Episode 822: The Work of Thomas Sowell: An Appreciation

Guest: Gene Epstein

WOODS: All right, today we want to talk about Thomas Sowell. I wrote an email about Sowell a week or so ago when I had learned that he had written his last column ever, and I said this is a year — this was 2016 — where people have been talking a lot about celebrity deaths. And I said this isn't a death, but it's an end to something that's been very meaningful to me over the years that I've learned a lot from, so I am sad to see him go.

EPSTEIN: Yes.

WOODS: On the other hand, I had no right to expect him to continue through age 86, so I'm lucky I got what I did. I want to go into some of the key points that we associate with him in some of his books, but what would be your introduction to Sowell for somebody who's never heard of him?

EPSTEIN: My main introduction is to say that he's a storyteller. I think he's benefitted over the years from having a couple of fantastic research assistants. He's augmented by that. But whenever Sowell is making a point, he tells you a story to illustrate it. You might call him an economic historian. And that's what makes him uniquely readable. There's always a dense series of stories. He's sort of novelistic in his writing, and that's why I know so many people who find him so intensely readable. It's sort of like, I can just read him for relaxing reading. I would say that also about Murray Rothbard. Whereas there are people who might be demanding reading, so it's not going to be relaxing, but for Sowell and Rothbard, and again, in Sowell's case especially, it's the stories he tells, the illustrations, the fact that he can cite examples from all over the world, just dazzles you through the density of his research, and I think that's his special stock and trade — aside from the fact, of course, that he almost always gets it right with respect to political and economic issues. And I say political and economic issues because he has a pretty broad perspective, as we'll see I think once we start talking specifically about his writing.

WOODS: Yeah, I didn't know about this essay on budget politics that you're bringing on —

EPSTEIN: Yeah.

WOODS: — so I want to read that passage. Before I do that, by the way, Bob Murphy, cohost on *Contra Krugman*, just this second emailed me a link to the column, "Deficits

Suddenly Matter," by Krugman, and his subject line was, "I think this actually has a bow on top," this particular column. What a gift. All right, this essay on budget politics by Sowell, here's the passage:

"Back in my teaching days, many years ago, one of the things I liked to ask the class to consider was this: Imagine a government agency with only two tasks: (1) building statues of Benedict Arnold and (2) providing life-saving medications to children. If this agency's budget were cut, what would it do?

"The answer, of course, is that it would cut back on the medications for children. Why? Because that would be what was most likely to get the budget cuts restored. If they cut back on building statues of Benedict Arnold, people might ask why they were building statues of Benedict Arnold in the first place."

That's beautiful, Gene. I'm so glad you showed that to me.

EPSTEIN: That's worthy of Bastiat, not necessarily Bastiat's home run, but one of Bastiat's triples, Frederic Bastiat, who wrote satire on economics. But of course it pressed upon for me, when I read that what I'd always experienced was usually the headline reads about budget cuts: "Library hours cut back." You know, that the public library is no longer open on Saturday. That's the sort of thing that they normally pull. They can't possibly think in terms of cutting back on things like of course the Benedict Arnold, which is a really in-your-face example, but that's the usual tactic. And you know, I could comment that here Sowell has an unerring instinct about the behavior of government and gives great examples, and yet — you know, we'll leave that alone, but he's a hawk on foreign policy. That we have to bear in mind. But in every other way he is so refreshing.

And of course the contrast — In fact, in that essay he doesn't quite make the point, that obviously if the private sector is going to cut back, if a business is going to cut back, they of course are going to cut back on the things that make them less money, where they'd earn less revenue. So obviously they indeed are going to, by analogy, keep the medical care going and cut back on the Benedict Arnold. They're not going to shut down the library, the public library; they're going to benefit their bottom line. They'll cut back on those things that they need to that are earning the least money, the least revenue. And so that's the obvious contrast.

