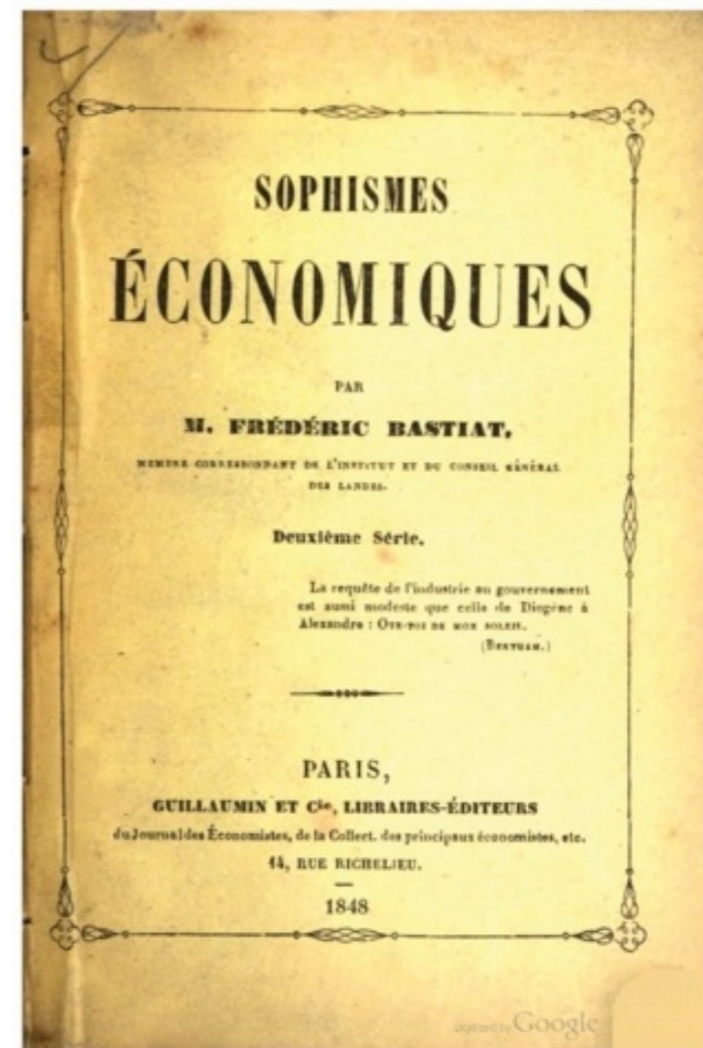# "On Ricochets, Hidden Channels, and Negative Multipliers: Bastiat on Calculating the Economic Costs of 'The Unseen'."
David M. Hart

Frédéric Bastiat (1801-1850)

The Collected Works of Frédéric Bastiat, 6 vols. (Liberty Fund, 2011-)

FRÉDÉRIC BASTIAT

THE MAN AND THE STATESMAN

The Correspondence and Articles on Politics

THE COLLECTED WORKS OF FRÉDÉRIC BASTIAT

Jacques de Guenin, *General Editor*

- Vol. 1: ***The Man and the Statesman. The Correspondence and Articles on Politics***
- Vol. 2: ***"The Law," "The State," and Other Political Writings, 1843-1850***
- Vol. 3: *Economic Sophisms and "What is Seen and What is Not Seen"*
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General Editor - Jacques de Guenin
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Structure of the Paper

CE QU'ON VOIT

ET

CE QU'ON NE VOIT PAS

OU

L'ÉCONOMIE POLITIQUE EN UNE LEÇON

PAR

F. BASTIAT

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CINQUIÈME ÉDITION

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PARIS

LIBRAIRIE GUILLAUMIN ET Cⁱᵉ

RUE RICHELIEU, 14

1. The Problem of Calculating the Economic Costs of the Unseen: the "Double Incidence of Loss"

- Seeing the Problem of "the Seen" and "the Unseen"

- Bastiat's First Formulation in 1847: "the Double Incidence of Loss"

- The "Triple Incidence of Loss"

2. The Sophism Bastiat never wrote: the Sophism of the Ricochet Effect

- Preparatory Work and Regrets

- The Intellectual Origins of "The Ricochet Effect"

- Bastiat's Use of the Term Ricochet

- The Distinction between "Positive Ricochet Effects" (PRE) and "Negative Ricochet Effects" (NRE)

