2010 ISSUE B>Quest BUSINESS QUEST 1996 - 2010

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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3 October 2010

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

To the Editor:

Jeffrey Collins's review of Nicholas Phillipson's biography of Adam Smith deserves applause ("A Wealth of Ideas," Oct. 4).

Nevertheless, I pick a nit: when discussing Smith's most renowned book, Mr. Collins's does his readers a disservice by mentioning only that book's popular abbreviated title, "The Wealth of Nations." In fact, the full title of that book is worth widespread notice - "An Inquiry Into the Nature and Causes of the Wealth of Nations."

Smith understood that Wealth, not poverty, has causes. And Smith successfully sought to explore and to explain the causes of wealth.

It's telling that exactly 100 years after Smith's death in 1790, another classic text in economics was published in which its author, on page 2, listed as among economics's core tasks an exploration of the "causes of poverty." By the time Cambridge economist Alfred Marshall's Principles of Economics text was first published in 1890, Adam Smith's prescription of free trade and markets unburdened by excessive government regulation had been followed throughout England for enough decades that widespread wealth seemed then to be the 'natural' norm, and poverty the unnatural exception that demanded explanation.

It is a testament to the power of Smith's ideas and influence that we today in the west inhabit in a world where widespread wealth is so abundant that it is taken for granted, and that the phenomenon that appears to be so unusual and perverse as to demand explanation is poverty.

What a blessing to live at a time and in a society when that which has been the norm throughout nearly all of human history - grinding poverty - is regarded as a curious exception that has 'causes' and, hence, demands explanation.

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3 October 2010

Mr. Jason C________

Dear Mr. C________:

Thanks for your e-mail. You are, however, mistaken to accuse me, when I defend free trade, of caring "only about low prices and narrow economic facts."

It's true that I often point out that free trade keeps prices in the domestic market low. I do so chiefly because opponents of free trade frequently overlook this fact, and discount both its immediate as well as its longer-run importance to consumers' standard of living.

In fact, though, my case for free trade is not exclusively, or even ultimately, an economic one. A deeper justification for free trade is that it civilizes and enlightens. Consider, for example, Thomas Cahill's description of ancient Athens when that city opened itself to trade: "As these familiar clustered settlements, known to agricultural societies throughout the world, grew into cities – with demarcated streets, temples and other official buildings, marketplaces and other gathering centers, import-export warehouses, and docks where exotic cargoes and even more exotic foreigners were unloaded – power shifted somewhat from landed aristocrats to the better-placed urbanites, who controlled trade and who in the diversity of their experience began to think new thoughts." [Thomas Cahill, Sailing the Wine-Dark Sea: Why the Greeks Matter (New York: Anchor Books, 2003), p. 109]

But the most fundamental reason I support free trade is that it is immoral for me to tell you how to spend your money and for you to tell me how to spend my money. And it is immoral for the likes of Pres. Obama or Sen. Graham to tell you and me and other Americans how to spend our money. For me, defense of free trade is ultimately a defense of right over wrong, peace over force, and mutual respect and tolerance over self-righteous condescension, intolerance, and greed camouflaged as economic policy.

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2 October 2010

Editor, New York Post

Dear Editor:

Jonah Goldberg is absolutely correct to criticize pundits who insist that any effort by members of the legislative and executive branches of government to assess the constitutionality of a statute (in the words of Newsweek's Ben Adler) "constitutes an encroachment on the judiciary" ("A supreme fetish," Oct. 2).

As one maverick opined, "the candid citizen must confess that if the policy of the government upon vital questions, affecting the whole people, is to be irrevocably fixed by decisions of the Supreme Court, the instant they are made, in ordinary litigation between parties, in personal actions, the people will have ceased to be their own rulers, having to that extent practically resigned their government into the hands of that eminent tribunal."

[http://showcase.netins.net/web/creative/lincoln/speeches/1inaug.htm]

That maverick was Abraham Lincoln, delivering his first inaugural address. And as Yale law professor Robert Burt explained, Lincoln's point was that "the Court's claim to supremacy over the Congress in constitutional interpretation made it, in effect, a slavemaster and imposed a form of involuntary servitude upon the people." [Robert A. Burt, The Constitution in Conflict (Harvard University Press, 1992), p. 2]

2 October 2010

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

To the Editor:

