must produce food in order to eat; to provide its clothing, sheep must be raised or fur-bearing animals hunted. The family is both producer and consumer of everything it has.

Despite Bastiat's satire on Robinson Crusoe, it is unthinkable that Crusoe would have hesitated to take the plank washed in by the waves, thus saving himself the labor of hewing one from a log.

Nowadays, with our high degree of specialization, production and consumption may be widely separated. For example, a worker may have a small part in producing the steel which will eventually be used to make a watch spring. But his wages are in money, not in steel or watches. While he may be a consumer of watches through a roundabout exchange process, he may overlook the fact that what he helps to produce determines what he may consume.

The Mercantile System

Adam Smith explained the relation between production and consumption nearly 200 years ago. In his *The Wealth of Nations,* published in the year of the signing of our Declaration of Independence, Smith said:

> "Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer. The maxim is so perfectly self-evident, that it would be absurd to attempt to prove it. But in the mercantile system, the

> interest of the consumer is almost constantly sacrificed to that of the producer; and it seems to consider production, and not consumption, as the ultimate end and object of all industry and commerce."*

In his discussion of tariffs, Bastiat compares trade with a horse race. He begins by quoting the statement of M. le Vicomte de Romanet, a fellow Frenchman:

> "It has been thought that protection in our case should simply represent the difference which exists between the cost price of a commodity which we produce and the cost price of the same commodity produced by our neighbors. . . . A protective duty calculated on this basis would only ensure free competition. . . ; free competition exists only when there is equality in the conditions and in the charges. In the case of a horse-race, we ascertain the weight which each horse has to carry, and so equalise the conditions; without that there could be no fair competition. In the case of trade, if one of the sellers can bring his commodity to market at less cost, he ceases to be a competitor, and becomes a monopolist. . . . Do away with this protection which represents the difference of cost price, and the foreigner invades our markets and acquires a monopoly."

This says, in effect, that competition is not present if any competitor wins by his efficiency. Bastiat replies:

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*Smith was speaking of the mercantilists' point of view, which was that exports were to be promoted while domestic production was "safeguarded" against competing imports. Adam Smith, *The Wealth of Nations* (Modern Library ed.; New York: Random House, Inc., 1937), p. 625.