



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.

13 February 2011

Editor, Richmond Times-Dispatch

Dear Editor:

You report that "A widening [trade] deficit is bad for the U.S. economy. When imports outpace exports, more jobs go to overseas workers than to U.S. workers" ("Trade deficit widens to \$40.6 billion," Feb. 13).

Untrue. Another name for a trade deficit is "capital-account surplus." Save for rare instances of dollars being hoarded or used as circulating media abroad, every dollar of a U.S. trade

deficit is a dollar of foreign investment in America.

Suppose that in 2011 Richmonders buy \$1 billion worth of goods and services from Charlottesville, but Charlottesvilleans buy no goods and services from Richmonders. Further suppose that Charlottesvilleans use this billion dollars to invest in Richmond - such as building retail outlets in Richmond; buying stock in Richmond-based corporations; buying bonds issued by Richmond's government to fund road improvements. Richmond will have a \$1 billion trade deficit with Charlottesville. But are Richmonders

harmed? Do the investments made by Charlottesvilleans in Richmond fail to expand Richmond's economy, fail to increase its capital stock, and fail to increase economic opportunity in that city? Does Richmond lose jobs as a result? Of course not.

And so it goes especially at the national level. Because nearly every dollar in the U.S. trade deficit represents foreign investment in America, only economically illiterate reporters assert that a U.S. trade deficit, as such, "is bad for the U.S. economy."

13 February 2011

Mr. Randy Erwin
Buy America Challenge
blog

Dear Mr. Erwin:

Thanks for exporting to my household a link to your Feb. 12 blog post "Record Crushed: U.S. Trade Deficit with China - \$273 Billion in 2010 - Biggest Ever Between Two Countries." In it you write that "We can solve our country's economic problem ourselves by changing our buying habits just slightly and buying American more often. The average adult consumes \$700 per month in imported goods. If we could reduce that to \$517 per person per month, we would have no trade deficit at all. With no trade deficit, we would likely have 3-4% unemployment. All we need to do is reduce our consumption of imported goods 25% to have jobs again in this country. That will secure our long-term economic future (a.k.a. our children's future)."

I've some questions for you.

- Because "buying American more often" means buying low-priced imports less often, Americans' spending power will shrink.

Americans will then have less money to spend at the movies, at local restaurants, on premium cable-tv packages, and the like. How do you know that the job losses that result from contractions in these industries won't offset whatever job gains emerge in other industries from "buying American more often"?

- At least half of all U.S. imports are inputs used for production here at home by American firms. So if American firms substitute more costly American-made inputs for lower-priced imported inputs, many American firms' costs will rise. These firms will lose market share. How do you know that the job losses that will result from these firms' contractions and bankruptcies will not offset whatever job gains emerge from "buying American more often"?

- Because every dollar of America's trade deficit is a dollar invested in the U.S. economy - investments that overwhelmingly expand the volume of America's productive capital assets above what this volume would be without these foreign investments - eliminating America's trade deficit will likely result in a net

reduction of investments in the U.S. economy. How will less investment "secure our long-term economic future"?

I have other questions, but I'll content myself with asking only the above three.

12 February 2011

Editor, The Huffington Post

Dear Editor:

The only forgivable error among the many in Ian Fletcher's most-recent effort to convince your readers that American manufacturing output is inadequate is that he misspells my first name ("Yes, American Manufacturing Really Is in Trouble," Feb. 12).

In response to data offered by myself, by Dan Griswold, and by others, that real U.S.

manufacturing is at an all-time high, Mr. Fletcher notes correctly that "the only way to consume is either to produce what you wish to consume, or produce something else you can exchange for it." But he then immediately goes off the rails: "And this is where American manufacturing is clearly falling short, because

America is running a huge trade deficit in manufactured goods, and we don't produce enough of anything else (raw materials, services) to cover the gap. So instead we borrow and sell off existing assets to pay for import."

