



## Comment on the Commentary of the Day

by

Donald J. Boudreaux

Chairman, Department of Economics

George Mason University

[dboudrea@gmu.edu](mailto:dboudrea@gmu.edu)

<http://www.cafehayek.com>

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22 October 2011

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

Dear Editor:

MIT Professor Paul Osterman writes that "Mr. [Bradley] Schiller claims that minimum-wage jobs are transitory, yet a great deal of research shows that a large proportion of adults in poverty-level jobs remain in those jobs over their careers" (Letters, Oct. 22).

One key fact renders Prof. Osterman's argument a non sequitur: as workers age and (hence) gain

experience, they are more and more likely to earn wages higher than the minimum. For example, in 2010 24.9 percent of workers aged 16-19 earned no more than the minimum-wage. But only 11.3 percent of workers aged 20-24 earned so little. The figure for workers aged 25-29 earning these meager hourly rates was lower still, at 5.5. This falling trend continues as workers age, so that the percentage of workers aged 60-64 earning wages no higher than the federal minimum was a mere 1.7. [<http://www.bls.gov/cps/minwage2010tbls.htm#7>]

So minimum-wage jobs are indeed transitory - a fact

that is consistent with Prof. Osterman's claim that "a large proportion of adults in poverty-level jobs remain in those jobs over their careers." The reason is that the proportion of adults in poverty-level jobs is so very low!

While it might be true, therefore, that "a large proportion" of the tiny number ADULTS in poverty-level jobs "remain in those jobs over their careers," Prof. Osterman is mistaken to conclude that this fact contradicts Mr. Schiller's claim that minimum-wage jobs are transitory. Even worse, Prof. Osterman is wrong to suggest that large numbers of American workers

generally - aged 16 and higher - are stuck in low-paying jobs.

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21 October 2011

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

Dear Editor:

David Brooks properly applauds Daniel Kahneman, the late Amos Tversky, and other behavioral economists ("Who You Are," Oct. 21). But it's untrue that "Before Kahneman and Tversky, people who thought about social problems and human behavior tended to assume that we are mostly rational agents."

While too many economists - from George Stigler on the right to Paul Samuelson on the left - committed the methodological offense of assuming a wholly unreasonable degree of human reasonableness, the single most significant economist of all time did not: Adam Smith. One can't read Smith's works without recognizing that the father of economics was acutely aware that people's mental processes routinely deviate from what later economists defined as

"rational." [See, e.g., Nava Ashraf, Colin F. Camerer and George Loewenstein, "Adam Smith, Behavioral Economist," *Journal of Economic Perspectives*, Vol. 19, Summer 2005, pp. 131-145]

And the fact that Smith was a behavioral economist long before behavioral economics was cool is significant. It reveals that an understanding of human foibles, passions, and cognitive quirks does not (contrary to today's irrational presumption) necessarily strengthen the case for greater government intervention. Smith, remember, strongly advocated keeping markets free. He did so not because free markets are perfect or because individuals are "rational," but because free markets are less imperfect than regulated ones and because he wisely distrusted any of us disposition-effected, loss-averting, confirmation-biased, hyperbolic-discounting, and otherwise foible-infected humans with the power to order others about.

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18 October 2011

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

Dear Editor:

Reporting on the commendable efforts of the Business Council for Peace to bring young developing-country entrepreneurs to America for training, Thomas Heath appropriately opens with this paragraph: "There's a line from the late television series 'The West Wing' that has stuck with me over the years. It went something like, 'Trade between countries prevents wars'" ("Value Added: An exchange program for entrepreneurs," Oct. 17).

Here, fiction is fact.

In his 2006 book *Global Capitalism*, Harvard University's Jeffrey Frieden notes that "As one of [FDR's Secretary of State Cordell] Hull's supporters put it, 'If soldiers are not to cross international borders, goods must do so.'" [p. 255] This wise proponent of Hull's free-trade proclivities was one Otto Maller, a man otherwise lost to history.

It's imperative to understand that the positive relationship between peace and free trade that Mr. Maller expressed so succinctly has long been emphasized

by free-trade's most prominent champions - as evidenced, for example, by many of the newly published letters of Frederic Bastiat (1801-1850) that show him to have been as tireless and principled a campaigner for peace as he was for free trade. [Bastiat, *The Man and the Statesman*, Jacques de Guenin, David Hart, & Dennis O'Keefe, eds (Indianapolis: Liberty Fund, 2011)]