



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.

6 February 2011

Editor, American Thinker

Dear Editor:

Distressed by U.S. trade with China, Raymond Richman and Howard Richman write that "Although exports to China did increase both American GDP and American income, imports from China subtracted even more from both GDP and income" ("Obama Picks a Progressive Lawyer for Top Economist," Feb. 3).

This fact is true only in the most technical of manners, given that GDP is DEFINED such that any excess of imports over

exports reduces its measured value. But Messrs. Richman and Richman are misled by this accounting artifact into arguing that imports from China hurt the U.S. economy while exports help it.

What is the point of exporting if not ultimately to import - and to import as much as possible for any given amount of exports? According to the mercantilist (that is to say, twisted) logic employed by the two Mr. Richmans, American prosperity would be maximally promoted if, in exchange for American exports to China, the Chinese shipped to our

shores only bags stuffed with Monopoly money.

6 February 2011

Editor, American Thinker

Dear Editor:

Raymond Richman and Howard Richman find it ominous that America's merchandise trade deficit with China is high ("Obama Picks a Progressive Lawyer for Top Economist," Feb. 3). But, quoting these authors, "What nonsense!"

The tangibility of economic output is as irrelevant as is that output's color, odor, and the number of syllables in its name. A

dollar's worth of textiles and other merchandise has exactly the same value as does a dollar's worth of web design and other services. And we Americans have a huge comparative advantage in supplying services.

Fretting over the fact that we import more merchandise each year than we export is pointless. Suppose government measured the value of bananas, pencils, and other yellow imports and exports and found that we consistently import more yellow things than we export. Would Messrs. Richman and Richman find ominous America's yellow-things trade deficit? If not, they should chill over America's merchandise trade deficit.

6 February 2011

Editor, The Baltimore Sun

Dear Editor:

Noting that as recently as 1994 most Americans had no idea what the Internet is - and that "google" became a verb less than ten years ago - Leonard Pitts warns us against smugly believing that we can predict the future in any detail. The title of his essay says it well: "Time

makes fools out of all of us" (Feb. 6).

No one needs this warning more than does Pres. Obama. Although his rhetoric about "investing in the technologies of the future" makes a good sound bite, Mr. Obama has no inkling what these technologies are. Nor does anyone else. And nor CAN anyone else acquire such knowledge.

Economies grow only and always in surprising ways. This growth results from millions of creative minds ceaselessly cooperating with, and competing against, each other. The results are inherently unforeseeable and always in progress.

Even more importantly, government attempts to direct the course of technological advance and economic growth - by politically favoring some patterns of investment over others, and by replacing consumers with bureaucrats as the ultimate judges of which forms of economic activity are worthwhile - only stymie these processes.

5 February 2011

Sen. Kay Hagan (D-NC)
United States Senate

Capitol Hill
Washington, DC

Dear Sen. Hagan:

You are leading a Congressional effort to renew the Trade Adjustment Assistance (TAA) program, under which Uncle Sam gives cash assistance to workers judged to lose their jobs whenever American consumers start buying more imports. I have a few questions for you.

First, what's so special about job loss due to increased competition from imports? Is a worker who loses his or her job to another American worker, or to advances in technology, any less unemployed or distressed than is an American worker who loses his or her job to a foreign worker? If, for example, Americans follow Uncle Sam's advice to eat less salt, why not give adjustment assistance to the many workers at Frito-Lay and Nabisco (maker of Planters Peanuts) who will lose their jobs as a result of this change in the pattern of consumer spending?

Second, why not have a Trade Adjustment TAX on workers who get jobs as a result of increased foreign demand for U.S. exports?

As the Democratic Leadership Council's own Edward Gresser wrote this past October, "Since World War II American exports have doubled about every 10 years, growing at about 8.3 percent each year."

