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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.

14 November 2010

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

Dear Editor:

Writing about the Fed's plan to stimulate spending by injecting $600 billion of new money into the economy, Greg Ip claims "If that spending outstrips the economy's productive capacity, inflation could result. But that's years away: The economy today is awash in idle factories and unemployed workers" ("5 Myths about the Fed," Nov. 14).

It's a myth that inflation kicks in only if all resources and workers are fully employed. For evidence, we need look back no further than to the 'stagflation' of the 1970s. For example, in 1973, the average monthly rate of unemployment in the U.S. was 4.9 percent and the CPI inflation rate was 8.5 percent. In the following year, 1974, the average monthly rate of unemployment shot up to 8.5 percent. If Mr. Ip's claim is correct, the economy in 1974 – "awash in idle factories and unemployed workers" - should have been marked by zero, or at least falling, inflation. It was not. The inflation rate in 1974 also shot up - way up - to 11.4 percent.

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13 November 2010

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

To the Editor:

Complaining about America's trade deficit, Robert Lighthizer claims that foreign investments in the U.S. necessarily "will leave our children dependent on foreign decision makers" ("Throwing Free Trade Overboard," Nov. 13). What jingoistic jabber!

When, for example, Ikea builds a store in Milwaukee, America's trade deficit rises. But this investment in America by foreigners doesn't make our children more "dependent on foreign decision makers." Ikea cannot force Americans to shop or to work at Ikea; it must compete against other retailers and employers. It has the same power over Americans and over "our children" as does Levitz and La-Z-Boy - which is to say, zilch.

In addition, Americans who supply the land and labor Ikea uses to build this store can use their proceeds to start their own firms or to invest in existing American businesses. To the extent that they do so, not only are both America's trade deficit and capital stock thereby increased, but whatever decision-making 'power' Ikea gains in the U.S. by opening a store here is offset by the additional decision-making 'power' and prosperity Americans gain because Ikea's operations in the U.S. enabled these Americans to make investments that would otherwise have not been undertaken.

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13 November 2010

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

To the Editor:

Robert Lighthizer is concerned that "our enormous trade imbalances - which require us to sell hundreds of billions of dollars in assets each year - will leave our children dependent on foreign decision makers" ("Throwing Free Trade Overboard," Nov. 13).

He can calm down.

First, his factual claim is false. Foreign holdings of U.S. dollars increase America's trade deficit but involve no selling of U.S. assets. Second, and more importantly, capital assets are not fixed in volume. Capital can grow.

Suppose the Swiss firm Novartis builds a lab in San Diego and the American who sold the California land to Novartis uses the proceeds to start a business in Phoenix. The result of these transactions - which increase America's trade deficit - is a larger stock of capital invested in the U.S. economy and higher worker productivity, but without any necessary net increase in America of the influence of "foreign decision makers."

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12 November 2010

Editor, Los Angeles Times

To The Editor:

San Francisco Supervisor Eric Mar said “We're part of a movement that is moving forward an agenda of food justice.” I just want to ask what “Food Justice” is. Does this mean that we are giving legal rights to food products, or has the government decided to tell us what to order in restaurants? This has already happened, and it’s no secret, Mayor Bloomberg of New York City has had trans fat banned in New York City restaurants on April 1st 2008. This is the same situation, but in another form. The fact is that McDonald's Happy Meal toys can only be included in meals that “provide fruits and vegetables with all meals for children that come with toys, and the ordinance would also require restaurants to provide fruits and vegetables with all meals for children that come with toys.” This is an obvious attempt to discourage parents from bringing their children to fast food restaurants. This is the next step towards the government controlling every aspect of our lives.

Thomas Macaulay Boudreaux
8th Grade
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12 November 2010

Editor, Slate

Dear Editor:

Christopher Beam writes that "the creation of the Federal Reserve in 1913 didn't stop fiscal crises, of course, but it did a lot to reduce their damage" ("Gold Rush," Nov. 9).

New research casts significant doubt on the truth of this claim. My George Mason University colleague Larry White, along with the University of Georgia's George Selgin and William Lastrapes, just released a paper entitled "Has the Fed Been a Failure?" [http://www.cato.org/pub_display.php?pub_id=12550] They answer "yes."

