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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 March 2011

Editor, Economy In Crisis

Dear Editor:

Setting up a straw man for the slaughter, Dustin Ensinger asserts that "Proponents of unfettered free trade have long claimed that lowering trade barriers will allow America to export more and more goods, eventually leading to trade surpluses and economic prosperity" ("Exports Won't Solve America's Many Trade Woes," March 6).

Wrong.

Proponents of unfettered free trade have long claimed that lowering trade barriers will allow America to IMPORT more and more goods, eventually leading to greater economic prosperity. Period.

Proponents of unfettered free trade - at least those who understand economics - don't give a damn about trade 'deficits' or 'surpluses.' They agree with Adam Smith that "Nothing, however, can be more absurd than this whole doctrine of the balance of trade." [Adam Smith, An Inquiry Into the Nature and Causes of the Wealth of Nations (1776) Book IV, Chapter 3, paragraph 31.]

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6 March 2011

Friends,

My GMU and Mercatus Center colleague Tyler Cowen does a superb job, in today's New York Times, explaining the perverse political incentives that motivate the making of fiscal policy - incentives most famously and carefully identified by GMU's own James Buchanan and Richard Wagner: http://www.nytimes.com/2011/03/06/business/06view.html?_r=1&ref=business

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6 March 2011

Editor, The Boston Globe

Dear Editor:

Jeff Jacoby eloquently exposes the pretentions and dangers lurking in the "What Would Jesus Cut?" ad campaign - a campaign, sponsored by the "liberal" Christian group Sojourners, that casts as immoral all efforts to cut funds from government programs that are ostensibly meant to help the poor ("Separation of Jesus and Congress," March 6).

The Sojourners - who blithely assume that the welfare state works as advertised (and that Jesus advocates it) - make pronouncements that are perfect examples of what H.L. Mencken identified as "the empty babbling of men who mistake their mere feelings for thoughts." [H.L. Mencken, Prejudices: A Selection (Baltimore: The Johns Hopkins University Press, 1996 [1947]), p. 84.]

5 March 2011

Mr./Ms. "Bill McKibben"

Dear Mr./Ms. "McKibben":

I assume that you aren't THE Bill McKibben, but your choice of a nom de plume is revealing.

You ask, in response to my blog-post in which I criticize Jeff Sachs for his enviro-hysteria, how I can "be so lame and uninformed" as not to "realize" that the earth is "overcrowded; overused; over its limit of sustaining life."

My response is simple: show me hard evidence that humanity is on the verge of calamity. Show me hard evidence of general resource depletion. Show me hard evidence that the quality of human life is declining, or destined to decline, over time. Show me hard evidence of overcrowding.

There's plenty of evidence against your propositions; show me some evidence to support them.

Actually, it's coincidental that you mention overcrowding. Just this morning my friend Barry Connor sent me the following e-mail: "If all [7 billion] people on earth were given an area of 3.5 sq. ft. (18" x 28"), they all could stand in the City of Jacksonville, Florida. This calculation is accurate. Check it out. Literally, we have barely scratched the surface of the earth."

True, 3.5 square feet per person ain't much of room, but Jacksonville, Florida, is only a tiny fraction of all land in the U.S. – and a rounding error in relation to the amount of land in the earth's temperate zones.

Do you have contrary evidence or arguments that the earth is, in fact, overcrowded?

5 March 2011

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

To the Editor:

Struggling to refute Mark Perry's data showing that U.S. manufacturing output is growing, Sam Williford writes that "Nowhere does empirical evidence tell the story of a growing manufacturing sector" (Letters, March 5). Mr. Williford's evidence? "Manufacturing as a percent of GDP has dropped from 21% in 1980 to 13% in 2008. The U.S. share of world manufacturing production has declined from 31% in 1980 to 24% in 2008. While it is still true that the U.S. is the world's largest manufacturer, we are also by far the world's largest importer."

Let's take these two arguments in turn.

