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Comment on the Commentary of the Day

by

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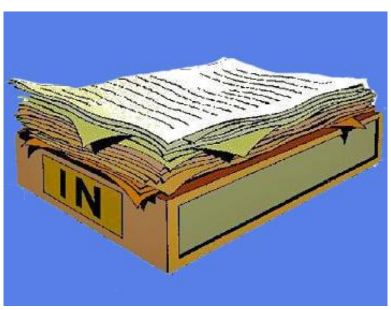

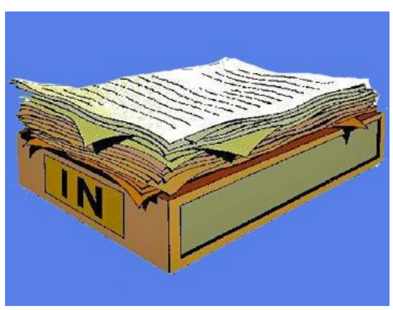

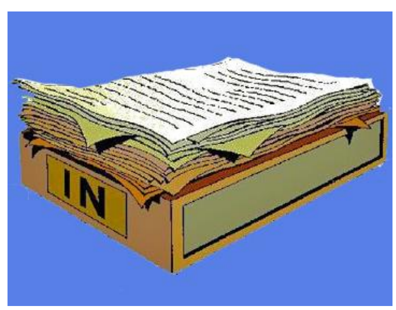

Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet, and if they are, they may require registration or subscription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

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23 December 2013

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

Dear Editor:

Arguing that private businesses pay the full costs of higher minimum wages, Annie Lowrey concludes that "Unlike any other form of wealth redistribution, raising the minimum wage is basically cost-free to Washington" ("Supersize My Wage," Dec. 18). Ms. Lowrey's mistakenly formal notion of "cost" blinds her to reality.

The only difference between redistribution through minimum-wage legislation (and other regulatory diktats) and redistribution through tax-and-spend policies is that the dollar costs of the former, unlike the latter, are not recorded in government's budget. This accounting artifact, however, does not make minimum-wage legislation "basically cost-free." It makes it only off-budget.

By Ms. Lowrey's reasoning, *all* redistribution could be made "basically cost-free" simply by moving it off budget. For example, order federal agents to rob rich people at gun-point and then transfer the cash directly to poor people. Because the dollar value of these transfers would appear neither as tax revenues nor as expenses on Uncle Sam's budget, direct cash grants arranged by government would thus be rendered "cost-free" in exactly the same way that forced transfers of money from business owners to minimum-wage workers are now, by Ms. Lowrey's reckoning, "cost-free." Yet clearly, the true costs of government programs are not eliminated by mere changes in accounting conventions.

One expects better reporting from the *New York Times.*

Sincerely,
Donald J. Boudreaux
Professor of Economics
  and

Martha and Nelson Getchell Chair for the Study of Free Market Capitalism at the Mercatus Center
George Mason University
Fairfax, VA 22030

17 November 2013

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

Dear Editor:

Your report on the "growing clamor" for rich countries to "compensate" poor countries for the allegedly lethal consequences of climate change - consequences that fall disproportionately on poor countries - misses some facts ("Growing Clamor About Inequities of Climate Crisis," Nov. 17). Here are two.

First, countries with higher per-capita incomes suffer fewer casualties from extreme weather events than do countries with lower per-capita incomes. Second, although the frequency of extreme weather events is rising, the earth's climate is becoming far less, rather than more, lethal. Global death rates from extreme weather events have fallen steadily and dramatically over the past 80 years. For example, in the decade 2000-09 those death rates were less than 20 percent of what they were in the 1960s and less than 5 percent of what they were in the 1920s.*

So even if market-driven industrial activities cause more extreme weather events, the greater prosperity also caused by those activities increasingly protects people from being killed by such events. And because per-capita incomes are highest in countries that are most economically free,** the blame for poor-countries' relatively higher death rates due to weather belongs not on rich countries for relying upon market-driven industrialization but, rather, on the poor countries themselves for refusing do so.

