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Comment on the Commentary of the Day

by

Donald J. Boudreaux

Professor, Department of Economics

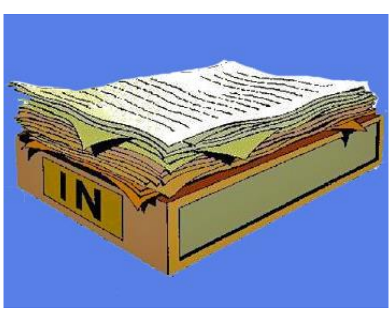
Martha and Nelson Getchell Chair for Free Market Capitalism

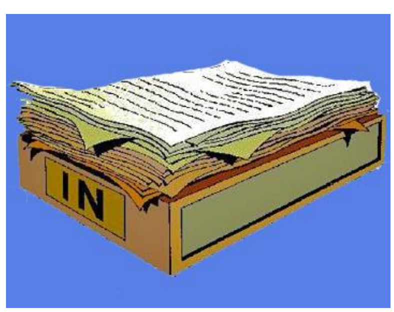
Mercatus Center

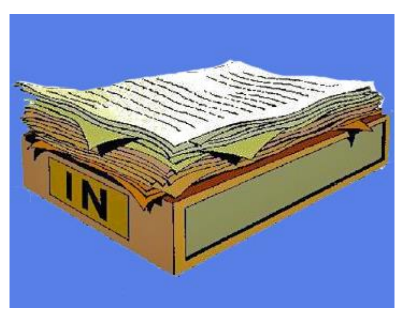
George Mason University

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 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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26 June 2015

Editor, *Fortune*

Dear Editor:

A lone error mars Roger Lowenstein's marvelous essay on the connection between TPP and the classical economist David Ricardo, who was a principled advocate of free trade ("TPP and fast track: Why Congress should listen to the world's richest economist," June 22). That error is Mr. Lowenstein's endorsement of Pres. Obama's insistence that "that the [freer-trade] legislation also include retraining and support for the victims of trade."

First, the word "victims" is inappropriate. Every producer - including every worker - is in business to satisfy consumers, and not vice-versa. So when consumers choose to buy fewer units of whatever some producer offers for sale, that producer is not in any way victimized. (If you doubt this claim, ask yourself if you regard people who switch to buying Priuses and other more fuel-efficient car as wrong-doers who "victimize" Exxon and other oil companies.)

Second, international trade is not unique in destroying particular jobs. *All* economic change does so. Chemical fertilizers and motorized farm equipment destroyed lots of agricultural jobs. Inexpensive kerosene destroyed most whaling jobs. The telephone destroyed the jobs of telegraph operators. Personal computers destroyed jobs in typing pools. The Atkins diet destroyed some jobs in breweries and bakeries. The polio vaccine destroyed the jobs of many workers who made wheelchairs, crutches, and iron-lung machines.

Because all economic change - including change in the patterns of purely domestic trade - destroys some jobs and creates others, there's no sound economic reason to accord special treatment to workers and other producers who lose profits and jobs to economic change that happens to come from abroad.

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

Mr. Claude Knowlton, Esq.

Dear Mr. Knowlton:

Thanks for your e-mail.

You think me “wooden” and “unrealistic” for criticizing the majority opinion in *King v. Burwell*.* Unsurprisingly, I disagree.

You are, of course, correct to note that the meanings of words and phrases are often ambiguous and, thus, require interpretation. And reasonable people can and do frequently disagree about the best interpretations of ambiguous words or phrases in their specific contexts. Recognition of this reality, however, is no license for a court to give to words and phrases meanings that those words and phrases plainly do not have. Yet such a license was precisely what Chief Justice Roberts and his majority colleagues on the Court issued to themselves (and, hence, to lower courts in the U.S.) with the *King v. Burwell*decision.