The headline of Kate Zernike's October 2nd report - "Movement of the Moment Looks to Long-Ago Texts" - made me suppose that she was referring to Congress's and "Progressives'" current hysteria for protectionism. After all, that hysteria - which causes its victims to shriek about "unbalanced" trade and to lament imports and to long for more exports - was all the rage among scholars until about 250 years ago. As the great student of economic ideas Jacob Viner wrote, "prior to Adam Smith, the most pervasive and the most emphasized doctrine is the importance of having an excess of exports over imports" - a doctrine that, Viner correctly said, makes sense only if "all goods other than money were worthless, or were of value only as they served as means of securing money." [Jacob Viner, Studies in the Theory of International Trade (New York: Harper & Bros., 1937), p. 3 and p. 17]

So imagine my surprise when I read on to discover that one of the most prominently mentioned "long-ago texts" is not some now-discredited 17th century tome for tariffs but, rather, a best-seller written by a scholar who died in 1992. F.A. Hayek's 1944 book "The Road to Serfdom" is indeed attracting new readers today. But to suggest, as Ms. Zernike does, that the ideas in that book are outdated is absurd - unless, of course, it's outdated to worry that government power can be abused, to argue that economic growth can be suffocated by excessive regulation and taxation, and to believe that individual freedom is inherently valuable.

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1 October 2010

Editor, USA Today

Dear Editor:

Arguing for punitive taxes to be levied on Americans who buy goods from China, AFL-CIO President Richard Trumka says that "Conservative and progressive economists agree that a 25% to 40% revaluation in the renminbi would reduce the U.S. trade deficit by $100 billion to $150 billion a year, adding up to 1 million jobs to American payrolls" ("Opposing view on international trade: 'It's time for action'," Oct. 1).

No doubt.

But even greater job 'gains' would be guaranteed if Congress enacts legislation prohibiting the use of labor-saving technologies such as internal-combustion and turbine engines. Horse-breeders, blacksmiths, and saddle-makers will all find much higher demands for their services. So, too, will local farmers and merchants who would no longer face job-destroying competition from distant rivals. A ban on internal-combustion and turbine engines would also correct the long-standing trade deficit that Americans have with these machines, for the inexpensive flood of outputs that these engines have made available to us over the years far exceeds in value the outputs that they (or their producers) have purchased from us in return.

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1 October 2010

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

To the Editor:

Paul Krugman wants Uncle Sam to get tough on the Chinese government for subsidizing Americans' purchases of goods from China on the grounds that "these subsidized exports are hurting employment" in the U.S. ("Taking On China," Oct. 1). How does Beijing do this subsidizing? By purchasing, as Mr. Krugman says, "$2.4 trillion in foreign currency" - including oodles of U.S. dollar-denominated bonds. By purchasing and holding U.S. dollar debts rather than letting the renminbi rise in value against the dollar, Beijing keeps the prices of Chinese imports lower than otherwise for Americans.

This policy - whatever are its merits or demerits for the Chinese people - does not, contrary to Mr. Krugman's claim, hurt U.S. employment. Mr. Krugman blames unemployment on inadequate aggregate demand, so he thinks that less-expensive imports keep aggregate demand in the U.S. too low. They don't.

Beijing's policy makes ALL consumer prices in the U.S. lower than they would otherwise be. Therefore, any given volume of dollar spending allows Americans to purchase more real goods. The volume of dollar aggregate demand depends most importantly on Federal Reserve policy, not on the Chinese.

In short, the purchasing power that the Chinese refuse to use does not disappear; it is transferred into the purses and wallets of Americans.

Note: Co-Author is Lawrence H. White, Professors of Economics, George Mason University

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1 October 2010

Ms. Kate Fried
Senior Communications Manager
Food & Water Watch
1616 P Street NW, Suite 300
Washington, DC 20036

Dear Ms. Fried:

In your e-mail seeking to enlist my opposition to a policy of allocating water by market pricing, you write: "Moreover, because most residential water consumption goes towards essential uses like drinking, cooking and sanitation, consumer demand for water is unlikely to change regardless of price." That is, every drop of water is so essential to every household that even substantially higher water prices will not reduce residential water use.

But then you say "water pricing is most likely to negatively affect low-income consumers. Raising water prices could mean that some households are denied access." That is, higher prices for water will cause low-income consumers not only to use less water in their homes but to stop using water in their homes altogether.

So which is it? Will market pricing of water affect consumer demand or will it not?

In fact, neither of your scenarios is remotely plausible. If your first scenario were realistic, then bottled-water suppliers such as Evian could double, triple, or even quintuple their prices without reducing the demand for their products. If your second scenario were realistic, low-income consumers would prefer to lose all access to water in their homes rather than spend moderately less on clothing, cell phones, even pets in order to pay the modestly higher prices for water that would be the result of market pricing.

