Comment on the Commentary of the Day

by
Donald J. Boudreaux
Chairman, Department of Economics
George Mason University
dboudrea@gmu.edu
http://www.cafehayek.com

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.

---

28 February 2010

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

To the Editor:

Like many critics of free markets, John Thomas Ellis wrongly complains that corporations show workers no "loyalty" (Letters, Feb. 28).

A firm's 'loyalty' to its workers - which we may define as willingness to employ workers even when doing so reduces that firm's profits - might be absent simply because the economy is intensely competitive. If, say, Yahoo finds a way with greater mechanization to supply more and higher-quality services at the same time that it lowers its costs by dismissing workers that it no longer needs, then Google must find a way to achieve a similar enhancement in its efficiency. Otherwise, Google will go bankrupt - meaning that the size of its workforce that would soon be dismissed is 100 percent.

So to restore even the prospect of such 'loyalty' requires introducing into the economy more monopoly power. That strategy, however, would encourage firms to abuse their customers - to supply shoddy outputs and to charge monopolistically high prices. Economic growth would end; decline would set in. And in the long-run, many of our children who would otherwise be thriving and alive would, instead, be dead.

27 February 2010

Ms. Chana Joffe-Walt and
Mr. David Kestenbaum
All Things Considered
National Public Radio

Dear Ms. Joffe-Walt and Mr. Kestenbaum:

Your excellent report yesterday on the history of government officials choosing the different methods for how Medicare would determine doctors' pay is frightening because...

... in your report, Joe Califano, a chief architect of Medicare, admits that the first method of determining doctors' pay was chosen for political reasons, namely, to buy doctors' support for Medicare.

... you report that Mr. Califano, LBJ, and Congress were genuinely surprised by the rapid cost increases sparked by this first method.

... you reveal that much of the treatment that Medicare paid for was previously provided free by physicians; that is, Medicare crowded out a sizable chunk of private-sector philanthropy.

... you tell how attempts to change this first method of paying doctors were deeply influenced by skilled lobbyists working on behalf of doctors.

... in describing the development of the method currently used for determining doctors' pay, you (perhaps without realizing it) reveal that this current method is the product of a comically childish labor-theory-of-value analysis - the same sort of analysis that is at the foundation of Marxian economics.

... your report ends with the admission that, because the current method isn't working so well, Uncle Sam - 45 years after Medicare was launched - is still searching for a sound method for determining physicians' pay.

Given this history, is there any reason to suppose that Obamacare is a good idea?

---

26 February 2010

Rep. Gene Taylor (D-Mississippi)

Dear Rep. Taylor:

You propose to remove the U.S. from NAFTA. Your stated reason is that the freer trade made possible by NAFTA destroys jobs in your state.

If you're correct - that is, if it's true that preventing people in one political jurisdiction from trading freely with people in other political jurisdictions generates higher-paying jobs and more widespread prosperity for those people who are denied the freedom to trade freely - then your proposal is too modest. You should instead introduce legislation that permits each of the 50 states to impose high tariffs not only on goods from jurisdictions such as South Korea and Mexico, but also on goods from jurisdictions such as South Carolina and Michigan.

Think of it! No longer would Mississippians ship dollars out of state in return for cars imported from Detroit. You'll keep those dollars at home, and as a result get a booming, high-tech manufacturing industry - and, to boot, also get rid of the large and growing trade deficit in motor vehicles that now plagues Mississippi.

And what's true for cars will also be true for hosts of other goods and services - insurance that

Mississippians now import from New York, banking that they now import from North Carolina, chicken that they now import from Arkansas, oranges that they now import from Florida, pharmaceuticals that they now import from New Jersey, coffee that they now import from Hawaii, and wine that they now import from California. These are just a few of the products that Mississippians currently import from non-Mississippians. Shouldn't the jobs necessary to produce these products be held by Mississippians?

---

26 February 2010

Rep. Gene Taylor (D-Mississippi)
Capitol Hill
Washington, DC

Dear Rep. Taylor:

You propose legislation to remove the U.S. from NAFTA. Your justification is that since 1993, the year NAFTA was ratified, manufacturing employment in the U.S. is down 29 percent – a fact that prompts you to assert that "NAFTA discourages investment in U.S. manufacturing facilities and accelerates the erosion of our industrial base."

