Comment on the Commentary of the Day

by
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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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5 October 2008

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

Dear Editor:

Rep. Rahm Emanuel says that "FDR inherited a depression and gave America the greatest expansion of the middle class it has ever known" (Letters, October 5). This claim is patently false.

Even persons with even just a passing knowledge of history know that the American economy was in depression for all of the 1930s. So it's mysterious that so many people still insist that FDR's policies cured the economy's ills. The truth is, as economist Peter Fearon wrote in 1987, that "Perhaps the New Deal's greatest failure lay in its inability to generate the revival in private investment that would have led to greater output and more jobs." [Peter Fearon, "War, Prosperity and Depression: The U.S. Economy 1917-45" (Lawrence, KS: University Press of Kansas, 1987), p. 208] Economist Robert Higgs adds that "The willingness of business people to invest requires a sufficiently healthy state of 'business confidence,'" - and FDR's New Deal policies "ravaged the requisite confidence." [Robert Higgs, "Depression, War, and Cold War" (New York: Oxford University Press, 2006), p. 8]

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5 October 2008

Editor, Boston Globe

Dear Editor:

William Leach is correct: arguments for income "redistribution" typically rest on nothing more firm than highly subjective assessments by Jones of what Smith "needs" or "doesn't need" (Letters, October 5).

If such assessments truly justify "redistribution," why start with monetary wealth? Far better first to redistribute political power. Such power - unlike wealth in market economies - is secured from voters who have little incentive or ability to wisely assess what they receive in return for their votes. I believe that neither John McCain nor Barack Obama needs the power that one of them will soon acquire. The same is true of Members of Congress, high-level bureaucrats, and governors: they neither need nor deserve the power they possess.

Let's redistribute this power widely and more equally, to the masses, so that America is rid of unconscionable and socially destabilizing concentrations of power.

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4 October 2008

Mr. Scott Simon, Host
Weekend Edition
National Public Radio

Dear Editor:

John Lithgow is a fine actor, but he should spare us his facile explanation of the current financial turmoil (Weekend Edition, Oct. 4). Saying that "greed" caused today's problems is like saying that gravity caused the death of someone pushed from the top floor of the Empire State building. Some things are sufficiently constant in human affairs - and self-interest, even greed, is among them - that they explain nothing.

"Greed" certainly can be unleashed to do harm, but it can also be harnessed to do good. Any compelling explanation of economic problems must take "greed" as a given while identifying the specific incentives provided by prevailing social institutions. If these institutions make serving the needs of others the best path to personal gain, then "greed" is harnessed for human betterment. But if these institutions make predating on others - either through force or fraud - the best path to personal gain, then "greed" will indeed lead people to act destructively. In either case, though, it is the institutions and their accompanying incentives, rather than "greed," that explain economic reality.

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3 October 2008

Editor, Vanity Fair

Dear Editor:

Despite being a Nobel laureate in economics, Joseph Stiglitz needs a refresher course in basic trade theory. He's simply mistaken to assert that an expanding trade deficit would "force the U.S. to continue borrowing gargantuan sums from abroad, making us even more indebted" ("Reversal of Fortune," November 2008).

Not a single dollar earned by foreigners who supply imports to Americans need be borrowed back from these foreigners by Americans. Americans CAN borrow these dollars from foreigners, of course. But John Doe in Denver or Jane Roe in Roanoke (or Uncle Sam in Washington) is no more "forced" to borrow back the dollars they spend buying oil from Sheik Faisal in the middle east than they are "forced" to borrow back the dollars they spend buying beef from rancher Frank in the Midwest.

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2 October 2008

Friends,

The 2nd edition of the Concise Encyclopedia of Economics ("CEE") is now on-line. Editor David Henderson, along with Econlib webmaster Lauren Landsburg -- and, indeed, the entire staff at Liberty Fund -- have done a remarkably fine job.

Featuring contributions from the likes of Armen Alchian, Gary Becker, Avinash Dixit, Claudia Goldin, Greg Mankiw, Sheldon Richman, and Paul Romer -- not to mention GMU scholars such as Pete Boettke, Bryan Caplan, Tom Hazlett, and Russ Roberts -- the CEE will prove to be an accessible and indispensable resource.

Here's the link:

http://www.econlib.org/library/CEEAuthors.html

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2 October 2008

Editor, The Washington Times:

Dear Editor:

Members of Congress from both sides of the aisle are confidently predicting an economic calamity if the bailout package isn't passed ("Senate passes rescue; House in doubt," October 2). From where does this confidence come? Most of these people have proven track records as economic ignoramuses and as political opportunists.

