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PERSPECTIVE

Destructive Destruction

If we sound like a broken record at times, it's because sound economic thinking moves slowly through the culture. Case in point: On September 27, *USA Today* headlined what its reporter and editors must have thought was wonderful news: "Economic growth from hurricanes could outweigh costs." (At this point Dave Barry would say, "I'm not making this up.")

Here, in a mere seven words, is the fallacy Frédéric Bastiat identified in the nineteenth century and Henry Hazlitt re-identified in the twentieth. It consists in neglecting "what is not seen" and is best illustrated by Bastiat's broken-window fable. (See page 26 for its application to war.) Let's see how *USA Today* and its news sources fell for it.

The report begins by focusing on one company: "The phone at Dale Yeager's Pennsylvania firm has been ringing off the hook in recent weeks, thanks to a trio named Ivan, Frances and Charley." Those, of course, were destructive hurricanes that hit the southeastern United States late last summer. Thanks to an angry Mother Nature, "Yeager's expertise in corporate emergency preparedness analysis and training" was much in demand.

The newspaper notes that many other businesses were seeing similar boosts: "Although natural disasters spread destruction and economic pain to a wide variety of businesses, for some, it can mean a burst in activity and revenue."

No surprise there. Devastation will surely be followed by recovery efforts. That's what people do.

But the newspaper steps on shaky ground when it attempts to generalize, guided by sources it refers to as "economists." "For that reason, economists tallying the numbers expect the hurricanes will be neutral in their effect on the U.S. economy, or may even give it a slight boost, particularly because of an expected reconstruction boom in the already red-hot construction industry."

One of those economists is Steve Cochrane, an economic consultant in Pennsylvania. As he sees it: "It's a perverse thing . . . there's real pain. But from an economic point of view, it is a plus." *USA Today* says Cochrane estimates that "in Florida, the state hit hardest by the storms, 20,000 jobs will be created that otherwise would not have been." Most of those jobs will be in construction, with others created in insurance, business services, utilities, and retailing.

Another consulting economist predicted that the expected slight dip in GDP will be outweighed by the construction boom. *USA Today* then listed other examples of benefits from the storms: increased sales of bottled water, juices, and walkie-talkies, more work for locksmiths, and new clients for business planners.

The key phrase in the story is "tallying the numbers." That refers to the visible economic activity in the wake of the hurricanes. The fallacy lies in ignoring what you can't tally numbers on: the goods and services *not* bought, the investments *not* made, the projects *not* undertaken because people must repair the storm damage.

The bottom line is this: Before the storm season people possessed intact homes and businesses *and* their money; their insurance companies' cash was invested in productive enterprises. After the storm season people possessed destroyed or damaged homes and businesses, which they had to spend their money to replace or fix. Their insurance companies had to liquidate investments to pay the claims. That money would have been spent or invested to produce *additional* things. Instead, it will be used simply to put things back the way they were the day before the storms.

How that can be good for society generally defies explanation.

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The "Star Trek" television series and movies attracted huge followings for their stories of adventure and heroism in other worlds. Gardner Goldsmith suggests that you not learn your economics from them.

All around the country bicycle trails are being built on abandoned railroad beds. There's only one problem: sometimes the landowners object. Kirk Teska has the details.

Productivity increases are apparent everywhere throughout the economy, except for one of the fastest growing parts: the licensed professions. Lewis Andrews investigates.

Ambrose Bierce is best known for the *Devil's Dictionary*, his cynical redefinition of the English vocabulary. Less well known is Bierce's demolition of socialism. Daniel Hager does his part to fix that.

As noted, Bastiat's "broken window" fallacy is widely committed by those who see silver linings in storms and earthquakes. As Thomas Woods points out, looking for an economic stimulus from war is the same fallacy writ large.

Our columnists spent the last month searching for the most arresting topics: Richard Ebeling relives the Great Chinese Inflation. Lawrence Reed says beware democracy. Thomas Szasz dissects "therapeutic jurisprudence." Stephen Davies celebrates the life of Richard Cobden. Russell Roberts suggests a reason why we don't have more freedom. And, stumbling across the argument that taxing and regulating charities would bring social benefits, your editor bellows, "It Just Ain't So!"

Books reviewed this issue scrutinize the creation of Iraq, the history of violence, teachers unions, and the economy of the 1990s.

—SHELDON RICHMAN