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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1 February 2009

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

To the Editor:

The title of Frank Rich's column today proclaims that "Herbert Hoover Lives." Indeed he does. But contrary to Mr. Rich's argument, Hoover's ghost seems to animate President Obama at least as much as it animates G.O.P. members of Congress.

In response to the economic downturn of the early 1930s, President Hoover signed the largest tariff hike in U.S. history (Smoot-Hawley); he tried to spur the residential real-estate market with the Federal Home Loan Bank Act; he sought to assist the financial sector by launching the Reconstruction Finance Corporation; and he aimed to decrease unemployment through public-works programs with the Emergency Relief and Construction Act.

Oh, and he also raised taxes on corporations and on the rich. No laissez faire President he!

Seems to me as if U.S. President #44 has had some séances with U.S. President #31.

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1 February 2009

Friends,

Here's this month's fascinating New York Times column by my GMU and Mercatus Center colleague Tyler Cowen. In it, he discusses some of the less obvious likely consequences of an economic downturn.
http://www.nytimes.com/2009/02/01/business/01view.html?scp=1&sq=tyler%20cowen&st=cse

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1 February 2009

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

To the Editor:

Because Frank Rich sensibly claims that "the job growth the Bush administration kept bragging about ('52 straight months!') was a mirage inflated by the housing bubble," I'm mystified that Mr. Rich so unquestioningly supports stimulus spending ("Herbert Hoover Lives," February 1.)

Today's woes are the result of this bubble having burst. Many of the consumption and production plans made during the bubble period - plans made on the basis of out-of-whack prices - are now proven to be unsustainable. Workers and entrepreneurs must adjust to a new and more realistic pattern of prices. These adjustments, although painful, are necessary if we're to have sustained and real economic growth.

But injecting massive government demand into the economy risks recreating, if only for a short time, the faulty pattern of demands, prices, and production plans that got us into this mess to begin with.

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31 January 2009

Adam Davidson, National Public Radio

Dear Adam:

I enjoyed your and Alex Blumberg's January 29th report on the resurgence of Keynesian economics. In your list of anti-Keynesian schools of thought, though, you missed an important group of scholars: the Austrian economists, whose most prominent exponent was F.A. Hayek. Unlike Keynesians and monetarists, Austrians reject the idea that recessions are due chiefly to aggregate demand being too low. Instead, Austrians focus on the time it takes to correct any misdirection of resources caused by distortions in the complex pattern of individual prices.

Sadly, almost no one today has heard of - and even fewer people pay serious attention to - the Austrian theory. But it was once influential. We have it on the authority of the late Sir John Hicks, himself a Nobel laureate economist, that in the mid-1930s "the new theories of Hayek were the principal rival of the new theories of Keynes."

Keynes's theory cannot adequately explain the experience of the 1970s. Perhaps it's time to look again, not at Keynes's work, but at Hayek's.

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30 January 2009

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

To the Editor:

Terence M. O'Sullivan notes that "voluminous research" shows that legislatively mandated higher construction wages do not raise builders' costs because these higher wages "are generally offset by greater productivity" (Letters, January 30).

Research - and economic logic - do indeed show that mandated higher wages are correlated with higher worker productivity. But contrary to Mr. O’Sullivan's argument, the reason is that firms prevented from paying wages lower than some regulatory minimum hire only workers capable of producing enough to justify the higher wage. The lower-skilled workers who would have been hired in the absence of such regulation never enter the picture. The resulting higher measured productivity is a statistical artifact created by the arbitrary exclusion of lower-skilled workers from jobs.

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29 January 2009

Editor, The Washington Times

Dear Editor:

Citibank will now reject delivery of a corporate jet. As you report, "Pressure to cancel the deal came from the Obama administration and amid a chorus of concerns from politicians who are worried about how banks that have received federal funds are spending the money" ("Citigroup won't accept new jet," January 28).

Overlook the sad fact that bailout money is being used to exponentially expand the scope of market activities over which government exercises direct control, and instead ask: Does no one see the sick hypocrisy here? A man who flies in a private jet paid for exclusively with taxpayer funds (Air Force One) scolds other persons for flying in private jets paid for only in part with taxpayer funds.

