



Comment on the Commentary of the Day

by

Donald J. Boudreaux

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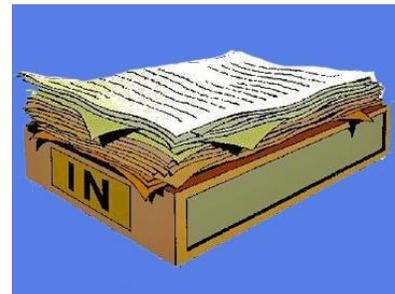
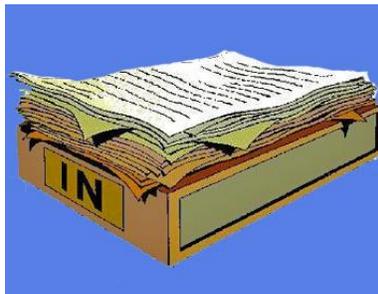
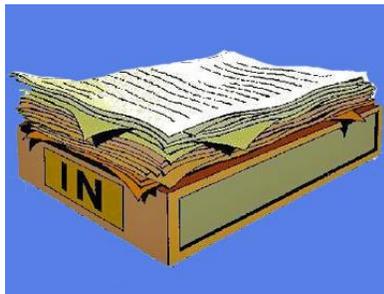
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Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet, and if they are, they may require registration or subscription to access. Some of the articles being commented on are syndicated, therefore, they may also have appeared in other publications.

11 September 2013

Editor, Los Angeles Times

Dear Editor:

Former GOP legislator Chris Norby rightly criticizes the hypocrisy of conservatives who, with one breath, decry the nanny state and then, with their next breath, endorse the so-called "war on drugs" (Letters, Sept. 11). As Mr. Norby says, "Those who support individual freedom should oppose locking up adults for nonviolent behavior."

Or as Milton Friedman explained in an interview not long before he died, "I don't think the state has any more right to tell me what to put into my mouth than it has to tell me what can come out of my mouth."*

Sincerely,
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and
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* <http://blog.mpp.org/video/profiles-in-marijuana-reform-milton-friedman-part-1/07312008/>

(see especially starting around the 1-minute, 27-second mark)

11 September 2013

Mr. Mike Sweeney

Dear Mr. Sweeney:

Thanks for your recent e-mail. You accuse me of being misled by "simplistic theory" to "miss how minimum wage raises the income of underpaid workers." You believe that if all employers are forced by legislation to pay higher wages, "none will fear raising their prices [of what they sell] so they can recover the higher cost."

With respect, it's you who gazes too simplistically upon reality.

For example, you miss the fact that different firms use different mixes of low-skilled labor with higher-skilled labor (as well as with non-labor inputs, such as self-checkout cash registers). A hike in the minimum wage, therefore, will raise the costs of firms using a high proportion of low-skilled workers by more than it raises the costs of firms using a lower proportion of low-skilled workers. So firms using many low-skilled workers - because they compete not only with each other but also with firms using fewer low-skilled workers - won't be able to raise their prices to fully cover the cost increase imposed on them by the minimum wage. These firms, in turn, will over time scale back their operations or adjust their production methods to use fewer low skilled workers. Low-skilled workers' employment prospects will shrink.

The "simplistic" economic theory that you criticize reveals this important reality - a reality that you miss, and one in which legislation ostensibly meant to help low-skilled workers winds up harming them.

Sincerely,
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and
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Dear Mr. Sweeney:

Thanks for your follow-up e-mail.

You argue that because some economists conclude, contrary to other economists, that a higher minimum wage will not reduce low-skilled workers' employment prospects that I tell "a biased story." Given the "ambiguity" of economists' conclusions regarding the minimum wage, I do an "injustice" by writing "as if the minimum wage plainly hurts underpaid employees."

You're correct that some economists conclude that the minimum wage generates net benefits for low-skilled workers. But as I (and others) have written elsewhere, that conclusion is so deeply at odds with so many premises and other conclusions that are widely accepted by economists that the burden of persuasion on those who support the minimum wage is far heavier than they have yet met.

