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Comment on the Commentary of the Day

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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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13 June 2010

Editor, The Washington Times

Dear Editor:

All tyrants, from the monstrous to the petty, abuse language in their attempts to beautify their bullying. Sen. Richard Durbin is no exception.

Durbin proposes legislation that, in his words, "ensures" that the interchange fees charged by banks whose customers use debit cards "are reasonable and linked to processing costs" (Letters, June 13). In a recent op-ed, my colleague Todd Zywicki accurately described Durbin's legislation as imposing "price controls" on this segment of the payment-card industry ("Durbin regulations are aimed at your wallet," June 2).

Durbin denies the charge: "Contrary to the [Zywicki] commentary's assertion, my amendment doesn't create price-fixing; it corrects it."

Overlook the fact that Zywicki accused Durbin, not of creating price-fixing, but of imposing price controls. (These two things are very different, but I reckon that a busy senator hasn't the time to avoid conflating them.) By Durbin's own admission, his legislation would prevent these private companies from charging whatever prices the market will bear. THAT is a price control, period. And this fact that isn't changed in the least by even the most heartfelt belief that the prices set by government will be better than those determined by the voluntary contractual arrangements of the parties to the transactions.

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12 June 2010

Editor, The Wall Street Journal
1211 6th Ave.
New York, NY 10036

To the Editor:

The FTC will investigate Apple for that company's alleged threat to monopolize the market for software used to run mobile devices such as the iPhone ("Apple's Mobile Rules To Get FTC Scrutiny," June 11).

Chief among the many reasons for questioning the wisdom of this investigation is that the FTC's case against Apple is illogical on its face. That case rests on the theory of "network effects" - effects which, as you report, antitrust enforcers believe "grant outsize advantages to first movers and make it particularly difficult for competitors to break in." But as you also report, the first significant mover in the market for smart phones - and still the dominant supplier there - is Blackberry.

So if the FTC's theory of network effects is correct, Apple has little hope of gaining monopoly power because it is unlikely to displace Blackberry as the dominant firm in that market. If, on the other hand, Apple DOES pose a genuine competitive threat to Blackberry's dominance, then this very fact casts serious doubts on the validity of the theory used by the FTC to justify its investigation of Apple.

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11 June 2010

Editor, Financial Times

Dear Sir or Madam:

Endorsing Keynesian stimulus policy, Robert Denham says that "Fiscal contractionists have not explained how public austerity through spending cuts will increase private investment" (Letters, June 11). He's mistaken.

There are several theories that explain how private investment will rise as a result of such spending cuts. Here's one: because such cuts might lead people to expect that government spending as a share of GDP will fall, consumers' and investors' expectations about the economy's future vigor will improve, thereby prompting more private consumption spending and investment.

Is this theory correct? It's an empirical question, of course - and one for which there is some empirical support. For example, in a 1990 paper Francesco Giavazzi and Marco Pagano found that 1980s-era severe fiscal contractions in both Denmark and Ireland had expansionary effects in both of those economies. [Francesco Giavazzi and Marco Pagano, "Can Severe Fiscal Contractions Be Expansionary? Tales of Two Small European Countries" (May 1990): http://ideas.repec.org/p/cpr/ceprdp/417.html]

How much these finding should be generalized is a separate question. But Mr. Denham is simply wrong to allege that deficit hawks "have not explained" how fiscal austerity can restore an economy's health.

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10 June 2010

Editor, Los Angeles Times

Dear Editor:

Meghan Daum reports that Stanford law professor Deborah Rhode wants legislation to prevent "lookism" ("Business: beastly toward beauty?" June 10). Ms. Rhode is disturbed that human beings prefer attractive people to unattractive people.

Ms. Rhode's proposal reminds me of Kurt Vonnegut's 1961 short story, "Harrison Bergeron," [http://www.tnellen.com/cybereng/harrison.html] about a dystopia in which government intrudes obscenely into everyone's lives in order to achieve total equality of outcomes. Implants are put into smart people's brains to disrupt their better-than-average abilities to reason; "handicap bags" are worn by strong people to consume their above-average strengths; and masks are clamped over the faces of attractive people to hide their beauty.

While Ms. Rhode's proposal doesn't yet go this far, it shares the same totalitarian spirit that Vonnegut warned against. Those consumed with this spirit regard an imperfection in society - unequal abilities and opportunities - as an evil whose elimination justifies not only the most oppressive restrictions on people's freedoms but also the most tyrannical suppression of their very thoughts and desires.

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9 June 2010

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

To the Editor:

Criticizing yesterday's Supreme Court decision "cutting off matching funds to candidates participating in [Arizona's] public campaign finance system," you bemoan the fact that "three candidates, including Gov. Jan Brewer, can no longer receive public funds they had counted on to run against a free-spending wealthy opponent" ("Keeping Politics Safe for the Rich," June 9).