But it's a great, in-your-face example, again, about Benedict Arnold versus medical care, and he's spot on. And that shows, again, his wonderful instincts for the way the world is, the way the world really behaves.

WOODS: This phenomenon has been known as the "Washington Monument syndrome" after the Department of the Interior pulled something like this —

EPSTEIN: Oh, that's right, exactly. Yes, that's right. Yeah, what's that again? Remind me of the Washington Monument syndrome. What, you tear down the Washington Monument? Or you shut it down, that's right.

WOODS: Yeah, you shut it down. And it's the thing that you think will bring the most public displeasure and therefore public pressure, so the public will do the work for you of restoring your budget.

EPSTEIN: Yes, yes.

WOODS: All right, let's go on to the next — because I've got — let me just let everybody know: I have a list of books that Gene particularly wants to point to in Sowell's list of books, just simply because there are so darn many of them; we want to narrow down what we're talking about.

EPSTEIN: Yes, it's an embarrassment of riches. I had to discipline myself.

WOODS: Yeah, it's really something. So after the second one I'm going to add one of my own. *The Economics and Politics of Race: An International Perspective*. This one I never read, but I have enough of the gist of Sowell's argument that I have a feeling I know what he's saying, but you're saying that this is quite a politically incorrect book — which does not come as a surprise.

EPSTEIN: Yes, well, my story of Sowell is sort of like a semi-autobiography as well. By the way, Jason Riley — perhaps you've heard of him — he's a disciple of Sowell. He's very much cut from the same cloth, a black commentator. He was at *The Wall Street Journal*; he's now actually at the Manhattan Institute. He's doing a biography of Thomas Sowell, and Sowell's own story is fascinating. Sowell actually published a collection of his own letters as well as a brief memoir, and it's fascinating to follow him. Sowell was always a misfit, and it really was not until Milton Friedman got him a steady gig at the Hoover Institute that Sowell finally found a resting place. That was in 1980, and Sowell was already 50 years old and had had a rough time. He was a misfit in the Army, a big rebel. He was an absolutely uncompromising professor of economics. He was flunking people all the time. He had standards. He would never go with the flow.

But then once he found his place at the Hoover Institute, he could generate book after book after book. And this one was published in 1983. He was very prolific. And this one was a really in-your-face study of race around the world, an international perspective, prodigiously researched. And again, I believe that the fact that he was able to write this had a lot to do with the fact that he was a black guy raised mainly in Harlem. He could say so many politically incorrect things.

Among others, he made the point that politics gets you nowhere. He said, Look at the Irish. The Irish dominated politics wherever they were, especially, for example, in New York City, as many of us knew. But where'd that get them economically? He compared the Irish with the Jews and with the Chinese. While some of us thought that Jews were active in politics, as he pointed out, by and large for the first 60 years of their sojourn in New York City they stayed out of politics, and just as the Chinese did, they rose economically. Now, maybe that's not much of a point to make to your listeners, but it was sort of a stunning illustration of the fact that politics is not the solution.

Then he made another contrast that was, again, very politically incorrect, between the Japanese and the Mexicans. He said, Let's make two comparisons: the Mexicans in California and the Japanese in California. They were both discriminated against, at least equally. Certainly you might even argue the Japanese got it worse, because they were put in internment camps during World War II. They were deprived of their property and never given their property back after World War II. And yet, it didn't take too many years before they were richer than the average Californian. They were discriminated against, and yet they became richer than those who discriminated against them. Compare them with the Mexicans, who were also discriminated against. Far poorer than the average Californian.

Then he won't let this go, and he says, Now think of Mexico versus Japan. Or maybe he shouldn't even have named those countries. Take one country of a people, and the country has absolutely no natural resources. And take the other country; this country is not only rich in natural resources; it's rich in oil. You would have predicted that the country rich in natural resources would be a lot richer than the country bereft of natural resources. And yet you get the absolute opposite results. The Japanese are far richer than the Mexicans.

