

Introduction: The Window and the Wall

I. The Parable

Have you ever witnessed the anger of the good shopkeeper, James Goodfellow, when his careless son has happened to break a pane of glass? If you have been present at such a scene, you will most assuredly have witnessed the fact that every one of the spectators, were there even thirty of them, by common consent did not fail to offer the unfortunate owner this invariable consolation: "It is an ill wind that blows nobody good. Everybody must live, and what would become of the glaziers if panes of glass were never broken?"

Now, this form of condolence contains an entire theory, which it will be well to show up in this simple case, seeing that it is precisely the same as that which, unhappily, regulates the greater part of our economical institutions.

Suppose it cost six francs to repair the damage, and you say that the accident brings six francs to the glazier's trade—that it encourages that trade to the amount of six francs—I grant it; I have not a word to say against it; you reason justly. The glazier comes, performs his task, receives his six francs, rubs his hands, and, in his heart, blesses the careless child. All this is that which is seen.

But if, on the other hand, you come to the conclusion, as is too often the case, that it is a good thing to break windows, that it causes money to circulate, and that the encouragement of industry in general will be the result of it, you will oblige me to call out: "Stop there! Your theory is confined to that which is seen; it takes no account of that which is not seen."

It is not seen that as our shopkeeper has spent six francs upon one thing, he cannot spend them upon another. It is not seen that if he had not had a window to replace, he would, perhaps, have replaced his old shoes, or added another book to his library. In short, he would have employed his six francs in some way, which this accident has prevented.

The glazier's profit is visible; it is immediate; it is loud. The tailor's loss—the shoes or the book that James Goodfellow never bought—is invisible; it is silent; it is a ghost. And because politics is a stage for the visible, the glazier wins the argument. The crowd walks away convinced that destruction is creation, that waste is stimulus, and that the boy who threw the brick is a philanthropist in disguise.

This is the Parable of the Broken Window, written by the French economist Frédéric Bastiat in 1850. It is perhaps the single most important story in the history of economics. It is a story about the limit of human vision. It warns us that if we judge an action only by its immediate, tangible effects, we will inevitably destroy our own prosperity. We will celebrate the fire for the jobs it creates for firefighters; we will cheer the hurricane for the construction boom it triggers; and we will applaud the bureaucrat who spends a billion dollars to dig holes and fill them up again. We will become a society of glaziers, cheering for broken glass.

II. The Modern Mutation: From Accident to Design

For a hundred and seventy years, Bastiat's parable has been taught as a lesson in observation. It was a warning against the economic illiteracy of the crowd. The crowd was foolish, but it was innocent. It simply didn't know better. But as we survey the landscape of the twenty-first century, we must confront a darker reality. The broken windows of our time are rarely accidents. They are rarely the result of a careless boy or a random storm. They are, increasingly, the result of design.

In the modern economy, the window is not broken by a stone; it is broken by a statute. Consider the housing market in a major city. We see a shortage of homes. We see rents consuming half a worker's income. We see the visible "repair crew"—the politicians passing rent controls, the planners mandating "affordable units," the subsidies flowing to developers. The crowd cheers. They see the activity. What is unseen? The unseen is the housing that was never built because zoning laws made it illegal. The unseen is the landlord who sold his building because rent control made maintenance impossible. The unseen is the young family forced to leave the city because the supply of homes was artificially capped to protect the asset values of existing homeowners. Here, the window wasn't broken by chance. It was broken by the "glaziers"—the incumbent homeowners and the political planners—who benefit from the scarcity.

This brings us to the second pillar of this book's philosophy. If Bastiat gave us the lens to see the cost, George Stigler gave us the lens to see the motive. In 1971, Stigler, a Nobel Prize winner, published *The Theory of Economic Regulation*. Before Stigler, most people believed that regulation was imposed on businesses by a benevolent government to protect the public. Stigler looked at the data and found the opposite. He found that regulation is often acquired by the industry and is designed and operated primarily for its benefit. Why? Because regulation creates barriers to entry. The established giant loves the complex rule. The giant

has a compliance department; the startup does not. The giant can afford the license fee; the immigrant cannot. The giant wants the window to be "regulated"—meaning, broken for everyone else.

