2014 B>Quest BUSINESS QUEST 1996 - 2014

Comment on the Commentary of the Day

by

Donald J. Boudreaux

Chairman, Department of Economics

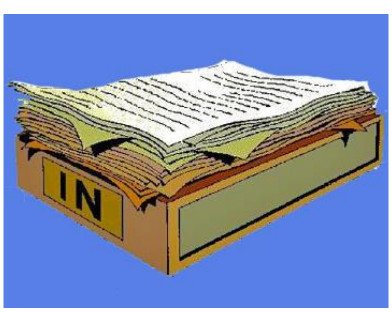
Martha and Nelson Getchell Chair for Free Market Capitalism

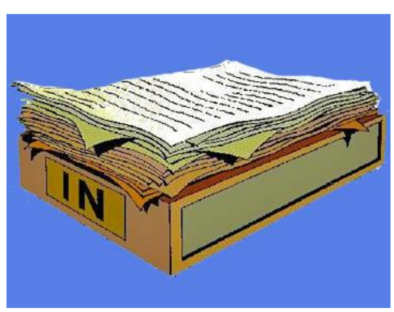
Mercatus Center

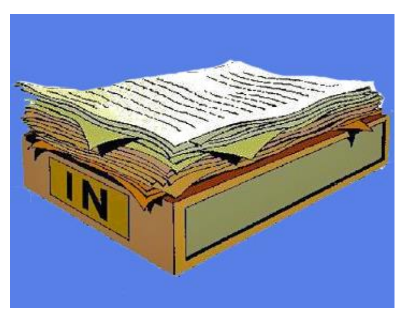
George Mason University

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.

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1 May 2014

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

Dear Editor:

Harold Meyerson applauds efforts to punitively tax corporations that pay their CEOs a multiple of 100 or more of what they pay their median workers ("California's bid to tax CEOs who don't share the wealth," May 1). Beware of such schemes.

Consider two companies. Company 1 pays its median workers $40,000 annually and pays its CEO $3,000,000 annually. Company 2 pays its median workers $50,000 annually and pays its CEO $6,000,000 annually. Yet while median workers at Company 2 are better paid than are their counterparts at Company 1, Mr. Meyerson would punitively tax Company 2 (because it pays its CEO more than 100 times what it pays to each of its median workers).

If worker pay and CEO performance were unconnected, taxes of the sort that Mr. Meyerson celebrates might not pose problems. But in fact top CEOs are especially good at raising their companies' productivity and, hence, at raising what their companies can afford to pay workers. This reality means that Mr. Meyerson, in effect, wants to punitively tax those companies that entrepreneurially pay top dollar for inputs - premier CEO talents - that are critical in raising worker productivity and pay over time. Such a tax is no way to improve the well-being of workers.

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

4 May 2014

Editor, *Washington Times*

Dear Editor:

Regarding the privately recorded racist remarks by L.A. Clippers owner Donald Sterling ("NBA's Sterling hypocrisy on racism," May 4): There's an important angle to this story that everyone but a few economists on some blogs (such as David Henderson at EconLog) is missing.

All agree, with good reason, that Mr. Sterling is a racist in private. Yet Mr. Sterling acts like a non-racist in public. Counting Blake Griffin - whose father is black and mother white - 86 percent of Mr. Sterling's team is black (with, of course, Mr. Sterling paying all of these players salaries that are extraordinarily high). And Mr. Sterling has also made sizeable contributions to the NAACP.

Why does Mr. Sterling only talk the racist talk but not walk the racist walk? The reason is market competition. Were he to act like a racist in public - say, by employing only white players - his team would be worse on the court and worth less on the market. Mr. Sterling can either make as much money as possible or he can indulge his racism, but the market prevents him from doing both.

Because Donald Sterling chose not to *act* publicly like the racist that he is, we have here strong evidence that the competitive market is a powerful force for reducing racism by confronting racists every day - rather than only occasionally, such as when disgruntled mistresses leak private recordings to the media - with the costs of their prejudices.

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

8 May 2014

Editor, *Washington Times*

Dear Editor:

I agree with Cato's Paul Knappenberger that "[t]he National Climate Assessment is a political call to action document meant for the president's left-leaning constituency. What pretense of scientific support that decorates it quickly falls away under a close and critical inspection" ("National Climate Assessment report raises false alarm," May 8).

But here's the mystery. Suppose that Facebook released a report that, after listing a slew of possible dangers of people's failure to connect even more fully to social media, demands policies that compel greater use of Facebook. Such a report would rightly be greeted with extreme and widespread skepticism. It would be seen as Facebook's self-interested plea for policies that enhance its power, reach, and profits. So why does so little skepticism greet a government report that demands policies that compel greater use of government?

Why, in other words, does the same healthy distrust of a private company's alleged demonstration of all the good that will come from forcing people to use more of its services not carry over to government's alleged demonstration of all the good that will come from forcing people to use more of *its* services?

