



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.

29 July 2012

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

Dear Editor:

In "How conservatives misread and misuse Milton Friedman" (July 28) Nicholas Wapshott leaps from the fact that Milton Friedman was no anarchist to the conclusion that Friedman supported a larger role for government than the "near-nihilistic" (!) role allegedly advocated by Mitt Romney and other leading political conservatives.

This is crazy talk by Mr. Wapshott.

Does Romney support unilateral free trade? Emphatically not. How about ending the war on drugs? No. Has Romney endorsed the elimination of government licensing requirements for professionals such as physicians and lawyers? No. Can we expect a President Romney to work to abolish farm subsidies, minimum-wage legislation, antitrust legislation, Social Security, and the Fed? Hardly. Would a Pres. Romney even as much as call for (never mind work for) abolishing the departments of Agriculture, Commerce, Education, Energy, Housing and Urban Development,

Interior, Labor, Transportation, and Veterans Affairs? Not on your life. But Milton Friedman explicitly endorsed each of the above (and others too numerous to mention) policies to radically reduce government's reach and to weaken its grip.

One may disagree with Milton Friedman's principled opposition to the vast majority of what Uncle Sam does today. But Mr. Wapshott's portrayal of Friedman as championing a role for government that is more extensive than the one now promoted by establishment Republicans is utterly - indeed, insanely - mistaken.

29 July 2012

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

Dear Editor:

Nicholas Wapshott asserts that Milton Friedman "believed that the Fed has a right to manage the national economy" ("How conservatives misread and misuse Milton Friedman," July 28).

Nothing could be further from the truth.

Throughout his career, Friedman deeply distrusted central bankers. For years he sought to eliminate Federal Reserve discretion with his "k-percent rule" under which (quoting Friedman) "the stock of money [should] be increased at a fixed rate year-in and year-out without any variation in the rate of increase to meet cyclical needs." [Milton Friedman, *A Program for Monetary Stability* (New York: Fordham University Press, 1983 [1960]), p. 93] And even though Fed policy from the early 1980s until he died in 2006 became, in his view, more responsible, Friedman's distrust of Fed policymakers continued to

grow. Friedman became so worried about this discretion that he declared, just before he died, that his "first preference would be to abolish the Federal Reserve." [Friedman's remark occurs around the 41:45 mark in this 2006 video:

http://www.youtube.com/watch?v=uFsCul3ts04&feature=results_video&playnext=1&list=PL235CDF33E8CB17ED]

While Milton Friedman always believed that if a central bank exists its responsibilities include insuring that the money supply doesn't collapse, he – contrary to Mr. Wapshott's portrayal – emphatically opposed active management of the economy by the Fed.

26 July 2012

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

Dear Editor:

Peter Whoriskey reports on former Homeland Security secretary Tom Ridge's study that concludes that America's "reliance on imports" (as your headline describes it) "leaves U.S. vulnerable to disasters" (July 25).

Mr. Ridge's assertion that reliance on imports makes us more vulnerable to natural disasters fails the smell test. By expanding the size and diversity of the geographical area from which we receive food, fuel, and other supplies, trade makes us less - not more - vulnerable to natural disasters.

Also dubious is Mr. Ridge's assertion that greater government protection of U.S. industries from foreign competition will strengthen our defenses against terrorism and hostile foreign military forces. As the great international-economics scholar Leland Yeager writes, "The assumption is false that a government can know in advance just which weapons and industries will be most important in some possible future war. Constant technological change is a leading feature both of modern war and modern industry. Furthermore, modern industry has proved itself remarkably able to convert and reconvert between peacetime and wartime production.... [T]he United States should not partially freeze its industry by Protectionist policies into a pattern that might well prove, if war finally came, to be out of date – and all

at the cost of a sure loss in real national income."
[Leland B. Yeager, Free Trade: America's Opportunity (1954):http://oll.libertyfund.org/index.php?option=com_staticxt&staticfile=show.php%3Ftitle=2038]

25 July 2012

Mr. Ernie Salomon

Dear Mr. Salomon:

In your e-mail to me you complain that "government is holding down wages and thus inflation by letting in millions of poor and uneducated workers who have taken over entire formally well paying unionized industries such as the building trades and meat packing."

