B>Quest
(Business Quest)

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.

---

15 June 2008

Editor, Richmond Times-Dispatch

Dear Editor:

Sen. Jim Webb alleges that today's high oil prices are caused by speculators - that is, the senator thinks that these prices don't reflect fundamentals of supply and demand ("Webb says farm bill will help food banks," June 15). It follows that Mr. Webb believes that oil prices will eventually fall.

I'm tempted to advise Mr. Webb to put his money where his mouth is and go short in oil; if his allegation is accurate he'd make a fortune. Perhaps, though, he hasn't much freedom to invest now that he's in Congress. But no private citizen seduced by the ancient cry that prices are unjustifiably manipulated by speculators need despair! Each can act profitably on his or her belief by going short in oil today. Not only would this investment put immediate downward pressure on oil prices, it would make each of these short investors a tidy fortune - assuming, of course, that the chief cause of today's high oil prices is indeed speculative buying.

---

14 June 2008

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

Dear Editor:

Suggesting that capitalism has planted in modern humans an "indifference to nature," Michael Gerson says that we are only now seeking to "rediscover" it ("A Prince's Green Sensibility," June 14). Untrue. Nothing has done more than capitalism to instill in humans an appreciation for nature. Hear the words of the mid-19th-century English historian Thomas Babington Macaulay from his "History of England":

"Indeed, law and police, trade and industry, have done far more than people of romantic dispositions will readily admit, to develop in our minds a sense of the wilder beauties of nature. A traveller must be freed from all apprehension of being murdered or starved before he can be charmed by the bold outlines and rich tints of the hills. He is not likely to be thrown into ecstasies by the abruptness of a precipice from which he is in imminent danger of falling two thousand feet perpendicular; by the boiling waves of a torrent which suddenly whirls away his baggage and forces him to run for his life; by the gloomy grandeur of a pass where he finds a corpse which marauders have just stripped and mangled; or by the screams of those eagles whose next meal may probably be on his own eyes....

"It was not till roads had been cut out of the rocks, till bridges had been flung over the courses of the rivulets, till inns had succeeded to dens of robbers . . . that strangers could be enchanted by the blue dimples of lakes and by the rainbows which overhung the waterfalls, and could derive a solemn pleasure even from the clouds and tempests which lowered on the mountain tops."

---

13 June 2008

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

To the Editor:

Re Sen. Joe Lieberman's efforts to "reduce speculation" ("Lieberman Seeks Limits to Reduce Speculation," June 12): Whenever commodity prices behave in ways that government officials dislike - and especially when these prices reflect the costs of ill-advised government policies - officials invariably blame "speculators." This is a conveniently nebulous group of investors whose financial expertise, being greater than that of the average literature professor, enables demagogues to portray them as practitioners of a dark art.

In fact, though, speculation is nothing more than betting on the future course of prices. If done profitably, it makes resource supplies more predictable and smoothes out changes in prices. A speculator who correctly predicts, say, that the price of oil will be higher tomorrow than it is today buys oil today for resale tomorrow. That is, he buys oil when it is relatively abundant and makes it available when it is in shorter supply. His doing so raises today's price of oil and lowers tomorrow's price. Without successful speculators, markets would be more volatile and resource supplies less certain. Speculation done unprofitably, of course, hurts no one as much as it does the speculators themselves.

Sen. Lieberman is demagoging an issue about which he knows nothing.

---

13 June 2008

Editor, The Wall Street Journal
200 Liberty Street
New York, NY 10281

To the Editor:

Dr. Arnold Relman asserts that "'Free trade' applies to commerce. Medical care is not commerce and shouldn't be treated as if it were” (Letters, June 13). Why not? Free trade exists whenever buyers and sellers are free to deal with each other without regard to their nationalities, religious beliefs, or any other criteria that officious third-parties would elevate into importance but that the buyers and sellers themselves find irrelevant.

Why should consumers and suppliers of brain surgery suffer greater interference from impudent third-parties than should consumers and suppliers of bubble gum?

---

12 June 2008

Editor, The Wall Street Journal
200 Liberty Street
New York, NY 10281

To the Editor:

Thomas Frank levels a harsh allegation against law and economics scholars at the University of Chicago: "Their hostility to the working class is not to be doubted" ("The Tilting Yard," June 11).

The American Heritage Dictionary defines "hostility" as "antagonism or enmity." These are passions of hatred and ill-wishes. I'll pay Mr. Frank $100 for every line he finds in any article or book written by Milton Friedman, George Stigler, Gary Becker, Ronald Coase, Aaron Director, D. McCloskey, Sam Peltzman, Richard Epstein, or Richard Posner - the greatest scholars in the Chicago tradition - that reveals a desire to keep working-class people from prospering.

