



Comment on the Commentary of the Day

by

Donald J. Boudreaux
Chairman, Department of Economics
George Mason University
dboudrea@gmu.edu
<http://www.cafehayek.com>

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3 April 2008

The Editor, New York Times
229 West 43rd St.
New York, NY 10036

To the Editor:

Louis Uchitelle reports that falling home prices keep workers stuck in their homes, unwilling to sell and, hence, unwilling to move in order to take better jobs in different locations ("Unsold Homes Tie Down Would-Be Transplants," April 3). Perhaps; but I have my doubts.

While it's true that people prefer to sell their homes at high prices, it's also true that people prefer to buy their homes at low prices. So why should people's disappointment at being unable to sell their homes at prices as high as they once thought possible not be offset by their happiness at being able to buy new homes at prices lower than they once thought possible?

2 April 2008

Editor, Newsweek.com

Dear Editor:

Courting blue-collar votes, Hillary Clinton promises to use "tax incentives to persuade companies to 'insource' jobs in the United States" ("Clinton proposes plan to keep jobs in US," April 2). Because firms 'outsource' jobs only when doing so lowers firms' costs of production, Mrs. Clinton's proposal amounts to bribing American firms not to lower production costs whenever possible. She wants to encourage American firms to produce inefficiently, which is to say wastefully. In short, she wants us to be poorer than we would otherwise be.

Mrs. Clinton's proposal is further evidence that good politics typically is bad economics.

31 March 2008

Director, Fox News

Dear Sir or Madam:

Fox Morning News co-host Megyn Kelly naively worries that Pernod's acquisition of Vin & Spirit AB (maker of Absolut vodka) will lead to higher prices paid by those of us who belly up to the bar (March 31). Ms. Kelly

reasons that, because many analysts regard the \$8 billion paid by Pernod for Vin & Spirit to be "too high," Pernod will raise the prices it charges for its products in order to recover the losses it would otherwise suffer as a result of paying such a large sum for Vin & Spirit.

If Ms. Kelly's economics were correct, bankruptcies would be unknown. Any business finding its revenues to be inadequate would simply raise the prices it charges for its products and enjoy the

resulting higher revenues. Any individual finding his income too low would simply demand a higher wage and enjoy his resulting higher income. If covering expenses were as easy as simply demanding higher prices for whatever it is you sell, then we'd all live in a bizarre economic paradise - one in which it would be meaningless to describe anyone as paying "too much" for an asset or as living beyond his means.