



Comment on the Commentary of the Day

by

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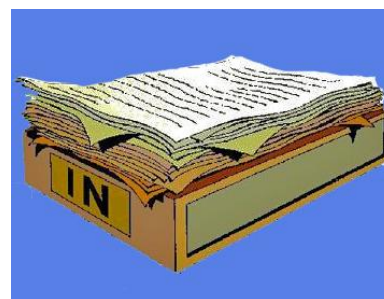
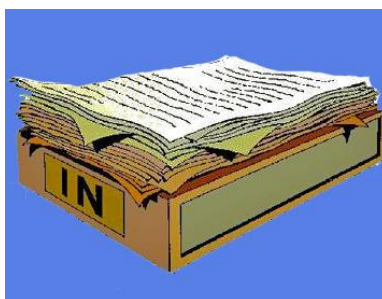
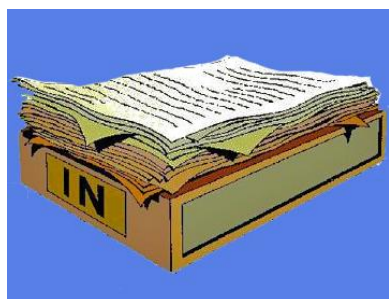
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Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet,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

31 August 2013

Editor, Media Matters

Dear Editor:

Samantha Wyatt criticized NPR for reporting that raising the minimum wage might increase unemployment among low-skilled workers ("NPR Pushes Myth That Raising Minimum Wage Would Kill Jobs," Aug. 30). According to Ms. Wyatt, "economic studies have concluded that raising the minimum wage has no effect on employment."

She's misinformed. While there are indeed some studies showing no measurable negative effects of higher minimum wages on employment, many other studies find the opposite. For instance, Texas A&M economists Jonathan Meer and Jeremy West recently concluded that "Using a long state-year panel on the population of private-sector employers in the United States, we find that the minimum wage reduces net job growth, primarily through its effect on job creation by expanding establishments."* And this study is hardly an outlier. For Ms. Wyatt to suggest that economists have reached a consensus conclusion that minimum-wage legislation doesn't reduce the job prospects of low-skilled workers is both wrong and irresponsible.

Empirically detecting the consequences of legislation, such as the minimum wage, that affects a relative small number of workers is inherently difficult - especially given that employment prospects are affected also by dozens of other forces simultaneously in play in the economy. Sound theory cannot be abandoned. And sound theory makes the burden of persuasion very heavy for those who insist that raising employers' cost of hiring workers will have no negative effects on workers' job prospects. Contrary to Ms. Wyatt's reckless insistence, the empirical record of minimum-wage hikes doesn't remotely begin to bear this burden.

Sincerely,

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and

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* "Effects of the Minimum Wage on Employment Dynamics" (August 2013):
<http://www.nber.org/papers/w19262>

4 September 2013

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

Dear Editor:

You rightly praise the late Ronald Coase for warning against people who, intoxicated by hubris, seek to use government force to try to engineer the world into a better state ("The Wisdom of Ronald Coase," Sept. 4). And you also frequently – and correctly – point to the Obama administration's ham-fisted interventions into the economy as manifestations of the destructive arrogance that Mr. Coase criticized.

And yet on the same page on which you praise Mr. Coase for counseling humility, you ("Water's Edge Republicans") and William Galston ("Syria and the Iraq Syndrome") endorse the Obama administration's plan to unleash Uncle Sam's military might on the Syrian government – a government that poses no real threat to Americans.

You should take more seriously Mr. Coase's warnings against hyperactive government – perhaps by pondering his wise admonition that "To ignore the government's poor performance of its present duties when deciding on whether it should or should not take on new duties is obviously wrong."*

Why do you suppose that the same government that fails so regularly at home will succeed abroad? What reason, do tell, justifies government humility only in domestic affairs or only for bureaucracies not housed in pentagon-shaped buildings?

Sincerely,
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* Ronald H. Coase, "Economists and Public Policy," (1974), reprinted in R.H. Coase, *Essays on Economics and Economists* (Chicago: University of Chicago Press, 1994), p. 63.

5 September 2013
Editor, *MIT Technology Review*

Dear Editor:

Martin LaMonica uncritically summarizes Suzanne Berger's case for government intervention to ensure more "domestic production" - that is, for subsidies and other politicized efforts to artificially promote more manufacturing employment in the U.S. ("Suzanne Berger argues for domestic manufacturing," Aug. 21). Several flaws mar Prof. Berger's analysis.

For example, she mistakenly presumes that manufacturing output and manufacturing employment necessarily move in the same direction. In fact, however, a fall in the latter does not imply a fall in the former. Precisely because of the technological advances (such as 3D printing) that Prof. Berger rightly praises for increasing workers' productivity, manufacturing output can rise even though manufacturing employment falls - which is what has occurred in America over the past 35 years.

Also questionable is Prof. Berger's presumption that because (in Mr. LaMonica's words) "manufacturers and suppliers are smaller today ... [t]here are fewer resources to fund research, train workers, and scale up new ideas to commercialization." The economic historian Joel Mokyr reports, in contrast, that "the evidence suggests that small firms tend to be superior in the research and development process. Only in unusual cases are the costs and risks of an innovation so large as to require the resources of a large firm to carry out the work."*

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* Joel Mokyr, *The Lever of Riches* (New York: Oxford University Press, 1990), p. 267.

6 September 2013

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

Dear Editor:

You report that "Hundreds protest against Wal-Mart in 15 cities, demanding higher wages" (Sept. 6).

Why protest only against Wal-Mart? The fact that many people choose to work for that company at wages that protestors consider to be too low means that every other company in the world also refuses to offer these workers (with their current skills) higher-paying jobs. Indeed, Wal-Mart clearly *bests* these other companies - and *bests* also non-profit employers such as government - at making attractive offers to its workers.

The fact that no other employers are willing to pay these workers higher wages reveals that the cause of these workers' relatively low wages is their low skills. The only truly effective protest against low wages, therefore, lies in actions that can be taken only by each individual worker - namely, gaining relevant experience and valuable skills. It's ironic and tragic that those who insist on raising the legislated minimum wage demand a policy that, by making entry-level jobs more scarce, denies many workers the opportunity to make themselves more prized to employers.

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