



Comment on the Commentary of the Day

by

Donald J. Boudreaux

Professor, Department of Economics

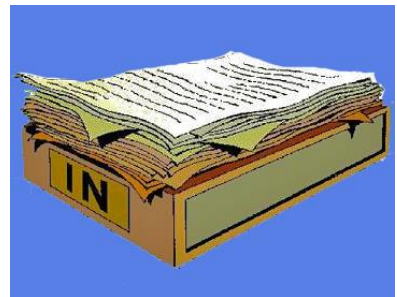
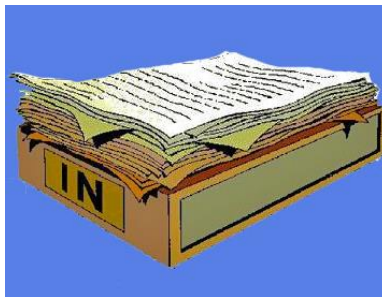
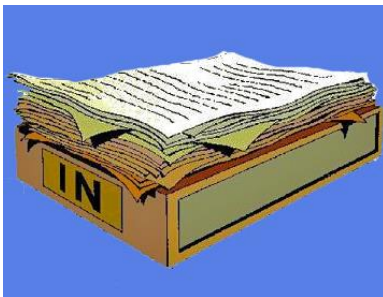
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Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet, 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.

16 September 2015

Editor, *Forbes*

Dear Editor:

Making a case for Uncle Sam to reauthorize the Export-Import Bank, John Brinkley insists that the Bank "is self-funded. It receives no money from taxpayers. In fact, it gives them money" ("Ex-Im Bank's Closure Is Sending Jobs Overseas, Hurting Small Firms," Sept. 16).

So I've a question: why does the Bank need government reauthorization? If it receives no money from taxpayers - indeed, if it turns such a profit that it "gives them money" - surely private investors will eagerly seize the opportunity to serve the profitable markets that the Ex-Im Bank has abandoned.

Mr. Brinkley answers that markets served by Ex-Im are too risky for private banks. But this answer makes no sense if Mr. Brinkley is correct in asserting that Ex-Im receives no money from taxpayers. Loan portfolios that are so risky that they require taxpayer backing are by their nature loan portfolios that over time are not profitable; they are loan portfolios that do not repay lenders adequate returns on their loans. The very need for taxpayer backing of such loans implies that taxpayers are destined to cover losses on, rather than to reap profits from, these loans.

In short, Mr. Brinkley's case for reauthorizing the Ex-Im Bank is a hopelessly illogical muddle, for it asserts that the Ex-Im Bank is *simultaneously* profitable and unprofitable. A government agency that must be defended by such twisted thinking is surely one that ought to be shuttered permanently.

Sincerely,

Donald J. Boudreaux

Professor of Economics

and

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19 September 2015

Mr. Clarence Danby

Dear Mr. Danby:

You claim that I “have no right commenting [on] policies like income inequality that concern working Americans” because I “don’t experience and can’t relate to their daily struggles to make ends meet.”

I disagree for many reasons which, because you read my blog, I need not rehash here. But I do want to ask how committed you are to a key proposition implied by your claim. In effect you propose that if Jones does not personally share in the daily experiences of Smith, then Jones has no business expressing opinions about policies that affect Smith. While your proposition, therefore, does indeed prevent me from expressing opinions about policies that affect people whose incomes are significantly lower than mine, it also prevents you and other “working Americans” from expressing opinions about policies that affect successful entrepreneurs and other people whose incomes are significantly higher than yours.

You admit to “punching a clock” for your entire career. This reality means that you haven’t experienced, and can’t relate to, the daily struggles of business owners to manage their firms in order to remain competitive: to find financing, to deal with bureaucratic red-tape, to handle difficult supply and personnel issues, and to cope - materially and psychologically - with the many risks that are unavoidable and never-ending in starting and running businesses.

So if I’m prevented by my current economic condition from expressing opinions about policies that affect lower-income people, then you, Mr. Danby, are prevented by your current economic condition from expressing opinions about policies that affect higher-income people. In short, by your own logic you have no business advocating - either by word or *in the voting booth* - higher taxes or other policies that affect people whose daily experiences differ from your own.

I agree that too many people today spend far too much energy and time butting ignorantly into the affairs of others. Yet such officiousness is promoted by - indeed, it is the essence of - the institution that you wish to expand and that I wish to shrink: the state.

Sincerely,
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P.S. Contrary to your assertion, I, too, am a "working American." Indeed, it's rare that I don't work seven days a week.

