Peter Robinson: Welcome to Uncommon Knowledge, I'm Peter Robinson. Before we begin I want to let you know that you can follow us on Twitter now at twitter.com/uncommonknowledge. Send us your comments, links related to material we discuss, suggestions for upcoming guests. Uncommon knowledge on Twitter. Today, Dr. Thomas Sowell is my guest. Thomas Sowell has taught economics, intellectual history, and social policy at institutions that include Cornell, UCLA, and Amherst. Now a senior fellow at the Hoover institution, Dr. Sowell has published more than a dozen books including his latest the Housing Boom and Bust. Segment 1, the economics of the housing boom. I quote you to yourself Tom from the Housing Boom and Bust, "although the housing boom and bust has national repercussions its origins tended to be concentrated in particular places," explain that.

Thomas Sowell: Yes, most of the adventurous financing was the--it was concentrated in places like Coastal California, Phoenix, few places in Florida, and this is where the great bulk of the defaults and foreclosures occur as well in later years. In fact, you can break it down even finer that's in particular counties in the states. So it really a very small part of the United States generated, the delinquency is the defaults and the foreclosures which then snowballed across the country to the financial system and even spread overseas. But the origins were in these extremely expensive areas where the prices have been forced up artificially and where people in desperation had turned all kinds of creative financing such as no money down, I don't know, adjustable rate mortgages, sub-prime mortgages, all sorts of gimmicks in order to buy a house to live in or--and this is--this would be true about all--at least 20 percent of the people who bought houses during the boom as pure speculation. So that given lax lending standards speculated could come in and buy four or five expensive houses where they're relatively small amount of money down. Spruce them up and sell them. We're in a very short time.

Peter Robinson: And Tom you mentioned--the phrase you use there just a moment ago that the prices in these small number of housing markets, the prices have been driven artificially high.

Thomas Sowell: Yes.

Peter Robinson: And I have to say in reading "The Housing Boom and Bust," you and I both live in Coastal California.

Thomas Sowell: Yes.
Peter Robinson: And a lot of what you said cut pretty close to the bone here. As you sit across the table from a man with a gigantic mortgage, why did those—why were the housing prices are officially high in that handful of markets.

Thomas Sowell: Because, despite the abundance of land in California, laws prevented people from building on much of that land. It made it prohibitively expensive on the rest of the land, so that the housing prices were shut up primarily because the land on which the houses where build were tremendously expensive.

Peter Robinson: So the whole open space movement.

Thomas Sowell: Oh, yes. And I live in one of those houses on the Stanford campus. I remember this shows how long ago it was the house was 260,000 dollars and I saw in my insurance that it was insured for only 60,000. So that's the cost of replacing the house. The other 200 grand was for the leasing of the land. I didn't even own a land. And so it's the land that is really the key to this—to this whole thing. That same house at the Deli, I'm told now has sold for over a million dollars even though its less than 2000 square feet.

Peter Robinson: Alright, I quote you again. Some of the least knowledgeable and least experienced home buyers were now financing their purchases with some of the newest and most complicated mortgages.

Thomas Sowell: Yes, because the whole notion was if you wanted to make housing affordable to people who otherwise couldn't buy, which meant low income people, or often people with limited education, people who had never bought a house before. And so they were presented with these complicated mortgage's that will often began with very low initial rates. So you—you will pay 500 dollars a month for this house but in six more months you'll be paying 800, and then at the end of the year you'll be paying 1200, and two years later you'll be paying 1500. Well, not everybody may have understood all that. And when it started going up like that, you know, the whole thing started to collapse.

Peter Robinson: You also rated the other end of the knowledge skill, you talked about purchasers. A lot of purchasers unsophisticated just didn't understand these complicated instruments. At the other end of the knowledge skills, sophisticated firms like Moody's
and Standard & Poor's had only a very limited amount of hard data available to use when making ratings of stocks and bonds that were based on new and exotic mortgages.

Thomas Sowell: Yes. I was--the rating companies had decades, even generations of data on what happens with regular 30 year of fix rate mortgages with 20 percent down.

Peter Robinson: Right.

Thomas Sowell: So--and so they used that to try to guess what it would be like with these new exotic mortgages with all kinds of complications. Some one who once worked for Moody's described it as using a centuries worth of data on whether in Antarctica to predict the weather in Hawaii and it didn't work out.

Peter Robinson:Alright. Now, so you've got--I'm trying to construct the layers of the problem. Specific housing markets in the United States, Coastal California being one, where because largely because of government interference in the first place.

Thomas Sowell: Yes.

Peter Robinson: If that's the correct way to put it

Thomas Sowell: Yes.

