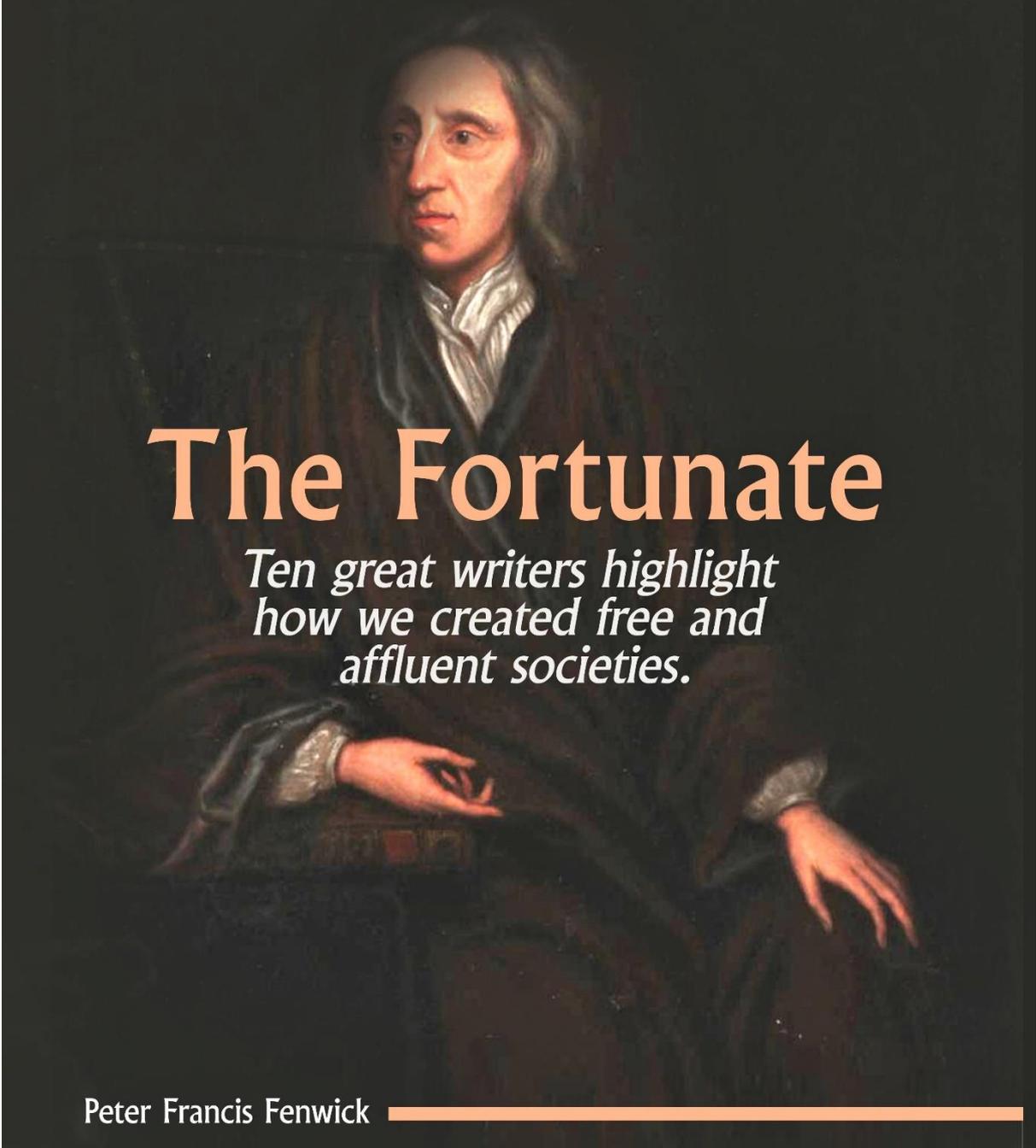


THE LOCKEAN REVOLUTION

A portrait of John Locke, an English philosopher, is the central focus of the cover. He is depicted from the chest up, wearing a dark, heavy coat over a white shirt with a ruffled collar. He has long, dark hair and is looking slightly to the left of the viewer. The background is dark and indistinct.

