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Comment on the Commentary of the Day

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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.

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2 January 2010

Friends,

I'm honored - really - to be nominated by U.C.-Berkeley economist and famous blogger Brad DeLong as the "Stupidest Man Alive": http://delong.typepad.com/sdj/2011/01/stupidest-man-alive-nominations-for-don-boudreaux-mark-perry-and-john-tierney.html

I will soon offer a Julian-Simon-like bet to Brad, enabling him to profit personally from being smarter than stupid-ol'-me.

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2 January 2010

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

To the Editor:

Nicholas Kristof too uncritically accepts Richard Wilkinson's and Kate Pickett's conclusion that peoples' health would be improved by greater government efforts to equalize incomes through redistributionist policies ("Equality, a True Soul Food," Jan. 2).

First, the fact that low-status macaque monkeys suffer more health problems than do their high-status fellows is dubious evidence for the desirability of income-redistribution among humans: macaque monkeys have no income. So clearly the size of a primate's financial portfolio isn't the only source of status. Is Mr. Kristof confident that some other, non-pecuniary - and more dangerous - measure of social rank wouldn't increase in importance in human society if monetary wealth is forcibly made more equal?

Second, according to research reported by Nobel economist Daniel McFadden, "both behavioral observation and brain studies indicate that organisms seem to be on a hedonic treadmill, quickly habituating to homeostasis, and experiencing pleasure from gains and pain from losses relative to the reference point that homeostasis defines." [Daniel McFadden, “Free Markets and Fettered Consumers,” American Economic Review, March 2006, Vol. 96, p. 9] That is, a person's subjective well-being is reckoned relative to his or her own accustomed state rather than relative to the material standard of living enjoyed by other people.

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1 January 2011

Editor, USA Today:

Dear Editor:

You quote the parting words of several "retiring" or fired U.S. Senators ("Retiring members of Congress bid adieu," Dec. 31). Each is too verbose. The most appropriate parting message goes something like this: "For years I've spent other people's money and butt into other people's business. I return now to spending only my own money and minding my own business."

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31 December 2010

Friends,

And for a final year-end treat, here's my colleague - the great Walter Williams - explaining in Investors Business Daily that free trade IS fair trade: http://www.investors.com/NewsAndAnalysis/Article.aspx?id=557855&p=1

Happy 2011!

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31 December 2010

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

To the Editor:

Applauding British legislation "allowing citizens to sue companies for excess packaging," Scott Cassel declares that "the United States is far behind" (Letters, Dec. 31).

A nation is hardly "far behind" by refusing to create a cause of action based upon nebulous damages (How will courts measure such harm?) and upon an even more nebulous 'offense' (What, exactly, IS "excess" packaging - and how in the world is a court to make such a determination for each of the countless different products available on the market?).

Moreover, producers already have strong incentives to avoid excess packaging. Not only do packaging materials cost producers money, heavier packaging means higher shipping costs. That businesses respond positively to these incentives to find ever-better ways to keep packaging optimal is revealed in the data; as reported in August by economist Daniel Benjamin, "Over the past 25 years, the weights of individual packages have been reduced by amounts ranging from 30 percent (2-liter soft drink bottles) to 70 percent (plastic grocery sacks and trash bags)." [Daniel K. Benjamin, "Recycling Myths Revisited," PERC Policy Series, No. 47 (Aug. 2010); available here: http://bigthink.com/ideas/21673]

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31 December 2010

Friends,

My GMU colleague Tom Hazlett published, in today's Financial Times, this lovely tribute to the late Alfred Kahn.

Don
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http://www.ft.com/cms/s/0/b4478226-146f-11e0-8d8f-00144feabdc0.html#ixzz19hiz72CY

Fred Kahn's first-class flight

By Thomas W. Hazlett
Published: December 31 2010 00:20 | Last updated: December 31 2010 00:20

This week's passing of economist Alfred Kahn, 93, has brought tributes for the Cornell professor's key role in the 1970s deregulation of US airline fares. That achievement saves Americans a stunning $20bn annually.

Yet Kahn's contributions to electricity regulation and telecommunications policy may even exceed this high-flying success. Thanks to a superb, Pulitzer Prize-winning history of Kahn's career, Thomas McCraw's 1984 "Prophets of Regulation," as well as Kahn's own two-volume magnum opus, "The Economics of Regulation" (2nd Ed., 1988), and his papers and speeches on a variety of regulatory topics, we have a rich, bull-bodied view of the colourful life of a remarkable man.