19 September 2015

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

Dear Editor:

You describe Pope Francis as "humble" ("A Humble Pope, Challenging the World," Sept. 19). I disagree; the Pope is a gusher of hubris.

A truly humble person does not pronounce dispositively upon matters about which he knows nothing - and Francis, who is forever pronouncing dispositively upon economic matters, knows nothing of economics. A truly humble person does not presume that entire societies should be remade *through the use of force* to conform to the details of his ethical fancies - especially when many of the details of those fancies are highly controversial. A truly humble person does not jet ostentatiously around the globe to advocate the forceful imposition of policies that would deny economic freedom to billions of people - especially when a great deal of economic scholarship and history (including the history of Francis's own native continent) warn that such a denial of freedom will impoverish the masses.

Sincerely,
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21 September 2015

Editor, *The Washington Post*

Dear Editor:

On the opening page of your website today you ask readers to register their agreement or disagreement with this statement of Pope Francis: "This is our sin: Exploiting the Earth and not allowing her to give us what she has within her."

This claim is laughable. History testifies unmistakably that the earth is extremely stingy in volunteering to humans "what she has within her." Indeed, what the earth has within her are mere raw materials, by themselves useless unless and until human creativity discovers not only how to transform them into actual resources and outputs that improve human well-being (Ever try fueling your jet with crude oil?) but also how to "exploit" the earth so that she releases her materials to us at a reasonable cost.

The Pope is vocal about helping the world's poor. I believe that he's sincere. So I sincerely hope that he comes to realize that the greatest sin of all against humanity would be the suppression of those capitalist institutions that have proven to be the only practical means of transforming what the earth has *within* her into a bounty of goods and services that allows the masses, for the first time in history, to live lives of material abundance and dignity *upon* her.

Sincerely,

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27 September 2015

Editor, *Wall Street Journal*

1211 6th Ave.

New York, NY 10036

Dear Editor:

In "The Middle-Class Squeeze" (Sept. 26) Charles Moore mixes genuine insight with hackneyed myth. Among the myths is his claim that "[t]he owner of capital decides where money goes, whereas the people who sell only their labor lack that power. This makes it hard for society to be shaped in their interests."

First, in free markets, owners of capital remain owners of capital only if they use their capital to serve others. And the greater the number of others they serve, the greater the amount of capital they own. The Walton family's enormous capital was created - and its value maintained - only by that family's continuing success at serving hundreds of

millions of consumers. Consumers' voluntary spending choices play at least as large a role in determining "where money goes" as do the investment and managerial decisions of capitalists. (Were the Waltons to put all of their money into factories that manufacture caramel-covered anchovies, they would quickly lose all of their capital.)

Second, as my colleague Alex Tabarrok explains, "[f]irms buy labor and they are competing primarily not against workers but against other firms. When firms are thinking about wages what they are thinking about is the threat from other firms. When a firm is hiring it knows it must pay the worker at least as much as other firms are willing to pay."* In short, capital competes for labor and, in doing so, empowers it. So the greater the supply of capital, and the freer it is to compete (yet without special privileges) in both output and input markets, the greater the power of even the poorest consumers and workers to determine "where money goes."

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* <http://marginalrevolution.com/marginalrevolution/2015/09/on-the-bargaining-power-of-workers.html>

29 September 2015

Editor, *Charleston Post & Courier*

Dear Editor:

Stephen Aaron argues that the Export-Import Bank should be reauthorized because it "promotes U.S. jobs by supplying financing for the export of American goods" ("Build S.C. 'firewall' to protect Ex-Im Bank," Sept. 28).

Mr. Aaron's byline says that he graduated from Clemson University. Yet while at Clemson he apparently never took a course in economics. Clemson (on whose faculty I served from 1992 to 1997) has long boasted one of the best economics departments in the country. Had Mr. Aaron taken an economics course there he would have been taught to look more deeply into the effects of policy. He would have learned that government subsidies cannot create some jobs without destroying other jobs; he would know that resources directed by government to domestic industry X are directed away from domestic industry Y; he would realize that benefits arbitrarily bestowed by

government to producers are harms arbitrarily extracted by government from consumers.

In short, had Mr. Aaron taken (or recalled) even a single economics course from any of the many superb scholars at Clemson, he would understand that that which is seen (such as jobs created by Ex-Im subsidies) masks that which is unseen (such as jobs destroyed or *not* created - as well as consumer products not produced - because government diverted resources to politically favored producers).

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