Sincerely,
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* Indur M. Goklany, "Wealth and Safety: The Amazing Decline in Deaths from Extreme Weather in an Era of Global Warming, 1900-2010." Reason Policy Study #393. September 2011:
http://reason.org/files/deaths_from_extreme_weather_1900_2010.pdf

** Robert A. Lawson, "Economic Freedom," Concise Encyclopedia of Economics:
http://www.econlib.org/library/Enc/EconomicFreedom.html

25 November 2013

Editor, The New Yorker

Dear Editor:

James Surowiecki correctly argues that GDP - a statistic based on the premise that "the more stuff we're producing for sale, the better off we are" - underestimates today's economic growth. The reason highlighted by Mr. Surowiecki is that "a huge chunk of the time we spend online is spent consuming stuff that we don't pay for" ("Gross Domestic Freebie," Nov. 25).

Yet it's not only the rich array of free-to-the-consumer digital offerings that is missed by GDP measures. Also missed are the many small improvements in the quality of more traditional consumer goods - improvements that are the equivalent in the physical economy of free online content.

Two examples: First, celery sold at my neighborhood Safeway now comes in plastic bags that are resealable. The celery producer, though, doesn't charge extra for this useful feature. Second, an automobile today can be driven for 100,000 miles before needing a tune-up. This improved automobile quality means that a good deal of routine automobile maintenance that drivers once paid for is now effectively supplied free of charge. GDP captures the value of neither of these improvements.

As we grow wealthier, our demands are less and less for greater quantities of existing products and more and more for improved product quality - economic outputs that, like free online content, are inherently difficult to capture in GDP statistics.

Sincerely,
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10 November 2013

Mr. Thomas Perez, Secretary of Labor
United States Government
Washington, DC

Dear Mr. Perez:

The Huffington Post reports that, in expressing support for a 39 percent hike in the minimum wage, you proclaimed "Here's the bottom line: No one who works a full time job should have to live in poverty" ("Obama's $10.10 Minimum Wage Would Fundamentally Change America," Nov. 8).

You speak as if prices (here, the price of labor) can be dictated by government without unintended ill-consequences.

Assuming that your theory of wage and price determination is correct, why not, instead of commanding all employers to raise by 39 percent the wages paid to their low-skilled employees, command all firms to REDUCE by 39 percent the prices charged for the products they sell to consumers? By increasing by 39 percent the purchasing power of the current minimum wage of $7.25, this across-the board price-reduction policy would - like a higher minimum wage - achieve your goal of raising all low-skilled full-time workers out of poverty. At the same time, though, it would raise the living standards also of middle-class Americans (who, we're told, have stagnated economically for the past three decades).

Think of the enormous benefits that government would create for ALL Americans by ordering supermarkets to cut their prices by 39 percent - so that, for example, the per-pound price of apples would fall from $2.50 to $1.53, the price of a gallon of milk from $3.00 to $1.83, and the price of a dozen eggs from $1.79 to $1.09. Americans will also cheer government-mandated 39 percent cuts in the prices of everything else - from clothing, housing, gasoline, medicines, and automobiles to music downloads, tall lattes, holiday decorations, mani-pedis, and tattooing services.

If government can indeed make people wealthier merely by commanding prices to change, your proposal to raise the minimum wage is unethically too modest. Uncle Sam's god-like power over prices should be exerted much more ambitiously.

Sincerely,
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3 November 2013

Program Director, WTOP Radio
Washington, DC

Dear Sir or Madam:

To open his report on DC councilman Tommy Wells's call to raise the District's minimum wage, John Aaron misleadingly asked "Are higher wages coming to D.C.?" This question mistakenly implies that wages can be raised by legislative fiat. They cannot. While a higher minimum wage will push the wages of some workers up, it will cause the wages of other workers to fall to zero. The reason is that a higher minimum wage prices the lowest-skilled workers out of jobs.

Suppose Mr. Wells - wishing to help weaker college students get better credentials to make them more attractive to future employers - proposed to raise the grades of all college students in the District with legislation that prohibits colleges from assigning course grades lower than B. If universities such as Georgetown and American wish to retain their reputations for giving honest grades - that is, grades that accurately reflect each student's performance - these schools will adjust to the legislation by no longer admitting weaker students. Only the best of the best will be admitted; weaker students will be denied admission.

