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Comment on the Commentary of the Day

by

Donald J. Boudreaux

Professor, Department of Economics

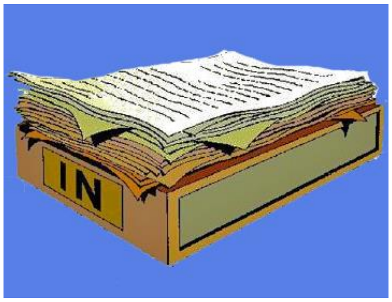
Martha and Nelson Getchell Chair for Free Market Capitalism

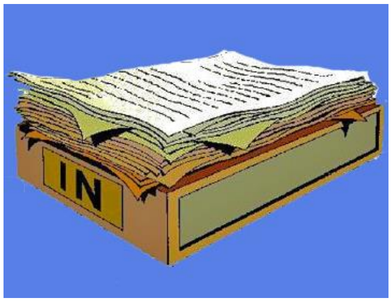
Mercatus Center

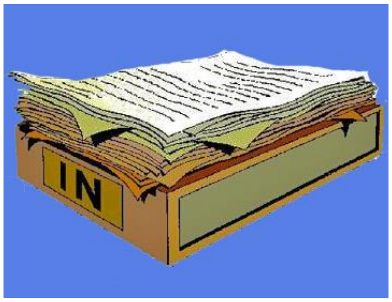
George Mason University

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.

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8 November 2015

Mr. Joe Friedhoff

Dear Mr. Friedhoff:

Thanks for your latest e-mail.

You again insist that foreign-governments' subsidies of their countries' exporters "require" that the U.S. government use the U.S. Export-Import Bank to subsidize American exporters.

In our correspondence you've yet to acknowledge, much less to address, economists' argument that such subsidies by foreign governments weaken rather than strengthen their economies - and, therefore, that what you call "retaliatory subsidies" by Uncle Sam weaken rather than strengthen America's economy. (Talk about a race to the bottom!)

You say that you are "a committed conservative." So I ask you to consider the following scenario. Suppose the government of a foreign country gave to owners of factories there the power to seize outright whatever residential lands and buildings there those factory owners deem they can somehow use to better enable them to produce more goods for export to America. Do you suppose that such a grotesque violation of property rights - such an atrocious abrogation of the rule of law and of the principles of a market economy - would make that foreign economy stronger? And do you suppose that this pro-business policy followed by that foreign government would "require" that Uncle Sam (quoting you) "restore a level playing field" by granting to owners of factories in America the same power to seize outright whatever residential lands and buildings in America these American factory owners deem they can somehow use to better enable them to produce more goods for export *from* America?

I trust that you'd oppose such a "retaliatory" policy. Yet if so, then you should oppose also the Ex-Im Bank. Ex-Im does exactly what the seizing business people do in the above hypothetical example, except on a smaller scale and with curtains and stage props erected by politicians to mask the ugly reality that Ex-Im gives some American businesses nothing more noble than the power to greedily seize the property of others for their own narrow purposes.

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

8 Novmember 2015

Aaron the Aaron

Dear Mr. the Aaron:

Your argument that “efficiency wage theory is evidence that raising the minimum wage is profitable for employers” suffers from several flaws. Here are two.

First, theories are never evidence of anything. Theories instead are stories we tell to make better sense of the evidence - better sense of the reality that we observe and experience. Second, efficiency-wage theory is a fancy term for the rather unremarkable practice of employers’ using offers of higher wages to elicit better-quality effort from workers. Yet it does not follow that raising the wage premium always raises worker productivity by enough to justify the higher wage. At some point the value to the employer of the next increment of increased worker productivity will be less than the cost to the employer of purchasing that increment. And there’s no reason to suppose that profit-hungry employers have not already purchased with ‘efficiency wages' all the increases in worker productivity that can profitably be purchased with such wages.

To assume that forced hikes in the wages of labor are always worthwhile to buyers of labor (that is, to employers) because these wage hikes prompt workers to increase the quality of their work-efforts makes no more sense than to assume that forced hikes in the prices of automobiles are always worthwhile to buyers of automobiles because these price hikes prompt automakers to increase the quality of their cars and trucks.

I encourage you to read the wise words of my colleague Alex Tabarrok on this matter.

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

9 November 2015

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

Dear Editor:

Richard Rogovin asserts that "[t]he death of the Ex-Im Bank will be construed by our friends and enemies as the further withdrawal of the U.S. from international markets" (Letters, Nov. 9). This assertion is absurd.