# The Fortunate

*Ten great writers highlight  
how we created free and  
affluent societies.*

Peter Francis Fenwick

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# 1. Free trade makes everyone more prosperous

For centuries, most people lived precarious lives of self-sufficient subsistence, producing their own food, clothes and shelter, entertaining themselves and never moving far from home. Only an elite few thrived. As seventeenth-century philosopher Thomas Hobbes put it, for the rest, life was ‘solitary, nasty, brutish and short’.<sup>1</sup> In poor seasons, they starved to death.

In the late eighteenth century, the Scottish economist and philosopher Adam Smith observed that work can be done more efficiently if each task is done by a specialist rather than one person undertaking the whole job. This concept became known as *the division of labour*. It acknowledges that specialisation produces benefits from:

- the improved dexterity that comes from practice and repetition;
- time saved when you do not have to swap between tasks; and
- the opportunity to invent machinery to undertake repetitive tasks.

Being willing to trade with strangers is a peculiarly human trait. It enables us to put Smith's theories into practice. It enables us to specialize, to become better and better at what we do. It enables us to exchange our products, services and ideas with other people. The more we trade the more opportunities we create. The more we trade the more prosperous we become.

As we become more prosperous, we create a surplus beyond what we need to survive. We save and invest that surplus, and the capital created from that saving can be used to improve the productivity of labour. The process is exponential. Subsequent generations inherit from the accumulated output and ideas of those who have gone before.

We flourish in urban settings, where we increase our opportunities to interact, create networks and exchanges with our fellow humans. In addition to all its other benefits, the internet increases the effect of urbanisation. It facilitates the exchange of products, services and ideas between hundreds of thousands of collaborators all over the world. We no longer must live in the same city or meet intermittently at conferences and exhibitions to enable us to trade or communicate. We can be in touch any time, and all the time.

And now something that is not at all obvious – nineteenth century British economist David Ricardo's theory of comparative advantage. Ricardo's brilliant insight is that exchange can work positively in both parties' favour even if one party is better at making both objects! Let's assume I have an employee who is a brilliant computer programmer, much better than I am. She also makes a better cup of coffee. Ricardo advised that it is better if she writes the programs – the higher-valued task - and I make the coffee. Likewise, the surgeon is better to do more surgery and leave the sterilization of her instruments to someone with lesser skills – even if she could do that job three times faster. The principle applies to nations, too. Free trade between nations increases the prosperity of both.

Nonetheless, the concept of free trade is not easy to grasp. Protectionism is always popular with the general public and those with vested interests. They believe that products and services should be created locally in order that jobs can be preserved. They fail to consider that the workers are also customers, and that the products and services that their fellow citizens need are then more expensive and probably of a poorer quality. They see the immediate benefit for the few. They do not foresee the long-term detriment for the rest.

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<sup>1</sup> Hobbes (1651), Ch. XIII

Politicians often take advantage of this ignorance. They interfere in the market to save failing businesses in order to win popular approval and subsequently votes. Their reasoning is that they are saving jobs. In the short term, for the workers affected, that may be true. However, in the long term, the industry will die anyway; the job losses will occur, but later. Young workers are enticed into apprenticeships in industries with no future. Workers aged in their thirties or forties, who could have transferred to some other jobs and industries, may find no such opportunities a decade later.

Propping up industries that will become obsolescent diverts funds from other investment opportunities. Consider, for instance, how much better the funds might be used to increase productivity by improving infrastructure or education; or by reducing taxes, thereby facilitating investment in productive businesses. Capital is best in the hands of entrepreneurs. As the Austrian economist Ludwig von Mises advised: "There is no record of an industrial innovation contrived and put into practice by bureaucrats."<sup>2</sup>

In England, early in the nineteenth century, restrictions were placed on the importation of agricultural products. These benefited the land-owning gentry and disadvantaged the poor. By doing so, the gentry received higher financial yields from their lands while the poor paid more for their food. After a concerted political effort by the Anti-Corn Law League, led by Richard Cobden and John Bright, the Corn Laws were repealed in 1846 and resulted in lasting economic benefits for the nation.