Of course, such legislation will cause REPORTED grades to rise (because grades lower than B will be illegal). But it would be wrong to conclude that such legislation actually improves overall student performance and helps weaker students get good jobs after college. Just as legislated minimum grades do not turn C students into A or B students, legislated minimum wages do not raise the pay of low-skilled workers who cannot produce enough per hour to justify their employment at the higher minimum wage. Minimum-wage legislation causes such workers to be denied admission to the job market.

Sincerely,
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4 November 2013

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

Dear Editor:

Your headline today reads "Under Health Care Act, Millions Eligible for Free Policies."

More accurate wording would be "Under Health Care Act, Millions Eligible to Free Ride at Other People's Expense." That the people actually paying for all this "free" health insurance are faceless does not make them illusory - only invisible. And being invisible, the people footing the bill are ignored by Pres. Obama and other politicians preening publicly over their faux-generosity in spending other people's money to bribe voters with promises of "free" health insurance.

The ethics of this situation are abominable, and the economics are no better. Hippopotamuses will fly before reams of rococo regulations, taxes, and sanctions will prevent recipients of "free" policies from over-consuming and inefficiently using health-care resources - and, hence, from driving health-care costs to astronomical heights or health-care availability to dangerous lows.

Sincerely,
Donald J. Boudreaux
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and
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6 October 2013

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

Dear Editor:

George Will recognizes that limits on campaign contributions thwart competition for incumbent politicians' seats ("Supreme Court can rescue another freedom in a campaign cash case," October 6).

If executives for profitable and established companies such as Apple and Wal-Mart persuaded Congress to cap the amounts that banks, venture capitalists, rich uncles, and other financiers may invest in private firms, including upstarts, this restriction would be widely seen as an anti-competitive and unjust scheme to stymie economic competition. New rivals would be disproportionately bridled in acquiring the means - money - to buy the inputs necessary for competing successfully against incumbent firms.

Yet when identical schemes are launched by sitting politicians to limit campaign contributions, many people - especially from the "Progressive" left - turn blind eyes to the anti-competitive nature and consequences of these financing restrictions. Do "Progressives" truly believe that corruption is reduced and the public well-served by protecting sitting politicians from the competition that comes from obscure rivals who have no access to the free publicity that comes with incumbency? Are "Progressives" really so naive?

Sincerely,
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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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 and
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5 September 2013
Editor, *MIT Technology Review*

Dear Editor:

Martin LaMonica uncritically summarizes Suzanne Berger's case for government intervention to ensure more "domestic production" - that is, for subsidies and other politicized efforts to artificially promote more manufacturing employment in the U.S. ("Suzanne Berger argues for domestic manufacturing," Aug. 21). Several flaws mar Prof. Berger's analysis.

For example, she mistakenly presumes that manufacturing output and manufacturing employment necessarily move in the same direction. In fact, however, a fall in the latter does not imply a fall in the former. Precisely because of the technological advances (such as 3D printing) that Prof. Berger rightly praises for increasing workers' productivity, manufacturing output can rise even though manufacturing employment falls - which is what has occurred in America over the past 35 years.

Also questionable is Prof. Berger's presumption that because (in Mr. LaMonica's words) "manufacturers and suppliers are smaller today ... [t]here are fewer resources to fund research, train workers, and scale up new ideas to commercialization." The economic historian Joel Mokyr reports, in contrast, that "the evidence suggests that small firms tend to be superior in the research and development process. Only in unusual cases are the costs and risks of an innovation so large as to require the resources of a large firm to carry out the work."*

Sincerely,
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* Joel Mokyr, *The Lever of Riches* (New York: Oxford University Press, 1990), p. 267.

26 August 2013

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

Dear Editor:

You worry that, if approved as Chairman of the Federal Energy Regulatory Commission, Ron Binz will expand that agency's reach well beyond its narrow mandate by conscripting it to fight "the climate wars" ("The Friends of Ron Binz," August 26).

Your concern is justified. As H.L. Mencken observed 80 years ago, "The bureaucrat begins, perhaps, by doing only what he conceives to be his sworn duty, but unless there are very efficient four-wheel brakes upon him he soon adds a multitude of inventions of his own, all of them born of his professional virtuosity and designed to lather and caress his sense of power."*

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* H.L. Mencken, *On Politics: A Carnival of Buncombe* (Baltimore: The Johns Hopkins Press, 1996 [1956]), pp. 278-279.