My bank account is safe. Mr. Frank's assumption that those who disagree with his means also disagree with his ends is both childish and cheap.

---

12 June 2008

Editor, USA Today

Dear Editor:

As you see it, South Koreans who protest imports of American beef are motivated only by a concern for safety ("The beef about U.S. beef," June 12). This view is naive. These safety concerns, while real, are stoked by a far less defensible force: Korean beef producers' greedy desire for a protected market.

If, as you say, "what people eat is an intensely personal matter," then surely a government that imposes a wholesale ban on beef from the U.S. intrudes unnecessarily into this intensely personal matter. A less intrusive step is simply to require that American beef be labeled as such. That way, Koreans who discount the risks of mad-cow disease are free to buy American beef without forcing anyone else to do so. Korean ranchers will still protest, but they'll no longer be able to mask their piggish quest for monopoly profits as a selfless concern for the health of fellow Koreans.

---

11 June 2008

Editor, The Wall Street Journal
200 Liberty Street
New York, NY 10281

To the Editor:

Ashley Mote is worried because "[d]emographers say the U.K.'s sustainable population is about 30 million - a figure we exceeded over a century ago. Today, we already have over 60 million" (Letters, June 11). Fortunately, the "sustainability" of a population is not chiefly a question of demographics; it's one of economics. It's a question of how effectively the economy encourages people to produce greater quantities of useful outputs from given resources - and how well the economy encourages people to discover hitherto unknown resources.

Consider: A century ago, with a population much closer to the maximum that demographers identify as "sustainable," per capita income in the U.K. was about $4,600 (in 2008 dollars). Today it is nearly eight times higher, at $35,300. So even overlooking the oddity of alleging that population has been "unsustainable" for over a century, the fact that real per-capita income in the U.K. today is vastly higher than it was when population was lower is strong evidence that demographers are bloody way off in their estimate of what population level in the U.K. is "sustainable."

---

10 June 2008

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

To the Editor:

Bob Herbert asserts that the United States economy "has trouble producing enough jobs to keep the middle class intact" ("Out of Sight," June 10). While there are always cyclical ups and downs, Mr. Herbert's statement - if meant as an indictment of the economy's long-term performance - is contradicted by the facts. The Census Bureau reports that real median household income (reckoned in 2006 dollars) was $48,201 in 2006, up from $36,847 in 1967 - an increase of 31 percent. And this growth has been pretty steady over those 40 years. [See "Income, Poverty, and Health Insurance Coverage in the United States: 2006," U.S. Census Bureau (August 2007), especially Figure 1. This document is available at:www.census.gov/prod/2007pubs/p60-233.pdf]

Moreover, this figure underestimates the middle-class's increasing prosperity, for it ignores the shrinking size of households. In 1967, the average household contained 3.14 persons; in 2006 it contained 2.57 persons. This fact means that the real income for each member of the average household grew from $11,735 in 1967 to $18,755 in 2006 - an increase of 60 percent.

---

9 June 2008

Friends,

My dear friend, and former GMU colleague, George Selgin, has a new book forthcoming in July. It's entitled "Good Money" and is published jointly by the Independent Institute and the University of Michigan Press.

George is one of the world's leading scholars on money and banking; he's also a gifted and engaging writer.

Here's part of the publisher's description:

"Good Money not only examines the crucial role of private coinage in fueling Great Britain's Industrial Revolution, but it also challenges beliefs upon which all modern government-currency monopolies rest. It thereby sheds light on contemporary private-sector alternatives to government-issued money, such as digital monies, cash cards, electronic funds transfer, and (outside of the United States) spontaneous 'dollarization.'"

If you want to deepen your understanding of the nature and role of money, read George's writings. You can profitably begin with this book:

http://www.independent.org/store/book_detail.asp?bookID=75

---

9 June 2008

Editor, Newsweek

Dear Editor:

Fareed Zakaria laments that much of what government should do to improve Americans' future economic prospects "involves some short-term pain in exchange for long-term gain. But Washington has become incapable of that" ("How to Get Back to Growth," June 16). He's right. But he's wrong to suggest that this phenomenon is new, as this 1944 entry from the diary of the great Harvard economist Joseph Schumpeter attests: "Politicians are like bad horsemen who are so preoccupied with keeping in the saddle that they can't bother about where they go." [Quoted in Thomas K. McCraw, Prophet of Innovation: Joseph Schumpeter and Creative Destruction (Harvard University Press, 2007), p. 405]