And so again, the point he was trying to make is that culture under semi-capitalist conditions seems to be decisive. Prejudice cannot keep people down, and neither can the lack of natural resources. Cultural traditions matter so decisively. And why was this important? Because he was inveighing of course against the idea, the liberals' idea, the progressives' idea that if a group of people are not doing so well, it's got to be due to prejudice. And he said, Well, if it's due to prejudice, then how come the Japanese are doing so well?

Then in fact he played another couple of cards. He said black people, they're victims of prejudice. Well, then, why is it that second generation black people who hail from the West Indies — not the immigrants, he granted, because undoubtedly immigrants are starting at a low level — but the black children of these immigrants, West Indians, significant numbers are richer than the average white. How could that be? Again, an example that tries to demonstrate the prejudice, under conditions in which capitalism gives people half a chance, that it's simply not decisive.

Then of course he told the story of the Jews, which for me actually has a tragic dimension. As he pointed out, the Jews were obviously very successful in Germany — wherever you put them. Of course he made the same point about the Chinese. Wherever they end up internationally, if given half a chance they're going to end up richer than the groups that's discriminated against them. But of course that doesn't stop them from being persecuted. That was the ultimately tragic point, that it's not a solution of the prejudice that you do better than the rest of the population. In fact, they start hating you more.

He wrote another essay about the Jewish or Chinese middlemen, and he makes an interesting point that there's a peculiar hatred for people who operate as middlemen. So this is sort of a rich tapestry of stories which are fascinating in and of themselves, thrilling to read in and of themselves, but also of course completely blast away the idea of progressives that prejudice matters.

And then of course he went into the idea associated with Gary Becker, that obviously why under conditions of capitalism the bigot gets persecuted, because if he's not going to hire talented blacks he's going to get nowhere, because obviously if you discriminate against talented people because you're a bigot, then the competition is going to get the margin on you. So he points out that's why capitalism gives people a chance. Again, great stories and great insights in this book.

WOODS: On the Japanese and the Mexicans, he makes a point in his books — which, by the way, this is one of my favorite Sowell books, totally underrated, is *Civil Rights: Rhetoric or Reality?*

EPSTEIN: Yes.

WOODS: Just a beautiful book. It's 140 pages, big type, and yet smashes everything. So he says — He's got a lot of stuff in there on why you should not expect different racial and ethnic groups to be earning exactly the same and that if they're not there must be something wicked afoot. And he gives us the example: 50% — and this was back in the 1980s. 50% of Mexican-American women are married by age 18. Only 10% of Japanese-American women are. You think that might have a teensy-weensy effect on the life choices they make, the incomes they earn? How could you possibly expect those two groups to have the same incomes? There's no reason to think that.

And then he would add, And by the way, Puerto Ricans are 25 years younger than Poles, or whatever. He would say the average age of a group alone, leaving everything else out, means of course they're not going to have the same net worth or whatever. Wake the heck up. So I also recommend that book.

EPSTEIN: Absolutely. I mean, put another way — I call him a storyteller. You might also call him a master of the killer anecdote, of the killer example, where you're drawing your breath and one would think that the argument should stop there, the facts that he's able to assemble.

WOODS: All right, let's start making this more of a lightning round.

EPSTEIN: Okay.

WOODS: I've had people recommending to me the book *Knowledge and Decisions* since the early '90s, and I still haven't read it. So tell me about it.

EPSTEIN: Well, I wrote about this book; I dug up a column of mine. I actually put Thomas Sowell into my own files of columns and found so many different hits and was pleasantly surprised; I didn't even realize how much I'd written and been inspired by Sowell. When this crowd of three won a Nobel prize for their insights into asymmetric information, I then contrasted their rather puny work with that of Thomas Sowell in *Knowledge and Decisions*. The asymmetric information crowd, that included George Akerlof, Joseph Stiglitz.

