frederic Bastiat's last work was Economic Harmonies, *published in 1851. He died while completing it, and although it had some uptake in the nineteenth century, in recent times scholarly interest has focused on his other work. In the* Harmonies, *he makes a remarkable claim: when properly understood, in a free market society all people's economic interests are in harmony. If we consider that Karl Marx was arguing at the same time that those same societies are afflicted by an endemic class struggle that can end only with a communist revolution, the contrast is sharp. In this essay, I explore Bastiat's rationale for his claim as a rejoinder to an influential argument mounted by Marx against economic liberty.*

Keywords: Frederic Bastiat; economic harmonies; Karl Marx; class struggle; exploitation; labor theory of value; marginalism; economic value

Introduction

Frederic Bastiat's last work was *Economic Harmonies*, published in 1851. He died while completing it, and although it had some uptake in the nineteenth century, in recent times scholarly interest has focused on his other work. In *Economic Harmonies*, he makes a remarkable claim: when properly understood, in a free market society all people's economic interests are in harmony. If we consider that Karl Marx was concurrently arguing that those same societies are afflicted by an endemic class struggle that can end only with a communist revolution, the contrast is sharp. In this essay, I explore Bastiat's rationale for his claim as a rejoinder to an influential argument mounted by Marx against economic liberty.[1]

[1] Although Bastiat was directly addressing French socialists such as Pierre-Joseph Proudhon in his masterwork, its arguments engage those of Karl Marx's better-known critiques.

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Bastiat's title reflects his conviction that the kind of class antipathy touted by Marx and others is mistaken, that it is *not* true that some people can do well only at the expense of others. Bastiat maintains that a solution to the "social problem" of the lamentable conditions of the working class depends on whether our interests "are naturally in harmony or in conflict."[2] He believes, as the "starting point" for political economy, that they are in harmony. This commitment involves a number of smaller principles of harmony. Bastiat defends this thesis systematically in *Economic Harmonies* to a degree found nowhere else in his work, and for that reason its guiding rationale is worthy of scrutiny. In defending it, he conceives of the engine of improvement of the human condition in a novel way. I unearth and clarify what I see as deep insight in Bastiat's understanding of the nature of exchange and competition under free buying and selling. The challenge, as presented by Marx, helps to bring this insight to life. The point is not that this is the *best* challenge Marx can mount to free market societies, but that it captures an intuitive worry, to which Bastiat proposes a powerful response. If I can render Bastiat's guiding idea with sufficient clarity to spark interest in others working on fundamental questions in political economy, my venture will be a success.

I begin with a seminal Marxian critique of "free market" societies. Though that phrase may be vague, we can let Marx set the agenda here. Marx is clear that the target of his critique is societies characterized by private property and by "free trade, free selling and buying."[3] That is similar enough to the kinds of institution and society Bastiat defends,[4] so that is the locus of the conflict.

I first focus on what I call Marx's exploitation objection to such societies. It is grounded in an account of economic value that, he argues, frames the relation between capital and labor as exploitative, and is at the heart of the class struggle he believes is endemic to such societies. Before turning to Bastiat's response, I look ahead to the response of later nineteenth-century economists who undermine that account of economic value, depriving Marx's argument of much of its force. Bastiat's account is a murky way station in this historical development of thought about economic value. I then show that, nevertheless, his insights into the dynamics of exchange represent an original and important contribution to our understanding of how free market societies contribute to human well-being. I conclude with an assessment of the adequacy of Bastiat's response to this Marxian challenge.

[2] Frederic Bastiat, *Economic Harmonies*, in *Collected Works of Frederic Bastiat*, vol. 5, trans. Dennis O'Keeffe, ed. David M. Hart (1851; repr., Liberty Fund, 2019), https://oll.libertyfund.org/pages/cw5, 33, 36, 39, 45–46. Note that this edition is an online, final draft manuscript version. All page numbers cited hereafter in reference to *Economic Harmonies* are to a PDF version of the final draft manuscript supplied by David M. Hart.

[3] Karl Marx and Friedrich Engels, *The Communist Manifesto*, in *Karl Marx: Selected Readings*, ed. Lawrence H. Simon (Hackett Publishing Company, 1994), 171; Karl Marx, "Economic and Philosophic Manuscripts," in *Karl Marx: Early Writings*, trans. Rodney Livingstone and Gregor Benton (Penguin Books, 1975), 289; Karl Marx, *Capital* (Prakash Books India, 2021), 110. However vague the notion of "free market societies," it is no less clear than "capitalism," given the welter of meanings accorded to that term, so I see it as the lesser evil.

[4] Bastiat, *Economic Harmonies*, 17, 192, 299, 341, 472.

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Marx on class struggle

Marx's exploitation objection is at the root of many objections to free market societies, in our own day as well as his. Its upshot is that the two classes Marx sees as essential to free market societies—workers (or the proletariat) and capitalists (or the bourgeoisie)—have fundamentally conflicting interests. Such societies therefore face a class struggle that is ineluctable until ended by revolution.

On this argument, the interests at stake include those in the proceeds of production of *commodities*, or items for exchange. Buying and selling amounts to exchange of goods for (typically) a money price,[5] with the argument driven by Marx's analysis of the nature of value underwriting such prices.

The central claim of the labor theory of value Marx deploys is that the value of goods is to be found in the labor necessary to produce them. Marx says that value is determined by a "common social substance" found in all commodities, such that they can be exchanged. This common substance is *labor*. For any given commodity, "[t]he greatness of its value, or its *relative* value, depends upon the greater or less amount of that social substance contained in it."[6] This "social substance" is contained in two ways. First, labor is *directly* involved in the production of the commodity. Second, it is also *indirectly* embedded in the materials and tools used to produce it. Labor in both these forms is reflected in the prices paid (by the capitalist) to secure those things to enable the work to be done.

However, the capitalist does not sell commodities for what it costs (directly and indirectly) to get them produced, and that generates the struggle. Friedrich Engels offers an example.[7] Suppose that a laborer must work an entire day to produce a part for a machine, and for his day's labor is paid three shillings. The material on which he labors costs another twenty shillings. The costs of various aspects of production (coal, wear and tear on tools and machines, and so on) come out to one shilling per unit. A single part thus costs the capitalist twenty-four shillings. But the capitalist sells this part for twenty-seven shillings. Where do these three extra shillings come from? Given the central claim of the labor theory of value, the only possible source for the six shillings realized over and above the production costs is the labor involved in producing it. Thus, the capitalist is pocketing three shillings that by right belong to the laborer, so that he demands a day's worth of unpaid labor from him.

