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Comment on the Commentary of the Day

by

Donald J. Boudreaux

Chairman, Department of Economics

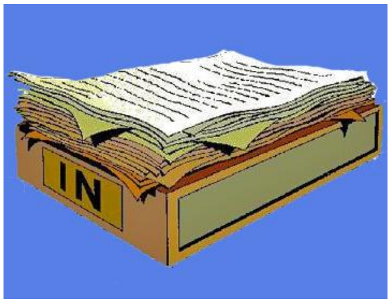
Martha and Nelson Getchell Chair for Free Market Capitalism

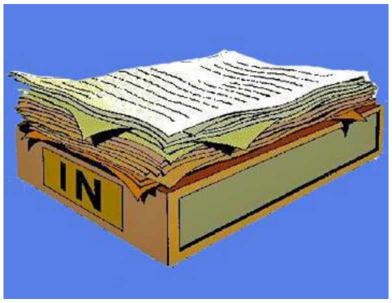
Mercatus Center

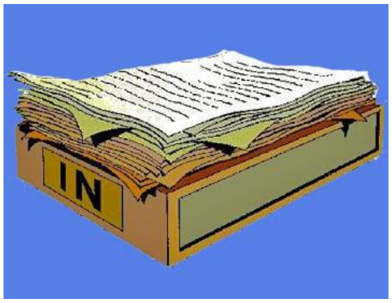
George Mason University

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 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.

13 July 2013

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

Dear Editor:

Princeton University sociologist Rebekah Peeples Massengill argues that Wal-Mart is "exploiting" poor Americans through its "relentless cost-cutting" - a practice that, presumably, reduces the demand for, and wages of, low-skilled Americans ("Five myths about Wal-Mart," July 12).

Prof. Massengill's belief that reducing production costs harms poor people should lead her to laud the phenomenon lamented elsewhere in your pages by Barry Ritholtz - namely, government's failure to improve America's infrastructure ("Rising interest rates could mean the window to fix infrastructure on the cheap is closing," July 12). After all, more and better roads, bridges, harbors, and other pieces of well-designed infrastructure cut costs and make much labor redundant.

Smoother highways, for example, reduce the rate at which goods are damaged in transit from factories to retailers. As a result - because American farms and factories then get by with producing less output than they would if roads were a bit bumpier - farms and factories employ fewer workers. Similarly, wider bridges and renovated harbors lower the costs of importing goods, many of which are sold in direct competition with goods made in America and many others of which are inputs for constructing labor-saving machinery such as robots. Here, then, is yet more harmful "relentless cost-cutting" unleashed by improved infrastructure.

If low-income Americans in fact are significantly damaged by the cost-saving efforts of Wal-Mart - one lone private firm - we will soon be poorer than Haitians if cost-saving infrastructure projects are pursued extensively and in earnest by governments at the federal, state, and local levels.

So I say let's follow sociologist Massengill's advice to stop this madness of increasing the efficiency with which the American economy produces goods and services!

Sincerely,
Donald J. Boudreaux
Professor of Economics

and
Martha and Nelson Getchell Chair for the Study of Free Market Capitalism at the Mercatus Center
George Mason University
Fairfax, VA 22030

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14 July 2013

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

Dear Editor:

Rebekah Peeples Massengill argues that low-income families are harmed by Wal-Mart's "relentless cost-cutting" ("Five myths about Wal-Mart," July 12). But because retailers from the earliest times have competed for customers by cutting costs (a result of what Prof. Massengill calls "prioritizing consumption"), her complaint isn't with Wal-Mart so much as it is with retailing itself. Therefore, the only real solution to this scourge of ever-less-costly access to consumer goods is a strict prohibition on retailing.

Only by outlawing retailing can we ensure that no retailer will ever again weaken the economy by cutting costs. Only by outlawing retailing can we finally MAXIMIZE the amount of resources used to bring consumer goods from farms and factories to individual homes. (Think of the countless hours that every one of us will spend driving from farm to farm and from factory to factory to buy food, clothing, and other consumer goods!) With retailing outlawed, the costs that we'll incur - that is, the amount of resources that households will be obliged to spend - to bring each consumer good from farm or factory into a home will be multiple times greater than the puny amount of resources spent today to make each consumer good accessible for purchase.

And when the Commerce Dep't. calculates the enormous monetary value of the resources that households spend to acquire consumer goods in this retailer-less world, we'll discover just how prosperous we are without the likes of Wal-Mart and other greedy cost-cutting corporations.

Sincerely,
Donald J. Boudreaux
Professor of Economics
and
Martha and Nelson Getchell Chair for the Study of Free Market Capitalism at the

Mercatus Center
George Mason University

15 July 2013

Programming Director, WTOP Radio
Washington, DC

Dear Sir or Madam:

You quote minimum-wage supporters who assert that hiking that wage will raise the pay of low-skilled workers if the legislation targets "industries that can afford to increase wages" ("Wal-Mart faceoff with DC fuels minimum wage debate," July 15).