Two points. First and most obviously, by this logic Mr. Fletcher can just as well argue that America's service-sector output is too low as he argues that American manufacturing output is too low. Because the U.S. trade deficit would narrow no less with a \$1 increase in service exports as with a \$1 increase in manufactured exports, neither the existence of a general U.S. trade deficit nor of a U.S. deficit in the trade of manufactured goods is evidence that U.S. manufacturing output is too low. Service, mining, or agricultural output can equally be accused of being too low.

Second and most importantly, Mr. Fletcher doesn't understand what a trade deficit is. An increase in the U.S. trade deficit does NOT necessarily mean that Americans are borrowing more or are selling off assets. The volume of productive capital assets is

not fixed. Foreigners who invest dollars in creating and expanding businesses in America increase America's capital stock without either putting Americans further in debt or decreasing Americans' ownership of assets. Given that America is the world's leading destination for foreign direct investment, it hardly seems plausible that the U.S. trade deficit is evidence of American impoverishment or of inadequate production.

12 February 2011

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

Dear Editor:

You report that "Many economists say the value of the currency is being held at an artificially low level as a way for China to help its exporters, whose goods are comparatively less expensive because of the exchange rate. The issue has been politically volatile in the United States, and this week members of Congress reintroduced legislation, approved by the House last year, that would impose duties to offset the effects of an undervalued currency" ("U.S. files two

new trade cases against China with WTO," Feb. 12).

Reality is better revealed with a bit of editing:

'Many economists say the Chinese government taxes its citizens directly and through inflation to suppress the value of the yuan in order that Chinese exporters can offer especially good deals to American consumers. The issue has been politically volatile in the United States, and this week members of Congress reintroduced legislation, approved by the House last year, that would show the world that Washington is as intent as is Beijing to tax and otherwise pick its citizens' pockets in order to bestow special privileges on politically forceful domestic producers.'

11 February 2011

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

To the Editor:

Your reporters write that "The narrowing in the U.S. trade gap in recent months has provided much-needed support to the economic recovery" ("U.S. Trade Deficit Widens," Feb. 11).

This claim is utterly unsubstantiated. If America's trade deficit shrank because foreigners chose to buy fewer dollar-denominated assets, including U.S. treasuries, the U.S. economic recovery would have been burdened, not "supported."

11 February 2011

Secretary Hillary Clinton
U.S. Department of State
Washington, D.C.

Dear Ms. Clinton:

When asked by a Mexican journalist if drug legalization is a good idea you replied "It is not likely to work. There is just too much money in it."

Overlooking the fact that much of the money in the illegal-drug trade is there only because those drugs are illegal, do you also believe that, say, professional American football should be illegal? The N.F.L. and its players make a LOT of money!

What about coffee? In 2010, Starbucks revenue alone was nearly \$11 billion. And how about currently legal over-the-counter medicines - plenty of money in THAT trade! Annual aspirin sales

globally are more than \$1 billion, and that's on top of all the money made by selling the likes of acetaminophen, ibuprofen, various antihistamines, and Flintstones vitamins.

If, however, you're right that it's best to outlaw enterprises in which there "is just too much money," then surely we must forthwith criminalize government. The money that is "in" Uncle Sam alone dwarfs the sums exchanged in the market for illegal drugs.

11 February 2011

Friends,

Two of my crack GMU Econ colleagues have new books out that might have flown under your radar screen but in which you might well be interested.

Pete Boettke's Handbook on Contemporary Austrian Economics (Edward Elgar): http://mercatus.org/publication/handbook-contemporary-austrian-economics?utm_source=Social+Change+Project&utm_campaign=5184952332-SCP+Books+Mailing+02.09.11&utm_medium=email

And Roger Congleton's Perfecting Parliament:

Constitutional Reform, Liberalism, and the Rise of Western Democracy (Cambridge Univ. Press): http://www.amazon.com/Perfecting-Parliament-Constitutional-Liberalism-Democracy/dp/0521151694?utm_source=Social+Change+Project&utm_campaign=5184952332-SCP+Books+Mailing+02.09.11&utm_medium=email

11 February 2011

Mr. Donald Trump
New York, NY

Dear Mr. Trump:

Congratulations on your successful talk at the recent CPAC gathering. Please, though, indulge me as I ask you a few questions.