This tussle over the "surplus value" of three shillings is what gives rise to the class struggle. In Marx's view, that "surplus value"—or *profit*—extracted from workers creates the capital used to employ (and exploit) more labor.[8] Without it, there is no capitalism. The entire edifice of the free buying-and-selling regime that is capitalism is thus built on the appropriation of this surplus value, the result of exploitation of labor. As Marx argues, this sets up an inescapable

[5] Marx's core argument does not change in the case of barter.

[6] Karl Marx, *Value, Price, and Profit*, in *Wage-Labor and Capital & Value, Price and Profit* (International Publishers, 1976), 31; see also Marx, *Capital*, 108.

[7] Karl Marx, *Wage-Labor and Capital*, in *Wage-Labor and Capital & Value, Price and Profit*, 9.

[8] Marx, "Economic and Philosophic Manuscripts," 295, 335, 364; Marx, *Value, Price, and Profit*, 44; Marx, *Capital*, 144, 833.

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zero-sum conflict between the parties to the labor exchange: "Since the capitalist and workman have only to divide this limited value, that is, the value measured by the total labour of the working man, the more the one gets the less will the other get, and *vice versa*."[9] The capitalist cannot pay less than it takes to keep a worker alive; that level is the *minimum wage*. But anything above that can go to the worker only by taking it from the capitalist: "We can only say that ... the *maximum of profit* corresponds to the *physical minimum of wages* .... The fixation of [the actual rate of profit] is only settled by the continuous struggle between capital and labour."[10]

There are complications to this story; I will not rehearse those here. G. A. Cohen makes the conceptual point that even if epicycles of response fail to substantiate the labor theory of value as represented in Marx's work (as he thinks they do), Marx retains a key insight into the exploitative nature of capitalism. Cohen offers what he calls the "Plain Argument," intended to capture Marx's enduring point, which survives even if the labor theory of value fails as an account of the creation of value:

1. The laborer is the only person who creates the product, that which has value.
2. The capitalist receives some of the value of the product.
3. [Therefore,] the laborer receives less value than the value of what he creates, and
4. The capitalist receives some of the value of what the laborer creates.
5. [Therefore,] the laborer is exploited by the capitalist.[11]

The enduring charge is grounded, in Cohen's view, on the claim that "the essential thing is labor's creation of what has value"; "whatever may be responsible for magnitudes of value, the worker does not receive all of the value of his product."[12]

What is distinctive about Marx's exploitation argument is that this sort of exploitation is *built into* free market societies by their nature as a feature of the essence of the structure of free exchange and private property. If that is right, societies embracing such institutions are worrisome in a deep way, just as Marx supposed.

One theorist sums up the effects on the proletariat in consequence:

> Since they get their wages on a day-to-day basis, they also live on a day-to-day basis. In the negotiation which in a free regime precedes any agreement, they cannot wait; they have to find work for tomorrow on whatever terms under pain of death. While this is not strictly true for all of them, it is true for a great many, and this is enough to bring down the entire class, for it is

[9] Marx, *Value, Price, and Profit*, 48.

[10] Marx, *Value, Price, and Profit*, 58.

[11] G. A. Cohen, "The Labor Theory of Value and the Concept of Exploitation," *Philosophy & Public Affairs* 8, no. 4 (1979): 356. I have renumbered the premises.

[12] Cohen, "The Labor Theory of Value and the Concept of Exploitation," 357, 358.

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> the most oppressed and destitute who capitulate first and establish the general rate of pay. The result of this is that wages tend to move down to the level which is absolutely necessary to survive and that in this situation, the intervention of the slightest increase in competition between workers is a genuine calamity, for this is not a reduction in well-being for them but the rendering of life itself impossible.[13]

The theorist in question is Bastiat, who continues by noting that this complaint has a real basis in reality as a "deplorable situation of a considerable number of our brethren." Yet he believes the explanation lies not in the nature of free market societies nor in the social principles which (he argues) ensure that interests are in harmony. Instead, the explanation lies in "disturbances" to those laws (to which we will return).

Before turning to Bastiat's response, however, we briefly look *ahead* to responses to the labor theory of value and its role in Marx's argument that emerged after his death, and which have had more enduring uptake. I refer here to the "marginalists" of the later nineteenth century and their subjective alternative to the labor theory of value. This look ahead is helpful for understanding Bastiat's theory as a work in progress. Bastiat only partially anticipated those developments.

Marginalism: Carl Menger

Carl Menger was one of the original proponents of marginalism,[14] which has become widely accepted as a theory of economic value, and it effectively undermines the Marxian exploitation argument. It does so by revising the way we understand how things have economic value. Many theorists from Aristotle forward hold that such value inheres in an economic good (commodity or otherwise) *considered solely in itself*. Marginalism claims instead that these goods have the value they do as a result of a *relation* to the attitudes of economic agents, particularly their subjective valuing attitudes. The contrast, then, is between a *monadic* and a *relational* understanding of the nature of that property. Menger states: "Value is therefore nothing inherent in goods, no property of them, but

[13] Bastiat, *Economic Harmonies*, 423–24.

[14] "Marginalism" is so-called because of the observation that market prices reflect prices for *marginal* units to both buyers and sellers. For buyers, that is the last unit of the good the buyer is willing to pay for, and for sellers the last unit the seller is willing to produce, at a given price level. See Carl Menger, *Principles of Economics*, trans. James Dingwall and Bert Hoselitz (1871; repr., Ludwig von Mises Institute, 1976), 122. However, this important feature of marginalism matters for present purposes only in that the operative margin is a feature of the *subjective* attitudes of producers and consumers. Menger is but one of a handful of thinkers who were independently and more or less simultaneously arriving at roughly the same ideas. In particular, William Stanley Jevons is credited with defending marginalism in William Stanley Jevons, *A General Mathematical Theory of Political Economy* (1862), and Leon Walras with doing so in Leon Walras, *Elements of Pure Economics* (1874). I privilege Menger's treatment because it is a model of clarity, at least in the relevant respects, and he forcefully makes some of the points addressed in the text.

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merely the importance that we first attribute to the satisfaction of our needs, that is, to our lives and well-being."[15]

Menger makes explicit the *subjective* determination of value: value is importance *we attribute* to things that satisfy our needs. It is a matter of our subjective attitudes in response to things; thus, it is a *relation* between us and those things. The utility or satisfaction a thing provides varies by individual. As Menger puts it, "not only the *nature* but also the *measure* of value is subjective. Goods always have value to certain economizing individuals and this value is also *determined* only by these individuals."[16]

The relational and subjective character of economic value guts the Marxian exploitation argument.[17] In any variant of the Marxian exploitation argument, the value allowing capitalists to exploit workers is a property the goods have in themselves. However, the subjectivist account of value does not locate the value of the goods in the goods themselves, but in a relation between the goods and the buyer. There is thus no basis for the claim that the workers who produce such goods are entitled to that value. Instead, the door is open to seeing some of that value being contributed by the capitalist, in various forms of response to the buyer's attitude, including the capitalist's entrepreneurship in identifying the opportunity for exchange in the first place. The key point is that the basis for the Marxist exploitation argument is destroyed once we replace the monadic labor theory with a relational theory such as Menger's.[18]

Although marginalism *formally* undermines the labor theory of value, substantive intuitions that profit (and thus capital) is inherently exploitative persist. Bastiat does not quite grasp the subjective theory of value, but he comes close. He seeks an equally universal account of value and prices, and in doing so at times recognizes their fundamental subjectivity. The account he offers is consistent with subjectivism, but he is both inconsistent and at times confusing.[19]

[15] Menger, *Principles of Economics*, 116.