First, just because manufacturing as a percent of GDP is falling does not mean that U.S. manufacturing output isn't growing. If I get a raise during the same year that my teenage son first enters the workforce, my income falls as a percent of my household's income, but my income is also still properly described as "growing." Ditto for U.S. manufacturing output as a percent of "world manufacturing production."

Second, it's hardly surprising that, being the world's largest manufacturer, the U.S. is also the world's largest importer. One should expect nothing else. Not only are at least one-third of U.S. imports used as inputs for U.S. manufactured goods, but also - being the world's largest suppliers of both manufactured AND service outputs – Americans are wealthy. And wealthy people can afford to spend lots money buying things from others.

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4 March 2011

Editor, Les Echos

Dear Monsieur ou Madame:

In "Need Versus Greed," [http://lecercle.lesechos.fr/economie-societe/politique-eco-conjoncture/221133673/need-versus-greed] Jeffrey Sachs asserts that current market-based forces of economic growth are unleashing upon humanity a "calamity" of resource depletion and environmental destruction (March 1). Unfortunately, Prof. Sachs views economic growth through a lens of Gandhian banalities.

On matters of economic growth, the late Julian Simon was far more insightful than was the late Mohandas Gandhi. (What, really, does it mean for Gandhi to say "there is enough on Earth for everybody's need, but not enough for everybody's greed"? Jingles aren't analyses.) Simon argued that, in markets that are at least reasonably free, resources are continually being discovered and created by human ingenuity - ingenuity powered by the drive for profit and guided by market prices which rise and fall in response to changes in patterns of consumer demands and to changes in resource supplies.

History overwhelmingly supports Simon's thesis. Despite two centuries of unprecedentedly high and sustained economic and population growth, supplies of nearly all resources are today greater than they were at the dawn of the industrial age, and the environments that human beings inhabit are immeasurably cleaner and healthier. As a result, we are living longer and in better health than ever before.

Why does Mr. Sachs suppose that recent upticks in the rates of economic growth of some Asian countries will reverse this 200-year-long process?

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3 March 2011

Mr./Ms. Proud American Protectionist

Dear Mr./Ms. Protectionist:

A self-described "fan of Ian Fletcher's brilliant works," you assail me today by e-mail with several wild accusations. The most coherent of your accusations - offered in response to what you correctly interpret as my position that nations are not relevant economic entities - is this one: "The trouble with ivy-league economists like you is that your theories make you blind to plain facts everybody else sees."

Here's a multiple-choice quiz for you: who wrote the following?

"However, in the face of so many nasty surprises, arising in so many different circumstances and under so many differing regimes, we must be suspicious that some basic assumption or other is in error, most likely an assumption so much taken for granted that it escapes identification and skepticism.

"Macro-economic theory does contain such an assumption. It is the idea that national economies are useful and salient entities for understanding how economic life works and what its structure may be: that national economies and not some other entity provide the fundamental data for macro-economic analysis. This assumption is about four centuries old, coming down to us from the early mercantilist economists who happened to be preoccupied with the rivalries of European powers for trade and treasure during the period when Portuguese, Spanish, French, English, and Dutch were exploring and conquering the New World and the lands and seas that lay along the trade routes around Africa to the Indies and beyond. The early mercantilists assumed that the national rivalries unfolding before them were the very keys to understanding what wealth itself is and how it arises, how it is maintained, how lost. According to the theory they propounded, wealth consists of gold, and gold is amassed as a nation manages to sell more goods than it buys…. Nations are political and military entities, and so are blocs of nations. But it doesn't necessarily follow from this that they are also the basic, salient entities of economic life or that they are particularly useful for probing the mysteries of economic structure, the reasons for the rise and decline of wealth."

A. Economist Adam Smith
B. Economist David Ricardo
C. Economist Milton Friedman
D. Non-economist Jane Jacobs

The correct answer is "D." [Jane Jacobs, Cities and the Wealth of Nations (New York: Vintage, 1985), pp. 29-31.]