You promised that, as U.S. President, you won't raise taxes. But you also promised to obstruct trade between Americans and the Chinese, presumably by raising tariffs. Because tariffs are simply taxes on imports, you can't avoid raising taxes if you raise tariffs. So will you or will you not raise taxes?

You advocate, not free trade, but "fair trade." Can you define "fair trade"? If I voluntarily buy from Mr. Lee and Mr. Lee voluntarily sells to me, can such an exchange ever be unfair? Both parties to the exchange presumably gain, while the only people who lose are Mr. Lee's competitors. Given your claim that the billions of dollars worth of profits that you've earned are evidence of your own remarkable "intelligence and abilities," surely you don't wish to tilt the playing

field in favor of domestic producers, for to do so would be to give these producers unfair advantages in winning the patronage of American consumers. Any profits they make under such unfair circumstances wouldn't be evidence of intelligence and ability but, rather, of political connections and monopoly power. Would such protection from competition be fair?

You assert that "We are rebuilding China because we buy their products." What do the Chinese do with the dollars that we use to buy their products? Do they burn these dollars or otherwise not use them commercially? (If so, is that bad?) If the Chinese do not burn their dollars, then they (or other foreigners with whom the Chinese deal) must use these dollars either to buy American products or to invest in the U.S. economy (or both). To the extent that foreigners buy our products, by your reckoning they must be "rebuilding" America. To the extent that foreigners invest in America, they are - what? Do such investments harm America? Does foreign investment in America

NOT help to "rebuild" America? If not, why not?

I'm interested to know your answers.

10 February 2011

Friends,

Here's a genuine treat: a video of a talk that the great Deidre McCloskey delivered yesterday on George Mason University's Fairfax campus. I was there and, I tell ya, it's a truly superb talk. WELL-worth the hour-plus time to view and enjoy!

<http://mercatus.org/video/deidre-mccloskey-bourgeois-dignity>

10 February 2011

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

Dear Editor:

Health and Human Services secretary Kathleen Sebelius writes that "The Affordable Care Act puts states in the driver's seat because they often understand their health needs better than anyone else - and that is why it is so frustrating to hear opponents of reform falsely attack the law as 'nationalized health care'"

("How the Affordable Care Act empowers states," Feb. 10).

She misses the point. Calling Obamacare "nationalized health care" expresses opposition to the displacement of private decisions and market competition by decisions made by government. The fact that state governments are "leading" (as Ms. Sebelius says) this effort to displace markets with government control is irrelevant.

Put differently, those of us who oppose Obamacare dispute Ms. Sebelius's claim that "states ... often understand their health needs better than anyone else." States have no health needs. Individuals and families do. And by turning more control of health-care provision over to government, Obamacare further strips those of us with actual health needs of the power and responsibility to make our own choices as each of us - rather than a gaggle of government bureaucrats - sees fit.

9 February 2011

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

To the Editor:

Perhaps Laurence Tribe is correct that Obamacare doesn't violate the Constitution as that document has been interpreted since the New Deal ("On Health Care, Justice Will Prevail," Feb. 8). It is, however, precisely this expansive interpretation that is now at issue.

No less a left-liberal legal lion than Yale's Bruce Ackerman admits that the Constitution had to be amended in order for New Deal policies to pass constitutional muster. But this 'amendment' was not done through Article V procedures (as explicitly provided in the Constitution); rather it was done by a Supreme Court bullied by a U.S. President. Here's Ackerman: "Roosevelt and the New Deal Congress had not chosen to codify their new constitutional principles by enacting a few formal amendments, of the sort contemplated by Article Five. Instead, the President and Congress left it to the Justices themselves to codify the New Deal revolution in a series of transformative judicial opinions, threatening to pack the

Court unless it accepted this novel constitutional responsibility." [Bruce Ackerman, *We the People: Foundations* (Cambridge: Belknap Press of Harvard University, 1991), p. 119.]