Manufacturing employment is indeed down - and will continue to decline. But this fact reflects improvements in American manufacturing, for this decline is the happy result of higher productivity. This higher productivity, in turn, is due chiefly to INCREASED investment in manufacturing here. Despite the downturn, that investment, in inflation-adjusted dollars, was nine percent higher in 2008 than it was in 1993 [BEA Table 3.7E http://www.bea.gov/national/FA2004/TableView.asp?SelectedTable=54&ViewSeries=NO&Java=no&Request3Place=N&3Place=N&FromView=YES&Freq=Year&FirstYear=1993&LastYear=2008&3Place=N&Update=Update&JavaBox=no#] - a fact that's in some tension with your assertion that NAFTA discourages investment in the U.S. (As an aside, if investment in manufacturing truly is discouraged, to find the real culprits look no farther than yourself and your deficit-spending buddies on Capitol Hill.)

The decline in manufacturing employment is no more troublesome than was the decline in agricultural employment. Do you think that we'd be wealthier today had past generations panicked over falling agricultural employment and acted to obstruct the forces that enabled tens of millions of Americans to escape farms and move to cities, and all the while enjoy ever-fuller bellies? If not, then why do you lament tens of millions of today's Americans escaping from factories into jobs that generally pay better and are more interesting?

---

26 February 2010

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

To the Editor:

I enjoyed Daniel Akst's review of Deirdre Barrett's book on evolutionary psychology ("Too Much of a Good Thing," Feb. 26). Mr. Akst and Ms. Barrett rightly note that our instincts - selected through long evolution to enhance our chances of survival under primitive conditions - often prompt us to act in ways that are dysfunctional in modern society.

F.A. Hayek was another who understood that human instincts are frequently in tension with modern conditions – in tension with life in what

Hayek called "the extended order" (as distinct from the small tribal band). This tension requires of each of us a delicate balancing act, lest we obliterate modernity or enervate our humanity. Here's Hayek:

"Part of our present difficulty is that we must constantly adjust our lives, our thoughts and our emotions, in order to live simultaneously within different kinds of orders according to different rules. If we were to apply the unmodified, uncurbed, rules of the micro-cosmos (i.e., of the small band or troop, or of, say, our families) to the macro-cosmos (our wider civilisation), as our instincts and sentimental yearnings often make us wish to do, we would destroy it. Yet if we were always to apply the rules of the extended order to our more intimate groupings, we would crush them. So we must learn to live in two sorts of world at once."[F.A. Hayek, The Fatal Conceit (University of Chicago Press, 1988), p. 18]

---

25 February 2010

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

Dear Editor:

E.J. Dionne encourages Pres. Obama and other 'progressive' politicians to aggressively court voters 30-years-old and younger ("Under-30 Americans: The next new dealers," Feb. 25). I concur.

So what can the President and vote-hungry members of Congress do to please the "Millennial" generation? They can start by allowing young people to opt out of Social Security. Surely Millennials will be relieved to be no longer forced to help pay for their grandparents' winter condos in Ft. Myers.

In addition, how about ending the brutal and invasive 'war on drugs'? And why not also end America's military adventures abroad? Oh, abolishing the minimum-wage would be splendid, too, as doing so would open doors to the labor market for the disproportionately large number of young workers who are now priced out of that market by the minimum-wage.

---

25 February 2010

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

To the Editor:

It's understandable that Joel Secundy, Deputy Assistant Secretary for Services at the International Trade Administration, tries to justify his job as dispenser of corporate welfare (Letters, Feb. 25). But try as he might, he fails.

First, Dep. Asst. Sec. Secundy asserts that "many American companies, especially smaller ones, don't have the political or business contacts to break into foreign markets." Then, amidst huffing and puffing about the promise of the National Export Initiative, he claims that "American businesses make the most sought-after products and services in the world."

If the latter claim is true, then foreigners don't need to be prompted by Uncle Sam to buy all those American products and services that they so desperately seek. But if the former claim is true - if foreigners in fact aren't beating down the door to buy those American products and services that Mr. Secundy and his colleagues are trying to persuade them to buy - then I must ask Mr.