[16] Menger, *Principles of Economics*, 146.

[17] There are other ways of making a Marxian argument for broad-based and secular exploitation. Cf. John Roemer, "Property Relations vs. Surplus Value in Marxian Exploitation," *Philosophy & Public Affairs* 11, no. 4 (1982): 281–313.

[18] Cohen is not the only theorist in Marx's train to miss the essential move to a relational and subjective theory of value. Roemer observes that such a move was ruled out by Marx's aspiration to identify an *objective* value for labor power. John Roemer, *Analytical Foundations of Marxian Economic Theory* (Cambridge University Press, 1981), 147. And Nikolai Bukharin mistakes the relational character of value properties for a (monadic) property of the psychology of the evaluating subject, erroneously supposing that subjectivism of that sort undermines the theory of marginal utility that Menger and the other marginalists sought to establish. Nikolai Bukharin, *Economic Theory of the Leisure Class* (International Publishers, 1927), 62, 74. On the other hand, Michio Morishima maintains that "Marx would have accepted the marginal utility theory of consumers' demands if it had become known to him," Michio Morishima, *Marx's Economics* (Cambridge University Press, 1973), 40. I leave the task of reconciling those aspects of Marx's thought to the reader.

[19] David Hart aptly remarks that Bastiat has a "proto-subjectivist" theory of value. See Bastiat, *Economic Harmonies*, 122n300, 149n352. This is so, as Hart observes, despite the fact that before Bastiat, Abbe de Condillac and Henri Storch had offered accounts of value creation in exchange that were essentially subjectivist. See Bastiat, *Economic Harmonies*, 141n328.

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Nonetheless, he offers insight into the operations of "free buying and selling" in ways that advance our understanding that marginalism does not.

Bastiat

While Marx argues that free market societies necessarily result in deeply conflicting interests between classes, Bastiat's project in *Economic Harmonies* precisely insists that the institutions of those societies lead to the satisfaction of common interests.[20] Having looked at Marx's and Menger's views, we now consider Bastiat's understanding of basic and "immutable" economic laws, which he thinks (absent "disturbances") produce a tide that lifts all boats. Bastiat's understanding of the operations of economic forces under economic liberty is win-win (both parties benefit in exchange), whereas Marx's is win-lose (one benefits only insofar as the other loses).

Bastiat was respected by neither Marx, who called him a "dwarf economist,"[21] nor Menger, who exhibited nothing but contempt for Bastiat's way of doing economics.[22] To show that both Marx and Menger underestimate Bastiat, we need to work through Bastiat's conception of political economy from the ground up.

Glossary

We begin with basic concepts as Bastiat understands them. Because he frequently uses these in a muddled way, I tidy things up by introducing different terminology at points.[23]

Let's start with *satisfactions*, which are objects of need and desire. Bastiat thinks both that obtaining satisfactions is the goal of all our efforts and that getting satisfactions is the metric by which our welfare is to be evaluated.[24]

Next is *utility*, which is a relational property. Something has utility in virtue of being a satisfaction *for* some person at some time. Central to Bastiat's view that economic interests are in harmony is his thought that there are *two* primary kinds of utility: *gratuitous utility* (GU) and *onerous utility* (OU).[25] The difference between these lies in what must be done to get satisfactions from them.

Imagine you feel a chill and step outside on a bright, windless, sunny day. You feel the sun warming you to your bones. That sunshine has *utility*: it is a satisfaction of a desire you feel to warm up a bit, and it comes to you freely, or

[20] Bastiat, *Economic Harmonies*, 32.

[21] Marx, *Capital*, 242n. It is unclear what work of Bastiat's might have provoked this judgment.

[22] Cf. Gilles Campagnolo, "Origins of Menger's Thought in French Liberal Economists," *Review of Austrian Economics* 22, no. 1 (2009): 75.

[23] "Tidying up" is putting things charitably. As Hart observes, Bastiat's usage is highly irregular. Cf. Bastiat, *Economic Harmonies*, 190n446. What I am laying out is an attempt to regularize his confused deployment of these central concepts.

[24] Bastiat, *Economic Harmonies*, 128. At the same time, he is critical of the notion that the satisfaction of needs is inherently material.

[25] Bastiat, *Economic Harmonies*, 92.

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gratuitously. There is nothing you need to do to obtain this satisfaction other than be in the sunshine. That makes the utility of the sunshine *gratuitous*. Many things we simply take for granted have this kind of utility. For example, one of the most elemental needs we have is to breathe. Under normal conditions, the air around us has utility in virtue of satisfying this need, and gratuitously so.

Other forms of utility are more subtle. For example, copper is an excellent conductor of electricity. Nature provides that utility for free; it is gratuitous, like the sun's warmth. However, if one wants some conductance, one needs to get the copper and set it up properly, and doing so is *onerous*. Copper does some of its work as a matter of nature's bounty, but reaping that bounty requires effort. If we want to breathe underwater, we will have to work to get air there. The crucial contrast is between utility we have to work for (OU) and utility we don't (GU). In order to reap the benefits of the copper's or air's gratuitous utility, we have to exert some effort. If we want to capture some solar warmth (the gratuitous provision of nature) to grow grapefruit in Alberta, we have to build a greenhouse, which is definitely *not* gratuitous. The distinction between the kinds of utility is sharp, even if most satisfactions we enjoy involve elements of both.

Satisfactions involving onerous utility require effort. Bastiat supposes that in general people don't like exerting effort, as there is a kind of *pain* involved. Of course, there is also pain involved in experiencing need. Whether a need is worth satisfying will be, to a great extent, a matter of the pain involved in doing so, relative to the pain of the need.[26] The main point is that because effort involves pain, we seek to avoid it. When we can get our utility in gratuitous form, that is better than getting it onerously.