10 August 2013

Prof. Paul Krugman
Department of Economics
Princeton University
Princeton, NJ

Dear Prof. Krugman:

On your blog you write - in response to the popularity of the Hayek-Keynes rap videos done by John Papola and my co-blogger, Russ Roberts - that "back in the 30s nobody except Hayek would have considered his views a serious rival to those of Keynes" ("More On The Disappearance Of Milton Friedman," Aug. 9).

Do you regard the Nobel economist John Hicks to be "nobody"? In his 1967 article "The Hayek Story," Hicks - who was professionally active during the 1930s - observed that "When the definitive history of economic analysis during the nineteen thirties comes to be written, a leading character in the drama (it was quite a drama) will be Professor Hayek.... Hayek's economic writings ... are almost unknown to the modern student; it is hardly remembered that there was a time when the new theories of Hayek were the principal rival of the new theories of Keynes. Which was right, Keynes or Hayek?"*

Reasonable people can disagree over the relative merits of Hayek's and Keynes's economics, but no one who is familiar with the history of economic thought can deny that Hayek's views in the 1930s were indeed "a serious rival to those of Keynes."

Sincerely,
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  and
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* Sir John Hicks, “The Hayek Story,” Critical Essays in Monetary Theory (Oxford: Oxford University Press, The Clarendon Press, 1967), p. 203.
....
See also this blog post by my GMU Econ colleague Alex Tabarrok:
http://marginalrevolution.com/marginalrevolution/2013/08/hayek-in-the-1930s.html

1 August 2013

Editor, The New Yorker

Dear Editor:

John Cassidy's analysis of Detroit's problems is surprisingly feeble ("Motown Down," Aug. 5). Why, for instance, does he uncritically accept Steven Rattner's assertion that that city's fiscal woes are a natural disaster, like hurricane Sandy, rather than a man-made one? Sure, consumer demands and industrial structures have changed since Detroit's heyday in the 1950s. But as Joseph Schumpeter famously explained in 1942, capitalist change is constant; it is unique neither to Detroit nor to the last few decades. Yet unlike today's Detroit, nearly all cities and regions adapt to this change and not only survive, but thrive. When reasonably free of government-imposed obstacles, the competitive market's incessant "destruction" is creative.

Chicago didn't collapse when its once-booming stockyards closed as meat-packers moved to rural areas. Denver isn't destroyed because it is no longer a mining town. And the shift of agriculture away from Silicon Valley obviously hasn't impoverished that region.

The forces that laid Detroit low were hardly beyond human control. The rulers of that city, for example, (according to the Lincoln Institute of Land Policy*) have imposed on Detroiters the highest effective rate of property taxation among America's 50 largest municipalities. Property-tax rates there run about double the U.S. average - a fact that, by itself, goes far toward explaining why so much of Detroit's landmass now lies abandoned and decrepit.

Sincerely,
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* http://www.cato.org/blog/detroits-high-property-taxes

30 July 2013

Editor, Forbes

Dear Editor:

Interviewed a while back by Adam Hartung, Bob Deitrick says that "The auto rescue plan has worked. American car manufacturers are still dominant and employing millions directly and in supplier companies" ("Economically, Could Obama Be America's Best President?" May 13).

Mr. Deitrick's concept of "worked" is too lax. No one doubts that companies can be kept afloat with enough special privileges from government. In contrast, when the concept of "worked" requires improvement of the overall economy, the mere continued operation - or even thriving - of subsidized corporations is insufficient evidence that such subsidies have worked. What industries are kept smaller because government is directing resources artificially to auto producers? What jobs are not being created because auto jobs are protected? What excessively risky decisions are auto executives now taking, confident that their firms likely will be bailed out again when trouble strikes?

To conclude that today's U.S. economy is strengthened by the special privileges that inflate the profits of Detroit auto factories is like concluding that the antebellum U.S. economy was strengthened by the special privileges that inflated the profits of slave-based southern plantations. The higher profits of the special-privileged should not be mistaken for the greater prosperity of the people.

