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.

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6 July 2008

Editor, Boston Globe

Dear Editor:

Economist Mark Skidmore - allegedly identifying a benefit of natural disasters - is quoted as saying that "When something is destroyed you don't necessarily rebuild the same thing that you had. You might use updated technology, you might do things more efficiently. It bumps you up" ("How disasters help," July 6). Yes, but....

When machines and buildings are destroyed, they are indeed often replaced with more advanced models. But this fact does not mean that the owners of destroyed property (or the economy of which they are a part) are made better off by the destruction. Updated technology is costly, and this cost often exceeds the additional benefits that newer technologies offers over older but still functional technologies. If this weren't so, businesses would never need natural disasters to prompt them always to use the most state-of-the art technologies. Every technological advance would immediately prompt older technologies to be abandoned and replaced by newer ones.

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4 July 2008

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

To the Editor:

If he means physical stuff in the ground, William Culver is correct that the world has "only a finite amount of usable resources" (Letters, July 4). But contrary to his letter's pessimism, this fact says little about humankind's prospects for continued economic growth. Consider that of the approximately 10,000 generations of humans that have trod this earth, 9,990 (or 99.9 percent) of them lived lives of crushing destitution even though the earth they inhabited contained abundant stocks of this stuff that we now call "natural resources." Not until the advent of modern free markets and the retreat of superstition was this stuff used to raise ordinary people from poverty.

I put "natural resources" in quotation marks to highlight the fact none of this stuff is naturally a resource; only human creativity makes it so. As long as markets are free and superstition kept in check, there's no reason to worry that what Julian Simon called "the ultimate resource" - free human beings - will stop figuring out ways to find more "natural resources" and to use these with increasing efficiency.

July 3, 2008

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

To the Editor:

I work routinely in Africa and was heartened by Nicholas Kristof's account of Beatrice Biira's success at escaping poverty in Africa ("The Luckiest Girl," July 3). But his account needs clarification. Contrary to what readers might infer from Mr. Kristof's favorable mention of Jeffrey Sachs's encounter with Beatrice, this young woman's experience does not support Mr. Sachs's approach to ending world poverty. Mr. Sachs famously calls for large-scale, collective action by international organizations - for a "big push" based on big plans designed by big brains.

In contrast, an anonymous private donor started Beatrice on her path to success. A private charitable organization delivered a goat to her family and other private donors brought her to the US. Beatrice's success, far from supporting the Sachs model of development, instead supports William Easterly's contrary thesis - namely, that escaping poverty requires a multitude of small-scale, mostly private efforts.

Sincerely,

Karol Boudreaux
Senior Research Fellow,
Mercatus Center
George Mason University
and
Lead Researcher,
Enterprise Africa

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3 July 2008

Editor, USA Today

Dear Editor:

Several errors infect your assertion that "By importing nearly 60% of the oil we use, we ... leave ourselves vulnerable to higher prices and lower living standards" ("McCain + Obama = a valid energy plan," July 3).

Here's just one. Oil is traded on world markets. So even if Americans achieve the impossible and become - in an economically efficient manner - completely self-sufficient in oil, the price that Americans would pay for oil would remain a global one. Just as surely as happens now, higher demand for oil in India would inevitably raise the price of oil in Indianapolis, and supply disruptions in Venezuela would raise oil's price in Virginia. It's a mistake to suppose that importing less oil would reduce Americans' exposure to world oil prices.

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2 July 2008

Editor, The New Yorker

Dear Editor:

After explaining that higher oil prices don't result from sinister behavior by speculators, James Surowiecki correctly notes that speculators nevertheless are "a perfect target" for politicians ("Oily Speculations," July 7). But he's not quite correct to say that "by going after [speculators], Congress can demonstrate to voters that it understands their pain, and at the same time avoid doing anything that might require real sacrifice from Americans."