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3 March 2011

Editor, Los Angeles Times

Dear Editor:

Your strongest argument in favor of the current prohibition on monetary payments to bone-marrow donors is that, by permitting such payments, donors will be more likely to lie about their health, thus endangering the lives of patients who receive bone-marrow transplants ("Battling over bone marrow," March 3).

But the lone example you use to bolster your point is the tragic case from three years ago of an UNPAID blood donor who lied about his sexual history and, thus, transmitted AIDS to unsuspecting blood recipients. (I'm curious: do you also favor bans on payments for newspapers because persons paid to report the news might be lured by the prospect of earning money to lie in order make their 'reports' more exciting? Do you believe that the increased trustworthiness of newspapers supplied only by persons who volunteer to produce newspapers would outweigh the dramatic reduction in the supply of newspapers that would follow upon a ban on payments for newspapers?)

While it's true that liberalizing the market for bone-marrow will not eliminate all problems, surely persons whose lives are already severely at risk because of today's government-created shortage of transplantable bone-marrow ought at least be given the option of quickly receiving marrow from a paid donor or of waiting indefinitely for marrow from an unpaid donor.

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2 March 2011

Mr. Ian Fletcher

Dear Ian:

Crusading against competition and consumer choice - that is, crusading against free trade - you today claim that low-wage foreign workers pose a "threat" to higher-wage American workers ("Dreamy Thinking on Free Trade," sent to me, from you, via e-mail). You further suggest that the only response that free-trade proponents offer to this claim is to point out that the wages of foreign workers will rise over time. As my 13-year-old son, Thomas, would say about your 'argument': "epic fail!"

The chief response that economically informed free-traders offer to calm the fears of those who worry that high-wage Americans can't compete against low-wage foreigners is NOT to point out that foreign wages will eventually rise but, rather, to point out that the reason foreign wages today are lower than those of American workers is because the productivity of foreign workers today is lower than that of American workers. Therefore, foreign workers whose wages are, say, one-twentieth the wages of an American workers are hardly a bargain for a producer if those foreign workers are only one-twentieth as productive as are American workers.

If you doubt that worker productivity matters - that is, if you really believe that employers seeking to hire workers look only, or chiefly, at the wages workers request - let me make you an offer: the next time you need medical attention (Lasik surgery; a hip replacement; a coronary artery by-pass; whatever) give me a call. I'll perform the procedure for you at a price that is a mere 1/20th of what you'll pay should you patronize a skilled physician. Now I have absolutely no knowledge of medical science but, hey, my wage is really, really low! How can you resist?

Of course, if you WOULD resist - if you'd actually choose to employ the higher-wage skilled physician - then you might want to rethink your suggestion that high-wage American workers can't hope to compete against lower-wage foreign workers.

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2 March 2011

Mr. Rush Limbaugh
EIB Network
New York, NY

Dear Mr. Limbaugh:

During your interview yesterday of Donald Trump, you missed several opportunities to ask probing questions – questions that would have exposed the sheer ignorance that underlies The Donald's economic pronouncements. For example:

- "Donald, you say that America 'doesn't make things any more.' Are you unaware that, in 2009 (the latest year for which we have data), the value of U.S. manufacturing output was nearly 30 percent higher than that of China, the world's second-ranking country in terms of manufactured output?"

- "Donald, did you know that the inflation-adjusted value of America's manufacturing output in 2009 was 120 percent HIGHER than it was in 1970?" [http://cafehayek.com/2011/01/whos-outcompeting-who.html]

- "Donald, why do you ignore the fact that over the ten-year span 2000 through 2009, the total amount of foreign direct investment received by China was $686 billion, while the total amount of FDI received by America was 162 percent higher at $1,799 billion?"

- "Donald, you complain about America's trade deficit. Do you realize that another name for 'trade deficit' is 'capital-account surplus'? Do you understand that every cent of the U.S. trade deficit is a cent of foreign savings invested in American assets - investments that increase the amount of productive capital at work in America? Do these investments hurt Americans?"