The distinction between these two forms of utility is not original to Bastiat. Jean-Baptiste Say draws a similar distinction between satisfying some wants by "the gratuitous agency of natural objects" and others through goods with a utility that they could not have "without some modification by human agency,—without having undergone some change of condition, and without some difficulty having been surmounted for the purpose."[27] However, Say holds that it is only to these latter goods *themselves* that any value is attached. Bastiat rejects that view of value.[28]

Say's "modifications" are in Bastiat's lexicon as *services.* More precisely, services are any effort exerted in the provision of onerous utility. Suppose you want some electrical power run in your home. You get the conductance from the copper for free as a matter of gratuitous utility, but the copper won't do that without being installed in the proper way. You can do the installation and provide onerous utility (along with the gratuitous utility nature supplies in copper) for yourself. Or you can arrange for me to do it, in which case I render

[26] Bastiat, *Economic Harmonies*, 92. Sometimes, we do choose effort (e.g., a workout in the gym), but that does not undermine Bastiat's general point.

[27] Jean-Baptiste Say, *A Treatise on Political Economy*, trans. Charles R. Prinsep (1803; repr., Augustus M. Kelley Publishers, 1971), 286. Marx, *Capital*, 17, takes something like this idea as his point of departure for the notion of *use-value*.

[28] Bastiat, *Economic Harmonies*, 195, 315.

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you a service by providing you with the same onerous utility you could have provided on your own.[29]

Now we get to sticky bits of Bastiat's account, having to do with *value* of various sorts. We do not need to deal with *use value* and *exchange value*, as Bastiat (unlike Marx) rejects this distinction.[30] But his alternatives are confused and confusing, so I will distinguish his two central notions of valuation by referring to them as *value* and *price*.

Value, as I shall use the term, is the relative capacity to satisfy a desire or need, the magnitude of which is relative to the satisfaction of other needs and desires. That is, it is a matter of the comparative utilities of two or more satisfactions to a given subject. Value is measured by *opportunity cost*: the satisfactions one is willing to give up on a particular concrete occasion in order to secure some further satisfaction.[31] The greater the opportunity cost one is willing to absorb, the greater the value of that further satisfaction. This makes value an *intrapersonal* matter and a measure of the relative significance or weight (perhaps of reason-giving force) of one satisfaction relative to others. It is a completely subjective metric,[32] and in virtue of that point, congruent with marginalism's subjectivist revolution to come.

By way of example, consider the plight of Robinson Crusoe when he first washes up on shore at time *t*. He is in need of both food and shelter, so these are satisfactions he seeks. He can invest his effort in providing himself with either or both, in some combination, but he has to choose where to start and how much will count as a satisfaction of the need. If he has eaten recently, he might be willing to forgo the satisfaction of food in order to invest his effort in building a shelter of some sort. On the other hand, if Crusoe has been starving at sea for days, his preferences may run in the other direction. In the first case, shelter is of greater value to him at *t*. In the second, food is of greater value to him at *t*.[33] The subjective component of such a value consists precisely in the variation within the schedules of trade-offs in opportunity cost a given individual is willing to accept at various times and under various conditions.[34] But it is worthwhile to

[29] Bastiat, *Economic Harmonies*, 283–84.

[30] Bastiat, *Economic Harmonies*, 221. Menger rejects it, too, and though Bastiat's reasons for doing so are somewhat telegraphic, Menger, *Principles of Economics*, 227, makes a substantial case for doing so.

[31] This is *not* in keeping with (some of) Bastiat's deployments of the concept. He insists that "[v]alue is the relationship between two services which are exchanged." Bastiat, *Economic Harmonies*, 195. While Bastiat's express conception and my gloss are not in conflict, they are hardly the same idea. On the other hand, there is hardly a thinker who takes *more* seriously than Bastiat the notion of opportunity cost I deploy here.

[32] Bastiat, *Economic Harmonies*, 194. Hart remarks on this congruence; see Bastiat, *Economic Harmonies*, n457.

[33] This is perfectly compatible with marginalism, where among other variables, the value of *t* varies. Crusoe's second coconut may well not be as a valuable to him, as measured by opportunity cost, at time t_2 as is his first at t_1.

[34] This notion of value is quite compatible with some senses in which such value ought to be seen as *objective*, in which, if we do not prefer poetry to pushpin, Beethoven to the Backstreet Boys, we *ought* to. It all depends on the pertinent sense of *objectivity*.

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observe that what we end up with is a notion of value that is *value-for* someone *at t* rather than value *simpliciter*.

We come now to *price*. This is the level at which two parties are willing to carry out an exchange. This price must be demarcated in some way. In a money system, it will most often be demarcated by monetary exchange rates. I am willing to accept $2,000 for my car, and you are willing to give up $2,000 to get it. If we agree on that exchange, then $2,000 is the price of my car, here and now. But we might exchange via barter. I am willing to give up four coconuts to you to obtain from you the shirt you have just crafted. We can equally well say, then, that the price of this shirt is four coconuts, or the price of four coconuts is this shirt, here and now.[35]

One last term belongs in this glossary. Bastiat chalks up the failures that Marx and others ascribe to economic liberty instead to *disturbances*. Freedom, he maintains, *is* harmony,[36] so what he means by disturbances mostly involve interventions in, or limits upon, freedom. While Bastiat did not complete his discussion of these disturbing factors in *Economic Harmonies*, David Hart observes that they are closely tied to Bastiat's better-known rejection of *plunder*, and include what we might expect: "war, slavery, theocratic plunder, high and unequal taxes, government regulations, economic privileges, industrial subsidies, and tariffs."[37] Hart glosses the crucial element in these forms of plunder or disturbance in the form of a dichotomy articulated by sociologist Franz Oppenheimer half a century later, between forms of wealth acquisition. "Economic means" explains Oppenheimer, involves the use of "one's labor and the equivalent exchange of one's own labor for the labor of others," whereas "political means" involves "the unrequited appropriation of the labor of others."[38] We can perhaps best think of disturbances as norms or institutions that license the "political means" of wealth acquisition. (We return below to the importance of disturbances for the viability of Bastiat's account.)

Price, as it turns out, is the locus of fundamental disagreement between Marx and Bastiat (and between the classical economists, Marx included, and later marginalists). Marx holds that prices are "exchangeable value," which he takes to be a function of the labor required to produce the goods exchanged.[39] The basis for Bastiat's response to Marx's case for class struggle as endemic to free market societies lies in his rejection of this theory of value[40] as well as his

[35] The "here and now" qualifier is necessary to comply with the insight of marginalism that the price one is willing to pay for a second item of the same kind might be much less than one is willing to pay for the first. Cf. Menger, *Principles of Economics*, 121.

[36] Bastiat, *Economic Harmonies*, 622.

[37] Hart, in Bastiat, *Economic Harmonies*, 806n378.

[38] Franz Oppenheimer, *The State*, trans. John M. Gitterman (Vanguard Press, 1926), 25.