They won an award for, supposedly — I'm quoting from the *New York Times* write-up: "They incorporated "imperfect information" into economics — a concept at odds with

the mainstream view that markets are all-knowing and self-correcting. They challenged traditional theories that open and unregulated markets function with perfect efficiency." This is the celebratory statement about their work in *The New York Times*.

And I began my column by writing, "The average person must have chuckled in disbelief while economists at the Austrian school had a write to smile ironically." Again, the idea that markets are imperfect, one would think that the average person should have known that. This is the sort of thing that any kid on the corner could tell them for nothing. And of course the Austrians, Mises — I dug up a quote from Mises, where he talked about uncertainty in the market. There's plenty of slip 'twixt cup and lip. And of course that's obvious, so where are we getting with that insight? Where of course that eventually leads them because they wear blinders is that we need government to correct these imperfections in the market — obviously government being perfect and perfectly insightful. The market is screwing up, so you need government to step in.

Well, I contrasted this with *Knowledge and Decisions*, the book by Thomas Sowell, in which, by the way, he specifically states in the introduction of the book that it's essentially an elaboration of Friedrich Hayek's essay about knowledge and markets, that it's essentially a Hayekian exploration of how the market manages to sort out knowledge. There's a great opening sentence of the book: "Ideas are everywhere, but knowledge is rare." And he shows how prices convey information. He uses interesting examples about how branding conveys information.

For example, a garden-variety example he cites is that people are traveling across the country. They need to stay at motel, at a hotel. Motels are what they were called in those days. And the market failure must be terrible, because how do they know in advance — you know, how can they get reliable information about what's a good motel? Maybe these days the Internet will tell you, but certainly even now it doesn't necessarily. Well, obviously that's an opportunity for the market. That's a profitable opportunity, so you therefore create a brand called Holiday Inn. That's what he points out, that Holiday Inn will convey the information, will economize the information that the travelers need. And it tells them not that this is a posh hotel; it typically tells them that it will deliver on certain reliable services for staying over that night that is associated with the brand Holiday Inn.

And so he builds a case about how the market deals with all of the various problems of conveying information efficiently so that resources can be sorted out adequately. And then he talks about how government intervention completely distorts, or in so many cases distorts, these messages. So I have to say that I had a good time reviewing my Sowell library and saying, Well, I'm not sure that I would have been so thrilled by the book if I was reading it just for the first time now. I read it when it was first published in 1979, 1980. That was the book, by the way, that got Sowell the job with the Hoover Institute. But certainly I find it possible to read it for pleasure even now, because again, so many killer anecdotes, so many great stories. And so again, if you want to get an elaboration on the sorting of information and knowledge in a market economy, then *Knowledge and Decisions* is a fun read.

WOODS: All right, let's talk about *The Quest for Cosmic Justice*. Tell me about that book.

EPSTEIN: Okay. There it's one of the — By the way, I should say that, while Sowell has at least, I don't know, 25 books published, some of them are variations on similar themes. This one is the one I think that's — he had another book called *The Vision of the Anointed*, which had some special things in it that I want to mention. "Vision of the Anointed," "Cosmic Justice," he's clearly a somewhat angry guy, but this I think makes his prose especially impassioned. *The Quest for Cosmic Justice* I think was written a little less in the way of anger at the presumption of progressives. He contrasts the idea of cosmic justice with the idea of traditional justice.

Maybe the simplest example that he gives us — and by the way, virtually all of his examples come from real life — that a pizza parlor in San Francisco got a phone call from a person who lived in a certain neighborhood, and they asked for pizza delivery. And the pizza parlor said — I guess maybe said over the phone candidly, We can't send people to your neighborhood; it's too dangerous. The neighborhood's too dangerous for us to send our people to deliver pizza to you. And apparently — I don't know; I don't know what's happened since this book was published a number of years ago — an ordinance was passed that required the pizza company to deliver pizza to the dangerous neighborhood. How can they possibly refuse to do this?

