2013 B>Quest BUSINESS QUEST 1996 - 2013

Comment on the Commentary of the Day

by

Donald J. Boudreaux

Chairman, Department of Economics

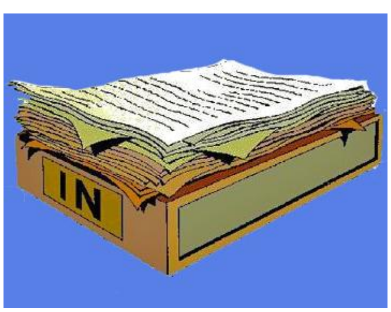
Martha and Nelson Getchell Chair for Free Market Capitalism

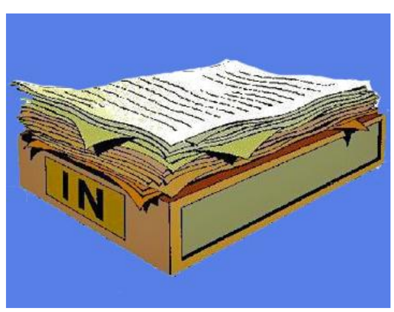
Mercatus Center

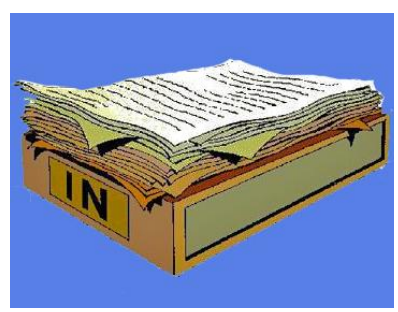
George Mason University

dboudrea@gmu.edu

http://www.cafehayek.com







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.

11 April 2013

Editor, New York Post

Dear Editor:

In "The art of free markets" (April 11), you rightly applaud Leonard Lauder's gift of cubist art to the Met. But such philanthropy is not the chief means by which free markets promote the arts.

Free markets greatly expand the availability of the leisure that is necessary for both the creation and enjoyment of art. Perhaps even more importantly, though, as my colleague Tyler Cowen documents in his book "In Praise of Commercial Culture,"* free markets also create a diverse range of high-quality, affordable media on which art is fashioned and through which it is shared widely with the public.

For example, it's only because of market-generated recording studios and consumer electronics that nearly every denizen of capitalist economies today can listen - whenever, wherever, and how ever often he or she pleases (and in high-quality stereo) - to some of history's finest performances of Handel's oratorios, Beethoven's symphonies, and Gershwin's musicals. Think about it: without these free-market wonders, only a minuscule number of human beings - and no one born after the mid-1950s - would ever have heard music performed by The Beatles!

Art - its production, promulgation, and preservation - owes vastly more to free markets than most people, including most artists, realize.

Sincerely,
Donald J. Boudreaux
Professor of Economics
and
Martha and Nelson Getchell Chair for the Study of Free Market Capitalism at the Mercatus Center George Mason University Fairfax, VA 22030

* Harvard University Press (1998):
http://www.amazon.com/Praise-Commercial-Culture-Tyler-Cowen/dp/0674001885/ref=la_B001IXMRS6_1_6?ie=UTF8&qid=1340537493&sr=1-6

---

12 April 2013

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

Dear Editor:

Charles Krauthammer rightly complains that in Pres. Obama's new budget proposal "The actual deficit reduction over a decade is a minuscule $0.6 trillion - out of a total spending of $46.5 trillion" ("The Obama budget and the appearance of reform," April 12). The effects on Uncle Sam's indebtedness will be negligible. In 2023, the year in which the amount of Uncle Sam's debt held by the public will reach its lowest level under the Obama plan, the amount of such debt will be 73 percent of GDP - just what it is today* and nearly double (!) the historical average of 37 percent.**

Adam Smith would not be surprised by these insulting political theatrics. As he observed in 1776, "To relieve the present exigency is always the object which principally interests those immediately concerned in the administration of publick affairs. The future liberation of the publick revenue, they leave to the care of posterity."***

Sincerely,
Donald J. Boudreaux
Professor of Economics
and
Martha and Nelson Getchell Chair for the Study of Free Market Capitalism at the Mercatus Center George Mason University Fairfax, VA 22030

* http://research.stlouisfed.org/fred2/series/FYGFGDQ188S?rid=263&soid=16

** http://blog.heritage.org/2013/04/10/live-blog-the-presidents-budget-refresh-for-updates/

*** Adam Smith, An Inquiry Into the Nature and Causes of the Wealth of Nations (Indianapolis: Liberty Fund, 1981 [1776]), p. 915. (Specifically, this quotation is from Book V, chapter 3.)