Secundy how he knows that "American businesses make the most sought-after products and services in the world."

---

24 February 2010

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

To the Editor:

Roger Cohen accuses persons who oppose further government involvement in health-care of being atomized, shallow, and "solipsistic screen-gazing" individuals who callously disregard their obligations to the community ("The Narcissus Society," Feb. 23). Obamacare, Mr. Cohen waxes, "would involve 300 million people linking arms." Rejection of it, however, means that we "turn away from each other and, like Narcissus, perish in the contemplation of our own reflections."

An excellent response to tired tropes such as this one comes from Richard Epstein: "Cries like this are familiar. Indeed, as Stephen Holmes has pointed out, these criticisms of individualism predate the modern communitarians and were part of the standard stock in trade of many of the 'enlightened' fascist theories of an earlier day. One does not have to impute terrible motives to [these critics of individualism] to sound at least a note of caution about arguments that have traveled in such dubious company. The attack on individual atomism is more than an attack on isolated individuals. It is also an attack on any form of voluntary association that is not validated by reference to some higher social end." [Richard A. Epstein, Simple Rules for a Complex World (Harvard Univ. Press, 1995), pp. 321-322]

---

24 February 2010

Friends,

The Atlantic's Derek Thompson - a wonderfully fair-minded fellow - interviewed me; here's the link: http://business.theatlantic.com/2010/02/boudreaux_on_the_jobs_bill.php

---

24 February 2010

Editor, Los Angeles Times

Dear Editor:

Tim Rutten writes that "between 1992 and 2007, America's 400 richest households increased their average income by 399%, while the bottom 90% of the country's households gained just 13%.... For a country that prides itself on creating opportunity and encouraging social mobility, those are distressing figures" ("A snapshot of income disparity," Feb. 24).

This conclusion doesn't follow from these facts. Many individual households that were among the 400 richest in 1992 are no longer in that number, and many households who are today among the 400 richest were not there in 1992. In other words, over this time

some households moved out of that number while others moved into it. And mobility is precisely about such movement.

Growth or shrinkage over time of incomes earned by any such *categories* of households says absolutely nothing about mobility. Indeed, the data Mr. Rutten cites might PROMOTE more mobility: the greater the difference between the top 400 households' incomes and the incomes of households in lower categories, the greater is the incentive of today's lower-income households to take entrepreneurial risks in hopes of one day earning those very high incomes - in hopes of one day moving into the top 400.

---

24 February 2010

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

To the Editor:

I wince when fellow advocates of free markets suggest that Uncle Sam is now akin to Hitler's Nazis.

Yes, like Nazis, many officials in the U.S. government today want to impose strict gun-control, see no problem with the indiscriminate confiscation of private property for allegedly 'public' uses, and advocate the aggressive prosecution 'speculators.' But for all of its hostility to individualism - for all of its overreaching and haughtiness - the U.S. government isn't remotely as vile and as lawless as was Hitler's gang of goons.

So I wonder if reasonable persons on the left wince similarly when your columnist Thomas Frank insists that "The laissez-faire system has just finished giving us a convincing demonstration of its viciousness" ("What's the Matter With Democrats?" Feb. 24). Surely sensible people on the left know that the last time America's economy was within a dozen light-years of laissez-faire was during the presidency of Calvin Coolidge. And surely these people know also that, for all of the genuine hardships uncorked by the current economic downturn, its consequences are as close to being "vicious" as WWII-era Japanese-American internment camps were as close to being like Auschwitz.

---

23 February 2010

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

Dear Editor:

Barry Lynn complains that Reagan-era easing of antitrust regulations has resulted in oppressive monopolies: "The seemingly endless variety of products in our stores is controlled by an ever smaller number of immense trading companies that, increasingly, charge us higher prices" ("American small businesses needn't go extinct," Feb. 21).

Mr. Lynn's reasoning and facts are shaky.

First, true monopolists - having no need to attend carefully to consumers' desires - don't bother offering an "endless variety of products."