To see why, let me pose some questions to you and to anyone else who doubts that raising the cost of employing low-skilled workers will reduce those workers' employment prospects. Do you doubt also that:

- raising taxes on cigarettes will reduce cigarette purchases?
- tighter restrictions on gun purchases will result in fewer people purchasing guns?
- higher tariffs on imports will reduce the volume of imports?
- harsher penalties for employment discrimination will reduce the frequency of such discrimination?
- imposing taxes on carbon emissions will reduce such emissions?
- subsidies to green-energy companies will encourage more firms to operate in ways that make them eligible to receive such subsidies?

If you answered 'no' to the above questions, then why do you doubt that raising employers' costs of employing low-skilled workers will diminish those workers' employment prospects? In each of the above hypotheticals, people are discouraged from doing some activity if their cost of doing that activity rises, and encouraged to do that activity if their cost of doing so falls. Can you give me one plausible reason why firms' employment decisions are somehow exempt from this otherwise-universal reality?

Sincerely,
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17 September 2013

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

Dear Editor:

Greg Simon and C. Richard Titus rightly criticize rent-seeking business executives – and their enablers in Washington – for greedily seeking government-imposed penalties on Americans who purchase wood from China ("Protectionists Pick Your Pocket Again," Sept. 16). And Messrs. Simon and Titus are correct that evidence of "unfair" trade practices by the Chinese is flimsy, at best.

But even if the government in Beijing is unquestionably slathering Chinese wood producers with subsidies and other forms of protection, that's no reason for Uncle Sam to "retaliate" with such economically harmful policies in the U.S. As Henry George

wrote in 1886, "And those who say that a nation should adopt a policy essentially bad because other nations have embraced it are as unwise as those who say, Lie, because others are false; Be idle, because others are lazy; Refuse knowledge, because others are ignorant."*

Sincerely,
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* Henry George, Protection or Free Trade (New York: Robert Schalkenbach Foundation, 1991 [1886]), p. 152.

21 September 2013

Mr. Yazeed Mohmad

Dear Mr. Mohmad:

Many thanks for your e-mail and kind words about Café Hayek. Russ Roberts and I are delighted that you're a daily reader!

Your teacher is correct that the average wage in China is far below the average wage in the United States. Your teacher is incorrect, however, to conclude from this fact that Chinese producers have an "unjust" advantage over American producers.

First, it's an error to focus on the welfare of producers as if the - or even a - goal of economic activity is to ensure that producers thrive. Economic activity is to be judged a success only if, and only so far as, it improves the lot of ordinary people as consumers. If delicious and healthy hamburgers begin to rain from the sky whenever people are hungry for hamburgers, McDonalds and Burger King would undoubtedly regard nature as unjust. But such a meteorological development would be an unambiguous benefit to humanity, for we would have access to food that requires no resources to produce.

Second, low wages in China reflect Chinese workers' deep disadvantage relative to American workers. Decades of brutal Maoist rule destroyed much of that economy's productive capacity and prevented it from modernizing in ways that we in the west take for granted in our own economies. Despite more than 30 years of liberalization, the Chinese economy remains far less productive than the American economy. The low wages that your teacher believes to be such a boon to the Chinese are in fact a

reflection of the great economic disadvantages that the typical Chinese worker and business firm continue to suffer.

Tell your teacher that my favorite sports star is New Orleans Saints' quarterback Drew Brees, who now earns an average of \$20 million annually. Tell him also that I would love to play quarterback for the Saints, and I'd be willing to do so for 0.5 percent of Brees's salary. Then ask your teacher if my low wage gives me an "unjust" advantage over Brees. Ask him if he expects to see me throwing passes anytime soon on Sunday afternoons in the Louisiana Superdome. If he reflects as he should on my low quarterbacking wage, he might eventually come to realize that low wages are low for a reason: those who earn them are at a productive disadvantage over workers whose market wages are higher.

Sincerely,

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