3. Appendices

- Appendix 1: Sophisms on the Double Incidence of Loss

- Appendix 2: Chronological List of Bastiat's use of the Term "Ricochet"

- Appendix 3: Fourier's Le Nouveau monde industriel (1829)

- Appendix 4: Perronet Thompson and the "Double Incidence of Loss" (1834)

The Problem of Calculating the Economic Costs of the Unseen: the "Double Incidence of Loss"

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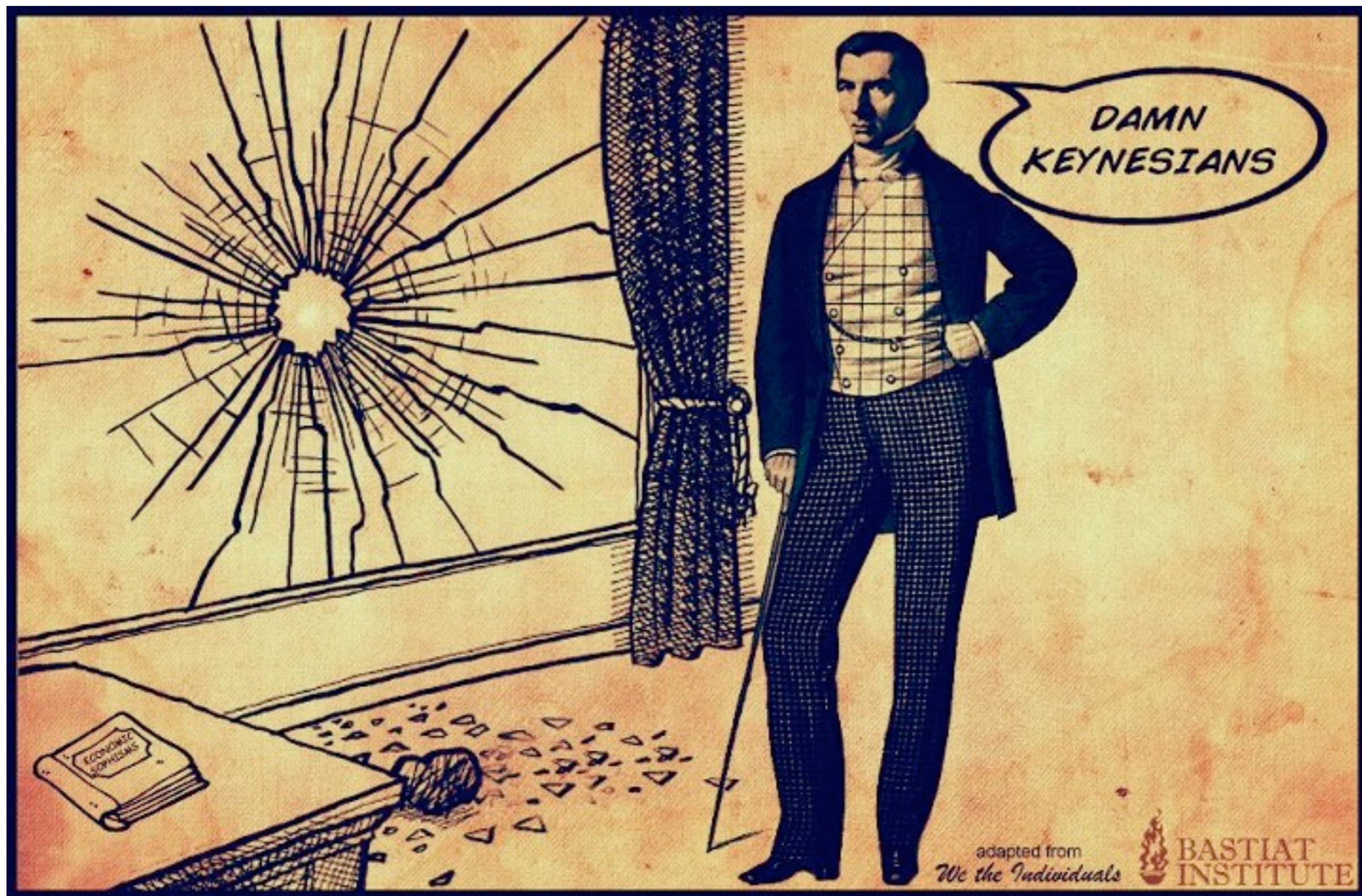
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Seeing the Problem of "the Seen" and "the Unseen"