Alfred Kahn liked to boast that he was the last living doctoral student of Joseph Schumpeter, the classic exponent of capitalist "creative destruction." But the young scholar was not so warm for the charms of the market. His initial work channelled Thorsten Veblen, who was critical of consumers' choices and heralded wide scope for government regulation.

But Kahn studied on. He was surprised to find that markets accommodated productive forces that eluded the immaculate models of economic analysis. He saw that that government regulation was no deux ex machina. Administrators faced challenges of their own; buffeted by political lobbying, they often raised prices for customers. Theory said that market forces should push prices down to marginal cost, and that regulators could help supply some oomph when competitive pressures were weak. But Kahn found electricity regulators fixing charges at the same level no matter the time of day. Analogising to the butcher shop, Prof. Kahn asked: "What would happen if everything that came out of the cow – steak, hamburger, suet, bones, and hide -- were priced at average cost per pound?"

Kahn came to conclude "that society's choices are always between or among imperfect systems." But markets generated a dynamism lacking elsewhere, giving them an edge: "Wherever it seems likely to be effective, even very imperfect competition is preferable to regulation."

In 1974, Prof. Kahn was asked to head the New State Public Service Commission, an agency deeply committed to an arcane system of rates, taxes, subsidies, and profits, crafted by lobbyists, honed by lawyers, honoured by administrative appointees, and understood by none other.

Amazingly he strolled into this rigged casino and beat the house with cards dealt from a stacked deck. The new Sheriff learned every accounting trick, engaged every argument, debated all interests. He did it earnestly, not cynically. The chairman did not just hold hearings; he led them, challenging facts, questioning assumptions, explaining economics, championing consumers.

Chairman Kahn did the unthinkable – he spoke freely and offered opinions citizens (and journalists) could understand. This not only broke ranks with regulators and other interested parties, whose coded language had been conveniently indecipherable, but was a radical academic departure. The guilds of academe are quite as barrier-conscious as the special interests of Albany.

Fred Kahn paid it no mind. He upended many regulatory inefficiencies at the PSC with reforms that rippled nationwide. Consumers, the environment, and the economy benefited. Then he moved to the Civil Aeronautics Board. After being appointed chairman by President Jimmy Carter in 1977, he characteristically read – and rejected – bureaucratic goobledeegook. He wrote his staff:

"Please, try very hard to write Board orders… in straightforward, quasi-conversational prose – as though you are talking to or communicating with real people. I once asked a young lawyer who wanted us to say 'we deem it inappropriate' to try that kind of language out on his children – and if they did not drive him out of the room with their derisive laughter, to disown them."

His gambit was clear: "If you can't explain what you are doing to people in simple English, you are probably doing something wrong." When he caught the agency "hiding behind a cloud of pompous verbiage," he smelled a rat.

Indeed, the CAB did not protect the public, but fleeced it, raising airfares and squandering productive assets. Under Kahn, its charter collapsed. Fares were deregulated, and the CAB closed shop – by a 1978 act of Congress – in 1985.

Kahn spent much of his last three decades analysing communications policy. The 1996 Telecommunications Act boldly rejected monopoly, eliminating barriers to market rivalry. The law was a paean to the dean of regulatory economists.

But its execution left much to be desired. Kahn blasted the FCC's attempts to impose textbook conditions of perfect competition – including improper mandates for marginal cost pricing. "I … had anticipated the very error the FCC was about to commit," wrote Kahn in a 2004 book ("Lessons from Deregulation"). Confused by the textbook version of "perfect competition," regulators mandated existing telephone networks to share their lines with rivals, charging only what the new users cost them directly. This ignored the risks taken to create such networks in the past or improve them in the future. Such policies deterred, rather than advanced, the deployment of competing phone or broadband systems.

Justice Stephen Breyer, in Supreme Court decisions in 1999 and 2002, cited the Kahn critique. The powerful economic logic drove the DC Circuit (in 2004) to toss out the FCC's ill-crafted network-sharing rules. Quickly, cable operators built out "digital phone" services. Today, the US residential market features nearly ubiquitous head-to-head fixed-line phone competition. This, and mobile rivalry – another deregulatory bonus – may far exceed the consumer gains delivered to air travellers.

