



## 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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10 October 2010

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

Dear Editor:

You complain about China's allegedly undervalued currency ("Mr. Wen confesses," Oct. 10). Please explain why we Americans should be upset if the Chinese government spends Chinese taxpayer funds to subsidize our consumption of Chinese-made goods.

The standard explanation is that China's cost advantage is 'unnatural'; it's the product of

government policy. True - and were I a Chinese citizen I would protest against this wasteful misuse of my resources. But I'm an American, and so I - and Americans generally - benefit from the largesse that Beijing's policy bestows upon us.

Those who disagree with the previous paragraph should ask themselves if they would object to Beijing using Chinese-taxpayer funds to subsidize, say, world-class forestry schools throughout China in order to create in China a comparative advantage in producing wood products - an advantage that it would not gain

otherwise. Would Americans be harmed by this Chinese policy? Should Uncle Sam, under such circumstances, impose punitive taxes on Americans who purchase wood products from China? Of course not.

In principle, the education subsidies in the above example are no different than whatever subsidies Beijing now bestows on us fortunate consumers of Chinese exports.

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9 October 2010

Mr. Jeffrey Edelman

Dear Mr. Edelman:

Thanks for your comments at Café Hayek, and for sending me today the transcript of Paul Krugman's recent claim that (in Krugman's words) "Historically, [in] the aftermath [of large] financial crises countries recover by having a huge exchange-rate depreciation, which then leads to an export boom."

You believe that Krugman's claim constitutes a strong case for Uncle Sam to push Beijing to increase the value of the renminbi - which, of course, would depreciate the value of the dollar relative to the renminbi, thus sparking U.S. exports.

Alas, though, Krugman's history is weak.

One of the steepest financial crises and depressions in U.S. history began in January 1920 and lasted for 19 months. During that depression, Americans each month exported, on average, \$583.6 million worth of goods. During the 19 months immediately following that depression, Americans each month exported, on average, a mere \$321.0 million worth of goods. That is, exports during this period immediately after the

depression were only 55 percent of what they were during the depression. [<http://www.nber.org/databases/macroeconomy/rectdata/07/m07023.dat>]

And not until October 1941 was there a single month following the depression of 1920-21 in which American exports again reached the level of their 1920-21-depression monthly average.

Clearly, this depression was not ended by any "export boom."

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9 October 2010

Editor, Los Angeles Times

Dear Editor:

Eric Weiner writes about the Chinese government that "by simply moving the maturities of some of its \$850 billion in Treasury holdings from 90 days to 60 days, it could cause chaos in the U.S. stock markets" ("China's giant economic sway," Oct. 9).

Perhaps. \$850 billion is, for America, fully 9 percent of its total outstanding government debt held by the public (including foreign governments). But if such chaos ensues, the ultimate blame would be not on creditors who lawfully demand early repayment, but, rather, on Uncle Sam's outrageously uncontrolled spending. This spending - and the gargantuan debt incurred to fund it - threatens private capital accumulation both today and tomorrow. The increased risk of high inflation, the certainty of higher taxes, and the continued breakdown of any limits on the range of activities funded by the state are prime ingredients in a recipe for significant economic trouble - trouble that ANY prudent investor is sensitive to.

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8 October 2010

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

To the Editor:

Responding favorably to a column by Paul Krugman on the alleged economic depredations of China, former M.I.T. management professor William Gruber complains about "the failure of the United States to compete" (Letters, Oct. 8). Never mind that in the 1990s Mr. Krugman (quite sensibly) wrote many an excellent essay explaining that all talk of national economies "competing" against each other is sheer nonsense. [Paul Krugman, *Pop Internationalism* (MIT Press, 1996)]

If Mr. Gruber means that Americans are somehow failing economically, especially compared to China, he's wrong. First, per-capita income in China today is what it was in the U.S. in 1932. Chinese per-capita income now ranks behind such economic giants as Namibia, El Salvador, and Albania. [<http://seekingalpha.com/article/220895-china-might-rank-second-by-gdp-but-ranks-99-for-per-capita-gdp>] Second,

manufacturing output in the U.S. reached an all-time high in 2007, and declined slightly in 2008 (to its level in 1999) and is today recovering. Third - and the chief fuel for the prodigious growth in American manufacturing output - per-worker productivity in manufacturing is skyrocketing in the U.S. Today that output is 50 percent higher than it was in 2000, 130 percent higher in 1990, nearly 200 percent higher than in 1980, and almost 250 percent higher than in 1972.