Second, a quick perusal of documents from the Bureau of Labor Statistics shows inflation-adjusted prices of a great many goods and services are today lower than they were 25 years ago. The real price of household furniture, for example, is down 43 percent over the past quarter-century; that

of household appliances is down 64 percent; that of tools and hardware is down 60 percent; that of new cars is down 36 percent; that of apparel is down 46 percent; that of nonprescription drugs is down 54 percent; and - get this! - the real price of information technology, hardware, and services is down a whopping 96 percent.

---

23 February 2010

News Editor, WTOP Radio
Washington, DC

Dear Editor:

This morning one of your reporters interviewed a tourist who complained that Washington's "scripted" inhabitants "have no real understanding" of the economic situation of ordinary Americans.

I agree with the tourist's assessment, but unlike her I'm not disappointed. You see, to visit DC expecting to find people engaged in serious discussions of economics is like visiting a Star Trek convention expecting to find people engaged in serious discussions of astrophysics. Perhaps a handful of the celebrities and costumed performers are familiar with real science, but their overwhelming object is not to help their public deal with reality but, rather, to escape it.

---

22 February 2010

Editor, The Wall Street Journal
200 Liberty Street
New York, NY 10281

To the Editor:

Praising higher inflation, your reporter writes that "Governments in the U.S. and elsewhere, and many U.S. households, are sitting on mountains of debt. A little more inflation could in theory reduce the burden of servicing and paying that off, because while debt payments are often fixed, the revenue and income that households and governments generate to pay it off would rise with inflation" ("Low-Inflation Doctrine Gets a Rethink, but Shift Is Unlikely", Feb. 22).

Whoa.

The rise in revenue and income caused by inflation is nominal, not real. Printing more monochrome pictures of dead statesmen doesn't increase the supply of resources for use in repaying debts.

Nevertheless, inflation does reduce debt burdens, but it does so by enabling debtors to repay debts with money worth less than the money that they borrowed. Importantly, this reduced burden is caused by nothing more glamorous than theft: government smears green ink on plenty of paper and then puts that paper into circulation. The resulting devaluation of the dollar transfers wealth involuntarily from creditors (and dollar holders) to debtors - the biggest of whom these days is Uncle Sam.

I'm appalled that your paper camouflages such thievery as respectable economic policy.

---

22 February 2010

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

To the Editor:

You report that "President Obama will propose on Monday giving the federal government new power to block excessive rate increases by health insurance companies" ("Obama to Urge Oversight of Insurers' Rate Increases," Feb. 22).

How fun! Those of us who remember the 1970s recall the frolics sparked by America's last great experiment with widespread price caps - namely, those on oil and natural gas. The resulting short supplies gave us the thrill of waiting in long lines - and sometimes even getting into fistfights - for the privilege of buying a few gallons of gasoline. People literally chilled out in their homes for want of heat. The Nixon administration imposed a national speed limit of 55 MPH. These and other consequences certainly made for a memorable decade.

What cool adventures await us if Mr. Obama succeeds in giving Uncle Sam power to control insurance rates? Reduced coverage? Hidden fees aimed at skirting government regulations? Surly service? More trouble and delays collecting on our policies?

Whatever the details, it'll be a premium experience!

---

22 February 2010

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

Dear Editor:

Robert Samuelson observes that "Every advanced society, including the United States, has a welfare state. Though details differ, their purposes are similar: to support the unemployed, poor, disabled and aged" ("Greece and the welfare state in ruins," Feb. 22). True, but incomplete.

The founder of the modern welfare state, German Chancellor Otto von Bismarck, wanted, as he said, "to bribe the working classes" into devotion to the German state. What better way to ensure that families are willing to send ample supplies of their young men off to die for the Fatherland?

And it's telling that an American admirer of this German system, Frederic C. Howe - who was influential in planting these "progressive" ideas in America's upper Midwest - admitted that one result of government-dispensed welfare is that "The individual exists for the state, not the state for the individual." [Richard M. Ebeling, "Marching to Bismarck's Drummer: The Origins of the Modern Welfare State," The Freeman, Jan. 2007:http://www.thefreemanonline.org/from-the-president/marching-to-bismarcks-drummer-the-origins-of-the-modern-welfare-state/]

If Mr. Samuelson is correct that welfare 'entitlements' now threaten to bankrupt governments around the globe, we persons whose puny individual needs are nothing as compared those of the state had better beware.