[39] Marx, *Value, Price, and Profit*, 28. The "in the end" qualifier is necessary to reflect Marx's recognition that at any given time there may be lots of causes of divergence in price from the labor required to produce or reproduce the goods in question.

[40] Bastiat, *Economic Harmonies*, repudiates the labor theory in various terms, at numerous places (e.g., 200, 203, 225, 227). But he also says things that look to be consistent with, if not expressions of, that very same theory, though perhaps couched in terms of "effort" rather than labor (e.g., Bastiat, *Economic Harmonies*, 195, 201, 204, 207, 234).

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understanding of what occurs in the dynamics of exchange, including exchanges between labor and capital. Bastiat's account is somewhat muddled, but it is driven by the conviction that price is determined in exchange that is made freely, and it reflects what free agreement to exchange reveals about value and utility. As Bastiat is not consistent in developing his account, we have more cleaning up to do to arrive at his full response to Marx's challenge.[41]

Exchange

For Bastiat, exchange is the beating heart not only of political economy, but of human social life generally.[42] Something quite important happens in exchange, in Bastiat's view, and it is not salient in marginalism or subjectivism about value or prices. Although what Bastiat sees is not, strictly speaking, a manifestation of the subjective theory of value (let alone marginalism), it is congruent with it, and moreover helps to explicate an important component of that account.

Bastiat thinks exchange is always an exchange of *services*.[43] Let us take an example of services in barter (though nothing important changes with money as a mediator). I want my car washed, and you want your house painted. I offer to paint your house if you wash my car six times. My motivation, in Bastiat's view (as in all cases) is that I can get my clean car (my satisfaction) with less onerous utility expended by inducing *you* to do it than by doing it myself. Of course, I have to paint your house in return. *You* think you can get your satisfaction (your house painted) with less onerous utility expended by washing my car six times. Each of us seeks to economize on our effort expenditures, and that is the engine that motivates exchange.[44] If either of us thought otherwise, the deal would make no sense. If we stick to our deal, both of us get our satisfactions with less onerous utility (or less onerous *effort*, as Bastiat frequently puts it) than if we worked to

[41] One more term may seem to be missing from this glossary, and it will be important below: *production*. Bastiat, *Economic Harmonies*, 457, defines this as "that which bestows utility (on something)." Complications that ensue from his failure to be explicit about what *kind(s)* of utility will be considered below.

[42] Bastiat, *Economic Harmonies*, 130, 194.

[43] Bastiat, *Economic Harmonies*, 282, 505, 592. Jean-Claude Delaunay and Jean Gadrey, *Services in Economic Thought* (Kluwer, 1992), 63–65, indicate that this theme of Bastiat's was picked up and internalized in later French economists, Clement Colson and Leon Walras in particular.

[44] Bastiat usually makes this point as a matter of descriptive fact; see, e.g., Bastiat, *Economic Harmonies*, 278, 312. That descriptive fact is not one that would be challenged by Marx. Nonetheless, there is something like a normative point to be made here, too, as it comes close to being a requirement of *efficiency*, and if efficiency is a requirement of practical rationality (as it would seem to be), then there is also a rational requirement that we husband our efforts as best we can. This is true even if, as an anonymous referee observes, some people "simply seem psychologically inclined to continuously make their own lives harder for themselves." If people do this comprehensively enough, we treat them as incompetent and deprive them of the opportunity to do so. What is far more common is our *selectively* making our lives more difficult. I put far more effort into trying to grow blackberries myself than the equivalent of buying them in a grocery store. In that way I made my own life more difficult. But when I did so, I used gardening tools to do the work rather than making them myself or blindfolding myself while cultivating them. I reduced effort in some areas to more precisely aim at the dimension of my life I wanted to make more demanding.

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obtain our own satisfactions. Both of us constantly seeking to reduce the effort we expend to get the goods we seek—that is, to reduce the ratio of OU to GU in those goods—compels us to exchange in the first place.

The net effect of our exchange, then, is that *we get our satisfactions with less onerous utility*. This is true whether we exchange services in the proper sense (as in the car-washing and house-painting cases) or in Bastiat's more oblique sense—perhaps by building a shed, composing a piece of music, or exchanging some small part of our services for a monetary medium, and then using that medium to exchange for other services. It holds true for *all* cases of exchange.[45] What exchange does, fundamentally, is get more satisfactions for the same expenditure of effort and provision of services, or the same for less, by reducing the ratio of onerous utility to the gratuitous utility realized.[46] Effectively, the *price* of the satisfactions we seek (the utility we gain) goes down while the satisfactions stay constant.

This is true of any exchange, with the crucial proviso Bastiat registers, which is that we be *free* in making it.[47] Why this proviso? Because an *unfree*—coerced or forced—exchange need not satisfy any of these conditions. The dynamic at work in free exchange is the realization of subjectively assessed and subjectively valued satisfactions, given the strong disposition we share to avoid expending effort where we can, and the crucial pressure from competition in pushing the benefits of these satisfactions to buyers and consumers.

It is worthwhile observing here the sharpness of Bastiat's disagreement with Marx. Marx's critiques of "bourgeois conditions of production" target *precisely* "free trade, free selling and buying."[48] And it is *precisely* that freedom that Bastiat maintains is necessary for the mechanism that explains and realizes economic harmony. They are not talking past one another.

The cumulative effect of all these exchanges and all the reductions in onerous services provided is a massive but tacit increase in well-being or welfare. This is hardly a conclusion unique to Bastiat. The later marginalist revolution reaches a similar conclusion: people's subjective valuations of objects of exchange differ, and they exchange *because* their subjective valuation of what they have after exchange is higher than their valuation of what they had before it.[49]

However, Bastiat's emphasis on services reflects a detail about attitudes that, while not part of the subjective theory itself, would seem to be at its core. Marginalists maintain that prices are in some way a product of the subjective

[45] At least, in expectation. The world can sometimes surprise us, but if all it did was surprise us, we would be in such abject poverty (if we survived at all) that we could not have this debate.

[46] Bastiat, *Economic Harmonies*, 155.

[47] Bastiat, *Economic Harmonies*, 49, 51, 281, 532, 583. Cf. Ginny Seung Choi and Virgil Henry Storr, "Human Capital, Human Flourishing, and the Moral Desirability of Market Arrangements," elsewhere in this volume.

[48] Marx, *Communist Manifesto*, 171.

[49] Bastiat does not escape the hoary mistake of supposing that just exchange requires exchange of *equals*, a pernicious mistake at least as old as Aristotle. For discussion, see Mark LeBar, *Just People* (Oxford University Press, 2025), sec. 2.3; James Child, "Profit: The Concept and Its Moral Features," *Social Philosophy & Policy* 15, no. 2 (1998): 243–82. Not until marginalism does this become exposed for the error it is. For Menger's trenchant argument against it, see Menger, *Principles of Economics*, 192.