Something similar happened one hundred years later. Regulations prohibited the importation of birds and eggs into England. Local poultry from scrawny fowls was expensive.

At the end of the Second World War, former flying ace, Antony Fisher thought he might go into politics, but Professor Hayek advised him to make some money in business and then start a think tank to change public opinion. So that is what he did.

Fisher observed that Americans were eating cheap poultry from plump chickens. In 1952, flouting the law, he brought 24 fertilised White Rock eggs, disguised as Easter eggs, into the country in his hand luggage. From these, he established England's first battery cage chicken farm, Buxted Chickens, using intensive farming techniques learned from colleagues at Cornell University. The result was a dramatic change in Britain's eating habits. By 1964, Fisher became Europe's biggest chicken farmer, producing 500,000 birds a week.

Using the wealth from his chicken business, he created the Institute of Economic Affairs (IEA) which led to the creation of the Atlas Network. Today the Atlas Network partners with over 500 economic think tanks in nearly 100 countries around the world.

Writing about Fisher recently, Perth entrepreneur and founder of the Mannkal Economic Education Foundation, Ron Manners AO, said:

*Anyone can break some crazy law, clever people can change such a law, however it takes a genius to abolish a crazy law and leave behind a lasting benefit.*<sup>3</sup>

\*

Free trade is the ideal. It makes everyone more prosperous. To counter the ever-present desire for protectionism, countries negotiate free trade agreements (FTAs) with their trading partners. Invariably, these are multi-page documents that set out arrangements in minute detail, taking months to draft, and protecting vested interests as nations seek to negotiate special deals to protect their local markets.

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<sup>2</sup> Ludwig von Mises, *Liberty & Property*. Essay 4.

<sup>3</sup> <https://www.mannwest.com/sir-antony-fisher-from-law-breaker-to-knighthood/>

The term 'free trade agreement' is, in fact, an oxymoron. Free trade agreements define what trade is not free, detailing the tariffs payable on the importation of certain goods and the limits on the quantities of others. They are an imperfect, partial solution.

If trade were really free, there would be no need for a legal agreement.

A new FTA between the United States, Canada and Mexico came into effect on 1 July 2020, replacing the former agreement which President Trump asserted was disadvantaging the United States. On 30 December 2018, Australia joined nine other countries to form a trans-Pacific partnership. This agreement includes Australia, Canada, Japan, Mexico, New Zealand, Singapore, Vietnam, Brunei Darussalam, Chile, Malaysia and Peru. It could have included the United States too, but Trump withdrew from negotiations in January 2017. Following Brexit, the United Kingdom's departure from the European Union, Britain continued busily to negotiate new agreements with its European trading partners and the rest of the world. On 17 December 2021, Dan Tehan, Australia's Minister for Trade Tourism and Investment, announced the first of these, a new FTA with Britain that would eliminate tariffs and quotas on 99 per cent of goods.

Yet, once again, free trade is under threat. First, the coronavirus pandemic has led many to raise questions about the extent to which nations need to be self-sufficient in certain essential items, such as pharmaceutical products. Second, the Ricardian ideal is being challenged by the behaviour of the government of the People's Republic of China, which has dishonoured some commercial agreements in order to apply political pressure. Third, there is always the possibility that war might inhibit trading routes, making some products inaccessible.

Reliable supply from our trading partners is necessary if our modern, complex economies are to function effectively. Trust is essential in business relationships. It may be sensible to limit trade with authoritarian regimes whose motives may be political rather than economic and who, consequently, cannot be trusted.

The question of self-sufficiency is a matter of assessing risk. We can mitigate risk in several ways. We can hold inventories. We can diversify our sources of supply. We can purchase alternatives. We can make our own, or at least have the capability to make our own quickly if needed. All these alternatives come at a cost. There are financial, storage and deterioration costs in holding inventories. We will pay more if we do not purchase from the cheapest supplier. There will be consequences if we use inferior products. Nonetheless, such risks can be assessed, and rational decisions made.