III. The Architecture of the Wall

This book is an exploration of these two forces: the Fallacy of the Broken Window (the economic error) and the Theory of Regulatory Capture (the political strategy). Together, they form a Wall. This Wall surrounds the modern economy. It is invisible to those already inside it—the tenured professional, the homeowner, the established corporation, the pensioned retiree. For them, the system works. They see the glaziers getting paid. They see stability. But for those outside the Wall—the young, the poor, the mover, the shaker, the unauthorized—the economy is a fortress. They do not face a market; they face a permission slip.

- **The License:** The poor woman who wants to braid hair is told she must pay \$15,000 for cosmetology school to learn skills she doesn't need, to get a license to do a job she already knows. The "public safety" argument is the broken window—the visible excuse. The unseen reality is the cartel of cosmetologists protecting their wages from competition.
- **The Degree:** The bright teenager who wants a corporate job is told he must spend four years and \$50,000 on a degree that has no relation to the work. The "education" is the visible benefit. The unseen cost is the four years of lost earnings and the debt that cripples his future capital formation. The university has become the glazier, selling a mandatory repair for a problem it helped create.
- **The Subsidy:** The failing industry is given a tariff or a bailout. The crowd sees the "saved factory." The unseen is the tax on every consumer who pays higher prices, and the innovative competitor who is crushed because he is unsubsidised.

We have built an economy where the surest path to wealth is not to serve the consumer, but to capture the regulator. We have built a system where the "unseen" victims—the poor, the young, the future—are forced to subsidize the "seen" beneficiaries—the rich, the old, the incumbent.

IV. The Method of This Book

To dismantle this Wall, we must first learn to see it. This book is organised as a series of lessons in vision. We will not traffic in the abstract jargon of academic economics. There will

be no indifference curves here, no complex econometric models. Instead, we will use the method of the "One-Lesson Economist"—Henry Hazlitt, who expanded Bastiat's work in 1946. We will take a single economic phenomenon—rent, trade, profit, tax, money—and we will subject it to the Bastiat Test:

1. What is the **Seen** effect? (Who gets the check?)
2. What is the **Unseen** consequence? (Who pays the price?)
3. Who threw the brick? (Is this an accident, or capture?)

We will start at the bottom of the ladder, with the "Price of Admission" (Part I). We will look at how minimum wages, licensing laws, and degree requirements act not as floors for safety, but as ceilings for mobility. We will see how the very laws designed to "protect" the vulnerable are the primary reason they remain vulnerable.

We will move to the "Price of Living" (Part II). We will examine the housing crisis, not as a failure of the market, but as a triumph of the "NIMBY" (Not In My Back Yard) cartel. We will see how rent control creates homelessness, and how "preserving neighbourhood character" is a polite euphemism for hoarding wealth.

We will look at the "Price of Intervention" (Part III). We will discuss the "Zombie Economy"—the world of bailouts and subsidies where failure is forbidden. We will argue that a capitalism without bankruptcy is like a religion without hell: it loses its moral and functional discipline.

We will tackle the "Price of Extraction" (Part IV). We will look at the modern obsession with wealth taxation and liquidity. We will show that "taxing the rich" via equity repricing is a boomerang that hits the pension funds of the middle class. We will expose the "Valuation State"—the bureaucratic nightmare required to assess the price of everything, every year.

And finally, we will look at the "Price of the Future" (Part V). We will ask what it takes to rebuild a society of competition, competence, and community. We will argue for a return to "boring" institutions—courts that work, titles that hold, rules that don't change.

V. The Moral Stakes

Why does this matter? It matters because economics is not just about money. It is about agency. When we allow the "unseen" costs to accumulate, we do not just reduce GDP. We reduce the scope of human possibility. Every time a license blockades a job, a story of

independence is aborted. Every time a zoning law forbids a home, a family is delayed. Every time a currency is debased to pay for a short-term fix, a retiree's security is stolen. The "Unseen" are not statistics. They are people. They are the people who are waiting for the permission to build their lives. For too long, our politics has been a contest of "Seen" benefits—a bidding war of handouts and protections. It is time to speak for the Unseen. It is time to look at the rubble of the broken window and demand that we stop cheering. It is time to fix the glass, fire the hoodlum, and open the shop.

Let us begin.