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attitudes of those participating in exchange, but neither subjectivism nor marginalism per se are committed to anything about the nature or substance of such attitudes. What Bastiat does is provide some psychological or motivational meat on the bones of subjectivism. Our pre- and post-exchange preferences have the content they do because, as Bastiat sees it, the parties to the exchange are getting their satisfactions with a progressively better and better ratio of onerous services rendered to gratuitous utility realized. In the meantime, the onerous services rendered steadily *decrease* along with the *increase* in utility. More clearly, the opportunity costs of our satisfactions steadily decrease. This is the cornerstone of Bastiat's argument that free market societies are good for all and sustain a harmony of interests. To the details of that view we now turn.

Economic harmony

Having set the stage, we are now prepared to understand Bastiat's response to the Marxian exploitation challenge: in a free market economy, the interests of all are in harmony, as opposed to being in conflict by class.

One place to begin is with Bastiat's simple claim that social life changes the relation between our needs and our capacities to meet them: "In (a state of) isolation, our needs surpass our capacities. In a social state, our capacities surpass our needs."[50] We could construe that as an anodyne restatement of Adam Smith's thesis that the division of labor is responsible for the creation of wealth.[51] But I think Bastiat has the idea (impossible on monadic accounts of value) that *exchange* is at least as important as the division of labor as an engine in the creative task of wealth augmentation. The mechanism by which it does so is what is interesting about his theory.

To reconstruct his thought, let's return to his account of utility as the provision of satisfaction of wants and needs, taking in hand the distinction between GU and OU. If you want electrical current to run from one place to another, the utility of copper in carrying electrons is provided to you free by nature, but the task of getting copper into the right shape, configuration, place, and so on for it to do so requires effort. So the utility you get from the wiring is a combination of GU and OU, and this is true of most goods we enjoy.

The psychological and motivational pressure to reduce effort is relentless. Breakthroughs in making such reductions so as to improve the onerous-gratuitous utility ratio will inevitably attract attention as well as induce imitation and, crucially, competition. If the cost reductions are not reflected in reduced prices to consumers, that greater-than-expected profitability creates investment opportunities for new entrants to the market, attracting new capital

[50] Bastiat, *Economic Harmonies*, 132–33.

[51] Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776; repr., Liberty Fund, 1981), I.1. Smith does not have in mind the idea of wealth augmentation through exchange that becomes theoretically tractable only with a subjective theory of value. That is, Smith recognizes the significance of exchange for the wealth-creating aspect of the division of labor (*Wealth of Nations*, I.2), but not for the increase via subjective valuations.

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to compete on price, typically resulting in reduced prices or their equivalent.[52] Thus, competition is a significant part of the story of relentless downward pressure on prices. Or, conversely, of the story of relentless rising of satisfactions and total utility, given a constant amount of effort and onerous utility—that is, the increasing productivity of labor.[53]

This is the key to Bastiat's claim of harmony. The interests of *both* capital and labor are served by the decreasing ratio of onerous to total utility, insofar as that decreasing ratio makes labor more productive and presses down on prices paid by consumers. On the whole, this is a win-win game. Bastiat explicitly addresses this point to the exploitation argument that struggle between capital and labor is endemic:

> Capitalists and workers, you should therefore stop looking at each other with suspicion and envy. … Acknowledge that you have common and identical interests, whatever anyone says, and that these interests are combined and together tend to move toward the achievement of the general good, … and that the most ingenious as well as just (method of) distribution (of this) is taking place among you (now) by (means of) the wisdom of providential laws, in the system of *free and voluntary transactions*.[54]

This "rising tides lift all boats" story is nice enough, as far as it goes, but one might justifiably complain that Marx never doubts the productive power of free market economies.[55] Suppose we accept Bastiat's claim here. Free exchange brings copious amounts of satisfactions into the world at lower cost, or even more satisfactions at increasing cost. What that account does *not* do is show us *to whom those benefits flow*. Marx's objection is that the benefits of those massive productive capacities flow almost exclusively to the capitalists, and little or none to workers.

Effectively, we confront the question John Rawls raises to frame his theory of justice. Rawls highlights just the kind of worry one might raise here:

> [A]lthough a society is a cooperative venture for mutual advantage, it is typically marked by a *conflict as well as by an identity of interests*. There is an identity of interests since social cooperation makes possible a better life for all than any would have if each were to live solely by his own efforts. There is a conflict of interests since persons are not indifferent as to how the

[52] That is, it might instead result in greater quantities for a given price, higher quality of goods, or some similar trade-off of benefits to consumers.

[53] Bastiat, *Economic Harmonies*, 155, 258.

[54] Bastiat, *Economic Harmonies*, 299, emphasis added.

[55] Marx, *Communist Manifesto*, 162. And indeed, as Ross Emmett pointed out in conversation, Marx's overall strategy takes on this same order: *first* increase material production (under capitalism), *then* fix the distributive problems endemic (Marx thinks) to capitalism.

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> greater benefits produced by their collaboration are distributed, for in order to pursue their ends they each prefer a larger to a lesser share.[56]

Rawls's thought that there is a conflict amid identity of interests is directly on point. The *distribution* of the gross increases in satisfactions would seem to be a zero-sum conflict itself, and Marx makes no bones about who wins that conflict under capitalism. Unless this distributional point is addressed, the fundamental conflict between capital and labor that Marx believes makes class struggle endemic to free market societies remains intact. What is Bastiat's response to this important distributive element in the Marxian exploitation objection?

Bastiat's harmonization

Although Bastiat does not address Marx directly, he has a clear grip on this distributive concern. His response is a fourfold claim—an "unshakeable" axiom—he repeats multiple times in *Economic Harmonies*:

> As capital is accumulated, the *absolute* share of capital in total production increases and its *proportional* share decreases; labor sees its *relative* share increase and, even more strongly, its *absolute* share.[57]

To understand his response to Marx, we must grasp his argument(s) for the several elements of this harmony.

We need to start with *production*, which Bastiat defines as "that which bestows utility (on something)."[58] But since GU is not bestowed (it is the free gift of nature), he must mean here OU (brought into being by *service*). So *total production* could mean the OU produced by services in a given period. But that cannot be quite right, as Bastiat's very *point* is to emphasize what the process does to increase total utility by increasing GU. Thus, what he must mean is the *total* utility—OU and GU combined—produced or realized in a given period by services.