Uncle Sam's refusal to subsidize exports no more signals America's withdrawal from international markets than would Wal-Mart's refusal to keep pouring money into an unprofitable store signal that company's withdrawal from retail markets. Just as throwing good money after bad shrinks, rather than expands, a company's ability to participate fully and productively in markets, throwing good money after bad shrinks, rather than expands, a country's ability to participate fully and productively in markets, including international markets.

Indeed, were it to continue to refuse to subsidize exports, Uncle Sam would signal to the rest of the world its increased willingness to follow the principles of free trade and, thus, to allow Americans to participate more freely than before in international markets. And importantly, this increased participation would be without the burden of those distorting subsidies which not only directly damage the American economy but which also are used as excuses by foreign governments to further obstruct their citizens' freedom to trade with Americans.

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 November 2015

Mr. Keith Mestrich, President
Amalgamated Bank

Mr. Mestrich:

In an e-mail sent to me today by a publicist bragging about your support for the “Fight for $15” movement to more than double the national minimum wage, you are quoted as thanking “Fight for $15 and the tens of thousands of workers mobilizing today for their tireless leadership on this critical issue. Amalgamated Bank will be with you every step of the way.”

Tell me, Mr. Mestrich, will your bank extend loans to businesses that continue to employ workers whose wages have been doubled even if such employment practices render those businesses unprofitable? And will your bank also refuse to put on its balance sheet profitable loans made to businesses that improve their bottom lines by substituting lower-cost machines for human labor that is made artificially costly by a hike in the minimum wage?

If your honest answer to these questions is ‘no,’ then your talk is cheap. You in fact will not be with the victims of a higher minimum wage “every step of the way.” If, instead, your honest answer to these questions is ‘yes,’ then while I might applaud your integrity in putting your shareholders’ money where your mouth is, I would also have more than sufficient reason to question your competence as a banker.

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

12 November 2015

Messrs. Christopher Rugaber and Josh Boak, Reporters
Associated Press

Messrs. Rugaber and Boak:

Reporting on Tuesday’s GOP presidential debate, you assert that Ben Carson “flubbed” or “botched” with “funny numbers” his answer to a question about the effects of raising the minimum wage. On this matter, though, it is you, not Dr. Carson, whose facts are wrong.

When asked about raising the minimum wage, Dr. Carson replied (as you report) “Every time we raise the minimum wage, the number of jobless people increases.” You then proceed to note, first, that several recent increases in the minimum wage were followed by no increase in the overall unemployment rate, and, second, that “[e]conomic research has found that when states raise their minimum wages higher than neighboring states, they don't typically fare any worse than their neighbors."

Dr. Carson's only "flub" here is offering at the front of his reply a sentence that, standing alone, is worded carelessly. Yet had you reported [the full text of Dr. Carson's reply] you would have noted that he emphasized the minimum-wage's destruction of job opportunities for young blacks and other low-skilled workers. He's correct to do so. The argument against the minimum wage is not that it increases the overall rate of unemployment; rather, it's that it destroys jobs for many low-skilled workers (often by increasing the relative attractiveness to firms of hiring workers who are more skilled than are the workers who are priced out of jobs by the minimum wage).

Also, it's simply untrue that economic research shows clearly that states that raise their minimum wages higher than neighboring states do not suffer higher rates of unemployment of low-skilled workers. While some research reaches this conclusion, [a great deal of other research reaches the contrary conclusion]. Therefore, your suggestion that Dr. Carson's argument lacks empirical foundation is, at best, recklessly misleading, for it wrongly implies that economists are agreed on the bizarre proposition that employers fail to respond to hikes in labor costs by further economizing on their use of labor.

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

14 November 2015

Dr. Shameem Heetun
Fulbright Scholar and CEO of Antilope, LLC

Dr. Heetun:

In a mass e-mail that I received this morning, you boast that your company has developed "a web portal that monetizes the greed of our economic system to balance out our Economic Inequality." You describe this marvel as being "a handheld application that will allow people to scan a product and ascertain whether the manufacturer supports the 99% or the 1%, and make their purchasing decision accordingly."

Excuse me, but doesn't the fact that a manufacturer produces products for sale to the

99% itself *mean* that that manufacturer “supports the 99%”? Doesn’t a manufacturer that supplies product features and quality at prices that many in the 99% find attractive necessarily improve the economic well-being of the 99%? Doesn’t a manufacturer whose relentless cost reductions make goods and services that were once affordable only by the 1% increasingly affordable to the 99% thereby make people more economically equal in the way that matters most - namely, in what they *consume*? And do you not worry that, in an attempt to satisfy your and *your* customers’ mistaken notion of what it means to “support the 99%,” firms such as Wal-Mart and McDonald's will adopt politically correct but more costly methods of production that will drive up their prices and, as a result, worsen rather than improve those companies’ abilities to “support the 99%”?

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

UNIVERSITY of West Georgia