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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8 April 2011

Mr. Mike Norman
Mike Norman Economics

Dear Mr. Norman:

A reader of my and Russ Roberts's blog, Café Hayek, sent me your March 30 blog post in which you argue that no additional money (and, hence, no additional inflation) would be injected into the economy if Uncle Sam buys back all outstanding U.S. Treasuries with newly printed dollars ("Winning the, 'How are we going to pay it back?' argument" [http://mikenormaneconomics.blogspot.com/search?q=%22debt+monger%22]).

You make your point - as "You" - with the following imaginary dialog:
….
"Debt monger: How are we going to pay it [Uncle Sam's debt] back?

"You: The government exchanges dollars for those Treasuries. Holders of the debt give back their Treasuries to the gov't in exchange for dollars and Voila! no more debt.

"Debt monger: You mean 'print money' to pay off the debt?

"You: That's precisely what I mean!

"Debt monger: Are you serious?? That will create hyperinflation!

"You: No it won't.

"Debt monger: What?? Are you crazy??

"You: Not at all. You are taking away one form of money--the Treasury--and simply replacing it with another form--US dollars.

"Debt monger: But Treasuries are not money!

"You: Oh really? If I had $10 million in cash and you had $10 million in Treasuries, would you consider yourself poorer than me?

"Debt monger: (Confused look, but you can tell he's thinking.)

"You: I rest my case."
….

Your imaginary dialog, Mr. Norman, fails to prove your point. The reason is that you confuse wealth with money. Let's extend the dialog a bit further:
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"Debt monger: Not so fast. I wasn't confused so much as startled by your question. Let me ask if YOU believe that, say, a commercial building worth $10 million is money? What about a $10 million plot of land? How about an inventory of potting soil valued at $10 million? Is that potting soil money?

"If You answer 'yes,' then You are fundamentally confused about the definition, nature, and function of money.

"But if, as I suspect, You answer 'no,' then surely You can see that a thing's exchangeability for money - including a U.S. Treasury note's exchangeability for money - does not make that thing money.

"I rest my case."

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10 April 2011

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

Dear Editor:

William McGee argues that F.A.A. budget cuts will make airline travel excessively dangerous ("Forcing the F.A.A. to Fly Blind," April 10). The only evidence he musters for this claim is the obvious fact that airlines prefer to pay lower prices, rather than higher prices, for inspections and maintenance of their planes.

Contrary to Mr. McGee's presumption, however, this fact doesn't remotely mean that airlines operate safe fleets only because the F.A.A. forces them to do so. No one has stronger incentives to keep multimillion dollar airplanes from crashing in flames than do the airlines themselves. It's naïve to suppose that a privately owned airline will put its billions of dollars of investments in aircraft, ground equipment, pilot training, and reputation for safety at undue risk simply to save a few dollars.

Of course, it's possible that the F.A.A. compels airlines to supply more air-travel safety than the public would willingly pay for without government regulation. But if THIS is the case, the resulting higher costs of flying (safety, after all, isn't free) might divert enough travelers into automobiles that the total fatality rate of traveling is higher than it would be with less strict F.A.A. regulations.

Either way, count me as one frequent flyer who isn't in the least worried about F.A.A. budget cuts.

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8 April 2011

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

Dear Editor:

Suppose that in a mere three years your family's spending - SPENDING, mind you, not income - jumped from $80,000 to $101,600. You're now understandably worried about the debt you're piling up as a result of this 27 percent rise in spending.

So mom and dad, with much drama and angst and finger-pointing about each other's irresponsibility and insensitivity, stage marathon sessions of dinner-table talks to solve the problem. They finally agree to reduce the family's annual spending from $101,600 to $100,584.

For this 1 percent cut in their spending, mom and dad congratulate each other. And to emphasize that this spending cut shows that they are responsible stewards of the family's assets, they approvingly quote Sen. Harry Reid, who was party to similar negotiations that concluded last night on Capitol Hill - negotiations in which Congress agreed to cut 1 percent from a budget that rose 27 percent in just three years. Said Sen. Reid: "Both sides have had to make tough choices. But tough choices is what this job's all about" ("Government shutdown averted: Congress agrees to budget deal, stopgap funding," April 9).