If that is so, then we are interested in the arguments for four individual claims, each about a different quantity:

1. AC (absolute share to capital) = Total utility produced accrued to capital (a sum)
2. RC (relative share to capital) = Total utility produced accrued to capital relative to total utility produced (a ratio)
3. AL (absolute share to labor) = Total utility produced accrued to labor (a sum)
4. RL (relative share to labor) = Total utility produced accrued to labor relative to total utility produced (a ratio)

[56] John Rawls, *A Theory of Justice* (Harvard University Press, 1971), 4, emphasis added.
[57] Bastiat, *Economic Harmonies*, 52, 296, 492.
[58] Bastiat, *Economic Harmonies*, 457.

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Bastiat's claim is that RC *decreases* with an increase in total utility, while the other three rise. If he is right, this is an effective response to the Marxian distributive worries. Let's examine these claims in order.

Bastiat's argument for the first is, as I read him, simple. AC must go up with capital accumulation, else those holding capital will withdraw capital from use in production.[59]

The second argument, for the *decrease* of RC with capital accumulation, is much more interesting and, for our purposes, crucial. What is Bastiat's case?

One element is on the basis of *interest*. The "great, admirable, reassuring, essential and *inflexible* law of capital," he says, is that interest rates decrease as capital becomes increasingly abundant.[60] So, since he agrees with his opponents that interest rates generally decline,[61] and are fated to do so, that must mean the *relative* return to capital is decreasing.

However, even if that much is right, it does not secure his conclusion. Interest is *one part* of total utility produced that is accrued to capital, but it is not the only part. Profits, including entrepreneurial profits, are another part. That might, for all the (assumed) truth of the point about interest is concerned, include *increases* in profits due to suppressing wages, in precisely the form Marx is concerned about. And the increase in profits might, for all we know, outweigh—perhaps vastly outweigh—the decrease in interest income.

I believe Bastiat's response to this more developed worry comes from his account of the effect of competition among holders of capital, and in particular of the long-term effects of competition on entrepreneurial (and other) profits. What these profits represent, in Bastiat's view, is a discovery of how to yield more satisfactions with fewer services: his standard account of exchange and the improvement in the ratio of OU to GU. The very point of capital, Bastiat holds, is to "ensure the contribution of the *gratuitous* forces of nature" as part of social progress generally.[62] When entrepreneurial or other "excessive" profits occur (as they often do), they signal an opportunity for precisely this kind of improvement in the ratio of OU to GU, and competition—the "mainspring (of action)," in Bastiat's view[63]—among holders of capital exerts pressure to eradicate the advantages in exchange that the new discovery, technology, management technique, or what have you, has revealed and made possible. Holders of capital are *always* drawn by these profit opportunities, Bastiat believes.[64] Assuming that all parties are free to exchange on the terms they choose, the irresistible process of the pressure of competition on prices will press more and more of the benefit into the reduction of services (OU) required to yield a given amount of GU. That is, it will yield the same satisfactions at lower cost, or more satisfactions at the same cost. As Bastiat puts it, the advantages that make those profits possible "slip

[59] Bastiat, *Economic Harmonies*, 298.
[60] Bastiat, *Economic Harmonies*, 297.
[61] Hart suggests that Bastiat has Proudhon in mind with this claim.
[62] Bastiat, *Economic Harmonies*, 291, 316.
[63] Bastiat, *Economic Harmonies*, 409.
[64] Bastiat, *Economic Harmonies*, 413.

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through the hands of the producers" and into the hands of the consumer,[65] so that the latter benefit from "reduction of the price."[66]

At the same time, holders of capital (both those with and without these profits) effectively have their investments depreciated, as the calculations they had made for producing at a profit are rendered obsolete by competition. It is the lot of capital that the services it represents are constantly depreciated in this way: past services are always undercut by present services.[67]

The portion of the total utility produced that accrues to capital thus struggles to be more than what interest can be earned. Whether interest rates over the long term rise or fall is, of course, an empirical question, and for us (at least as much so as for Bastiat) an enormously complex one. The "disturbances" that he worries can undermine the work of the harmonious laws of nature are visited on interest rates with a vengeance, and if they can be extracted from the picture at all, doing so is beyond what can be done here. But Bastiat takes this question to be a settled matter,[68] and perhaps he is entitled to do so as an ad hominem move against his French socialist critics who maintain that interest naturally tends to zero. Without a clear answer to the concern about disturbances in interest rates, there is a pro tanto basis for this claim about RC.

The argument for AL (absolute increase in labor's share of total utility produced) comes, I think, from Bastiat's view of the dynamics of exchange. Laborers are, of course, also consumers, and for Bastiat being a consumer is the *point* of being a laborer.[69] Recall that that basic dynamic is that each party to the exchange recognizes that they can realize a satisfaction more economically —with less expenditure of onerous effort—via exchange than by undertaking to procure that satisfaction by their own efforts. Competition among potential exchange partners tends, as above, to progressively squeeze out the amount of onerous effort needed to produce a given satisfaction, resulting in a steady improvement in access to the GU of the providence of nature, with a given amount, or a reduction in, the OU involved.[70] If so, Bastiat has a ready account for an expectation that total utility available to labor, and to consumers more generally, should continue to rise. There is substantial empirical evidence that such a rise has occurred during the past century and a half.[71]

[65] Bastiat, *Economic Harmonies*, 471.

[66] Bastiat, *Economic Harmonies*, 295.

[67] Bastiat, *Economic Harmonies*, 289, 493. He sometimes frames this point in terms of labor, but that is by his own lights putting things badly.

[68] Bastiat, *Economic Harmonies*, 279.

[69] Bastiat, *Economic Harmonies*, 422.

[70] This, we might say, is Bastiat's gesture toward the nature and work of *human capital*.

[71] Without at the same time showing that it is Bastiat's mechanism that is responsible, of course. For examples of arguments to this effect, see Steven Horwitz, "Inequality, Mobility, and Being Poor in America," *Social Philosophy & Policy* 31, no. 2 (2015): 70–91; Deirdre McCloskey, *Bourgeois Equality* (University of Chicago Press, 2016), chap. 3; Marian L. Tupy and Gale L. Pooley, *Superabundance* (Cato Institute, 2022); Joe Hasell and Max Roser, "How Do We Know the History of Extreme Poverty?" Our World in Data, February 5, 2019, https://ourworldindata.org/extreme-history-methods; Choi and Storr, "Human Capital, Human Flourishing, and the Moral Desirability of Market Arrangements." For graphic data, see "World Population Living in Extreme Poverty 1820–2015," Our World in Data, https://ourworldindata.org/grapher/world-population-in-extreme-poverty-absolute?country=~OWID_WRL.

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The fourth claim is the counterpart to the second. A brief way to argue for it would be to observe that total utility produced accrues to either capital and/or labor. If it is rising, and the share going to capital is falling (RC), then the share going to labor must be increasing. Perhaps that argument is sufficient. Does Bastiat offer anything more?

