

2012 ISSUE

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Comment on the Commentary of the Day

by

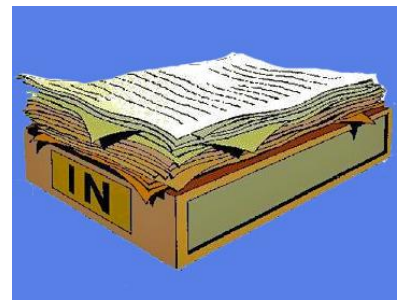
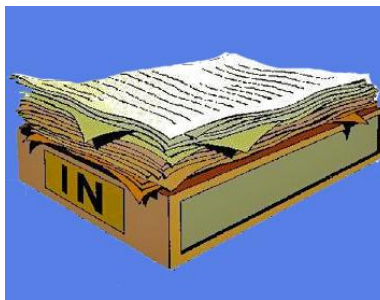
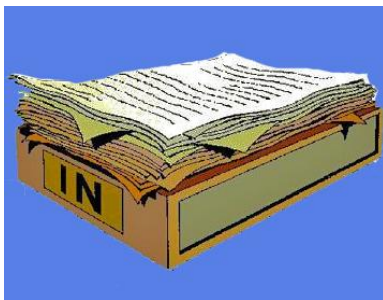
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Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet, 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.

22 October 2012

Prof. Peter Morici
University of Maryland
College Park, MD

Dear Peter:

You repeatedly insist, as you do again today in *The Street*, that a U.S. trade deficit is a "drain on demand for U.S. goods and services and the principal reason the American economy is growing slowly" ("*The Risk of Economic Collapse and the Presidential Elections*," Oct. 22).

I've two questions for you.

First, what's your evidence for the mercantilist proposition that U.S. trade deficits - more precisely, current-account deficits - slow U.S. economic growth? I've encountered no credible evidence that suggests that increased foreign investments in America (that is, rising U.S. trade deficits) damage the American economy. America, for example, had annual trade deficits for most of the second half of the 19th century,* yet that period was for the U.S. one of impressive economic growth. Alternatively, America ran trade SURPLUSES for nine of the ten years from 1930 through 1939** - a decade in which the economy was, of course, greatly depressed. And in a study of the quarter-century ending in 2005, Daniel Griswold found that "economic growth [in the U.S.] has been more than twice as fast, on average, in years in which the current account deficit grew sharply compared to those years in which it actually declined."****

Second, is more investment in an economy bad or good for that economy? I ask because in the same breath used to warn that funds from China invested in America weaken America's economy, you insist that funds from China invested in China STRENGTHEN China's economy. How is it that more investment in America harms Americans while more investment in China HELPS the Chinese? Can you clarify?

Actually, in your article you do supply a hint for how to unravel this seeming contradiction - namely, your express admiration for Beijing supplying "credit to state-owned enterprises" (that is, industrial policy). You apparently believe, therefore, that when Chinese wealth is directed for investment there by a powerful central bureaucracy the Chinese economy flourishes, but when Chinese wealth flows into an economically freer America and is directed for investment here by market forces the American economy suffers.... Which then prompts me to ask a third question:

How do you explain the fact that China is far wealthier today than it was under Mao, when Beijing exercised even more central and iron-fisted control over the Chinese economy than it does now?

Sincerely,
Donald J. Boudreaux

23 October 2012

Editor, CityBizList.com
Washington, DC

Dear Editor:

Prof. Peter Morici argues that the U.S. trade deficit is "a huge drain on demand for U.S. goods and services and the principal reason the American economy is growing slowly" ("The Risk of Economic Collapse and the Presidential Elections," Oct. 22). If true, Prof. Morici himself is an accomplice to the forces that inflict this harm on America.

Prof. Morici is a pitchman for Kyocera office copiers, which are sold by Kyocera Document Solutions America. Although headquartered in New Jersey, this firm is a subsidiary of Kyocera Corporation, a Japanese company. These facts are relevant because every cent that Kyocera Corp. invests in its New Jersey subsidiary adds to America's trade deficit.

Now in reality there's nothing at all harmful about these financial arrangements that increase America's trade deficit: rather than buy U.S. exports, foreigners instead spend their dollars to finance a profitable company in the U.S. - a company that manufactures useful products as well as hires Americans to help produce and to sell those products. America's economy grows.

So while all such foreign investment here raises America's trade deficit, it clearly does not - contrary to Prof. Morici's claim - stymie American economic growth or promote higher U.S. unemployment. Indeed, had Uncle Sam followed the kind of advice offered today by Prof. Morici and pursued policies to eliminate the trade deficit, the company that pays Prof. Morici to serve as its pitchman almost surely would not exist. Prof. Morici (and many other Americans) would be poorer as a result.

