



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 March 2010

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

To the Editor:

Paul Krugman says that the idea that unemployment benefits reduce people's incentives to find jobs is "bizarre" and at odds with "textbook economics" ("Senator Bunning's Universe," March 5).

Prof. Krugman must count himself and his wife among those who hold bizarre ideas - or who, when writing economics

textbooks, misrepresent economists' views. Here's what they wrote on page 210 of their jointly authored textbook

"Macroeconomics" (2nd ed.), published in 2009: "Public policy designed to help workers who lose their jobs can lead to structural unemployment as an unintended side effect. . . . In other countries, particularly in Europe, benefits are more generous and last longer. The drawback to this generosity is that it reduces a worker's incentive to quickly find a new job. Generous unemployment benefits in some European countries are widely believed to be one of the

main causes of "Eurosclerosis," the persistent high unemployment that affects a number of European countries."

7 March 2010

Friends,

My GMU colleague and co-blogger, Russ Roberts, talks with Reason.tv about his most-recent book, The Price of Everything - and other novels (including Atlas Shrugged). It's a really great six-minute video!

<http://movie.bloggles.co.cc/?p=68960>

6 March 2010

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

To the Editor:

Arguing for higher tariffs, Alan Tonelson and Kevin Kearns claim that the Labor Department is wrong to "deem any reduction in the work that goes into creating a specific unit of output, whatever the cause, to be a productivity gain" ("Trading Away Productivity," March 6). These authors insist that, because American firms import increasing amounts of component parts for processing into final goods in the U.S., American workers' productivity really does not rise when more of the work required to produce final outputs is done by foreigner workers.

This argument is nonsense. If yesterday it took American workers two hours to produce an electric drill, and today it takes those same workers only one hour to produce an identical drill, those workers' productivity has risen. Whether this higher productivity is the result of importing (rather than producing in the U.S.) more component parts of the drill, or instead the

result, say, of a new machine that today produces some parts that yesterday were produced by hand, the result is the same: it requires fewer hours of work by Americans to produce a given amount of output.

6 March 2010

Friends,

Pondering my last letter-to-the-editor (the one on Tonelson's and Kearns's NYT op-ed), I see that the matter is more complicated than I presented it in my letter - although "more complicated" only in ways that make Tonelson's and Kearns's argument even more ridiculous than I first realized.

In my letter I had in mind measures of American value-added (which are very high). Some other measures of worker productivity might look at the final selling price of the U.S.-made product rather than only at the value-added. I just spent some time on the BLS website and can't find a clear answer to how they do it - although I'm sure that a more-thorough scouring of that site will reveal the answer.

Either way, the measure is not on a physical basis; it's on a monetary-value basis. And either way, what matters for determining workers' pay is value-added -- which would fall if Tonelson's and Kearns's prescription of higher tariffs is accepted.

6 March 2010

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

To the Editor:

Key to Alan Tonelson's and Kevin Kearns's case for higher tariffs is their claim that American labor is less productive than statistics show ("Trading Away Productivity," March 6). They write that "Productivity measures how many worker hours are needed for a given unit of output during a given time period." Because foreigners produce many components of the products that roll off of U.S. assembly lines, these authors insist that much of the productivity attributed to American workers is really the productivity of foreign workers.

Messrs. Tonelson's and Kearns's understanding of productivity measurement

is fatally confused. The "given unit of output" that they mention is measured not in physical terms but, rather, in value terms. If an unfinished imported product cost a U.S. manufacturer \$5 and after one hour of processing by an American worker the resulting finished product sells for \$20, the actual – and measured – productivity of that American worker is \$15 per hour. No productivity of foreign workers is falsely attributed to American workers.

5 March 2010

Mr. Peter Orszag
Office of Management and Budget

Ms. Nancy-Ann DeParle
White House Office of Health Reform

Dear Mr. Orszag and Ms. DeParle:

In today's Washington Post you argue that President Obama's proposed health-care reform "won't break the bank."

I challenge you to put your money where your words are. Let's make a real bet.

Pick any year in the future between 2021 and 2046. Tell me your estimate today of how much Uncle Sam will spend on health-care that year. I'll bet each of you \$5,000 that Uncle Sam's actual, CPI-adjusted expenditures on health-care in that year will be at least 25 percent higher than your estimate.

If Uncle Sam's health-care expenditures in that year are less than 25 percent higher than you project them to be, I'll congratulate you as I mail you your checks. If these expenditures are 25 percent, or more, higher than you project them to

be, I'll contribute my winnings to a private health-care charity, as I predict that the need for philanthropic contributions along those lines will be great.

Do we have a bet?

