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Comment on the Commentary of the Day

by

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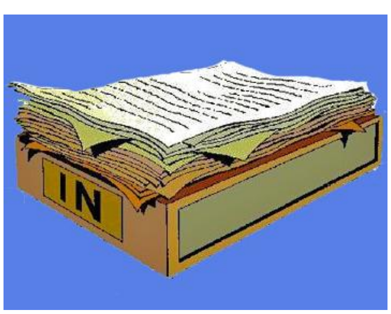

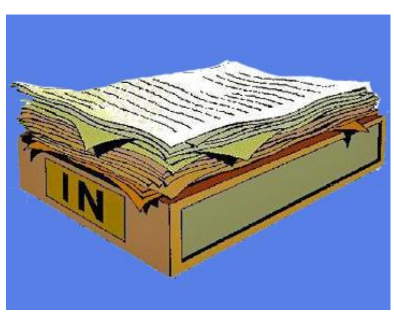

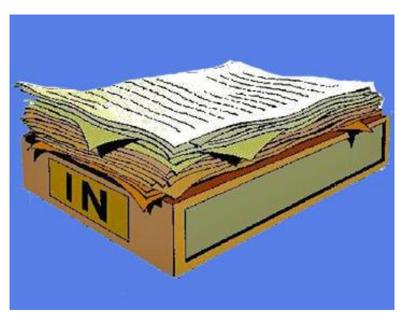

Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet, and if they are, they may require registration or subscription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

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9 December 2013

Mr. John Johnson
Independent Businessman and Consumer Advocate
Arlington, TX

Dear Mr. Johnson:

Thanks for your e-mail. In it you describe my opposition to proposals for Uncle Sam to restrict American exports of liquefied natural gas as "goofy."*

In fact, the case against such export restrictions is powerful. If you're interested in exploring the matter I'll be glad to send you links to scholarly studies that will convince you, if not to abandon your support for such restrictions, at least that the case against such restrictions isn't goofy. Short of a reading assignment, however, let me ask you to consider the following scenario.

Suppose that you're concerned that the cost of medical care for you and your neighbors will rise. Suppose also that a number of your neighbors' children are now in medical school while a number of others are considering applying for future admission. Would you then ask government to prohibit all newly trained physicians from your neighborhood from selling their services to people outside of your neighborhood?

If you ponder the matter carelessly you might favor such an export prohibition on the grounds that it will artificially increase the supply of medical care available within the confines of your neighborhood. But if you ponder the matter carefully you'll see that such a prohibition will likely backfire. Most notably, the prohibition itself will dampen the attractiveness of studying medicine and, therefore, will likely result in reduced, not enhanced, access for you and your neighbors to high-quality medical care.

In addition, other neighborhoods might retaliate against your neighborhood's policy by imposing their own restrictions on exports of medical services from their localities - thus further raising the costs of medical care for you and your neighbors.

While I agree that energy producers should not be subsidized, such subsidies do not justify export restrictions. Natural-gas supplies, like skilled physicians, do not occur naturally; they must be produced - and such production requires risk-taking, investment, and effort. Even with subsidies, to prevent those who undertake these activities from selling to as broad a customer base as they can reach is economically harmful. And at least insofar as such restrictions affect producers who are not subsidized - or who would willingly forego subsidies - such restrictions are also ethically offensive.

Sincerely,
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and
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* http://www.star-telegram.com/2013/12/03/5388909/lng-exports-way-to-boost-economy.html?rh=1

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10 December 2013

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

Dear Editor:

Harry Holzer writes about the minimum wage that "The biggest concern among economists is that imposing pay increases on employers will reduce the hiring of low-wage workers and raise unemployment. But in four decades of research by economists, this appears to be a small or nonexistent effect" ("Use caution in raising the minimum wage," Dec. 10). Yet the paper to which Prof. Holzer links for support of his claim finds just the opposite.

The authors of that paper, after surveying the empirical findings of more than 100 studies from around the world, conclude that "the oft-stated assertion that recent research fails to support the traditional view that the minimum wage reduces the employment of low-wage workers is clearly incorrect. A sizable majority of the studies surveyed in this monograph give a relatively consistent (although not always statistically significant) indication of negative employment effects of minimum wages. In addition, among the papers we view as providing the most credible evidence, almost all point to negative employment effects, both for the United States as well as for many other countries."*

Prof. Holzer might defend his claim by saying that the negative employment effects are real yet "small." But many of the studies reviewed by the authors of the paper clearly find large negative effects on the job prospects of the very workers meant to be helped by minimum-wage legislation - especially high-school dropouts, teenagers, and black youths. When these findings are combined with recognition of other ways that employers can also respond to mandated minimum wages - ways such reducing fringe benefits and demanding greater hourly efforts from workers - suggestions that minimum-wage legislation is a boon to low-skilled workers become too incredible to believe.

Sincerely,
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* http://www.nber.org/papers/w12663

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12 December 2013

The Editor, The Economist
25 St James's Street
London SW1A 1HG
United Kingdom

Sir:

Your attempt to justify minimum wages fails ("The logical floor," Dec. 12).

First, after announcing that "Scepticism about the merits of minimum wages remains this newspaper's starting-point," you abandon that scepticism on the grounds that income inequality is growing and workers' share of national income is shrinking. But however regrettable such trends might be, they are irrelevant to the case against minimum wages - a case that emphasizes employers' incentives to employ fewer low-skilled workers as the cost of employing these workers rises. Neither greater income inequality nor a lower share of national income going to workers in any way weakens those incentives.

Second, it is untrue that the classic case against minimum-wage legislation assumes that labor markets are perfectly competitive. Again, this case rests upon the recognition that all employers - even ones with monopsonistic power - will further economize on their use of labor as the cost of labor rises.

The truly unrealistic theory is the theory of monopsony that you use to justify the minimum wage. Even if, as you heroically assume, employers possess monopsony power over low-skilled workers, those employers also enjoy a variety of options for dealing with higher labor costs - options that include, most relevantly, the ability to replace workers with machines. Contrary to all-too typical sloppy interpretations of the monopsonistic theory of labor markets (in which employers are simply assumed not to increase their capital-labor ratios in response to higher wages), because incentives to economize on the use of labor intensify with rising costs of labor even for the most monopsonistic of employers, there's every reason to believe that higher minimum wages diminish the employment options of low-skilled workers regardless of how competitive or monopsonistic labor markets might be in reality.

Sincerely,
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16 December 2013

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

Dear Editor:

Asserting that "The best argument for putting inequality on the back burner is the depressed state of the economy," Paul Krugman explains why this "best" argument fails ("Why Inequality Matters," Dec. 16).

The problem, however, is that Mr. Krugman misidentifies the best argument against using government to reduce inequalities of incomes in a market economy. That argument has nothing to do with the state of the economy and everything to do with the dangers and immorality of public policies driven by envy.

We rightly condemn parents who teach children to envy the possessions of others; we properly censure parents who encourage children to steal rather than to produce and earn for themselves. If envy and thievery are antisocial, unethical, and worthy of condemnation when practiced at the individual level, they do not become social, ethical, and worthy of applause when practiced collectively through government.

Sincerely,
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