Sincerely,
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26 July 2013

Editor, Washington Monthly

Dear Editor:

Reviewing Jonathan Rowe's Our Common Wealth, Timothy Noah appropriately applauds the research of the late Nobel economist Elinor Ostrom ("The Glory of the Commons," July/August). Lin Ostrom's careful observations of reality showed that human beings are remarkably creative at solving collective-action problems in ways that often involve neither arms-length commercial transactions nor government regulation of the sort that less-informed thinkers presume to be indispensable.

But Ms. Ostrom wasn't unique among scholars skeptical of government intervention to recognize that impersonal commerce - what F.A. Hayek called "the extended order" - is not the only alternative to command-and-control regulation. No less a market champion than Hayek himself wrote that "Part of our present difficulty is that we must constantly adjust our lives, our thoughts and our emotions, in order to live simultaneously within the different kinds of orders according to different rules. If we were to apply the unmodified, uncurbed, rules of the micro cosmos (i.e. of the small band or troop, or of, say, our families) to the macro-cosmos (our wider civilization), as our instincts and sentimental yearnings often make us wish to do, we would destroy it. Yet if we were always to apply the rules of the extended order to our more intimate groupings, we would crush them. So we must learn to live in two sorts of world at once."*

It is a serious error to suppose that those of us who oppose government intervention want all human relationships to be guided by impersonal monetary exchanges within commercial markets.

Sincerely,
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* F. A. Hayek, The Fatal Conceit (Chicago: University of Chicago Press, 1988), p. 18.

14 July 2013

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

Dear Editor:

Rebekah Peeples Massengill argues that low-income families are harmed by Wal-Mart's "relentless cost-cutting" ("Five myths about Wal-Mart," July 12). But because retailers from the earliest times have competed for customers by cutting costs (a result of what Prof. Massengill calls "prioritizing consumption"), her complaint isn't with Wal-Mart so much as it is with retailing itself. Therefore, the only real solution to this scourge of ever-less-costly access to consumer goods is a strict prohibition on retailing.

Only by outlawing retailing can we ensure that no retailer will ever again weaken the economy by cutting costs. Only by outlawing retailing can we finally MAXIMIZE the amount of resources used to bring consumer goods from farms and factories to individual homes. (Think of the countless hours that every one of us will spend driving from farm to farm and from factory to factory to buy food, clothing, and other consumer goods!) With retailing outlawed, the costs that we'll incur - that is, the amount of resources that households will be obliged to spend - to bring each consumer good from farm or factory into a home will be multiple times greater than the puny amount of resources spent today to make each consumer good accessible for purchase.

And when the Commerce Dep't. calculates the enormous monetary value of the resources that households spend to acquire consumer goods in this retailer-less world, we'll discover just how prosperous we are without the likes of Wal-Mart and other greedy cost-cutting corporations.

Sincerely,
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12 July 2013

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

Dear Editor:

Mistakenly asserting that taxpayer backing of the Export-Import Bank is a boon to America's economy, University of Wisconsin nuclear engineer Michael Corradini highlights the fact that he himself "has seen the Ex-Im Bank support a United Arab Emirates project with $2 billion in financing that will end up providing about 5,000 U.S. jobs through companies such as Westinghouse, Lightbridge, ConverDyn and CH2M Hill" (Letters, July 12).

No one doubts that government pumping of taxpayer-subsidized resources into the factories of corporation X enables corporation X to hire more workers and to produce more output. Yet sensible people understand also that government cannot pump resources into corporation X without pumping those resources away from other uses.

Sensible people, therefore, do not conclude that the mere observable existence of corporation X's taxpayer-fueled activities is evidence that those activities are an economic boon.

Prof. Corradini's claim to the contrary is the economic equivalent of the argument of someone who, not seeing the fuel-storage tanks buried beneath the ground at a gasoline station, concludes that the fuel pumped into cars at that station materializes miraculously from nowhere.

Sincerely,
Donald J. Boudreaux
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4 July 2013

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

Dear Editor:

In his July 3 letter on Mary Anastasia O'Grady's superb "Behind Brazil's Civil Unrest" (June 24), Mark Adams notes the difficulty of containing "the populist forces of fairness and change once unleashed for political gain.... [E]conomic success overseen by leftist populists intensifies the hard-left passion for absolute social justice and equality." He's correct.