For example, in today's Wall Street Journal Reps. Barney Frank and Maxine Waters, along with Senators Chuck Schumer and Chris Dodd, are quoted as saying publicly in 2003 that concerns over the soundness of Fannie Mae and Freddie Mac are unjustified - that, in Rep. Frank's words, "we see entities that are fundamentally sound financially." Given the foolishness of these judgments, can you explain why Americans should now trust politicians' claims that a bailout is necessary?

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1 October 2008

Friends,

Harvard's Jeff Miron speaks especially clearly and forcefully against any bailout:

http://www.cnn.com/2008/POLITICS/09/29/miron.bailout/index.html

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1 October 2008

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

Dear Editor:

Harold Meyerson joins the chorus of pundits chanting that the turmoil in credit markets signals "the collapse of laissez faire" ("Slow Rise for a New Era," October 1).

The American Heritage Dictionary defines "laissez faire" as "An economic doctrine that opposes governmental regulation of or interference in commerce beyond the minimum necessary for a free-enterprise system to operate according to its own economic laws." No one who examines the American economy in general, or credit markets in particular, can truthfully conclude that laissez faire has reigned in recent years. Indeed, were Mr. Meyerson to read George Will's column appearing beside his own in today's edition of your paper, he'd get a partial list of the many government interventions that have paved the way to this crisis ("A Vote Against Rashness," October 1).

To blame this crisis on laissez faire is akin to blaming the death of a heroin junkie on exercise, eating right, and sobriety.

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30 September 2008

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

To the Editor:

Deeply upset that the House of Representatives voted against the bailout plan, David Brooks writes that "We're living in an age when a vast excess of capital sloshes around the world fueling cycles of bubble and bust. When the capital floods into a sector or economy, it washes away sober business practices, and habits of discipline and self-denial" ("Revolt of the Nihilists," September 30).

So, pray tell, how will a massive government bailout of persons who behaved imprudently - a bailout inevitably injecting hundreds of billions of dollars of additional paper capital into the economy - solve the underlying problem?

As my colleague Richard Wagner points out, markets aren't intoxicated by large flows of capital per se. Such bubblicious drunkenness results from capital that is politically supplied and directed - just the sort of capital promised by the bailout plan.

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30 September 2008

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

To the Editor:

V. Nagarajan suggests that the financial turmoil on Wall Street combines with the fact that most winners of the Nobel Prize in Economics are American to reveal that economics is a discipline unworthy of Nobelity (Letters, September 30).

While some laureates are indeed undeserving of such high distinction, Mr. Nagarajan's presumption that Uncle Sam's economic policies are fashioned after the advice of distinguished economists is unwarranted. One of America's greatest economists is my colleague James Buchanan, winner of the 1986 Nobel Prize. Jim's life work shows that government officials seek office, not truth - and that success at their venal endeavor too often entails not merely ignoring sound economics but positively fleeing from it as if it were a fast-expanding cloud of anthrax spores.

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29 September 2008

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

Dear Editor:

Fareed Zakaria is right: Sarah Palin's answer to a question about the economy "is nonsense - a vapid emptying out of every catchphrase about economics that came into her head" ("Bow Out, Governor," Sept. 29). He’s right also that she's unfit to be entrusted with the power of the modern presidency.

But Mr. Zakaria is wrong to suppose that these traits separate Gov. Palin from other candidates for high political office. Calls by Senators McCain and Obama for cracking down on "speculators" are classic instances of wrongheaded catchphrases, as is Sen. Obama's vocal skepticism about free trade. Gov. Palin is merely less skilled in passing off inanities and claptrap as profundities.

More importantly, NO one is or ever can be "ready" or "qualified" to exercise power of the sort that is concentrated today in Washington. A country of 300 million people, each with his or her own unique desires, talents, and knowledge, cannot be wisely regulated in the detail and intrusiveness demanded by the modern state.

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29 September 2008

Editor, The Baltimore Sun

Dear Editor:

Rena Steinzor blames today's financial unrest on "knee-jerk opposition to federal regulation" ("Reviving regulation," Sept. 28"). Her solution, of course, is greater government involvement in the economy.

But on the very same op-ed page, Cynthia Tucker put part of the blame (rightly so) on George W. Bush: "The White House bragged on programs to make borrowing easy, including an initiative to allow the Federal Housing Administration to insure mortgages for first-time homebuyers without a down payment" ("Minorities a convenient scapegoat for U.S. financial woes").

Clearly, the only knees jerking of late are not those of conservative politicians opposing government intrusion into markets but, rather, of persons such as Prof. Steinzor who lazily assume that laissez faire has been the order of the day.