[<http://yaleglobal.yale.edu/content/us-exports-are-growing>]

If the premise of the TAA is valid - namely, that workers who lose their jobs to import competition are so wronged that they deserve taxpayer assistance - are not workers who GAIN jobs by supplying export markets unjustly benefitted by this change in consumer spending and patterns of production? What right have Americans who work in export markets to the incomes they earn from jobs made possible only because, by importing more TO America, foreigners are able to buy more FROM America?

Finally, one often-heard political justification for the TAA is that it dampens opposition to free trade. Yet members of your party have been especially hostile to free trade. You yourself have co-sponsored legislation to raise barriers to American imports of textiles. If you succeed at extending the TAA program, will you pledge to oppose any and

all attempts to prevent American consumers from buying from foreigners? Will you pledge to support free trade without condition and unilaterally?

I look forward to your response.

4 February 2011

Friends,

Here's a half-hour-long interview of my GMU and Mercatus Center colleague Tyler Cowen. In it, he and AEI's Nick Schulz discuss Tyler's new book, The Great Stagnation:

<http://www.aei.org/video/101386>

BTW, while I have real problems with the theme and many of the points in Tyler's book, Tyler's ideas remain unfailingly stimulating and challenging.

4 February 2011

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

To the Editor:

The headline to your report today on January's disappointing jobs report reads "Weather a Factor in Slow U.S. Job Growth."

Please keep this headline in mind the next time one of your writers submits a report about how the need to rebuild after a destructive hurricane or tornado will "stimulate the economy."

4 February 2011

Editor, Financial Sense

Dear Editor:

Jim Quinn does yeoman's work trying to calm the hysteria surrounding U.S. trade with China and to warn us away from the utter stupidity that is protectionism ("Smoot-Hawley Redux," Feb. 3). As Henry George observed 125 years ago, "What protectionism teaches us, is to do to ourselves in time of peace what enemies try to do to us in time of war." [Henry George, Protection or Free Trade (1886), Chapter VI:

<http://www.econlib.org/library/YPDBooks/George/grqPFT6.html#Chapter%206>]

3 February 2011

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

To the Editor:

You report that "Senator Jeff Sessions of Alabama blocked the extension of the G.S.P. [Generalized System of trade Preferences] altogether because he couldn't get sleeping bags removed from the program. He was acting on behalf of Exxel Outdoors, a sleeping-bag maker from Haleyville, Ala., that competes against sleeping bags imported duty-free from Bangladesh by CellCorp of Bowling Green, Ky. The Republican leader, Mitch McConnell of Kentucky, was pushing to pass the G.S.P. in its entirety, so Mr. Sessions put a hold on the bill" ("No Way to Run a Trade Policy," Feb. 3).

Adam Smith would not be surprised. In 1776 he observed that politicians are always prone to behave in such destructive and anti-social ways: "To expect, indeed, that the freedom of trade should ever be entirely restored to Great Britain, is as absurd as to expect that an Oceana or Utopia should ever be established in it. Not only the prejudices of the public, but what is much more unconquerable, the private interests of many individuals irresistibly oppose it." [Adam Smith, An Inquiry Into the Nature and Causes of the Wealth

of Nations (Indianapolis: Liberty Fund, 1981 [1776]), Book IV, Chap. 2: <http://www.econlib.org/library/Smith/smWN13.html#B.IV,%20Ch.2,%20Of%20Restraints%20upon%20the%20Importation%20from%20Foreign%20Countries>]

Because Sen. Sessions's bread is buttered by special-interest producer groups in his state, that the senator faithfully does these groups' bidding - even though his actions harm ordinary Americans - is no more surprising than is the fact that a mangy dog will fetch a greasy bone.

3 February 2011

Rep. Dave Camp,
Chairman
Committee on Ways and Means
United States House of Representatives

Dear Mr. Camp:

Good luck with the hearings your committee will hold on February 9 on trade agreements between the U.S. government and other governments. Any and all reductions of trade barriers are economically beneficial and morally justified.

