



Comment on the Commentary of the Day

by

Donald J. Boudreaux

Chairman, Department of Economics

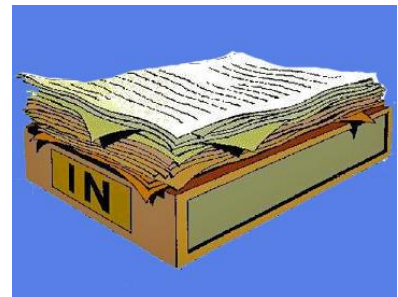
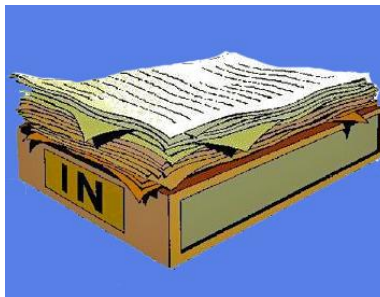
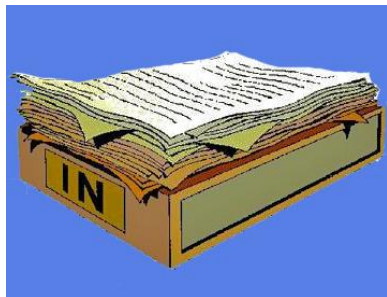
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Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet,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

4 August 2013

Mr. Mike Sweeney

Dear Mr. Sweeney:

You accuse me of being a poor economist because I argue against government-supplied trade-adjustment assistance for workers who lose jobs when Americans buy more imports. Your argument is that such job losses are "a social cost of trade" - a cost not fully accounted for by economic decision-makers. Asserting that workers "don't do anything to deserve import induced unemployment," you insist that taxpayer-funded trade-adjustment assistance "internalizes the social cost of free trade."

With respect, your economics is faulty. Most obviously, you miss the elementary distinction between pecuniary externalities and technological externalities. Therefore, you miss the fact that even in principle only the latter call for corrective government taxation or subsidization. Job losses due to changes in the patterns of consumer demands are pecuniary externalities and, thus, even in principle require no correction by the state.

Relatedly, let me ask if you think that consumers should be taxed every time market forces lower the prices of food, clothing, and other household goods. Consumers, after all, "don't do anything to deserve" these lower prices; these lower prices are delivered to consumers gratis. To be consistent, you ought to favor such taxation: if people "should" be protected with subsidies by government from one of the 'undeserved' costs of participating in a competitive economy (namely, having to compete), then people should also be taxed extra amounts so that they are disgorged of the gargantuan undeserved benefits they enjoy from participating in that economy.

Sincerely,

Donald J. Boudreaux

Professor of Economics

and

Martha and Nelson Getchell Chair for the Study of Free Market Capitalism at the
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6 August 2013

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

Dear Editor:

Peter Navarro offers up a dog's breakfast of poor excuses for infringing Americans' freedom to buy steel made in China ("The Price of 'Made in China'," August 5). Especially weak is his assertion that "every job China gains by dumping steel into American markets is an American job lost."

Mr. Navarro naively ignores the jobs created in America by the additional spending made possible from the savings we Americans enjoy by buying less-costly steel from China. More fundamentally, his thesis justifies government obstruction of ALL activities that threaten the jobs of any particular group of American workers. For example, no less than do 'cheap' imports of steel, improvements in techniques for recycling steel 'destroy' some American steelworkers' jobs. Likewise for advances in the production of carbon-fiber. Likewise for new bauxite discoveries, which lower the price of aluminum.

Unless Mr. Navarro can make a persuasive case for protecting American steelworkers' jobs by punitively taxing research that improves metals recycling, or for punitively taxing the production of carbon-fiber sheets, or for punitively taxing the exploration for new deposits of bauxite, his case for protecting American steelworkers' jobs by punitively taxing Americans' purchases of Chinese-made steel deserves to be ridiculed as the antediluvian slice of economic ignorance that it is.

Sincerely,
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6 August 2013

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

Dear Editor:

Lauren Hersh proposes to stop the sex trafficking of underage girls by having the demand for prostitution "eliminated" (Letters, August 6). This proposal is fanciful. The world's oldest profession is precisely that because the demand for commercial sex is eternal.

Here's a better idea: legalize prostitution. If men can legally buy sex from women 18 years of age or older, men will have less demand to patronize children. And sex entrepreneurs will have less incentive to 'supply' children. With all prostitution being illegal, those who demand as well as those who supply commercial sex are subject to prosecution regardless of the age of the women they patronize or employ. By making adult prostitution legal, however, not only will that trade become more open to public scrutiny, but also the ability of those in the commercial-sex market to avoid prosecution simply by patronizing and employing women aged 18 or older will likely dramatically reduce incentives to turn young girls into prostitutes.

