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Comment on the Commentary of the Day

by

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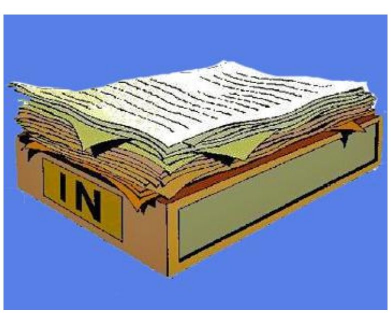

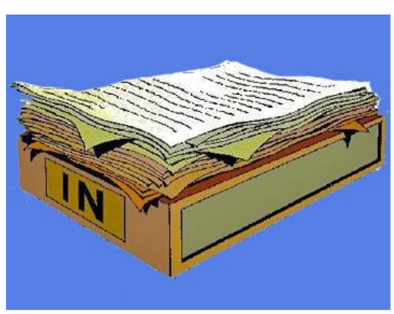

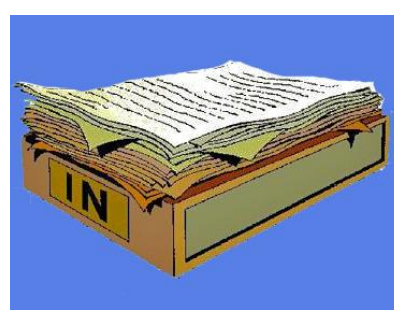

Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet, and if they are, they may require registration or subscription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

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22 July 2013

Mr. Bob Keener, Business For a Fair Minimum Wage

Dear Mr. Keener:

Thanks for your July 19th e-mail with quotations from business owners endorsing a higher minimum wage. Five of the six quoted owners boast that their companies thrive by paying none of their workers wages as low as the current federal minimum.

While I don't question these executives' motives, I do question their business acumen. They apparently fail to understand that a business model that works for them might not work for all other firms. If, say, world-class chefs Alice Waters and Charlie Trotter testify - correctly - that their restaurants thrive because they charge high prices, this fact would hardly justify substantial price hikes by the likes of McDonalds and Jack In the Box.

Indeed, just as a government-mandated minimum price for restaurant meals would bankrupt many fast-food restaurants - and, in the process, increase consumer demand for meals in some higher-end restaurants that already charge prices as high as the new government-mandated minimum - so, too, would a higher minimum wage make the least-skilled workers unemployable and, in the process, increase employer demand for some higher-skilled workers who already earn wages as high as the new government-mandated minimum.

Businesses (such as those whose owners you quote) that thrive by employing relatively high-productivity and-high-wage workers stand to benefit artificially if their competitors who thrive by employing more low-productivity-and-low-wage workers are hamstrung by a higher mandated minimum wage.

Sincerely,
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and
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26 July 2013

Editor, Washington Monthly

Dear Editor:

Reviewing Jonathan Rowe's Our Common Wealth, Timothy Noah appropriately applauds the research of the late Nobel economist Elinor Ostrom ("The Glory of the Commons," July/August). Lin Ostrom's careful observations of reality showed that human beings are remarkably creative at solving collective-action problems in ways that often involve neither arms-length commercial transactions nor government regulation of the sort that less-informed thinkers presume to be indispensable.

But Ms. Ostrom wasn't unique among scholars skeptical of government intervention to recognize that impersonal commerce - what F.A. Hayek called "the extended order" - is not the only alternative to command-and-control regulation. No less a market champion than Hayek himself wrote that "Part of our present difficulty is that we must constantly adjust our lives, our thoughts and our emotions, in order to live simultaneously within the different kinds of orders according to different rules. If we were to apply the unmodified, uncurbed, rules of the micro cosmos (i.e. of the small band or troop, or of, say, our families) to the macro-cosmos (our wider civilization), as our instincts and sentimental yearnings often make us wish to do, we would destroy it. Yet if we were always to apply the rules of the extended order to our more intimate groupings, we would crush them. So we must learn to live in two sorts of world at once."*

It is a serious error to suppose that those of us who oppose government intervention want all human relationships to be guided by impersonal monetary exchanges within commercial markets.

Sincerely,
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* F. A. Hayek, The Fatal Conceit (Chicago: University of Chicago Press, 1988), p. 18

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30 July 2013

Editor, Forbes

Dear Editor:

Interviewed a while back by Adam Hartung, Bob Deitrick says that "The auto rescue plan has worked. American car manufacturers are still dominant and employing millions directly and in supplier companies" ("Economically, Could Obama Be America's Best President?" May 13).

Mr. Deitrick's concept of "worked" is too lax. No one doubts that companies can be kept afloat with enough special privileges from government. In contrast, when the concept of "worked" requires improvement of the overall economy, the mere continued operation - or even thriving - of subsidized corporations is insufficient evidence that such subsidies have worked. What industries are kept smaller because government is directing resources artificially to auto producers? What jobs are not being created because auto jobs are protected? What excessively risky decisions are auto executives now taking, confident that their firms likely will be bailed out again when trouble strikes?

To conclude that today's U.S. economy is strengthened by the special privileges that inflate the profits of Detroit auto factories is like concluding that the antebellum U.S. economy was strengthened by the special privileges that inflated the profits of slave-based southern plantations. The higher profits of the special-privileged should not be mistaken for the greater prosperity of the people.

Sincerely,
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1 August 2013

Editor, The New Yorker

Dear Editor:

John Cassidy's analysis of Detroit's problems is surprisingly feeble ("Motown Down," Aug. 5). Why, for instance, does he uncritically accept Steven Rattner's assertion that that city's fiscal woes are a natural disaster, like hurricane Sandy, rather than a manmade one? Sure, consumer demands and industrial structures have changed since Detroit's heyday in the 1950s. But as Joseph Schumpeter famously explained in 1942, capitalist change is constant; it is unique neither to Detroit nor to the last few decades. Yet unlike today's Detroit, nearly all cities and regions adapt to this change and not only survive, but thrive. When reasonably free of government-imposed obstacles, the competitive market's incessant "destruction" is creative.

Chicago didn't collapse when its once-booming stockyards closed as meat-packers moved to rural areas. Denver isn't destroyed because it is no longer a mining town. And the shift of agriculture away from Silicon Valley obviously hasn't impoverished that region.

The forces that laid Detroit low were hardly beyond human control. The rulers of that city, for example, (according to the Lincoln Institute of Land Policy*) have imposed on Detroiters the highest effective rate of property taxation among America's 50 largest municipalities. Property-tax rates there run about double the U.S. average - a fact that, by itself, goes far toward explaining why so much of Detroit's landmass now lies abandoned and decrepit.

Sincerely,
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* http://www.cato.org/blog/detroits-high-property-taxes

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