I ask you and your Congressional colleagues, however, to keep in mind the following fact: successful and productive trade negotiations occur millions of times daily, without any government involvement. American companies daily negotiate with foreign input-suppliers; they trade whenever the terms are mutually agreeable and don't trade when the terms aren't. American consumers daily negotiate with foreign consumer-goods suppliers; they trade whenever the terms are mutually agreeable and don't trade when the terms are not.

These trade negotiations are identical to the millions of other trade negotiations that take place daily between American companies and American input suppliers, and between American consumers and American consumer-goods suppliers. In every instance, EVERY party to these trades is made better off. The fact that some of these negotiations are with people living in different political jurisdictions is utterly economically irrelevant.

Each of us is capable of negotiating our own personal trade agreements

– we do so successfully every day – and are harmfully obstructed in our negotiations by Uncle Sam's tariffs and other trade barriers, some of which will be the subject of your Feb. 9 hearings.

2 February 2011

Friends,

My GMU Econ and Mercatus Center colleague Tyler Cowen is in excellent company in this Economist poll asking who is the most influential economist of the past decade:

<http://www.economist.com/blogs/freeexchange/2011/02/economics&fsrc=nwl>

2 February 2011

Mr. D_____

Dear Mr. or Ms. D_____:

In response to my blog post citing United Nations' data showing inflation-adjusted manufacturing output in the U.S. consistently rising over the past 40 years, you write "Sorry, I don't believe you. I believe my own eyes." You then report what your own eyes beheld on a recent trip to a Los Angeles Bed, Bath, & Beyond store: "99% of the merchandise was made in China. I saw a few things made in India,

and a few cheap LOW END items made in the U.S."

So do you also not believe the Copernican account of the solar system? After all, your "own eyes" surely everyday behold your feet planted on a stationary, flat landmass around which the sun quite visibly moves.

1 February 2011

Editor, The Huffington Post

Dear Editor:

Ian Fletcher's column on U.S. manufacturing is a stew of misunderstandings, non sequiturs, half-truths, and false presumptions ("Manufacturing in Decline; Establishment in Denial," Feb. 1). For example, about the fact that U.S. manufacturing output remains the highest among all countries in the world today, Mr. Fletcher - after expressing surprise that anyone bothers even to mention this fact - dismissively says "This statistic proves nothing about improvement or decline."

America's continuing high manufacturing output deserves to be mentioned simply because so very many people today - such as prominent anti-trade

pundit Harold Meyerson - ceaselessly and ominously repeat the falsehood that "Americans no longer make things."

As for the "statistic prov[ing] nothing about improvement or decline," a scholar so well versed with the data as is Mr. Fletcher surely must know that, measured in inflation-adjusted dollars, U.S. manufacturing output in 2009 was about ten percent higher than it was in 2000, 47 percent higher than in 1990, 83 percent higher than in 1980, and 120 percent higher than in 1970. [Percentages are calculated from this blog post:

<http://mjperry.blogspot.com/2011/01/we-should-take-more-pride-in-our-global.html>]

1 February 2011

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

To the Editor:

Peter Miller of the National Resources Defense Council defends compact fluorescent light bulbs against incandescent bulbs in part by insinuating that compact fluorescents are the better option for

individual households and businesses (Letters, Feb. 1). He grounds this case on the fact that there are "years of evidence from around the world confirming the large electric-bill savings utility customers get from more efficient lighting."

Far from justifying the ban (to start in 2014) on sales in the U.S. of incandescent bulbs, the evidence Mr. Miller offers strongly suggests that the ban will harm utility customers: if, in the absence of the ban, consumers would continue to buy incandescent bulbs despite the higher cost of using such bulbs, then consumers clearly judge the quality of incandescent bulbs to be so much higher than that of compact fluorescents as to be worth paying higher prices for incandescent lighting.

Banning incandescent bulbs for this reason makes no more sense than would, say, banning the sale of Chateau Latour and other premium wines because evidence shows that households save money by buying only Riunite.