



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.

7 November 2010

Dear Mr.

P_____:

Thanks for your e-mail responding to my blog-post on William Greider's recent article.

You recommend that I read Greider's book *One World, Ready or Not*.

I've already read it and, inferring that it's a favorite of yours, regret to report to you that my opinion of it is unfavorable.

Greider's book is to economics what "Debbie Does Dallas" is to cinema: an intensely titillating fictional tale without a single moment that

demands of its audience the use of their powers of higher reasoning.

If you're really interested in understanding international economics, you should instead read such books as Russell Roberts's *The Choice*, Johan Norberg's *In Defense of Global Capitalism*, Martin Wolf's *Why Globalization Works*, Jagdish Bhagwati's *In Defense of Globalization*, Paul Krugman's *Pop Internationalism*, and Douglas Irwin's *Free Trade Under Fire*.

7 November 2010

Editor, AlterNet

Dear Editor:

Arguing for policies that artificially enhance the profits of U.S. corporations by preventing consumers from buying foreign goods, William Greider writes that "America must start producing for itself" ("With the World Economy on the Brink, America Must Start Producing for Itself Again," Nov. 5).

America DOES produce - everything - for itself. Just as Mr. Greider produces for himself by writing books that he then exchanges for his home, his car, and his clothing, we Americans produce things for ourselves by specializing as producers in what each of us does best and then exchanging the fruits of our efforts for all of the goods

and services that we consume. Trade is simply another stage in the production process by which we transform the particular things we form with our hands and minds into the wide variety of goods and services that we consume.

As University of Rochester economist Steve Landsburg points out, Iowa farmland is planted thick with acre upon acre of cars - cars that grow from the ground looking like corn but which, when put on ocean-going ships, are transformed forthwith into Toyotas, Volkswagens, and Kias.

7 November 2010

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

To the Editor:

Richard Thaler writes that "it is incorrect to say the estate tax amounts to double taxation. The wealth in many large estates has never been taxed because it is largely in the form of unrealized - therefore untaxed - capital gains" ("Estate Tax Issue Offers Quick Test for Congress," Nov. 7).

It's Mr. Thaler who is incorrect. John Stuart Mill first and famously pointed out in 1848 that, because under an income-tax system any invested funds that yield capital gains were already taxed as income when earned by households, to tax the resulting capital gains is double taxation. [John Stuart Mill, Principles of Political Economy (1848), Bk. V., Ch. 2, para. 22: <http://www.econlib.org/library/Mill/mlP64.html#Bk.V,Ch.II>] Or as tax-law professor Edward McCaffery explains it, "Income taxes, by their very nature, run into John Stuart Mill's noted 'double tax' criticism when it comes to savings, because an income tax falls both on the initial receipt of wealth and on the subsequent yield to savings, that is, nonconsumed wealth. Savers are taxed more heavily than spenders." [Edward J. McCaffery, "Good Hybrids/Bad Hybrids," Tax Notes, June 2005: http://works.bepress.com/edward_mccaffery/4/]

Regardless of the merits or demerits of an estate tax (which tax, by the way, was supported by Mill), it's mistaken to claim that, under an income-tax system, wealth in the form

of unrealized capital gains has not been taxed.

6 November 2010

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

To the Editor:

You report that Pres. Obama's export-promoting trip to Asia is partly "an attempt to ease tensions with America's chief executives, many of whom spent the recent campaign accusing the White House of being antibusiness" ("Obama Eases Rules on Select Technology Exports," Nov. 6).

There are two ways for a government to be 'pro-business.' The first way is to avoid interfering in capitalist acts among consenting adults - that is, to keep taxes low, regulations few, and subsidies non-existent. This 'pro-business' stance promotes widespread prosperity because in reality it isn't so much pro-business as it is pro-consumer. When this way is pursued, businesses are rewarded for pleasing consumers, and ONLY for pleasing consumers.

The second, and very different, way for government to be pro-business is to bestow favors and privileges on politically connected firms. Such favors, such as tariffs and export subsidies, invariably oblige consumers to pay more - either directly in the form of higher prices, or indirectly in the form of higher taxes - for goods and services. This way of being pro-business reduces the nation's prosperity by relieving businesses of the need to satisfy consumers. When this second way is pursued, businesses are rewarded for pleasing politicians. Competition for consumers' dollars is replaced by competition for political favors.

