



Comment on the Commentary of the Day

by

Donald J. Boudreaux

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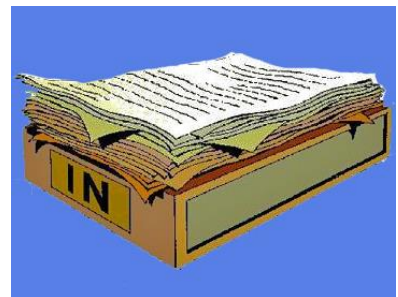
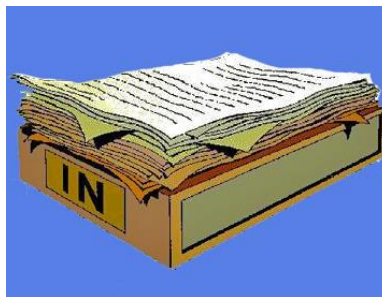
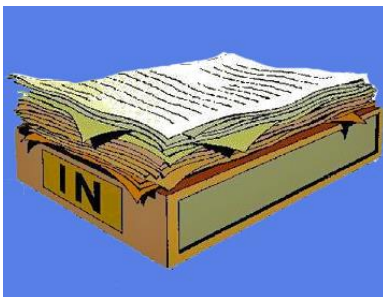
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Disclaimer: The following "Letters to the Editor" were sent to the respective publications on the dates indicated. Some were printed, but many were not. The original articles that are being commented on may or may not be available on the internet, 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.

4 March 2016

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

Dear Editor:

Contrary to the tone and implication of your report on the employment data released this morning, a decline in the average wage is not necessarily bad news ("Hiring in U.S. Rebounds, but Wage Growth Slips," March 4).

First, the surprisingly large increase in the number of jobs in February might well have been *caused* by falling wages. For the workers who have these new jobs, being employed at whatever wages they're now earning is better than being *unemployed* at higher wages. If (as is certain) healthy job growth is applause-worthy, and if (as is possible) this job growth would not have occurred had wages not fallen, then it is mistaken to lament this fall in wages.

Alternatively, it's quite possible that, despite the fall in the *average wage*, the wage of each and every worker rose. If most of the jobs created in February pay wages below the average wage for January, then this growth in jobs for newly hired workers can easily pull down the *average wage* even if no workers' wages were cut - indeed, even if all workers' wages rose. In this plausible scenario, all workers' incomes rise: newly hired workers' wages rise from \$0 to whatever wages they now earn, while non-newly hired workers also enjoy higher wages.

Sincerely,
Donald J. Boudreaux
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and
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7 March 2016

Sen. Bernie Sanders (I-VT)
Capitol Hill
Washington, DC

Mr. Sanders:

In last-night's debate you said: "I was on a picket line in the early 1990s against Nafta, because you didn't need a Ph.D. in economics to understand that American workers should not be forced to compete against people in Mexico making 25 cents an hour."

I'm told that you're a principled man who sincerely cares about the poor and that you object to rigging the economy in favor of the rich. If what I'm told is true, then surely you misspoke - grievously so - last night. Surely your principled compassion for the poor leads you to *support*, rather than oppose, greater economic opportunity for destitute Mexicans even if that opportunity means more intense competition for some American workers. The poorest American workers, after all, are far wealthier than are the Mexicans against whom they compete. Therefore, given your principles and compassion, you cannot possibly really support what your (no doubt carelessly worded) claim suggests you support - namely, government-imposed tariffs and other trade barriers that rig the economic system to benefit the 'haves' (that is, American workers) at the expense of the 'have nots' (that is, Mexican workers).

I'm further led to conclude that you misspoke yesterday because a failure to lower government-imposed trade barriers would also have continued to shield corporations from competition and, in the process, continued to bloat their profits. With your reputation for staunch opposition to corporate privilege, you undoubtedly understand that the K Street model of trade barriers is a complete fraud. And you fiercely oppose such fraud.

Finally, a man of your reputed economic insight also must understand that, while today free trade destroys some jobs, it also, today, lowers prices for consumers and, tomorrow, creates new and better jobs in place of those that have been destroyed. I cannot doubt, given your reputation for having carefully studied economic history, that you celebrate the reality that the greatest beneficiaries of liberalized trade are always the poorest people in every country that has liberalized trade.

We all know how easy it is to misspeak in the heat of the moment. But I urge you to publicly and quickly correct your claim. Your failure to do so would supply reasonable grounds for skeptics of your magnanimity and economic knowledge to accuse you of being simply another crony who, without shame, helps to rig the economic system in favor of those who have and against those who have not.

Sincerely,
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8 March 2016

Mr. Jack O'Toole

Dear Mr. O'Toole:

Thanks for your e-mail.

I did indeed read in the *Wall Street Journal* that China's exports are falling. Unlike you, however, I do not regard this development as "fantastic news for we Americans and our economy." Nor do I believe that it means "[m]ore business and jobs for us!" In fact, the opposite is true: a reduced willingness or ability of foreigners to export to us makes us poorer, not richer.

Suppose that the *WSJ* had reported, not a shrinkage in China's exports but, instead, a shrinkage in humankind's technological know-how. Would you *think* this news to be "fantastic"? Reduced technological know-how has essentially the same effects on the U.S. economy as does a reduced willingness of foreigners to export to us: in both cases, we receive in exchange for our work effort fewer goods and services than we received earlier.