The benefits of free trade are as substantial as ever.

# Frédéric Bastiat (1801–1850)



Frédéric Bastiat was a French writer and politician – the leading economic journalist of his day, possibly of all time, and a member of the national legislative assembly. His profound, compelling and insightful essays from the 1840s are still inspiring economists today.

Bastiat was orphaned before he was ten, and so he was brought up by his grandfather and aunt. From the age of seventeen Bastiat worked for six years in his uncle's trading business in Bayonne, before moving to Mugron, in the southwest of France, when he inherited his grandfather's farm.

Observing the adverse effects that government regulations were having on businesses in his home town, Bastiat founded the Bordeaux Association of Free Trade and the French Free Trade Association. He became close friends with Richard Cobden, who was doing similar work with the English Anti-Corn Law League. They corresponded regularly.

In a productive six-year period from 1844, Bastiat's essays explained and developed the theories of Adam Smith and Jean-Baptiste Say, criticised the ideas of Ricardo and Malthus, and exposed the flaws in popular views about protectionism and socialism.

His followers have formed the [Bastiat Society](#), a global network of businesspeople. They believe that widespread prosperity is possible only when a society is free and committed to defending liberty. Its headquarters are located in the United States, in Great Barrington, Massachusetts, and it is active throughout the world.

In *Harmonies of Political Economy* (1850), Bastiat showed that the interests of humanity are harmonious and can best be realised within a free society; that what is good for the owner of capital is also good for the worker. In contradiction to Ricardo's gloomy predictions that wages would always fall to subsistence levels, Bastiat's optimistic view that real wages tend to rise in a free market economy has been borne out in practice. For example, wage rates have risen significantly in Eastern Europe since the fall of communism. On the other hand, the more that government intervenes, the more wage rates stagnate, as evidenced in many ostensibly liberal democracies in the past twenty years.

Because as humans we tend to satisfy our wants with minimal effort, so we favour and vote for subsidies and protection. The problem is that this is antagonistic to the wants of those who must pay the resulting higher prices and higher taxes. Production decreases and there is less for everybody. As Bastiat wrote "The state is that great fiction by which everybody tries to live at the expense of everybody else".<sup>4</sup>

Bastiat's style in *Sophismes Economiques* (1848) was to kill fallacies with ridicule. As a master of *reductio ad absurdum* (reduction to the absurd), he would exaggerate. For example, to the suggestion that it would be economically advantageous for the proposed railway from Paris to

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<sup>4</sup> Devos (2020), p. 138

Madrid to have a forced break at Bordeaux, thereby creating work for the bargemen, porters, commissionaires, hotelkeepers and warehousemen of that city, Bastiat responded that it should also break at Angouleme, Poitiers, Tours, Orleans – in fact, that it should break at all intermediate points, thus creating work for the citizens of all these towns. The result would of course be a railroad of gaps. A negative railway.

Bastiat began his most famous essay, *That Which is Seen and That Which is Not Seen* with an anecdote about a broken window. When a hoodlum throws a brick through the window of the baker's shop, the window must be repaired, thereby creating work for the glass maker and the glazier. The baker gets a new shop window. A positive, you might think. Just like rebuilding a city after it has been devastated by war or cyclone. But because the baker has to pay for the broken window, he can no longer afford the suit he had planned to purchase. So the cloth maker, the tailor and the baker are all disadvantaged. The baker has a repaired window as before, but does not have the suit. Thus, overall, there are fewer economic goods.

In *That Which is Seen and That Which is Not Seen*, Bastiat defines the basis of good economic policy. He explains the need to consider long-term effects as well as the more immediate, and to consider the effects of policy on the wider community, not just those directly affected. In 1946, Henry Hazlitt built on Bastiat's concepts in *Economics in One Lesson*. This remains one of the clearest expositions of economics ever written. A new edition was published by The Mises Institute in 2020.