5 March 2010

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

Dear Editor:

Administration officials Peter Orszag and Nancy-Ann DeParle try to assure us that Obamacare is "health reform that won't break the bank" (March 5). While Mr. Orszag and Ms. DeParle have undoubtedly worked with great care on all of their cost estimates, I remain skeptical: on Wednesday, David Harsanyi reported in the Denver Post that "Congress estimated Medicare's cost at \$12 billion for 1990 (adjusted for inflation) when the program kicked off in 1965. Medicare cost \$107 billion in 1990 and is quickly approaching \$500 billion." [http://www.denverpost.com/harsanyi/ci_14500665]

So, because the inflation-adjusted, actual cost of Medicare during its first

quarter-century of operation overran its projected cost by 700 percent (!), Mr. Orszag and Ms. DeParle must forgive those of us who aren't comforted by their insistence that Obamacare is fiscally sound.

4 March 2010

Friends,

We at GMU are extraordinarily fortunate that Prof. Steve Davies is now on the permanent staff of the Institute for Humane Studies here at George Mason. Steve is among the most knowledgeable people I know, and among the very best at presenting that knowledge in talks to audiences.

This video, of Steve's March 3, 2010, talk at GMU, is VERY much worth watching -- and not only for the surprising prediction that he makes at the end of his talk. Enjoy!

http://mercatus.org/video/locating-ourselves-historically-why-we-are-not-living-western-civilization?utm_source=Social+Change+Project&utm_campaign=d0e62e3ed0-Davies+Social+Change+Video&utm_medium=email

4 March 2010

Editor, LA Times

Dear Editor:

Maxwell Kennedy, son of Robert, justifiably objects to the L.A.P.D.'s ghoulish public display of his father's blood-stained clothes ("Personal effects," March 4). But there's another public display that I find even more objectionable. It's one that, alas, occurs all too often, and an instance of it is revealed in the photograph that accompanies Mr. Kennedy's op-ed.

In that photo, the young and handsome Bobby Kennedy is standing upright in a roofless car, arms outstretched much like Jesus's arms are outstretched in countless Christian images. A sea of hands from both sides of the slowly moving car reaches out to touch Mr. Kennedy's hands.

Too many politicians, then and now, display themselves as secular messiahs - as transcendent saviors possessing unique insight into the human condition, unparalleled devotion to all that is right and just, and supernatural powers to rescue humanity from the

trials and tribulations of reality.

And too many people fall for these charades.

3 March 2010

Editor, ForeignPolicy.com

Dear Editor:

Phillip Levy reviews what he presents as an exhaustive list of Uncle Sam's options for dealing with China's allegedly undervalued currency ("Is It Time to Ding Beijing? March 3). But, in fact, the list isn't complete, for it doesn't include the best option: do nothing.

"How silly!" some will snicker. Bear with me.

Suppose that Beijing, rather than spending resources on keeping the yuan undervalued, instead spends these resources building throughout China vast systems of world-class highways, airports, and harbors. Further suppose (which is not at all far-fetched) that the resulting reduction in transportation costs - by making China's internal markets more efficient and by lowering the cost of transporting goods to and from China - allows Americans to buy imports from China at the

same low prices that today are supposedly the result of an undervalued yuan.

Would Mr. Levy worry? Would he, and others, ponder what to do about this situation? If not, why worry if the yuan is undervalued?

3 March 2010

News Editor, WTOP Radio
Washington, DC

Dear Sir or Madam:

During yesterday's 10pm hour, your station interviewed an aide to Rep. Pelosi. This aide approvingly repeated Pres. Obama's insistence that, once those Americans who now oppose Obamacare actually get that care, they'll grow to love it.

Unlikely. As H.L. Mencken observed, "The kind of man who demands that government enforce his ideas is always the kind whose ideas are idiotic." [A Mencken Chrestomathy, p. 622]

Being sensible, sensible ideas seldom must be imposed by force. Sometimes sensible ideas are implemented gradually, as practices with widespread advantages displace less-

advantageous practices and become part of customary behavior. Sometimes sensible ideas are adopted consciously and quickly, through the art of persuasion or the rigors of scientific demonstration.

In contrast, idiotic ideas have nothing going for them. Most people who voluntarily adopt idiotic ideas soon abandon them if these ideas hamper the ability to thrive in the real world. The only way to implement an idiotic idea widely and surely is through force – which is the root of Obamacare.

2 March 2010

Professor Ralph Gomory
NYU

Dear Prof. Gomory:

Fearful of transpacific trade, you write at The Huffington Post that "We are moving steadily away from producing what we need in this country. We are also moving away from producing on a scale that enables us to trade for what we do need. Rather than do without, we are increasingly importing things with a promise to pay later" ("The Innovation Delusion," March 1).

