



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.

29 November 2009

Friends,

One of the most inspiring people I know is a young Kenyan woman named June Arunga a dynamic combination of intelligence, wisdom, talent, charm, and love of liberty that is all too rare. The Pope Center's Jane Shaw tells some of June's story here:

<http://popecenter.org/commentaries/article.html?id=2265>

29 November 2009

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

Dear Editor:

Fed Chairman Ben Bernanke asserts - as if it is an incontrovertible fact - that "The Fed played a major part in arresting the [current] crisis" ("The right reform for the Fed," Nov. 29).

First, it's unclear if our economic troubles have been "arrested." More likely, they've been delayed and aggravated by the additional moral-hazard unleashed by the bailouts and, even worse, by the gargantuan recent increases in the money supply.

Second, IF it's true that there's now light at the end of this tumultuous tunnel, no real evidence exists to support Bernanke's claim that the reason for our good fortune is Fed policy. Writing in the Christian Science Monitor in September, economist George Selgin observes that recessions "do eventually end, with or without central bankers' help. According to the National Bureau of Economic Research, the US went through 32 recessions between 1854 and 2001, the average duration of which was about 17 months - or a few months shorter than the current recession, so far."

[George Selgin, "Did Bernanke save us from another Great Depression?" Christian Science Monitor, 17 Sept. 2009:

<http://www.csmonitor.com/2009/0917/p09s01-coop.html>]

For the first 60 of these years America had no Fed or any other central bank. During the other 87 of these years, the Fed often either did nothing to arrest recessions or reacted positively to recessions in ways that economists now agree worsened matters.

29 November 2009

Mr. Ben Bernanke,
Chairman
Federal Reserve Board
Washington, DC

Dear Mr Bernanke:

I had to down an extra mug of coffee this morning to be sure that I read your op-ed in today's Washington Post [<http://www.washingtonpost.com/wp-dyn/content/article/2009/11/27/AR2009112702322.html>] correctly. Sure enough, you claim to be worried about a House committee vote to, as you say, "repeal a 1978 provision that was intended to protect monetary policy from short-term political influence."

Ummm.... What was the modus operandi of the Fed over the past couple of years if not short-term political influence?

Working hand-in-glove with the political branches, you now have the Fed performing activities - such as direct lending to what, in an April 2009 speech, you called "ultimate borrowers and major investors"

[<http://charlotte.bizjournals.com/charlotte/stories/2009/03/30/daily65.html>] - that are utterly outside of the Fed's traditional role.

As my colleague and celebrated monetary historian Larry White writes, "The Fed's new activities deserve to be called a bailout program because they seek to channel credit selectively at below-market interest rates, or purchase assets at above-market prices, in hopes of rescuing, or enhancing profits for, favored sets of financial institutions. The Fed's new lending facilities are not parts of a central bank's traditional 'lender of last resort' role."

[<http://www.thefreemanonline.org/featured/the-financial-bailouts-%E2%80%9Csee-the-needle-and-the-damage-done%E2%80%9D/>]

Sorry, Mr. Bernanke, any independence that the Fed might have once had from "short-term political influence" has already been trampled to death - chiefly by you.

28 November 2009

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

Dear Editor:

Clyde Prestowitz sings lead in the chorus that incessantly chants 'China's

currency is undervalued! Beijing is unfair! China's trade surplus with America is caused by the yuan being undervalued against the dollar!' (Letters, Nov. 28).

But since July 2005 the Chinese yuan has been pegged to a basket of major currencies. Practically, it's as if China uses the same currency as other major economies - rather as, say, Texas uses the same dollar as the other 49 American states.

Suppose that Texans (for whatever reason) tend to save a lot, and so run a "trade surplus" with the rest of the U.S. Would Mr. Prestowitz then accuse Texans of undervaluing the dollar? Would he urge other states to threaten protectionist actions against Texans unless these Texans figure out, and implement, a way to make dollars less valuable there?

27 November 2009

Mr. Fred Hochberg,
President
Export-Import Bank of the
United States
Washington, DC

Dear Mr. Hochberg:

My e-mail today brought a proud announcement from CG/LA Infrastructure LLC that you'll speak at one of that company's up-coming events. In the announcement, you're quoted as saying that the "Ex-Im Bank is dedicated to supporting US companies and workers." I have some questions for you.

Why are jobs in export industries better than jobs in non-export industries?

How can a government institution, such as the Ex-Im Bank, create jobs in export industries without taking resources away from other non-export sectors - and, hence, without reducing jobs in those sectors?

How would you feel about, say, a Pink-Nonpink Bank - a government institution whose mission is to support industries that produce pink goods (such as grapefruit and women's panties) for the purpose of "creating jobs" in, and increasing the output of, pink industries? Would such a "bank" strengthen America's economy? Would you, as head of such a "bank," count all the jobs you promote in pink industries, and all the extra pink output you make

possible, as being net gains for the American economy?

27 November 2009

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

To the Editor:

Paul Krugman supports a "Tobin tax" as a means of reducing speculation ("Taxing the Speculators," Nov. 27).

Bad idea. Speculators buy assets only when they predict that these assets' prices will rise; speculators sell assets only when they predict that these assets' prices will fall. And speculators profit only when they predict correctly. So speculators who predict correctly help move asset prices more quickly to these assets' 'true' values.

