2012 ISSUE B>Quest BUSINESS QUEST 1996 - 2012

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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8 January 2012

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

Dear Editor:

George Will wisely draws readers' attention to Walter Blum's and Harry Kalven's pioneering 1952 essay "The Uneasy Case for Progressive Taxation" ("Government: The redistributionist behemoth," Jan. 8). Another scholar whose writings on income differences should be, but sadly aren't, remembered today is the late University of Virginia economist G. Warren Nutter.

Nutter in 1974 offered the following observation that should temper the tempers of at least the more thoughtful Wall Street Occupiers and other people alarmed by income differences: "Progress did not, by and large, aggravate inequities, but it made us more aware and less tolerant of them. Sharpening contrasts in circumstances aroused our humane sentiments, sentiments that could be better afforded by virtue of augmenting affluence. Progress shook loose the age-old endurance that man had customarily displayed for his lot and bred in its place an attitude of insatiable discontent with the pace at which remaining problems were being met. And so we find ourselves in a society in which progress and discontent are engaged in an almost desperate race with each other." [G. Warren Nutter, "Freedom in a Revolutionary Economy," in Nutter, Political Economy and Freedom (Indianapolis: Liberty Press, 1983), pp. 3-19; the quotation is on pp. 15-16]

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6 January 2012

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

Dear Editor:

Sen. Bernie Sanders (I-VT) asserts that America has "lost millions of well-paying manufacturing jobs as a result of unfettered free trade" (Letters, Jan. 6). Wrong.

Today's decline in manufacturing employment is no more surprising than was yesterday's decline in agricultural employment: both are overwhelmingly the result of technology advance that enables far fewer workers to produce far more output than in the past. The average American manufacturing worker today produces annually 660 percent more than did the average American manufacturing worker in 1947. Moreover, the rate of increase in manufacturing productivity has itself risen in recent years, reducing even faster than in the past the need for human labor to produce manufactured products. [http://mjperry.blogspot.com/2011/06/phenomenal-gains-in-us-manufacturing.html]

Mr. Sanders might lament the innovation that 'destroys' manufacturing jobs, and he might regard these job losses to be worse for America than were those caused by advances in agricultural technology. But he should stop blaming trade with the Chinese and other foreigners. He should instead blame human creativity and one of its fruits, technology. If he wants to thunder against the 'injustice' of manufacturing job losses, let him point his accusing fingers at schools of engineering; let him propose a tariff on science and R&D; let him use parliamentary tactics to block any further spending on roads, bridges, and other infrastructure projects - as well as on education - that he surely believes make American workers more productive. In short, let him sing the praises of human stagnation and ignorance and decry reason and science as well as those other habits, practices, and institutions that enable and inspire the human mind to innovate.

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5 January 2012

Prof. Peter Morici
Smith School of Business
University of Maryland
College Park, MD

Dear Peter:

At FoxNews.com today you write that "dollars sent abroad to purchase oil and consumer goods from China that do not return to purchase U.S. exports are lost purchasing power. Consequently, the U.S. economy is expanding at about 2 to 2.5 percent a year instead of the 4 to 5 percent pace that is possible after a long and deep recession" ("What Can We Expect From the First Jobs Report of 2012?").

You frequently repeat the theme that a U.S. trade deficit necessarily means lamentably lost purchasing power in America. I don't now wish to challenge you again on the general question of the nature, causes, and consequences of a trade deficit. On this matter you and I fundamentally disagree. I cannot, though, resist demonstrating your error on a more-specific point, to wit: your erroneous IDENTIFICATION of a trade deficit with lost purchasing power.

Suppose that in 2012 Americans import $200 billion more than we imported in 2011, but with no change in our exports. America's trade deficit will then rise by $200 billion. Further suppose that foreigners lend every cent of this $200 billion to Uncle Sam, who then spends it in America. You'll agree that this scenario is quite realistic.

Surely, though, you also agree that this $200 billion that returns as a loan to Uncle Sam is purchasing power in America.

Surely you agree, in other words, that had Uncle Sam instead acquired this $200 billion to spend by confiscating it on the docks just before it was to be spent by consumers on imports, the amount of purchasing power in America would be no higher than it is if the $200 billion is spent on imports and then borrowed by Uncle Sam to finance his spending. In the former case America's trade deficit doesn't rise while in the latter it rises by $200 billion - yet the effect on purchasing power here is the same in both cases.