So he ruminates; he points out that this is a case of cosmic justice versus traditional justice. It's cosmically unjust that you have to live in a dangerous neighborhood, and they can't deliver pizza to you, but traditional justice would say that the government has no right to tell a company where they should do their business. They obviously want to do as much business as possible, and so they're therefore working on tradeoffs, but they found that they simply can't send their employees into dangerous neighborhoods. Now, if you want to be a progressive you'd think, What are they doing? They're protecting the rights of their employees. But the cosmic justice person would say, My God, how terrible that people have to live in dangerous neighborhoods, and therefore would say that you've got to require all the wrongs of the past that might have determined the fact that this is a dangerous neighborhoods have to be reversed, and the pizza company has got to make that delivery.

So of course the cosmic justice point is that: isn't it terrible that your the child of immigrants? Isn't it terrible that your parents weren't very nice? Isn't it terrible that you're not good looking? There are so many things that bother us about the world that have to do with the cosmic injustices of the world. And he makes — I guess you might say it's kind of conservative's point, that the only thing we can do here on Earth right now is settle issues of traditional justice. If we decide that we're going to settle issues of cosmic justice, then we're going to trample on other people's rights. We're going to give the state far more power than it should have, and we're going to get into real trouble. The progressives want cosmic justice. Those of us in the free market, and indeed I guess people of a conservative bent, recognize the only thing we can really get is traditional justice.

By the way, when I listened to that debate you ran about Israel and the Palestinians and the Jews, I wrote that that was sort of another application of cosmic versus traditional justice. If the Jews were deprived of land 3,000 or 2,000 years ago, to right

those wrongs when they can't claim any titles to the property is a case of cosmic justice misapplied. And of course all cosmic justice is misapplied. The only thing you can do is trace titles recently. Then you can have traditional justice. The Palestinians can trace titles to the land, and the Jews can't. So again, it's a very useful concept, because —

By the way, he also segues into another point. He makes the point — In fact, he uses examples from Milton Friedman that Friedman set up — I forget, scholarships for black kids. Many of us want to make individual gestures to right the wrongs of cosmic justice, and when we do that that's fine. Mark Twain, by the way, famously set up a scholarship for black kids to go to college. That was Mark Twain. We can make our gestures to right the wrongs of cosmic justice, but through the realm of politics and of law we can only handle traditional justice. So I think it's a profound statement, again, making a point that I think is unforgettable about how we're all bothered by the wrongs of cosmic injustice, but we can only handle traditional justice in practice through the rule of law.

WOODS: All right, now I want you to tell me about a book that has Sowell written all over it. The title is classic Sowell: *The Vision of the Anointed: Self-Congratulation as a Basis for Social Policy*.

EPSTEIN: Yeah, that's exactly Sowell all over, because again, he's a fascinating guy. I never met him, and I know you've had trouble getting him on the show. He tends to be reclusive. And clearly lots of things get him angry. Of course *The Vision of the Anointed* is kind of an angry title, but quite just.

He does a fascinating little taxonomy of how the anointed try to solve a problem. I'll give a taxonomy. The first one is they define a crisis, a situation that exists that bothers them. And they never bother to ask themselves, Has it been improving over time, or has it been deteriorating? That's not a question. They just say there's a certain crisis that exists. Then they pose a solution through government to solve the crisis. Then in the third stage they get the results, and the results invariably, in terms of time at least, make matters worse. It doesn't get better. If there's been progress, the progress slows, and oftentimes it's not just that the progress slows; you often get worse results. Bad things happen. And then there's the response, the fourth stage, in which he cites how they manage to get around the idea that following their solution the situation got worse.

