



## 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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11 September 2011

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

Dear Editor:

Steven Pearlstein alleges that a laugable mysticism drives those of us who "reject as thoroughly discredited all of Keynesian economics, including the efficacy of fiscal stimulus, preferring the budget-balancing economic policies that turned the 1929 stock market crash into the Great Depression" ("The magical world of voodoo 'economists'," Sept. 11).

Before guffawing at us oafs, Mr. Pearlstein should check his facts.

After running a budget surplus in 1930, Uncle Sam ran a budget DEFICIT in 1931 of \$462 million and a budget DEFICIT in 1932 of \$2.74 billion. Moreover, 1932's budget deficit was four percent of GDP - a deficit-to-GDP ratio the size of which was not matched in the post-war years until 1976, and which was exceeded by only three of FDR's non-war-year budgets. For 1930-1932 as a whole, the U.S. government ran a net budget deficit of \$2.46 billion. [See tables 1.1 and 1.2 here:

<http://www.whitehouse.gov/>

[omb/budget/Historicals](http://omb/budget/Historicals)]

Herbert Hoover's deficit spending was so alarming that, during the 1932 presidential campaign, FDR emphasized his commitment to reverse what then seemed to be unprecedented fiscal recklessness.

Of course, FDR broke that campaign pledge. He ran budget deficits every year of the greatly depressed 1930s - a fact that should cause Mr. Pearlstein to shed some of the arrogance with which he dismisses skeptics of Keynesian economics.

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10 September 2011

Editor, Newsweek

Dear Editor:

Bill McKibben sees even in relatively mild hurricane Irene evidence that humanity's refusal to "confront climate change" portends calamity ("Hurricane Politics," Sept. 5). Credit McKibben: he snatches every opportunity to scold us humans for what he regards as our irresponsible and soul-destroying reliance upon global capitalism - for our stubborn refusal to replace global commerce with "local" economies - for our blindness to what he thinks he sees, namely (as he described it in his book, *Deep Economy*) that our alleged "single-minded focus on increasing wealth has driven the planet's ecological systems to the brink of failure, without making us happier." [Bill McKibben, *Deep Economy* (New York: Times Books, 2007), p. 42]

Karl Popper's description of Plato fits Mr. McKibben quite well: "He transfigured his hatred of individual initiative, and his wish to arrest all change, into a love of justice and temperance, of a heavenly state in which the crudity of money-grabbing is replaced by laws of generosity and friendship.

This dream of unity and beauty and perfection, this aestheticism and holism and collectivism, is the product as well as the symptom of the lost group spirit of tribalism. It is the expression of, and an ardent appeal to, the sentiments of those who suffer from the strain of civilization." [Karl R. Popper, *The Open Society and Its Enemies*, 5th rev. ed. (Princeton University Press, 1971 [1945]), p. 199]

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8 September 2011

Mr. Aaron Task  
The Daily Ticker

Dear Mr. Task:

You write that the economy remains sluggish NOT because of regulatory burdens and uncertainty created by the likes of Dodd-Frank but, rather, because the economy needs "demand stimulation" ("Memo to Washington: "Gridlock Is NOT Good" for Small Businesses," Sept. 7).

Have you checked the data? Inflation-adjusted personal consumption expenditures in the U.S. today are HIGHER than they were in the third quarter of 2007 (the quarter before the recession began).

[<http://www.bea.gov/national/nipaweb/TableView.asp?SelectedTable=58&ViewSeries=NO&Java=no&Request3Place=N&3Place=N&FromView=YES&Freq=Qtr&FirstYear=2007&LastYear=2011&3Place=N&Update=Update&JavaBox=no#Mid>]

The problem isn't that consumers aren't spending; it's that businesses aren't investing. And businesses aren't investing because of Congress's and, especially,

the administration's fetish for top-down, command-and-control, debt-financed 'governance' of the economy - an enterprise-quashing recipe made only more poisonous by Mr. Obama's soak-the-rich speechifying.

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8 September 2011

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

Dear Editor:

George Will eloquently summarizes the lesson of my GMU colleague David Bernstein's powerful book *Rehabilitating Lochner* ("Lochner and Liberty," Sept. 8). David's book centers on the 1905 U.S. Supreme Court decision that properly affirmed, in accord with the Ninth amendment, what Mr. Will accurately describes as "an unenumerated right of individuals, the liberty of contract."

For this reason, *Lochner* has indeed been "the liberals' least favorite decision."

But many conservatives - including Chief Justice Roberts and Justice Scalia - routinely join "Progressives" in bashing *Lochner*. No less a

conservative icon than Robert Bork derides *Lochner* as being "the symbol, indeed the quintessence, of judicial usurpation of power." [Robert Bork, *The Tempting of America* (New York: Free Press, 1991), p. 44]

This overreaction by conservatives to Warren Court hyperactivity injudiciously expels the Ninth and Tenth amendments from the Constitution and, consequently, elevates majoritarian politics to a role in Americans' lives that would appall the very framers whose constitutional design conservatives claim to champion.