- "La vitre casée" (The Broken Window) in *Ce qu'on voit et ce qu'on ne voit pas, ou l'Économie politique en une leçon* (What is Seen and What is Not Seen, or Political Economy in One Lesson) (1850)

- The Great Fire of London 1666

The Problem of Calculating the Economic Costs of the Unseen: the "Double Incidence of Loss"

CE QU'ON VOIT

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RUE RICHELIEU, 14

Bastiat's First Formulation in 1847: "the Double Incidence of Loss"

- Col. Thomas Perronet Thompson (1783-1869)

- "A Running Commentary on Anti-Commercial Fallacies", the Spectator (1834)

- *Contre-Enquête. Par l'Homme aux Quarante Ecus.* (Counter-Inquiry. By the Man with the Forty Crowns a Year) (1834)

- (9 May 1847) - ES3 IV. "Un profit contre deux pertes" (One Profit versus Two Losses)

- (30 May 1847) - ES3 VII. "Deux pertes contre un profit" (Two Losses versus One Profit)

- François Arago (1786-1853)

- The "Triple Incidence of Loss"

The Sophism Bastiat never wrote: the "Sophism of the Ricochet Effect"

Frédéric Bastiat (1801-1850)

Word Usage by FB

- Mistranslations in FEE editions - "indirect"

- 24 instances of use of "ricochet" in FB's writings

- regret he never wrote a "sophism of the ricochet effect" (Jan. 1848) in speech in Salle Montesquieu, Paris

The Sophism Bastiat never wrote: the "Sophism of the Ricochet Effect"

Frédéric Bastiat (1801-1850)

The Intellectual Origins of "The Ricochet Effect"

- vertical sense

- artillery expression

- Charles Fourier, *Le Nouveau monde industriel* (1829) - "ricochet's of disdain" between classes

- Proudhon, *Qu'est-ce que la propriété* (What is Property) (1840) - "ricochets of plunder" up and down the social ladder

- Louis Reybaud, *Jérôme Paturot à la recherche d'une position sociale* (Jérôme Paturot in Search of a Social Position) 1846) - power and influence "ricocheting" around the "ruche bureaucratique" (bureaucratic hive)

The Sophism Bastiat never wrote: the "Sophism of the Ricochet Effect"

Frédéric Bastiat (1801-1850)

Bastiat's Use of the Term "Ricochet"

- horizontal (not vertical) sense

- Possible translation: ripples, trickle down, flow on, knock on, cascading, "rejaillir" (splashing), bouncing, indirect, repercussions, reverberations, concatenation

- hydraulic metaphors, lines of force (electricity)

- stones and pebbles thrown into water, causing concentric circles of ripples to fan outwards
- objects bouncing or rebounding of each other or walls
- water splashing back, or blowing back in one's face
- water flowing over objects - "glisser" (to slide or slip over something)
- communication flows through "canaux secrets" (hidden channels) or "parallèles infinies" (infinite trajectories)
- consumers are like reservoirs of water or electricity

The Sophism Bastiat never wrote: the "Sophism of the Ricochet Effect"

Frédéric Bastiat (1801-1850)

Insights stemming from his Analysis of the Ricochet Effect

- the attempt to mathematically quantify the harm caused by government intervention in the economy

- the development of an early version of the "multiplier effect" - "negative multiplier effect" ["divider effect" or a "multiplier of harms"] vs. "positive multiplier effect" by reducing costs for everyone.

- the interconnectedness of economic activity where an action has "ripple" or "flow on" effects

- that there are unintended consequences of economic action which can be either positive or negative ("the unseen")

- that economic information is transmitted to other participants in the economy by various methods (hydraulic or electrical analogies)

Appendices

- Appendix 1: Sophisms on the Double Incidence of Loss

- Appendix 2: Chronological List of Bastiat's use of the Term "Ricochet" and related Expressions

- Appendix 3: Fuller Quotation on "ricochets" from Fourier's Le Nouveau monde industriel (1829)

- Appendix 4: Perronet Thompson and the "Double Incidence of Loss" (1834) - "Contre-Enquête" (1834) & "Letters of a representative to his constituents" ()

Frédéric Bastiat (1801-1850)