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.

---

27 July 2008

Friends,

My brilliant young GMU colleague Bryan Caplan is cited in this splendid column by the Boston Globe's Jeff Jacoby. (Warning: if you're convinced that the economy is in terrible shape and don't wish to be challenged on this front, don't read this article):

http://www.boston.com/bostonglobe/editorial_opinion/oped/articles/2008/07/23/cheer_up___these_are_the_good_old_days/

---

27 July 2008

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

To the Editor:

John T. Edge - reviewing Paul Roberts's apocalyptic book "The End of Food" - quotes Mr. Roberts's claim that today's "food system can only truly be understood as an economic system" ("Nothing to Eat," July 27). Indeed so. Unfortunately, though, Mr. Roberts is starving for economic understanding. Predicting that the age of abundant food is ending, he blames not only that timeworn (and mythical) scapegoat 'overpopulation,' but the devil du jour: Wal-Mart.

How does Wal-Mart hasten global hunger? By continuing "to drive down retail prices to unsustainably low levels." But when resources become scarcer - or when people working with those resources suspect their increasing scarcity - prices rise, not fall. Falling prices signal greater abundance. Whether Wal-Mart is a principal cause of this greater abundance of food or, more likely, a retailer especially skilled at bringing the advantages of greater abundance to its customers, the fact that Wal-Mart continues to lower the prices it charges for food is solid evidence that we can safely ignore Mr. Roberts's chicken-little-like assertions that we're running out of food.

---

26 July 2008

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

Dear Editor:

Marilyn Park believes that Montgomery County's new "nanny protection" statute is necessary to protect nannies in that jurisdiction from financial and physical abuse (Letters, July 26).

What a hellish place Montgomery County must be! A DC suburb populated by monsters. After all, if residents there were generally humane and enlightened, any nanny abused by her current employer could quit and find another employer who would treat her fairly. The few Scrooge-like households in the county would then be obliged by the forces of competition to treat their nannies decently. But if Ms. Park is correct, nannies enjoy no such ability - strongly suggesting that householders in that county are overwhelmingly brutal and benighted.

But, well, what does this fact imply about the wisdom of Montgomery County's democratically elected government?

---

26 July 2008

Friends,

I'm informed that George Selgin's important new book GOOD MONEY can be purchased at the link below, from the Independent Institute, at a significant discount (unlike at the Amazon link that I sent to you yesterday):

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

---

25 July 2008

Friends,

A reminder: two excellent new books are hitting the selves. One is by my colleague (and co-blogger at Cafe Hayek) Russ Roberts. His book THE PRICE OF EVERYTHING (Princeton University Press) teaches the economic way of thinking in prose sparkling and wonderfully engaging:

http://www.amazon.com/exec/obidos/ASIN/0691135096/invisiblehear-20

The other is by my former GMU colleague and dear friend George Selgin. George's book GOOD MONEY (University of Michigan Press) explores the history of modern coinage and explains an important role that private entrepreneurs played in making money sound (and, hence, played in strengthening an institution necessary for modern economic development):

http://www.amazon.com/Good-Money-Birmingham-Beginnings-1775-1821/dp/0472116312/ref=pd_bbs_sr_1?ie=UTF8&s=books&qid=1217022101&sr=1-1

Both books are important and accessible contributions to liberal scholarship.

---

25 July 2008

The Editor, The Economist
25 St James's Street
London SW1A 1HG
United Kingdom

SIR:

You write that, in the United States, "petrol is more expensive than in the 1970s" ("Unhappy America," July 26). Doubtful.

While the inflation-adjusted dollar price at the pump for gasoline is indeed higher today than it was during the disco decade, consumers' expense of acquiring gasoline is probably now lower. The 1970s were notorious for long queues at filling stations. These queues meant that consumers back then paid not only with dollars at the pump, but also with hours spent waiting in line (not to mention suffering anxiety over the prospect of being unable to get gasoline at all).

The average price of a gallon of gasoline in 1979 was (in 1979 dollars) 90 cents. So if a worker in 1979, earning that year's average hourly wage of $6.19, spent one hour waiting in line to buy five gallons of gasoline - a standard maximum amount that filling stations would sell to customers during periods of shortage - he would have spent, waiting in queues, $1.24 worth of his time for every gallon he bought. The total cost per gallon to him would have been $2.14 ($0.90 in cash expense plus $1.24 in time expense). $2.14 in 1979 was worth about $6.36 of today's dollars. No matter how you slice it, the full price Americans paid for gasoline during the many shortages of the 1970s was higher than the simple money prices they paid at the pump.

---

25 July 2008

Editor, USA Today

Dear Editor:

Concerned that oil is nonrenewable, Tim O'Neill wants government to "Rally the nation to find a way to reduce dependence on oil" (Letters, July 26). This advice, alas, is at best redundant. The market itself is "rallying the nation" on this front. Oil's higher price reliably inspires consumers to use less of it and, simultaneously, prompts entrepreneurs to search for alternatives. And the higher this price rises, the stronger these inspirations become.

Any further "rallying" by government would not only be overkill, it would risk infecting a natural market process with the poison of politics.

---

24 July 2008

Editor, Washington Examiner

Dear Editor:

Your headline reads "Federal minimum wage rises to $6.55 today" (July 24). A better headline would have been "Government raises the cost of hiring low-skilled workers by 12 percent today."