Sincerely,
Donald J. Boudreaux

25 October 2012

Editor, Baltimore Sun

Dear Editor:

Upset with private people's freedom to spend on political campaigns, Jack Kinstlinger's premise is that money spent by citizens to influence the actions of politicians is a "pervasive and corrupting influence," and that this corruption is greater the more is the money that citizens spend on these pursuits (Letters, Oct. 25).

Let's grant the premise.

Is it not then also true that money spent by politicians to influence (and, in many cases, to dictate) the actions of citizens is a corrupting influence, and that this corruption is greater the more is the money that politicians spend on these pursuits?

Indeed, if money in politics is corrupting, and if this corruption is greater the greater is the amount of money in politics, then surely we should worry far more about the amount of money spent BY politicians than about the amount spent ON politicians. The \$6 billion that will be spent on this year's presidential and congressional campaigns* - that is, the amount spent in 2012 ON politicians - is a vanishingly small 0.16 percent of the \$3.7 trillion that will be spent in 2012 BY politicians.

Sincerely,
Donald J. Boudreaux

28 October 2012

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

Dear Editor:

Kathleen Parker rightly bemoans the silliness and idiotic passions of modern political campaigns ("Still fighting the same old culture war," Oct. 28). Yet it is good to remember that this condition is not unique to our times. Writing in 1837, the American newspaper editor William Leggett observed that "Public moralists have long noticed with regret, that the political contests of this country are conducted with intemperance wholly unsuited to conflicts of reason, and decided, in a great measure, by the efforts of the worst class of people."*

Indeed.

By its nature, political office is pursued and won by a disproportionate number of conmen, just as by its nature each political campaign amplifies the squeals of select and always overwrought idealists. The combined effect renders silliness, duplicity, and idiotic passions as inseparable from politics as barking, sniffing, and quadrupedism are inseparable from dogs.

Sincerely,
Donald J. Boudreaux

29 October 2012

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

Dear Editor:

Have you noticed the enormous increase in greedy speculation in the northeast over the past two days? It's quite something! In advance of hurricane Sandy, consumers are now artificially increasing the scarcity today of the likes of bottled water, canned goods, batteries, and medicines by stocking up on these goods.

And all of this self-interested speculation - done merely in anticipation of staple goods being much more scarce after Sandy strikes than they are today - is applauded and even encouraged by the news media and government leaders!

What gives? Many of the same people who today publicly encourage us to speculate ("Make sure your family has ample supplies of batteries!") are among the loudest critics of speculation at other times and in other markets.

But in fact the oil speculator who, say, buys oil today in anticipation of oil becoming more scarce tomorrow does just what a consumer does today in a supermarket in anticipation of a disruptive storm: both persons usefully transfer resources across time. They both stock up on resources that are today relatively abundant in order to preserve these resources for consumption at a time when they are relatively more scarce (and, hence, more precious). Both persons transfer resources from today - when the consumption of any one bottle of water or gallon of gasoline provides relatively little benefit - to tomorrow when the consumption of that same bottle of water or gallon of gasoline will provide relatively greater benefit.

Anticipating the future and taking actions to allocate goods and services from times of relative abundance to times of relatively greater scarcity is an immensely useful activity. And we all perform such speculation whether or not we are popularly identified as "speculators."

Sincerely,
Donald J. Boudreaux

30 October 2012

Editor, Philadelphia Inquirer

Dear Editor:

Peter Morici argues that hurricane Sandy might prove to be an economic boon ("Disaster has economic benefits, too," Oct. 30). There's nothing surprising in Prof. Morici's argument that the spending necessary to repair damaged buildings and other assets can help the economy. Predictions of economy-wide wealth springing from devastation are issued after EVERY natural disaster. These predictions are examples of what the English jurist A.V. Dicey called "the idle contentions of paradox-mongers"* - predictions that are just clever enough to strike economically uninformed people as being profoundly insightful.

But what appears to many to be insightful is, in fact, fallacious.

If Prof. Morici is correct, then surely he also applauds, say, the economic consequences of drunk driving. As with hurricanes and earthquakes, he can bemoan the loss of life caused by drunk driving and then get on with explaining how, paradoxically, the economy benefits from drunk driving. After all, drunk driving creates unnecessarily large numbers of destroyed automobiles to replace, damaged automobiles to repair, dead victims to bury, and injured victims to be cared for by first-responders, doctors, nurses, physical therapists, and hospital administrators and clerks.

If you sense - as you should - that the economy in fact does not benefit from drunk driving, then you should reject Prof. Morici's argument that the economy benefits from natural disasters.

Sincerely,
Donald J. Boudreaux



