



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>

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.

28 May 2011

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

Dear Editor:

The Trade Adjustment Assistance program rests on the principle that consumers whose demands for American-made products help to create jobs for American workers should pay to train these workers for other jobs if these consumers ever shift their demands from American to foreign suppliers ("Dispute Threatens Key Deals on Trade," May 28).

The merits of this program are doubtful. If the value to workers of this fringe benefit (for that's just what it is) were greater than its cost, it would be supplied privately on the market. Enough employers would respond to worker demand for a 'retraining' fringe by offering, along with wages and other fringes, a promise to pay to retrain workers who lose their jobs to any import-related decline in demand for these firms' outputs.

Of course, being costly like all other fringe benefits, provision of this fringe benefits would result in lower wages and lower values of other fringe benefits paid to workers.

Also like other fringe benefits, though, if the value to employees of this benefit is greater than its cost, employers competing for workers would be obliged to offer it.

But we see very few worker-retraining fringes offered by employers - strong evidence that the value of these benefits to workers falls short of the cost of supplying them. As such, it is unjust to force taxpayers to pay for a benefit for these workers that these workers themselves, through their own actions on the market, reveal is not worth its cost.

27 May 2011

Programming Director,
Marketplace Morning
Report

Dear Sir or Madam:

Speaking on this morning's program about prices in Japan, the BBC's Roland Buerk opined that "it really becomes a habit for people. You know, companies start to pander to people's needs to pay less. McDonald's for example introduced a 100 yen – just over \$1 - menus a few years ago. There's a battle between companies to make jeans for the cheapest possible price. You can buy a pair of jeans for about \$5 now in Japan. Once you're in that downward spiral, it's very hard to pull out of it."

Huh??

Mr. Buerk's knee-jerk hostility to deflation leads him to lament THE fundamental source of economic growth and widespread prosperity: efficiencies and innovations driven by competition.

Deflation is harmful if caused by a contracting money supply. But when prices fall because competition drives firms to operate more efficiently and pass along these

efficiencies to consumers in the form of lower prices, economies grow. Resources once needed to feed and clothe people become available to produce other goods and services. Consumers once unable to afford other goods and services can now do so. And so it goes, and grows, as competition incessantly prods producers to "pander" (as Mr. Buerk disapprovingly refers to this engine of economic growth) to consumers.

Does Mr. Buerk believe that Japan's economy will recover faster and thrive better if producers stop such "pandering"? Do competition-sparked efficiencies really cause a "downward spiral" from which the Japanese should seek to escape?

25 May 2011

Friends,

In the hot-off-the-e-press issue of The Freeman, I explain the deep similarities between a typical modern American "liberal" and a typical modern American conservative: each tells a tale of good guys battling bad guys:
[http://www.thefreemanonline.org/columns/thoughts-on-](http://www.thefreemanonline.org/columns/thoughts-on-freedom/stop-the-bad-guys/)

[freedom/stop-the-bad-guys/](http://www.thefreemanonline.org/columns/thoughts-on-freedom/stop-the-bad-guys/)

25 May 2011

Friends,

The Guardian(U.K.)'s most recent podcast features a discussion with my GMU Econ colleague Russ Roberts about Russ's and John Papola's Hayek-Keynes rap videos. Russ's segment starts at the 24:53 mark.

<http://www.guardian.co.uk/business/audio/2011/may/25/business-podcast-dotcom-boom-bubble?INTCMP=SRCH>

By the way, whoever is the talking voice in the podcast who says that these videos were "probably funded a little bit less than [by] the free-market approach" is wrong. Only private funds were used to produce and distribute these videos.

25 May 2011

Editor, USA Today

Dear Editor:

Sally Kohn advises Americans to stop worrying about Uncle Sam's gargantuan debt ("Don't believe the hype about U.S. debt," May 25). But her explanation for why this

debt is benign - namely, that successful private businesses often have high debt-to-income ratios - is deeply flawed.

First, while private firms do regularly borrow to finance productivity-enhancing investments, the same isn't true for government borrowing. Owners of private firms must repay their debts with their own money. Private business owners, therefore, have much stronger incentives to borrow and invest wisely than do politicians who repay whatever debts they incur by taxing OTHER people.