[<http://www.dailymarkets.com/economy/2010/10/03/increases-in-u-s-worker-productivity-more-than-chinas-currency-responsible-for-loss-of-u-s-jobs/>]

Myths and misconceptions do not good policy make.

7 October 2010

Editor, USA Today

Dear Editor:

Jonah Goldberg might be correct that young Americans are today much less spellbound by Barack Obama than they were in 2008 ("To Obama's chagrin, young voters get serious To Obama's chagrin, young voters get serious," Oct. 7). But I

wonder if the perverse instincts that prompted such rapturous devotion in the first place are really disappearing. A feature of the national character that H.L. Mencken diagnosed in 1919 likely remains no less vibrant today, for it appeared as recently as two years ago: "We are, in fact, a nation of evangelists; every third American devotes himself to improving and lifting up his fellow citizens, usually by force; the messianic delusion is our national disease." [H.L. Mencken, *Prejudices: A Selection* (Baltimore: The Johns Hopkins University Press, 1996), pp. 7-8]

Barack Obama is only the most recent symptom of this ridiculous and dangerous malady.

7 October 2010

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

Dear Editor:

In his otherwise thoughtful essay on "Liberalism's moral crisis on trade" (Oct. 6), Matt Miller describes what he calls "this awful, inexorable fact" - namely, "Global capitalism's ability to lift hundreds of millions of people out of poverty in

China, India and other developing countries comes partly at the expense of tens of millions of workers in wealthy nations."

It's true that capitalism 'destroys' specific jobs. (Usually these are jobs that capitalism earlier created.)

But this destruction is unleashed not only by foreign trade, but also - indeed, chiefly - by improvements in technology. For example, Cyrus McCormick's mechanical reaper (first introduced in 1831) destroyed the jobs of farm workers who reaped grain manually. What about this development was "awful"? Yes, reapers lost their jobs - just as typists later lost their jobs to personal computers and laser printers, and persons who produced iron-lung machines lost their jobs to the Salk-Sabin polio vaccine.

But as with the jobs destroyed by Mr. McCormick, by personal computers, and by Drs. Salk and Sabin, jobs destroyed by foreign trade are destroyed, really, by progress and by consumer choice. If this fact truly is "awful," then we should be, at best, ambivalent about the McCormick reaper and

the Salk-Sabin vaccine. That all sane human beings celebrate these job-destroying technologies as unalloyed blessings suggests that we should celebrate with no less enthusiasm the consequences of free trade.

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6 October 2010

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

To the Editor:

Reciting Keynesian mythology, Daniel Gross writes that "for this recovery to mature, broaden and persist, the greatest economic force known to mankind - the American consumer - has to get back in the game" ("Credit for the Recovery," Oct. 6). In fact, consumers have never been out of "the game": in the second quarter of 2010, personal consumption spending was at an all-time high of \$10.46 trillion - more than 70 percent of GDP.

The problem isn't inadequate consumer spending; it's private investment made inadequate by the prospect of higher taxes and a barrage of burdensome

and vague regulations. As economist Robert Higgs noted a few days ago, "In the most recent quarter, gross private domestic investment was still running at an annual rate more than 20 percent below its previous peak. Net private investment was fully two-thirds below the previous peak." [Robert Higgs, "Why stimulus doesn't stimulate," The Sacramento Bee, Oct. 1, 2010:

<http://www.sacbee.com/2010/10/01/3071526/why-stimulus-doesnt-stimulate.html>]

For policy makers to focus on reviving consumer spending while private investment is drying up is like a homeowner focusing on installing more walls while the foundation of his house is crumbling. The fact that the bulk of the house's surface area is made up of walls does not mean that walls provide the house with its principal support.

