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25 September 2014

Dear Mr. Michael B \_\_\_\_\_:

Disturbed at my and my colleagues' support for free trade, you ask "how much does a cheap Chinese toaster at the big box store really cost after you factor in the unemployment it caused?"

Contrary to your supposition, labor saved by economic activities is a *benefit* of such activities rather than a cost. Consider the washing machine in your home. It's a benefit to you precisely because of the labor that it saves you from having to exert to wash your clothes on a washboard. Your washing machine enables you to enjoy clean clothes *plus* whatever activities you pursue using the time that you would have otherwise spent washing your clothes by hand. That labor-saving device makes you richer. And likewise with trade, which is a technique for saving labor.

So just as you would not describe the labor that your washing machine saves you as a *cost* of washing machines, you should refrain from describing the labor that trade saves an economy as a *cost* of trade. It is not a cost of trade; it is a benefit.

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

29 September 2014

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

Dear Editor:

In his *New York Times* blog on Wednesday - in a post entitled "Having It and Flaunting It"\* - Paul Krugman complained that America's rich are obsessed with exhibiting their wealth in the form of "ostentatious" consumption. Indeed, Mr. Krugman asserted that "for many of the rich flaunting is what it's all about.... [I]t's largely about display." And this display, Mr. Krugman alleged, inflicts great distress on the masses.

A mere five days later, in his *New York Times* column today - a column entitled "Our Invisible Rich"<sup>\*\*</sup> - Mr. Krugman gripes that the reason more Americans aren't infuriated by today's great income inequality is that "the truly rich are so removed from ordinary people's lives that we never see what they have."

Mr. Krugman is ostentatiously flaunting his inconsistencies.

Sincerely,  
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\* [TinyURL.com/lw3l9u6](http://TinyURL.com/lw3l9u6)

\*\* <http://www.nytimes.com/2014/09/29/opinion/paul-krugman-our-invisible-rich.html>

30 September 2014

Mr. Paul Krugman

Mr. Krugman:

On your blog recently you wrote that conspicuous spending by the rich "imposes negative externalities on the rest of the population" ("Having It and Flaunting It," Sept. 24). You are here, I assume, endorsing the argument made by Cornell economist Robert Frank that when ordinary people see rich people consuming conspicuously they suffer mental distress - and they deal with this distress by working too hard, spending too much, and going into excessive debt in order to try to mimic the consumption patterns of the rich. Also, like Prof. Frank you propose to rid society of this negative externality by taxing the incomes of the rich much more heavily.

I've some questions for you.

- In other of your writings you complain that the economy suffers from too little total spending. Isn't it possible that the negative externalities mentioned in your post are offset or even swamped by the positive externalities that such rat-race spending generates in the form of economic stimulus?

- You rightly worry about negative externalities. So why do you overlook the negative externalities created by empowering government officials to tax and spend other

people's money? The costs imposed on taxpayers in such cases are not internalized on the officials who tax and spend. Do you have theory or evidence demonstrating that the costs of the negative externalities that you believe to justify higher taxation are greater than the costs of the negative externalities that are created by giving Jones more power to take and spend the money of Smith?

- You believe that people suffer at the mere sight of others' greater spending power. Surely, then, people suffer also at the mere sight of others' greater *political* power. So can you be sure that the greater concentrations of political power that your policies create will not be sources of envy and distress even more agonizing for those with relatively little political power than are the concentrations of wealth for those with relatively little spending power?

Sincerely,  
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3 October 2014

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

Sen. Brown:

You've introduced the "Level the Playing Field Act." This legislation would impose higher taxes and other burdens on American consumers who buy imports offered for sale in the U.S. at artificially low prices - that is, offered for sale in the U.S. at prices that are low only because foreign governments grant subsidies or other special privileges to these foreign producers.

You obviously believe that Uncle Sam should adjust the prices of American imports to offset any effects on these prices of foreign-governments' economic interventions. So will the final version of your bill also contain provisions to *subsidize* Americans' purchases of the vast majority of imports from countries such as China and India? By your logic, it should.

A statesman with your keen interest in using Uncle Sam's power to offset the economic effects of foreign-governments' economic distortions must realize that by far the most consequential of these distortions are not today's relatively piddling exchange-rate pegs

and industrial subsidies. Instead, the foreign-government interventions that most powerfully distort the prices that Americans today pay for imports are the decades of communism, socialism, and central planning once practiced in these countries - policies whose lingering negative effects continue to keep almost all production costs in these low-wage countries artificially high and, hence, to keep artificially high the prices of most of these countries' exports to America. Most producers in these countries therefore - and by your reasoning - are suffering an artificial competitive *dis*advantage relative to their American rivals. These foreign producers today export far *less* to America than they would had their governments not intervened to distort their economies so calamitously.

Surely a man so concerned as you are that trade be both "fair" and free of the distorting effects of government interventions will want to encourage Americans to import far *more* from almost all producers in low-wage countries.

Sincerely,  
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5 October 2014

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

Dear Editor:

Jeff Madrick argues that support for free trade is naïve ("Our Misplaced Faith in Free Trade," Oct. 5). A letter detailing Mr. Madrick's errors would be as lengthy as the *Mary Maersk*, the super-sized container ship (described elsewhere in your pages today; "Aboard a Cargo Colossus") that peacefully helps people from Amsterdam to Seoul reach more buyers for what they wish to sell and more sellers for what they wish to buy.

So I content myself with a general point: if free trade is harmful, then so, too, are technology, education, and infrastructure. These phenomena, no less than free trade, enable more output to be produced for market from fewer inputs. Like free trade, therefore, these phenomena save labor. They thus also - again, no less than does free trade - destroy some jobs while creating new jobs as well as new goods and services that would otherwise be too costly to produce.

Unless Mr. Madrick is willing also to argue that "faith" in greater knowledge and improved

infrastructure is “misplaced,” your readers should reject Mr. Madrick’s brief against free trade.

Sincerely,

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and

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