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Comment on the Commentary of the Day

by

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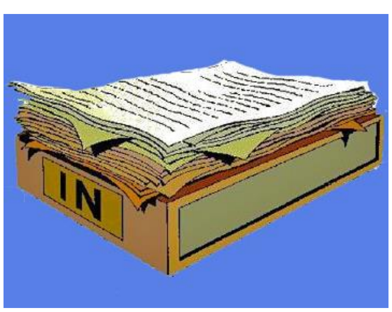

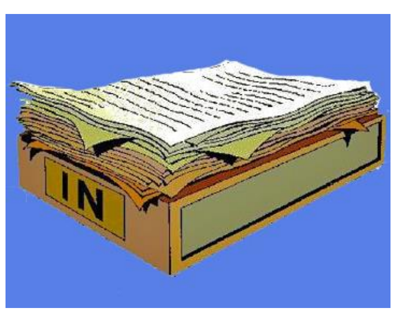

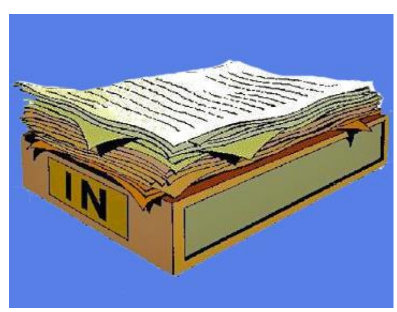

Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet, and if they are, they may require registration or subscription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

26 August 2014

Sen. Sherrod Brown (D-OH)
Capitol Hill
Washington, DC

Sen. Brown:

You call on consumers to boycott Burger King for taking steps to keep its shareholders' taxes as low as possible by moving its headquarters to Canada - that is, for responding predictably to incentives that you yourself, as a legislator, helped to create.

First, you err in asserting that Burger King will "abandon" its American customers. A company headquartered in Canada is no more likely to "abandon" paying customers in America than is a company headquartered in Kansas likely to abandon paying customers in Arkansas. Indeed, with fewer of its profits siphoned off to fund the boondoggles that you and other members of the political class are fond of supporting, Burger King's attention to, and ability to serve, its American customers will only improve.

More fundamentally, because you believe that people have a duty to operate businesses in ways that generate tax revenue for government regardless of the effects that such operations have on their owners' net wealth, can we conclude, because you haven't resigned from the senate to launch and operate full-time your own maximal tax-paying business, that you are derelict in *your* duty? In fact, it's fair to ask how many businesses *have* you founded that earn profits for the government to tax? Because you've been in politics your entire adult life, I'm pretty sure that the answer is none - which means that you've created far less wealth for the government to confiscate than have the professional investors and business executives who you publicly and so pompously smear.

Sincerely,
Donald J. Boudreaux
Professor of Economics
and
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Fairfax, VA 22030

28 August 2014

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

Dear Editor:

While Jared Bernstein is correct that the dollar's role as the international reserve currency increases the U.S trade deficit, his analysis of the consequences of a high global demand for U.S. dollars is a jumble of confusions ("Dethrone 'King Dollar,'" Aug. 28).

Most notably, Mr. Bernstein argues that countries, such as the U.S., that run trade deficits *simultaneously* suffer excess aggregate demand ("trade-deficit countries must absorb those excess [global] savings to finance their excess consumption or investment") *and* deficient aggregate demand ("a result of this dance [of foreigners accumulating dollars], as seen throughout the tepid recovery from the Great Recession, is insufficient domestic demand in America's own labor market").

A trade deficit might either increase or decrease a country's aggregate demand (or do neither) but, contrary to Mr. Bernstein's muddled account, it cannot possibly do both. Alas, Mr. Bernstein's confusion on this point simply reflects a more widespread and popular misunderstanding of trade deficits.

