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

Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed but many were not. The original articles that are being commented on may or may not be available on the internet and may require registration or subscription to access if they are. Some of the original articles are syndicated and therefore may have appeared in other publications also.

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20 April 2008

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

To the Editor:

Suggesting that America's middle-class is shrinking, Louis Uchitelle writes that "Once upon a time, a large number [of ordinary American workers] earned at least $20 an hour, or its inflation-adjusted equivalent, and now so many of them don't ("The Wage That Meant Middle Class," April 20).

But Mr. Uchitelle's case has several weaknesses. Here are just two. First, he speaks of wages rather than of total compensation (which includes wages AND benefits). Because benefits today make up a larger portion of total compensation than they did during the alleged golden age of the 1970s, even if a smaller percentage of today's blue-collar workers earn less than $20 per hour in wages, this fact does not mean that these workers are more poorly compensated than were their counterparts of 30 years ago.

Second, if Mr. Uchitelle were correct, the data would show that workers today earn a lower share of national income than they earned in the past. The data, however, show no such thing. As Martin Feldstein found in a recent paper, "the share of national income going to employees is at approximately the same level now as it was in 1970" [http://www.nber.org/feldstein/WAGESandPRODUCTIVITY.meetings2008.pdf] - a conclusion consistent with a 2004 study by the St. Louis Fed that found worker compensation as a share of national income to have been remarkably steady (at about 70 percent) from 1948 through today. [Michael R. Pakko,

Labor's Share, National Economic Trends, August 2004, St. Louis Fed.]

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18 April 2008

Editor, The New Republic

Dear Editor:

Jordan Stancil alleges that "rural Americans have seen their ownership of their communities hollowed out by relentless consolidation in the retail and financial sectors" ("It's the Wal-Marts, Stupid," April 18). He laments that he and his fellow thirtysomethings from rural America are "the first generation of non-owners." To support these claims, however, he offers only personal anecdotes and impressions.

Fortunately, economists Andrea Dean and Russell Sobel have investigated this oft-told tale using data. Their findings cast serious doubt on the veracity of Mr. Stancil's allegations. For example, Dean and Sobel find that the five U.S. states with the greatest number of Wal-Mart stores per-capita have a self-employment rate identical to the self-employment rate in the five states with the fewest Wal-Mart stores per-capita. And in those states enjoying a high density of Wal-Marts, the number of businesses with nine or fewer employees is HIGHER per-capita than in those states with a low-density of Wal-Marts. Dean and Sobel conclude that "Wal-Mart has had no significant impact on the overall size and growth of U.S. small business activity." [Andrea M. and Russell S. Sobel, "Has Wal-Mart Buried Mom and Pop?" Regulation, Spring 2008, Vol. 31, pp. 38-45. (The quotation is found on page 45.)]

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18 April 2008

Friends,

The second (and final) installment of my Cato Institute podcasts on globalization is here:

http://www.cato.org/dailypodcast/podcast-archive.php?podcast_id=601

In this scintillating episode, the discussion focuses on so-called "losers" from free trade.

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17 April 2008

Friends,

You can thrill to my mellifluous voice praising the U.S. trade deficit, scorning capital controls, and otherwise making a case for free trade in this short podcast from the Cato Institute:

http://www.cato.org/dailypodcast/donaldjboudreaux_boudreauxonglobalizationpart1_20080417.mp3

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17 April 2008

Editor, The New Yorker

Dear Editor:

James Surowiecki writes that "Iceland's current woes teach a useful lesson

about the interconnectedness of global markets: trouble can come from anywhere" ("Iceland's Deep Freeze," April 21). True. But Mr. Surowiecki misses the more-important point, which is that with interconnectedness of global markets, insurance and security can come from anywhere.

Someone who invests his assets exclusively in shares of GM avoids potential trouble caused by declines in the share prices of other corporations such Microsoft and USX. This person also, though, avoids the potential gains that would come from rising prices of other corporations' shares. So just as an individual investor is foolish not to diversity his portfolio out of fear that some assets might loose value, a country is foolish not to integrate economically with other countries out of fear that some of those international commercial relationships might prove troublesome.

