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Comment on the Commentary of the Day

by

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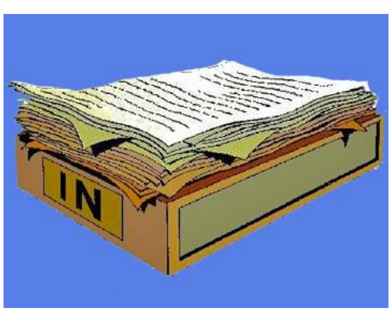

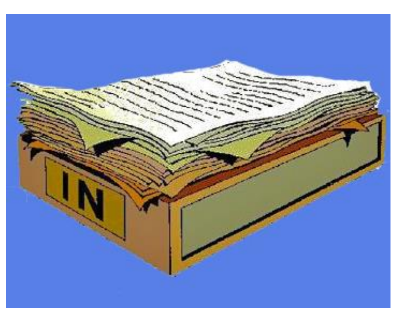

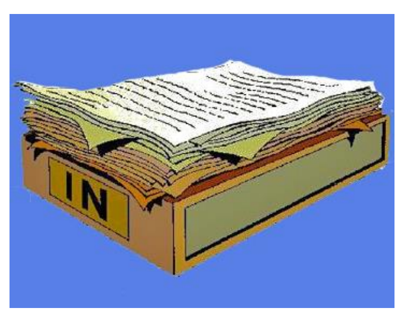

Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet, and if they are, they may require registration or subscription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

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16 August 2015

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

Dear Editor:

In his applause-worthy critique of Donald Trump's economics, Steven Rattner commits some errors, the most notable of which is his suggestion that the minimum wage should be raised because it "is well below historical levels, after adjustment for inflation" ("Trump's Economic Muddle," August 14).

First, the case against the minimum wage is that it prices many low-skilled workers out of jobs. If this case is correct - and there's much economic logic and evidence to support it - then the minimum-wage's current level relative to its historical levels is irrelevant.

Second, as shown by this chart from the Pew Research Center (using data from the Bureau of Labor Statistics),* it's untrue that the real value of today's minimum wage "is well below historical levels."

Adjusted for inflation, today's minimum wage is *higher* than it has been for about two-thirds of its history. Save for the years of the recent Great Recession (hardly years for which we would want an especially high minimum wage!), one must go back to the early 1980s before encountering a time when the real value of the minimum wage was as high as is the real value of the minimum wage today. And while it's true that for most (although not all) of the 15-or-so-year period between the mid 1960s and the early 1980s the real value of the national minimum wage was higher than is the real value of today's minimum wage, at no time from 1938 - the year of its enactment - until the mid-1960s was the real value of the minimum wage as high as it is today. Indeed, for the bulk of the minimum-wage's first two and a half decades, including the often-heralded high-growth 1950s, the real value of the minimum wage was lower than today's value by a *significant* amount.

Sincerely,
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and
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* http://cafehayek.com/wp-content/uploads/2015/05/FT_14.09.08_MinimumWage.png

19 August 2015

Mr. Donald Trump

Dear Mr. Trump:

You insist that we Americans are harmed whenever foreigners take actions that result in us getting more imports in exchange for our exports. I ask that you, with your own money, prove that you really believe the economic principle that lies at the root of your insistence.

If you're correct that people are impoverished when they pay lower prices, and are enriched when they pay higher prices, then you can easily augment your personal fortune by demanding that the suppliers from whom you purchase the steel, cement, and other materials used to construct Trump buildings raise the prices they charge you for their merchandise. The higher they raise the prices they charge you to carry out your economic affairs, the wealthier you'll become because you'll be increasingly reluctant to purchase their offerings. In the limit they can charge you prices so high that you'll buy *nothing* from them! How great would that be?! And the possibilities don't end there! You can even further expand the Trump treasure by *lowering* the prices - even to $0 - that you charge your customers for hotel rooms and the other goods and services that you supply.

Just think of the additional wealth that will come your way by your being, as a buyer, dissuaded by high prices from purchasing goods and services from people not named 'Donald Trump,' and, as a seller, by the hordes of customers who will demand to consume almost limitless quantities of the wares that you make available at prices of $0.

Who knew that getting rich is so easy?!

Sincerely,
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18 August 2015

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

Dear Editor:

Brian Collins asks "Do you truly believe that absent any increase in the minimum wage that Wendy's or any other business will suspend efforts to develop and implement new forms of automation that promise to reduce staff levels?" (Letters, August 18).

The answer is 'no.' Contrary to Mr. Collins's implication, however, this fact does nothing to excuse raising the minimum wage.

