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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.

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9 January 2011

Mr. Ian Fletcher
U.S. Business & Industry Council
Washington, DC

Dear Mr. Fletcher:

You allege that the case for free trade is "a myth, promoted by special interests which benefit from free trade." Among the arguments that you muster to support this allegation is this doozy: "free trade increases inequality even if it makes the economy grow overall.... Because free trade tends to raise returns to the abundant input to production (in America, capital) and lower returns to the scarce input (in America, labor), it tends to benefit capital at labor's expense." [http://seekingalpha.com/article/198470-ten-problems-with-free-trade]

Let's overlook your failure to address the possibility that whatever unhappiness lower-income people might suffer from greater income inequality is more than offset by the happiness they enjoy from being wealthier as a result of trade. Let's overlook also the fact that - because making trade freer raises the returns to capital in countries such as the U.S. and, therefore, encourages more capital investment in the U.S. - free trade raises worker productivity and real wages over time in the U.S. Let's overlook, too, the fact that data on changing trade patterns and income 'distribution' lend no support to your claim that free trade promotes greater income inequality within countries. [http://papers.ssrn.com/sol3/papers.cfm?abstract_id=632684] Finally, let's overlook the fact that you overlook the benefits of the higher wages that free trade makes possible for workers in poor countries. (Why should you or I celebrate less an improvement in the welfare of a South Korean than we celebrate a comparable improvement in the welfare of a South Carolinian?)

Ignore all the above points and ask: is it also a myth that freedom to improve and use technology is beneficial? After all, these improvements and uses have the same consequences as freer trade. In countries such as America in which labor is relatively scarce, technological research is aimed chiefly at figuring out ways to economize on labor - at discovering ways to substitute machines and other non-human means of production for labor. If your thesis is correct, such technological improvements lower the returns to workers relative to the returns to owners of capital. That is, technological advance in the U.S., according to your thesis, "tends to benefit capital at labor's expense." So is the case for research & development – for additions to our knowledge of science and engineering - for advances in technology - 'a myth, promoted by special interests which benefit from technological improvements'?

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8 January 2011

Mr. Ian Fletcher

Dear Mr. Fletcher:

You tirelessly export - from your brain to the rest of us - the notion that economists and the general public should be much more skeptical of free trade. Your blog post "Ten Problems With Free Trade" is a good example of your argument. [http://seekingalpha.com/article/198470-ten-problems-with-free-trade]

Not only is your argument produced outside of the Boudreaux household - and not only do you, its producer, make it available to my son and myself free of charge (hence, at a price below your cost of production) - you also make it available free of charge to all of the many readers whose time and attention I compete for with my own blog, Cafe Hayek. Competition from you - a non-Boudreauxian - unfairly threatens my market share in the blogosphere!

So I shall adopt your recommendation and, from here on in, stop importing your output - for it is output that is foreign to my household and that undermines my ability to peddle my intellectual wares to potential readers. My importing your writings is, as the logic of your own argument attests, quite likely harmful to myself, to my son, and to our economic future. Caring to protect my and my son's sovereignty and prosperity, I hereby impose an impenetrable barrier around my household to repel any imports that you send our way.

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8 January 2011

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

To the Editor:

Paul Luce rightly notes that new legislation limiting the issuance of credit by retail stores is obnoxiously paternalistic: many customers who wish to buy on credit, and many retailers who wish to take the risk of extending credit, are now arbitrarily prevented from doing so (Letters, Jan. 8).

This legislation is especially infuriating because the very same politicians who voted for it - the same officious intermeddlers who claim to care so deeply about protecting unsuspecting Americans from being burdened with excessive debt - wantonly and routinely foist huge debt burdens on each and every

American (and our progeny) through Uncle Sam's soaring budget deficits.

What kind of twisted mind thinks it to be acceptable to load debt onto someone unilaterally - without that person's consent - but unacceptable to allow that same person to choose his or her own level of debt burden?

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6 January 2011

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

To the Editor:

You report that "Homeland Security is working with more than 190 nations to prevent terrorist attacks that can disrupt world trade" ("How to Secure the Global Supply Chain," Jan. 6).

Does this mean that Homeland Security is working to prevent the likes of Sen. Sherrod Brown, Sen. Lindsey Graham, Rep. Timothy Ryan, and other protectionists on Pennsylvania Avenue from raising tariffs and otherwise clogging the global supply chain with debilitating restrictions and regulations? Hope so.

