



Comment on the Commentary of the Day

by

Donald J. Boudreaux

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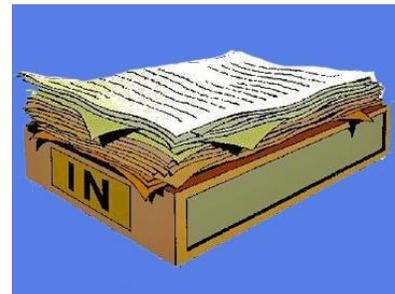
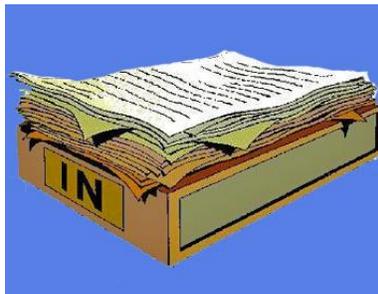
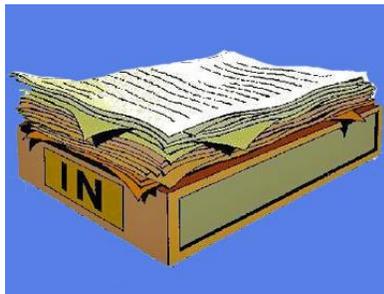
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Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet,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

25 November 2013

Editor, The New Yorker

Dear Editor:

James Surowiecki correctly argues that GDP - a statistic based on the premise that "the more stuff we're producing for sale, the better off we are" - underestimates today's economic growth. The reason highlighted by Mr. Surowiecki is that "a huge chunk of the time we spend online is spent consuming stuff that we don't pay for" ("Gross Domestic Freebie," Nov. 25).

Yet it's not only the rich array of free-to-the-consumer digital offerings that is missed by GDP measures. Also missed are the many small improvements in the quality of more traditional consumer goods - improvements that are the equivalent in the physical economy of free online content.

Two examples: First, celery sold at my neighborhood Safeway now comes in plastic bags that are resealable. The celery producer, though, doesn't charge extra for this useful feature. Second, an automobile today can be driven for 100,000 miles before needing a tune-up. This improved automobile quality means that a good deal of routine automobile maintenance that drivers once paid for is now effectively supplied free of charge. GDP captures the value of neither of these improvements.

As we grow wealthier, our demands are less and less for greater quantities of existing products and more and more for improved product quality - economic outputs that, like free online content, are inherently difficult to capture in GDP statistics.

Sincerely,

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and

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26 November 2013

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

Dear Editor:

'If Mayors Ruled the World' author Benjamin Barber is quoted by reviewer Sam Roberts as predicting that "If mayors ruled the world, the more than 3.5 billion people ... who are urban dwellers and the many more in the exurban neighborhoods beyond could participate locally and cooperate globally at the same time - a miracle of civic 'glocality' promising pragmatism instead of politics, innovation rather than ideology and solutions in place of sovereignty" ("Their Honors," Nov. 24).

Whatever wonders mayors might launch by ruling humanity, making possible ordinary people's local participation in an on-going innovative process of pragmatic global cooperation that is largely indifferent to political sovereignty won't be among them. Such a process is already well underway. It's called globalization.

Even the most commonplace items that we consume in modern society are the results of the creativity, risk taking, and efforts of literally millions of people from around the world. The computer that Mr. Barber used to write his book was likely designed in California and assembled in Suzhou, China, from raw materials and parts transported from the Americas, Africa, and Europe on vehicles built in Germany, Japan, Norway, South Korea, and the U.S. Financing and insurance for this globe-spanning supply chain were supplied by investors and institutions from Seattle to Sydney, Lima to London, and Melbourne to Montreal. As the *New York Times* reported in 2011, "Manufacturing is outsourced around the world, with each component made in locations chosen for expertise and low costs. So today's computer or smartphone is, figuratively, a United Nations assembly of parts."*

That Mr. Barber thinks that ordinary people's local participation in an innovative process of global cooperation is only a dream of the future - and one whose realization requires a major change in political governance - reveals his blindness to a blazing reality that surrounds him daily.

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* "Stress Test for the Global Supply Chain," *New York Times*, March 19, 2011:
http://www.nytimes.com/2011/03/20/business/20supply.html?pagewanted=all&_r=0

29 November 2013

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

Dear Editor:

Regarding your report "Medicaid Growth Could Aggravate Doctor Shortage" (Nov. 29):

390 years ago the settlers of Plymouth Plantation abandoned their practice of allowing everyone to enjoy, as common property, the fruits of each other's labor. Gov. William Bradford reported that the result was a remarkable escape from the annual risk of starvation. The institution of private property, and its corresponding requirement that each person pay for what he or she consumes, prompted more responsible consumption as well as a greater outpouring of productive efforts.

This historical experience contains a lesson for health care. The problems highlighted in your report - a surge in health-care consumption along with a shortage of health-care resources - is a predictable result of turning health care into a common-property resource. Consumers have little incentive to consume it wisely while physicians and other health-care providers have little incentive to supply it in quantities sufficient to meet all of the demands for their services.

