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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18 July 2009

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

To the Editor:

Paul Krugman too readily lauds the "the creation of federal deposit insurance in the 1930s" as an important "expansion of the financial safety net" ("The Joy of Sachs," July 18).

Deposit insurance reduces depositors' incentives to monitor the solvency of their banks - a fact that even Mr. Krugman's hero, Franklin Roosevelt, understood. In a 1932 letter to the New York Sun, then-Governor Roosevelt wrote that deposit insurance "would lead to laxity in bank management and carelessness on the part of both banker and depositor. I believe that it would be an impossible drain on the Federal Treasury to make good any such guarantee. For a number of reasons of sound government finance, such plan would be quite dangerous." [http://www.cafehayek.com/hayek/2008/12/franklin-fannie.html]

As economists Nicolas Economides, Glenn Hubbard, and Darius Palia suggest, President Roosevelt signed the legislation creating the F.D.I.C. reluctantly, only after unit banks, fearing competition, succeeded in blocking efforts to permit nationwide branch banking. [Nicolas Economides, R. Glenn Hubbard, and Darius Palia, "The Political Economy of Branching Restrictions and Deposit Insurance," Journal of Law & Economics, Vol. 39, October 1996, pp. 667-704] Unrestricted branching would have created a much more secure banking system without introducing the moral-hazard problems that now continue to plague our financial system.

18 July 2009

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

To the Editor:

Discussing today's proposed increase in federal financial regulation, Paul Krugman describes "the creation of federal deposit insurance in the 1930s" as marking "the last time there was a comparable expansion of the financial safety net" ("The Joy of Sachs," July 18).

Mr. Krugman's history is half-baked. U.S. bank insolvencies in the 1930s resulted from restrictions on branch banking. Canada, which had no such restrictions, suffered not a single bank run during the Depression. And our northern neighbor had no deposit insurance until the 1960s. So the very safety that Mr. Krugman suggests can be, and was, created only by deposit insurance was itself earlier undermined by misguided government regulations restricting branch banking.

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17 July 2009

Friends,

Yesterday's New York Times featured three short essays by economists addressing the topic "When to Let a Bank Fail." Two of the three economists are "Masonomists" -- Russ Roberts (my GMU colleague and co-blogger) and Mark Calabria of Cato (who earned his PhD in economics at George Mason). Here's the link to GMU wisdom on this matter:
http://roomfordebate.blogs.nytimes.com/2009/07/16/when-to-let-a-bank-fail/#russell

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17 July 2009

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

Dear Editor:

While I share Charles Krauthammer's admiration for the scientific brilliance that put men on the moon and returned them safely to the earth, I disagree that "the wonder and glory" of manned lunar exploration is a sufficient reason for Uncle Sam to again undertake such missions ("The Moon We Left Behind," July 17).

Such "wonder and glory" is funded with money forcibly taken from taxpayers. This process inspires no awe and is decidedly inglorious. Moreover, achievements even more wondrous and glorious than moon shots surround us daily - for example, New York City is fed day in, day out, without fail. Millions of people from around the world work to grow, process, warehouse, deliver, cook, and serve food so that eight million New Yorkers eat well every day. No one plans this wondrous achievement, and no one is forced to contribute toward its realization. It's the happy result of countless persons pursuing their own self-interests within markets.

Is a moon shot really as wondrous as the intricate coordination of the plans and actions of these countless suppliers and consumers? Is putting a human being on the moon really as glorious as the fact that hunger has been all but eliminated everywhere that markets operate?

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16 July 2009

Friends,

My GMU colleague (and Marginal Revolution blogger) Tyler Cowen will speak on August 4th at the Cato Institute on his new book "Create Your Own Economy: The Path to Prosperity in a Disordered World." Details here: http://www.cato.org/event.php?eventid=6384

16 July 2009

Editor, Baltimore Sun

Dear Editor:

In "Local food: It's up to the consumers" (July 16), you assert that Marylanders harm the environment when they buy foods produced far away. You reason that shipping foods from places such as Peru requires the burning of fossil fuels and, therefore, has "an extraordinarily adverse impact on ourselves and our environment."

It's true that shipping the likes of artichokes and bananas to Baltimore from far away burns fuel. But how can you possibly know that the consequent harmful effects on the environment outweigh the benefits of having a wide variety of fresh, tasty foods year-round? You look only at the environmental costs and ignore the benefits to flesh-and-blood people of a diverse source of foods. If the mere burning of fuel is sufficient to render an activity harmful (as you imply), then you should immediately shut down your own operations. Your printing presses, offices, and delivery trucks all burn fuel - and to what end? To make available poorly reasoned, mentally unhealthy food for thought such as that in your editorial? How harmful is THAT?

