Comment on the Commentary of the Day

by
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15 February 2009

Editor, Boston Globe

Dear Editor:

Gaga over the idea of Uncle Sam "stimulating" the economy by issuing time-stamped gift certificates to all Americans, Prof. Hersh Shefrin identifies an alleged additional bonus of this scheme: "What's more, the Treasury would have to spend money to print and mail the certificates" (Letters, Feb. 15).

Fantastic! But why stop there? Why not raise the cost of supplying these gift certificates even higher? We can, for example, engrave each certificate on a sheet of 24-carat gold and have each one hand-delivered, after its own private chartered flight on a fully staffed 747, by a delivery person outfitted by Beverly Hills's most exclusive clothiers.

If costs aren't obstacles that must be overcome for economic growth to occur but instead are the direct source of such growth, the possibilities for creating an earthly paradise are endless.

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14 February 2009

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

To the Editor:

Uncle Sam will cap salaries paid to executives of banks receiving bailout funds ("Bankers Face Strict New Pay Cap," February 14). Like all price controls, this one will produce negative consequences. More worrisome, though, is the precedent being set.

Politicians are today meddling with executive pay. But just you wait. If, say, Wells Fargo tomorrow announces that it will cut costs by replacing some live tellers with ATMs, Uncle Sam will feel free to "save jobs" by ordering banks to avoid such efficiency-enhancing moves. Likewise, if, say, Bank of America were to announce the appointment of yet another middle-aged straight white male as CEO, I can well imagine Congress objecting, insisting that the new CEO be a handicapped lesbian of color.

Political theater will replace sound business judgment.

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13 February 2009

Editor, Baltimore Sun

Dear Editor:

Karl Pfrommer's letter is confusing (Feb. 13). He first complains that the Baltimore area suffers from of a shortage of rental properties. He then applauds a county ordinance that makes it easier for government to penalize landlords whose properties don't meet standards set by politicians.

Presumably, apartments that violate standards set by politicians do not violate a much more relevant set of standards, namely, that set by tenants. The fact that tenants voluntarily rent these apartments means that, given the rental rates, the apartments in question are quite acceptable to their tenants. But now that government will force landlords to raise the quality of rental units, the supply of low-cost rental housing will fall, thus worsening the rental-property shortage about which Mr. Pfrommer claims to be so concerned.

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12 February 2009

Editor, USA Today

Dear Editor:

Kenneth Zimmerman's letter unintentionally provides a glimpse of a terrible consequence of greater government involvement in our lives (Feb. 12). Upset that Nadya Suleman's infertility treatments resulted in her having so many children, Mr. Zimmerman calls on government to ban the use of such treatments to create multiple births. Among his reasons is his fear that women who get such treatments will receive government welfare assistance.

So sure enough, just as government's use of taxpayer funds to bailout private companies results in government control of private-sector salaries, government's use of taxpayer funds to help support families will result in government interference in decisions that ought to be strictly personal.

Persons who believe that extensive government control and subsidizing of our lives are compatible with individual freedom are deluded.

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12 February 2009

Friends,

My former GMU Econ student Michelle Muccio makes a strong case, in this short and entertaining video, for stimulating the economy by eliminating payroll taxes. Apparently some of Obama's biggest fans agree! http://www.youtube.com/watch?v=xV5Ulu86-TY

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11 February 2009

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

To the Editor:

Peter Morici asserts that America's trade deficit with China causes "a huge drain on the demand for U.S.-made goods and services. The absence of reciprocal free trade is an important reason the U.S. economy is in its current mess" (Letters, February 11).

Untrue. Dollars the Chinese do not spend on U.S.-made goods and services are invested in dollar-denominated assets. These investments raise demand for U.S. output just as would more direct expenditures on goods and services.

Consider what happens, for example, if the Chinese buy shares of Microsoft, thus raising America's trade deficit with China. First, the American sellers of these shares get more dollars to spend on U.S.-made goods and services. It's economically irrelevant if the persons buying these outputs are from Seattle or from Shanghai. Second, Microsoft's cost of capital falls, making that company more likely to expand operations, or at least less likely to contract them.

Concerns about the U.S. trade deficit are unwarranted.

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9 February 2009

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

To the Editor:

Paul Krugman thinks that that the stimulus package is too small ("The Destructive Center," Feb. 9). He, like many others, portrays today's recession as a major catastrophe that can be controlled only with major interventions.

But the facts do not support the belief that this recession is especially dire. Writing today in a newspaper that is far less sensationalist on this topic than yours - the New York Post - economist Alan Reynolds points out that "With one exception - the steep 45 percent drop in the S&P 500 stock index since October 2007 - few other indicators of economic distress could support this being the worst postwar recession. Thanks to low inflation, for example, real disposable income rose every month during the fourth quarter [of 2008] - at an annual rate above 6 percent."

Mr. Reynolds also notes that, using the late Arthur Okun's "misery index" (which combines inflation with unemployment), today's "misery" is less than 40 percent of its level both in the mid-1970s and in the early 1980s.

Alas, though, insisting that the sky is falling might well bring the heavens crashing down on us.