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Comment on the Commentary of the Day

by

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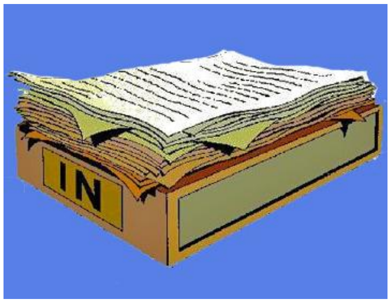

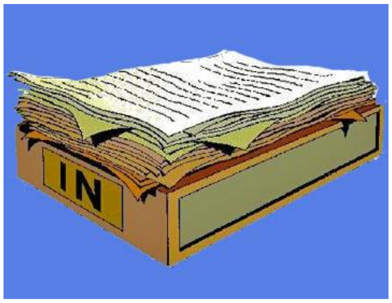

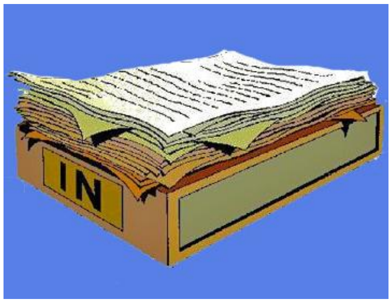

Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet, and if they are, they may require registration or subscription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

3 February 2013

Editor, The Sunday Gazette
Schenectady, NY

Dear Editor:

L.D. Davidson calls on the state legislature to raise New York's minimum-wage by 21 percent, from $7.25 to $8.75 ("Higher minimum wage would have big impact on New Yorkers," Feb. 3). Despite his essay's title, Mr. Davidson denies that this measure will have much impact on workers' prospects for employment.

I've some questions for Mr. Davidson and others who find his denial compelling.

Suppose your employer were to CUT your wage by 21 percent. Would you not respond negatively - say, by quitting your job or by working less diligently? If you answer "yes," why do you suppose that employers would not respond negatively to a forced 21 percent increase in the cost of employing low-skilled workers - say, by employing fewer such workers or by demanding a great deal more effort per hour from them? Do you believe that employers are less responsive to economic incentives than you are?

Or suppose that the legislature, rather than raise the minimum-wage by 21 percent, were instead to require all owners and managers of businesses daily to spend 13 minutes (or 21 percent of an hour) hopping in place on one leg while blindfolded for each minimum-wage worker they employ. Do you think that this legislated arbitrary increase in the cost of employing low-skilled workers might, just might, significantly reduce the employment of such workers? If so, why do you dismiss the concern that raising the minimum-wage - which policy is no less a legislated arbitrary increase in the cost of employing low-skilled workers – might significantly reduce the employment of such workers?

Sincerely,
Donald J. Boudreaux

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14 February 2013

Editor, Washington Post

1150 15th St., NW

Washington, DC 20071

Dear Editor:

George Will, inspired by Amity Shlaes new biography, writes admiringly of Calvin Coolidge ("Commander in brief," Feb. 14). Appropriately so.

H.L. Mencken, who initially had low regard for Coolidge, later revised his assessment of America's 30th president: "We suffer most when the White House bursts with ideas. With a World Saver [Wilson] preceding him (I count out Harding as a mere hallucination) and a Wonder Boy [Hoover] following him, he begins to seem, in retrospect, an extremely comfortable and even praiseworthy citizen. His failings are forgotten; the country remembers only the grateful fact that he let it alone. Well, there are worse epitaphs for a statesman. If the day ever comes when Jefferson's warnings are heeded at last, and we reduce government to its simplest terms, it may very well happen that Cal's bones now resting inconspicuously in the Vermont granite will come to be revered as those of a man who really did the nation some service."*

Sincerely,

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Professor of Economics

and

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* H.L. Mencken, "The Coolidge Mystery" (Jan. 30, 1933), reprinted in The Impossible Mencken, Marion Elizabeth Rodgers, ed. (New York: Anchor Books, 1991), pp. 417-418.

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17 February 2013

Mr. Barack Obama, President
Executive Branch
United States Government
1600 Pennsylvania Ave., NW
Washington, DC

Dear Mr. Obama:

In this year's State of the Union Show you called for the hourly minimum-wage to be raised from $7.25 to $9.00. That’s an increase of more than 24 percent. Because you trumpet this proposal as one to assist low-paid workers, you, presumably, deny that such a hike in the cost of hiring low-paid workers will prompt employers to hire fewer such workers.

In last year’s State of the Union Show you bragged of your administration's increase in the tariff rate on Chinese-made automobile tires. This tariff increase, which averages 30 percent over three years, is explicitly designed to dissuade Americans from buying Chinese-made tires - an effect that you recognize and applaud.

Question: If a government policy that artificially raises the price of Chinese-made tires reduces the quantities of such tires that are bought, why does a government policy that artificially raises the price of low-skilled labor not reduce the quantities of such labor that are hired?

I'm told that you're a man of science. I await your response.

Sincerely,
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Professor of Economics
and
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17 February 2013

Ms. Kristin Schall

Dear Ms. Schall:

Thanks for your e-mail. You allege that I and other "conservative economists are pigheaded in [our] refusal to recognize the revolutionary findings of scientific political economists." You describe these findings as "proving beyond a doubt" that "raising minimum wages does not destroy the jobs of poor, struggling workers." And you single out for praise the research of economists David Card and Alan Krueger.

Card and Krueger did indeed conduct empirical studies purporting to overturn the proposition that raising the legislated minimum-wage reduces the employment options of low-skilled workers. But I believe that their work falls far short of being the successful revolution in labor economics that you think it to be.

First, several empirical studies before and since the publication of Card's and Krueger's have shown results contrary to theirs.* It's simply untrue that there is such a bulk of empirical research in support of the Card-Krueger thesis that it has been proven "beyond a doubt." More importantly, evidence for their proposition is still so tentative that it is, in my opinion, insufficient to justify forcible interference by government in private labor contracts among consenting adults.

Second, Card's and Krueger's method of measuring the effects of raising minimum-wages – which involves surveying employers, before and after minimum-wage increases, to gauge their reaction to higher minimum-wages – is inadequate. To explain this inadequacy I quote economist Thomas Sowell; it's a lengthy quotation, but worthwhile to read in full:

"Imagine that an industry consists of ten firms, each hiring 1,000 workers before a minimum wage increase, for an industry total of 10,000 employees. If three of these firms go out of business between the first and second surveys, and only one new firm enters the industry, then only the seven firms that were in existence both "before" and "after" can be surveyed and their results reported. With fewer firms, employment per firm may increase, even if employment in the industry as a whole decreases. If, for example, the seven surviving firms and the new firm all hire 1,100 employees each, this means that the industry as a whole will have 8,800 employees – fewer than before the minimum wage increase – and yet a study of the seven surviving firms would show a 10 percent increase in employment in the firms surveyed, rather than the 12 percent decrease for the industry as a whole. Since minimum wages can cause unemployment by (1) reducing employment among all the firms, (2) pushing marginal firms into bankruptcy, or (3) discouraging the entry of replacement firms, reports based on surveying only survivors can create as false a conclusion as interviewing people who have played Russian roulette."**

Sincerely,
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UNIVERSITY *of*
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