- "Donald, you endlessly repeat that 'no one respects America any more.' What do you mean? If you're referring to our military, perhaps any decline in respect is a product of the fact that our troops and guns have too often been sent to accomplish goals that troops and guns are unfit to accomplish. If you're referring to the U.S. economy - while you're right that Uncle Sam's fiscal diarrhea certainly is a problem that must be fixed - the strength and resiliency of our economy is surely respected worldwide, else why are all of those foreigners investing their savings in America more so than in any other country? Are foreigners dissing us with these investments?"

- "Donald, am I correct in guessing that one reason you want to be a politician is that you're fond of making grand pronouncements on matters that you know absolutely nothing about?"

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2 March 2011

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

Dear Editor:

Ruth Marcus is disappointed that Pres. Obama is all soaring talk and too little audacious action ("Obama's 'Where's Waldo?' presidency," March 2).

The reason is plain: Mr. Obama is a politician.

Like most members of the species homo electedofficialus, Mr. Obama's expertise lies not in actually distinguishing real from imaginary problems, and then in courageously, forthrightly, and sensibly addressing these. Instead, he is expert only in what Plutarch called "the base and dishonest buffooneries of mob eloquence." [Plutarch, "Pericles," in Plutarch's Lives, Vol. 1 (New York: The Modern Library, 1992), p. 204]

The only mystery is why someone as intelligent as Ms. Marcus is surprised by this fact.

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1 March 2011

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

To the Editor:

Regardless of the ethics of the L.S.E. accepting money from the Qaddafi Foundation, it is obscene for Professor Meghnad Desai to try to justify the L.S.E.'s actions by saying that "Academic research needs money - Rockefeller was a robber baron once, but we take his money" ("London School of Economics Wrestles With Qaddafi Donation," March 1).

John D. Rockefeller earned every cent of his wealth honestly and peacefully - mostly by creating unprecedented efficiencies in the production and distribution of kerosene, the chief product extracted from petroleum during the 19th century. Rockefeller's efficiencies drove the price of kerosene down from 26 cents per gallon in 1870 (the year Rockefeller founded Standard Oil) to 5.9 cents per gallon in 1897 (the year Rockefeller retired from Standard). Rockefeller never once held a gun to anyone's head, much less dispatched goons and terrorists to kill untold numbers of innocent people.

The only people 'harmed' by Rockefeller were his competitors (such as Franklin Tarbell, father of Ida) who failed to keep up with Standard's innovations and cost-reducing techniques. The Qaddafis, in contrast, are thieving, tyrannical, and murderous brutes.

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1 March 2011

Editor, The Huffington Post

Dear Editor:

Ian Fletcher asserts that the economic case for free trade doesn't apply in the real world because it's impractical for free-trade's "winners" to compensate (as they do in some esoteric economic models) free-trade's "losers" ("We Can't Just Compensate Free Trade's Losers," March 1).

Mr. Fletcher slays merely a man of straw: the economic case for free trade does NOT require "winners" to compensate "losers."

More troubling is the foundational inconsistency in Mr. Fletcher's objections to free trade - an inconsistency he shares with other protectionists. Mr. Fletcher correctly notes that changes in consumer tastes - no less than increased supplies of goods and services from foreign producers - cause some existing domestic jobs to be lost. But he mysteriously singles out foreign trade as an institution that creates "winners" and "losers."

If Mr. Fletcher were to judge domestic trade by the same criteria that he applies to foreign trade, he'd be obliged to argue for special taxes on ALL new products, on ALL new services, and on ALL goods and services whose prices are cut or whose quality is improved, regardless of where these goods and services are produced. In short, he would have to argue for special taxes on competition and consumer choice - for the "winners" and "losers" that Mr. Fletcher thinks he sees only when patterns of foreign trade change exist no less when only patterns of domestic trade change.

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1 March 2011

Editor, The Messenger Post
Canandaigua, NY

Dear Editor:

You report that "U.S. Sen. Kirsten Gillibrand will announce today plans to address the drop in the number of dairy farms statewide.

