



Comment on the Commentary of the Day

by

Donald J. Boudreaux

Professor, Department of Economics

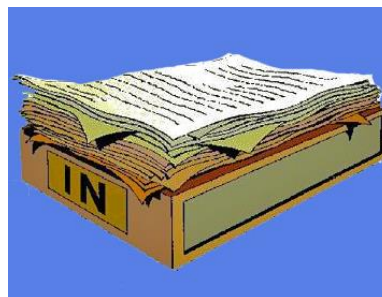
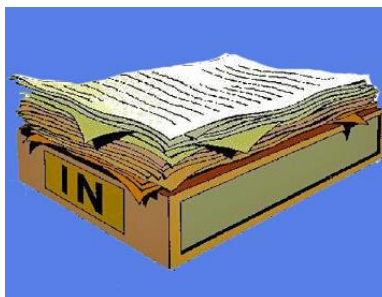
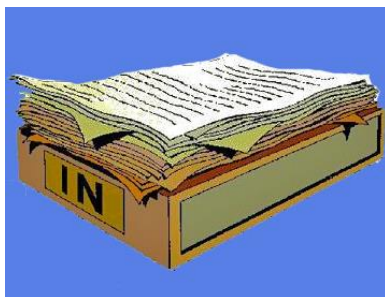
Martha and Nelson Getchell Chair for Free Market Capitalism

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.

30 September 2015

Mr. Richard Ericson

Dear Mr. Ericson:

Unhappy with [my opposition to the U.S. Export-Import Bank](#), you wonder why I'm "eager to unilaterally disarm American industry while our competitors subsidize their exporters."

First, other countries are not our economic competitors. Paul Krugman beautifully explains why in his 1997 book, [Pop Internationalism](#). I highly recommend it to you.

Second, subsidies doled out by other governments weaken, not strengthen, their economies. To see why, suppose that other governments conscript all 22-35 year olds within their borders and force these conscripts to work at subsistence wages for the industries located within those countries. Further suppose that the results are beneficial for corporate shareholders in those countries: their companies export more and rake in higher profits than they would without such conscription. Should Uncle Sam therefore follow suit? Would you describe our government's failure to conscript the labor of Americans aged 22-35 as "unilateral disarmament"? Would you describe the greater exports and higher profits of corporations in those other countries as evidence that a policy of conscripting a workforce makes the people as a whole in those countries economically more prosperous?

I trust not.

Economically, the only difference between export subsidies as they exist today in reality and the above hypothetical is that real-world export subsidies are less extreme. Yet no essential economic difference separates real-world subsidies from such hypothetical conscription: each is a government policy of forcibly seizing resources from some people in order to bloat the purses and wallets of other people.

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

2 October 2015

Mr. Thomas Hutcheson

Dear Mr. Hutcheson:

[Commenting](#) on [a post of mine at Café Hayek](#), you say that those of us who argue that the minimum wage destroys some jobs miss the point. The real point, you insist, is “the amount of harm to low income workers compared to the benefits going to other low-income workers.”

You do raise an issue separate from the one that I normally discuss, but the one that I normally discuss remains hotly disputed. Support for the minimum wage would likely decline significantly if the public understood that raising the minimum wage prices some of the poorest workers out of the labor market. (How many pro-minimum-wage politicians today have you heard admit the likelihood, or even the possibility, that raising the minimum wage will destroy some jobs?) It's true that one can still support the minimum wage if one understands that it destroys jobs. But one must understand this downside in order to weigh properly the merits of any potential upsides. Yet the fact remains that most politicians and pundits, and even many professional economists, still contend that there are no downsides of the minimum wage for workers.

Now to *your* point: suppose that Donald Trump were to propose legislation outlawing the employment of any and all Hispanics. Do you think that, before we are justified in opposing such legislation, we must first gather data to see what its result would be on the distribution of income among minority workers? If econometric studies find evidence that such legislation would raise the aggregate income of blacks by more than the resulting fall in the aggregate income of Hispanics, would this legislation pass a proper cost-benefit test and, hence, be legislation that ‘the facts’ show to be justified?

I trust that you'd oppose such legislation regardless of the resulting amount of measured harm to some minority workers compared to the measured benefits going to other minority workers. For the very same reason, I oppose minimum-wage legislation regardless of its measured effects on the distribution of income among workers. I oppose it because it is unethical (and, for reasons apart from income distribution, also economically harmful to society) for government to strip some people of economic opportunity in order to artificially enhance the opportunities available to other people.

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

5 October 2015

Editor, *Medium*

Dear Editor:

Regarding your detailed account of the difficulty of being a single mom earning a low wage ("Five Days In the Life," October 2): no one doubts that the challenges facing low-wage workers such as Adriana Alvarez are far more grueling than are the challenges facing workers who earn higher pay. But if your report is meant to make a case for raising the minimum wage, it fails.

As difficult as it is for Ms. Alvarez to make ends meet with hourly pay of \$10.50, it would be immensely more difficult for her to make ends meet with hourly pay of \$0.00. Yet such a drop in pay will be the eventual result for many workers such as Ms. Alvarez if government were to raise the minimum wage to a rate higher than the hourly rates that they now earn.