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5 October 2010

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

To the Editor:

Blue Dog Democrat John Tanner (D-TN) boasts that he and his fellow conservative Democrats aim to "Set aside party politics and work to put into place sound fiscal policies that will set the stage for a strong, healthy economy now and in the future" (Letters, Oct. 6).

Everything is relative. Perhaps Rep. Tanner's assertion is valid relative to the designs for America being baked in the bizarre brains of folks such as Reps. Pelosi and Frank, and Senators Schumer and Franken. But compared to that which is realistically possible, Mr. Tanner and Co. are hardly working hard enough. Specifically, the Blue Dogs are irresponsibly protectionist. Just last week, ninety-six percent of them voted to slap tariffs on Americans who buy goods from China. And before that, 86% of the allegedly pro-growth Blue Dogs voted against the free trade agreement with Colombia.

Free trade unambiguously promotes "a strong, healthy economy now and in the future." Unless and until Rep. Tanner and his colleagues start to doggedly cast their votes in favor of free trade, I'll remain skeptical of their

professed devotion to a strong, healthy economy.

5 October 2010

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

To the Editor:

Postmaster General John Potter complains that the U.S. Postal Service's financial problems stem from "a legislatively imposed lack of flexibility in managing the Postal Service business" (Letters, Oct. 5).

Give me a break. The root problem here, while not the one that Mr. Potter singles out, is indeed "legislatively imposed" - namely, government's grant to the USPS of an exclusive monopoly over the delivery of first-class mail. This grant of monopoly privilege is an unwarranted legislative imposition on entrepreneurs who would compete with the USPS and, more fundamentally, on consumers who would patronize those entrepreneurs.

It is more than a smidgen audacious for the CEO of a government-protected monopolist to complain

about "legislatively imposed" restrictions.

4 October 2010

My friend Norbert Michel - now teaching at my alma mater Nicholls State University - started this Facebook page to promote efforts to persuade Sen. Sherrod Brown to debate free trade with me:

<http://www.facebook.com/pages/BrownBoudreaux-Debate/147852201922832?ref=sgm>

It's a debate that I'd very dearly love to have!

4 October 2010

Sen. Sherrod Brown (D-Ohio)  
Capitol Hill  
Washington, DC

Dear Sen. Brown:

Your office is advertising for an unpaid intern - one whose responsibilities will be quite extensive.

[\[http://www.senate.gov/employment/po/positions.htm\]](http://www.senate.gov/employment/po/positions.htm)

But on your webpage you boast of your efforts to fight poverty by raising the national minimum-wage.

[\[http://brown.senate.gov/newsroom/press\\_releases/release/?id=d96728df-3b1c-49ab-8e12-b9207f758cdb\]](http://brown.senate.gov/newsroom/press_releases/release/?id=d96728df-3b1c-49ab-8e12-b9207f758cdb)

Are you not concerned that you are promoting poverty by paying this intern an hourly wage of \$0.00? Or are young men and women who choose to build their resume by working free of charge for you more intelligent and far-sighted than are young men and women who would – were it not illegal to do so – choose to build their resumes by working in the private sector at wages below the legislated minimum? If not – that is, if your interns aren't generally more smart and prudent than are young people who seek employment in the private sector – then why do you continue to deny non-government employees the right to choose the terms of their own employment?

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4 October 2010

Friends,

My brilliant young colleague Bryan Caplan makes a powerful case - in this podcast with my colleague and co-blogger, Russ Roberts - for open immigration. This item is VERY much worth a listen.

<http://cafehayek.com/2010/10/caplan-on-immigration.html>