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Comment on the Commentary of the Day

by

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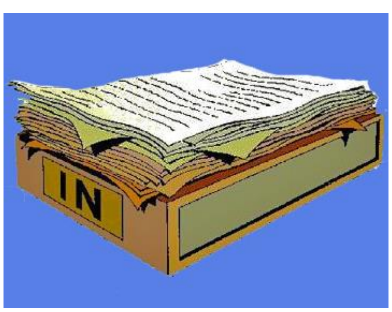

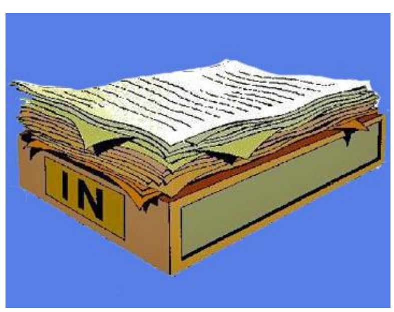

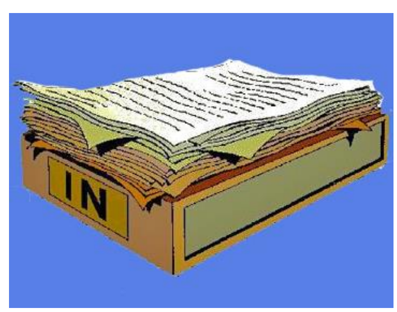

Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet, and if they are, they may require registration or subscription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

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8 February 2015

Editor, *New Yorker*

Dear Editor:

James Surowiecki's explanation of the alleged stagnation of ordinary Americans' pay since 2000 is an example of poor economic analysis ("A Fair Day's Wage," Feb. 9). On one hand, Surowiecki insists that this stagnation results from a weakening of corporate "norms of fairness and internal equity" - a weakening presumably fueled by greater shareholder and CEO greed. On the other hand, Surowiecki assures readers that if companies were to raise their workers' pay to levels that are more "fair," these companies would enjoy greater productivity and, hence, faster growth and higher profits.

Strange, that. Surowiecki never asks why greedy shareholders and CEOs steadfastly forsake the profits that purportedly are the guaranteed fruits of paying higher wages. Such wages, after all, are - according to Surowiecki - the purchase price of better-motivated and, thus, more-productive labor inputs. So do these same companies also forsake profits by stubbornly failing to buy efficiency-enhancing *non*-labor inputs such as machines and computer software? Do the corporate norms that today supposedly cause firms stupidly to avoid spending money that is certain to make their workers more productive and profitable also cause firms stupidly to avoid spending money that is certain to make their factories, retail spaces, and other facilities more productive and profitable?

Unless Surowiecki offers a compelling theory for why more-productive labor alone is the one input that profit-obsessed firms consistently and against their best interests refuse to purchase, his explanation for the purported stagnation of wages isn't credible.

Sincerely,
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10 February 2015

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

Dear Editor:

The title of Paul Krugman's most-recent column proclaims that nobody understands debt (Feb. 9). Yet the one who doesn't understand debt is Mr. Krugman. Contrary to Mr. Krugman's argument, the potential problems caused by a government's indebtedness do not vanish just because that debt is owed only to that government's subjects.

Suppose Mr. Krugman borrows $1M from a Princeton colleague to buy a yacht. The Krugman household must repay, with interest, $1M to that colleague. This burden isn't lightened one iota by the language trick of describing Mr. Krugman as a member of Princeton's faculty and then declaring that because his debt is owed to another Princetonian, the net debt burden on Princetonians is zero. Mr. Krugman's debt burden remains very real. Yet in this case it's likely a worthwhile burden to bear because Mr. Krugman committed himself to repay this debt with his own money. We must assume that the value to him of having the yacht today is greater than the cost to him of repaying the money he borrowed to buy it.

The problem with public debt is that governments that borrow impose on *other* people - future taxpayers (many of whom don't vote in today's elections!) - the obligation to repay. As a result, governments tend to borrow excessively and to spend the proceeds carelessly. The costs to society of the resulting misuse and misdirection of resources are not in the least reduced by the fact that the debt is held internally.