Even in a world in which market forces naturally promote automation, raising the minimum wage has two pernicious effects. First, it causes the rate of automation to be *faster* than it would be if the minimum wage were not raised. That is, raising the minimum wage results in automation being introduced at a rate that is too fast given the size of the low-skilled labor force. Second, raising the minimum wage destroys incentives for entrepreneurs and businesses to find ways to profitably employ workers whose limited skills prevent them from producing hourly outputs valued at least as high as the minimum wage. The first effect throws some low-skilled workers out of jobs that they would otherwise retain, while the second effect ensures that no one has incentives to find ways to profitably employ these and other low-skilled workers.

If it is inhumane to outlaw the profitable employment of those workers whose skills are the least valuable, then the minimum wage is deeply inhumane.

Sincerely,
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20 August 2015

Mr. Tyler Stewart

Dear Mr. Stewart:

Thanks for your e-mail.

I commend your brother Wallace for having carefully read Thomas Piketty's *Capital in the Twenty-First Century*.

You say that Piketty convinced Wallace "fully" that a fundamental feature of capitalism is that returns to owners of capital "are destined to grow quicker than worker pay." I'm afraid that I cannot in a letter cover the many problems that I have with Piketty's analysis. Let me instead recommend to you - and to Wallace - two of my favorite reviews of Piketty: that of Deirdre McCloskey,* and that of my colleague Garett Jones.**

If Deirdre's and Garett's reviews do not dent Wallace's confidence in Piketty's thesis, I suggest that you then advise Wallace to put his convictions into action by becoming a capitalist. I know that he's still in college, but if Wallace really believes that the value of capital is destined to grow so handsomely and assuredly, he should invest every spare cent that he can come by in shares of stock. It's easy to do.

Indeed, if the main reason Wallace is in college is to enhance the income that he'll earn over his lifetime, he should immediately quit college in order to invest in stocks, business start-ups, and other tradeable assets all the money that he'll save by having no tuition bills to pay. If Wallace's belief about capitalism is correct, he'll see the folly of spending so much time and treasure on enhancing his skills as a worker (since workers are doomed to be dominated by capitalists). Wallace should instead become one of those capitalist by immediately commencing work full-time on starting businesses as well as on investing in stocks and other financial assets.

I quickly add that I beg you not to actually implore Wallace to quit college. Such a move would be foolish. But your brother should understand that a principal reason why such a move would be foolish is precisely that Piketty's thesis is flawed: no investments that Wallace (or anyone else) makes today in businesses and financial assets are "destined" even to grow at all in value, and they are certainly not "destined" to grow faster than is the value of Wallace's labor. The very fact that Wallace is now in college likely testifies to his wise failure *really* to take Piketty seriously.

Sincerely,
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* http://www.deirdremccloskey.org/docs/pdf/PikettyReviewEssay.pdf

** http://reason.com/archives/2014/04/26/living-with-inequality

24 August 2015

Editor, *The Washington Post*

Dear Editor:

Extraordinary claims must be backed by extraordinary evidence before people accept such claims as valid. And so the extraordinary claim made by Rachel West that using minimum-wage legislation to raise firms' costs of employing low-skilled workers does not cause firms to employ fewer low-skilled workers ought not be accepted just because she points to one study that supports her claim (Letters, August 24). For every study that she points to in support of her claim, I can point to a study that refutes it.* The fact is, empirically detecting in a globalized and highly dynamic economy the full consequences on employment of legislation that directly affects less than five percent of the workforce is very difficult.

So rather than play a game of Dueling Studies to decide whether or not to put at risk with minimum-wage legislation the employment prospects of hundreds of thousands, and perhaps millions, of low-skilled workers, let's ask a simple yet probing question: Does anyone doubt that fewer people would vote if government raised the cost of voting by imposing a poll tax?

The unambiguous answer is no. Yet the same logic that leads to this answer strongly suggests that firms will employ fewer low-skilled workers when government raises the costs of employing such workers by imposing a minimum wage.

Ms. West will reply that firms differ from voters. But the burden is upon her and other minimum-wage supporters to explain what no one has ever adequately explained - namely, why is it that experienced and profit-hungry business people (most of whom operate in highly competitive industries) are more likely than are voters simply to shrug their shoulders and absorb higher costs imposed by government without taking steps - such as employing fewer low-skilled workers - to reduce their exposure to those higher costs?

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* https://lanekenworthy.files.wordpress.com/2014/11/soc290-neumarketal2013.pdf

UNIVERSITY of West Georgia