



Comment on the Commentary of the Day

by

Donald J. Boudreaux
Chairman, Department of Economics
George Mason University
dboudrea@gmu.edu

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 may require registration or subscription to access if they are. Some of the original articles are syndicated and therefore may have appeared in other publications also.

27 May 2006

Editor, The Wall Street Journal
200 Liberty Street
New York, NY 10281

Dear Editor:

Not only a successful politician, Rep. Sherwood Boehlert is also an entrepreneurial mastermind. He knows (he says) that consumers will eagerly pay for more fuel-efficient automobiles (Letters, May 27). His entrepreneurial vision is singularly impressive in light of the fact that this consumer demand, this profit opportunity, is ignored by each of the 20-plus automakers now producing cars for the American market - ignored so consistently that Rep. Boehlert and his colleagues must mandate higher automobile fuel-efficiency standards to force auto makers to better meet their customers' demands.

We Americans should be grateful that our leaders possess such acumen as well as willingness to intervene in private affairs. Otherwise, we'd be left to take responsibility for

ourselves, unprotected by the god-like wisdom of Renaissance (Congress)men such as Rep. Boehlert.

25 May 2006

Editor, The Wall Street Journal
200 Liberty Street
New York, NY 10281

Dear Editor:

AFL-CIO Secretary-Treasurer Richard Trumka says that an undervalued yuan increases both America's current-account deficit with China AND "the flood of investments by U.S and other multinational companies" into China (Letters, May 25).

This allegation reveals Mr. Trumka's colossal misunderstanding of international-trade concepts. America's current-account deficit with China grows as the volume of Chinese investments in America increases relative to the volume of American investments in China. How can the price of the yuan (or anything else!) cause Americans to invest less

in China and more in China simultaneously?

25 May 2006

Program Director, Washington Post Radio (WTWP)

Dear Sir or Madam:

Interviewed by morning host Mike Moss (May 24), Mark Cooper of the Consumer Federation of America argues that the reason oil companies have built no new refineries in the U.S. for the past thirty years is that they possess "monopoly power." According to Mr. Cooper, the resulting lack of refining capacity keeps gasoline supplies artificially low and prices and profits artificially high.

Mr. Cooper's allegations fit poorly with the evidence. In 22 of the 27 years from 1978 through 2004, return on investment in U.S. refining capacity was below that of all other lines of business. (<http://www.eia.doe.gov/emeu/perfp/ro/fig28.htm>) This relative unprofitability of refining, rather than "monopoly power," is the

most plausible reason why investment in refining capacity has been lackluster.

23 May 2006

Editor, The Washington Times

Dear Editor:

Re the Federal Trade Commission's failure to find price-gouging by oil companies in the wake of last-year's hurricanes ("FTC Finds No Katrina Gas-Price Gouging," May 23): when next asked to search for evidence of devious plutocrats chiseling innocent people out of their hard-earned money, the FTC should dispatch its investigators to Capitol Hill. There, even a cursory inquiry will uncover swindlers whose arrogance and gluttony for power and lucre are matched only by their deceitfulness.

22 May 2006

Editor, The Chicago Tribune Magazine

Dear Editor:

Eric Schlosser's account of the American economy of 100 years ago is to economic history what Star Trek is to space exploration: popular but phony ("The Jungle Turns 100," May 21). For example, the so-called "monopolists" back then did not charge "whatever price they liked" - unless they liked to charge low prices. Data from the period show that the real prices of kerosene, coal, meat, steel, tobacco, and other allegedly monopolized products fell continually and dramatically, suggesting that being a big firm is not synonymous with having monopoly power. Also, the vast bulk of child labor took place on

farms, not in factories. And that which did occur in factories was in steady decline for at least 25 years before Upton Sinclair wrote "The Jungle."

Like Sinclair's novel, Schlosser's celebration of it is a piece of muckraking fiction.

22 May 2006

Editor, The Christian Science Monitor

Dear Editor:

Gerry Roll wants to classify as "homeless" families who are "doubled- and tripled-up with friends and relatives" ("Understanding poverty and homelessness in America," May 22).

While such families might be poor, they are, in fact, not homeless. To classify them as homeless would be, well, a lie. Among other ill consequences, this lie would mask the significant fact that a century ago the typical American household housed 5.63 persons while today the typical household, despite being larger than its counterpart of 100 years ago, houses fewer than half that number (2.37 persons).