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7 September 2011

Mr. David A. Benson  
Sacramento, CA

Dear Mr. Benson:

You're the moving force behind a California ballot initiative that, as reported in the August 17 issue of *Business Law Daily*, would "ban lender-initiated home foreclosures" and "make home ownership a fundamental right" ("California Ballot Proposal Would Ban Home Foreclosures").

Way cool!

Trusting your insight (and why not trust someone as caring and politically active as you obviously are?), I gather that you've figured out how to produce valuable goods merely by officially inscribing words in government documents.

As I say, waaaay cool! But now I must ask: if everyone can be guaranteed what in effect would be a debt-free home merely by amending a state constitution, why stop with homeownership? Why not put to full use the miraculous powers that you've obviously learned to extract from mere ink on parchment? Let's also make automobile ownership "a fundamental right."

Heck, even that's thinking too small! Let's give everyone a "fundamental right" to own a both a yacht and a private jet!

A power so stupendous and costless as the one you've identified ought to be used to its full capacity - which, given the nature of this power, apparently knows no limits.

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7 September 2011

Mr. Quinn Klinefelter,  
Reporter  
Marketplace  
American Public Media

Dear Mr. Klinefelter:

On today's Marketplace Morning Report, you told how "Teacher Robert Brown likes President Obama's call to ... create new jobs by rebuilding America's crumbling infrastructure" ("Detroit hopeful for jobs action from Obama").

If America's infrastructure truly is crumbling, the culprit isn't reduced, or even stagnant, government spending on infrastructure. As the New York Times reported on November 19, 2008 about infrastructure, "money isn't the main problem." We learn why elsewhere in the report: "Government spending on infrastructure fell after the construction of the Interstate highway system, but has risen gradually over the past 25 years." [David Leonhardt, "Piling Up Monuments of Waste," 19 November 2008: <http://www.nytimes.com/2008/11/19/business/economy/19leonhardt.html> - you have to click on the graph to reveal the quotation that I use in my letter.] Indeed,

such spending - not only absolutely, but also as a percent of GDP - was higher in 2008 than it had been at any time since 1981.

And note also: these facts combined with the economic crash of 2008 should caution you and other business reporters against accepting so gullibly, and without ample qualification, the commonplace assertion that government spending on infrastructure is an economic stimulant.

6 September 2011

Mr. Thomas E. Perez  
Assistant Attorney General  
for the Civil Rights Division  
U.S. Department of Justice  
Washington, DC

Dear Mr. Perez:

In today's Wall Street Journal you justify the DOJ's crackdown on banks that, in your and your colleagues' opinion, allegedly discriminate against extending mortgages at appropriate market rates to minority home buyers ("Government Is Right to Fight Discrimination in Lending"). And you protest that "The suggestion that the department, as part of its settlements, is forcing

banks to lower their underwriting standards and make loans to unqualified borrowers is simply wrong."

Please forgive my skepticism.

Your premise is that profit-hungry banks - out of bigotry or incompetence or both - are leaving money on the table by discouraging credit-worthy homebuyers from borrowing. If this dubious premise is valid, then a far better course of action for you and your colleagues is to quit your jobs as 'public servants,' start your own banks, and then lend to all of those many homebuyers whose profitable business is rejected by other banks.

By putting your own money where your mouths are, you'll not only give credible evidence that your premise is valid, you'll also - if you're correct - (1) solve through voluntary market actions the problem that you now attack with government force, and (2) make a mint.

It's a classic win-win.

5 September 2011

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

Dear Editor:

What does Rep. John Conyers (D-GA) have against homeowners?

By proposing "a federal law allowing homeowners to reduce their mortgage debt to no more than the current value of their property" (Letters, Sept. 5), Mr. Conyers would force homeowners to purchase property-value insurance from mortgage companies. That is, by obliging mortgage lenders to compensate borrowers for any declines in the value of borrowers' properties – compensation paid in the form of reduced principals on outstanding mortgages – Mr. Conyers would prohibit homeowners from assuming the risk of declines in their homes' values.

Mortgage companies would willingly sell such insurance to homeowners; indeed, they're free to do so now. But the fact that such insurance is very rare reveals that homeowners find the value of such insurance to be less than the price that mortgage lenders would charge for it.

Why does Mr. Conyers want to FORCE homeowners to buy

something that they show by their actions they don't wish to buy?

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5 September 2011

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

Dear Editor:

Even if everything Lord Keynes wrote about a capitalist economy is right, Nicholas Wapshott is wrong to write about Keynes that "we owe our understanding of how an economy works to him" ("Was Keynes a Keynesian? In theory." Sept. 4).

Keynes contributed nothing to that most fundamental tool used by economists still today: supply and demand analysis. (That analysis was fully formed a generation before Keynes wrote.) Not surprisingly, then, Keynes added nothing to our understanding of the vital role of prices in allocating resources. Likewise, he added nothing to our understanding of competition, of the determinants of industrial concentration, or of the function of the entrepreneur. His contribution to international-trade analysis

was minimal, as were his additions to our knowledge of economic history and of long-run economic development.

The claim that "we owe our understanding of how an economy works" to Keynes is like saying that we owe our understanding of the way an automobile works to someone who famously explained only what happens when automobiles run out of gas. Even if unassailable in every detail, such an explanation isn't remotely close to being a "general theory" of how the mechanism in question operates.