



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 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.

6 May 2007

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

Dear Editor:

Alan Blinder worries that as technology opens up pools of low-wage labor in poor countries, the gains to American workers from free trade will be slow in coming ("Free Trade's Great, but Offshoring Rattles Me," May 6). He forgets that the world's stock of capital expands quickly to take advantage of profit opportunities.

If American workers today produce enough output to justify their high pay, any transfer of capital from

America to China or India opens up profit opportunities for new investments in America. Skilled, motivated workers in a commercial environment of secure property rights will not long remain unexploited by capitalists.

Want evidence? Foreign direct investment in the U.S. from Latin America was \$87.3 billion in 2004 - 114 percent higher than 1999's figure of \$40.8 billion.

5 May 2007

Editor, The Washington Times

Dear Editor:

Economic growth requires market-driven investment, and investment requires savings. So you are right to argue that a fall in Americans' savings rate threatens to reduce the U.S. economy's growth rate ("The GDP," May 5).

But why do you often lament the U.S. trade deficit? The larger is this deficit, the greater are the amounts that foreigners invest in America. And the more that foreigners invest in America, the higher is the U.S. economy's growth rate. R&D in the U.S. funded with dollars from South Korea is just as productive as the same R&D would be were it funded with dollars from South Carolina.

If Americans truly are saving virtually nothing, we should be especially pleased that foreigners so willingly save and invest on our shores.

4 May 2007

Editor, The Atlantic

Dear Editor:

Clive Crook notes that "America stands lower in the ranking of income mobility than most of the countries whose data allow the comparison, scoring worse than Canada, all the Scandinavian countries, and possibly even Germany and Britain" ("Rags to Rags, Riches to Riches," June 2007). But he incorrectly concludes that this fact shows Americans to be less likely than citizens of these other countries to move significantly up and down the income ladder.

Calculations of income mobility typically rest upon income quintiles. Each quintile represents one-fifth of all households in a country, ranked according to income. An instance of mobility occurs when a household moves from one quintile to another. Now consider two hypothetical countries - Rooseveltia and Reagania. Per-capita incomes are identical in both countries, but Rooseveltia's incomes are more equally "distributed" than are Reagania's. Therefore, in Rooseveltia the income earned by the

median household in, say, the bottom quintile is closer to the income earned by the lowest household in the fourth quintile than is the case in Reagania. It follows that movements between quintiles are likely less frequent in Reagania than in Rooseveltia EVEN IF households in Reagania regularly experience larger income gains and losses over time.

The same statistical artifact arises if, all else the same, Reagarians are wealthier than Rooseveltians: higher national income practically means larger differences between the incomes earned by households at the bottom of any quintile and incomes earned by households at the top of that same quintile. So a dollar-amount increase in income that might catapult a Rooseveltian household from the second to the first quintile might, if also earned by a Reagianian household, leave that household in the same quintile as before.

Because incomes in the U.S. are both less equally "distributed" and generally higher than in much of the rest of the world, the fact that measured income mobility in America is lower than elsewhere does not mean that Americans are

less likely to make significant moves up and down the income ladder.

4 May 2007

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

Dear Editor:

E.J. Dionne argues that the Great Depression was caused by high income inequality ("If Democrats Want to Help the Poor..." May 4). The empirical evidence suggests not.

Research by Milton Friedman and Anna Schwartz, among others, finds that the Depression was launched by the Federal Reserve's massive contraction of the money supply in the early 1930s. [Milton Friedman and Anna J. Schwartz, Monetary History of the United States, 1867-1960 (Princeton University Press, 1963)] More recently, economic historian Robert Higgs finds that the Depression was deepened and prolonged by interventionist policies and attitudes that frightened away investors. [Robert Higgs, Depression, War, and Cold War (Oxford University Press, 2006)]

2 May 2007

Editor, Richmond Times-Dispatch

To the Editor:

At least two errors of logic mar Thad Williamson's argument that taxes are the price we pay for prosperity ("No Taxes Would Mean No Prosperity," April 30). First, just because government performs some task - say, running schools - does not mean that such tasks would not be performed better by the private sector.

Second, even if government performs some vital tasks that cannot be done by the private sector, Mr. Williamson is wrong to conclude that we, therefore, have no moral right to our pre-tax incomes. Tasks necessary to sustain life and society are performed also by clothes makers and home builders, yet no one argues that those of us who wear clothes and live indoors lose moral claims to our incomes as a result.

2 May 2007

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

Dear Editor:

Robert Samuelson misses an important point when he discusses immigration ("Seeking Sense on Immigration," May 2).

Anti-immigrationists who worry so raucously about immigrants using taxpayer-funded welfare should lead the charge to eliminate the countless restrictions aimed at preventing immigrants from working legally. It's hypocritical to insist that immigrants' employment options be severely restricted and then, in the next breath, to pontificate about the need to keep immigrants from using welfare.

1 May 2007

Editor, USA Today

Dear Editor:

Why does Niall Ferguson find China's rising prosperity to be "pretty scary" ("Tale of Two Planets," May 1)?

Would the world be safer if China remained isolated and ruled by a Mao-like

madman? Do today's commercial ties uniting China with the west raise the likelihood that Beijing will seek war? Hardly.

As the work of Columbia University's Erik Gartzke suggests, the economic freedom increasingly enjoyed by the Chinese people will make that nation less, not more, belligerent.

[\[http://www.columbia.edu/~eg589/publications.html\]](http://www.columbia.edu/~eg589/publications.html)

And, as a happy bonus, it will further enhance our prosperity.

30 April 2007

Editor, New York Times

Dear Editor:

In "Who's Watching Your Money?" Robert Morgenthau demands tighter government regulations on so-called "predatory mortgage lending" (April 30). Such lending - which reflects banks' efforts to make liquidity more available to persons of modest means - will, if done imprudently, hurt the imprudent lenders. Witness New Century Financial's collapse. That's called market regulation; it's quite effective.

More fundamentally, there's a simple answer to

the question "Who's Watching Your Money?" You are - or you should be. Your financial affairs are not the business of Mr. Morgenthau or of any other arrogant busybody.