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Comment on the Commentary of the Day

by
Donald J. Boudreaux
Chairman, Department of Economics
George Mason University
dboudrea@gmu.edu
http://www.cafehayek.com

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7 October 2007

Editor, The Washington Times

Al Eisner asserts that undocumented immigrants come to America "for their own economic gains and greed" and "do not contribute to [Montgomery] county in any way" (Letters, October 7).

I recommend to Mr. Eisner a book by Adam Smith entitled An Inquiry Into the Nature and Causes of the Wealth of Nations. In it, the late Professor Smith explains compellingly that voluntary exchanges in market economies generate greater prosperity for all parties to the exchanges even when each party pursues only his own gain.

To allege that immigrant workers in Montgomery County contribute nothing is to allege that their employers are economic imbeciles who pay wages and, in return, routinely get nothing. Were I a resident of Montgomery County, I'd be insulted by Mr. Eisner's low opinion of me and my neighbors.

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6 October 2007

Editor, Reason

I enjoyed Jackson Kuhl's review of books on alcohol prohibition ("Eight Million Sots in the Naked City," November). Greater wartime centralization of power in Washington, along with hostility to the Irish and Italians, surely helped fuel Uncle Sam's willingness in the 19-teens to declare alcohol verboten.

But the spark that ignited prohibition goes unmentioned by Mr. Kuhl and, apparently, also by the authors whose books he reviews. That spark was the national income tax. Prior to the 1914 creation of this tax, taxing alcohol was second only to taxing imports as a chief source of federal revenue. So when, during WWI, the income tax proved to be a revenue-gathering megastar, Congress finally could afford to cave in to the dry lobby. Sacrificed liquor-tax revenues were by 1919 only tiny portion of the budget.

By 1933 - the year Congress successfully proposed repeal of the prohibition amendment - the revenue situation was reversed. In that Depression year, income-tax revenues had toppled by more than 60 percent from their 1930 level. Addicted to revenue, Uncle Sam ended prohibition so that he could once again tax alcohol.

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5 October 2007

The Editor, New York Times
229 West 43rd St.
New York, NY 10036

To the Editor:

David Brooks writes that "Neoconservatives...built a creed around the words of Lincoln and the founders" ("The Republican Collapse," October 5). Lincoln, perhaps. But Mr. Brooks too hastily accuses America's founders of being proto-neocons. In his Farewell Address, George Washington advised that "The great rule of conduct for us in regard to foreign nations is, in extending our commercial relations to have with them as little political connection as possible." Washington then asked rhetorically "Why quit our own to stand upon foreign ground? Why, by interweaving our destiny with that of any part of Europe, entangle our peace and prosperity in the toils of European ambition, rivalship, interest, humor, or caprice?" Thus did this founder counsel against foreign entanglements. And his advisor and father of the Constitution, James Madison, warned that "Of all the enemies to public liberty war is, perhaps, the most to be dreaded."

We can only despair that neocons embrace policies quite at odds with the founders' creed of neutrality and non-intervention.

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4 October 2007

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

Dear Editor:

I enjoyed George Will's portrait of economist Austan Goolsbee ("The Democratic Economist," October 4). But in that portrayal Mr. Will mistakenly identified the late Milton Friedman as a conservative. Throughout his career Friedman explicitly rejected that label. He insisted, rightly so, that he was a classical liberal - someone who understands that individual decision-making within a regime of private property rights produces maximum, wide-spread prosperity and, more importantly, best enables each of us to pursue our own goals in our own ways.

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3 October 2007

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

Dear Editor:

Rep. Joe Knollenberg (R., Mich.) asserts that Japanese automakers are subsidized by an undervalued yen (Letters, October 2). Rep. Knollenberg - whose position on this issue surely is grounded only on his dispassionate evaluation of the arguments and evidence and has nothing to do with his being elected by voters in Michigan - overlooks the fact that an undervalued yen will cause the prices of goods and services denominated in yen to rise.

