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Comment on the Commentary of the Day

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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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6 November 2011

Editor, FoxNews.com

Dear Editor:

Peter Morici claims that a trade deficit is "lost purchasing power" ("What's Holding Back Job Creation," Nov. 4). Prof. Morici is hopelessly confused.

Evidence of this confusion abounds. In the middle of his op-ed Prof. Morici rightly laments businesses' "[i]nadequate investment in labor saving technology," yet he ends his op-ed by complaining that foreigners (and especially the Chinese) ship too many goods to us in exchange for what we ship to them.

Say what? Because labor-saving technology is indeed good, then trading arrangements that enable us Americans to get more imports for fewer exports are also good.

If, say, American electronics producers would demand two hours of my economics lectures in exchange for one of their flat-screen TVs, while foreigner producers demand only one hour of my lectures, I'm made richer by buying my TV from abroad. And I'll be made even richer if tomorrow the foreign producer lowers the price of its TV to only 30 minutes of my lecturing. Trade itself is a labor-saving technology, to be applauded no less enthusiastically than we applaud mechanization and other labor-saving technologies.

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5 November 2011

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

Dear Editor:

Joe Nocera's argues that a policy of government "helping struggling homeowners by writing down some principal on their mortgages" is justified exclusively by "the data"; it's science and not "ideology" ("To Fix Housing, See the Data," Nov. 5). Therefore, save for those who are blinded by ideology, all well-meaning people must support this policy.

This Gradgrind-like argument fails.

Not only do the facts that so impress Mr. Nocera speak only about existing mortgages - and, hence, say nothing about the possible altered incentives of future homebuyers to take on excessively large mortgages, or about government perhaps becoming locked in to a policy of mortgage relief - the very notion that certain homeowners are entitled to financial relief at the expense of taxpayers springs from an ideology. That ideology might or might not be wise, well-grounded, and humane. But ideology it undeniably is.

Here's a fact: no conclusion about the proper role of government rests only 'the facts.' Ideology is inescapable. And it turns most lethal when smuggled into arguments in the guise of 'just the facts.'

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4 November 2011

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

Dear Editor:

Paul Krugman labels those who interpret data on income distribution differently than he does "obfuscators" ("Oligarchy, American Style," Nov. 4). Mr. Krugman is surely aware, however, that people can legitimately disagree over how best to construe the vast quantities of data gathered on so complex a topic as the varied and changing income-earning profiles of 150 million workers living in 121 million households, all in an economy as dynamic as America's.

For example, is Mr. Krugman warranted in dismissing the claim that "the rich are an ever-changing group" with a simple and parenthesized "not so"? Who are the "rich"? And how much income mobility is necessary for well-meaning observers to justifiably claim that "the rich are an ever-changing group"?

Is the following description, from the IRS, of data on individual households merely obfuscatory - something that no reasonable person can possibly interpret as evidence of substantial income mobility - or might it describe a plausible reason for well-meaning people to disagree with Mr. Krugman's insistence that the rich are NOT an ever-changing group?: "More than half (57.4 percent = 100 - 42.6) of the top 1 percent of households in 1996 had dropped to a lower income group by 2005. This statistic illustrates that the top income groups as measured by a single year of income (i.e., cross-sectional analysis) often include a large share of individuals or households whose income is only temporarily high. Put differently, more than half of the households in the top 1 percent in 2005 were not there nine years earlier.

Thus, while the share of income of the top 1 percent is higher than in prior years, it is not a fixed group of households receiving this larger share of income." ["Income Mobility in the U.S. from 1996 to 2005," U.S. Department of the Treasury (Nov. 2007). The passage quoted in the letter is found on page 8: http://www.treasury.gov/resource-center/tax-policy/Documents/incomemobilitystudy03-08revise.pdf]

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2 November 2011

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

Dear Editor:

Ralph Nader's call for an additional tax on gains earned through "financial speculation" swirls with comical irrelevancies (So what that this tax is supported by the group "National Nurses United"?) and failures to deal with fundamental objections to such a tax ("Time for a Tax on Speculaton," Nov. 2).

The principal objection to the tax that Mr. Nader and the nurses demand is not that it will harm small investors. Rather, the chief objection is that, by preventing asset prices from reflecting as fully and as quickly as possible the collective judgment of investors, this tax will ensure that inefficient uses of capital persist longer than otherwise. Asset prices will take longer to reveal unwise business decisions - as well as, by the way, take longer to reveal unwise government policies. Capital owners and policymakers, therefore, will be less disciplined. Over time, living standards will be lower for everyone.

This argument against the tax does not rest upon any presumed 'perfection' of capital markets or flawless rationality of investors. Instead, it rests upon the modest proposition that the more prices are distorted by taxes the less reliably, in general, they serve as trustworthy signals of underlying market realities.

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1 November 2011

Mr. Brett Decker, Opinion-Page Editor
The Washington Times

Dear Mr. Decker:

In your uncritical review of Pat Buchanan's new book - which expresses his hysterical fear that the American economy will be shattered if nothing more is done to block Americans' access to inexpensive goods from China - you assert that "It doesn't matter what you want; almost every consumer product on U.S. store shelves is made overseas, especially in China. It doesn't matter how much you want to find it; almost nothing you need is made in the USA" ("Buchanan: Take the China Test," Oct. 30).

Wrong. According to an August 2011 report by the San Francisco Fed, the percent of Americans' personal consumption expenditures used to buy Chinese-made goods and services in 2010 was 2.7 percent. And if we exclude expenditures on food and energy, the percent of our 2010 personal consumption expenditures spent on goods and services from China rises to only 3.1 percent.

In contrast, the percent of Americans' personal consumption expenditures spent on goods and services made in America in 2010 was 88.5 (and 88.0 percent if we look at personal consumption expenditures excluding those on food and energy).

[http://www.frbsf.org/publications/economics/letter/2011/el2011-25.html]

Surveying the "Made in" labels on goods sold at Wal-Mart and Costco, while perhaps a cheap source of anecdotal fodder for fear-mongering protectionists, is not rigorous economic research.