For example, a speculator who buys 10,000 shares of Microsoft believes that Microsoft's stock is currently undervalued; the speculator's purchase of this stock raises its price closer to what the speculator believes to be its 'true' value. If the speculator is correct, his speculation raises that asset's price closer to

where it should be. This 'truer' price - by more accurately reflecting market fundamentals - makes investment less risky for others and makes the allocation of capital more efficient.

But if the speculator is incorrect, he loses. That is, the market already 'taxes' harmful speculative moves while it rewards beneficial ones.

27 November 2009

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

To the Editor:

A headline in today's edition reads "Dollar Falls Against Yen; Japan Hints at Action." A more revealing headline would be "U.S. Goods Become Less Costly for Japanese People; Japanese Government Hints at Preventing Its Citizens from Enjoying this Bounty."

26 November 2009

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

Dear Editor:

Ruth Marcus is correct that courts will, in fact, find new health-care commands issued by Washington to be constitutional ("An 'illegal' mandate? No.," Nov. 26). This fact, though, does not mean that such commands would meet with the approval of those wise skeptics of concentrated national power who drafted and ratified the Constitution.

Ms. Marcus blithely attempts to justify, as being consistent with the Constitution's commerce clause, the 1942 case *Wickard v. Filburn* - in which the Supreme Court held that wheat grown exclusively for home consumption affects interstate commerce and, so, is subject to regulation by Uncle Sam.

As NYU law professor Richard Epstein asks, "Could anyone say with a straight face that the consumption of home-grown wheat is 'commerce among the several states?'" [Richard A. Epstein, "The Proper Scope of the Commerce Power," 73 *Virginia Law Review*, Vol. 73 (1987), p. 1451] (Prof. Epstein, meet Ms. Marcus!) Indeed, even left-liberal law professor Bruce Ackerman of Yale acknowledges - in his 1991

book "We the People: Foundations" - that New Deal Supreme Court rulings are incompatible with the intention of the Constitution's drafters.

26 November 2009

Friends,

Suffolk University's Ben Powell -- a GMU economics PhD -- reminds us of why the pilgrims were thankful.

<http://www.independent.org/newsroom/article.asp?id=2378>

Here's a selection: "In 1620 Plymouth Plantation was founded with a system of communal property rights. Food and supplies were held in common and then distributed based on equality and need as determined by Plantation officials. People received the same rations whether or not they contributed to producing the food, and residents were forbidden from producing their own food. Governor William Bradford, in his 1647 history, *Of Plymouth Plantation*, wrote that this system was found to breed much confusion and discontent and retard much employment that would have been to their benefit

and comfort. The problem was that young men, that were most able and fit for labour, did repine that they should spend their time and strength to work for other men's wives and children without any recompense. Because of the poor incentives, little food was produced.

Faced with potential starvation in the spring of 1623, the colony decided to implement a new economic system. Every family was assigned a private parcel of land. They could then keep all they grew for themselves, but now they alone were responsible for feeding themselves. While not a complete private property system, the move away from communal ownership had dramatic results.

This change, Bradford wrote, had very good success, for it made all hands very industrious, so as much more corn was planted than otherwise would have been. Giving people economic incentives changed their behavior. Once the new system of property rights was in place, the women now went willingly into the field, and took their little ones with them to set corn; which before would allege weakness and inability."

Happy Thanksgiving to you and yours!

24 November 2009

Friends,

George Selgin's 1997 monograph (published by the IEA of London) "Less Than Zero: The Case for a Falling Price Level in a Growing Economy" is now available on-line. What great news!

With confusion about money, banking, and monetary policy running rampant these days, George's clear and compelling argument for competitively produced stable money makes plain that deflation caused by productivity increases is to be celebrated:

<http://www.iea.org.uk/files/upld-book98pdf?.pdf>

24 November 2009

Editor, Baltimore Sun

Dear Editor:

You are right to warn against politics infecting health-care decisions ("Medicine trumps politics," Nov. 24).

But you are also unreasonable to do so. Yours is among the most

strident voices in support of Obamacare. To demand more government-enforced and financed health-care arrangements AND to decry the politics that arises in response to this government intervention is like demanding government-enforced and financed free love AND decrying the unwanted pregnancies and STDs that would arise in response.

24 November 2009

Friends,

Several of you have asked me about Russ Roberts's recent podcast with Richard Posner on Posner's indictment of capitalism and on his new-found admiration for J.M. Keynes. Here's the link: http://www.econtalk.org/archives/2009/11/posner_on_the_f.html

I encourage you to listen carefully to this podcast and judge for yourself the strength of Posner's case.

23 November 2009

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

To the Editor:

Paul Krugman insists that the nearly ten TRILLION dollars of projected U.S. government budget deficits over the next decade is a "phantom menace" ("The Phantom Menace," Nov. 23). The real problem, according to Mr. Krugman, is that government's spending plans are too modest (!). He believes that only by spending more will Uncle Sam assuredly save Americans from "the greatest economic catastrophe since the Great Depression."

it's a demagogic scare tactic unfit for a serious scholar.

Suggesting that today's downturn is similar to the Great Depression is recklessly misleading. Between 1930 and 1933, real U.S. GDP fell by 29.3 percent. Compare this figure with today's: from its all-time high in the second quarter of 2008, real U.S. GDP is now (as of the third quarter of 2009) down by 3.0 percent. On the employment front, in 1933 fully one in four Americans was unemployed; today's number of unemployed is one in ten.

Reasonable people can disagree about the proper role of government in dealing with recessions. But to suggest that today's troubles are even remotely akin to those of the 1930s is decidedly UNreasonable;