The fact that more than 200 American business executives are in India with the President is cause to fear that any pro-business policies he might adopt will be of the second, impoverishing sort.

6 November 2010

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

To the Editor:

I applaud Pres. Obama's endeavor to further liberalize trade between America and Asia, but his explanation of his efforts reveals that he doesn't know what he's doing economically (if not politically) ("Exporting Our Way to Stability," Nov. 6). Most worrying is this sentence: "We want to expand our trade relationships in the region, including through the Trans-Pacific Partnership, to make sure that we're not ceding markets, exports and the jobs they support to other nations."

When international trade expands, some home markets and jobs are necessarily "ceded" to "other nations." It is in the very nature of expanding trade that foreign producers specialize in supplying to the home market some goods and services that previously were supplied by domestic producers, and vice-versa.

The mercantilist tone of Mr. Obama's essay - its bear-like embrace of the fallacy that trade's success is measured by how much the home country exports rather than by how much it imports - suggests that any trade agreements that he reaches with other governments will do far

less to increase the prosperity of ordinary Americans than to enhance the monopolistic privileges and profits of politically influential U.S. corporations and unions.

5 November 2010

Mr. Fareed Zakaria
CNN

Dear Mr. Zakaria:

On your October 30 show, former IBM CEO Lou Gerstner lamented that we Americans now "can have things made in India and China that are of the quality you could find in the U.S. at a significant lower cost. And that is of course one of the problems for the American economy."

I wish that you would have challenged Mr. Gerstner with the following question: "Lou, are you saying that we Americans would be better off if Indian and Chinese goods were shoddier and more dangerous? Would our prosperity be enhanced if Uncle Sam deployed agents to every port in the U.S. with instructions to damage Indian and Chinese imports - say, by ripping holes in imported clothing, spraying salmonella on imported foods, and attaching small,

tasty-looking, detachable parts to children's toys? And if you don't think that such a policy of enforced import shoddiness would be good for America, how is it that you conclude that good quality imports are a 'problem' for America?"

4 November 2010

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

To the Editor:

Gail Collins criticizes the Bush tax cuts because "there was no money to pay for them" ("The Day After the Day After," Nov. 4).

Ms. Collins's perspective is distorted.

Taxes are payments people are obliged to make in return for services provided by government. Because it's misleading, at best, to talk of 'paying for' reduced payments, it's misleading to talk of 'paying for' tax cuts. So, in fact, what "there was no money to pay for" was not the tax cuts but, rather, the goods and services that government supplies despite having insufficient tax revenues to pay for them.

4 November 2010

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

Dear Editor:

At his post-election post-mortem yesterday, President Obama said "Ronald Reagan and Bill Clinton, were standing at this podium two years into their presidency getting very similar questions, because, you know, the economy wasn't working the way it needed to be" (Dana Milbank, "Obama is sad but not sorry about the election results," Nov. 4). That's true in the case of Reagan, but false in the case of Clinton.

In November 1994 - when the GOP took control, for the first time in four decades, of both houses of Congress - the unemployment rate was a decent 5.6 percent and had fallen for each of the past three months. It was a full percentage point lower than the 6.6 percent rate for January and February of that year. And in November 2000, voters gave Bill Clinton's heir-apparent, Al Gore, only a razor-thin majority even though the unemployment rate was then an

awesomely low 3.9 percent.

Voters are complicated. While undoubtedly influenced by the state of the economy and job market, voters are also subject to fits of irrational exuberance, foolish fears, excessive moralizing, and perhaps even rare spasms of wisdom. It's too simple and convenient for the Democrats to blame their shellacking exclusively on the current foul state of the economy and on Mr. Obama's recently diagnosed inability to communicate.

3 November 2010

Friends,

My GMU colleague Russ Roberts has done - with his co-producer John Papola - a follow-up rap video, again featuring Hayek and Keynes. It was first performed publicly last week in New York at The Economist's Buttonwood gathering.

Don't miss it!

<http://www.youtube.com/watch?v=7k7ob438hk0>

3 November 2010

Editor, USA Today

Dear Editor:

Ross Baker blames yesterday's trouncing of the Democrats to "an enduring Democratic blunder: talking over the heads of the American people" ("Why the Democrats were hammered," Nov. 3).

Ummm. No.