Protectionists, after all, are sect whose members are fanatically faithful to a dark-ages religion that inspires hatred and fear of change, and counsels its benighted adherents to obstruct - with force, if necessary - consenting adults from engaging in peaceful, cosmopolitan, and liberating practices.

These terrorists are indeed dangerous.

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5 January 2011

Prof. Brad DeLong
Department of Economics
UC-Berkeley

Dear Brad:

Happy 2011!

I write to you as one of your recent nominees (the others being my former student Mark Perry, and New York Times's science writer John Tierney) for "stupidest man alive." (I win this contest, by the way, because I'm certain that both Mark and John are a heckuva lot smarter than I am.)

Being stupid, I'm an easy financial mark for persons smarter than myself. So here goes: let's make a bet very much like the famous bet that Julian Simon and Paul Ehrlich made in September 1980.

Because of inflation, I propose that the wager be larger than the Simon-Ehrlich amount. How about $2,500? And I offer to you terms similar to those that Julian offered to Ehrlich. Like Ehrlich, you can choose whichever bundle of five or more raw materials you like, and choose which (professionally respected) means to be employed for adjusting nominal prices for inflation.

The bet will be for a duration of at least ten years, but no longer than 15 years. (You choose.)

If I win (fat chance, I know, given the pinto beans I have for brains) you will contribute 2,500 (tax-deductible!) U.S. dollars to the Department of Economics at George Mason University. If - er, when - you win, I'll mail you a check for $US 2,500.

Shall we wager?!

Don

P.S. I add here, for the record, that I agree fully with my colleague Alex Tabarrok's assessment of the Simon-Ehrlich bet (see the link below). Still, I'm willing - as was Julian - to bet on real prices as a good-enough proxy for human well-being.

http://www.marginalrevolution.com/marginalrevolution/2010/12/a-note-on-the-simon-ehrlich-bet.html

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5 January 2011

Ms. Erin Ennis
U.S.-China Business Council
Washington, DC

Dear Ms. Ennis:

Thanks for your invitation to a speech to be delivered next Thursday at the Capital Hilton by U.S. Commerce secretary Gary Locke. I must decline.

Mr. Locke's address is sure to get rolling with harmless rhetoric about the promise of U.S.-Chinese friendship and of more trade between our two nations. This address, however, will just as surely run off the rails with Mr. Locke identifying increased U.S. exports to (rather than imports from) China as the benefit we Americans will enjoy because of his and Pres. Obama's intrepid leadership. And the speech will become a verbal train wreck when Mr. Locke complains, as he certainly will, about the allegedly undervalued yuan and other Beijing policies that Uncle Sam deems to be "unfair" - policies that, Mr. Locke will promise, the Obama administration shall unhesitatingly "punish" with "tough" trade sanctions.

Such proclamations are as wrong as they are predictable.

A speech that I WOULD spend my time to hear, in contrast, is a very short one; it's a speech in which a high-ranking official in the U.S. government would simply and approvingly quote British Prime Minister Robert Peel's 1843 statement to the House of Commons explaining his decision to support a repeal of the British tariffs known as "corn laws": "I am bound to say that it is our interest to buy cheap, whether other countries will buy cheap or no." [http://www.fff.org/freedom/0696b.asp] Full stop.

Peel's 21 words contain vastly more wisdom (and political courage) than the thousands of words that Mr. Locke will inflict upon your invited audience.

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5 January 2011

Editor, Hudson Valley Record

Dear Editor:

Megan Murphy asserts that government workers are not paid more than comparable private-sector workers ("Public sector workers not as overpaid as portrayed," Jan. 5). This assertion is questionable.

In one of the most careful empirical comparisons of the wages of public-sector workers to the wages of private-sector workers - a study built on data from the Health and Retirement Study over the period 1992-2000 - economists Josefa Ramoni-Perazzi and Don Bellante found that "public sector workers are paid a wage premium that ranges from 3.5 percent to 11.1 percent, compared to similar workers in the private sector." [Josefa Ramoni-Perazzi and Don Bellante, "Do Truly Comparable Public and Private Sector Workers Show Any Compensation Differential?" Journal of Labor Research, Vol. 28, Winter 2007, pp. 117-133; the quotation is on page 130]

It's highly doubtful that this wage premium has done anything but rise since 2000.

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5 January 2011

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

Dear Editor:

Harold Meyerson asserts that 20th-century America was blessed by an "equilibrium among production, wages and purchasing power - the equilibrium that Henry Ford famously recognized when he upped his workers' pay to an unheard-of $5 a day in 1913 so they could afford to buy the cars they made ("Corporate America, paving a downward economic slide," Jan. 5).