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29 January 2009

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

To the Editor:

Your headline reports that "Obama Calls Wall Street Bonuses 'Shameful'" (January 29). True enough. But equally shameful is Mr. Obama's detachment from reality.

Why would he suppose that greedy bankers, when given access to money forcibly extracted for them from taxpayers through a program that Mr. Obama himself champions, would cease to be greedy bankers? And, more fundamentally, is it not also shameful for government to compel citizens as taxpayers to patronize banks and auto producers that these same citizens as private consumers choose not to patronize?

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29 January 2009

Editor, The New Orleans Times-Picayune

Dear Editor:

You report that "In another example of how Hurricanes Katrina and Rita have helped shield Louisiana from the worst of the nation's economic woes, the state was one of only three to post job gains in December" ("Louisiana bucks trend, adds jobs despite U.S. slump," January 28).

This reasoning is sloppy. First, a large chunk of these job gains is undoubtedly due to the continuing return to Louisiana of the residents who were displaced by Katrina and Rita. Second, destroying wealth promotes poverty rather "shields" people from economic woes. If destructive hurricanes really do sustain economic growth, then the answer to America's current problems is much simpler than the solons in Washington realize: all they need do is to hire brigades of hoodlums to swarm across the nation with orders to destroy everything in sight.

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28 January 2009

Editor, The Baltimore Sun

Dear Editor:

C. Paul Mendez wants to protect American workers from competition with a moratorium on immigration (Letters, Jan. 28). Why stop there? Why not also moratoria on worker training and on technological advances? After all, improved worker skills and more highly developed production techniques increase worker productivity. The result is that any given amount of output is produced using fewer workers. So worker training and technological advances, no less than immigrants, also compete with many existing workers.

In truth, any such moratoria are moratoria on sources of economic growth - never wise moves at any time, but especially not during times such as these when investors are especially leery of committing funds to long-term projects.

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27 January 2009

Editor, The New Yorker

Dear Editor:

Ben McGrath's report on modern-day doomsayers is a masterpiece ("The Dystopians," Jan. 26). But he missed an opportunity to poke even more fun at gloomster Dmitry Orlov. This opportunity arose when Mr. Orlov listed "a worsening foreign-trade deficit" as evidence of America's coming collapse.

Mr. McGrath could have explained that another name for "worsening foreign-trade deficit" is "improving foreign-investment surplus" - meaning, larger inflows of foreign investment funds to America. While more foreign investments in the U.S. might in part reflect Uncle Sam's reckless fiscal policies, foreigners' continued willingness to lend so much means that they voluntarily shoulder a good deal of the risks created by these policies. This fact both makes America stronger than it would be without "a worsening foreign-trade deficit" and it signals that foreign lenders emphatically reject Mr. Orlov's belief that the United States will soon collapse.

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26 January 2009

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

To the Editor:

Paul Krugman claims to "debunk some of the major antistimulus arguments" ("Bad Faith Economics," January 26). Alas, he ignores the most compelling arguments against the "stimulus" - such as the one that recognizes that massive increases in government spending are too likely to be laden with pork and infected with political viruses to do much good.

More important is the argument built on the understanding that the fundamental problem isn't a lack of aggregate demand but, rather, resource misallocation caused by prices being out-of-whack relative to each other. The only way to solve this problem is to let these relative prices adjust over time so that resource allocation become more sustainable. "Stimulus" spending will only prevent these adjustments from taking place. The problem may be masked in the short-run, but only by ensuring longer-term harm.

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26 January 2009

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

Dear Editor:

In "Three Crises In One," Robert Samuelson double-counts by identifying "the collapse of consumer spending" and "a trade crisis" caused by Americans now spending less on imports as two separate problems with today's economy (January 26). When consumers reduce their spending they do so for imports as well as for domestically produced goods and services. It makes no more sense to distinguish reduced consumer demand for American-made outputs from reduced demand for foreign-made outputs than it does to distinguish reduced consumer demand for Ohio-made outputs from reduced demand for Oregon-made outputs.

Also, if - as Mr. Samuelson has long contended - Americans earlier saved too little and spent too much on imports, why is it now a problem that Americans are saving more and buying fewer imports? Despite the adjustment costs such a shift entails, shouldn't we applaud this end to what Mr. Samuelson (and so many other pundits) regard as excessive profligacy on the part of American consumers?