The "enduring Democratic blunder" (often repeated by the GOP) is to enact indecipherably complex and intricate statutes aimed at achieving impossible outcomes. It's the ludicrous convolution of such legislation that is "over the heads of the American people." And it's over their heads not because the American people are dumb but because no one - not even the geniuses on the Hill - can possibly absorb the full meaning of the words in the statutes, much less anticipate the millions of unforeseen consequences, large and tiny, that are unleashed by the social engineering for which too many politicians have a fetish.

3 November 2010

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

To the Editor:

Now that Tea Partiers have helped to bring into political prominence such political novices as Gov.-elect Rick Scott in Florida and Sen.-elect Ron Johnson in Wisconsin, it's worthwhile to down a dose of realism. And who better to offer that dose than H.L. Mencken?

"The fact that amateurs, at least transiently, so often defeat the professional politicians is due simply to the fact that an amateur, when he becomes a candidate, is nearly always brought into the combat by indignation - that he seeks office because he is violently against something. But it is just as hard to hold an amateur status in politics as it is in sports. The moment an amateur gets into office his indignation is diluted by solicitude, to wit, solicitude for his own job." [H.L. Mencken, *A Second Mencken Chrestomathy* (New York: Alfred A. Knopf, 1995), p. 36]

Let's hope that such solicitude is best attended to by shrinking the role, reach, and resources of the state.

3 November 2010

Friends,

In this six-minute-long Cato podcast - hosted, by the way, by GMU student Caleb Brown - I discuss my recent Freeman column in which I argue that not all unjustified restrictions on freedoms lead inevitably to tyranny:

[http://www.cato.org/dailypodcast/podcast-archive.php?podcast_id=1275&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+CatoDailyPodcast+\(Cato+Daily+Podcast\)](http://www.cato.org/dailypodcast/podcast-archive.php?podcast_id=1275&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+CatoDailyPodcast+(Cato+Daily+Podcast))

2 November 2010

Editor, Telegraph
London, U.K.

Dear Sir or Madam:

Toby Hamden reports that "Jon Stewart's smug 'Rally for Sanity' in Washington at the weekend, endorsed by Obama, gave the hipster crowd their chance to chortle at Middle America" ("Midterms 2010: Americans aren't stupid - but they are angry with Barack Obama," Nov. 2).

While every part of the political spectrum is overrun with dolts and dimwits, intellectual vanity is more common on the left than on the right. My

guess is that this phenomenon springs from the notion that persons who have ideas - especially 'Big Ideas' - for how to run other people's lives are mistaken for being thoughtful and caring. In contrast, persons who offer no ideas, big or small, for how other people should live their lives - persons who have no itch to meddle in the affairs of others and want only to be left alone to mind their own business as they each judge best - are mistaken for being feeble-minded and uncaring.

In short, to the 'Progressive' brain, I'm smart and kind if I am enchanted by half-baked schemes to herd and prod and tax my fellow Americans, but dumb and mean if I question the wisdom of all such collectivist plots.

1 November 2010

Friends,

In this essay at EconLib, I argue that the case for free trade extends beyond the fact that free trade generates a greater abundance of affordable goods and services to ordinary people. Free trade creates dynamic and rich cultures - and, even, fertilizes reason itself:

<http://www.econlib.org/library/Columns/y2010/Boudreauxglobalization.html>

I thank David Henderson for excellent edits and feedback on an earlier version.

1 November 2010

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

To the Editor:

Carl Bialik laments that "there isn't much research on how to link trade to jobs" - as in which, and how many, particular jobs are 'destroyed' and 'created' by Americans trading with the Chinese ("Flawed Math Seen in Unemployment Tied to China," Oct. 30).

True. But this lack of hard data is unavoidable, for it reflects the nature of a modern global economy. Each person in this economy, as both consumer and producer, is connected to hundreds of millions of other persons across the globe in a web of commercial relationships so vast, intricate, and nuanced that it is impossible to trace out and quantify in detail how changes in one part of this

web affect other parts of the web.

Moreover, changes within this global web of commercial relationships are incessant, with changes in consumers' demands for imports being simply one among a gazillion changes that occur each year.

It's no more lamentable that we lack hard data on the exact number of jobs 'destroyed' and 'created' by increased consumer demands for Chinese goods than it is lamentable that we lack hard data on the exact number of jobs 'destroyed' and 'created' by increased consumer demands for low-carb foods, e-books, Viagra, or by any of the other countless changes that relentlessly churn our dynamic economy.