This popular account of Ford's pay raise is a myth. Ford raised wages in order to attract and keep good workers; he was obliged to do so because of competition for labor.

As for the alleged "equilibrium" that Mr. Meyerson mentions, to understand that it is fanciful requires only that one ask the following question: would Boeing remain solvent if it raised its workers' wages so that they could afford to buy the commercial airliners they make?

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4 January 2011

Editor, Programming
Editor, MSNBC:

Dear Editor:

You feature a Reuters's story reporting that "Most Americans think the United States should raise taxes for the rich to balance the budget, according to a 60 Minutes/Vanity Fair poll released on Monday.... Sixty-one percent of Americans polled would rather see taxes for the wealthy increased as a first step to tackling the deficit, the poll showed. The next most popular way - chosen by 20 percent - was to cut defense spending ("Poll: Tax the rich to balance the budget," Jan. 3)

In other words, most Americans want lots of government if other Americans pay for it.

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4 January 2011

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

Dear Editor:

Arguing that the U.S. Constitution is simply a "collection of shrewd political compromises," E.J. Dionne ridicules persons who demand strict adherence to its text ("What a GOP Congress might bring," Jan. 3).

If being a collection of shrewd political compromises justifies a document's text being interpreted loosely, why stop with the Constitution? Extend this principle to all legislation. And let's begin with history's greatest collection of shrewd political compromises, the U.S. tax code.

Interpreting that code as a living document, it strikes me that the word "income" is best read as "bunny rabbits." I will remit to Uncle Sam approximately 25 percent of all bunny rabbits that I acquire this year. And I will cite Mr. Dionne to defend my interpretation against persons who are so dull-witted as to insist on a wooden, literal interpretation of "income."

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3 January 2011

Friends,

My GMU and Mercatus Center colleague Tyler Cowen has this must-read essay in the January-February 2011 issue of The American Interest on income inequality: http://www.the-american-interest.com/article-bd.cfm?piece=907

Here's a sample paragraph:

"In terms of immediate political stability, there is less to the income inequality issue than meets the eye. Most analyses of income inequality neglect two major points. First, the inequality of personal well-being is sharply down over the past hundred years and perhaps over the past twenty years as well. Bill Gates is much, much richer than I am, yet it is not obvious that he is much happier if, indeed, he is happier at all. I have access to penicillin, air travel, good cheap food, the Internet and virtually all of the technical innovations that Gates does. Like the vast majority of Americans, I have access to some important new pharmaceuticals, such as statins to protect against heart disease. To be sure, Gates receives the very best care from the world's top doctors, but our health outcomes are in the same ballpark. I don't have a private jet or take luxury vacations, and—I think it is fair to say—my house is much smaller than his. I can't meet with the world's elite on demand. Still, by broad historical standards, what I share with Bill Gates is far more significant than what I don't share with him."

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3 January 2011

Friends,

If you suffer insomnia, here's a talk that I gave last month in Phoenix that's sure to lull you to sleep; its title is "The Greatest Hits of Public Choice (With Some Little Puffs of Smoke)": http://www.freedomsphoenix.com/Media/081129-2010-12-30-donald-j-bourdreaux-globalization-and-its-many-myths.htm?EdNo=001&From=

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3 January 2011

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

Dear Editor:

Robert Samuelson criticizes departing White House economist Larry Summers for ignoring the "contradiction between the administration's ambitious social and regulatory agenda and the business confidence necessary for hiring and investing" ("Judging Obama's economics," Jan. 3).

Mr. Samuelson is correct that this contradiction exists, and that Mr. Summers ignore it. But the problem isn't with Mr. Summers per se as with the Keynesian mindset that economists of his ilk bring to their role as policy advisors. As my GMU colleagues James Buchanan and Richard Wagner warned years ago, an ill-consequence of Keynesianism is that "allocative efficiency" (the achievement of which is severely hampered by Pres. Obama's social and regulatory agenda) is "relegated to a second level of importance by comparison with the 'pure efficiency' that was promised by an increase in the sheer volume of employment itself." [James M. Buchanan and Richard E. Wagner, Democracy in Deficit (New York: Academic Press, 1977), p. 26]

It's not much of an exaggeration to say that the Keynesian obsession with big aggregates - aggregate demand and its effect on the aggregate level of employment - crowds out concern with understanding the less sexy, but in the end far more important, 'microeconomic' details of how the economy works.