Sincerely,
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12 February 2015

Editor, *Washington Examiner*

Dear Editor:

Iain Murray and Julija Simionenko eloquently summarize many sound reasons why Uncle Sam should not punitively tax Americans who buy imports from countries that Uncle Sam declares to be ‘currency manipulators’ (“No currency manipulation rules in Pacific trade deals a good thing for Americans,” Feb. 12). Here’s yet another reason: the same logic used by protectionists (such as Sen. Lindsay Graham and Rep. Sandy Levin) to justify the punitive taxation of Americans who buy imports made less costly because of foreign-governments’ "currency manipulation" dictates the punitive taxation also of Americans who buy imports made less costly because of foreign-governments’ “education manipulation,” “infrastructure manipulation,” or “public-health manipulation.”

Insofar as a foreign-government’s spending on education, infrastructure, and public health improves productivity in that country, such spending lowers the prices of that country’s exports - precisely the same consequence for Americans as that of a foreign-government’s currency manipulation. So unless protectionists are prepared to argue *explicitly* that Americans should be prevented from trading freely also with people whose governments spend on education, infrastructure, and public health - all of which expenditures are made also by Uncle Sam - protectionist protestations against alleged currency manipulation should fall on deaf ears.

Sincerely,
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22 February 2015

Editor, *The Guardian*

Dear Editor:

Aghast that many businesses have the gall to lobby against legislation that arbitrarily raises their costs, you assert that “a large body of economic research has discredited” the claim that raising the minimum wage destroys jobs for some low-skilled workers (“How a powerful rightwing lobby is plotting to stop minimum wage hikes,” Feb. 20).

First, your report presents a wholly misleading account of the current state of research. As economists Jonathan Meer (of Texas A&M) and Jeremy West (of M.I.T.) wrote just last month in a revised version of a well-respected paper, “[t]he voluminous literature on minimum wages offers little consensus on the extent to which a wage floor impacts employment."* Profs. Meer and West, justly critical of the shortness of the time spans examined by 'pro'-minimum-wage studies, present powerful evidence that minimum wages do in fact over several years slow job growth for low-skilled workers.

Second, your claims on behalf of the minimum wage are specious on their face. If you really believe that "employment expands with wages," you should also believe, say, that newspaper advertising expands with rates. The fact that you likely understand that newspaper advertising would fall if government were to force all newspapers to arbitrarily hike advertising rates makes mysterious your failure to understand that employment falls when government forces employers to arbitrarily hike wage rates.

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* "Effects of the Minimum Wage on Employment Dynamics":
http://econweb.tamu.edu/jmeer/Meer_West_Minimum_Wage.pdf

23 February 2015

Mr. Marion Ellis

Dear Mr. Ellis:

You say that your "instincts" tell you that "minimum wage increases don't kill jobs for poor workers." And you are "staggered" that my "instincts" tell me differently. You "simply can't imagine" that raising the minimum hourly wage by $2.85 (from $7.25 to $10.10) "will trigger businesses to hire less workers." You say that you also are "convinced" by the "abundant research" that "finds the minimum wage causes no loss of jobs."

My "instincts" (as you call them) are largely the product of my training in economics. So it's really my understanding of economics that tells me that minimum-wage legislation harms the very workers that it is ostensibly supposed to help.

But let me test *your* instincts with a question posed by the economist Mark Perry:* Do you believe that imposing a *tax* on employers for every low-skilled worker that they hire would not reduce the number of low-skilled workers hired? Do you believe that requiring employers to pay a tax of $2.85 per hour for every low-skilled worker on their payrolls would not prompt employers over time to employ fewer such workers? Do you suppose that firms are so inattentive to their bottom lines or so unable to figure out how to operate profitably with fewer worker that such a tax - which would be about $5,700 annually for each and every low-skilled worker employed full-time - would not reduce low-skilled workers' employment options?

If you answer "yes" to these questions, then your instincts do indeed differ greatly and irreconcilably from my own.

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P.S. And, no: no one pays me to express my opposition to minimum-wage legislation. I don't suspect for a moment that someone is paying you to express to me your support for such legislation, so why would you suspect that someone is paying me to express my opposition to the same?

* http://www.aei.org/publication/15-per-hour-minimumliving-wage-7-25-per-hour-100-tax-employers/

UNIVERSITY of West Georgia