



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.

12 June 2011

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

Dear Editor:

Dana Milbank praises Barack Obama's outgoing economic advisor Austan Goolsbee for allegedly rejecting "hifalutin theory" in favor of "cold, hard facts" ("With Goolsbee's departure, Obama losing a voice of reason," June 12). While rightly lamenting the administration's loss of Mr. Goolsbee's reasonable voice, Mr. Milbank wrongly supposes that economic policy can be guided exclusively by "cold, hard facts" unprocessed by

some theory about what data mean and how they relate to each other.

There are good theories and there are bad theories, but there are no 'no-theories.' Evidence for this fact (!) is given by Mr. Milbank himself when he writes that "Goolsbee endorsed many of the extreme measures Obama took two years ago, because the private sector was in free-fall and massive government spending was the only option."

Correct or not, the belief that "government spending was the only option" to keep the economy from imploding is itself a theory.

No data independent of some economic theory scream with crystalline clarity that increased government spending must substitute for collapsing private spending. That Mr. Milbank believes that such spending "was the only option" means only that Mr. Milbank accepts Keynesian theory so unthinkingly that he mistakes it for a cold, hard fact while he remains unaware that other theories counsel a very different response from government.

11 June 2011

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

Dear Editor:

Paul Krugman laments that "debt relief for homeowners - which could have done a lot to promote overall economic recovery - has simply dropped off the agenda" ("Rule by Rentiers," June 11).

If Mr. Krugman truly believes that slumping economies can be buoyed by relieving people from the obligation to pay for at least part of what they consume, why focus on mortgage debtors? Why not instead - or also - a policy to relieve grocery buyers from having to pay for poultry and dairy products? Or a policy to relieve Las Vegas vacationers from having to pay airfare and gambling debts? Or - my favorite! - a policy to relieve wine drinkers from having to pay for bottles of premier cru Bordeaux?

Surely the objections that people slower-witted than Mr. Krugman will raise to such policies - objections such as 'Those policies will artificially and unsustainably cause people to consume too much milk, chicken, Vegas vacations, or exquisite French wines - can be shown by Mr. Krugman to

be as unfounded as is the oh-so-bourgeois objection that mortgage-debt relief will artificially and unsustainably cause people to consume too much housing.

10 June 2011

Editor, Politico.com

Dear Editor:

You report that [any-decent-person-in-his-shoes-would-be-disgraced U.S. Rep. Anthony] "Weiner has also complained to friends that he wasn't sure how he would make a living if he were to leave Congress and its \$174,000 annual salary. 'He's worried about money and how to pay his bills,' said a Democratic insider. 'He's very concerned about that'" ("Weiner shows no signs of quitting," June 9).

Overlook the fact that, by admitting this reason for clinging to political office, any professions that Mr. Weiner has made in the past or will make in the future about his 'devotion to public service,' his 'love of country,' or his 'loyalty to the Democratic party' should be seen as the self-serving lies that they are.

Instead, ask this simple question: why should Americans trust Mr. Weiner with substantial power to decide how to annually spend \$3.8 trillion dollars of other people's money if he, a 46-year-old college graduate who's earned a six-figure salary for at least the past 12 years, has neither saved enough to pay his bills should he be unemployed for a while nor developed any skills that would allow him to earn a decent living in the private sector?

6 June 2011

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

Dear Editor:

At his blog that you host, Paul Krugman today writes that "you don't find people like Christy Romer or, well, me taking positions on policy issues that are directly at odds with what they've said in their professional writings" ("Everything Is Political").

Well now.

In your pages on June 27, 2005, Mr. Krugman objected to the Bush administration's approval of Chinese bids to buy the

American companies Maytag and Unocal. He began his column defensively: "Fifteen years ago, when Japanese companies were busily buying up chunks of corporate America, I was one of those urging Americans not to panic. You might therefore expect me to offer similar soothing words now that the Chinese are doing the same thing. But the Chinese challenge - highlighted by the bids for Maytag and Unocal - looks a lot more serious than the Japanese challenge ever did."

So surely the reason Mr. Krugman offered in that column for why Chinese purchases of U.S. companies differ fundamentally from similar purchases earlier by the Japanese is compelling and consistent with his earlier writings. You judge: "One difference is that, judging from early indications, the Chinese won't squander their money as badly as the Japanese did. The Japanese, back in the day, tended to go for prestige investments - Rockefeller Center, movie studios - that transferred lots of money to the American sellers, but never generated much return for

the buyers. The result was, in effect, a subsidy to the United States. The Chinese seem shrewder than that."

Overlook the obvious question of how is it that investors who use assets in ways that prove to be unproductive (that is, "never generated much return") provide "a subsidy to the United States." Focus instead on Mr. Krugman's explanation that he approved of Japanese investments in the U.S. because Japanese investors are dumb, and he disapproves of Chinese investments in the U.S. because Chinese investors are smart.

I've read many of Mr. Krugman's academic books and papers and nowhere in these do I find even the faintest hint that a nation is enriched by dumb investors and impoverished by smart ones.