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Comment on the Commentary of the Day

by

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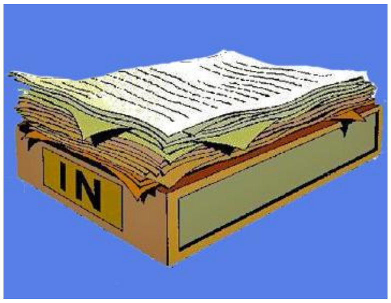

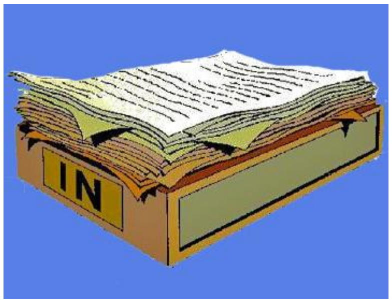

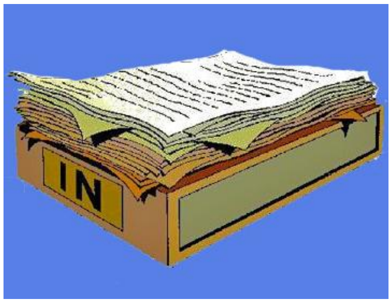

Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet, and if they are, they may require registration or subscription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

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4 November 2013

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

Dear Editor:

Your headline today reads "Under Health Care Act, Millions Eligible for Free Policies."

More accurate wording would be "Under Health Care Act, Millions Eligible to Free Ride at Other People's Expense." That the people actually paying for all this "free" health insurance are faceless does not make them illusory - only invisible. And being invisible, the people footing the bill are ignored by Pres. Obama and other politicians preening publicly over their faux-generosity in spending other people's money to bribe voters with promises of "free" health insurance.

The ethics of this situation are abominable, and the economics are no better. Hippopotamuses will fly before reams of rococo regulations, taxes, and sanctions will prevent recipients of "free" policies from over-consuming and inefficiently using health-care resources - and, hence, from driving health-care costs to astronomical heights or health-care availability to dangerous lows.

Sincerely,
Donald J. Boudreaux
Professor of Economics
and
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6 November 2013

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

Dear Editor:

Matt Miller includes himself among those "who think the health security the Affordable Care Act provides marks a fundamental advance in America's social contract" ("Obamacare's well-insured critics," Nov. 6).

Mr. Miller needs a refresher on the definition of "contract."

A contract binds parties who voluntarily agree to be bound by its provisions. Central to this definition of "contract" is the presumption that all parties to the contract know the provisions to which they agree. But because Obamacare passed without a single favorable vote of the opposition party, because it passed by a narrow margin in the House of Representatives, and because even some of Obamacare's enthusiastic Congressional supporters admitted that they did not know all of the provisions of the bill, to call Obamacare part of a "social contract" is a dishonest attempt to clothe that legislation with a legitimacy that it does not possess.

Unchecked political majorities often run roughshod over minorities - forcing, in each case, the minority to obey the majority's commands (rather than, as with true contracts, bargaining with parties who remain free to refuse any and all contractual offers). No realistic person doubts this regrettable reality. Please, though, let's not perfume up and glorify such exercises of raw majoritarian power by calling their outcomes part of a "social contract."

Sincerely,
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7 November 2013

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

Dear Editor:

Despite writing confidently about the trade deficit, Jared Bernstein and Dean Baker do not understand what they're writing about ("Taking Aim at the Wrong Deficit," Nov. 7). For example, it is simply wrong to assert that "Running a trade deficit means that income generated in the United States is being spent elsewhere" and not in America.

In fact, nearly every dollar in America's trade deficit is, after going abroad briefly, spent in America. Why would it be otherwise? Foreigners, like Americans, accept dollars in exchange for what they sell to Americans only because they wish to spend or invest those dollars in America. Dollars not destined to return as demand to America are as worthless to their holders as is Monopoly money - and foreigners are quite unwilling sell their exports for Monopoly money.