I've some questions for you.

First, are you aware that the steady decline in the percentage of workers who are unionized began in the mid-1950s when immigration was modest - that is, long before the current upsurge in immigration which began in the last quarter of the 20th century?

Second, if it is harmful government policy to allow firms to substitute lower-

paid workers for higher-paid workers, is it also harmful government policy to allow firms to mechanize their operations whenever such mechanization results in the substitution of lower-cost machines for higher-cost labor? Is it harmful government policy to fund, or even to permit, the training of engineers who invent production methods that enable less-skilled workers to perform tasks that formerly required high-skilled workers? Is it economically harmful government policy to allow homeowners to repair their own plumbing, to rewire their own kitchens, and to treat their own sniffles given that such do-it-yourself activities directly reduce the demand for high-wage plumbers, electricians, and physicians?

If you answer "no" to these questions, you should recognize that there's nothing economically harmful about government allowing firms to hire lower-wage immigrants. Economically, the labor-market consequences of immigration are identical to those of these other activities - namely, greater output at lower costs.

23 July 2012

Mr. Bob Keener
Business for Shared Prosperity

Dear Mr. Keener:

Thanks for your e-mail asking me to support your group's call for raising the legislated minimum-wage. I must, however, decline because I do not believe that the wage rate agreed to by each employer and each employee is my, or your, or the government's business. Terms of employment are a private matter between consenting adults and should be treated as such.

But why don't YOU - as, presumably, the owner of your own business - raise the wages that you pay to your employees? You're perfectly free to do so.

You'll reply that such arbitrary increases in wages by individual employers put firms that so raise their wages at a competitive disadvantage relative to firms that don't raise their wages. That is, you understand that there's a cost to arbitrarily raising wages - and it is a cost that you seek to shove off of yourself and onto others by having government oblige all firms to pay a higher minimum-wage.

Why, though, should I endorse a policy that shifts much of cost of arbitrarily raised wages from you to other people? A rise in the legislated minimum-wage will oblige your customers to pay higher prices (given that firms will be unable to gain competitive advantages by hiring workers at wages below the minimum). A big chunk of the cost of such an arbitrary hike in wages, therefore, will be shifted by legislation from you to consumers. Worse, to the extent that such cost-shifting is avoided, a higher minimum-wage will likely condemn many low-skilled workers to the hell of longer periods of unemployment.

Yet nowhere in your call for a higher minimum-wage do you mention even the possibility of these ill consequences. If you are unaware of these ill-consequences, shame on you for recklessly calling in so uninformed a fashion for a higher minimum-wage. If, instead, you ARE aware of these ill-consequences, shame on even more for endorsing a policy knowing that its costs will be borne largely by people other than yourself and your fellow business owners.

23 July 2012

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

Dear Editor:

Arnold Packer is unhappy with Robert Samuelson's upbeat interpretation of data on Americans' income mobility (Letters, July 23). Although Mr. Packer agrees that "the Pew Mobility Project report [shows] that most Americans' (84 percent) income exceeds their parents' income," he discounts this fact because "today many wives work when their 1960s counterparts did not."

Two points are noteworthy.

First, women's increasing participation in the workforce is strong evidence against the common notion that the number of jobs is fixed. In reality, this number rises over time with increases in the size of the labor force.

Second, and contrary to Mr. Packer's suggestion, income gains from more women working in the marketplace should not be discounted when reckoning improvements in families' living standards. Women entered the workforce over the past 50 years largely

because the greater availability of prepared foods, as well as of home appliances such as automatic dishwashers and clothes dryers, freed them from the need to work in the home. So families today, as in the past, enjoy good meals, clean homes, and well-laundered clothing but, unlike in the past, enjoy IN ADDITION the goods and services purchased with women's monetary earnings.