Restricting investors' freedom to deal in oil-futures weakens the market's ability to set prices that reflect conditions of supply and demand. Such Congressional scape-goating discourages investors with special knowledge of energy-industry conditions from conveying their knowledge in the form of the prices that emerge as a result of their "speculation." For example, someone with good information that oil supplies will further tighten will be less able, because of such regulation, to buy oil futures. Consequently, today's price will remain too low; it will inadequately reflect the tighter supply of oil. Consumers and producers (and regulators) will all then have less accurate information on which to plan their actions. The energy market will become less efficient and responsive.

So Americans will indeed make a "real sacrifice," but, unfortunately, one that has no upside.

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2 July 2008

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

To the Editor:

James MacGregor Burns wants to "rebuild" America's "horse-and-buggy 18th-century constitutional system, with its divided powers and inevitable gridlock" (Letters, July 2). Disdain for institutional arrangements that limit government's powers is not, contrary to Mr. Burns's belief, progressive. It's regressive. Appreciation of the dignity of each individual and of the dangers of tribalism, superstition, and collectivism did not blossom into full flower until the 18th century, which is just yesterday in human history.

What is truly aboriginal and uncivilized is the belief that progress requires conscious direction by leaders, and the ancient faith - nowhere more evident than in Mr. Burns's own work - that these "leaders" can often be trusted with authority and command undiluted by such quaint innovations such as checks-andbalances, separation of powers, and constitutional restrictions on government's scope.

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1 July 2008

Friends,

I just received my copy of a book that I'm especially eager to read; it's Edgar K. ("Butch") Browning's STEALING FROM EACH OTHER: HOW THE WELFARE STATE ROBS AMERICANS OF MONEY AND SPIRIT (Praeger, 2008).

Butch Browning is a world-class public-finance economist who's had a stellar career at the University of Virginia and at Texas A&M. His work is rigorous (which is not to say unduly mathematical), well-researched, and always important.

Chapter Seven of Butch's book is available here:

http://www.independent.org/publications/tir/article.asp?a=688

This research is important.

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1 July 2008

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

To the Editor:

Perhaps Jonathan Carey is correct that Denmark is "the happiest country on earth, partly because of its residents' lack of worry about the cost of social services like health care and education" (Letters, July 1). But perhaps not. As Bruce Bawer wrote not long ago in your paper, "The received wisdom about economic life in the Nordic countries is easily summed up: people here are incomparably affluent, with all their needs met by an efficient welfare state. They believe it themselves. Yet the reality - as this Oslo-dwelling American can attest, and as some recent studies confirm - is not quite what it appears" ("We're Rich, You're Not. End of Story," April 17, 2005).

Mr. Bawer then gives details about everyday life in Norway - such as the relatively poor condition of Norwegians' automobiles - that belie that country's self-image as the wealthiest on earth.

Just as any New Yorker is skeptical of, say, a Mississippian's heartfelt insistence that the southern way of life is incomparably superior to all others, so, too, should Americans be skeptical of Europeans' claims to have created the finest society yet known to humankind.

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30 June 2008

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

Dear Editor:

Sebastian Mallaby rightly calls the oil-price controls of the 1970s "a disaster" ("Nixonian Fallacy," June 30). The deepest problem with price controls is that they RAISE, not lower, the amounts that consumers spend to acquire the product. That these higher expenditures cannot lawfully take the form of monetary payments only masks the reality.

Preventing buyers from paying to sellers prices that the market will bear makes sellers less eager to supply the market. So sellers supply less, making each unit that IS supplied rarer and, hence, more precious and valuable. Buyers will then spend more resources in other ways - for example, they'll spend time waiting in long lines - to enhance their prospects of acquiring the product.

If you're doubtful, ask how much you think gasoline would cost if government were to cap its price at $0 per gallon. By dramatically reducing the quantities of gasoline supplied, such a policy would make gasoline more precious than gold. And gasoline would then be gotten only by persons wealthy enough to spend resources worth a king's ransom as they compete for a chance to get even a single gallon of it.