Especially as we Americans celebrate the events of 1776, it's vital to recall the dangers of majoritarian democracy. Unless very large swathes of private space and property are kept free of the state's clutches by a combination of constitutional rules, bourgeois values, and a mature and deep suspicion of EVERYONE who holds political power, populist feeding frenzies are inevitable.

Sir Henry Sumner Maine's warning from 1885 remains relevant: "Yet nothing is more certain, than that the mental picture which enchains the enthusiasts for benevolent democratic government is altogether false, and that, if the mass of mankind were to make an attempt at redividing the common stock of good things, they would resemble, not a number of claimants insisting on the fair division of a fund, but a mutinous crew, feasting on a ship's provisions, gorging themselves on the meat and intoxicating themselves with the liquors, but refusing to navigate the vessel to port."*

"Democracy" is not synonymous with "freedom." And being bent to the will of the majority is not the essence of the rule of law.

Sincerely,
Donald J. Boudreaux
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* Henry Sumner Maine, Popular Government (Indianapolis: Liberty Fund, 1976 [1885]), p. 66.

26 June 2013

Mr. Bryan Riley

Heritage Foundation
Washington, DC

Dear Bryan:

You suggest that the House Foreign Affairs Subcommittee on Terrorism, Nonproliferation and Trade summarize its stance on trade-promotion with the simple 27-word declaration "The federal government should eliminate all U.S. trade barriers so people in other countries can earn more dollars to spend on U.S. exports of goods and services."

I like it! But with respect, I have what I think is an even better 27-word formulation: "The federal government should eliminate all U.S. trade barriers so that Americans can get more for the dollars they spend on U.S. imports of goods and services."

Politicians always speak as economic illiterates. As such, they routinely reinforce the popular but mistaken notion that trade's successes are measured in more exports while trade's costs are measured in more imports. We economists, in contrast, should instead seize every opportunity to emphasize the reality that, just as a household prospers more the greater are the goods and services it receives (imports) from others in exchange for whatever it sells (exports) to others, a nation prospers more the greater are the goods and services it receives from others in exchange for whatever it sells to others.

Sincerely,
Donald J. Boudreaux
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18 June 2013

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

Dear Editor:

Michael Gerson argues that the G.O.P., to remain relevant, must "become more socially inclusive without becoming socially liberal" ("The GOP's leadership reform challenge," June 18). The details of his formula are sketchy, but we can infer from his many attacks on libertarianism that Mr. Gerson is warning Republicans against supporting same-sex marriage, drug legalization, and other pro-freedom policy reforms that are conventionally (if not always accurately) thought to be favored by the political left.

Yet in today's New York Post, Michael Barone cites data that show "Americans becoming more libertarian on cultural issues" ("More freedom & fewer guardrails"). If true, Republicans should reject Mr. Gerson's advice to continue to be the party of perverse limited-menu freedom - a party that properly waxes eloquently about the freedom to earn profits through consensual capitalist acts but, strangely, balks at the freedom to express love through consensual homosexual acts; a party that appropriately defends the right to peacefully carry guns but, oddly, opposes the right to peacefully get high on marijuana and other illegal drugs; a party reasonably and deeply suspicious of politicians' motives and abilities to tax, spend, and regulate sensibly in matters economic but - most bizarrely of all - unreasonably confident about those same politicians' presumed selflessness and skills at conducting shooting wars abroad and wars on terror at home.

Sincerely,
Donald J. Boudreaux
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 and
Martha and Nelson Getchell Chair for the Study of Free Market Capitalism at the Mercatus Center
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5 June 2013

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

Dear Editor:

Harold Meyerson dislikes foreign trade, in part because it destroys some American jobs ("Go slower on free trade," June 4). And so Mr. Meyerson favorably quotes one of Congress's staunchest protectionists, Sen. Sherrod Brown (D-OH): "A trade deal, says Brown, 'should both protect workers and small businesses and better prepare them for globalization.'"

Let's make a deal. Government will agree to protect only those American workers and small-business owners who in return agree to stop buying foreign-made products.