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The following, in his open letter to the French parliament – known as the Petition of the Candlemakers – Frédéric Bastiat with delightful wit, demolishes the case for protectionism. Written in 1845, just prior to Cobden's victory with the abolition of the Corn Laws, it is still as fresh, relevant and economically correct as it was when it was penned.

Enjoy Bastiat's little jokes about the sun not shining in England, politicians practising without theory and without principle, and manure being the foundation of all agricultural wealth. But most of all, enjoy the way he uses the arguments of the protectionists to destroy the case for protectionism.

# Petition of the Candlemakers

by Frédéric Bastiat

## A PETITION

From the Manufacturers of Candles, Tapers, Lanterns, sticks, Street Lamps, Snuffers, and Extinguishers, and from Producers of Tallow, Oil, Resin, Alcohol, and Generally of Everything Connected with Lighting.

To the Honourable Members of the Chamber of Deputies.

Gentlemen:

You are on the right track. You reject abstract theories and have little regard for abundance and low prices. You concern yourselves mainly with the fate of the producer. You wish to free him from foreign competition, that is, to reserve the *domestic market* for *domestic industry*.

We come to offer you a wonderful opportunity for your — what shall we call it? Your theory? No, nothing is more deceptive than theory. Your doctrine? Your system? Your principle? But you dislike doctrines, you have a horror of systems, as for principles, you deny that there are any in political economy; therefore we shall call it your practice — your practice without theory and without principle.

We are suffering from the ruinous competition of a rival who apparently works under conditions so far superior to our own for the production of light that he is *flooding* the *domestic market* with it at an incredibly low price; for the moment he appears, our sales cease, all the consumers turn to him, and a branch of French industry whose ramifications are innumerable is all at once reduced to complete stagnation. This rival, which is none other than the sun, is waging war on us so mercilessly we suspect he is being stirred up against us by perfidious Albion<sup>5</sup> (excellent diplomacy nowadays!), particularly because he has for that haughty island a respect that he does not show for us.

We ask you to be so good as to pass a law requiring the closing of all windows, dormers, skylights, inside and outside shutters, curtains, casements, bull's-eyes, deadlights, and blinds — in short, all openings, holes, chinks, and fissures through which the light of the sun is wont to enter houses, to the detriment of the fair industries with which, we are proud to say, we have endowed the country, a country that cannot, without betraying ingratitude, abandon us today to so unequal a combat.

Be good enough, honourable deputies, to take our request seriously, and do not reject it without at least hearing the reasons that we have to advance in its support.

First, if you shut off as much as possible all access to natural light, and thereby create a need for artificial light, what industry in France will not ultimately be encouraged?

If France consumes more tallow, there will have to be more cattle and sheep, and, consequently, we shall see an increase in cleared fields, meat, wool, leather, and especially manure, the basis of

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<sup>5</sup> Bastiat refers to Britain by its archaic name Albion.

all agricultural wealth.

If France consumes more oil, we shall see an expansion in the cultivation of the poppy, the olive, and rapeseed. These rich yet soil-exhausting plants will come at just the right time to enable us to put to profitable use the increased fertility that the breeding of cattle will impart to the land.

Our moors will be covered with resinous trees. Numerous swarms of bees will gather from our mountains the perfumed treasures that today waste their fragrance, like the flowers from which they emanate. Thus, there is not one branch of agriculture that would not undergo a great expansion.

The same holds true of shipping. Thousands of vessels will engage in whaling, and in a short time we shall have a fleet capable of upholding the honour of France and of gratifying the patriotic aspirations of the undersigned petitioners, chandlers, etc.

But what shall we say of the *specialities* of *Parisian manufacture*? Henceforth you will behold gilding, bronze, and crystal in candlesticks, in lamps, in chandeliers, in candelabra sparkling in spacious emporia compared with which those of today are but stalls.

There is no needy resin-collector on the heights of his sand dunes, no poor miner in the depths of his black pit, who will not receive higher wages and enjoy increased prosperity.

It needs but a little reflection, gentlemen, to be convinced that there is perhaps not one Frenchman, from the wealthy stockholder of the Anzin Company to the humblest vendor of matches, whose condition would not be improved by the success of our petition.

