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Comment on the Commentary of the Day

by

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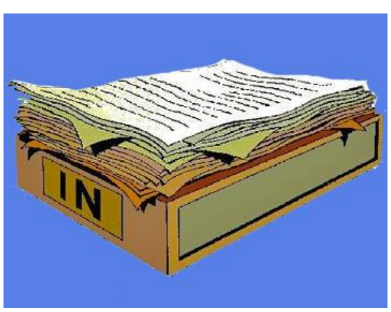

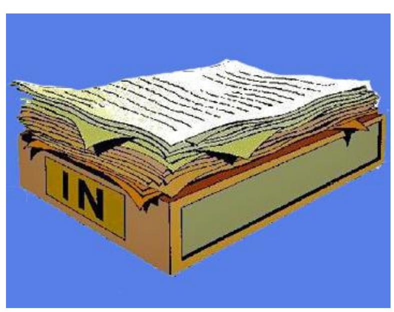

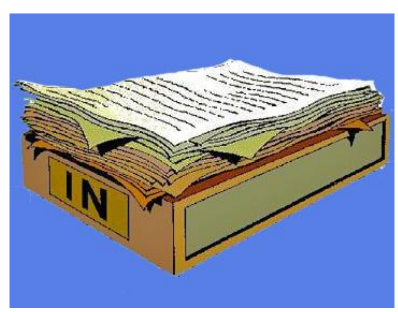

Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet, and if they are, they may require registration or subscription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

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24 September 2013

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

Dear Editor:

Appalled by "payday loans" - small amounts of money lent by private creditors charging high interest rates to poor people in need of liquidity - Thomas Edsall concludes that "In the current political climate, there is little prospect for a major initiative to improve life chances for those at the bottom. But there is more we can do: enact restraints on predatory lending" ("Making Money Off the Poor," Sept. 24).

Not so. If payday lending really is the stupendous source of easy and unfair profits that Mr. Edsall supposes it to be, Mr. Edsall himself can immediately improve the lot of the poor by entering this line of business. With average loan amounts of $350, Mr. Edsall and his many smart and caring colleagues at the *Times* can easily scrape up enough money to lend at far lower rates of interest to thousands of customers seeking payday loans.

If Mr. Edsall's economics is correct, he will not only earn profits from his lending activities (and thereby become able to extend even more loans on less "usurious" terms to the poor), he will also, without any government intervention, kill off with his better financing terms the "predatory" lending practices that he despises. And he'll achieve these happy outcomes by expanding - rather than by restraining (as he now proposes to do) - the ability of poor people to choose to borrow for short-term financing needs.

Sincerely,
Donald J. Boudreaux
Professor of Economics
and
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27 September 2013

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

Dear Editor:

In the course of rightly criticizing crony capitalists who hypocritically bemoan being overburdened by the very government that gives them special privileges, Paul Krugman not only paints with too broad a brush against 'the rich'; he makes at least two logical errors ("Plutocrats Feeling Persecuted," Sept. 27).

The first error occurs when Mr. Krugman writes that "thanks to surging inequality, these petty people [the "plutocrats"] have a lot of money." Contrary to Mr. Krugman's implication, however, crony capitalists "have a lot of money" not because of rising inequality but, rather, because government gives them special privileges. Inequality here is the RESULT of actions by the agency so trusted by Mr. Krugman - the state - rather than the SOURCE of itself.

Mr. Krugman's second error is his claim that "money brings power." In fact, only government brings power. While it's true that people with lots of money are disproportionately able to use whatever government power exists, a government of few and strictly limited powers would be unable to grant special privileges even to the wealthiest of people. The root problem, therefore, isn't "money" or "the rich"; it is, instead, the existence of the expansive and vigorous government power that Mr. Krugman famously, if illogically, believes is key to freedom, prosperity, and greater equality.

Sincerely,
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6 October 2013

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

Dear Editor:

George Will recognizes that limits on campaign contributions thwart competition for incumbent politicians' seats ("Supreme Court can rescue another freedom in a campaign cash case," October 6).

If executives for profitable and established companies such as Apple and Wal-Mart persuaded Congress to cap the amounts that banks, venture capitalists, rich uncles, and other financiers may invest in private firms, including upstarts, this restriction would be widely seen as an anti-competitive and unjust scheme to stymie economic competition. New rivals would be disproportionately bridled in acquiring the means - money - to buy the inputs necessary for competing successfully against incumbent firms.

Yet when identical schemes are launched by sitting politicians to limit campaign contributions, many people - especially from the "Progressive" left - turn blind eyes to the anti-competitive nature and consequences of these financing restrictions. Do "Progressives" truly believe that corruption is reduced and the public well-served by protecting sitting politicians from the competition that comes from obscure rivals who have no access to the free publicity that comes with incumbency? Are "Progressives" really so naive?

Sincerely,
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8 October 2013

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

Dear Editor:

In "Politicians for Sale" (Oct. 8) you support legislated limits on the amounts of money that citizens may contribute to political candidates. Your argument sensibly assumes that profitable exchanges between buyers (interest groups) and sellers (politicians peddling political favors) are less likely to occur if government (by limiting private campaign contributions) successfully forces the profits from these exchanges to be lower than they would otherwise be. In short, if government makes the exchange of political favors less profitable, fewer such favors will be bought and sold.

Without my opining on the legal or ethical merits of campaign-contribution limitations, I beg you to generalize the economic insight that underlies your call for such limitations. Specifically, apply that insight to minimum-wage legislation and ask: If government shrinks the market for political favors by reducing the profitability of exchanging such favors, doesn't government also shrink the market for low-skilled workers by reducing - with minimum-wage legislation - the profitability of hiring such workers?

Why, in other words, do you assume that textbook economics correctly predicts how politicians and lobbyists respond to changed incentives but, when you express support for a higher minimum wage, you assume that textbook economics incorrectly predicts how employers of low-skilled workers respond to changed incentives?

Sincerely,
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