Second, Ms. Kohn writes that "The United States generates approximately \$14.5 trillion in GDP each year and carries, currently, \$14.3 trillion in debt. That represents a debt-to-income ratio of roughly 1-to-1." Wrong. U.S. GDP is emphatically not Uncle Sam's income.

U.S. GDP is income earned by, and belonging to, Americans. To get HIS income, Uncle Sam annually taxes away some of this privately earned income. Uncle Sam's income is this annual tax revenue - now about \$2.2 trillion - and ONLY this tax revenue.

Even if, contrary to fact, Uncle Sam were powerful enough to confiscate all \$14.5 trillion of Americans' incomes, it's as ludicrous for Ms. Kohn to count Americans' entire incomes as income belonging to Uncle Sam as it would be for me to count my neighbors' entire incomes as income belonging to me simply because I might be powerful enough to confiscate these incomes in full.

24 May 2011

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

Dear Editor:

Bill McKibben blames deadly recent weather events on climate change ("A link between climate change and Joplin tornadoes? Never!" May 24). And he snarkily dismisses as naive the argument that humankind can adapt well to such change.

Let's look at data from the National Weather Service on annual fatalities in the U.S. caused by tornados, floods, and hurricanes from 1940 through 2009. Naturally, these data show that the number of such fatalities varies from year

to year. For example, in 1972 the number of persons killed by these weather events was 703 while in 1988 the number was 72. On average, however, the trend is clear and encouraging: the number of such fatalities, especially since 1980, is declining.

The average annual number of such fatalities over this entire 70-year span is 248. In each of the four decades prior to 1980, the average annual number of fatalities was higher than 248, and the average annual number of such fatalities over the full 40 years 1940-1979 was 290. But in each of the three decades starting in 1980, the average annual number of fatalities was LOWER than 248, and the average annual number of such fatalities over the full 30 years 1980-2009 was 194. (This number falls to 160 if we exclude the deaths attributed to hurricane Katrina, the great majority of which were caused by a levee that breached a day after the storm passed.)

This decline in the absolute number of deaths caused by tornados, floods, and hurricanes is even more impressive considering that U.S. population over these

70 years more than doubled from 132 million in 1940 to 308 million today.

Seems that Mr. McKibben's apocalyptic prognostications about humanity's future are as fact-based as are those of the Rev. Harold Camping.

23 May 2011

Ms. Anne _____

Dear Ms. _____:

Thanks for your response to my blog-post in which I claim that compassion compelled by government isn't true compassion. Alleging that I "illegitimately privilege private morals over public morals," you assert that a "private code of ethics gives incomplete guidance" for determining the contents and methods of sound public policy.

Omigosh, I couldn't disagree more.

Where do the "public morals" that you so admire come from? Isn't it true that the very reason you support the welfare state is that your own PRIVATE moral code tell you that helping needy people is the right thing to do? I don't see how you can casually cast aside one "private moral" (namely, that it's

wrong to take other people's stuff just because you fancy that you've found better uses for it) in order to clear your way to justify the state acting to satisfy another of your private morals (namely, that it's right for those of us who 'have' to give to people who 'have not').

I urge you to reflect on the following observation from Thomas Babington Macaulay's History of England, where he explains how John Dalrymple could in good conscience advise King William III to massacre Scottish highlanders who were believed to support insurrection against William:

"The most probable conjecture is that he was actuated by an inordinate, an unscrupulous, a remorseless zeal for what seemed to him to be the interest of the state. This explanation may startle those who have not considered how large a proportion of the blackest crimes recorded in history is to be ascribed to ill regulated public spirit. We daily see men do for their party, for their sect, for their country, for their favourite schemes of political and social reform, what they would not do to

enrich or to avenge themselves. At a temptation directly addressed to our private cupidity or to our private animosity, whatever virtue we have takes the alarm. But virtue itself may contribute to the fall of him who imagines that it is in his power, by violating some general rule of morality, to confer an important benefit on a church, on a commonwealth, on mankind. He silences the remonstrances of conscience, and hardens his heart against the most touching spectacles of misery, by repeating to himself that his intentions are pure, that his objects are noble, that he is doing a little evil for the sake of a great good. By degrees he comes altogether to forget the turpitude of the means in the excellence of the end, and at length perpetrates without one internal twinge acts which would shock a buccaneer." [Thomas Babington Macaulay, The History of England (1848-61), abridged edition, Hugh Trevor-Roper, editor (New York: Penguin Books, 1968), p. 418]