He uses three examples. One of course is the classic case of the war on poverty, where poverty among all groups by the 1960s had been noticeable declining according to any numbers you might cite, and almost certainly from the 1950s and from the late 1940s poverty was steadily declining. And so you'd think, well, progress is happening, but that's not good enough for the progressives. They've got to get involved. And so they pose a solution, a war on poverty. You've got to subsidize poor people. You've got to create anti-poverty programs. They get the results. What happens is that the decline in poverty slows and even begins to flatten and then even by arguments begins to get worse. So you'd think that if you look at the before and after, this solution could not have helped, could only have hurt. And then you get the response, and the response is usually of course, We didn't do enough, that obviously we are the anointed; how could we possibly get things wrong, and so we didn't do enough.

The two other examples he uses are sex education, where we've got a problem with the understanding of the use of contraceptives and the rest, when in fact the illegitimate births have been declining. You'd think that society had more or less been solving this problem, but no, we need more sex education. So then you get a jump in illegitimate births, and then again that doesn't influence the anointed in any way. They didn't do enough. What they did, it turns out that — then they have mission creep. It turns out that this wasn't really about dealing with illegitimate births.

And then the third — why am I forgetting for a moment the third example? Oh, the third example he uses escapes me for the moment. But you get the picture — oh, crime, of course. What am I talking about? Crime. The crime rate is steadily declining, so then the anointed come along, and they say that of course the problem with crime is that — actually, to use a Murray Rothbard theme — the problem with crime is that there weren't enough playgrounds in the criminal's neighborhood when he was growing up. I get that actually from Murray Rothbard. So we need to understand crime is a symptom of a social problem. So the anointed come in, and they fix the problem, and then what happens? The crime rate soars.

So it's a rather tragic tale of the patterns by which the anointed like to solve social problems. And again, it's great stuff and, again, shows his broad perspective of the role of government. And again I mention that the contradiction in Sowell is that he doesn't apply any of these insights to the Iraq War. But that's okay. He's never written that much about American foreign policy. 95% of what he's ever written, maybe even more than 95%, is about these economic and political issues. So again, I recommend *The Vision of the Anointed* for those rather striking and rather tragic of the way the anointed try to solve the problems of society.

WOODS: Gene, say something about Sowell's book *Basic Economics*. It turns out that — of course this book came out much later, but Bob Murphy attributes the work of Sowell and Walter Williams, he says that that did more than anything else to make him an economist, to make him abandon his old field — which I think might have been physics, maybe? — and then instead to embrace economics. I mean, that's a big thing. Thomas Sowell gave us Bob Murphy.

EPSTEIN: Really? Oh wow (laughing). Amazing.

WOODS: How about that?

EPSTEIN: Oh wow. By the way, Walter Williams is certainly — maybe you've had him on? Walter Williams is certainly a great guy as well, and what's funny about the two of them, if you read Sowell's letters and memoir, is that they met each other — Here are these two black guys who came from very different backgrounds, and Walter said to Sowell, I heard about you; I gather you and I tend to think alike. And it turned out they had a tremendous amount in common. And Sowell says one of the worst things that's embarrassing is that people think that I'm the one who influenced Walter Williams in his direction, but Walter sprung full-blown in his own right. And Walter Williams has written some great stuff too, although probably because Walter is a professor and Sowell's had all this time with two research assistants to write some of these books, that he's outdistanced Walter Williams in terms of his achievements.

With respect to *Basic Economics*, again, he tells what might I imagine that got to Bob Murphy is the same thing that gets to us all: the killer anecdote, the fact that — In fact, as he states — let me dig up a quote. He states in the beginning of *Basic Economics* that instead of giving you the usual graphs and numbers that economists like to give you in a textbook, he's going to tell you stories. He's going to pull together — Oh, here he writes he's going to use "real-life examples from countries around the world to make economic principles vivid and memorable." And he greatly, beautifully, brilliantly lives up to that claim: economic examples, vivid and memorable. And he always generously acknowledges his two research assistants, who probably just work for him day and night to dig up examples that are deftly footnoted that can illustrate his principles.