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

8 May 2014

Ms. Gloria Farrar

Dear Ms. Farrar:

Thanks for e-mailing to me your thoughts on Thomas Piketty's *Capital in the Twenty-First Century*. I have indeed read the book carefully. I do not, however, share your impression that Piketty has "proved that increasingly the riches [of the super-wealthy] are unmerited and dangerous" to society at large.

I'm now writing a review of Piketty's volume. In that review I'll cover many of my objections more fully. I'll send to you a link to the review when it's published (probably in late May or early June). But to make here one substantive point, let me ask you to look at the most recent (September 2013) Forbes list of the 400 wealthiest Americans.* From Bill Gates at the top to Nicholas Woodman at the bottom, all are billionaires. Yet 261 of these people are self-made.

That is, nearly two-thirds *earned* their fortunes through creative entrepreneurial effort and risk-taking - people such as Amazon.com's Jeff Bezos, Google's Sergey Brin and Larry Page, Facebook's Mark Zuckerberg, eBay's Pierre Omidyar, and entertainer Oprah Winfrey. These people's efforts enrich not only themselves but also you, me, and hundreds of millions of other people. I'm aware that Piketty dismisses such claims as being crude apologetics, but I challenge you - and him - to explain how, say, Chick-fil-A founder S. Truett Cathy amassed a large fortune if the countless people who voluntarily dine at his restaurants do not benefit from doing so.

Also note that many of the superrich who aren't self-made - many who began with lots of wealth - nevertheless continue, like Charles Koch, to work hard to further enhance their wealth through entrepreneurial creativity, effort, and risk-taking.

This *Forbes* list supplies powerful evidence against Piketty's notions that large fortunes in market economies overwhelmingly generate themselves automatically and that today's superrich are parasitic and idle *rentiers*.

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://www.forbes.com/forbes-400/#page:1_sort:0_direction:asc_search:_filter:All%20industries_filter:All%20states_filter:All%20categories
(You can search, in one of the boxes to the left of the full list, for "Self-Made".)

11 May 2014

Editor, Salon

Dear Editor:

The only thing that Michael Lind gets right in his profile of my brilliant and humane colleague Bryan Caplan is that Bryan is indeed an increasingly influential thinker ("Libertarians' scary new star," May 10). Everything else in Lind's essay - namely, Lind's caricature of libertarian thought and scholarship - is, to steal a line from Mr. Lind, appallingly dumb.

Consider, for example, Lind's out-of-context quotation the libertarian economist Ludwig von Mises in a way that makes Mises appear to have been a fan of fascism. The two sentences that Lind quotes are from Mises's 1927 book, *Liberalism* - a celebrated study of the merits of classical-liberal free market policies and government nonintervention - and they appear in a section of the book that is highly *critical* of fascism. Here's a longer quotation from that same section of Mises's book: "Many people approve of the methods of Fascism, even though its economic program is altogether antiliberal and its policy completely interventionist, because it is far from practicing the senseless and unrestrained destructionism that has stamped the Communists as the archenemies of civilization. Still others, in full knowledge of the evil that Fascist economic policy brings with it, view Fascism, in comparison with Bolshevism and Sovietism, as at least the lesser evil. For the majority of its public and secret supporters and admirers, however, its appeal consists precisely in the violence of its methods."*

These are emphatically not the words of a scholar who supported fascism. Therefore, Mr. Lind's misrepresentation of Mises reveals that Mr. Lind is either appallingly dumb or appallingly devious.

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

* Ludwig von Mises, *Liberalism* (1927 [1985]), p. 49:
http://mises.org/books/liberalism.pdf

15 May 2014

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

Dear Editor:

Charles Lane correctly notes that Thomas Piketty overlooks the practical difficulties of raising taxes without also raising barriers to the entrepreneurship and effort that improve everyone's living standards ("Thomas Piketty identifies and important ill of capitalism but not its cure," May 15). But the problems with Piketty's analyses run much deeper than this oversight. Piketty's main thesis - that capital in free markets (absent calamities such as war) automatically grows at an average annual rate of at least 4 percent, so that those individuals with more wealth than others today will be those individuals with even more wealth than others tomorrow - is difficult to square with reality.

Consider, for example, that 21 of the still-living 100 richest Americans of only five years ago are no longer in that group today.* That's a greater than 20 percent turnover in a mere half-decade - and this turnover isn't likely explained by the financial crisis.

As reported by Larry Summers (who is no libertarian): "When Forbes compared its list of the wealthiest Americans in 1982 and 2012, it found that less than one tenth of the 1982 list was still on the list in 2012, despite the fact that a significant majority of members of the 1982 list would have qualified for the 2012 list if they had accumulated wealth at a real rate of even 4 percent a year."**

Real-world market economies are far more dynamic and churning than Professor Piketty and his fans realize.

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

* I discovered this fact by comparing the latest *Forbes* list of the 400 richest Americans (published in September 2013) to the Forbes list published in September 2008.

** Lawrence H. Summers, "The Piketty Puzzle," *Democracy*, Spring 2014: http://www.democracyjournal.org/32/the-inequality-puzzle.php?page=all