When, say, foreigners buy U.S. government bonds, these purchases raise America's trade deficit. The dollars used to buy these bonds, however, obviously come back to America and are spent here (in this case by Uncle Sam). So Messrs. Bernstein's and Baker's claim that a U.S. trade deficit creates a "gap in demand" is incorrect. This error is so fundamental that those who commit it have no business offering advice about economic policy.

Sincerely,
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Mr. Bob Keener
Businessforafairminiumumwage.org

Dear Mr. Keener:

In your e-mail today you "applaud" Pres. Obama's call to raise the minimum wage. In that e-mail you include a list of papers purporting to show that higher minimum wages cause no job losses.

Your case for a higher minimum wage is unpersuasive.

First, the argument against the minimum wage doesn't strictly predict that such legislation causes a measurable rise in the rate of unemployment. Rather, the case is that the higher is the minimum wage the worse are low-skilled worker's job opportunities. These worse opportunities likely (but not necessarily) do include fewer jobs for such workers, but they include also deterioration on other fronts of low-skilled workers' job fortunes. For example, as a result of a higher minimum wage low-skilled workers who remain employed might enjoy fewer opportunities for overtime work or suffer greater pressures to work faster and with fewer breaks. The ways that employers adjust to offset the higher costs imposed by a minimum wage are numerous. All such ways reduce low-skilled-workers' well-being.

Second, just as you supply a list of papers showing no negative effect of the minimum wage on employment rates, I can supply a list of papers showing the opposite. (And I dare say that my list will be longer than yours.) So how do we decide which of these lists to believe? I propose a mental experiment.

Suppose that government mandates for all teenagers and high-school dropouts, not a minimum wage, but a *maximum* wage (of, say, $4.00 per hour). Do you think that teenagers and high-school dropouts will simply absorb this forced wage cut without responding in ways to offset its reduction in their monetary well-being? Do you deny that these workers will, because of this legislation, perhaps reduce the number of hours they are willing to work, or reduce the diligence and energy with which they work?

If you understand that workers will adjust to a legislated maximum wage in ways that cut their losses, why do you continue to insist that businesses will not adjust to a legislated minimum wage in ways that cut their losses? Are business people more malleable, more public spirited, or less greedy than are workers? Are business executives less crafty and less able than are low-skilled workers to adjust in cost-saving ways to government-imposed regulatory burdens?

Unless you answer 'yes' to these questions, you should - if you truly aim to help low-skilled workers - rethink your support for legislation that raises businesses's costs of employing such workers.

Sincerely,
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10 November 2013

Mr. Thomas Perez, Secretary of Labor
United States Government

Washington, DC

Dear Mr. Perez:

The Huffington Post reports that, in expressing support for a 39 percent hike in the minimum wage, you proclaimed "Here's the bottom line: No one who works a full time job should have to live in poverty" ("Obama's $10.10 Minimum Wage Would Fundamentally Change America," Nov. 8).

You speak as if prices (here, the price of labor) can be dictated by government without unintended ill-consequences.

Assuming that your theory of wage and price determination is correct, why not, instead of commanding all employers to raise by 39 percent the wages paid to their low-skilled employees, command all firms to REDUCE by 39 percent the prices charged for the products they sell to consumers? By increasing by 39 percent the purchasing power of the current minimum wage of $7.25, this across-the board price-reduction policy would - like a higher minimum wage - achieve your goal of raising all low-skilled full-time workers out of poverty. At the same time, though, it would raise the living standards also of middle-class Americans (who, we're told, have stagnated economically for the past three decades).

Think of the enormous benefits that government would create for ALL Americans by ordering supermarkets to cut their prices by 39 percent - so that, for example, the per-pound price of apples would fall from $2.50 to $1.53, the price of a gallon of milk from $3.00 to $1.83, and the price of a dozen eggs from $1.79 to $1.09. Americans will also cheer government-mandated 39 percent cuts in the prices of everything else - from clothing, housing, gasoline, medicines, and automobiles to music downloads, tall lattes, holiday decorations, mani-pedis, and tattooing services.

If government can indeed make people wealthier merely by commanding prices to change, your proposal to raise the minimum wage is unethically too modest. Uncle Sam's god-like power over prices should be exerted much more ambitiously.

Sincerely,
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