



## 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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7 June 2009

Editor, The New York  
Times Book Review  
620 Eighth Avenue  
New York, NY 10018

To the Editor:

Reviewing Michael  
Crawford's "Shop Craft as  
Soul Craft" (June 7)  
Francis Fukuyama writes:

"Highly educated people  
with high-status jobs -  
investment bankers,  
professors, lawyers - often  
believe that they could do  
anything their less-  
educated brethren can, if  
only they put their minds to  
it, because cognitive ability  
is the only ability that

counts. The truth is that  
some would not have the  
physical and cognitive  
ability to do skilled blue-  
collar work, and that others  
could do it only if they  
invested 20 years of their  
life in learning a trade.  
"Shop Class as Soulcraft"  
makes this quite vivid by  
explaining in detail what is  
actually involved in  
rebuilding a Volkswagen  
engine.... Small signs of  
galling and discoloration  
mean excessive heat  
buildup, caused by a  
previous owner's failure to  
lubricate; the slight bulging  
of a valve stem points to a  
root cause of wear that a  
novice mechanic would  
completely fail to perceive."

Indeed. This insight that a  
successful economy must  
use knowledge that is  
dispersed, unimaginably  
detailed, and often unable  
to be articulated fueled  
F.A. Hayek's skepticism of  
government intervention.  
Here's Hayek:

"Today it is almost heresy  
to suggest that scientific  
knowledge is not the sum  
of all knowledge. But a  
little reflection will show  
that there is beyond  
question a body of very  
important but unorganized  
knowledge which cannot  
possibly be called scientific  
in the sense of knowledge  
of general rules: the  
knowledge of the particular  
circumstances of time and

place. It is with respect to this that practically every individual has some advantage over all others because he possesses unique information of which beneficial use might be made, but of which use can be made only if the decisions depending on it are left to him or are made with his active cooperation. We need to remember only how much we have to learn in any occupation after we have completed our theoretical training, how big a part of our working life we spend learning particular jobs, and how valuable an asset in all walks of life is knowledge of people, of local conditions, and of special circumstances." [F.A. Hayek, "The Use of Knowledge in Society," American Economic Review, Sept. 1945, Vol. 35, pp. 519-30. This quotation appears in paragraph 9:

<http://www.econlib.org/library/Essays/hykKnw1.html>]

6 June 2009

Editor, Washington Times

Dear Editor:

Peter Leitner wants Uncle Sam to stop G.M. from selling its Hummer division to China-based Sichuan Tengzhong, LTD., in part

because this sale allegedly would be a practice in "forever hijacking scores of U.S. jobs" ("Hummer sale to China," June 5). Mr. Leitner is blind to the full scope of the modern economy.

Most U.S. jobs today depend critically on economic openness of the sort that Mr. Leitner decries. Capital from abroad; inputs from abroad; customers abroad; and consumer goods from abroad (that lower prices in the U.S. and so raise Americans' real wages) - each of these consequences of economic openness plays a large role in creating countless jobs in the U.S. and, ironically, in imparting to all jobs in America much of the attractiveness that makes the prospect of losing these jobs so difficult.

Making America more closed to trade would indeed keep fewer U.S. jobs from 'moving abroad,' but it would also make these jobs less worth keeping.

5 June 2009

Editor, The New York Times  
620 Eighth Avenue  
New York, NY 10018

To the Editor:

Floyd Norris wisely warns against the unintended consequences of tax policy - in this case, a one-time tax break on overseas profits that backfired ("Tax Break for Profits Went Awry," June 5).

But the ill and unintended consequences of another piece of tax-policy social-engineering needs greater attention. I speak of Internal Revenue Code section 162(m), a 1993 brainchild of Bill Clinton. Aimed at reducing what Mr. Clinton divined was excessive executive salaries, 162(m) eliminated the tax-deductibility of executive pay in excess of \$1 million UNLESS such pay was performance-based.

Alas, as found by economists James Wallace and Kenneth Ferris, "One unintended consequence of the legislation was that executives' total compensation actually increased in the post-1993 period." ["IRC Section 162(m) and the Law of Unintended Consequences" (Nov. 2006):

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=942667](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=942667)] The reason is that

a greater portion of executive pay was shifted into performance-based stock-options - which are both less transparent to shareholders than are annual salaries, and which give executives greater incentives to rig short-term results in ways that raise executive pay even as this rigging increases market volatility and reduces dividend yields.

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4 June 2009

Editor, Washington Times

Dear Editor:

Cal Thomas is correct to note that government-produced automobiles are no models of performance, style, or safety ("Downfall of an icon," June 4). They truly are hunks of junk.

I recall being in Germany in 1990, not long after the collapse of the Iron Curtain. A German friend told me of a then-recent incident that happened at night as he drove along the autobahn. He was cruising at about 120 miles per hour in his Mercedes when he saw ahead two faint, flickering lights. "Good thing I slammed on my brakes," he said, "because the lights were candles in the rear window of a Trabant. They were being used as tail lights!"

The government-made Trabant, I gather, had a top speed of about 60 MPH - and, obviously, also a wholly unreliable electrical system.

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4 June 2009

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

Dear Editor:

Google CEO Eric Schmidt should not be surprised that Google's market success "has competitors sharpening their lobbying efforts" ("Tech Titans' Ties to Washington Grow Closer - and More Complicated," June 4).

Mr. Schmidt's father, the late Wilson Schmidt, was on the economics faculty at Virginia Tech many years ago when that university was home to the Center for Study of Public Choice - a group of scholars whose research shows that government serves well-funded lobbies far more readily than it serves the public good. That the elder Mr. Schmidt was instrumental in furthering the research that reveals this reality is evidenced by the fact that the Center's library, now at George Mason University, proudly bears his name.