For example, when he talks about entrepreneurship, about the risks of operating a business, he tells some great stories. One of them, for example, that's memorable is about A&P, the A&P supermarket, which dominated the supermarket business for so many years. But then A&P could not anticipate suburbanization, which sort of altered the game in supermarkets, and A&P then fell by the wayside, lost its market share. And again, stories like that that illustrate all the risks faced and all of the unforeseen circumstances that can arise in markets I think are vivid and memorable and illustrate those principles.

Again, that's why that book is so special. He keeps bringing to expanded — One thing that Sowell does, although I guess — That's right here. But he did that even with *Knowledge and Decisions.* He's always updating his books, often augmenting them, publishing them in new editions with augmented material, or at least publishing them with updated introductions to keep them alive — and I think that's a very good thing to do, by the way, by many writers. A book was published 20, 25 years ago, and you think it's still relevant: update it, augment it. So he's very good at doing that. I don't even know if he's going to stop. Even at the age of 86 he might continue to do that. But every time *Basic Economics* comes out in a new edition, I always pick it up. I always read it with pleasure.

Although we could segue — I don't know how much time we have left — we could segue into talking about a couple of — As a matter of fact, what's funny is that I wrote a column about recommended books. I recommended *Basic Economics* in the same column that I recommended one of Bob Murphy's books — I don't have it in front of me — about free market economics. And I did write that wherever Murphy disagrees with Sowell, I find that Murphy is right.

WOODS: Yeah, that's generally how I feel. That's true. Yeah, let's say a couple of quick things, because Sowell is bold enough to be extremely unconventional and go against the grain in so many areas, which is why it's weirdly demoralizing to see him accept fairly conventional views on, for example, externalities or government ownership of certain types of property and stuff.

EPSTEIN: Yes, yes. What's funny is I looked back — Speaking of the government ownership part of it, I looked back at *Basic Economics*, in which he actually, in one paragraph he sort of weakly said, talking about, Well, you do have some private ownership here and there. Like, he's thinking about it a little bit. But unfortunately he doesn't follow through.

As a matter of fact, to give credit to another fine book, *The Economics for Real People* on Austrian economics, Gene Callahan very politely corrected Sowell about roads. Sowell talks about — he doesn't use the word "market failure" — and by the way, from everything you can see, by the way, Sowell has no patience whatsoever with antitrust. And it's interesting that Sowell was very much influenced by Milton Friedman, who really was a godfather, got him that job at Hoover Institute. You might say that Sowell took Friedman's free market economics and then basically told those stories and the killer anecdotes. You might call him a sort of Friedmanite. But he had no patience with antitrust. He showed how foolish it was, for example, in *Knowledge and Decisions*.

But for example, in *Basic Economics* he talks about the market failure — although he doesn't use that term, but implies it — the market failure and the fact that mud flaps — he uses this example that a car is not going to put mud flaps on the back of its wheels to prevent it from spewing mud on the car behind it, because there's no economic incentive. You're not benefitting yourself by paying money for the mud flaps; the only benefit is to the cars behind you. So there you have this terrible failure of the market. You need a law that requires mud flaps on cars. But of course Callahan points out: but obviously if you have private ownership of roads, then the road builder is just going to say any car that drives on my road has got to have mud flaps. So it didn't occur to Sowell that private ownership of roads could solve that problem.

Of course you're not going to learn anything at all about business cycles from Sowell. I use that example especially by talking about — Sowell almost says nothing very useful about business cycles, and of course you want to read Bob Murphy on business cycles, among others, for sure.

But then Sowell talks about the evils of inflation, and he's very much a Friedmanite by talking about the evils of inflations, effectively price inflation obviously and all of the ravages of price inflation. But then he talks about how deflation isn't good either. And there he confuses the issue. I mean, deflation defined by the Austrians of course means a contraction in the money supply. A contraction in the money supply is indeed disruptive. But he doesn't make a distinction. He seems to think that just a decline in prices is a bad thing, and he even cites the late 1800s when prices were gradually declining to show that that was bad. It was bad for farmers. He says that property values were declining. In fact, he specifically said that the problem was that output was increasing faster than the money supply. You had declining prices, and those were a problem.