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16 April 2008

Editor, Washington Post
1150 15th St., NW
Washington, DC 20071

Dear Editor:

In his otherwise excellent column, Robert Samuelson complains that the Chinese government harms Americans by depressing the value of the yuan ("Marching Backward On Trade," April 16).

Ignore Nobel economist Robert Mundell's explanation that currency manipulation cannot long keep the prices of any country's exports artificially low. If Beijing's currency manipulation really does keep Chinese exports artificially inexpensive, our exports buy greater quantities of Chinese goods and services. Complaining about this unearned ability to get more in exchange for the fruits of our labor is akin to complaining about an unmerited pay raise: the lucky worker (or, in this case, American consumer) benefits at the expense of a foolish employer (or, in this case, the Chinese government).

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15 April 2008

Editor, Washington Post
1150 15th St., NW
Washington, DC 20071

Dear Editor:

You report that "France may outlaw inciting thinness" (April 15). Many Americans who read about the French government possibly outlawing the public incitement of "extreme thinness" will smile with self-satisfaction. "Those crazy French," these Americans will gloat. "They too quickly give power to government by too quickly taking personal responsibility away from individuals."

I share this assessment of the French, but caution my fellow Americans against smugness. After all, the U.S. is now slathered with the sentiment that businesses that loaned foolishly, and homeowners who borrowed foolishly, should be relieved by government from bearing the consequences of their poor choices. In short, Americans too quickly give power to government by too quickly taking personal responsibility away from individuals.

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15 April 2008

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

To the Editor:

Richard Conniff proposes that the money we pay to government be called "dues" rather than "taxes" ("Abolish All 'Taxes',: April 15). He argues that "we need language to remind us that this is our government, and that we thrive because of the schools and transit systems and 10,000 other services that exist only because we have joined together."

A celebrated intellectual tradition - represented by the likes of Adam Smith, F.A. Hayek, and Ronald Coase - holds that most of what government does, if worthwhile, can be done better by free markets and civil society. A related intellectual tradition - represented by scholars such as James Madison, James Buchanan, and Gordon Tullock - implores us to understand that government is predatory unless tightly constrained by constitutional rules. Uncle Sam long ago escaped his constitutional fetters. The predictable result is that he is now far too predatory - witness, for example, his agricultural subsidies and his Patriot Act snooping - for anyone seriously to regard taxes as anything other than protection money paid to brutes in suits.

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14 April 2008

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

To the Editor:

Paul Krugman repeats the refrain that the economy for ordinary Americans is a shambles ("Crisis of Confidence," April 14). I'm doubtful, but will here assume that he's correct about this matter. What conclusion are we to draw?

Rather than conclude (as Mr. Krugman does) that this problem reflects a need for higher taxes and greater government control over the economy, why not conclude the opposite? At no time since Mr. Krugman's imagined Golden Age of the 1970s has Uncle Sam's budget been severely reduced. Indeed, inflation-adjusted spending on programs such as Social Security, Medicare, and Medicaid have consistently risen since then. During the past three decades, some welfare programs have been scaled back, while others have been expanded and even newly created. We now have, as we did not prior to the 1970s, cabinet-level departments to regulate energy, education, veterans affairs, and homeland security. Some regulations have been repealed, while others have been created at both the state and national levels.

Weren't FDR's New Deal and LBJ's Great Society - most of which programs remain with us today - supposed to make life better for ordinary Americans? If Mr. Krugman's factual claim about the state of the economy is correct, these programs clearly have failed.

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14 April 2008

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

To the Editor:

Arguing that today's economy is "considerably worse" than official data suggests, Paul Krugman notes that "The official

unemployment rate may be relatively low - but the percentage of prime-working-age Americans without jobs, which isn't the same thing, is historically high" ("Crisis of Confidence," April 14).

Sounds awful, for Mr. Krugman here implies that Americans between the ages of 25 and 54 have more difficulty finding jobs today than they did even during the Great Depression. But this implication fails the smell test. There are many reasons why some prime-working-age people are without jobs - reasons having nothing to do with being unemployed. Retirees are without jobs; many full-time students are without jobs; stay-at-home parents are without jobs. Contrary to Mr. Krugman's suggestion, perhaps the economy is trending so remarkably WELL, over the long run, that more and more people remain in school longer and retire earlier, a luxury much less affordable in the past.