---

13 April 2013

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

Dear Editor:

In the name of protecting consumers, government raises the safety standards that must be met by all firms supplying good X.

Members of ideological group A, along with executives of the regulated firms, complain that this regulation – being costly – discourages the supply of X and, thereby, harms the very people that the regulation is ostensibly meant to help. These opponents of the regulation accuse its proponents of naively assuming that the regulation's consequences will be only those happy ones trumpeted by the government officials who impose the regulation.

Members of ideological group B, along with the government officials who impose the regulation, deny that any such unintended negative consequences will result. These proponents of the regulation accuse its opponents of telling hysterical scare stories meant only to frighten the public into rejecting common-sense safety rules that no legitimate supplier will have any trouble meeting and that will clearly promote the public good.

Pop quiz: who in Virginia is in ideological group B, and who in A, as regards the State's new regulation that raises the safety standards that must be met by abortion clinics ("Va. board approve strict abortion clinic rules," April 13)?

Answer: proponents of the regulation are conservatives who do not trust market forces, in this case, to supply optimal levels of safety. Opponents of the regulation are "Progressive" leftists who, in this case, DO trust the market to adequately supply safety. These "Progressives" refuse to judge the consequences of this regulation by its officially advertised purposes, and they insist that the higher costs imposed by the regulation will have the unseen ill consequence of reducing the supply brought to market by the regulated firms. Consumers will suffer.

Curiously, for both conservatives and "Progressives," abortion clinics are utterly unique firms that are exempt from the political and economic forces that are believed to govern all other entities.

Sincerely,
Donald J. Boudreaux
Professor of Economics
and
Martha and Nelson Getchell Chair for the Study of Free Market Capitalism at the Mercatus Center
George Mason University
Fairfax, VA 22030

16 April 2013

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

Dear Editor:

Ralph Nader suggests that the only argument that minimum-wage opponents muster against that policy is that it harms small businesses ("America's Miserly Minimum Wage Needs an Upgrade," April 16). He's wrong. Overwhelmingly, the chief argument against the minimum wage is that it reduces low-skilled workers' employment opportunities. Mr. Nader's ignorance of the contours of this policy debate alone disqualifies him to comment on the matter.

But to support his case for raising the minimum wage by 47 percent Mr. Nader also serves up several doozies of economic illiteracy. None is doozier than his assertion that when government forces employers to pay higher wages, worker spending will rise by enough to make profitable the employment at the higher minimum wage of all low-skilled workers seeking jobs.

From where comes the money to pay the higher wages that low-skilled workers will then spend? Mr. Nader apparently assumes that it materializes out of thin air, for he doesn't even mention the possibility that firms that are obliged to spend more on wages will spend less on inventory, factory expansion, and other activities.

If creating economic growth were as easy as Ralph Nader assumes it to be, then he should also support a "minimum clothing price." Suppose government forced Wal-Mart, Target, and other retailers to raise the prices of all clothing items by 47 percent. On Mr. Nader's reasoning, these firms would then have more money to spend. That spending would raise the demand for clothing sufficiently to make it profitable for firms to sell as much clothing as they like at those higher prices.

That Mr. Nader would likely - and rightly - oppose a "minimum clothing price" shows that he's not thought seriously about his argument in support of a minimum wage.

Sincerely,
Donald J. Boudreaux
Professor of Economics
and
Martha and Nelson Getchell Chair for the Study of Free Market Capitalism at the Mercatus Center
George Mason University
Fairfax, VA 22030

UNIVERSITY of West Georgia