Sincerely,
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29 August 2014

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

Dear Editor:

Properly decrying the CIA's arming of anti-Assad Syrian rebels who turned out also to be anti-American ISIS jihadists, Sen. Rand Paul (R-KY) wisely warns of the unintended ill consequences of Uncle Sam's meddling in foreign affairs ("How U.S. Interventionists Abetted the Rise of ISIS," August 28). This episode, of course, is not the first in which U.S. government subsidies to a foreign belligerent succeeded only in making the world more dangerous for peaceable people.

The lesson is clear: government is just as bad at picking winners when intervening in foreign affairs as it is at picking winners when intervening in economic affairs. The same combination of hubris, imprudence, misinformation, and carelessness that leads government officials to spend other people's treasure in support of economically calamitous ventures at home (such as subsidies to Solyndra) also leads these officials to spend other people's treasure - and lives - in support of strategically calamitous ventures abroad (such as subsidies to Syrian rebels).

Sincerely,
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3 September 2014

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

Dear Editor:

You properly denounce Philadelphia's abominable practice of boosting its revenues by using civil forfeiture to seize properties of people convicted of minor criminal offenses ("What's Yours Is Theirs," Sept. 3). Much blame for this sorry state of legal affairs belongs to the late Chief Justice William Rehnquist.

The 1996 case *Bennis v. Michigan* upheld, by a 5-4 vote, the civil seizure of John and Tina Bennis's car after John pled guilty to having sex with a prostitute in the car. Although John paid a fine for this criminal deed, the government nevertheless seized the car through civil forfeiture. The Supreme Court ruled that Tina Bennis's innocence of her husband's criminal misdemeanor did not protect her from being stripped of her ownership share in the car. Writing for the majority, Mr. Rehnquist reasoned that, because civil forfeiture was part of Anglo-American common law when the Bill of Rights was ratified, the Constitution allows such civil seizures.

But the Chief Justice's history was criminally shoddy. When the Bill of Rights was ratified, civil forfeiture was used to seize the properties only of wrongdoers who were physically outside of the jurisdiction of a state or federal criminal court. A wrongdoer within a court's jurisdiction could be stripped of property only upon being convicted of a crime - that is, only through *criminal* forfeiture. Because the Bennises - as well as the victims of Philadelphia's seizures - are obviously within the jurisdiction of the relevant criminal courts, a correct reading of legal history demands that *Bennis* be overturned and that civil forfeiture be used only if and when property owners cannot be brought into court to stand trial for their alleged criminal offenses.

Sincerely,
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9 September 2014

Editor, *Business Insider*

Dear Editor:

Interviewed on September 8th by Joe Weisenthal, Paul Krugman argues that the "adverse consequences" of raising the minimum wage - even to $15 per hour - "would be much less than people imagine." Such an argument from Mr. Krugman isn't surprising. What *is* surprising is his reasoning - in particular, his assertion that most minimum-wage workers are in jobs that are especially difficult to mechanize.

First, mechanization isn't businesses' only response to mandated higher costs of employing low-skilled workers. Other responses include working low-skilled employees harder, substituting a smaller number of higher-skilled workers for a larger number of low-skilled workers, and simply forgoing the performance of some tasks normally done by low-skilled workers. (Supermarkets don't have to offer to carry customers' groceries to their cars.)

Second and more pointedly, most low-skilled workers perform tasks that are especially *easy* to mechanize. Just ask Pres. Obama who famously lamented banks' replacement of tellers with ATMs. Low-skilled jobs are routine, often rote, and require from workers comparatively little creative judgment.

Mr. Krugman would do well to brush up on the history of minimum-wage hikes - for example, by reading the relevant sections of economist David Henderson's 2002 book, *The Joy of Freedom*. There, Prof. Henderson recounts that "[i]n the late 1960s, Otis Elevator pushed for an increase in the minimum wage in New York state because it had begun to specialize in converting human-operated elevators to automatic elevators and wanted an increase in demand for its services."* Just as low-skilled elevator operators of yesteryear were especially easy to replace with machines, many low-skilled workers today are especially easy to replace with machines.

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* David R. Henderson, *The Joy of Freedom: An Economist's Odyssey* (Upper Saddle River, NJ: Prentice Hall, 2002), pp. 112-114.