

## 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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17 April 2011

Editor, New York Post

Dear Editor:

Nicole Gelinas eloquently exposes many of the flaws of NYC's rent-control system ("Silver's wrong on rent," April 17). Rent-control advocates - like all advocates of policies that prevent people from voluntarily exchanging goods and services at prices that they (rather than government officials) determine to be appropriate - forget that market prices reflect an underlying economic reality. Market prices are messengers that deliver important information to buyers and sellers about the relative availabilities of different goods, services, and resources.

To believe that tenants and potential tenants are made better off by capping the ability of markets to charge rents above some artificially determined rates is akin to believing that patients with high blood pressure are cured of their hypertension by capping the ability of blood-pressure monitors to register readings higher than 100 over 60.

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13 April 2011

Editor, MarketWatch.com

Dear Editor:

Rex Nutting says that America's trade deficit is turning the U.S. into "a banana republic" ("We're Worrying About the Wrong Deficit," April 13).

Mr. Nutting is confused. He assumes that the capital that flows into the

U.S. (and, hence, that raises the U.S. trade deficit) promotes American prosperity only if AMERICANS invest this capital wisely - as when, for example, Apple Inc. borrows money from foreigners to fund its research and development in Cupertino. But this assumption is mistaken. Funds invested wisely in America by foreigners promote American prosperity no less than do funds invested wisely by Americans.

If Canada's Nortel builds a factory in Texas or if Sweden's Ikea opens a retail store in Maryland, American economic prosperity is promoted every bit as much as if Dell builds a factory in Texas or if Broyhill opens a retail store in Maryland. And there's no reason to suppose that the \$1.8

TRILLION in foreign direct investment pumped into the American economy over the past ten years\* is invested unwisely.

More generally, countries do not become banana republics as a result of huge amounts of foreign capital continually flowing inward across their borders. Quite the opposite. Genuine banana-republic policies and economic cultures do not attract full and steady streams of foreign investments; they repel them.

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13 April 2011

Friends,

This blog post by my colleague Russ Roberts is especially well-done and germane. In it, Russ challenges Joe Stiglitz's much-ballyhooded recent article, in Vanity Fair, on income 'inequality': <http://cafehayek.com/2011/04/theres-no-their-there.html>

Here's a particularly important paragraph, on two different studies of income 'distribution,' from Russ's post:

"Notice that all of the [income] quintiles, except the top quintile get smaller

shares [of income] between 1970 and 2000, roughly the time covered by the Pew study. But the Pew Study comes to the exact opposite conclusion. The lowest quintiles got the biggest gains WHEN YOU FOLLOW THE SAME PEOPLE. Using the Census data over time tells you NOTHING about what "they" (the top whatever percent) had happen to "them" over time."

Of course, insofar as incomes are earned by voluntary exchanges and contracts between consenting adults in private-property market economies, no one earns what he or she doesn't produce of at least equal value. And while luck - both good and bad - in one's productive efforts will always play a role (regardless of the economic system), a lesson that my parents taught me remains valid: it is unseemly, immature, and counterproductive to envy others' better fortunes.

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12 April 2011

Mr. Ross Lampert

Dear Mr. Lampert:

Writing at Daily Kos, you charge individualism with

being both unworkable and morally degenerate ("Deflating Conservative Arguments: The Myth of Individualism," April 10). A key sentence in your brief against individualism is this one: "In order to believe in individualism, you must be willing to believe that what we do has no effect on the outside world, that there is no causal relationship between anything that we do and the things we see around us."

Nothing - truly nothing - can be further from the truth.

No academic discipline boasts as many champions of individualism as does economics. From Adam Smith in the 18th century to Vernon Smith today, the ranks of economists have been full of learned and powerful voices for individualism. Chief of among the reasons is that economics is focused on explaining the material manifestations of the great and often global interconnectedness of human choices and actions.

Consider that the most iconic of economic models, supply and demand, is a means of explaining how the decisions of countless individual buyers and

sellers are coordinated by prices and how changes in these decisions cause prices to change - how, for example, increased demand for peanuts in Peoria will cause farmers in Alabama to plant less alfalfa and more peanuts.

Or consider what Adam Smith wrote in *The Wealth of Nations*: "In civilized society he [man] stands at all times in need of the cooperation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons. In almost every other race of animals each individual, when it is grown up to maturity, is entirely independent, and in its natural state has occasion for the assistance of no other living creature. But man has almost constant occasion for the help of his brethren." Smith then explained how markets coordinate the demands of consumers with the actions of suppliers.

Does Smith - a champion of individualism if ever there was one - here sound as though he believed that "there is no causal relationship between anything that we do and the things we see around us"?

You've slain a straw man, sir.

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11 April 2011

Editor, Chronicle of Higher Education

Dear Editor:

Terry Eagleton writes that "There is a sense in which the whole of Marx's writing boils down to several embarrassing questions: Why is it that the capitalist West has accumulated more resources than human history has ever witnessed, yet appears powerless to overcome poverty, starvation, exploitation, and inequality?" ("In Praise of Marx," April 11).

Where is this "capitalist West" of which Prof. Eagleton speaks? In the U.S. - surely one of history's premier capitalist western nations - poverty, starvation, exploitation, and inequality as these were suffered for millennia upon millennia until the 18th century, are today nearly totally eliminated. The poverty that does exist in the U.S. in 2011 is relative - in the sense that I, on my college-professor's salary, am poverty-stricken relative, say, to Alec Baldwin or Barbra Streisand.

Only the tiniest fraction of Americans today lives without solid roofs over their heads and solid floors beneath their feet, and even THEY don't starve to death. The poorest Americans have life expectancies at least double those of crested and landed nobles before the industrial revolution. These same poor Americans are immensely better fed, clothed, housed, entertained, medicated, educated, and hygienated than were the vast majority of their (or anyone's) ancestors. These facts - along with the additional one that capitalists must continually innovate (typically for mass markets!) in order to continue earning their riches - make claims of widespread "exploitation" in capitalist countries ludicrous.

Prof. Eagleton is like the lawyer who, upon seeing a gifted physician restore to complete health a patient who had been machine gunned, beaten, burned, and thrown from the roof of a skyscraper, accuses the doctor of malpractice because the patient has acne.

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11 April 2011

Editor, Los Angeles Times

Dear Editor:

You advocate a "fat tax" on grounds that it'll discourage people from acting in ways that make them unhealthy ("Should there be a 'fat tax'?", April 11).

Overlook here such a tax's merits or demerits. It's curious that you accept without question the proposition that raising taxes on 'unhealthy-lifestyle' activities will significantly turn people away from unhealthy-lifestyle activities, while (judging from your editorials over the years) you also REJECT without question the proposition that raising taxes on income-earning activities will significantly turn people away from income-earning activities.