We anticipate your objections, gentlemen; but there is not a single one of them that you have not picked up from the musty old books of the advocates of free trade. We defy you to utter a word against us that will not instantly rebound against yourselves and the principle behind all your policy.

Will you tell us that, though we may gain by this protection, France will not gain at all, because the consumer will bear the expense?

We have our answer ready:

You no longer have the right to invoke the interests of the consumer. You have sacrificed him whenever you have found his interests opposed to those of the producer. You have done so in order *to encourage industry and to increase employment*. For the same reason you ought to do so this time too.

Indeed, you yourselves have anticipated this objection. When told that the consumer has a stake in the free entry of iron, coal, sesame, wheat, and textiles, "Yes," you reply, "but the producer has a stake in their exclusion." Very well, surely if consumers have a stake in the admission of natural light, producers have a stake in its interdiction.

"But," you may still say, "the producer and the consumer are one and the same person. If the manufacturer profits by protection, he will make the farmer prosperous. Contrariwise, if agriculture is prosperous, it will open markets for manufactured goods." Very well, If you grant us a monopoly over the production of lighting during the day, first of all we shall buy large amounts of tallow, charcoal, oil, resin, wax, alcohol, silver, iron, bronze, and crystal, to supply our industry; and, moreover, we and our numerous suppliers, having become rich, will consume a great deal and spread prosperity into all areas of domestic industry.

Will you say that the light of the sun is a gratuitous gift of Nature, and that to reject such gifts would be to reject wealth itself under the pretext of encouraging the means of acquiring it?

But if you take this position, you strike a mortal blow at your own policy; remember that up to now you have always excluded foreign goods *because* and *in proportion* as they approximate

gratuitous gifts. You have only *half* as good a reason for complying with the demands of other monopolists as you have for granting our petition, which is in *complete* accord with your established policy; and to reject our demands precisely because they are *better founded* than anyone else's would be tantamount to accepting the equation: + X + = -; in other words, it would be to heap *absurdity* upon *absurdity*.

Labour and Nature collaborate in varying proportions, depending upon the country and the climate, in the production of a commodity. The part that Nature contributes is always free of charge; it is the part contributed by human labour that constitutes value and is paid for.

If an orange from Lisbon sells for half the price of an orange from Paris, it is because the natural heat of the sun, which is, of course, free of charge, does for the former what the latter owes to artificial heating, which necessarily has to be paid for in the market.

Thus, when an orange reaches us from Portugal, one can say that it is given to us half free of charge, or, in other words, at *half price* as compared with those from Paris.

Now, it is precisely on the basis of its being *semigratuitous* (pardon the word) that you maintain it should be barred. You ask: "How can French labour withstand the competition of foreign labour when the former has to do all the work, whereas the latter has to do only half, the sun taking care of the rest?" But if the fact that a product is *half* free of charge leads you to exclude it from competition, how can its being *totally* free of charge induce you to admit it into competition? Either you are not consistent, or you should, after excluding what is half free of charge as harmful to our domestic industry, exclude what is totally gratuitous with all the more reason and with twice the zeal.

To take another example: When a product — coal, iron, wheat, or textiles — comes to us from abroad, and when we can acquire it for less labour than if we produced it ourselves, the difference is a *gratuitous gift* that is conferred up on us. The size of this gift is proportionate to the extent of this difference. It is a quarter, a half, or three-quarters of the value of the product if the foreigner asks of us only three-quarters, one-half, or one-quarter as high a price. It is as complete as it can be when the donor, like the sun in providing us with light, asks nothing from us. The question, and we pose it formally, is whether what you desire for France is the benefit of consumption free of charge or the alleged advantages of onerous production. Make your choice, but be logical; for as long as you ban, as you do, foreign coal, iron, wheat, and textiles, *in proportion* as their price approaches zero, how inconsistent it would be to admit the light of the sun, whose price is *zero* all day long!

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The Petition of the Candlemakers comes from Bastiat's *Sophismes Economiques*, first published in 1845.