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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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5 December 2010

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

To the Editor:

Mentioning only the coming hike in the top income-tax rate from 35 percent to 39.6 percent, Christina Romer claims that "it is just not plausible" that the tax increases scheduled to kick in on January 1st "are a major source of uncertainty" keeping economic activity anemic ("It's the Big Questions That Slow Growth," Dec. 5).

Prof. Romer's claim taxes credulity. She fails to mention other tax hikes looming on New Years Day, such as the 33 percent rise (from 15 percent to 20 percent) in the top capital-gains tax rate (and the increasing complexity of the capital-gains tax schedule); the increase in the top federal estate-tax rate from 0 percent to 55 percent; and the hike in the top federal divided-tax rate from 15 percent to 39.6 percent - a increase of 164 percent! This dividend-tax rate, by the way, is scheduled to rise again on January 1, 2013, to 43.4 percent.

And don't forget about the hyper-frantic Fed and its spasms of "quantitative easings."

Is it really not plausible that the uncertainty now haunting investors is the result of these looming tax hikes, combined with fear about the value of the dollar and anxiety over the still-to-be revealed actual consequences of Obamacare, Dodd-Frank, and the other incontinent interventions that have spewed forth from Washington in the past three years?

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5 December 2010

Friends,

My GMU Econ colleague (and co-blogger at Cafe

Hayek) Russ Roberts was recently on the Public Radio International show "To the Point" discussing various economic matters. Sound listening!

http://cafehayek.com/2010/12/you-sound-like-a-democrat.html

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4 December 2010

Rep. Brad Sherman (D-CA)
U.S. House of Representatives
Capitol Hill

Dear Rep. Sherman:

Skeptical of freer trade with South Korea, you proclaim that "It's all well and good to increase exports, but not if we increase imports by an even larger amount" ("Statement of Congressman Brad Sherman on proposed U.S. – South Korea Trade Pact," Dec. 3).

Sooo.... a nation becomes poorer if the goods and services that it receives from others increases by more than what that nation ships to others in exchange?

If you're correct, it must also be true that a family becomes poorer if its hourly income rises. Because the typical household exports work effort to others and uses the income it earns to import goods and services into that household from others, your economics implies that the key to household prosperity is to work as long and as hard as possible and insist on receiving in return as little as possible.

Sounds dopey strange to me, but at least I now better understand the logic behind so many of the policies championed by you and your colleagues in Congress.

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3 December 2010

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

To the Editor:

Reporting on the U.S.-Korea free-trade pact, you write that "South Korea agreed to give the U.S. five years to phase out a 2.5% tariff it levies on Korean-built cars, rather than cutting the tariff immediately" ("U.S., Korea Agree on Free-Trade Pact," Dec. 3).

In other words, South Korea agreed to allow Uncle Sam to continue to impose additional financial burdens on Americans who buy automobiles made in South Korea, for no reason other than to make life easier for Detroit.

So much for the Obama administration's courageous refusal to allow special-interest groups (in this case, U.S. automakers and the UAW) to dictate policy - so much for our leader's eagerness to get the policy right even if doing so means getting the politics wrong - and so much for all the ballyhoo, out of Detroit and Washington, about U.S. automakers again being world-class producers who can compete on the merits with foreign automakers.

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2 December 2010

Editor, Newsmax.com

Dear Editor:

Announcing a possible announcement that he might soon announce a presidential bid, Donald Trump, as you report, said today that "the United States should tax Chinese products to reduce foreign imports and create American jobs" ("Trump Seriously Thinking About White House Bid," Dec. 2).

Genius. But why stop there? Let's amend the

Constitution so that each state can tax goods and services produced in other states. California could then tax products from Nevada, Michigan, New Jersey, and each of the other states that now are home to producers with total freedom to market their wares, untariffed, in high-unemployment California. If Mr. Trump's economics is correct, the result would be tariffs imposed by Sacramento that end this theft of California jobs by out-of-state producers.

And ditto for every other state in the union. By so multiplying the opportunities to impose job-creating taxes on goods and services produced in other political jurisdictions, Americans' economic security would be assured.... assuming, that is, that Mr. Trump's economics is correct.

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2 December 2010

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

To the Editor:

Celebrating the Environmental Protection Agency's 40th birthday, EPA Administrator Lisa Jackson writes that "Six months before the EPA's creation, flames erupted from pollution coating the surface of Cleveland's Cuyahoga River, nearly reaching high enough to destroy two rail bridges" ("The EPA Turns 40," Dec. 2).