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30 September 2010

Editor, USA Today

Dear Editor:

The headline of your Sept. 28 editorial reads "Who's buying this election? Who knows?"

I know. Incumbent politicians.

Not all of them will succeed in their shopping sprees, thankfully. But farm subsidies, tariffs, export assistance, funding for science, funding for the arts, funding for education, bloated military procurements, bailouts of Detroit and Wall Street, and politically directed 'stimulus' spending are just some of the expenditures - all of money taken from both present and future taxpayers - made by sitting politicians to buy the election. Reducing the amounts that private citizens spend of their own money to influence elections will only worsen the consequences of this detestable reality.

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30 September 2010

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

To the Editor:

Richard Fife proposes a plan to increase voter participation in New York ("Get New York to the Polls," Sept. 30).

Why? Why assume that democracy necessarily works better the greater the number of eligible voters who go to the polls? Many citizens - often for perfectly rational reasons - are uninformed about the issues in play in elections. (The political incorrectness of this statement does not diminish its accuracy.) As my colleague Bryan Caplan, author of the book 'The Myth of the Rational Voter,' argues, "We like to think that political issues are much less complicated than brain surgery, but many of them are pretty hard. If someone doesn't know what he's talking about, it really is better if they say, look, I'm going to leave this in wiser hands."

The argument here is not one in support of government by elites; it is, simply, one in support of government by the informed.

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29 September 2010

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

To the Editor:

In his op-ed on U.S -China trade relations and the allegedly undervalued renminbi, Stephen Roach notes that "President Obama, in a private meeting with Prime Minister Wen Jiabao, was reported to have made it very clear that the United States is, indeed, prepared to take forceful actions if China doesn't budge on this critical issue" ("Cultivating the Chinese Consumer," Sept. 29).

Translation of Mr. Obama's threat to the Chinese Prime Minister: "If you don't stop abusively taxing your citizens in order to grant unjust privileges your favorite industries, we will more-abusively tax our citizens in order to grant unjust privileges to our favorite industries."

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28 September 2010

Senator Sherrod Brown (D-Ohio)
United States Senate
Capitol Hill
Washington, DC

Dear Sen. Brown:

Pleading for restrictions on American consumers' abilities to spend their money as they judge best, you proclaimed yesterday in the Senate that you "would love to go anywhere in the United States and have a public debate to show the public and show the American people how much this [international trade] has undermined our sovereignty, our wealth, our manufacturing base."

I'll be happy to debate you.

You talk about our sovereignty. Your policies are a direct attack on consumer sovereignty - the right of each of us to spend our money as each of us chooses, as long as our ends are peaceable. Consumer sovereignty is essential to competitive markets, for only if consumers are free to switch their patronage from one seller to another will sellers work hard to serve consumers rather than to exploit them.

You talk about our wealth. Your policies would reduce our wealth. The evidence is overwhelming that freer trade means higher and ever-improving standards of living for ordinary men and women. For just one review of this evidence, see Dartmouth economist Douglas Irwin's book Free Trade Under Fire, 3rd ed. (Princeton University Press, 2009).

This evidence makes sense. How can policies that restrict output, reduce competition, shrink the size of markets, and intentionally raise the prices of consumer goods, as well as of inputs, in the domestic market not reduce our wealth?

You talk about our manufacturing base? Look at the evidence, Senator. That base is doing just fine. Just before the current downturn – in 2008 - inflation-adjusted manufacturing output in the U.S. was 13 percent higher than it was in 2000, 52 percent higher than in 1990, 84 percent higher than in 1980, and 133 percent higher than in 1970.

Your party claims to be "reality-based." I challenge you to live up to that claim by looking at the evidence and abandoning your commitment to a thoroughly discredited 16th-century 'theory' that asserts that national wealth is enhanced by monopoly privileges.

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28 September 2010

Editor, The Hill
Washington, DC

Dear Editor:

You report that "House Majority Leader Steny Hoyer (D-Md.) will tout the Democratic Party's domestic manufacturing agenda, including a bill that could lead to tariffs on Chinese goods. In the speech to be delivered at the National Press Club, Hoyer will lament the decline in homemade goods during the last three decades and highlight Democratic efforts to promote 'Make It in America' policies as the November midterm elections draw closer" ("Hoyer to tout manufacturing agenda," Sept. 28).

