

2012 ISSUE

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Comment on the Commentary of the Day

by

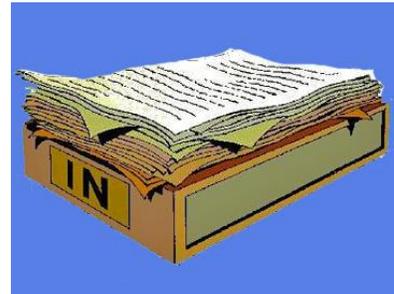
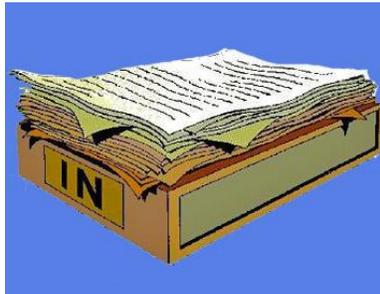
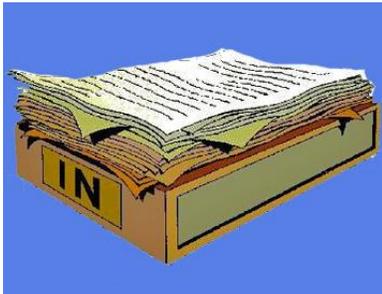
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Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet, and if they are, they may require registration or subscription to access. Some of the articles being commented on are syndicated, therefore, they may also have appeared in other publications.

26 September 2012

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

Dear Editor:

In his column today Harold Meyerson writes that "The only time in U.S. history when workers substantially benefited from productivity gains was the three decades that followed World War II" ("Redistributing wealth upward," Sept. 26).

In his highly regarded 1984 book, *The Americans: An Economic Record*, celebrated economic historian Stanley Lebergott wrote that "worker earnings from 1870 to 1940 advanced as much as net product per person employed did."* That is, the time in U.S. history when workers substantially benefitted from productivity gains includes also the entire 70 years leading up to World War II.

Mr. Meyerson needs a refresher course in economic history.

Sincerely,
Donald J. Boudreaux

24 September 2012

Ms. Annie M _____
11th Grade
Southwest High School
Minneapolis, MN

Dear Ms. M _____:

Thanks so much for your e-mail and kind words about Cafe Hayek. Russ Roberts and I are delighted that you and your family enjoy it.

Your teacher asks you to challenge me to give "one good reason why the law should not require that women be paid the same as men for the same work." I'm happy to oblige. There are many good reasons, but I'll here stick to one.

That one reason is that it's practically impossible for government officials to determine when two jobs involve "the same work." What might look like the same work to outside observers - to government officials, lawyers, or even the workers themselves - might well be very different work.

Is the worker Mr. Smith more experienced than the worker Ms. Jones? Is Mr. Smith less likely than is Ms. Jones to take time off of work to care for children or sick parents? Is Mr. Smith less likely than is Ms. Jones to quit in order to move with a spouse to another city? Is Mr. Smith a bit more helpful than is Ms. Jones with customers? Is Mr. Smith slightly more willing than is Ms. Jones to stay on the job a few extra minutes after the workday officially ends in order to help with important unfinished business?

These questions - and many others like them - are important. Yet in the real world no outside observer is in as good a position to answer them as is each individual employer. Not that every employer always gets it right, but every employer does have strong incentives to get it right. If an employer underpays a woman, some other firm can increase its profits by hiring her away at higher pay.

Suppose that the law your teacher endorses were applied to the market for women's dresses. Would that be good? Your teacher - to be consistent - must answer "yes." After all, why should one dress that keeps its wearer clothed sell for a different price as another dress that does the "same work" - namely, keeps its wearer clothed?

Ask your teacher if she supports equal prices for equal-sized dresses.

If she replies that not all dresses of the same size are equal in value to one another, ask her - politely, of course - how she knows this fact to be true. Ask her why market prices for dresses should be trusted as signals of the different qualities or 'values' of dresses, while market wages for human labor should not be trusted as signals of the different qualities or 'values' of workers.

Ask your teacher also if she would trust government officials to judge whether or not, say, a size 2 knee-length dress from Liz Claiborne provides services to its buyers that are "equal" to those supplied by a size 2 knee-length dress from Versace. If, as I suspect, she feels uneasy about bureaucrats making such a determination about the relative value of dresses, ask her why she trusts bureaucrats to make the same sort of determination about the relative value of human labor.

(If she likes the idea of bureaucrats sitting in judgment on the appropriate prices of dresses, write to me again. The conversation will then have to be much different.)

Good luck, Annie. Let me know what happens.

Sincerely,
Donald J. Boudreaux

23 September 2012

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

Dear Editor:

Using lots of ink to argue that the Internet wastes lots of energy, James Glanz manages only to demonstrate confusion over the difference between "use" and "waste" ("Power, Pollution and the Internet," Sept. 23). Intense amounts of the former do not imply the existence of the latter.