If you excuse this sort of judicial rewriting of legislation, then where do you stop? Suppose that in the future President Rand Paul, convinced by a great deal of empirical research and by sound economic theory, sensibly concludes that a minimum wage of $7.25 per hour harms low-skilled workers - an outcome exactly the opposite of what Congress ostensibly meant to achieve. Pres. Paul then orders the Wages and Hours Division of the U.S. Department of Labor to interpret “$7.25 per hour” (the current minimum wage stipulated in the Fair Labor Standards Act) as “$0.01 per hour.” Arguing that only such an interpretation of that term of the legislation will achieve the purpose that Congress intended, Pres. Paul directs the Department of Labor not to prosecute employers who pay their workers hourly wages of $0.01 or more.

This controversial interpretation of the statute is then challenged in court. If Chief Justice Richard Epstein accepts - as he surely would - the administration’s claim that a minimum hourly wage of $7.25 harms many of the workers who Congress insists it meant to help, why should he and other like-minded members of the SCOTUS not use the logic of *King v. Burwell* to uphold the Paul administration’s reasonable argument that, to make the Fair Labor Standards Act work as Congress intended - to ensure that government’s most-recent change in the minimum wage in fact offers maximum possible economic opportunity and benefit to low-skilled workers without causing any of them to suffer unemployment - “$7.25” must be read as meaning “$0.01”? I certainly now can see no good reason for any such “wooden” and “unrealistic” restraint on the part of the Court.

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

* http://cafehayek.com/2015/06/an-advantage-no-more-of-legislation.html

30 June 2015

Programming Director, WTOP Radio
Washington, DC

Dear Sir or Madam:

In your report this morning on Pres. Obama’s proposal to force employers to expand the number of employees who are eligible for overtime pay, you featured a clip of a law professor proclaiming that such intervention is made necessary by employees’ alleged lack of bargaining power.

This law professor is a poor economist.

If workers in fact have no bargaining power, then firms will respond to the president’s mandate by demanding from workers fully offsetting concessions such as lower base pay, fewer fringe benefits, or more difficult job duties. Without bargaining power, workers cannot refuse these offsetting demands. Therefore, the mandate, by causing the mix of employment terms to change without any increase in overall compensation, will at *best* leave workers no better off than before.

More realistically, because each unregulated firm - even one with incontestable monopsony power over workers - has incentives to arrange the mix of employment terms (for example, the mix of wages, fringes, and workplace rules) in ways that are most attractive to its workers, the president's mandate will almost certainly result in mixes of employment terms that are less attractive to workers than were the previously offered mixes. This mandate will thus make workers worse off.

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

30 June 2015

Mr. Bob Keener
Business for a Fair Minimum Wage

Dear Mr. Keener:

According to your June 30th press release, “DC business owners are welcoming the minimum wage increases effective July 1. They say ... that businesses will benefit from lower employee turnover and increased productivity, product quality and customer satisfaction.”

Let’s get this matter straight. These business owners are confident that if their lowest-paid workers get a raise the resulting increase in worker productivity will improve these businesses’ bottom lines, yet each of these owners is too daft to take such an available profit-enhancing step on his or her own. In other words, these are business owners who refrain from running their companies as profitably as possible until and unless they are ordered to do so by politicians.

I’m afraid that all that your press release proves is that these business owners are so incompetent and clueless that any pronouncements they make about public policies should be utterly ignored.

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

2 July 2015

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

Dear Editor:

Your report on how the minimum wage destroys job opportunities for many Puerto Ricans is useful (“Puerto Rico’s Pain Is Tied to U.S. Wages,” July 2). Yet this report repeats a highly misleading error from a 2012 New York Fed study.* Accurately citing this study, you write that in 2010 on the American mainland 16 percent of workers earned the minimum wage. In fact, the real figure is far lower. According to the Bureau of Labor Statistics,** the percentage of mainland workers who earned the minimum wage (or less) in 2010 is 6 percent - much less than half the 16 percent repeated in your report.

Indeed, for two reasons the actual percentage of mainland American workers earning the federal minimum wage or less is much lower than even 6 percent. First, the BLS data cover only workers who are paid by the hour - a group consisting of only about 60 percent of all U.S. workers. Adding in workers paid on bases other than hourly rates would further reduce the percentage of workers earning the minimum wage. Second, according to the BLS, “[t]he estimates of workers paid at or below the federal minimum wage are based solely on the hourly wage they report (which does not include overtime pay, tips, or commissions).”*** And such self-reported hourly earnings apparently also exclude the value of fringe benefits.

