



Comment on the Commentary of the Day

by

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9 June 2012

Editor, The Financial Times

Dear Sir or Madam:

Favorably reviewing Paul Krugman's case for Keynesian stimulus spending, Samuel Brittan writes that "Consumers will not spend because of a backlog of indebtedness and businesses will not invest because of pessimism about market prospects" ("You don't need to be a lefty to support Krugman," June 7).

I don't know about the UK, but here in the US it's untrue that "consumers will not spend." Inflation-adjusted personal

consumption expenditures in America are now slightly HIGHER than they were at their bubble-buoyed pre-lump peak in the third quarter of 2008, and 4 percent higher than they were at their post-bubble-burst nadir in the second quarter of 2009. (Note that such consumption expenditures were, at their low during the recession, only 3 percent below their pre-recession high.) [Data are from line 29 of this BEA site:

<http://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1> and adjusted for inflation using the Minneapolis Fed's inflation converter: <http://www.minneapolisfed.org/>]

So while Mr Brittan is correct that investors are pessimistic, this pessimism is not plausibly caused by American households' refusal to spend. Instead, this pessimism is far more likely caused by factors to which Keynesians are blind, namely, government-created impediments and uncertainties that distort the all-important microeconomic details - what the economist Arnold Kling calls "patterns of sustainable specialization and trade" - on which thriving markets depend. Increased government spending of the sort that Messrs Brittan and Krugman advocate will do nothing to remedy these problems.

8 June 2012

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

Dear Editor:

Today's debate on the role of money in political campaigns ("Room for Debate: Can a Politician Win Without Wall Street?") triggers the following question: If, as opponents of the Citizens United decision believe, voters are mindlessly and easily swayed by misleading political ads paid for with plenty of private money, what reason have we to suppose that voters would exercise sound judgment in the absence of such ads?

The implicit assumption of those who today decry the role of money in political campaigns is that the same voters who are mesmerized into a state of stupid by glitzy political ads are, in the absence of such ads, naturally intelligent, wise, and prudent. This assumption is dubious.

7 June 2012

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

Dear Editor:

Today's cartoon by Tom Toles depicts alleged horrors that await workers in the wake of the weakening of public-sector labor unions.

Mr. Toles prediction that government will horribly mistreat its own employees unless they are organized into formal unions powerful enough to counter it suggests that government's natural impulse is to abuse ALL of those with whom it deals. The same government that will cruelly oppress its unorganized employees will, with equal cruelty, oppress its unorganized citizens. So, for example, because those of us who pay taxes aren't organized into a legally recognized taxpayers' union with which government must COLLECTIVELY bargain, we taxpayers can expect to be unjustly exploited by government.

That expectation seems reasonable.

7 June 2012

Editor, Huffington Post

Dear Editor:

Robert Reich writes that "government spending as a

portion of GDP keeps dropping" ("The Big-Lie Coup d'Etat," June 5).

Perspective is vital. Total government spending in the U.S., as a percent of GDP, in 2012 is indeed projected to be down by three percentage points from its recent high in 2009 (a drop to 40 percent from 43 percent). But this fall is largely an artifact of the colossal spending spike in 2009, when - as a percent of GDP - total government spending in the U.S rose from 37 percent in 2008 to 43 percent one year later. Total government spending in 2012, at 40 percent of GDP, remains 2.4 percentage points HIGHER than its annual average for the ten-year period 2003-2012 and, significantly, 5.6 percentage points HIGHER than its annual average for the ten-year period (1999-2008) leading up to the start of the current slump. [Data calculated from this site:

http://www.usgovernmentspending.com/total_2008USpt_13ps5n]

Mr. Reich's suggestion that the recent dip in government spending reflects austerity makes no more sense than suggesting, say, that a man whose weight suddenly ballooned from

200 to 300 pounds is, with his weight now down to 290 pounds, dangerously skinny.

4 June 2012

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

Dear Editor:

Paul Krugman writes that "Adjusted for population growth and inflation, [local, state, and federal government] spending has recently been falling at a rate not seen since the demobilization that followed the Korean War" ("The Republican Economy," June 4). This claim is highly questionable.

Although he doesn't specify his meaning of "recently," he must not have in mind the years since the current downturn began. After all, inflation-adjusted total government spending per capita is five percent HIGHER today than it was in 2008.

Elsewhere his column, though, Mr. Krugman suggests that he's thinking back only to 2009. It's true that such projected spending for 2012 will be down by just under five

percent from its 2009 level, but this statistic is largely an artifact of the huge - nearly 11 percent in a single year - rise in such spending from 2008 to 2009. Compared to the average of such annual spending for the ten-year period 2003-2012, spending in 2012 is HIGHER by 5.6 percent. More significantly, compared to the average of such annual spending for the decade leading up to the downturn (1999-2008), such spending in 2012 is higher by 17 percent. [All per-capita dollar figures for combined federal, state, and local government spending are found here:

http://www.usgovernmentspending.com/total_2000USht_13hs5n and are adjusted for inflation using the Minneapolis Fed's inflation adjustor found here: <http://www.minneapolisfed.org/>]

Mr. Krugman misleads your readers by asserting that real total government spending today, adjusted for population growth, has been "slashed."