It's shameful that a person with such a strong grasp on power has such a weak grasp on reality. In 2008, the value of U.S. manufacturing output – measured in inflation-adjusted dollars – was nearly 84 percent higher than it was in 1980. In 2009, despite the severe recession, the real value of U.S. manufacturing output was still nearly 60 percent higher than it was three decades earlier. [http://mjperry.blogspot.com/2010/07/increased-worker-productivity-has.html]

Mr. Hoyer and the many other politicians and pundits who keep insisting that U.S. manufacturing is dying remind me of the soldier in Stephen Crane's The Red Badge Courage who warned his fellow troops with great assurance, but with no evidence, that the army was finally to decamp the following morning: "He came near to convincing them by disdaining to produce proofs." The next morning the army remained in camp.

In fairness to these fictional soldiers, however, they – unlike Mr. Hoyer – had no access to overwhelming data that disprove their hallucinations.

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27 September 2010

Dear Mr. A_______________:

Thanks for e-mailing me and for your frequent thoughtful comments at Café Hayek. Much appreciated.

You argue in your e-mail that I "deal with Lucifer" when I support unilateral free trade with the Chinese. Among your reasons is the fact (and it is a fact) that work conditions and pay in Chinese factories are much worse than are conditions and pay in modern American factories. You conclude from this fact that "U.S. trade with China creates a negative externality"; that my support for free trade with the Chinese "support[s] the externality of sweatshop labor."

As a matter of positive economics your claim is mistaken. As long as employees in those Chinese factories voluntarily - given their other options - choose to work in those factories at the wages they voluntarily accept, there is no externality, negative or otherwise. This case features no external effects that cause outputs (or, more generally, human satisfaction) to be lower than they would otherwise be.

Just because Chinese work conditions and pay are generally worse than those to which Americans are now accustomed in no way suggests that any externality is encouraged when Americans trade with the Chinese.

Ask the following question: does the fact that almost all American workers today voluntarily choose to work at wages and under conditions that would be intolerable to Queen Elizabeth or to Hugh Hefner mean that persons who buy from American factories and firms are encouraging a negative externality? Would the typical American worker be made better off if the likes of Her Majesty or Mr. Hefner chose never again to purchase goods or services produced under work conditions that British royalty and wealthy western sybarites would find unacceptable for themselves?

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27 September 2010

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

Dear Editor:

Robert Samuelson joins the mob out to lynch Americans who buy Chinese products ("The makings of a trade war with China," Sept. 27). This mad mob insists that taking advantage of good deals offered by Chinese producers is unwarranted because the Chinese renminbi is (allegedly) undervalued.

Suppose Bill Gates subsidizes his children's coffee shops, allowing the younger Gateses to charge prices for their java lower than they could otherwise profitably charge. Would Americans be harmed by the elder Gates effectively paying part of the price for every cup of coffee consumed by customers of his children's coffee shops?

If you're unsure of your answer to the above question, consider this next question. Suppose Bill Gates - rather than subsidize his children's coffee-retailing efforts - instead invests in R&D aimed at discovering a method to lower the retail cost of coffee by dramatically reducing the number of workers required to roast, brew, and serve coffee. If his investment succeeds, both the price of coffee at retail, and the number of workers employed by coffee shops, fall. Would Mr. Samuelson scold Mr. Gates for this investment on grounds that it lowers the demand for some workers?

In both cases, coffee prices fall; coffee output rises; employment in coffee retailing falls; and the party that caused these happy outcomes is a rich agent that spent money to increase coffee's availability. From the standpoint of Americans, Chinese subsidization of its exporters is absolutely no different: we get more output at lower costs. What's the problem?

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27 September 2010

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

To the Editor:

The illustration accompanying Anatole Kaletsky's op-ed on the alleged inadequacy of market forces to govern international trade shows U.S.-bound Chinese and Japanese ships loaded down with multitudes more goods than are being carried by the much smaller Asia-bound U.S. ship ("Blaming China Won't Help the Economy," Sept. 27). The insinuation, supported by Mr. Kaletsky's essay, is that this pattern of exchange is both undesirable and will persist unless Washington intervenes more actively in international markets.

Please tell me why such a pattern of trade - with Americans routinely getting lots of imports in exchange for relatively few exports - is something to fear. Shouldn't we celebrate it? If as workers we strive to exchange each hour of work for the greatest possible number of goods and services - that is, strive to import ever-more goods and services into our households for each hour of work that we export from our households - why shouldn't we also want to get as many goods and services from foreigners in exchange for each dollar's worth of goods and services that we sell to them?

Exports are the price of imports, just as hours worked are the price workers pay for household income. Why should we want to pay higher prices for the goods and services that we consume?