It sounds noble to many modern ears that health care should be supplied as a 'right.' It likewise sounded noble to the Pilgrims' ears that food should be supplied as a 'right.' But noble intentions are no substitute for proper economic incentives. Just as the Pilgrims' experiment with supplying food as a 'right' failed, so, too, will our effort to supply health care as a 'right' fail.

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* <http://cafehayek.com/2009/11/a-turkey-of-an-economic-system.html>

30 November 2013

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

Dear Editor:

Dana Milbank wants to "save America" by restoring military conscription ("Save America: Restore the Draft," Nov. 30). Horrible idea.

While Americans' values might be changing from those that ensure a civil and prosperous society, the problem isn't that our values are becoming insufficiently martial or communitarian. The problem is that our values are becoming insufficiently bourgeois.

History is replete with societies that bestowed their greatest rewards and honors on warriors. Those societies also embraced slavery and suffered enduring poverty. The 20th-century witnessed infamous nation-wide experiments with subjugating the individual to the Collective. Those experiments resulted in genocide and enduring poverty. Humankind escaped such atrocities only when and where bourgeois virtues and pursuits - such as self-responsibility, minding one's business, industriousness, and commercial enterprise - came to be held in high regard and widely practiced.

While bourgeois values and pursuits have long been, and remain, contemptible to too many professors, preachers, politicians, and pundits, the danger is that these values and pursuits are increasingly held in contempt again by the public. Conscription as endorsed by Mr. Milbank - premised on the anti-bourgeois superstition that the individual must be forcibly molded into an obedient subject by the supreme and mighty State - will only further erode those values that sustain a liberal and open society.

Sincerely,
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1 December 2013

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

Dear Editor:

Arindrajit Dube makes a strong case for minimum-wage legislation ("The Minimum We Can Do," Nov. 30) - but it's not strong enough. Here are two (of many) weaknesses in his case.

The first is Prof. Dube's dismissal of David Neumark's and William Wascher's research – empirical research that consistently shows that higher minimum wages reduce low-skilled workers' employment options. Prof. Dube claims that the higher unemployment that Neumark and Wascher attribute to minimum wages is in fact the result of long-run secular trends in the decline of low-wage employment – trends that are independent of minimum-wage legislation. But on pages 10-15 of the very paper by Neumark, Wascher, and J.M. Ian Salas* that Prof. Dube links to in his essay, these scholars explicitly DO account carefully for the trends that Prof. Dube accuses them of ignoring. And they still find that minimum-wage legislation significantly shrinks the employment options of low-skilled workers.

The second weakness is Prof. Dube's argument that "If McDonald's is required to pay a higher wage, fewer of its workers will leave to take other jobs. This means fewer vacancies at McDonald's, and it means other employers are more likely to fill their job openings from the ranks of the unemployed - both of which can help keep unemployment down."

Forget that this argument undermines a pet assertion of minimum-wage proponents that employers have monopsony power over low-skilled workers. (Monopsonist employers do not routinely lose workers to other employers.) Instead recognize that Prof. Dube overlooks the fact that when the turnover rate of McDonald's employees is high, then McDonald's restaurants themselves "are more likely to fill their job openings from the ranks of the unemployed." In other words, Prof. Dube's conclusion that employment is buoyed when McDonald's rate of worker turnover falls reflects his failure to recognize that, while a lower turnover rate at McDonald's might indeed cause other employers to hire more new workers from the ranks of the unemployed, it will also cause McDonald's to hire fewer such workers - thus offsetting the increased hiring by other employers.

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* "REVISITING THE MINIMUM WAGE-EMPLOYMENT DEBATE: THROWING OUT THE BABY WITH THE BATHWATER?" NBER Working Paper 18681 (January 2013): <http://www.nber.org/papers/w18681>

2 December 2013

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

Dear Editor:

Arguing for a higher minimum wage, Paul Krugman misleadingly suggests that the empirical case for raising that wage is far stronger than it really is ("Better Pay Now," Dec. 2).

He asserts, for example, that "If there were anything to the notion that minimum wage increases have big negative effects on employment, that result should show up in state-to-state comparisons. It doesn't."

Yet it does - at least in many studies that Mr. Krugman would have your readers believe do not exist. The most well known of these state-by-state comparison studies that find negative consequences of minimum-wage legislation are by economists David Neumark and William Wascher.*

The empirical record simply does not support Mr. Krugman's confident claim that "a minimum-wage increase would help low-paid workers, with few adverse side effects." Much closer to the truth is the former chairwoman of Pres. Obama's Council of Economic Advisers, Christina Romer, who, although she nevertheless supports raising the minimum wage, concedes that "[t]he economics of the minimum wage are complicated, and it's far from obvious what an increase would accomplish."**

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* For example: David Neumark, J.M. Ian Salas, and William Wascher, "Revisiting the Minimum Wage Employment Debate: Throwing Out the Baby with the Bathwater?" NBER Working Paper 18681 (January 2013):

<http://www.nber.org/papers/w18681>

and

David Neumark and J.M. Ian Salas, "Minimum Wages: Evaluating New Evidence on Employment Effects" (January 2013):

<http://cdn.epionline.org/studies/Neumark-01-2013.pdf>

** "The Business of the Minimum Wage," *New York Times*, March 2, 2013:

http://www.nytimes.com/2013/03/03/business/the-minimum-wage-employment-and-income-distribution.html?smid=pl-share&_r=2&