What a joke.

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8 April 2011

Programming Director, WTOP
WTOP Radio
Washington, DC

Dear Sir or Madam:

During yesterday's 9am hour, your news anchors interviewed someone from Politico who praised Pres. Obama for pushing "a pro-export agenda." The interviewee went on to pronounce that the experience of Asian countries "proves that exporting is a strong source of economic growth."

Bull.

Growth occurs whenever the quantity and quality of valuable outputs increase and consumers are free to bid for these outputs. A dollar's worth of output sold abroad yields neither its producer nor the nation as a whole any premium over a dollar's worth of the same output sold domestically.

Or as the economist Deirdre McCloskey correctly and cleverly notes: if borders were an especially powerful engine of growth, we'd get more growth simply by Uncle Sam declaring all left-handed Americans to be foreigners [Deirdre N. McCloskey, Bourgeois Dignity (University of Chicago Press, 2010), p. 212. Deirdre's example is of England; in my letter I change it to American.] - a policy that would be just as sensible and effective as the one Mr. Obama proposes.

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6 April 2011

Friends,

Finally, it's in print! The latest book - inspired in large part by the work of Julian Simon - by my brilliant young GMU colleague Bryan Caplan: Selfish Reasons to Have More Kids (Basic Books, 2011): http://www.amazon.com/Selfish-Reasons-Have-More-Kids/dp/046501867X/ref=sr_1_1?ie=UTF8&s=books&qid=1302146859&sr=1-1

It's a stunning achievement! Read, enjoy, learn - and celebrate humanity!

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6 April 2011

Editor, Baltimore Sun

Dear Editor:

Describing University of Maryland economists' efforts to devise a sensible system for use by the state government to buy back dormant commercial crabbing licenses, you write "Economists acknowledge that while money matters to watermen, there are some factors, such as the desire to work on the water, that their models can't capture" ("A new theory of 'crabonomics'," April 6).

Yes and no. Even the best economic models fail to capture many (one hopes economically insignificant) aspects of reality. But the most foundational of all economic models - supply and demand - in fact DOES capture many human non-monetary sentiments, such as "the desire to work on the water," that non-economists wrongly assume are missed by economics.

The non-monetary pleasure that watermen enjoy from working on the water makes the supply of waterman higher because, at any given wage, more people are willing to work at pleasant jobs than at unpleasant ones. So, as a result, the model of supply and demand predicts that watermen's monetary pay is lower than it would be if working on the water were less pleasant. Part of watermen's pay comes in the form of the non-monetary pleasures they derive from their jobs.

In reality the economy is certainly not all about money, and economics - when done properly - captures this reality.

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4 April 2011

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

Dear Editor:

Two cheers for Senators Max Baucus and John Kerry for supporting freer trade with Colombia ("The Colombia Trade Deal: A Different Kind of Jobs Bill," April 4). A third cheer would be in order had not the senators relied upon a wholly mistaken reason to justify this particular move toward freer trade.

In their essay, U.S. imports and American consumers are mentioned a total of zero times, while U.S. exports and American producers (such as farmers, firms, and workers) are mentioned 23 times.

While pandering to economic ignorance often wins votes, it's distressing to see such pandering - even for a good cause - in your pages. Trade's benefits are measured in imports; the more the better. Exports are the costs of getting these benefits. In a truly ideal world - one quite the opposite of the ostensible ideal of Messrs. Baucus and Kerry - we'd continually receive cargo ship after cargo ship of automobiles, MP3 players, foodstuffs, and countless other valuable imports in exchange for our export of a single toothpick. Alas, it is in fact unfortunate that foreigners are so prehensile that they demand lots more than one toothpick in exchange for the stuff they ship to us.

The senators' argument for freer trade in this particular case undermines the larger effort to persuade the public that free trade is to everyone's long-term advantage - an advantage that is measured by increases in what we're able to consume and not by increases in what we must sacrifice.

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4 March 2011

Friends,

In today's Investor's Business Daily, I do my best to calm fears that we're running out of oil: http://www.investors.com/NewsAndAnalysis/Article.aspx?id=567898&p=1