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Comment on the Commentary of the Day

by

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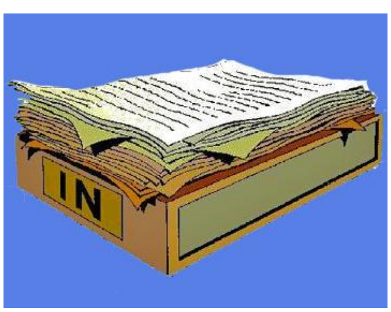

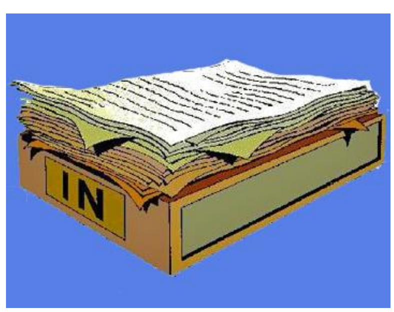

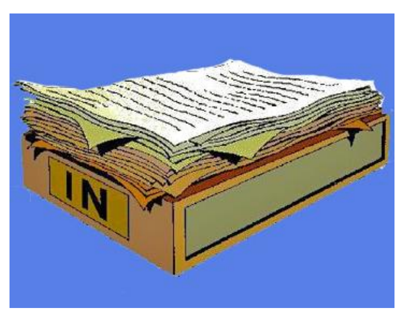

Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet, and if they are, they may require registration or subscription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

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13 October 2013

Mr. Aaron the Aaron

Dear Mr. the Aaron:

You repeatedly allege - as you do today - that my opposition to minimum-wage legislation "proves" that I "ignore science." Yet three days ago you wrote to assert that my support for free trade "exposes" my "callousness" toward "workers victimized by corporations outsourcing to cheap labor countries."

A mark of sound scientific thinking is consistency and generalizability. Do you not see your own inconsistency and failure to generalize?

When the subject is international trade you correctly recognize that, all other things equal, firms prefer to pay workers lower rather than higher wages and will, as a result, actively exploit all such profit-enhancing opportunities to lower their production costs. So why do you not recognize that the same economic motivation and opportunities exist when the subject is the minimum wage?

How can it be that firms are so sensitive to international differences in wages that they greedily lower their production costs whenever possible by shifting away from using higher-wage to lower-wage workers, yet simultaneously are so insensitive to legislated hikes in domestic wages that these firms simply absorb, with no attempts to reduce, the higher costs imposed on them by minimum-wage legislation? Can you square this circle for me?

Sincerely,
Donald J. Boudreaux
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and
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14 October 2013

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

Dear Editor:

Marc Levinson offers a splendid history of A&P and of the Robinson-Patman Act's assault on that company's efforts to translate its superior efficiencies into lower grocery prices for consumers ("When Creative Destruction Visited the Mom-and-Pops," Oct. 12).

The Robinson-Patman Act of 1936, although trumpeted as an act to enhance competition, is such a barefaced effort to protect politically influential producers from having to compete against more innovative rivals that it was called by the late Donald Dewey - a usually soft-spoken antitrust scholar at Columbia University - "an execrable concession to small business groups and an insult to the public intelligence."*

Indeed it is. Unfortunately, other antitrust statutes, including the Sherman Act, differ from Robinson-Patman only in being less blatant about their anti-competitive goals.

Sincerely,
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* Donald Dewey, *Monopoly in Economics and Law* (Chicago: Rand McNally & Co., 1959), p. 198.

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31 October 2013

Sen. Robert Menendez (D-NJ)
Capitol Hill
Washington, DC

Dear Sen. Menendez:

NPR reported yesterday on your opposition to eliminating subsidies for flood-insurance premiums.* You correctly note that eliminating these subsidies will cause insurance premiums to rise for residents of flood-prone locations. But you incorrectly predict that this rise in premiums will be a "man-made disaster." The reality is the very opposite of what you predict.

Man-made disasters are CREATED by the artificially low premiums that you advocate. Subsidized premiums encourage the over-population of flood-prone regions, as well as discourage residents of those areas from taking appropriate care to protect their properties from flood damage.

Allowing these premiums to rise to unsubsidized levels would - by encouraging people to make more prudent decisions regarding where to live and about how to protect their properties - reduce both the property damage and the number of fatalities caused in the future by heavy rains and swelling rivers.

There are few better sources of man-made disasters than subsidized insurance rates.

Sincerely,
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* "In Sandy's Wake, Flood Zones And Insurance Rates Re-Examined": http://www.npr.org/2013/10/30/241690144/in-sandys-wake-fema-re-examines-flood-insurance-rates

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3 November 2013

Program Director, WTOP Radio
Washington, DC

Dear Sir or Madam:

To open his report on DC councilman Tommy Wells's call to raise the District's minimum wage, John Aaron misleadingly asked "Are higher wages coming to D.C.?" This question mistakenly implies that wages can be raised by legislative fiat. They cannot. While a higher minimum wage will push the wages of some workers up, it will cause the wages of other workers to fall to zero. The reason is that a higher minimum wage prices the lowest-skilled workers out of jobs.

Suppose Mr. Wells - wishing to help weaker college students get better credentials to make them more attractive to future employers - proposed to raise the grades of all college students in the District with legislation that prohibits colleges from assigning course grades lower than B. If universities such as Georgetown and American wish to retain their reputations for giving honest grades - that is, grades that accurately reflect each student's performance - these schools will adjust to the legislation by no longer admitting weaker students. Only the best of the best will be admitted; weaker students will be denied admission.

Of course, such legislation will cause REPORTED grades to rise (because grades lower than B will be illegal). But it would be wrong to conclude that such legislation actually improves overall student performance and helps weaker students get good jobs after college. Just as legislated minimum grades do not turn C students into A or B students, legislated minimum wages do not raise the pay of low-skilled workers who cannot produce enough per hour to justify their employment at the higher minimum wage. Minimum-wage legislation causes such workers to be denied admission to the job market.

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