Recognizing that the likes of Anheuser-Busch and Seagram's do not peddle their legal substances to children, while suppliers of the likes of marijuana and cocaine do peddle their ILLEGAL substances to children, suggests that legalizing adult prostitution would go far toward protecting children from being lured or forced into the sex trade.

Sincerely,
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9 August 2013

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

Dear Editor:

David Brooks argues that "In theory, it is possible that gentle nudges [from government] will turn into intrusive diktats," but that in practice such a transformation hasn't often happened. Therefore, reasons Mr. Brooks, more nudging by government is unlikely to result in more diktats. "Gentle" nudging will remain the norm ("The Nudge Debate," August 9).

I disagree. One reason why the empirical record isn't more full of nudges turning into diktats is that government typically issues diktats from the get-go. We Americans were commanded, without any prior "nudging," to use low flow faucets. We were commanded, without prior "nudging," not to use marijuana. We were commanded, without prior "nudging," to set aside a portion of our earnings into Social Security. Ditto, of course, for countless other aspects of our lives.

If the arrogant busybodies who itch to practice social engineering are somehow persuaded to launch more of their engineering projects with "nudges" rather than with diktats, any significant failure of those "nudges" to produce the desired socially engineered outcomes will inevitably be taken as proof that those "nudges" should be turned into commands.

Sincerely,
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10 August 2013

Prof. Paul Krugman
Department of Economics
Princeton University
Princeton, NJ

Dear Prof. Krugman:

On your blog you write - in response to the popularity of the Hayek-Keynes rap videos done by John Papola and my co-blogger, Russ Roberts - that "back in the 30s nobody except Hayek would have considered his views a serious rival to those of Keynes"

("More On The Disappearance Of Milton Friedman," Aug. 9).

Do you regard the Nobel economist John Hicks to be "nobody"? In his 1967 article "The Hayek Story," Hicks - who was professionally active during the 1930s - observed that "When the definitive history of economic analysis during the nineteen thirties comes to be written, a leading character in the drama (it was quite a drama) will be Professor Hayek.... Hayek's economic writings ... are almost unknown to the modern student; it is hardly remembered that there was a time when the new theories of Hayek were the principal rival of the new theories of Keynes. Which was right, Keynes or Hayek?"*

Reasonable people can disagree over the relative merits of Hayek's and Keynes's economics, but no one who is familiar with the history of economic thought can deny that Hayek's views in the 1930s were indeed "a serious rival to those of Keynes."

Sincerely,
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14 August 2013

Editor, Politico

Dear Editor:

You title your report on the U.S. Commerce Department's recent grant of special privileges to American shrimpers "Commerce slaps foreign shrimpers with taxes" (Aug. 13).

This title is deceptive. A more accurate and informative title would be "Commerce slaps American shrimp consumers with taxes."

This tariff - as with all protectionist measures - is first and foremost an attack on domestic consumers. By portraying it as an action aimed at foreigners, you divert readers' attention from a reality that crony-coddling government officials would prefer to keep hidden, namely, that those whose freedom to spend their money as they choose is impeded and whose cost of feeding their families is unnecessarily raised by this tariff are Americans.

Sincerely,
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14 August 2013

Members, Republican Governors Association

Dear Republican Governors:

At my home in Fairfax, Virginia, this evening I saw your tv commercial criticizing Democratic Virginia gubernatorial candidate Terry McAuliffe. The torrent of economic stupidity that is your commercial, while insufficient to convince me to support Mr. McAuliffe, is more than sufficient to convince me not to support Ken Cuccinelli, his GOP rival.

The commercial accuses Mr. McAuliffe of hypocrisy because, while he brags about creating jobs as an American businessman, he also once proposed to outsource some jobs for his business to China.

Your criticism of Mr. McAuliffe's off-shoring of some jobs to China is rank economic idiocy. Do Republicans not understand that nations gain from foreign trade? Are you as ignorant as are Democrats of the dangers inherent in unleashing government to protect firms and workers from the forces of global competition? Is your grasp of economics really so weak that you do not comprehend that a firm that saves money by buying some services from lower-cost foreign suppliers is able not only to supply domestic consumers with lower-priced products but also able to expand its domestic operations on other fronts?

Establishment Republicans boast of being economically informed champions of free markets. Your commercial, however, is evidence that such a boast is nothing more than a farcical pretense.

Sincerely,
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