



## Comment on the Commentary of the Day

by

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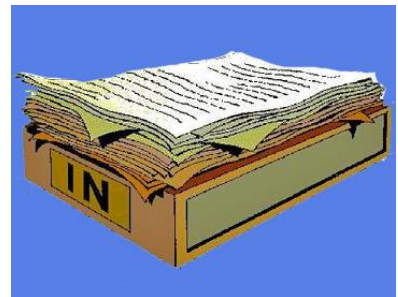
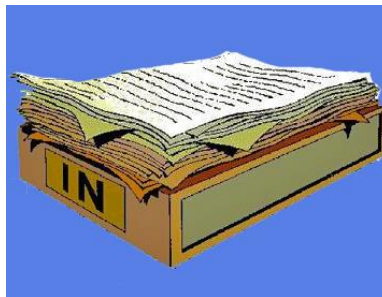
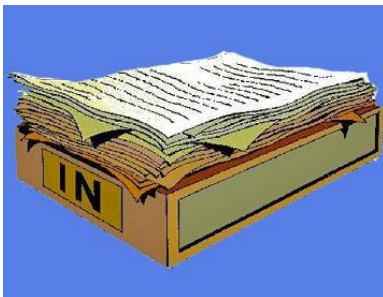
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**Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet, 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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7 January 2015

Aaron the Aaron

Dear Mr. the Aaron:

Understandably bemoaning the "illness of inadequate pay," you accuse me of "callousness" when I argue against a government policy of setting a minimum wage on the basis of what government officials determine is the minimum amount of income necessary for a person to live.

With respect, the truly callous ones are those who insist that the well-being of low-skilled workers can be improved by minimum-wage legislation (regardless of how that wage is set).

In a market economy a worker's low wage reflects that worker's low marginal productivity - that is, the wage reflects the scanty contribution of that worker to his or her employer's bottom line. The root 'illness,' therefore, is the worker's low productivity; the low wage is merely a *symptom* of this illness. So the only way to cure this illness is to raise that worker's marginal productivity. And while there are good and bad ways to raise that worker's marginal productivity (the best way is for that worker to become more skilled), to demand a pay hike for that low-skilled worker changes only the reported symptom without addressing the underlying illness.

Changing analogies somewhat: just as a Toyota Yaris cannot be made as valuable to car buyers as is the more luxurious Toyota Avalon by a government diktat demanding that Yarises sell at prices no lower than the price of Avalons - just as such a diktat simply ensures that sellers of such low-end cars find no buyers - a low-skilled worker cannot be made as valuable to labor buyers as is a higher-skilled worker by a government diktat demanding that hours of low-skilled work sell at wages no lower than the wage of higher-skilled workers. Such a diktat simply ensures that sellers of such low-skilled work find no buyers.

Sincerely,  
Donald J. Boudreaux  
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and

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14 January 2015

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

Dear Editor:

Two cheers for Craig Richardson's description of the forces that drive college textbook prices to absurd heights ("The \$250 Econ 101 Textbook," Jan. 14). But I withhold the third cheer for two reasons.

First, as Prof. Richardson's own explanation makes clear, a chief fuel for these surging prices is increased government subsidization of collegiate education. As college students spend on their education more taxpayer dollars, they naturally spend their education dollars more carelessly. Textbook publishers, therefore, jack up prices with less and less resistance (just as colleges jack up tuition for the same reason). Thus, these higher prices are *not* evidence that (quoting Prof. Richardson) "markets fail to deliver efficient solutions"; rather they're evidence of government artificially juicing - especially since the early 1990s - the market for higher education.

Second, it's untrue that these price hikes are partly also explained by "professors who pay no attention to [textbook] prices, and students who strive to push the costs down the road." The reason is that both of these things were as true in 1982 - when Prof. Richardson took his first econ course and paid only a modest price for his textbook - as they are today. Increasing government subsidization of higher education likely alone explains the explosion in textbook prices.

Sincerely,  
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Professor of Economics  
and

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16 January 2015

Mr. Felix Goldbaum

Dear Mr. Goldbaum:

You misunderstand my point in the “Notable & Quotable” column of today’s *Wall Street Journal*.\* I did not say - and I do not believe - that low-skilled workers are “lesser forms of humanity” than are high-skilled workers. I said only that the market value of the hourly output of low-skilled workers is lower than that of high-skilled workers and, thus, employers cannot afford to pay lower-skilled workers wages as high as those paid to higher-skilled workers.

My teenage son cannot now produce for any employer hourly output worth as much as that produced by my lawyer neighbor and my physician friend, yet surely you do not think that I, in articulating this truth, believe my son to be a ‘lesser form of humanity’ than my neighbor and my friend.

There’s another problem with your attempted justification of minimum-wage legislation. You claim, first, that “businesses have to pay the higher minimum wage [because] they need workers to do certain jobs.... [F]irms must fill these jobs.” Then, second, you claim that employers of low-skilled workers possess “vast monopsony power.” While it’s probably theoretically possible to square your second claim with your first, in practice these two claims are at odds with each other (in addition to each being at odds with reality).

Economists’ textbook demonstration that monopsony power can create conditions under which a minimum wage improves the well-being of low-skilled workers without harming any of them presumes that employers of low-skilled workers profitably vary the amounts of labor they hire as conditions in the labor market change. Indeed, according to this model, monopsony power itself causes employers to hire fewer workers. The monopsony model, therefore - and like any good economist - rejects the notion that there is a fixed number of low-skilled jobs that employers “must fill.”

Sincerely,

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\* <http://www.wsj.com/articles/notable-quotable-donald-boudreaux-1421367088>

18 January 2015

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

Dear Editor:

Two reports in your pages today stand in sharp and sad contrast to each other. According to the first, a famous man proposed to forcibly take money from other people; according to the second, a famous man proposed to peacefully exchange his own money for a service rendered voluntarily by another person. Yet unlike the man in the second report, the man in the first was neither arrested nor suspended from his high-profile job for his actions.

How is it that Barack Obama in calling for higher taxes on 'the rich' - that is, advocating the forcible taking of other people's stuff - is celebrated and feted for his actions ("Obama to seek billions in new taxes on wealthy"), while Greg Anthony in calling for a call girl - that is, peacefully offering to pay his own money to a woman to voluntarily have sex with him - is arrested and suspended from his job ("D.C. police arrest CBS sports commentator Greg Anthony in prostitution sting")?

This state of affairs is perverse.

Sincerely,  
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