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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29 January 2012

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

Dear Editor:

The usually sure-footed Adam Davidson stumbles when he writes that "Every month, the United States buys around $35 billion in goods and services from China and sells around $11 billion back. That, of course, leaves a $24 billion trade deficit. Currencies work like any other salable good in that they adjust based on supply and demand. Every month, the United States is demanding a lot of renminbi and China is demanding few U.S. dollars. The natural result should be for the dollar to get weaker as the renminbi gets stronger" ("Come On, China, Buy Our Stuff!" Jan. 29).

Not so. Just as foreigners need (and, hence, demand) dollars to spend on American exports, foreigners need (and, hence, demand) dollars to invest in America. Because a rising U.S. trade deficit often signals increased foreign demand to invest in America, it's a mistake to suppose that dollars that foreigners don't spend on American exports necessarily are dollars not demanded by foreigners for use in America.

In short, a rising U.S. trade deficit does not necessarily unleash market forces that weaken the dollar against other currencies.

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27 January 2012

Friends,

My GMU Econ colleague Alex Tabarrok has this splendid essay in The Atlantic - an essay explaining that Uncle Sam's warfare/welfare state undermines Americans' innovativeness: http://www.theatlantic.com/business/archive/2012/01/the-innovation-nation-vsthe-warfare-welfare-state/251984/

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26 January 2012

Editor, The Wall Street Journal
1211 6th Ave.
New York, NY 10036

Dear Editor:

Lobbyist Scott Paul details the bounty that American tire manufacturers now reap from the Obama administration's tariff on Americans who buy Chinese tires (Letters, Jan. 26). He then asserts that these gains prove the tariff's merit.

Bull.

The argument against tariffs is not that they fail to yield benefits to protected industries; rather, it's that these benefits come at the greater expense of the public at large. Mr. Paul's letter is evidence of the truth of Albert Venn Dicey's observation that "Every man feels or thinks that protection would benefit his own business, and it is difficult to realize that what may be a benefit for any man taken alone, may be of no benefit to a body of men looked at collectively." [Albert Venn Dicey, Lectures on the Relation Between Law & Public Opinion in England During the Nineteenth Century (London: Macmillan and Co., 1905), p. 24]

Mr. Paul's false assumption that the gains to tire manufacturers are gains to Americans at large proves not the merit of the tire tariff but, instead, the narrowness of the tunnel vision of a rent-seeking lobbyist and of the rapacious corporations that he serves.

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25 January 2012

Friends,

My GMU Econ colleague Dan Klein discusses, in this 32-minute video filmed recently in Stockholm, his important new book from Oxford University Press, Knowledge and Coordination: http://cafehayek.com/2012/01/dan-kleins-new-book.html

Enjoy and learn!

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25 January 2012

Editor, The Wall Street Journal
1211 6th Ave.
New York, NY 10036

Dear Editor:

Having now read Pres. Obama's 2012 State of the Union address (I cannot tolerate watching the kitschy display that is the actual delivery of a State of the Union address), I can say only that Thomas Babington Macaulay's long-ago description of Robert Southey applies perfectly to Barack Obama:

"He conceives that the business of the magistrate is not merely to see that the persons and property of the people are secure from attack, but that he ought to be a jack-of-all-trades, architect, engineer, schoolmaster, merchant, theologian, a Lady Bountiful in every parish, a Paul Pry in every house, spying, eavesdropping, relieving, admonishing, spending our money for us. His principle is, if we understand it rightly, that no man can do anything so well for himself as his rulers, be they who they may, can do it for him, and that a government approaches nearer and nearer to perfection in proportion as it interferes more and more with the habits and notions of individuals." [T.B. Macaulay, "Southey's Colloquies on Society" (1830): http://www.econlib.org/library/Essays/macS1.html]

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24 January 2012

Editor, The Weekly Standard

Dear Editor:

Angry at China for allegedly selling goods to Americans at artificially low prices, Irwin Stelzer unsheaths a mighty sword to rip the case for unilateral free trade: Book IV Chapter II of The Wealth of Nations* ("Tariffs not Tax Breaks," Jan. 30). But only by reading selectively can Stelzer conclude that "Adam Smith does not counsel sitting idly by while his nation's tradable goods industries are devastated by a predatory competitor."

Smith, of course, understood that it's sometimes theoretically possible for a government to retaliate against protectionist foreign governments in ways that generate positive results for citizens of the home country. Contrary to the impression left by Steltzer, however, Smith was highly skeptical of the practicability of such retaliation.

For example, Stelzer is correct to note that Smith recognized that "The job of doing all of this [retaliation] requires 'the skill of that insidious and crafty animal, vulgarly called a statesman or politician." But what a curiously derisory terms Smith uses here to describe officials allegedly to be entrusted to practice socially beneficial retaliatory protectionism! And sure enough, as we read on we discover that the lesson Smith drew from this political reality is the opposite of that drawn by Stelzer.

For Smith, entrusting "insidious and crafty" officials to impose retaliatory tariffs is to invite special-interest-group mischief. In the second half of the paragraph [#39] in which he calls politicians "insidious and crafty," Smith describes how retaliatory tariffs in practice are, indeed, poorly used. And he closes that paragraph with this lament about the unavoidable influence of politically powerful producers: "Those workmen, however, who suffered by our neighbours prohibition will not be benefited by ours. On the contrary, they and almost all the other classes of our citizens will thereby be obliged to pay dearer than before for certain goods. Every such law, therefore, imposes a real tax upon the whole country, not in favour of that particular class of workmen who were injured by our neighbours prohibition, but of some other class."

Your readers would do well to read Smith directly rather than to rely upon Stelzer's misleading interpretation.

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23 January 2012

Editor, The Wall Street Journal
1211 6th Ave.
New York, NY 10036

Dear Editor:

I feel that I'm twirling in the Twilight Zone when I read Karen Davenport, debating Michael Cannon, praise Obamacare for "requiring insurers to price premiums without regard to health status" – and then insist that this regulation, combined with Uncle Sam's mandate that everyone purchase such insurance, will increase the availability of health insurance ("Should Everyone Be Required to Have Health Insurance?" Jan. 23).

Does Prof. Davenport advocate this model also for other businesses - say, restaurants? Does she think that restaurant customers will be better served if government requires restaurants to price meals without regard to 'hunger status,' so that the bill paid by a diner who orders lobster and a bottle of '61 Chateau Latour is the same price as the bill paid by a diner who orders only a cup of soup? Does she think that whatever problems might arise from such a regulation will be solved if the government also forces every American to buy a minimum number of restaurant meals? After all, food - even more so than health-care - is necessary for life.

If Prof. Davenport doesn't advocate this regulatory model for restaurants, why doesn't she? (Please, Prof. Davenport, no protests that the health-care market is 'unique.' Of course it's unique; ALL markets are unique. But is the health-care market unique in ways that prompt people consistently to act against their financial self-interest, as you apparently expect insurance companies to do?)