The choice for policymakers is *not* between, on one hand, all low-skilled workers earning low pay (while also gaining valuable job experience that permits them in the future to earn higher pay) versus, on the other hand, all low-skilled workers, thanks to a hike in the minimum wage, earning higher pay. Instead, the choice is between, on one hand, all low-skilled workers earning low pay (while also gaining valuable job experience that permits them in the future to earn higher pay) versus, on the other hand, many low-skilled workers, thanks to a hike in the minimum wage, earning *no* pay *and* being denied opportunities to get the valuable job experience necessary for them to earn higher pay in the future.

So if your goal is to better inform policymakers with 'day-in-the-life' accounts of the struggles of low-skilled workers, you should run - in addition to your account of Ms. Alvarez's difficult daily routine - an account of the far more difficult daily routine of a single mom who earns *nothing* per hour because the minimum wage has priced her out of work, opportunity, and hope.

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

6 October 2015

Editor, *CBS Money Watch*

Dear Editor:

Assessing the consequences of NAFTA, Mark Thoma says “For the U.S. - where the Bill Clinton administration sold the agreement as a job-creating policy because U.S. exports would grow by more than its imports - the agreement has not lived up to its promise” ([“Is Donald Trump right to call NAFTA a ‘disaster’?”](#) Oct. 5).

Disappointingly, Mr. Thoma writes as if he were a politician rather than the economist that he is. Politicians routinely sell freer trade as a source of net job and export creation. Yet economists since Adam Smith - and ranging across the ideological spectrum from Milton Friedman to Paul Krugman - have consistently rejected such claims as a basis for free trade. Economists understand that freer trade neither increases nor decreases the *total* number of jobs in an economy. Instead, freer changes the *kinds* of jobs performed in an economy by *shifting* jobs from industries that are comparatively inefficient to industries that are comparatively efficient.

Likewise, the correct case for freer trade does not depend upon exports growing by more than imports. First, there’s no reason to expect freer trade to result in such an outcome. Second, such an outcome, should it occur, might well be *lamentable* for it could imply that investment opportunities at home are consistently less attractive than are investment opportunities abroad.

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

7 October 2015

Rep. Sander Levin (D-MI)

Dear Editor:

Interviewed yesterday on NPR, you asserted that "When currency was rigged by China, we lost - the estimate is several millions of jobs in the United States." Your proposition, in other words, is that there's a net decrease in the demand for labor in America whenever foreign governments take actions that lower the prices that Americans pay for imports. If your proposition is correct, it also implies that there's a net *increase* in the demand for labor in America whenever foreign governments take actions that raise the prices that Americans pay for imports.

So do you believe that, say, when Chairman Mao was trashing China's economy, Americans *won*? You must. After all, the Great Helmsman's brutal command-and-control policies caused Chinese factories and workers to be far less efficient than they would have been otherwise. The resulting higher costs of production China kept American imports from China fewer and, hence - according to your economics - artificially raised the demand for labor in America. We must have, as you would say, "won."

Similar - and similarly happy - economic effects on the American labor market must also have been unleashed by every other man-made economic calamity during the past century, including Stalinism in Russia, Peronism in Argentina, and Castro-ism in Cuba. These economic policies, while horrid for the denizens of those devastated economies, must have increased employment or wages (or both) for Americans. (That is, *if* you're correct.)

To prove to the American people the sincerity of your economic beliefs (or the depth of your understanding of the full implications of those beliefs), will you publicly proclaim your confidence in the proposition that much of the rise in Americans' employment and real wages since the end of WWII until, say, 1980, was the consequence, not of Americans' own entrepreneurship, innovation, hard work, and risk-taking but, rather, of the economic wreckage inflicted on foreign economies by their meddling governments? Unless you're willing to thank such foreign governments for pursuing policies that *reduced* their people's capacity to export goods to America, you should stop complaining about foreign governments for pursuing policies that *increase* their people's capacity to export goods to America.

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

10 October 2015

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

Dear Editor:

Although Alan Krueger rightly warns that raising the hourly minimum wage to \$15 will likely throw many low-skilled workers out of jobs, one criterion which he accepts for assessing the merits of minimum-wage hikes is flawed ("The Minimum Wage: How Much Is Too Much?" Oct. 9). This criterion is revealed when Mr. Krueger asks "at what level would further minimum wage increases result in more job losses than wage gains, lowering the earnings of low-wage workers as a whole?" Apparently, he supports minimum-wage hikes as long as they cause the earnings of low-wage workers "as a whole" to rise.

To see why this criterion is flawed, suppose that government were to prohibit the employment of all blacks under the age of 20. It's quite possible that this policy of arbitrarily removing some subset of low-wage workers (black teenagers) from the labor force would so increase the wages of non-black low-wage workers that the earnings of low-wage workers *as a group* would rise. Yet I'm confident that Mr. Krueger would (and rightly so) oppose such a policy even if empirical studies unanimously find that it does indeed increase "the earnings of low-wage workers as a whole."

If in fact Mr. Krueger would oppose such a policy, then he hasn't carefully considered the full implications of this stated criterion for assessing the merits of the minimum wage. The only difference separating the minimum wage from a policy of outlawing the employment of black teens is that the racial identities of the workers who might be rendered unemployable by the minimum wage aren't specified in the minimum-wage legislation - a difference that should be immaterial to anyone who believes that the minimum wage is justified if it raises the earnings of low-paid workers "as a whole."

Contrary to Mr. Krueger's implication, any government policy that increases the incomes of some members of a group by artificially rendering other members of that group unemployable should - regardless of how those members are rendered unemployable - be rejected *even if* the policy causes the group's income "as a whole" to rise.

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 2203