So as the value of the yen falls, enabling (it is true) each dollar to buy more yen, another effect is that the nominal yen-price of Japanese-made cars rises, reflecting the yen's lower value. The net result is no advantage to Japanese automakers seeking to sell more cars abroad.

Friends,

My far-better half is even more riled by Joseph Stiglitz's exasperating review of Naomi Klein's book than I am -- and that's saying something! Here's Karol's letter to the NYT Book Review.

Don

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To the editor:

In his problematic review of Naomi Klein's The Shock Doctrine, Joseph Stiglitz makes a series of claims about South Africa that are both insulting and inaccurate. For example, he claims the ANC "didn't fully understand how important economic policy was."

Rubbish. The ANC is filled with highly educated, competent people who knew full well that radical redistribution would likely fuel violence and capital flight, generally not a recipe for economic growth. The ANC recognized that their economic policies had to accommodate a broad array of domestic interests--business people, small entrepreneurs, farmers, and union members—as well as international donors. Its economic policies reflected this reality.

For example, far from introducing "labor flexibility" to meet IMF and World Bank demands, the ANC has kept the labor market excessively rigid, which penalizes poor black South Africans but makes its political partners, the South African Communist Party and the nation's largest labor union, COSATU, happy. Indeed, the high black unemployment rate and the ever-expanding informal sector are evidence of this rigidity. Despite the fact that South Africa is ranked 35th out of 178 nations in the World Bank's most recent Doing Business report the country scores a poor 91 in the category of "Employing Workers;" the lowest mark of the 10 categories the Bank considers.

Finally, to argue that 5% per annum growth rates are "disappointing" is disingenuous. As the OECD said in its African Economic Outlook report (2006) "In 2005, the South Africa economy experienced GDP growth of 5 per cent, its highest since the end of apartheid." The OECD goes on to say that "although this good performance is due in part to a favorable international environment, it also reflects the sound economic policies that have been carried out since 1996. . ."

To be sure, South Africa has plenty of problems, labor rigidity being key among them. It is disappointing, however, that an economist as prominent as Mr. Stiglitz should be so wrong about what ails this beautiful country.

Sincerely,
Karol Boudreaux

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2 October 2007

Mr. Thomas Palley
www.ThomasPalley.com

Dear Mr. Palley:

Thanks for including me on your distribution list. But I dispute your claim that the principle of comparative advantage applies only when capital is immobile. You mistake an assumption typically made to render the explanation of comparative advantage clearer as being a condition necessary for the principle to hold in reality.

Like other real-world happenings, capital mobility does indeed change the specific pattern of comparative advantage. It does not, however, nullify the principle. If it does - if, as you assert, capital mobility makes comparative advantage "obsolete" - then the principle of comparative advantage would be useless for explaining the pattern of specialization and trade within national or local economies, where capital has long been mobile.

Of course, comparative advantage has always helped to determine the pattern of specialization and trade between Brooklyn and Queens no less than it has always helped to determine the pattern of trade between America and other countries.

Friends,

Russ Roberts and I talk, in this new podcast, about market failure and government failure:

http://www.econtalk.org/archives/2007/10/boudreaux_on_ma.html

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1 October 2007

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

Dear Editor:

Ecuador's President Rafeal Correa opposes freer trade with the U.S. because "it would be dangerous for our farmers" ("Ecuador's Hugo Chavez?" October 1).

I have some questions for Pres. Correa. Suppose that a new and nearly costless technique were invented that increased agricultural yields so magnificently that all Ecuadorians could be well and safely fed from the output of only one farmer.

Would you oppose such technological progress? If so, why don't you also require Ecuadorian farmers to till the soil with nothing but their bare hands, for that policy would stimulate even more work and effort in the agricultural sector?

And if you wouldn't oppose technological progress in Ecuadorian agriculture, why do you oppose commerce that promises the same result, namely, an increase the supply of food for citizens of your country?