15 July 2009

Editor, Los Angeles Times

Dear Editor:

In "American aid to Africa" (July 15) you presume that money given by governments of rich western nations to governments of poor African nations is necessary if the economies of these African nations are to develop.

Although as widespread as grass on the savannah, this presumption is preposterous. First, history's greatest industrial economies – the Great Britain and the United States – developed without a cent of "foreign aid." Second, over the past half-century, hundreds of billions of dollars of such "aid" have been given to African governments. The peoples of these countries remain desperately poor – arguably, as economist William Easterly documents, in large part BECAUSE of this "aid."

What, then, justifies the presumption that aid is necessary, or even helpful, for economic development?

15 July 2009

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

To the Editor:

You report the happy news that Chinese automaker Geely is profitable, growing, and "will be poised to export its models to the U.S. or Europe within three to five years" ("A Chinese Upstart Goes After Detroit," July 15).

So let's hear no more from Washington and Detroit about how "THE" auto industry is struggling and "in need" of subsidies and special privileges from Uncle Sam. The auto industry is just fine, even if one or more U.S. automakers are terminally ill.

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15 July 2009

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

Dear Editor:

Harold Meyerson rightly applauds the fact that Robert Rubin is "concerned with the world's poor" ("Whiz Kids, Wall Street Division," July 15). But his applause confuses me.

In many of his columns Mr. Meyerson argues against free trade. He does so because it obliges high-wage Americans to compete against low-wage foreigners, and thus allegedly puts downward pressure on Americans' wage rates. Forget that neither theory nor data support Mr. Meyerson's claim about trade's effect on high-wage Americans. If Mr. Meyerson himself were truly concerned with the world's poor, he would unconditionally support free trade - a proven means for raising the wages of low-wage foreign workers.

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14 July 2009

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

To the Editor:

Arthur Fleisher asserts that "our single largest problem" is "uncontrolled overpopulation" (Letters, July 14).

What evidence supports this widely held belief? Certainly modern history argues against it. At least 4.5 billion people alive today enjoy material standards of living that are much higher than those enjoyed by all but the most elite of the elite prior to the industrial age. Also, many densely populated parts of the world are dazzlingly rich (e.g., northwestern Europe) while many sparsely populated parts are desperately poor (e.g., sub-Saharan Africa).

Today's belief that the world is overpopulated is even less supportable than yesterday's belief that the world is flat: at least the earth APPEARS to our senses to be flat, while not even our crude senses gives us any reason to believe that prosperity declines as population rises.

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14 July 2009

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

To the Editor:

I applaud UPS CEO Scott Davis's principled support for free trade ("Business Needs to Speak Up on Trade," July 14). But in making his case he commits an error that protectionists can exploit to discredit free traders. Mr. Davis's error is his claim that "trade creates jobs." Trade certainly creates

SOME jobs, but it eliminates others. On net, trade neither creates nor destroys jobs. When trade is freed and no net increase in jobs is detected in the data, protectionists unfailingly proclaim "See! Free trade has failed!"

What free trade does do - in addition to maximizing consumer choice and intensifying salubrious competition - is to replace less-productive (and, hence, lower-paying) jobs with more-productive (and, hence, higher-paying) jobs. These benefits real and significant enough.

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13 July 2009

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

Dear Editor:

Peter Wallison rightly challenges the Obama administration's conclusion that ordinary Americans lack the capacity to understand complex financial instruments - an incapacity so overpowering that even full disclosure by sellers of these instruments is insufficient to ensure that the typical person can be trusted to choose whether or not to invest in such instruments ("Elitist Protection Consumers Don't Need," July 13).

But let's accept, for argument's sake, the administration's judgment that ordinary Americans can't adequately assess complexity. Doesn't it then follow that Americans' election of Mr. Obama to high office deserves no credit? After all, isn't the task of assessing the merit of one person's ideas on economics, foreign affairs, ethics, law, and other difficult topics extraordinarily complex? Given that Joe Six-Pack and Jane Soap-Opera cannot be trusted with the relatively straightforward task of sensibly investing their own money, how can they be trusted to meet the far more complex challenge of choosing powerful national leaders?