

THE BROKEN UNIVERSITY

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It has previously been noted that the task of examining public policy is complicated by the fact that government interventions can often produce not just one visible effect, but a series of hidden effects. According to Frédéric Bastiat (1801–50), of these effects, ‘the first alone is immediate; it appears simultaneously with its cause; *it is seen*. The other effects emerge only subsequently; *they are not seen*; we are fortunate if we *foresee* them’. Bastiat therefore makes an important distinction between a bad economist who only considers *that which is seen*, and the good economist who has the foresight to also take into account *that which is not seen*. To help explain the importance of recognising *that which is not seen*, Bastiat introduces the famous parable of the broken window in which it appears that the economy benefits from a hooligan breaking a baker’s window – because the demand for glass increases.

For Bastiat the critical point was to observe that there are not only two people in this story (the baker and the glazier), but three. If the baker had not spent money on a new window, he would have spent it on (say) a pair of shoes. Unlike the window (which merely replaces something he already had) the shoes are an extra product from which he gains enjoyment. Of course, the shoe maker is better off too. According to Bastiat, ‘It is this third person who is always in the shadow, and who, personifying *what is not seen*, is an essential element of the problem’.

Bastiat’s parable of the ‘broken window’ can now help to provide a fresh perspective on today’s rather stagnant debate on the future of higher education, which is largely confined to introducing minor reforms into *that which is seen* – the existing government monopoly. It takes no account of *that which is not seen* – the private, for-profit and highly competitive higher education market that would now exist if the government had not nationalised higher education in the first place. When politicians proudly announce an increase in spending on higher education, *this is what is seen*. However *it is not seen* that if this money were not being spent in the government monopoly system, it would be spent much more efficiently within the private for-profit and highly competitive higher education sector.

Instead of forcing the majority of people who do not use higher education to help pay for those who do, individual adults could instead be given the responsibility of paying for their higher education

themselves. Just as adults are encouraged to borrow money to buy a house, then why shouldn’t the same apply when adults buy higher education? If the benefits of higher education are so fantastic, not just to the individual but to society as well, then shouldn’t borrowing to pay for higher education be viewed as the best investment an adult can make? When placing *that which is seen* alongside *that which is not seen* in higher education, the case for abolishing all government subsidies to higher education suddenly becomes much more attractive.

Bastiat was of course acutely aware of the criticisms directed towards those who were prepared to denounce government subsidies:

‘When we oppose subsidies, we are charged with opposing the very thing that it was proposed to subsidize and of being the enemies of all kinds of activity, because we want these activities to be voluntary and to seek their proper reward in themselves. Thus, if we ask that the state not intervene, by taxation, in religious matters, we are atheists. If we ask that the state not intervene, by taxation, in education, then we hate enlightenment.’

Bastiat responds in his usual forthright manner and then identifies the critical difference between the two alternatives:

‘I protest with all my power against these inferences. Far from entertaining the absurd thought of abolishing religion, education and the arts . . . we believe, on the contrary, that all these vital forces of society should develop harmoniously under the influence of liberty and that none of them should become, as we see has happened today, a source of trouble, abuses, tyranny, and disorder.

‘Our adversaries believe that an activity that is neither subsidized nor regulated is abolished. We believe the contrary. Their faith is in the legislator, not in mankind. Ours is in mankind, not in the legislator.’

All quotations are from Bastiat’s 1850 essay ‘What is Seen and What is Not Seen’, which can be found online at The Library of Economics and Liberty (<http://www.econlib.org/>).

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