



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.

18 December 2011

Program Director, WTOP
Radio
Washington, DC

Dear Sir or Madam:

During your 8pm hour yesterday, an earnest young man identified only as a "spokesman for Occupy Christmas" denounced "capitalism" for luring consumers to "waste money on junk to fill fake needs."

This complaint is as shopworn as it is snooty. And being so shopworn, it has been analyzed and addressed - and dismissed - countless times by serious scholars. Here, for example, is economist

Wilfred Beckerman writing in 1974: "even if it were possible to draw a dividing line between artificial and natural needs, what is so moral about natural needs and so immoral, or so undesirable, about artificial needs? Would some peoples' artificially induced 'need' to listen to music or to acquire knowledge be less desirable a component of welfare than some other peoples' instinctive, natural and primitive instinct to rape women?" [Wilfred Beckerman, Two Cheers for the Affluent Society (New York: Saint Martin's Press, 1974), p. 83]

One of the great achievements of commercial society is its

capacity to channel human effort into the creation and satisfaction of "fake needs" such as those for literature, science, and (yes) fashion, and away from gratifying only primal urges such as those for bloody revenge, male dominance of women, and the plundering of strangers.

17 December 2011

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

Dear Editor:

I join Jeff Green in scolding the National Resources Defense Council's Roland Hwang for insisting that

higher mandated fuel-efficiency standards for automobiles are justified because, in Mr. Hwang's words, "Americans want cars with better mileage" (Letters, Dec. 17).

While recognizing that ethical values cannot be determined solely by science, I agree unreservedly with those who demand that government policies (whatever the values that drive them) be ever-consistent with scientific tenets - that these policies be based on empirical evidence, interpreted as objectively as is humanly possible - that these policies be "reality-based."

Fortunately in this case the objective evidence is overwhelming: Americans, in fact, do NOT want cars with better mileage. If they did value the higher mileage more than they value the money or the other features (such as ample legroom) that they must sacrifice to get higher mileage, Americans would already be supplied with higher-mileage vehicles. Automakers have as much incentive to satisfy any demands for vehicles that feature higher mileage as they have to satisfy demands for vehicles that feature, say, more cup

holders and better MP3 connectivity.

Mr. Hwang's claim that "Americans want cars with better mileage" insults the intelligence of us proud members of the reality-based community.

14 December 2011

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

Dear Editor:

Burton Malkiel rightly applauds Emanuel Derman's message, in the latter's "Models Behaving Badly," that the mathematical methods which are so successful in the physical sciences are typically useless – or even downright dangerous – in the social sciences ("Physics Envy," Dec. 14).

F.A. Hayek early on warned social scientists not to succumb to this "physics envy" (which he called "scientism"). To this day, Hayek's reputation suffers undeserved contempt because of too many economists' juvenile failure to appreciate the wisdom of Hayek's warning that the phenomena dealt with by the social sciences are too numerous, changing, and

complex to be usefully described by equations.

As Hayek explained in his Nobel lecture, here alluding to Keynesian macroeconomic models: "It seems to me that this failure of the economists to guide policy more successfully is closely connected with their propensity to imitate as closely as possible the procedures of the brilliantly successful physical sciences – an attempt which in our field may lead to outright error. It is an approach which has come to be described as the "scientistic" attitude – an attitude which, as I defined it some thirty years ago, 'is decidedly unscientific in the true sense of the word, since it involves a mechanical and uncritical application of habits of thought to fields different from those in which they have been formed.'" [F.A. Hayek, "The Pretense of Knowledge," Stockholm, December 1974: http://www.nobelprize.org/nobel_prizes/economics/laur_eates/1974/hayek-lecture.html]

13 December 2011

Rev. Al Sharpton
National Action Network

Dear Rev. Sharpton:

Your organization, the National Action Network, e-mailed me to boast about your complaint to Walgreen's CEO regarding his company's alleged 'underserving' of minorities.

I like your tactic! But it prompts me to ask: Why are YOU 'underserving' minorities in need of low-priced pharmaceutical products?

What have YOU done to attract private capital to finance retail outlets? How have YOU helped to organize supply chains that get pharmaceuticals from factories to consumers at costs that make the on-going retail distribution of these products profitable at prices that also are affordable to low-income consumers? Where's the evidence of YOUR entrepreneurial creativity - and the evidence of YOU risking YOUR own money and of YOU spending untold hours of YOUR own time - to help bring pharmaceuticals to low-income neighborhoods? Why do YOU not devote more of YOUR ample energies to struggle with details of the likes of inventory management, optimal liability-insurance coverage, and OSHA workplace-safety regulations so

that YOU can create a retail pharmaceutical chain that both earns sufficient profit to enable it to stay afloat while it simultaneously achieves all of what YOU somehow divine such a retail chain 'should' achieve?

Walgreen's investors and employees actually and already contribute infinitely more energy and resources than you do to the process of making pharmaceutical products readily available to the masses. So surely if it's appropriate - as you clearly believe it to be - to fling accusations at those people who put forth insufficient effort to improve the retail distribution of pharmaceutical products, YOU deserve far more criticism than does Walgreen's and its CEO.

12 December 2011

Friends,

Here are two videos. The first was written by (and features) two of my superb GMU students, Liya Palagashvili and Meg Patrick; it features also my GMU colleague Chris Coyne, and boasts cameos both by Russ Roberts and by my car's VA license tag:

http://www.youtube.com/watch?v=7MY7E_VhKMM

The second is on crony capitalism, featuring the indispensable Susan Dudley and economist Brad Shiller:

<http://www.youtube.com/watch?v=qiMaipssKt4&list=UOD1h3oePQYGy7TZ2tVEnRA&feature=plcp>

Enjoy!

12 December 2011

Mr. Steve Croft, CBS News
"60 Minutes"

Dear Mr. Croft:

Last night on "60 Minutes" President Obama said about tax cuts: "Steve, the math is the math. You can't lower rates and raise revenue, unless you're getting revenue from someplace else." This answer reveals a deplorable understanding of both economics and math.

Revenues are the product of the "price" per unit (for example, the tax rate on a dollar of income) multiplied by the number of units for which that price is paid. If the percentage cut in the price per unit is smaller than a corresponding percentage increase in the number of units for which the now-lower price is paid, revenues don't fall; they rise. The math, indeed, is the math.

Mr. Obama's math works only in a bizzaro economic world - a world where changes in prices have no effect on people's behavior.

In that bizzaro world retailers would never lower prices. (Why do so if lowering prices won't result

in a larger sales volume?)

In that bizzaro world McDonald's would charge \$1,000 for each Big Mac. (Why not, if prices don't affect people's consumption choices?) In that bizzaro world no one would propose taxing cigarettes to discourage smoking. (Why do so if higher prices don't affect behavior?) And in that bizzaro world no one would ever call for higher tariffs to protect domestic producers from foreign competition. (Why do so if raising tariffs does not reduce the number of imports that people buy?)

What sorry testimony about the "reality-based" political community that the current President of the United States believes it to be simply a matter of "math" that lower tax rates necessarily result in lower tax revenues.