Who's the "we"? I produce on a scale that enables me to trade for what I need. Save for the (secured and above-water) mortgage on my home, I personally have run up no debt to any suppliers, either domestic or foreign. And as far as I can tell, many of my friends are in the same buoyant boat.

So why do you wish to obstruct my, and other persons', freedom to trade with foreigners? Problems will indeed befall persons who DO run up excessive debt to foreigners, but these problems are identical to those that arise when the excessive debt is owed exclusively to other Americans. Either way, MY (and other responsible persons') potential gains from trading with foreigners are not diminished by the working out – between debtors and creditors – of such problems. Nor does my continued trade with foreigners either cause or deepen these debtors' problems.

The problem that IS real has nothing to do with trade and everything to do with government profligacy. Uncle Sam is buying and distributing goodies at a prodigious rate, and promising to pay for his largess only later. THAT

irresponsible policy threatens to drive down the value of the dollar as it simultaneously discourages investment in the private economy. End the deficit financing and this problem stops getting worse; continue the deficit financing and this problem continues to grow.

Unless you have some secret theory of how restricting Americans' access to imports will turn Uncle Sam into a fiscally prudent steward of the public fisc, the protectionism that you seek will only make matters worse by driving up consumer prices here in America and cutting the U.S. economy off from foreign capital.

2 March 2010

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

Dear Editor:

Anne Applebaum rightly argues that levels of destruction and death sparked by natural disasters are determined by more than natural-disasters' physical magnitudes, such as earthquakes' Richter-scale measures ("Chile and Haiti: A look at earthquakes and

politics," March 2). Political, social, and economic institutions also play huge roles.

And while Ms. Applebaum is also right to note that Chileans can, much more reliably than can Haitians, sue negligent builders for damages, she misses a deeper difference between the laws of these two countries: the security of property rights. In Chile, property rights are secure; in Haiti they are not. The only countries in which property rights are less secure than in Haiti are the Central African Republic, Chad, and the Democratic Republic of the Congo. Property rights are more secure even in Zimbabwe! [James Gwartney, Robert Lawson, et al., *Economic Freedom of the World: 2009 Annual Report* (Washington: Cato Institute, 2009)]

No one will invest the skilled engineering, advanced materials, and other costly resources required to construct and maintain a building meant to last if that building might be taken from its owner tomorrow.

1 March 2010

News Editor, WTOP Radio
Washington, DC

Dear Sir or Madam:

Interviewed this morning by Bruce Alan and Mike Moss, economist Robert Shapiro explained that the "swipe fees" that credit-card issuers charge merchants each time merchants' customers pay for purchases with credit cards are reflected in the final prices of all goods and services.

Indeed so. Contrary to Mr. Shapiro's allegation, however, nothing is unusual or shady about this practice; it doesn't rip-off consumers.

Merchants offer consumers the option of paying with credit cards because consumers value this option. So offering this service is good for merchants' businesses. This service, alas, isn't free. Credit-card issuers charge for it. But this fact differs not a whit from the fact that, say, electricity suppliers charge merchants for electricity, or that workers charge merchants for the time workers spend on the job.

Does Mr. Shapiro believe that consumers are ripped-off by the fact that prices of goods and services must be high enough to

compensate merchants for the electricity and labor that they use? Does he believe that Congress is remiss in not trying to end the practice of charging for electricity or for labor services? If not, why does he believe consumers are ripped off by swipe fees, and why is he disappointed that Congress hasn't prohibited these fees?

1 March 2010

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

Dear Editor:

You report that experts give much of the credit for the relatively low death toll of Chile's recent earthquake to "the nation's enactment and enforcement of stringent building codes" - codes that were largely absent in Haiti ("Chile reels in aftermath of quake, emergency workers provide aid," March 1).

With a market-oriented economy, per-capita income in Chile is more than ten times higher than is per-capita income in Haiti. One result is that Chileans demand and can afford better-constructed buildings - buildings designed by more-skilled

architects, made of stronger materials, and erected (and maintained) by better-trained and more highly specialized workers.

Chile has - and enforces - tough building codes because it can afford them. Building codes of equal stringency in Haiti would be dead letters because Haitians simply cannot afford the level of safety that Chileans now enjoy.

Credit Chile's low death toll not to what its politicians do, but rather to what they don't do: meddle excessively in the market.

1 March 2010

Friends,

In yesterday's New York Times, economist Richard Thaler explains and endorses a wonderful idea proposed by my GMU Econ colleague Tom Hazlett (who also serves on the faculty of GMU Law):

<http://www.nytimes.com/2010/02/28/business/economy/28view.html>