The state lost 23 percent of its dairy farms in five years. Gillibrand will announce emergency steps such as preventing cuts to the Milk Income Loss program and fixing the milk-pricing system to create competitive pricing for New York dairy producers" ("Gillibrand today announces emergency plan to boost dairy farm," March 1).

Translation: "U.S. Sen. Kirsten Gillibrand will announce today plans to compel consumers to buy more milk than they want to buy from politically powerful New York dairy farms. 23 percent of that state's dairy farms operated so inefficiently over the past five years that they went out of business. Gillibrand will announce emergency steps such as forcing taxpayers to guarantee minimum 'profits' - and rigging the milk-pricing system to create monopoly pricing - for politically powerful New York dairy producers."

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1 March 2011

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

To the Editor:

GOP members of Congress are upset with President Obama's decision not to enforce the Defense of Marriage Act - a statute that bans federal recognition of gay marriages even when those marriages are duly in accord with state law ("Cantor Says House Will Defend Marriage Act," March 1).

What has become of the GOP's devotion to federalism and states' rights?

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28 February 2011

Friends,

My GMU and Mercatus Center colleague - and Cafe Hayek co-blogger - Russ Roberts did his most recent EconTalk podcast with George Will. Not to be missed: http://www.econtalk.org/archives/2011/02/george_will_on.html

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28 February 2011

Editor, The Huffington Post

Dear Editor:

Ian Fletcher asserts that "Much of our recent export growth has been hollow anyway, consisting largely in raw materials and intermediate goods destined to be manufactured into articles imported back into the U.S.... But this is obviously a losing race, as the value of a product's inputs can never exceed the value of a finished product sold at a profit" ("Trade Solutions That Won't Work," Feb. 27).

Really? So it must also be true that an owner of an oil well leads a "hollow" economic existence, for he can never hope to profit from owning such a well. After all, crude oil is a mere input into the production of finished products: the oil-well owner exports crude oil from his company to refiners and other producers who transform that oil into more highly valued final products - such as gasoline, plastics, and pharmaceuticals - that the oil-well owner then buys for his firm's continued operation, as well as for his and his family's own consumption.

Because, as Mr. Fletcher says, "the value of a product's inputs can never exceed the value of a finished product sold at a profit," supplying crude oil is surely an impoverishing experience because so very many of the final products that the oil-well owner buys contains oil that is sold back to him at prices higher than he received when he first sold it as crude.

Someone should alert Jed Clampett and his banker, Mr. Drysdale.

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28 February 2011

Editor, The Huffington Post

Dear Editor:

Ian Fletcher claims that "Much of our recent export growth has been hollow anyway, consisting largely in raw materials and intermediate goods destined to be manufactured into articles imported back into the U.S.... But this is obviously a losing race, as the value of a product's inputs can never exceed the value of a finished product sold at a profit" ("Trade Solutions That Won't Work," Feb. 27).

This claim is an avalanche of errors. Here are only two.

First, Mr. Fletcher illegitimately assumes that every finished product produced in Mexico with inputs imported from America is sold in America. But if, say, only 60 percent of shirts produced in Mexico from U.S. cotton are sold in America - with the remaining 40 percent sold to non-Americans - the amount of dollars that Americans earn selling cotton to Mexican shirt producers can easily exceed the amount of dollars that Americans spend buying shirts from Mexico.

Second and more fundamentally, if Americans can produce cotton at a lower cost than can Mexicans, and if Mexicans can transform that cotton into finished shirts at a lower cost than can Americans, then Americans and Mexicans both gain by the current arrangement. That we Americans might pay more DOLLARS for finished shirts than we receive for cotton exported to Mexico is irrelevant. The reason is that a finished shirt is more valuable to American consumers than is the raw cotton that is in it: Americans pay for receiving something of more value to us (finished shirts) by giving up something of less value to us (cotton). How is such trade harmful?