For example, American steel workers will get protection from steel imports only if they, in exchange, agree to stop buying the likes of Toyota cars, Samsung televisions, Ryobi hand tools, Ikea furniture, Shell gasoline, Amstel beer, vacations to Cancun, and musical recordings by foreign artists such as the Beatles, Elton John, and k.d. Lang. They must also promise to stop buying the likes of bananas, cinnamon, and vanilla and, indeed, even American-made food items if these are shipped to their favorite restaurants and supermarkets in foreign-made trucks - or in trucks equipped with tires made by Michelin, Bridgestone, or some other job-destroying foreign company. These workers would be permitted to drink only Hawaiian coffee; they must quit drinking the Colombian, Guatemalan, and Ethiopian coffees that they've become accustomed to drink. Oh, and absolutely no diamond jewelry, as those gems come from Africa. (Sorry, ladies.)

Small-business owners likewise will get such protection, but only in return for their agreement not only to stop consuming foreign-made products, but also to never sell their outputs to non-Americans. These businesses must, in addition, promise to use in their operations only American-made inputs - such as aluminum, wood, chemicals, and insurance services - even when foreign-made substitutes are available at lower prices or in higher qualities.

Deal?

Sincerely,
Donald J. Boudreaux
Professor of Economics
and
Martha and Nelson Getchell Chair for the Study of Free Market Capitalism at the Mercatus Center
George Mason University
Fairfax, VA 22030

18 May 2013

Jeremy Harris, M.D.

Dear Dr. Harris:

Thanks for e-mailing in response to my recent review of Cass Sunstein's book "Simpler."* While I disagree with the thrust of your argument, I appreciate its civility and thoughtfulness.

The heart of your criticism is your claim that I "ultimately deny the significance" of behavioral economics.

No and yes. I don't deny the worth of learning more about human behavior. I don't deny that some economists forget that *homo economicus* is an analytical tool and not a description of, or a prescription for, real people. I don't deny that behavioral economics gives us a richer and worthwhile picture of the reality of human action.

But I do deny two things. First, I deny that the best of economics is done in ways that make it, at its core, vulnerable to the findings of behavioral economics. Not only is *homo economicus* an appropriate analytical tool on many occasions, but also, a great many 'non-behavioral' economists (and nearly all Austrian economists) often model human decision-making with more richness and realism than behavioral economists think. Read, for example, Adam Smith, F.A. Hayek, Ronald Coase, James Buchanan, Thomas Sowell, and Deirdre McCloskey.

Second, I deny that behavioral economics strengthens the case for government regulation. Indeed, I believe that it *weakens* that case. Because the regulators have the same psychological foibles as the regulatees - yet face far less direct feedback on their decisions than do those whom they regulate - turning more decision-making power over to government increases the frequency of human error and amplifies its ill-effects. Markets keep those errors less numerous and their effects more confined.

Human beings are not laboratory rats to be controlled and conditioned by some elite of their number who, somehow and without explanation, manage to become higher-order creatures simply by working for government and professing deep concern for the welfare of their lab animals.

Sincerely,
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* http://online.wsj.com/article/SB10001424127887324105204578384850872793208.html

21 April 2013

Ms. Ellen __________

Dear Ms. __________:

You object to my favorable mention, on my blog, of Richard Epstein's criticism of mandated paid sick leave. The crux of your objection is that Epstein "ignores the likelihood for businesses to pay for the expenses of [paid sick leave] from their profits." You concede that businesses might respond as Epstein argues, but regard such a response as "not likely" because "businesses need workers."

With respect, I believe that the possibility that you regard as a "likelihood" is a practical impossibility, if only because few firms consistently earn abnormally high rates of return. But there's a deeper problem with your assumption that government can create benefits for workers merely by mandating that such benefits be supplied.

Suppose government were to mandate that workers receive the out-of-pocket costs of their paid-sick-leave packages not from their employers but from supermarkets. Every worker who takes sick leave would present a voucher to a supermarket. The voucher would be from his or her employer and would entitle that employee to receive from a supermarket a bundle of cash equal to the wages that the worker would have earned had he or she worked rather than taken time off.

Is it conceivable to you that supermarkets would simply absorb these higher mandated costs without taking countervailing actions – such as raising the prices charged for groceries and by limiting the number of people who shop in their stores? (Supermarkets, after all, need customers.) I assume that you agree with me that supermarkets would indeed react in ways that their customers find disagreeable. So, then, why are you a fan of mandated paid-sick-leave policies of the sort that Epstein criticizes?