And you wonder, how Sowell, who's so sensitive and understands how businessmen adjust to new information, doesn't seem to recognize that when prices are declining by a couple of percentage points a year that obviously business will adjust. Factors of production will be bought accordingly to plan for prices. Property will be sold accordingly. All of those things, they all adjust. And therefore he had a sort of Friedmanite blind spot that he couldn't quite overcome.

I mean, Friedman, by the way, had gone through a revolution. Friedman had initially said that antitrust does play a role, but then over time he said he changed his mind about that. But I think that Friedman had never quite changed his mind about price

declines. Somehow or another they're a terrible thing. And Sowell has that blind spot as well.

So that's a couple of problems with Sowell, but it shouldn't mean — and again, that's great information that Bob Murphy of all people got converted by Walter Williams and Thomas Sowell. A fantastic contribution to economic theory and economic progress.

WOODS: Well, let's close with this final question. Let's leave aside *Basic Economics* —

EPSTEIN: Sure.

WOODS: — because that's an easy answer: what Thomas Sowell book should I read? I want to dig a little deeper into his work. If people — I mean, the average person isn't going to have time to read more than one Sowell book. What should that one be?

EPSTEIN: Wow. Well, you know, I guess — you know, the default is always "make it shorter" in these days of shortened attention spans, so I guess I would have to choose first of all that civil rights book that you mentioned. Again, a relatively short but hard-hitting case about how civil rights gets it wrong and how it does harm. Or indeed *The Vision of the Anointed* or *The Search for Cosmic Justice*, because there he makes with one-two punches, with vivid examples, with his politically incorrect anecdotes in all of those cases, he talks about how the anointed thinks that they can do good in the world and don't recognize that they're doing harm. And so those three short books, any one of them I think would be great first reading.

But then you could develop an appetite for Sowell and then move on to a couple of his fatter books. Certainly *Basic Economics*, if you ignore the parts on deflation, ignore the parts on roads, that I think is a great, readable tome. So that's the way I would put it. Start with one of those three books: *Civil Rights, Vision of the Anointed, Search for Cosmic Justice*.

WOODS: Okay, I'm going to link to all of the books we've talked about at TomWoods.com/822 for anybody who'd like to get started reading Sowell. He started his column relatively late in his career.

EPSTEIN: Oh yeah.

WOODS: People know him through his columns, but his books have been coming out for quite a long time before that.

EPSTEIN: No, incredible output. As they say, the world is lucky that — He's a fascinating guy, by the way. I'm looking forward to — I've been Jason Riley's self-appointed research assistant. I've been sending him some things. I'm looking forward to reading Jason Riley's biography. By the way, I should also mention that a guilty pleasure — It's fun to read Sowell's book *A Man of Letters*, as well as his memoir, because once you start reading them you kind of get fascinated by,where did this guy come from, and you read about how he broke all the rules in the Army. Actually, as I put it to Jason Riley, who's a bit of a neocon, if Sowell had actually been in battle he

probably would have won a Purple Heart, but in the peacetime Army he was nothing but a troublemaker. So that too is fascinating about Sowell.

But indeed, he started to do the column — I actually wrote him a couple of times asking him to do book reviews. He told me he didn't have the time. Of course I'm asking a guy past 80 if he has any time to do book reviews. And his short pieces are also good, but I would still want to go with at least those three books that we mentioned.

WOODS: All right, so that's what I'll be — I'll have everything we talked about at TomWoods.com/822. All right, thanks a lot, Gene. This was great. I'm so glad we did it. He deserves more attention for his books. I mean, it's great that people read his columns, but I bet only a small fraction read his books, and that's where the gems are, so don't deprive yourselves of that. Thanks a lot, Gene.

EPSTEIN: Sure.