Fred Kahn passed away in Ithaca, New York on December 27. On the previous Thursday, he was downloading articles for a new article on antitrust law. When he then took a turn for the worse, a piano was brought into his room. He was singing with friends and loved ones on Sunday. His legendary humour did not fail him, but his journey had come to an end. Professor Alfred Kahn served as living proof that there need be nothing dismal about the science he loved.

Thomas Hazlett is Professor of Law & Economics at George Mason University

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30 December 2010

Friends,

I'm proud and delighted to announce that the Wall Street Journal just released its list of best economics blogs, and three of my GMU Econ colleagues are explicitly mentioned as being responsible for two of these outstanding blogs: http://blogs.wsj.com/source/2010/12/30/the-best-economics-blogs/

Tyler Cowen and Alex Tabarrok write Marginal Revolution (which is rightly singled out by the WSJ as the very BEST econ blog): http://www.marginalrevolution.com/

and Bryan Caplan (who blogs at EconLog with David Henderson and Arnold Kling) was also mentioned for his great blogging: http://econlog.econlib.org/

Congrats to GMU's Tyler, Alex, and Bryan for their continuing and successful efforts to extend economic understanding!

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30 December 2010

Editor, Baltimore Sun:

Dear Editor:

Howell Baum's case against school choice is an indigestible hash of pious platitudes, question-begging assumptions, and flat-wrong assertions ("School choice is bad for us," Dec. 30, http://www.baltimoresun.com/news/opinion/oped/bs-ed-school-choice-20101229,0,4543873.story).

An example of the last is this claim: "if society depends on having adults who are not only intelligent but able to learn with others when problems arise, and able to get along with people of different cultures, choice doesn't serve society."

Has Mr. Baum ever visited a department store? Going naked is surely a problem that society must solve, and department stores are monuments to that solution. Even the most inexpensive coat or pair of pants is the result of the cooperation of millions of people, of different cultures, cooperating productively in ways that make attractive, durable, and comfortable clothing widely available. Yet every step of the way - from producing the raw materials to purchasing the final item - involves choice. Wool producers choose to raise sheep; engineers who design the looms choose that line of work; shareholders in Macy's or Wal-Mart choose to invest in those enterprises; and each final consumer chooses whether or not to buy a particular item of clothing. And every time a problem arises in this chain of supply (say, when supplies of wool become unexpectedly short), intelligent people choose to work together to solve it.

Intelligent, learning individuals are constantly and creatively cooperating with people of different cultures to solve problems - not despite, but BECAUSE, each of these individuals is free to choose whether or not, and how, to do so.

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29 December 2010

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

To the Editor:

FDA Commissioner Margaret Hamburg proudly notes that "What FDA requires is evidence that patients see a real benefit [from a proposed new drug or medical device], and that the benefit outweighs any risks" (Letters, Dec. 29).

Contrary to Ms. Hamburg's suggestion, because tolerances for risk differ across individuals (as do assessments of benefits), there is absolutely NO scientific evidence that can be discovered by officials at the FDA on whether or not a drug's benefit outweighs its risks.

Valid evidence on this front is available only by observing the voluntary actions of different individuals. If I choose to take drug X, then that fact is solid evidence that, for me, the benefit of X outweighs any risks to me of X. If my neighbor refuses to take drug X, then that fact is solid evidence that, for her, the benefit of X does not outweigh any risks to her of X. And both my neighbor and I - as far as the FDA or any other third-party can discern - are correct in our assessments and, therefore, should be left unmolested by the FDA to choose which medicines to take and which to avoid.

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27 December 2010

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

To the Editor:

Paul Krugman argues that economic growth in "China and other emerging economies" will cause commodity prices to trend upward from here on in ("The Finite World," Dec. 27).

It's not true that vigorous economic growth necessarily makes resources more scarce. In fact, history shows that, because of human ingenuity, the opposite is not only possible but prevalent.

Since the dawn of the industrial revolution in the mid-18th century, available supplies of coal, petroleum, iron ore, and most other resources have increased significantly - and, as a result, their real prices have fallen. These rising resource supplies and falling prices occurred during a time when human population increased by a factor of ten - from 700 million to nearly 7 BILLION, at least half of whom are now part of industrial economies. So the increase in the number of persons integrated into industrial economies over the past two-plus centuries – from zero persons to at least 3.5 billion persons today - is far larger than is the number of Chinese, Indians, and other peoples now being integrated into industrial economies.

If economic growth since the industrial revolution coincided with increasing resource supplies, why should we expect that continued economic growth will suddenly start to have the opposite, dreary effects predicted by Mr. Krugman?