Here, in their words, is a summary of their findings: "Drawing on a wide range of recent empirical research, we find the following: (1) The Fed's full history (1914 to present) has been characterized by more rather than fewer symptoms of monetary and macroeconomic instability than the decades leading to the Fed's establishment. (2) While the Fed's performance has undoubtedly improved since World War II, even its postwar performance has not clearly surpassed that of its undoubtedly flawed predecessor, the National Banking system, before World War I. (3) Some proposed alternative arrangements might plausibly do better than the Fed as presently constituted. We conclude that the need for a systematic exploration of alternatives to the established monetary system is as pressing today as it was a century ago."

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12 November 2010

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

To the Editor:

Calling for a "national greatness agenda," David Brooks writes that "It will take a revived patriotism to lift people out of their partisan cliques. How can you love your country if you hate the other half of it?" ("National Greatness Agenda," Nov. 12).

One half of America doesn't hate the other half. Americans cooperate in countless polite ways with each other every day. I just bought gasoline from an American-owned station near my home; I have no knowledge of the owner's politics and he none of mine. And neither of us cares, for our interest in a successful commercial transaction is mutual. Ditto for everyone else who buys or sells gasoline - and groceries and clothing and restaurant meals and nights at B&Bs and copies of the New York Times and on and on and on. Americans get along peacefully and productively with each other every moment of the day in ways too many to list.

The only place the hatred mentioned by Mr. Brooks consistently arises is in the political arena, for it's there that Jones takes from Smith and Smith tries to protect himself from Jones. In THAT setting, both persons naturally oppose, curse, and hate the other. This hatred will only increase the more our lives are politicized, whether it be by 'Progressives' or by 'national-greatness' conservatives.

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12 November 2010

Editor, Los Angeles Times

Dear Editor:

Your story line reads "Lou Dobbs joining Fox Business Network" (Nov. 10). Because Fox is owned by the Australian-turned-American Rupert Murdoch, I wish instead that you would have introduced this report with "Job Created for Lou Dobbs by Immigrant."

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12 November 2010

Friends,

Citing some research by another former GMU student (Nicole Crain), these GMU Econ products - Ryan Young and Caleb Brown - explain, in Investor's Business Daily, why the administration's proposal that all tax preparers pass an examination to become "registered tax return preparers" is a very bad idea: http://www.investors.com/NewsAndAnalysis/Article.aspx?id=553230

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11 November 2010

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

To the Editor:

Timothy Geithner, Tharman Shanmugaratnam, and Wayne Swan worry that, in emerging economies, "rapid growth" increases "the risk of domestic inflation" ("A Four-Point Plan for the G-20," Nov. 11).

Baloney.

Inflation is the result of too much money chasing too few goods. So by increasing the flow of goods (and services) produced in an economy, rapid growth DECREASES the risk of domestic inflation.

That the finance ministers of three major world governments do not understand this fundamental fact is appalling.

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10 November 2010

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

Dear Editor:

I'm no admirer of Sarah Palin, but I'm annoyed by a double-standard about her that is revealed by columnist Kathleen Parker ("The Palin Paradox," Nov. 10). Here's Parker reporting on Palin: "She recently wrote against the QE2 - 'quantitative easing' - whereby the Federal Reserve will dump $600 billion in freshly minted dollars into circulation in hopes of revving the economy. Doubtless, this inspired critique evolved from Palin's long years poring over the Economist."

Parker is surely correct to suggest that Sarah Palin's grasp of monetary and macroeconomic theory is worse than palsied. But I've heard no similar criticism, from Parker or from anyone else in the mainstream media, about pronouncements on QE2 made by Pres. Obama. Why not? There's absolutely no reason (or evidence) to suppose that Mr. Obama spent his down time - when not community-organizing, teaching constitutional law, and campaigning for office - "poring over the Economist" or otherwise mastering the broad outlines, much less the finer details and disagreements, that are part and parcel of economics.

Why treat with respect Mr. Obama's assessment of QE2 while treating with scorn Ms. Palin's? Both of these politicians are posers, nothing more.