I realize that my supermarket hypothetical isn't fully analogous to the paid-sick-leave policies that you endorse. But my hypothetical is nevertheless relevant because it exposes as naïve the assumption that government can arbitrarily impose higher costs on businesses without those businesses reacting in ways that shift much of the burden of the mandated higher costs from themselves onto others, such as consumers or workers.

Firms as employers are no more likely than are firms as retailers to absorb without negative reactions higher mandated costs.

Sincerely,
Donald J. Boudreaux
Professor of Economics
  and

Martha and Nelson Getchell Chair for the Study of Free Market Capitalism at the Mercatus Center
George Mason Unive

13 April 2013

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

Dear Editor:

In the name of protecting consumers, government raises the safety standards that must be met by all firms supplying good X.

Members of ideological group A, along with executives of the regulated firms, complain that this regulation – being costly – discourages the supply of X and, thereby, harms the very people that the regulation is ostensibly meant to help. These opponents of the regulation accuse its proponents of naively assuming that the regulation's consequences will be only those happy ones trumpeted by the government officials who impose the regulation.

Members of ideological group B, along with the government officials who impose the regulation, deny that any such unintended negative consequences will result. These proponents of the regulation accuse its opponents of telling hysterical scare stories meant only to frighten the public into rejecting common-sense safety rules that no legitimate supplier will have any trouble meeting and that will clearly promote the public good.

Pop quiz: who in Virginia is in ideological group B, and who in A, as regards the State's new regulation that raises the safety standards that must be met by abortion clinics ("Va. board approve strict abortion clinic rules," April 13)?

Answer: proponents of the regulation are conservatives who do not trust market forces, in this case, to supply optimal levels of safety. Opponents of the regulation are "Progressive" leftists who, in this case, DO trust the market to adequately supply safety. These "Progressives" refuse to judge the consequences of this regulation by its officially advertised purposes, and they insist that the higher costs imposed by the regulation will have the unseen ill consequence of reducing the supply brought to market by the regulated firms. Consumers will suffer.

Curiously, for both conservatives and "Progressives," abortion clinics are utterly unique firms that are exempt from the political and economic forces that are believed to govern all other entities.

Sincerely,
Donald J. Boudreaux
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and
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5 April 2013

Rep. John Dingell (D-MI)
Capitol Hill
Washington, DC

Dear Mr. Dingell:

You and some of your Congressional colleagues, in a March 12th letter, urge Pres. Obama "to address currency manipulation in the Trans-Pacific Partnership agreement." You claim that such manipulation reduces employment in America.

Please reconsider.

First, if - as every serious economist understands - genuine efficiency gains by foreign exporters increase Americans' wealth without reducing the net number of jobs in America, then government-induced efficiency gains for foreign exporters have the very same effect for Americans. In both cases, we get valuable goods and services at lower costs while some of our labor and capital are released to produce outputs that would otherwise be too costly to supply. The ability of the U.S. market to create jobs is just as strong for workers who lose their jobs because of "unfair" trade practices as it is for workers who lose their jobs because of trade practices that are irrefutably legitimate.

Second, the foreign trade practices that you condemn either do or do not improve the overall economic health of the countries whose governments implement these practices. If these practices DO improve those countries' economic health, then they are not "unfair" by any appropriate standard. Such practices are no more worthy of condemnation and retaliation than are, say, Uncle Sam's own NSF grants, education subsidies, highway-building projects, and the like - all of which, I'm sure, you regard as legitimate means used by Uncle Sam to strengthen the American economy.

Only if these foreign practices weaken those countries' overall economies does economic theory permit them to be labeled "unfair" - labeled as practices that bestow special, concentrated privileges at the net expense of the larger economy. But in all such cases the bulk of the harm of such practices falls on the countries that practice them. Producers in those countries become less innovative and more heavily burdened with unwarranted tax and regulatory costs. Overall, firms in those countries become artificially less - not better - able to compete for customers in American and global markets.

I urge you not to be misled by antiquated mercantilist slogans and notions into demanding - as a means of unfairly protecting American producers - higher taxes on American consumers who buy the imports of their choice.

Sincerely,
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UNIVERSITY of West Georgia