For example, a decline in the quality of truck engines - by reducing the average amount of freight carried by each truck - might create more jobs for truckers. Likewise, if humans forget how to make electric drills, nail guns, and other power tools the resulting decline in each construction-worker's output might well create a larger number of construction jobs. But surely you would - and rightly so - lament rather than applaud any such decline in technological know-how. And for the same reason you should lament any decline in foreigners' willingness or ability to export to us.

As technology advances, the volume and quality of "exports" that we receive in return from our engagement with technology increase and our standard of living rises accordingly. The very same is true for trade with foreigners: as their willingness and ability to ship goods and services to us advances, the volume and quality of exports that we receive in return from our engagement with foreigners increase and our standard of living rises accordingly.

Sincerely,

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9 March 2016

Ms. Quinn Phillipson

Dear Ms. Phillipson:

Thanks for your e-mail.

I agree that the typical politician says only what he or she believes will win him or her the most votes and not what “is objectively right.” Yet I disagree that politicians’ universal practice of telling lies and half-truths is good reason to excuse these deceptions. I disagree with you that, because politicians’ first order of business is to get elected, I “hold politicians to unreasonably high standards.”

I don’t doubt that politicians who refuse to cater to the masses almost never win elections. But this fact tells me, not that we should therefore tolerate the deceptions routinely issued by successful politicians, but that we should strive to free ourselves from being ruled by such deceivers.

Suppose that there’s a guild of physicians who practice only quack medicine. Further suppose that, despite their quackery, each member of this guild attracts a steady stream of patients through his or her lies and deceptions. “Drink this snake oil! It’ll cure your cancer.” “My laying my hands upon your head while I chant a formulaic incantation will fix your broken leg!” Would you excuse the lies and deceptions of these physicians on the grounds that every member of their guild is dishonest and deceitful?

And were your child stricken with a serious illness, do you believe that your best hope for a cure would be to find amongst the members of this guild of charlatans the one who, in your estimation, is the least duplicitous or whose lies are the most comforting? Surely not. You’d refuse to have anything at all to do with such ‘physicians.’ For the same reason, I refuse to put any trust whatsoever in politicians, as well as refuse to stop calling them out for being the quacks, frauds, and cheats that nearly all of them are.

Sincerely,
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10 March 2016

Paul Krugman

Mr. Krugman:

In your recent blogging effort to excuse those who oppose free trade, you write that "the case for trade liberalization relies on the assertion that the government could redistribute income to ensure that everyone wins." You then conclude that, because Uncle Sam is today unwilling to redistribute income as freely as you like, the "case for ever-freer trade is largely a scam."*

But as I'm surprised you don't know, the conventional case for free trade in fact does not rely "on the assertion that the government could redistribute income to ensure that everyone wins." Instead, the conventional case for trade liberalization relies on the reality that, even in the short run, the gains from trade liberalization exceed the losses and, over the long run, trade liberalization improves the material well-being of nearly everyone - all without any government-directed redistribution of income.

Put differently, the conventional case for trade liberalization is identical to the conventional case for economic competition and innovation. Surely you don't teach your students that economists' case for competition and innovation "relies on the assertion that government could redistribute income to ensure that everyone wins" - and thereby imply to your students that when government does not actively redistribute income, an economy kept static by monopoly power and by the suppression of technology is superior to one made dynamic by competition and innovation.

Or do you, sir? Your blog post today suggests that you might well indeed teach your students that the case for competition and innovation holds only when government actively redistributes income - and, therefore, that if government doesn't redistribute income, ordinary people's economic well-being is best ensured by monopoly power and technological stagnation.

Do you teach your students such nonsense? If not, why do you now peddle it to your readers?

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* <http://mobile.nytimes.com/blogs/krugman/2016/03/09/a-protectionist-moment/>

16 March 2016

Mr. Steve Martin:

Mr. Martin:

Thanks for your e-mail (and for clarifying that you're not "the" Steve Martin!).

You ask "How can we avoid being ruined by trade when our partners' prices do not cover their cost?"

This question, although frequently asked, is backwards. The real question is: How can our *partners* avoid being ruined by trade if their prices do not cover their costs? Selling at prices below cost is a recipe for economic failure, not economic success. For this reason alone I'm confident that below-cost pricing is nowhere near as prevalent as trade critics such as Donald Trump and Chuck Schumer assert it to be.

Trade critics have alleged below-cost pricing for decades. Such an accusation has long been a favorite arrow in protectionists' quiver. Yet it's nonsense. How in the world can a country prosper if it consistently sends abroad \$X worth of resources and receives in exchange less than \$X?

But for the sake of argument let's assume that producers in other countries are, for whatever reason, consistently selling goods to us at prices below costs. How are we harmed by this bounty? It's true that some specific American producers are harmed by this practice, but Americans overall are benefited: year after year we get gifts from abroad. As a people we grow richer.

Suppose that during every week of every summer your neighbor gives to you, free of charge, lots of tomatoes and turnips from his garden. Does your neighbor's gift ruin you? (And does it increase your neighbor's financial wealth?) It's true that, absent your neighbor's gift, you might spend more time growing your own vegetables and that, because of his gift, you spend your time in other ways. Yet how, exactly, are you ruined by getting things of value at prices below their costs of production?

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