He does provide something like a model rather than an argument for this claim. The idea is to compare the relative advantages, to rich and poor, of the decrease in the ratio of OU to GU. Bastiat offers this model in considering a hypothetical improvement in transport.[72] Suppose one wants to transport a hundredweight (of some good) from Paris to Bayonne. Without the benefit of improvements in transport, Bastiat hypothesizes that it would require 300 days of unskilled labor to single-handedly move the good. Over a period of centuries, people have figured out how to greatly reduce the onerous effort required, by training animals; tunneling through mountains; bridging valleys and rivers; inventing sleds, wheels, and carts; and so on. The effect is that the same feat can now be accomplished with just two days of unskilled labor.

Bastiat invites us, then, to consider what this decrease in the ratio of OU to GU (call this The Ratio) means for a poor man (an unskilled day laborer) and a rich man (Paris lawyer). Suppose our day laborer works 350 days a year, for two francs per day,[73] for an annual income of 700 francs. Meanwhile, our rich lawyer makes 30,000 francs a year, or the equivalent of 15,000 days of pay for unskilled labor.

Let's consider what the benefits are for these two from the decrease in The Ratio. Simple arithmetic shows us that the *relative* benefit is massive for the day laborer and much smaller for the lawyer. Both the day laborer and the lawyer save 596 of the 600 francs it used to cost to do the shipping, given the decrease in The Ratio. This is a savings of 85 percent (596/700), as a proportion of annual income, for the day laborer. But that same reduction is of much smaller comparative effect for the lawyer: he saves only about 2 percent (596/30,000) of his annual income. As Bastiat puts the point, improvement to The Ratio "benefits each person in proportion to his previous level of poverty."[74]

Of course, it might well be that the rich man has occasion for the transport, while the poor man has none. In that case, the benefits would indeed flow entirely to the lawyer.[75] However, recall that this isn't an *argument* from transport, but a *model* for how the gradual improvement in The Ratio provides benefits that increase the share of total utility production to the poor (or labor). While it might not apply to transporting a hundredweight from Paris to Bayonne, if it is apt for what occurs with improvements to The Ratio, then it applies to wherever that Ratio improves, which is to say, everywhere exchange occurs. In particular, it occurs with the production of commodities, which is where Marx's original exploitation argument is grounded. While the poor man may not benefit from improvements in (this aspect of) transport, he certainly will in food,

[72] Bastiat, *Economic Harmonies*, 321.

[73] Bastiat specifies the wage for unskilled labor, but the annual income is an interpolation on my part.

[74] Bastiat, *Economic Harmonies*, 427, 432.

[75] I owe this point to Adam Martin.

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housing, other forms of transport, and so on that are of central importance to his material well-being.[76]

The model is fairly plausible, but does it get us to Bastiat's fourth claim? Technically, it does not. Recall that what we are after is support for the claim that increases in production, which here we assume correlate with ever-increasing improvements in The Ratio over time, flow in a relatively increasing way to labor as opposed to capital. And RL—this fourth claim—would not follow, even if the incremental benefit is massively greater for the poor laborer than for the rich lawyer. The benefits to capital could still be larger than the benefits to labor *if* there are enough holders of capital to outweigh the benefits to labor. But that possibility is a nonstarter, in reality, for Bastiat, and certainly for Marx. The numbers are in the proletariat, not the bourgeoisie.[77] Especially if we consider the scope of the application of the model (as above), the case for offsetting the marginal benefit to the poor by sheer numbers of the rich falls apart. Given the unlikelihood of this possibility, we can set it aside, grant that there is some looseness in the fit, and still recognize that the model serves to indicate why Bastiat can be confident in the truth of the fourth claim.

Overall, then, Bastiat does seem to have a case for rejecting even this distribution-based element of the Marxian exploitation challenge. However, he registers a caveat. There are those, he says, whose conditions are so dire that they *must* sell their labor today in order to survive to do the same tomorrow. This he sees as a grievous social problem, which he refers to as "pauperism."[78] And he suggests that resistance to his account would be much less if he had a straightforward answer to the problem. However, he says that he cannot address it in a single chapter, but that the solution "emerges from the book as a whole." We can perhaps share Bastiat's disappointment that a compact solution is not in the offing. His thought seems to be, however, that if people accept the harmonious natural laws he defends, the large-scale, overall improvement over time in the conditions in which people live is the best path to ameliorating pauperism.

Conclusion

Do history and the way economic facts on the ground have played out in the past century and a half support Bastiat's conceptual response to the Marxian exploitation argument? It is difficult to say. Certainly, we have seen great increases in wealth, as both AC and AL have increased in the modern world. Whether RL has increased while RC decreased is more difficult to determine.

Bastiat's response is grounded in the idea that human economic progress consists in reducing the ratio of OU required to take advantage of GU. It is not

[76] Bastiat, *Economic Harmonies*, 319–20, offers an example of precisely the same point made with the production of wheat.

[77] Moreover, if we imagine the numbers running the other way, then the objector would need to take account of the resulting competition among capital holders in an even more significant way. I thank Dan Russell for this point.

[78] Bastiat, *Economic Harmonies*, 424–25.

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clear that we have seen full empirical confirmation of Bastiat's prediction.[79] This is where analytical exposition ends and explanation assessment begins.

As we have seen, Bastiat holds that "disturbing factors" can prevent these laws predicting harmony from working as they naturally would. Given such factors, if we do not see his account playing out as he suggests, it may be due to these disturbances. It is difficult to assess how satisfying such disturbances might be as explanations of facts that challenge Bastiat's view. After all, we have these in abundance now, as in Bastiat's day. We will likely always have them with us. What counts as "natural" and what counts as "disturbance" can be difficult to discern. I cannot settle this matter, here or elsewhere.

It is worthwhile to observe, however, that none of Marx's arguments for the inevitability of class struggles depends on the fixity or absence of these sorts of "disturbances." His argument begins in what he takes to be the political-economic fact that value is an inherent property of goods in exchange, a product of the labor invested in producing it. And although the capitalist has not contributed to this value, he reaps a part of it in exchange, and in so doing pits his interests against the interests of his workers in realizing the full value of his labor. That is an essentialist sort of story, and arguably Bastiat has undermined it in a way that only partly anticipates the arguments of the later (subjectivist) marginalists. What is distinctive about Bastiat's approach, even without these later insights, is his understanding of the social processes of production as well as the interactive effects of OU and GU in producing satisfactions of our needs and desires. For those he deserves recognition.

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[79] The sources in note 72 provide some empirical support for the enormous gains to consumers, during the past centuries, without fully demonstrating that the causal connection is as Bastiat understands it, nor that the "disturbances" are not themselves endogenous to the freedom he cites as crucial. But there is no doubt that the "pauperism" that so distressed both Bastiat and Marx has been massively reduced since the mid-nineteenth century.

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