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3 June 2009

Editor, Time

Dear Editor:

On Monday President Obama proclaimed that G.M. "will be run by a private board of directors and management team. They, and not the government, will call the shots and make the decisions about how to turn this company around." And yesterday, two high-ranking members of his administration, writing in USA Today, seemed downright insulted that anyone would doubt the President's word that politics will "play no role" in running this company.

Alas, this political chicken wasted no time in coming home to roost. You report today that "Top executives from General Motors and Chrysler face tough questions from lawmakers about sweeping plans to close hundreds of car dealerships as the auto companies undergo government-led bankruptcies" ("Senate Reviews Close of GM, Chrysler Dealers," June 3).

The wonder is not that politicians are meddling. The wonder is that America is populated with a

sufficient number of fools so gullible as to encourage Mr. Obama to issue his 'no politics' assurance with a straight face.

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3 June 2009

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

To the Editor:

You argue that Treasury secretary Timothy Geithner's call for Beijing to increase the value of the yuan is a sop to trade lobbyists ("Geithner's China Pitch," June 3). Sad but spot-on. What Adam Smith wrote in 1776 about Great Britain is no less true in 2009 about America:

"To expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceana or Utopia should ever be established in it. Not only the prejudices of the publick, but what is much more unconquerable, the private interest of many individuals, irresistibly oppose it."

And any government official who dares to push for free trade can expect "personal insults" and even "real danger" arising "from

the insolent outrage of furious and disappointed monopolists." [Adam Smith, An Inquiry Into the Nature and Causes of the Wealth of Nations (1776), Book IV, Chapter 2, paragraph 43:  
<http://www.econlib.org/library/Smith/smWN13.html#B.IV,%20Ch.2,%20Of%20Restrains%20upon%20the%20Importation%20from%20Foreign%20Countries>]

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2 June 2009

Friends,

My GMU and Mercatus Center colleague Tyler Cowen's latest book hits the shelves early next month. I promise that you'll want, ASAP, to read "Create Your Own Economy." You can pre-order here:

[http://www.amazon.com/Create-Your-Own-Economy-Prosperity/dp/0525951237/ref=sr\\_1\\_1?ie=UTF8&s=books&qid=1243965222&sr=1-1](http://www.amazon.com/Create-Your-Own-Economy-Prosperity/dp/0525951237/ref=sr_1_1?ie=UTF8&s=books&qid=1243965222&sr=1-1)

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2 June 2009

Editor, USA Today

Dear Editor:

Obama administration officials Steven Rattner and Ron Bloom assert that politics will "play no role" in running the new

government-owned G.M. ("A hands-off approach'," June 2).

To believe this assertion is akin to believing that a wolf pack that corners a crippled elk will play no role in devouring the helpless animal to satisfy the wolves' own hunger.

Politician will no more cast off their own nature than will wolves. Both species are natural predators.

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2 June 2009

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

To the Editor:

George Priest argues that it's a mistake for the Obama administration to change antitrust policy from one that, at least allegedly, is focused on protecting competition to one focused on restricting large and successful - "dominant" - entities from competing vigorously with less-successful rivals ("The Justice Department's Antitrust Bomb," June 2). Mr. Priest is right: this policy will help only weaker rivals as it harms consumers.

But if the administration insists on resurrecting this old-fashioned (and intellectually debunked) policy, it should do so consistently. It can begin by blocking the Democratic Party from taking advantage of its dominance over its much-weaker rivals. Given Mr. Obama's apparent understanding of the competitive process, he must know that the G.O.P. and other minor parties can compete against the Democrats only if government prevents the Democrats from exploiting their current market dominance.

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1 June 2009

News Editor, WTOP Radio  
Washington, DC

Dear Editor:

This afternoon you interviewed a pundit who claims to be "inspired" by the way that Bill and Hillary Clinton, having been so critical of Barack Obama during the presidential primary campaign, now work so agreeably with him. I'm not inspired; I'm suspicious. Were the Clintons lying during the campaign? Or are they lying now?

Herbert Spencer understood the charade of politics when he wrote the following in 1884: "While before them as candidates, they are, by one or other party, jeered at, lampooned, 'heckled,' and in all ways treated with utter disrespect. But as soon as they assemble at Westminster, those against whom taunts and invectives, charges of incompetence and folly, had been showered from press and platform, excite unlimited faith. Judging from the prayers made to them, there is nothing which their wisdom and their power cannot compass." [Herbert Spencer, "The Man versus the State, with Six Essays on Government, Society and Freedom," ed. Eric Mack, Introduction by Albert Jay Nock (Indianapolis: LibertyClassics, 1981), p. 96]

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1 June 2009

Editor, The New York Times  
620 Eighth Avenue  
New York, NY 10018

To the Editor:

Paul Krugman asserts that the housing-market meltdown was caused by Reagan-era deregulation.

This policy change, Krugman argues, encouraged injudicious lending to people who should never have gotten mortgages ("Reagan Did It," June 1).

Mr. Krugman is careless in doing history. Among the facts that he overlooks are the many steps, both before and after Reagan, taken by the White House

and Congress to push mortgage lenders to extend home loans to low-income Americans. As recently as 2003, for example, Rep. Barney Frank - hardly a free-marketeer - opposed efforts to pressure Fannie Mae and Freddie Mac to stop buoying the market for subprime mortgages. Mr. Frank declared that critics of Fannie and Freddie "exaggerate a threat of

safety and soundness" and "conjure up the possibility of serious financial losses to the Treasury, which I do not see.... The more pressure there is there, then the less I think we see in terms of affordable housing."

[<http://www.youtube.com/watch?v=63siCHvuGFg>

(The Frank quotation starts near the 1:38 mark.)]