Consider, for example, Mr. Glanz's claim that "Online companies typically run their facilities at maximum capacity around the clock, whatever the demand.... The inefficient use of power is largely driven by a symbiotic relationship between users who demand an instantaneous response to the click of a mouse and companies that put their business at risk if they fail to meet that expectation."

True. But if enough consumers "demand an instantaneous response to the click of mouse," energy used by online companies to keep servers running at peak capacity isn't wasted. It is, instead, used to satisfy consumers' demand for 24/7/365 fast Internet service - demand that is both high yet unpredictable from minute-to-minute.

Anyone who still feels that online companies waste energy can make a mint by launching his or her own online company that uses electricity far more sparingly than do existing companies. If Mr. Glanz's presumption is correct, consumers will eagerly buy slower and less-reliable Internet service sold at lower prices that reflect its less-wasteful use of energy.

Sincerely,
Donald J. Boudreaux

20 September 2012

The Editor, The Economist
25 St James's Street

London SW1A 1HG
United Kingdom

SIR:

You are critical of F.A. Hayek's thesis that "malinvestments" - investments poorly coordinated with the saving plans of households and hence the strength of future demands for consumer goods - can generate periods of high unemployment ("Hayek on the standing committee," Sept. 15). You then write that the "better lesson to take from Hayek" comes from "[h]is later works praising the price mechanism and fretting about economic planning."

But what you call Hayek's "better lesson" is the larger insight at the heart of his theory of malinvestment. Hayek understood that successful mutual coordination of the economic decisions of millions of people occurs to the extent that prices - which guide people's economic decisions - accurately reflect underlying economic realities such as resource scarcities and households' preferences for saving. He reasoned, therefore, that government activities that distort prices cause prices to 'lie' about underlying economic reality and, hence, cause prices to mislead economic actors into making an unusually large number of plans that are destined to fail.

In the case of malinvestment (note: not simple OVER-investment), excess money creation distorts the interest rate, causing it for a time to mislead businesses into producing too many long-lived capital goods and too few other goods. For the economy to again thrive requires that these malinvestments be corrected.

Sincerely,
Donald J. Boudreaux
Professor of Economics
George Mason University
Fairfax, VA 22030

20 September 2012

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

Dear Editor:

Greg Sargent writes about Sen. Sherrod Brown's effort to penalize Americans who buy imports from China that "The bill would give the U.S. government trade tools to more easily combat currency manipulation, which could lead to higher tariffs against China.... [M]any groups on the left want it to pass as part of their push to revitalize manufacturing" ["Ratcheting up pressure on GOP (and Obama) over China," Sept. 20].

If manufacturing in America really does need to be "revitalized" - and if it's appropriate for government to try to engineer that revitalization by preventing Americans from buying low-priced products that 'destroy' manufacturing jobs - then Sen. Brown should attack not only Americans who buy from China but, also, Americans who download apps onto their smart phones.

The number of traditional manufactured products now being made obsolete by apps is staggering. Rolodexes, radios, cameras, wristwatches, alarm clocks, calculators, compact discs, DVDs, carpenters' levels, tape-measures, tape recorders, blood-pressure monitors, cardiographs, flashlights, photo albums, file cabinets, as well as paper and ink for the likes of maps and calendars and notepads and books and envelopes and airline tickets and newspapers - these are among the many items whose manufacture is rapidly being rendered unnecessary by inexpensive apps.

Does Sen. Brown believe that apps - many of which can be downloaded for free (!) - harm America's economy? Does he hurl accusations at app developers? Does he wish to punitively tax Americans who download apps? If not, why does he imagine that America's economy needs protection from Chinese actions that bestow the very same blessings on America's economy as those bestowed by app developers - namely, a lowering of Americans' costs of acquiring the services of manufactured goods?

Sincerely,
Donald J. Boudreaux
Professor of Economics
George Mason University
Fairfax, VA 22030

17 September 2012

Pres. Barack Obama
Campaign Trail, USA

Dear Mr. Obama:

Speaking today in Ohio, you bragged that your administration brought unfair-trade complaints against China "at nearly twice the rate" at which George W. Bush's administration brought such complaints. In other words, your administration...

... is nearly twice as active as was that of your predecessor at raising Americans' cost of living by badgering suppliers to hike the prices charged on products such as consumer electronics, furniture, and footwear;

... has doubled-down on the Bush administration's efforts to raise production costs for the many American producers who buy inputs such as zinc and oil-field-drilling equipment from Chinese manufacturers;

... is two times as likely to pander to the economically ignorant in order to grant special privileges to the politically powerful, all in efforts to prevent Americans from spending their money as they see fit.

And you're proud of this record?

Sincerely,
Donald J. Boudreaux