True. But contrary to popular myth - and to Ms. Jackson's insinuation - this river fire resulted from government failure, not market failure. As Stacie Thomas documents, the Ohio Water Pollution Control Board routinely used its statutorily granted powers to override common-law remedies that were invoked by private citizens attempting to keep the Cuyahoga clean. Ms. Thomas concludes from her intensive study of the fire, "the emerging common-law rule of strict liability was abandoned in favor of a political process that allowed continuing pollution of certain segments of the state's waters. By catering to special interests, Ohio's regulatory scheme stopped the emergence of a doctrine that would have spurred cleanup." [http://www.thefreemanonline.org/featured/the-cuyahoga-revisited/]

Regardless of the EPA's achievements and failures, people should realize that remedies through common-law rights of property and protection from nuisance are alternatives to top-down bureaucratic commands - remedies, however, that can work only if legislatures don't thwart their use.

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1 December 2010

Editor, Washington Examiner

Dear Editor:

Kudos to David Freddoso for eloquently explaining that General Motors' apparent profitableness today is an illusion concocted with taxpayer money ("GM bailout still not a good deal," Dec. 1).

Too bad American politicians aren't as frank as Australian Senator Barnaby Joyce. If they were, we Americans would have a better grasp of the priorities of many of our leaders who voted for this cornucopia of corporate welfare.

According to the Rt. Hon. Mr. Joyce, in a December 2008 statement in the Australian Senate, "In this nation, we have to make sure that we maintain the capacity for those who wish to prevail in business to not be knocked out because they are not good at their job, or because they have a badly priced product or a badly priced service."

No one who has followed debates on Capitol Hill over the years - debates over trade, industrial policy, the stimulus, and other excuses for doling out corporate welfare - can doubt that many members of the U.S. Congress share both Mr. Joyce's sympathies for incompetent firms and his willingness to sacrifice consumers and the nation's future in order to mollycoddle bungling and inept businesses that happen to be headquartered domestically.

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1 December 2010

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

To the Editor:

Reporting on the EU's antitrust investigation of Google, you note that "Under EU antitrust law, companies with a dominant position in their markets have a special responsibility to treat their rivals with care" ("Europe Zeroes In on Google," Dec. 1)

In other words, under EU antitrust law, companies that have worked harder and more creatively than have their rivals at anticipating and satisfying consumer demands have a special responsibility to stop serving consumers so effectively in order that these companies' rivals have a chance to do what these rivals have so far proven themselves unable to do."

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30 November 2010

Rep. Mike Pence (R-IN)
U.S. House of Representatives
Capitol Hill

Dear Rep. Pence:

I applaud your recent speech to the Detroit Economic Club. Your economic good sense is far too rare on Capitol Hill. But your proposal for a Spending Limits Amendment – one that would cap federal-government spending at a maximum of 20 percent of U.S. GDP – is dangerous.

The idea is dangerous not because Americans would suffer were government spending as a share of GDP kept permanently lower; quite the contrary. It's a dangerous idea because of the inevitable need, that you recognize, for express exceptions that would release government from the spending cap – especially the exception that you mention: war.

If your Spending Limits Amendment is ratified, Congresses and the administration's incentives to wage war – hot and cold – would intensify. As Thomas Paine wrote in The Rights of Man, "War is the common harvest of all those who participate in the division and expenditure of public money, in all countries. It is the art of conquering at home: the object of it is an increase of revenue; and as revenue cannot be increased without taxes, a pretence must be made for expenditures. In reviewing the history of the English government, its wars and its taxes, a by-stander, not blinded by prejudice, nor warped by interest, would declare, that taxes were not raised to carry on wars, but that wars were raised to carry on taxes. [http://oll.libertyfund.org/?option=com_staticxt&staticfile=full_quote.php%3Fquote=123&Itemid=275]

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29 November 2010

Friends,

Here's a seven-plus minute-long clip of my GMU Econ colleague Russ Roberts on the most recent episode of Stossel. In it, Russ and John Stossel discuss property rights and incentives in early 17th-century Plymouth colony: http://cafehayek.com/2010/11/the-pilgrims-experiment-with-communal-property.html

Great stuff!

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29 November 2010

Programming Director,
WTOP Radio
Washington, DC

Dear Sir or Madam:

During today's 1:00pm hour your news anchor interviewed a Wall Street economist who asserted that free trade "works" only when the economy "is at or near full employment."

The notion is that the greater is the American consumer's access to outputs made abroad, the lower is the demand for American workers to produce outputs made in America. So - this economist concludes - during recessions government should raise the cost to consumers of buying goods and services that are made available on the market by any means other than the current employment of American workers.

If this economist is correct, why slap higher tariffs only on imports? Why not also impose tariffs on used cars? After all, in 2010, consumer expenditures on 1999 Fords and 2007 Cadillacs employ no more American workers than do expenditures on brand new Hyundais and Kias. And why not also slap tariffs on goods sold at flea markets and garage sales? Consumer purchases of second-hand clothing and used furniture deflect demand from newly produced American clothing and furniture no less than do consumer purchases of new clothing and furniture imported from abroad.

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29 November 2010

Friends,

Here's a gratifying article on GMU Economics; it appears in this month's issue of The Mason Spirit: http://spirit.gmu.edu/2010/11/the-wonderful-world-of-masonomics/