The reality is that only a tiny fraction of mainland American workers earn as little as the minimum wage - a reality that (1) explains why it is so difficult statistically to detect the disemployment effects of the minimum wage, and (2) is powerful evidence against the oft-repeated assertion that competitive market forces do not on their own adjust each worker’s wages upward as his or her productivity rises.

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

* http://www.newyorkfed.org/regional/puertorico/report.pdf

** http://www.bls.gov/cps/minwage2010tbls.htm#2

*** http://www.bls.gov/opub/reports/cps/characteristics-of-minimum-wage-workers-2014.pdf

3 July 2015

Ms. Anne Koeller

Dear Ms. Koeller:

Thanks for your kind e-mail.

You’re correct that the importance to humanity of the services of firefighters, paramedics, and other first-responders is huge. But your conclusion that these workers are underpaid doesn’t follow. Pay isn’t determined by what you call “the total social worth” of some particular line of work. Rather, pay is determined by the value of each individual worker’s contributions to his or her fellow human beings.

The amount that Jones is paid on the market is determined by the amount that Jones adds to his or her employer’s revenue - which itself is determined by how much consumers willingly pay for the additional output produced by Jones. If elsewhere lots of what Jones produces is available relative to the amounts of this good or service that people wish to consume, then consumers won't be willing to pay much for what Jones produces. The market value of Jones’s output will be low even if the “total social worth” of the good or service produced by all people in Jones’s line of work is astronomically high.

Consider this example. Nothing has more ‘total worth’ to society than does breathable air. Without it, we’d all die within minutes. So suppose that, having accurately noted the great “total social worth” of air, Jones goes into the air-supply business. He toils many hours to capture air in bottles. Jones then offers to sell these bottles of life-sustaining gases to willing buyers here on earth.

What price will Jones fetch for his bottles of air? Zero. Even you, I dare say, would not pay more than $0.00 for a bottle of Jones's air. The reason is not that you deny the great importance of being able to breathe. The reason is not that you don’t recognize air’s great “total social worth.” The reason isn't that you're oblivious to the fact that humanity could not survive if it were denied the product that Jones works to supply. Instead, the reason is that air is so abundant relative to humans’ demand for it that each unit of air is worthless. If you reject the opportunity to breathe the air that Jones offers for sale, the abundance to you of air elsewhere is so great that you sacrifice nothing by spurning Jones’s offer of the air in his bottles. Any one unit of air is of no market value to you.

While the life-saving services of first-responders are less abundant than is air, the reality is that these services are nevertheless quite plentiful. These services are so plentiful (relative to our demand for them) that the market value of the contributions of any individual first-responder is relatively low.

Your temptation, I'll guess, is to lament this economic reality. But this reality should be celebrated, for it means that something of unambiguously great "total social worth" is supplied to humankind in such abundance that the prices we pay for it are low. The alternative world in which the market wages of first-responders are very high would be a world cursed by a low supply of people who are willing and able to work as first-responders. In that world, we'd all, except for the very rich, be constantly at greater risk of dying prematurely. Put differently, unless you think the world would be better if air were so scarce that air-supply workers would earn high wages by selling air to willing buyers, you should recognize that our world is better than one in which first-responders commanded higher wages.

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

4 July 2015

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

Dear Editor:

Your lead headline today reads "Health Insurers Seek Steep Increase in Plan Rates," which is followed by this opening sentence in the report: "Health insurance companies around the country are seeking rate increases of 20 percent to 40 percent or more, saying their new customers under the Affordable Care Act turned out to be sicker than expected."

Wow! Who'd a-guessed that when government arranges for Dick and Jane to buy more widgets using Bob's and Ann's money that Dick and Jane would buy more widgets, and become less sensitive to the price of widgets, than when spending only their own money - and that, in consequence, the price of widgets would rise? How surprising!

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