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26 July 2015

Mr. Aaron the Aaron

Dear Mr. the Aaron:

You're "sick" of me calling on those who assert that monopsony power is real and rampant in reality to put their money where their mouths are by starting their own businesses in order to profit by hiring underpaid workers away from employers who allegedly are today underpaying their workers. You accuse me of "unrealistically demanding academics do what they don't specialize in."

It's true that academics - such as Daniel Kuehn and Alan Manning, who you explicitly mention for their "wisdom" on this matter - don't specialize in creating and managing businesses. But academics who propose to unleash state coercion that will have harmful consequences if their beliefs about reality are mistaken should not be allowed to risk the livelihoods of innocent strangers if these academics refuse to risk their own livelihoods by taking actions that their very own beliefs imply can be profitable. No one should get to experiment for free with the lives of others, especially if the experimenter's own beliefs imply that private actions can be taken to test those beliefs *and that such actions can be profitable if those beliefs are correct.*

If monopsony power is real, *and if*, as a result, minimum-wage legislation would raise the incomes of low-wage workers without destroying any jobs - two huge ifs - then profits are available to owners of firms who move into monopsonized areas and hire low-skilled workers. That is, if monopsony power is real and relevant, then profits will be earned by anyone who acts with reasonable competence on his knowledge of the existence of such monopsony power.

I agree that academics (such as Mr. Kuehn, Mr. Manning, and myself) are generally too inept to perform genuinely productive activities such as starting and operating businesses. But such ineptness on the part of an academic does not excuse his failure to voluntarily act on beliefs that he arrogantly insists that others be *forced* to act on. Instead, the combination of such confessed ineptness with such revealed arrogance should disqualify that academic from recommending any policy actions whatsoever.

Sincerely,

Donald J. Boudreaux
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and
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Fairfax, VA 22030

28 July 2015

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

Dear Editor:

Here's a question prompted by your report on Hillary Clinton's plan to remake the U.S. energy sector ("Hillary Clinton Sidesteps Keystone in Climate Plan Rollout, July 28"): Regardless of who mishandled classified e-mails on Mrs. Clinton's private server, and regardless of how and why such mishandling occurred - whether through carelessness, recklessness, or mischief - why should someone who cannot ensure the proper use of a single private server be trusted with the colossal power necessary to design and to oversee the remaking of a trillion-plus dollar sector of the U.S. economy (a sector, by the way, in which this person has zero experience)?

Sincerely,
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28 July 2015

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

Dear Editor:

The opening of Holman Jenkins's most recent column - "Hillary Clinton would string syllables together in any order if she thought it would get her to the White House" - is reminiscent of (if a bit less graphic than) H.L. Mencken's observation about FDR seeking reelection in 1936: "If he became convinced tomorrow that coming out for cannibalism would get him the votes he needs so sorely, he would begin fattening a missionary in the White House yard come Wednesday."*

It must never be forgotten that the typical politician's first and foremost - and too often only - object is to gain and keep office. Honesty, decency, and genuine civility and humility be damned.

Sincerely,
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* Quoted on page 430 of Marion Elizabeth Rodgers's 2005 biography, Mencken: The American Iconoclast.

10 August 2015

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

Dear Editor:

Matt Morgan writes that "Petroleum is a finite resource. We should import it from other countries now and preserve our reserves for future generations of Americans" (Letters, Aug. 10).

Mr. Morgan errs. Petroleum is *not* a finite resource in the way that he supposes (namely, that the more of it that is used today the less of it there is available tomorrow). One look at the data makes this point clear: world crude-oil reserves today are 150 higher than they were in 1980.*

The explanation for this long-standing historical trend, and for the flaw in Mr. Morgan's reasoning, is the fact that production is chiefly governed by economic incentives and only secondarily by physical constraints. The production of petroleum - no less than the

production of coffee, corn, and candy bars - increases as the return to producers increases. A rise in the price of petroleum or (as instanced by the recent fracking boom) a fall in production costs intensifies producers' incentives to discover and produce more petroleum. One upshot of this reality is that Uncle Sam's ban on crude-oil exports, by restricting the size of the market served by American oil producers, artificially lowers the return to producers of finding in America more sources of petroleum. Given the immense economies of scale in today's oil industry, the export ban likely lowers, rather than raises, the future amounts of accessible petroleum available in America.

Sincerely,
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* <http://www.indexmundi.com/energy.aspx?product=oil&graph=reserves>

12 August 2015

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

Dear Editor:

John Deutch joins those who wisely call for an end to Uncle Sam's ban on crude-oil exports from the U.S. ("Amplify the Oil Boom by Liberating U.S. Exports," Aug. 12). While it's true that lifting this ban is unlikely to raise fuel prices here at home, Mr. Deutch and others miss the single most important economic reason to lift the ban: doing so will promote faster long-term growth by encouraging firms and workers, in America and abroad, to specialize in those industries for which they each have a comparative advantage.

The export ban causes us Americans to *import* less than we would without the ban. The reason is that the ban - by making foreigners' purchases of crude oil from the U.S. unlawful - reduces foreigners' demand for U.S. dollars. Foreigners therefore become less willing to sell goods and services to Americans. With the volume of American imports thus artificially reduced, some goods and services that Americans would otherwise have imported from lower-cost foreign suppliers are instead produced at home at higher costs using domestic resources and workers. The export-ban's diversion

of resources and workers out of industries where they are most productive and into industries where they are less productive dampens economic growth in America (and abroad) regardless of what happens to the prices that Americans pay for fuel. The final result is a reduced standard of living for hundreds of millions of people, even *if* the ban results in lower fuel prices for Americans.

Sincerely,
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13 August 2015

Mr. Charles Butler

Thanks for your e-mail and for patiently awaiting my tardy reply.

You think me “impractically idealistic” to hold politicians to the same moral standards to which we hold private citizens. Government, in your view, “must deal with monumental affairs” – monumental affairs whose successful management, you believe, requires that government officials “follow Machiavelli’s practical advice.”

It is an odd argument that insists that because politicians have higher responsibilities than do private people that politicians should therefore be held to lower moral standards.

I reject this argument. I reject it for the same reason that Edmund Burke rejected Machiavellianism: “All Writers on the Science of Policy are agreed, and they agree with Experience, that all Governments must frequently infringe the Rules of Justice to support themselves; that Truth must give way to Dissimulation; Honesty to Convenience; and Humanity itself to the reigning interest. The Whole of this Mystery of Iniquity is called the Reason of State. It is a Reason, which I own I cannot penetrate. What Sort of a Protection is this of the general Right, that is maintained by infringing the Rights of Particulars? What sort of Justice is this, which is enforced by Breaches of its own Laws? These Paradoxes I leave to be solved by the able heads of Legislators and Politicians. For my part, I say what a plain Man would say on such an Occasion. I can never believe that, any Institution agreeable to Nature, and proper for Mankind, could find it necessary, or even expedient in any Case whatsoever to do, what the best and worthiest Instincts of Mankind warn us to avoid. But no wonder, that what is set up in

Opposition to the State of Nature, should preserve itself by trampling upon the Law of Nature.”*

If "monumental affairs" cannot be managed by human beings without the managing human beings violating common rules of honesty and decency, the proper move is not to excuse the violations of common rules of honesty and decency but, instead, to strip human beings of any and all authority to manage "monumental affairs."

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* Edmund Burke, *A Vindication of Natural Society* (Indianapolis: Liberty Fund, 1982 [1756]), pp. 41-43.

