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18 March 2014

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

Dear Editor:

Richard Cohen rightly defends charter schools against greedy teachers' unions ("Illogical hostility toward charter schools," March 18). In doing so, however, he gratuitously condemns a useful financial practice, asking snarkily "tell me again what's moral about short-selling stock."

Because all parties to short selling participate voluntarily, the burden is on Mr. Cohen to tell us what is *immoral* about it. Investors who lend their stocks to short sellers do so voluntarily; investors who buy these stocks from short sellers do so voluntarily; investors who later sell their stocks to short sellers do so voluntarily; and short sellers themselves sell short voluntarily.

When short sellers are correct in their belief that corporate shares are overvalued, they cause the prices of stocks to reflect sooner than otherwise more accurate information about the economic conditions of the corporations whose stocks are sold short. These lower and more accurate stock prices, in turn, help protect other investors, big and small, from making poorly informed investments. (Short selling also helps to discipline corporate managers, who know that if they shirk or otherwise act in ways that harm their companies' prospects, their misbehavior will be more quickly revealed by short sellers.) When short sellers are mistaken, they personally suffer losses, with their activities doing no more to disrupt markets than is done by investors who mistakenly sell their own stocks short or who mistakenly buy stocks long.

Unless Mr. Cohen can explain why, say, his sales of stocks that he owns is immoral, he has no basis for asserting that short selling more generally is immoral.

Sincerely,
Donald J. Boudreaux

Professor of Economics
and
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Mercatus Center
George Mason University
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18 March 2014

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

Dear Editor:

Richard Cohen rightly defends charter schools against greedy teachers' unions ("Illogical hostility toward charter schools," March 18). In the process, though, he gratuitously condemns a useful financial practice, asking snarkily "tell me again what's moral about short-selling stock."

Short selling (like long buying) causes asset prices to reflect underlying economic realities better and more quickly than they otherwise would. Still, many people object to short selling because short sellers *borrow* the assets that they then sell today - that is, that they then exchange today for some other assets. But if this practice is immoral, then the practice of many American homeowners in the 1970s and 1980s of taking out larger mortgages in anticipation of higher inflation was also immoral.

If you borrow more money today only because you anticipate a rate of inflation that makes the interest payments a bargain, you are shorting an asset (namely, money). And your hope - like that of all short sellers - is to profit from the decline you expect in the market value of the borrowed assets (here, dollars); your hope is to repay your creditor with assets that will be worth much less at the time of repayment than they were worth when you borrowed them and then exchanged them for another asset (here, a house). So unless Mr. Cohen also condemns people who borrow money in anticipation of higher inflation, he has no business condemning short sellers of any other assets.

Sincerely,
Donald J. Boudreaux
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and
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20 March 2014

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

Dear Editor:

Air Line Pilots Association International president Lee Moak, attempting to excuse his organization's efforts to stymie competition, resorts to the tried-and-untrue legerdemain rehearsed by all rent-seekers (Letters, March 20). First he proclaims his enthusiasm for competition. Then he immediately reveals his proclamation to be false by asserting that government must thwart his rivals because they have "an unfair competitive advantage."

Capt. Moak forgets that competition is not about fairness or unfairness for suppliers. Markets and competition are about serving *consumers*. Period. Suppliers are valuable only because, if, and as long as they serve consumers in ways that consumers themselves - rather than politicians or the suppliers - judge best. The "unfair competitive advantage" here is not, therefore, one enjoyed by the foreign supplier that Capt. Moak seeks to prevent from serving American consumers; it is, instead, the privilege of being protected from competition that he himself seeks for his union members at the expense of those consumers.

Sincerely,
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and
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22 March 2014

Editor, New York Post

Dear Editor:

Kudos to Linda Chavez for criticizing the anti-immigrant stance of many conservatives ("Minimum wage: Righties gone mad," March 22). It's worth pointing out, though, that unlike the egregious Ann Coulter, Ron Unz gets his economics right.

Mr. Unz calls for raising the minimum wage because he correctly understands that a higher minimum wage will price a disproportionately large number of immigrants out of jobs. While his goal is indefensible, his economics is sound. Mr. Unz reminds me of an Auburn University undergraduate student back in 1982 who, when asked on an exam about the minimum wage, expressed strong support for that legislation precisely because it makes it harder for blacks to compete with whites for jobs.

Sincerely,
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24 March 2014

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

Dear Editor:

It's unclear if your Post.tv episode "Here's how you support the Kochs" is meant to condemn or to praise Charles and David Koch. I'll give you the benefit of the doubt and assume the latter - in which case I applaud you for recognizing and making clear that the Koch brothers earn their fortunes by producing useful products used daily by millions of ordinary Americans.

Every Koch-produced product mentioned in your video is one that consumers can choose not to purchase. So the fact that we consumers voluntarily buy these products in large quantities means not only that we improve the Kochs' well-being but, also and no less, that the Kochs improve *our* well-being in return. It's a win-win.

The uncoerced, mutually advantageous market exchanges through which the Kochs earn their wealth stand in stark contrast to the arrangements favored by the Kochs' "Progressive" opponents. These "Progressive" arrangements involve some people *dictating* what other people may and may not do, and some people spending, not their own money, but money forcibly taken from others. It's a win-lose.

How bizarre, therefore, that the Kochs who spend only their own money (and who wish

to expand the scope for each of us to spend, as we choose, our own money) are ridiculed as "greedy" and "dangerous" by so many people, such as Sen. Harry Reid, whose overriding goal and achievement in life is to spend other people's money.

Sincerely,

Donald J. Boudreaux

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