The Weird Correlation Between "Understanding Economics" and Payola

Kevin Carson

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For more years than most of us have been alive, by-the-numbers "minimum wage increases cause unemployment" puff pieces have been an almost daily staple at right-libertarian propaganda sites like Foundation for Economic Education. As I remark every time I see one — more than once in written commentary — these people demonstrate a lack of basic comprehension of concepts like *ceteris paribus* ("all other things being equal"). One factor in particular that they fail to acknowledge, in generalizing about wages and unemployment, is elasticity of demand. The effect of higher wages on unemployment depends on how elastic — how price- sensitive — the demand for a particular good or service is.

But just now I was surprised to see John Miltimore, at FEE ("Why Are Fast Food Prices So High?" July 9), demonstrate an awareness of the concept: "Fast food prices are high," he explains, "because demand for fast food remains really high, despite those higher prices."

(He also managed to drag in this tired, meaningless talking point: "At their most basic level, prices are determined by supply and demand." But as I write elsewhere:

> The fact that prices are set by the balance of supply and demand is so obvious as to be almost a tautology. In any market where price formation is allowed to take place without interference from externally-imposed price caps or price floors, the final price is set by the balance of supply and demand. This is true even of situations where the supply or demand themselves are determined by class power….
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> The argument assumes that the supply and demand themselves are spontaneously arising quantities, and that the relative values of supply and demand aren't determined by power relations. Yes — to repeat — by definition all market prices result from the interaction of supply and demand. Now ask yourself the important question: What institutional factors determine the supply and demand themselves?

But getting back to the main subject: it's weird how these people are able to recognize that demand inelasticity is a thing when they're justifying higher fast food prices on behalf of the industry, but immediately forget it when they claim higher wages would result in unemployment.

Two quips immediately come to mind as relevant here: The first, from Upton Sinclair, on the difficulty of getting someone to understand something "when his salary depends on not understanding it." The second, from David Roth, that the job of people like Tyler Cowen is "to find new ways to say 'actually, your boss is right.'"

You might be tempted to suspect that the difference between their ability to appreciate nuance from one issue to another suggests they're a bunch of hacks who tailor their understanding of "economics" to suit their donors' interest. But although it probably explains some edge cases like John Stossel, the assumption of deliberate bad faith isn't necessary for the most part. Rather, it's most likely the kind of automatic filtering mechanism Edward Herman and Noam Chomsky described in *Manufacturing Consent.*

The filtering mechanism is built right into the mission of organizations like Foundation for Economic Education, Future of Freedom Foundation, and the Reason Foundation. The mission is to defend "free market principles" or "the free enterprise system," or something similar — which translates, in operational terms, to defending the legitimacy of most large corporations and billionaires. After all, these are the people who pay their salaries. This means that, except for the occasional instance of "crony capitalism" or "corporatism" — which it is to be made clear is atypical of our economic system as a whole and its dominant players — the commentary they publish should be geared to defend business interests against criticisms from the left.

It follows that a piece justifying wages as simply reflecting the marginal productivity of labor or arguing that higher minimum wages will result in unemployment is likely to get published, whereas one pointing out that it's not quite as simple as those talking points suggest will be… less than welcome. On the other hand, a commentary pointing out all the ways that blaming price increases on the market power of corporations is simplistic will get featured in exactly the way Miltimore's did at FEE.

Regardless, when reading right-libertarian economic commentary, you shouldn't go looking for nuance or complexity when it doesn't suit the interests of capital. At the risk of mixing metaphors, whether the writer of a given article strains at a gnat or swallows a camel depends on whose ox is being gored.

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