Like candidates for public office, at my blog Café Hayek I often express political opinions that I believe would make America a better place. Unfortunately for me and my ideas - and, I dare say, for the country - I must compete against free-spending wealthy opponents such as you and other giants in the mainstream media. My ideas and I are at a terrible disadvantage.

So, using your logic, I conclude that government's failure to give "matching funds" to "qualifying" alternative media - like my blog and TimesWatch - is a dangerous injustice that causes Americans to be poorly informed. The quality of ideas that Americans now carry into voting booths is inferior because government doesn't 'level' the media playing field with such subsidies. Don't you agree?

Given the important role of ideas in shaping political opinions and electoral outcomes, surely you'll not let concerns about freedom of the press prevent you from supporting matching funds for your competitors. Right?

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8 June 2010

Editor, New Orleans Times-Picayune

Dear Editor:

I'm sorry to learn of the death of Ron Zappe, the one-time supplier of oil-field equipment who later founded Zapp's Potato Chip Co. (Obituaries, June 3).

When oil prices collapsed in the mid-1980s, Mr. Zappe knew that it was crunch time. But rather than lobby for government to subsidize makers of oil-field equipment, he combined risk-taking with ingenuity to found a new company. Turning an abandoned automobile showroom in the oil town of Gramercy, LA, into a chip-making factory, he hired many Louisianaians who'd lost their jobs in the oil fields while he also revolutionized the potato chip with bold new flavors.

Mr. Zappe's life offers valuable lessons. Here's one: when an industry's fortunes sour, the economy's long-run health is improved by entrepreneurs alert to new opportunities - opportunities that are obliterated whenever government props up declining industries with subsidies or trade barriers. Such artificial propping up of declining industries not only prevents resources (like that auto showroom in Gramercy) from being used to produce things that consumers really want, it also snuffs out the entrepreneurial spirit.

Would that America today had far fewer industry subsidies and many more Ron Zappes.

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8 June 2010

Friends,

Lending support to the findings (reported in today's WSJ) of my GMU Econ colleague Dan Klein is a New York Federal Reserve study that finds that more knowledge of economics - as proxied by having taken college-level economics courses - is associated with greater skepticism of government intervention into the economy: http://economix.blogs.nytimes.com/2010/06/07/does-studying-economics-make-you-more-republican/

My interpretation of why this is so is that economics, if it does nothing else, at least prompts those who understand it always to ask "As compared to what?"

As my friend Susan Dudley points out, these findings would no doubt be even stronger were GMU economics students among those surveyed.

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8 June 2010

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

To the Editor:

William DuBay wants Uncle Sam to nationalize oil companies (Letters, June 8). Among the reasons Mr. DuBay offers to justify nationalization is "the enormous influence that these immense companies have on both foreign policy and energy policy."

In other words, Mr. DuBay believes that government irresponsibly uses its power to enrich oil companies at the expense of the general public. Yet he believes that the solution to this problem is to entrust this same (admittedly!) dysfunctional institution with even more control over oil exploration, drilling, and refining.

Huh??

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8 June 2010

Friends,

My GMU Econ colleague Dan Klein has this excellent and revealing op-ed in today's Wall Street Journal. In it, Dan reports the results of a survey testing American adults' grasp of basic economic ideas. He finds that people who self-indentify as "libertarian," "very conservative," or "conservative" understand basic economic principles far better than do people who self-identify as "liberal" or as "progressive."

http://online.wsj.com/article/SB10001424052748703561604575282190930932412.html

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7 June 2010

Editor, The Wall Street Journal
1211 6th Ave.
New York, NY 10036

To the Editor:

Clyde Prestowitz asserts that "A decline in U.S. imports from China would lead to an increase in U.S. domestic output and thus an increase in employment and wage gains both as a result of unemployed workers starting to work again and as a result of upward pressure on wages generated by increasing labor scarcity" (Letters, June 7).

If Mr. Prestowitz were unemployed, would he practice the protectionism that he preaches? Specifically, would he impose restrictions on imports from outside of the Prestowitz household? By no longer buying food from Safeway and clothing from The Gap, Mr. Prestowitz would have to produce these things himself. So the formerly unemploymed Mr. Prestowitz would find himself occupied with all sorts of jobs, each of which (according to his theory) would compensate him lavishly.

In reality, of course, protectionism is poison. The Prestowitz household would suffer immeasurably were it to practice the faulty economics peddled by Mr. Prestowitz. The fact that this poison is diluted when ingested on a national scale - thus making its ill-consequences less readily seen than in the case of a single household - doesn't transform this poison into a magical economic elixir.