You should ask these minimum-wage supporters the following questions: "If government enacts legislation setting the minimum price that people can pay for a new car at $50,000, do you - you confident supporters of government-mandated minimum prices - believe that this legislation will result in people paying $50,000 for the likes of Toyota Corollas and Ford Fiestas? Or do you realize that if government obliges car buyers to pay at least $50,000 for a new vehicle, these buyers will choose to buy no low-end cars and opt (if they buy a new car at all) instead to purchase a new BMW, Lexus, or other luxury model?"

And here's a follow-up question that you should ask: "Do your answers to the above questions change if the minimum-car-price legislation applies only to high-income people? That is, do you think that merely because an attorney or surgeon earns, say, an annual salary of one million dollars - and, hence, can "afford" to pay $50,000 for a Corolla or Fiesta - that that wealthy car buyer will be prompted by minimum-car-price legislation to fork out $50,000 for the likes of a Corolla or Fiesta, especially given that he or she can buy the likes of a BMW or Lexus for the same money?"

Unless you find a minimum-wage supporter who can plausibly explain why a legislated minimum price for cars will not reduce the quantity of low-end cars demanded by car buyers, you should be more skeptical of the analytical abilities of those who insist that a higher minimum wage will lead to more take-home pay for low-skilled workers.

Sincerely,
Donald J. Boudreaux
Professor of Economics
and
Martha and Nelson Getchell Chair for the Study of Free Market Capitalism at the Mercatus Center

George Mason University
Fairfax, VA 22030

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17 July 2013

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

Dear Editor:

Harold Meyerson apparently believes that the correct criteria for measuring Wal-Mart's merits is how much it pays to suppliers of one of its inputs ("D.C. Council stands for fair wages and against Wal-Mart," July 17). Specifically, the more Wal-Mart pays to suppliers of labor services - that is, to workers - the more meritorious is that company. The less it pays to those suppliers, the more wicked is Wal-Mart.

On this, the 223 anniversary of the death of Adam Smith, it's appropriate to point out that the ultimate goal of economic activity is consumption, not production. As Smith wrote in 1776, "Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer."* Wal-Mart, like all private producers in a market economy, is not in business for the purpose of making its suppliers wealthier. Rather, it's in business to earn profits by pleasing consumers. To that end, Wal-Mart aims to reduce its costs as much as possible. Like all competitive businesses, it properly strives to produce more and more output with fewer and fewer inputs.

Mr. Meyerson's complaint, then, is really that Wal-Mart acts as a profit-seeking firm in a competitive industry rather than as a charity for the benefit of low-skilled workers. There's a place for philanthropy, of course. But to criticize a profit-seeking firm for acting as a profit-seeking firm rather than as a charitable organization - and to suggest that Wal-Mart is unique among private firms in acting this way - reveals deep intellectual confusion. Further, to imply that such cost-cutting retards rather than promotes economic growth betrays a weak grasp of economics.

Sincerely,
Donald J. Boudreaux
Professor of Economics
 and
Martha and Nelson Getchell Chair for the Study of Free Market Capitalism at the Mercatus Center
George Mason University
Fairfax, VA 22030

* Adam Smith, An Inquiry Into the Nature and Causes of the Wealth of Nations (1776), Book IV, Chapter 8, paragraph 49.

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18 July 2013

Editor, The Kansas City Star

Dear Editor:

Barbara Shelly objects to the Koch Foundation's ad for economic freedom ("Koch 'economic freedom' ad is a bust," July 11). She closes her column by alleging that "Get rid of the minimum wage and take away some of the other things the Koch brothers see as undermining societal well-being, like student loans and food stamps, and Charles Koch will have to recast his ad campaign. There will be many fewer people in the 1 percent."

Overlook Ms. Shelly's ignorance of the meaning of percentages and focus instead, for example, on her implied assertion that the minimum wage is a boon for poor people.

Economics teaches that forcing low-skilled workers to sell their labor at prices higher than their labor is worth to employers hurts low-skilled workers by stripping many of them of opportunities to enter the workforce. History reveals that the U.S. minimum wage was first imposed to protect politically powerful owners of northeastern textile mills from the competition of southern mills that employed legions of unskilled southern workers at wages lower than prevailed in the northeast. And ethics warns that a precious freedom is trampled upon when politicians restrict the terms of employment that individual men and women may choose to demand or accept.

Ms. Shelly's obliviousness to these arguments - and her sanctimonious dismissal of anyone who dares to advance them - qualifies her as Exhibit A in what I suspect is the case for why Charles and David Koch spend so much of their own money promoting a better understanding of free markets and a free society.

Sincerely,
Donald J. Boudreaux
Professor of Economics
and
Martha and Nelson Getchell Chair for the Study of Free Market Capitalism at the Mercatus Center
George Mason University
Fairfax, VA 22030

UNIVERSITY of West Georgia