Prof. Ackerman regards this historical event as being a legitimate instance of constitutional amendment. Many other Americans - rubes that we might be for insisting that the actual words of the Constitution itself be taken literally - disagree.

9 February 2011

Editor, Baltimore Sun

Dear Editor:

Applauding government-issued dietary recommendations, Peggy Yan insists that "people need simple guidelines for choosing the food they eat" (Letters, Feb. 9).

If people are too dimwitted to choose on their own the foods they eat, how can they possibly be trusted to choose on their own the persons who represent them in government?

The evidence does indeed suggest that Americans too often choose as their elected representatives greasy, pork-laden, and

processed hot dogs who offer only empty calories as they clog the arteries of commerce.

8 February 2011

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

To the Editor:

Yesterday Pres. Obama pleaded with members of the U.S. Chamber of Commerce: "Ask yourselves what you can do for America. Ask yourselves what you can do to hire American workers, to support the American economy, and to invest in this nation" ("Obama Vows to 'Knock Down' Business Barriers," Feb. 8).

The job of entrepreneurs, investors, and business owners and managers is to invest and to produce in ways that are likely to yield the highest profit. Period. The additional goals that Mr. Obama wants business people to pursue sound splendid when trumpeted in public speeches but, in practice, are far too nebulous to be meaningful, much less workable. No business person can possibly know enough to do consistently and

successfully what Mr. Obama asks.

As on so many issues, Adam Smith's wisdom remains relevant: "By pursuing his own interest he [the business person] frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good." [Adam Smith, *An Inquiry Into the Nature and Causes of the Wealth of Nations* (1776), Bk. IV, Ch. 2: <http://www.econlib.org/library/Smith/smWN13.html#B.IV,%20Ch.2,%20Of%20Restraints%20upon%20the%20Importation%20from%20Foreign%20Countries>]

7 February 2011

Friends,

In this latest essay by the New York Times's brilliant and courageous science writer John Tierney the question of ideological diversity on university campuses is explored - and in this essay John mentions research by my GMU Econ colleague Dan Klein:

http://www.nytimes.com/2011/02/08/science/08tier.html?_r=1&ref=science

7 February 2011

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

To the Editor:

Stirred by political turmoil in Egypt and by a recent spike in food prices, Paul Krugman writes "But the evidence does, in fact, suggest that what we're getting now is a first taste of the disruption, economic and political, that we'll face in a warming world" ("Droughts, Floods and Food," Feb. 7). The "evidence" that he refers to is extreme weather events, such as last year's Russian heat wave, happening at the same time that food prices have turned upward and some citizens are in revolt against their governments.

Weather patterns might or might not be evidence of global warming, but today's political turmoil and spike in food prices are emphatically not reliable evidence of a world being "disrupted" by humankind's continued reliance on fossil fuels.

Even granting that global warming is caused by industrialization, temperature increases caused by human activity

date back AT LEAST to 1880. But for nearly a century now, human suffering from extreme weather events has declined dramatically. Here's science analyst Indur Goklany: "Long term (1900–2008) data show that average annual deaths and death rates from all such [extreme weather] events declined by 93%

and 98%, respectively, since cresting in the 1920s. These declines occurred despite a vast increase in the populations at risk and more complete coverage of extreme weather events." [\[http://thegwpf.org/the-observatory/1378-indur-m-goklany-global-death-toll-from-extreme-weather-events-declining.html\]](http://thegwpf.org/the-observatory/1378-indur-m-goklany-global-death-toll-from-extreme-weather-events-declining.html)

It's irresponsible for Mr. Krugman to predict increasing "disruptions" based only on a recent food-price spike and a few instances of political unrest - especially given that the long-term trend is for extreme weather events to cause less and less human suffering.