



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.

14 April 2016

Mr. Roger Brown

Mr. Roger:

You ask, in response to my case for free trade, “[b]ut what if the imported items benefit from government support, such as AirBus planes or Chinese steel? In other words, should tariffs be used to level the playing field?”

No. The reason is that trade is not a sporting event whose ultimate purpose is to entertain fans who enjoy watching rivals play against each other all under the same rules. Instead, trade is an activity meant to expand as much as possible the range of goods and services made available and affordable to consumers. And so if some producers help to expand this range by offering gifts to consumers, other producers have no moral right to prevent such gift-giving.

Suppose that for years I bought my pies from baker Brown. Then one day a new neighbor - who loves to bake and to share her pies with friends - moves in next door to me. I start getting all of my pies, free of charge, from this generous neighbor. (We can say that I get subsidized pies from my neighbor.) Baker Brown is furious. So he hires a gang of street thugs to surround my home and demand that I pay to them a fee for every pie that I get as a gift from my neighbor. The thugs’ leader smirkingly tells me that this fee “levels the playing field for baker Brown.”

Do I have a right to receive gifts? Of course. And if I have a right to receive gifts, no one has a right to obstruct my gift-getting - not even people who suffer economically from my gift-getting, and not even if these people employ (as they often do) inappropriate sports metaphors to justify their obstruction.

More generally, because I am under no ethical obligation to purchase any of Baker’s products, no instance of my choosing to stop buying from Baker gives Baker or his agents the right to force me to buy Baker’s goods or to inflict harm on me if I refuse to buy Baker’s goods.

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

P.S. In your example, taxpayers and consumers in Europe and China certainly have a legitimate gripe about such government subsidies. But, again, American producers do not.

16 April 2016

Editor, *Net Right Daily*

Sir or Madam:

Robert Romano's complaint about the trade deficit reflects deep misunderstandings of economics ("\$8.7 trillion of economic growth lost to trade deficits since 2000," April 15). An example of one such misunderstanding is this passage in which Mr. Romano replies to a (sound) explanation that Tim Worstall offered of the trade deficit: "Having the \$8.7 trillion of trade deficits 'all invested back into the U.S. economy,' in Worstall's words, into U.S. government treasuries, mortgage-backed securities, corporate debt or equities, which are then owned by foreign governments and investors is not the same as the alternative. Which is, profits in companies earned by Americans offering jobs to Americans, rising incomes with additional demand for labor."

A factory in Florida, a hotel in Hawaii, and a shopping mall in Missouri create jobs and promote wage growth - and, also, improve consumers' options - no less surely, and in no smaller numbers, if these enterprises are owned or financed by non-Americans than if they are owned or financed by Americans. Also, the profits earned from the successful operation of these enterprises will be re-invested in the U.S. economy by non-American earners no less (or no more) surely than these profits would be reinvested in the U.S. economy by American earners. And because these profits are earned in dollars, even non-American owners who wish to spend or invest all of their dollar profits only outside of America must first exchange their dollars for foreign currencies - exchanges that are possible only because other foreigners wish to spend or to invest at least the same number of dollars in America.

As for Mr. Romano's concern that some dollar-denominated assets are owned by foreign governments, that's a red herring. Until and unless foreign-government owners of such assets begin to pursue political goals by using these assets in ways that intentionally diminish their market value, the fact that some foreign investors are foreign governments is irrelevant both to Mr. Romano's faulty case that a U.S. trade deficit

necessarily slows U.S. economic growth and to the correct case that it does no such thing.

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

22 April 2016

Mr. Parker J _____

Dear Mr. J _____:

Thanks for your e-mail, and good luck writing the essay for your high-school newspaper!

You ask “What ... could be the possible effects of making public universities free to attend? Would the benefits outweigh the costs?” My answer is simple: it is impossible to make universities free, and any attempts to perform this impossible feat will create more costs than benefits.

Universities - whether private or public - are built of land and materials and require for their daily operation not only non-human resources such as electricity, books, computers, printers, projectors, lighting, elevators, and office furniture, but also lots of human labor: professors, administrators, and staff. Each of these resources, both non-human and human, could be used in ways other than to supply classroom instruction and research at the collegiate level. So to use these resources in colleges is to sacrifice those goods and services that we’d enjoy if these resources were not used in colleges. These sacrifices are real costs, and they must be borne by someone.

Government policy can certainly *shift* more of these costs from students onto taxpayers. But such a shifting does not eliminate these costs. Indeed, such a shifting of costs away from the most direct users of colleges (students) onto other people (taxpayers) will cause students to use collegiate resources more carelessly. (Think of what you’d order at a restaurant if you knew that the restaurant will pick up the tab for whatever you order as opposed to you knowing that you must personally pay for whatever meal you order.) The result is that colleges become more costly.

Government can hide these higher costs for a while, but you and your fellow students will pay these costs eventually in the form of higher taxes when you enter the workforce

and in the form of economic growth made slower because of the increasing waste of resources that “free” college entails. (By the way, because I'm a tenured college professor, government attempts to make college “free” will likely cause *my* income to rise. The reason is that such a policy will result in government funneling more and more taxpayer dollars into higher education.)

A final note: a big part of the cost of college - for many students the single *biggest* part of the cost - is not tuition and expenses. It's the income that students forego by attending college rather than working. So even if by some miracle a Pres. Sanders makes all of the vast resources that colleges now use free, each and every college student will still unavoidably bear the significant cost of foregone income.

In short, neither colleges nor college attendance can possibly be made free, and attempts to make them appear to be free will only make them more expensive over time.

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 May 2016

Mr. Gordy Robicheaux

Dear Mr. Robicheaux:

Thanks for your e-mail.

You ask why I continue at my blog to highlight imperfections in majoritarian representative democratic decision-making given that “it's our best option.” My reasons are two.

First, even if some option is indeed the best available, it should be understood correctly. Myths about it ought to be exposed. People should realistically understand that option's limitations rather than romantically cling to the belief that that option possesses splendid features that, in fact, it doesn't possess. A slice of cheesecake might be my tastiest option for desert, but I would suffer in the long run were I to convince myself that eating cheesecake is also a means of losing weight.

Second, for most its uses today majoritarian representative democratic decision-making in fact is *not* our best option. Given the existence of the U.S. government, majoritarian representative democracy might be the best option for making some select few choices, such as the size of the state's military budget. But why must 'we' choose collectively the minimum wages that employers pay to employees? Why must 'we' choose collectively the rate at which water runs out of the faucets of individual homes and places of business? Why must 'we' choose collectively the minimum amounts that workers save for their retirements? Why must 'we' choose collectively a set of substances that 'we' are not permitted to ingest? Why must 'we' choose collectively what foreign goods consumers are permitted to purchase? Why must 'we' choose collectively the professional qualifications of physicians, lawyers, and (in some states) cosmetologists and florists? Why must 'we' choose collectively the terms on which money is funneled to producers of electric cars, to manufacturers of commercial aircraft, and to growers of corn?

The vast majority of decisions made today by majoritarian representative government are decisions that not only can be, but *would* be, made far better by each of us individually. Individual decision-making by people each of whom spends his or her own money and each of whom enjoys (and suffers) the consequences of his or her choices is the best option.

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