So unless you're prepared to argue that dollars borrowed from foreigners and then spent in the U.S. by Uncle Sam are not "purchasing power" in the U.S., you must agree that a rising U.S. trade deficit does not necessarily reduce purchasing power in the U.S.

Of course, the above example is just one of countless ways that dollars in America's trade deficit return to America as purchasing power. But all I need is one realistic scenario, which I've provided, to expose the error in your analysis.

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3 January 2012

Program Director, WTOP Radio
Washington, DC

Dear Sir or Madam:

I enjoyed your interviews today of people on the street, each person expressing his or her "wish for 2012." My wish is that the woman who wants "government to require employers to give more paid family leave to women" would learn some economics.

Consider what Nobel laureate economist Gary Becker and his wife Guity wrote in 1997:

"The advocates of legislated leaves and child-care facilities, in effect, want to shift some of the burden of child-rearing from working parents to employers and taxpayers. Because such legislation raises the total cost of employing women with young children, however, employers would become reluctant to hire women with small children and younger women who are likely to have children. The results would be lower earnings and greater unemployment for younger women. Thus the burden of paying for leaves and child-care facilities would be partly transferred to all younger women, a consequence that surely is contrary to the intent of these proposals." [Gary S. Becker and Guity Nashat Becker, The Economics of Life (New York: McGraw-Hill, 1997), p. 47]

Yep. Happy New Year.

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3 January 2012

Sen. Jeff Sessions (R-Alabama)
Washington, DC

Dear Sen. Sessions:

Congressional Quarterly reports that, due chiefly to your efforts, Congress will raise Americans' cost of buying sleeping bags made in Bangladesh ("Alabama Senator Wins Longtime Effort to Change Tariffs on Sleeping Bags," Jan. 2). The rationale for this tariff is explained by your Congressional colleague Rep. Robert Aderholt (R-AL): it "affects jobs right here in North Alabama and allows for companies like Exxel to return good paying jobs back to the United States."

If promoting jobs in American plants that produce sleeping bags justifies a policy of restricting Americans' freedom to take advantage of alternatives to purchasing American-made sleeping bags, your policy doesn't go far enough. Why not also slap a tariff on sleeping bags borrowed from friends? Why not also prohibit the use of sleeping bags that are more than three-months old? (You can sell this prohibition not only as a jobs-creator, but also as a means of protecting Americans' - especially American children's - health and safety. Only Wingnuts would object to THAT goal!) Indeed, why not also tax Americans for every night they sleep indoors?

Imposing punitive tariffs on borrowed sleeping bags and on indoor sleeping, along with banning the use of months-old bags, unquestionably, according to your economics, "affects jobs ... in North Alabama and allows for companies like Exxel to return good paying jobs back to the United States."

So why only a tariff on foreign-made sleeping bags?

Given your evident principles, I must ask why you pursue them so timidly?

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2 January 2012

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

Dear Editor:

Paul Krugman is correct that public debt does not necessarily harm an economy ("Nobody Understands Debt," Jan. 2). Mr. Krugman errs, however, by citing this fact as evidence for the mistaken conclusion that public debt held by fellow citizens is largely costless for the economy as a whole because it's "money we owe to ourselves."

When government spends money, resources that would otherwise have been used to produce valuable private-sector outputs are instead used to produce public-sector outputs. The values of these foregone private-sector outputs are a genuine cost of government projects regardless of government's funding method, regardless of the merits of the government projects, and regardless of the nationalities of government's creditors. And the private-sector outputs that are never produced because resources are instead used to produce public-sector outputs do not miraculously appear – they are not miraculously 'unforegone' – simply because the obligation to pay for public-sector outputs is deferred to the future or because the holders of the debt instruments are citizens of the same country as the taxpayers.

The argument in the above paragraph isn't unique: it is elaborated in great detail in many of the works on public finance by another Nobel laureate economist, James Buchanan. [Most famously, James M. Buchanan, Public Principles of Public Debt (1958): http://oll.libertyfund.org/?option=com_staticxt&staticfile=show.php%3Ftitle=279&chapter=31085&layout=html&Itemid=27] It's discouraging that Mr. Krugman seems to be unfamiliar with Buchanan's contributions.