---

24 July 2008

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

To the Editor:

Mary Ellen Fahs writes: "I am currently vacationing in Maine. When I filled my three-quarter-empty tank with $45 worth of gas the other day, I could not help commenting: 'I guess we should feel lucky. In Europe, the price of gas is often $9 a gallon.'

"The tight-lipped Mainer quickly responded, 'Yeah, but they have free medical care!'" (Letters, July 24).

Yankee common-sense ain't what it used to be. Unless Europeans have found some means of getting their medical care supplied free of charge by non-Europeans or by some magical machine, Europeans pay for their 'free' medical with higher taxes.

---

23 July 2008

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

To the Editor:

John McCain credits the recent fall in oil prices on President Bush's announced support for more off-shore drilling and, hence, on the fact that the future supply of oil likely will be higher than previously thought. ("McCain Credits Bush For Drop in Oil Price," July 23). Sen. McCain also blames the preceding run-up in oil prices on unjustified speculation.

Sen. McCain can't have it both ways. Prices either chiefly reflect the underlying reality of supply and demand or they don't. If baseless speculation caused oil's price to rise to heights unjustified by supply and demand - if speculators are financial sorcerers who detach prices at will from underlying economic realities - how does a presidential announcement signaling higher future supplies cause lower prices? On the other hand, if a more promising prospect of greater off-shore drilling really is responsible for pushing oil prices downward (which I think likely), why would Sen. McCain have ever blamed high oil prices on unjustified speculators rather than on the underlying conditions of supply and demand?

---

23 July 2008

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

Dear Editor:

Robert Samuelson rightly challenges the notion that America's economic woes of 2008 rival those of the 1930s ("A Depression? Hardly," July 23). Significant differences do indeed distinguish today's economy from that of the Great Depression. One important - and beneficial - difference, however, was left unmentioned by Mr. Samuelson: today's economy is far more globalized. In the 1930s, international trade accounted for between three to four percent of GDP. (Remember that the infamous Smoot-Hawley tariff was enacted in 1930.) Today, trade accounts for about 12 percent of GDP. And this figure is on the rise.

For the same reason that a diversified investor is on more solid ground than is an undiversified investor, the U.S. economy today - being more diversified in its sources of supplies, its sources of capital, and in its customer bases - is on more solid ground than it was during the Great Depression.

---

22 July 2008

Editor, Washington Times

Dear Editor:

Upset that Virginians' taxes were not recently raised to construct more roads, State Delegate Brian Moran declares that "Government has an important role to play in strengthening our infrastructure, developing our economy and creating new jobs" ("Virginia's transportation conundrum," July 22). Not so fast.

Infrastructure that we today naively suppose must be supplied by government has in the past often been supplied by the private sector - supplied so well, indeed, that these private infrastructure projects helped spark the industrial revolution in 18th-century Britain. Harvard historian David Landes explains:

"At the same time, the British were making major gains in land and water transport. New turnpike roads and canals, intended primarily to serve industry and mining, opened the way to valuable resources, linked production to markets, facilitated the division of labor. Other European countries were trying to do the same, but nowhere were these improvements so widespread and effective as in Britain. For a simple reason: nowhere else were roads and canals typically the work of private enterprise, hence responsive to need (rather than to prestige and military concerns) and profitable to users.... These roads (and canals) hastened growth and specialization." [David S. Landes, The Wealth and Poverty of Nations (New York: W.W. Norton & Co., 1998), page 214-215]

---

21 July 2008

Editor, JewishWorldReview

Dear Editor:

Evidence that Dick Morris is clueless about economics is found in his most recent column, co-authored with Ellen McGann ("Stop Oil Speculation Now!" July 21):

"If there is any doubt that it is speculation, not the supply and demand for oil, that is driving up the price, look at this week's history of oil prices. After Bush announced that he was rescinding his father's executive order and permitting off shore drilling and after OPEC announced a weakening of oil demand, the futures market price dropped $15 per barrel. No new oil gushed through the system. The speculators just switched their bets from up to down."

Market prices reflect future as well as current conditions. Just as, say, GM's share prices would rise today if it announced a major breakthrough in fuel-conservation technology - rise even though this technology might not find its way into GM's engines until years from now - so too does new information on greater supplies of oil tomorrow push today's oil prices down. And it's good that this happens because such information means that oil is less scarce than previously thought. People need not be as careful today in consuming it. "Speculators" play a vital role in causing today's prices to reflect future conditions and, hence, in causing consumers and producers today to act in ways that are consistent with future reality.

---

21 July 2008

Editor, Atlanta Journal-Constitution

Dear Editor:

I disagree with Cynthia Tucker's claim that "Carter deserves credit for his energy smarts" (July 20). The price controls enforced during Jimmy Carter's presidency - ones within his power to lift - were responsible for fuel shortages.

I well remember in July of 1979 my father driving to a gasoline station at midnight only to wait in line. He waited in that line until 6am, when I (having walked the mile and a half from our home) relieved him. The station finally opened at noon. It allowed each motorist in line to buy a maximum of five gallons of gasoline. I bought the five gallons and drove home - without, of course, turning on the air-conditioner, for to do so would have burned too much of the precious elixir. As we lived in New Orleans, these sorry recollections of the consequences of misguided government intervention are seared especially hot into my memory.