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10 November 2010

Friends,

My justly celebrated GMU colleague Walter Williams weighs in eloquently, with this op-ed, on the issue of America's trade deficit: http://townhall.com/columnists/WalterEWilliams/2010/11/10/worry_over_trade_deficits/page/full/

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10 November 2010

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

To the Editor:

In a letter to G20 leaders, President Obama noted that "the foundation for a strong and durable recovery will not materialize if American households stop saving" ("In Message to G-20 Leaders, Obama Aims to Calm Tensions," Nov. 10). He's correct that economic growth requires savings. But Mr. Obama's frequent bemoaning of America's trade deficit makes me wonder if he understands why this fact is so.

Savings promote growth by supplying resources used for constructing factories, funding research & development, training workers, building infrastructure, and financing all of the other investments that increase worker productivity. It's these investments that fuel economic growth; savings, as such, simply makes these investments possible.

So given that what we really want are more such investments, Mr. Obama should applaud America's trade deficit, for that 'deficit' (also known as a capital-account surplus) is the result of foreigners investing large amounts in the American economy - including, by the way, in helping to finance Uncle Sam's ginormous budget deficits.

Investments in America promote American economic growth; the nationality of the investors is irrelevant.

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9 November 2010

Friends,

In the Christian Science Monitor, I challenge the notion that political "Progressives" are more thoughtful and more committed to rational ideas than are libertarians and other genuine liberals: http://www.csmonitor.com/Commentary/Opinion/2010/1109/Progressives-don-t-really-get-progress-but-the-American-people-do

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9 November 2010

Editor, Los Angeles Times

Dear Editor:

Michael Norton and Dan Ariely surveyed us Americans and found that we "drastically underestimated the current gap between the very rich and the poor" ("Spreading the wealth," Nov. 8). They found also that Americans' "ideal" distribution of wealth is one that is more even than is the wealth-distribution in reality.

There are many reasons why Messrs. Norton and Ariely are mistaken to conclude that their findings support "policies that involve taking from the rich and giving to the poor." Here's just one:

That Americans "drastically" underestimate the wealth of "the very rich" compared to the wealth of "the poor" reveals that the difference in the number of dollars owned by "the very rich" compared to the number of dollars owned by "the poor" translates into a much smaller - that is, far more equal - difference in living standards. In other words, differences in monetary wealth are not the same as differences in living standards.

Bill Gates's monetary wealth, for example, is approximately 70,000 times greater than my own, but I'm certain that he doesn't daily ingest 70,000 times more calories than I eat in a day. I'm also certain that the food he eats isn't 70,000 times tastier than the food I eat; that his many homes are not 70,000 times larger than my one home; that his children are not educated 70,000 times better than is my child; that he cannot travel to Europe or to Asia 70,000 times faster or more safely than I can; that he doesn't have 70,000 times more annual leisure than I have; and that he will not live 70,000 times longer than I will live.

So, really, it's incorrect to conclude that Bill Gates's real wealth is 70,000 times larger than my real wealth.

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8 November 2010

Friends,

My GMU student Caleb Brown - also of the Cato Institute - arranged for me to explain in his short video why U.S. V-P Biden's recent claim that most of the great ideas of the past three centuries came from government is comically mistaken: http://www.youtube.com/watch?v=DanCsvCmrMk

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8 November 2010

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

To the Editor:

At a news conference in India, Pres. Obama criticized Beijing for keeping the value of the Chinese yuan too low against the dollar ("Obama Jumps Into G-20 Surplus Spat," Nov. 8). At the same news conference he praised the Federal Reserve's plan to create and circulate an additional $600 billion - about which plan Mr. Obama declared "I will say that the Fed's mandate, my mandate, is to grow our economy. And that's not just good for the United States, that's good for the world as a whole."

Beijing lowers the yuan's value against the dollar by increasing the supply of yuan relative to the dollar. So Mr. Obama's disapproval of the low value of the yuan amounts to a disapproval of that country's expansive monetary policy.

Question for Mr. Obama: if "growing the economy" through extravagant money creation is "good for the world as a whole" when done by Uncle Sam, why is the very same policy iniquitous and dangerous when done by the Chinese government?

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8 November 2010

Friends,

In this EconTalk podcast with my colleague Russ Roberts, I argue that the notion that the Chinese currency (the yuan) is undervalued is mistaken: http://www.econtalk.org/archives/2010/11/don_boudreaux_o_4.html