



## Comment on the Commentary of the Day

by

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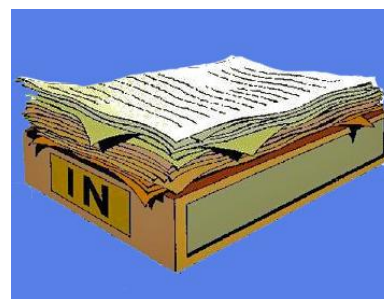
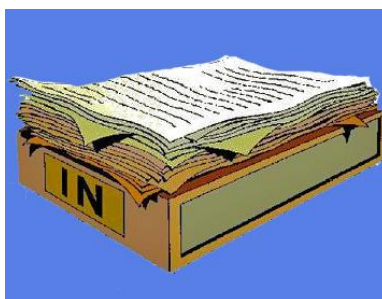
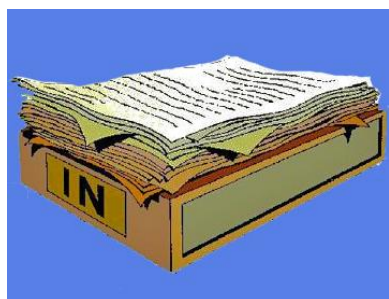
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**Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet,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

2 May 2013

Mr. Francisco Sánchez

U.S. Under Secretary of Commerce for International Trade  
Washington, DC

Dear Mr. Sánchez:

In your press release yesterday you mention only one benefit of more open international – namely, more American exports ("Statement from U.S. Under Secretary of Commerce for International Trade Francisco Sánchez on World Trade Month 2013," May 1).

With all due respect, although you were appointed by a president who boasts of his commitment to policies based on scientific consensus and unsullied by political pandering, your press release reads as if you are entirely innocent of the economic analysis of trade as you pander to popular prejudices against international commerce. Here are two instances of the many ways in which your press release offends basic economics.

First, while broader export markets can have advantages, exports are always the price paid for imports. The chief benefit of expanded international trade is more imports. Exports are the cost of securing this benefit. Your focus on increasing exports makes you sound more like an oblivious 17th-century mercantilist than an informed 21st-century trade official.

Your exclusive focus on exports might be dismissed as a forgivable oversight were it not reinforced by your conclusion that "we have the best workers and the best businesses in the world, and if the playing field is level, America always wins."

Are you aware of the principle of comparative advantage? It's foundational stuff. Explanations of it have been around, and widely accessible, since at least 1817. Here's a link to a famous Nobel laureate economist explaining its centrality.\* If you were to become familiar with this principle you would learn that claims such a country having "the best workers and the best businesses in the world," or that trade is an event at which a country "wins," are gobbledygook – on a scientific par with belief in the existence of phlogiston or the legitimacy of phrenology.

Sincerely,  
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\* Paul Krugman, "Ricardo's Difficult Idea":  
<http://web.mit.edu/krugman/www/ricardo.htm>

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4 May 2013

Editor, Florida Times-Union

Dear Editor:

Supporters of the minimum wage assume that the only response people have to higher costs imposed by government is to pay those higher costs ("Readers debate the merits of the minimum wage," May 4).

Let's test this assumption's robustness. Suppose that instead of legislating a minimum wage, government legislates a "minimum customer contribution." Each consumer would be forced to deposit \$2.50 into a bin every time he or she walks into a Wal-Mart, Safeway, McDonald's or other retail store. At the end of the day the bins would be emptied and their contents distributed in equal shares to each retailer's non-managerial employees. Customers using drive-up windows and on-line retailing sites would be exempt from this mandate.

Does anyone suppose that such a mandate would not prompt consumers (even many with high disposable incomes) to reduce their frequency of entering retail stores? Would anyone fantasize that the good intentions of the supporters of this minimum-customer-contribution legislation – or the asserted "need" of every worker to earn a "living wage" – are sufficient to prevent consumers from shifting their activities away from shopping in brick-and-mortar stores and toward greater use of drive-up windows and on-line retailing?

I'm guessing not. So why do so few people see that minimum-wage legislation prompts employers to use fewer low-skilled workers? Why do minimum-wage proponents overlook (among other facts) the artificially heightened incentives that such legislation gives to employers to replace many low-skilled workers with machines – such as self-

checkout lanes, and robotic floor cleaners – whose employment is exempt from minimum-wage legislation?

Sincerely,  
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8 May 2013

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

Dear Editor:

Wendy Neu – executive vice-president of a U.S.-based electronics-recycling firm – writes "A recent study found that restricting exports of untested, nonworking electronics would create up to 42,000 American jobs with an annual payroll of up to \$1 billion" (Letters, May 8).

The study\* has far too many flaws to serve as a justification for Congress to restrict U.S. exports. Its most serious error is that the authors completely ignore the economic activities, including jobs, that are created when Americans export. By overlooking the consequences that export restrictions inflict on exporters, and by focusing exclusively on the effects of such restrictions on a single industry, the study is an example of the worst sort of "economics" - a pretend-economics done by people who look only at part of the picture while ignoring the rest.

It's as if an art critic examined only the far left side of Da Vinci's Mona Lisa and then concluded that that painting's subject is a winding road through a mountain pass.

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\* [http://www.americanerecycling.org/images/CAER\\_Jobs\\_Study\\_Report\\_-\\_January\\_2013.pdf](http://www.americanerecycling.org/images/CAER_Jobs_Study_Report_-_January_2013.pdf)

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9 May 2013

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

Dear Editor:

You report: "Chinese solar-panel manufacturers will face import tariffs of up to 67.9% at European Union borders under a plan from the 27-nation bloc's executive body, according to a copy of the plan viewed by The Wall Street Journal.

"The tariffs, which will come into effect by June 6, will range from 37.3% to 67.9%, according to the document, drafted by the European Commission. Some of the largest Chinese manufacturers will face duties on the higher end of that range.

"The proposal is likely to spark one of the largest battles over unfair trade ever waged under the decades-old system of international trade rules. European manufacturers say Chinese firms are selling their products well below fair-market prices in a bid to dominate the world market for solar panels" ("EU Plans Tariffs of Up to 67.9% on Chinese Solar Panels," May 9).

Let's rewrite the above, only slightly, to reveal its true meaning:

"European consumers of Chinese solar-panels will face additional taxes of up to 67.9% at European Union borders under a plan from the 27-nation bloc's executive body, according to a copy of the plan viewed by The Wall Street Journal.

"The taxes, which will come into effect by June 6, will range from 37.3% to 67.9%, according to the document, drafted by the European Commission. Even the poorest Europeans, depending on which Chinese manufacturers they patronize, will face taxes on the higher end of that range.

"The proposal is likely to spark one of the largest battles over crony capitalism ever waged under the decades-old system of international trade rules. European manufacturers say European consumers are buying Chinese products well below the monopolistically high prices that European manufactures would like to fetch for their panels. To justify their proposal to force European consumers to pay unnecessarily high

prices for solar panels, European politicians – who thrive by doling out corporate welfare – prey upon the gullibility of the typical European voter by making the baseless assertion that if Europeans aren't forced to pay higher prices for solar panels the Chinese will dominate the world market for solar panels" ("EU Plans Taxes of Up to 67.9% on European Buyers of Chinese Solar Panels," May 9).

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