Peter Robinson:--to open space. Artificial or government imposed restrictions on land, drives up land prices. People in those housing markets become desperate. What step is next? Institutions begin lending to them newer and more and more creative kinds of loans but there is a step here, somebody is encouraging those institutions [inaudible].
Thomas Sowell: Oh, absolutely, more than encouraging. The government required people by the 1990s to supply data on people to whom they were lending. The raise, the income, the communities of which the people are located, and if those numbers didn't suit the government, the banks could get--have great trouble getting government permission to do things that other business can do without government permission but which the banks being regulated had to depend on approval from the federal reserve or for whom ever else was involve.

Peter Robinson: This brings us to segment 2 which is also the title of the second chapter in "The Housing Boom and Bust" which is the politics of the housing boom. You just need an absolutely critical point. Banks have a closer relationship to government than many other sectors in the private economy because.

Thomas Sowell: Because the banks are regulated by the government and the banks can only make certain decisions if the government says, "Yes". If one bank wants to merge with other bank, they can't just call up their lawyers and arrange it. They've got to go to the right government regulators. And if the government regulators approve it, then they can do it. Otherwise they can't.

Peter Robinson: Fannie Mae and Freddie Mac, what are they and what role do they play?

Thomas Sowell: These are two government sponsor enterprises which purchase mortgages from banks and other lenders. And so, as these more risky mortgages come along, the banks don't hold on to those mortgages. In other words, the bank may lend to you or to me, knowing that we are risky borrowers but they sell them--they sell the mortgage to Fannie Mae or Freddie Mac. They get their money right then and there and it's up to Fannie Mae and Freddie Mac to collect on those mortgages over the next 30 years.

Peter Robinson: So let me make sure I have the sequence right. Housing prices extremely high. Congress, among other entities, congress places pressure on the banking system, the ordinary retail banking system to make loans more and more affordable, banks respond to this pressure by coming up with all kinds of creative instruments. They're given permission to take--they--so in retail bank, sells a mortgage and then the retail bank flips it to Fannie Mae and Freddie Mac, which is essentially package huge numbers of these mortgage across the country.
Thomas Sowell: Yes.

Peter Robinson: That's the correct sequence?

Thomas Sowell: Yes.

Peter Robinson: When you called Freddie Mae--Fannie Mae and Freddie Mac, government sponsored enterprises, is that the term--explain what that means? They have a relation--special relationship

Thomas Sowell: Yes.

Peter Robinson: with the government, right?

Thomas Sowell: The government created these organizations and yet they are private profit banking institutions. But the government is involved with them. It's a hybrid kind of institution. Not completely private. Not completely government.

Peter Robinson: And the relevance of that is that investors have presupposed throughout the existence of these two entities that the government would be very hesitant to let them go down.

Thomas Sowell: Absolutely, more than that they get certain privileges. They are not regulated as tightly as the--as they're ordinary banks would be. And so because of--they have, I believe something like a--something like a 2 billion dollar line of credit at the treasury and we could all use a 2 billion--
Thomas Sowell – The Housing Boom and Bust
This is an unedited transcript of the interview.

Peter Robinson: Yes.

Thomas Sowell: dollar line of credit with the treasury. But not although somehow get it. And so they have these advantages over other mortgage buyers and then what you say as a crucial thing which is that investors will invest in these companies. Relying on the fact that the government is not gonna let them go--let them fail, whereas the government will let some banks fail.

Peter Robinson: Right. Let's consider few of the public officials involved here. Congressman Barney Frank of Massachusetts speaking in 2003, "I would like to get Fannie and Freddie more deeply into helping low income housing--

Thomas Sowell: Yes.

Peter Robinson: I want to roll the dice a little bit more in this situation towards subsidized housing." What was Congressman Frank thinking?

Thomas Sowell: He was thinking of getting reelected because when you do favors of people, those people are more likely to contribute to your campaigns, they are more likely to vote for your affair and your district and so all of this is presently understandable from the standpoint of Congressman Barney Frank. So, as his more recent statement that he wants the Fannie Mae and Freddie Mac to lower the lending standards for the condos now. Lower--lowering the standards for housing was such a big success. He's not gonna move on to the condos. I--presumably he'll eventually get to the apartments.

Peter Robinson: Alright. The 43th president of the United States, George W Bush; you write, "President George W. Bush joined to the push for more home ownership."

Thomas Sowell: Yes.
Peter Robinson: How come?

Thomas Sowell: You have to ask him that. I know no rational explanation. But his point was that he wanted more people to be able to own home. This is the magic thing about politics. You set one goal and you don't worry about the repercussions. It was like Admiral Farragut saying, "A full steam ahead, damn the torpedoes"

Peter Robinson: Damn the torpedoes. Right.

Thomas Sowell: And of course the torpedoes got us. But he wanted the federal government particularly the Federal Housing Administration to make loans so that people could buy a house without a down-payment. He thought the down-payment was just one of the fuzzy things that the market had come up with, you know, and--that's also often happen.

Peter Robinson: You're being very rough on him. This wasn't the compassionate part of compassionate conservatism. He was trying to make the conservative free market position more palatable for voters as a whole and this was one of the ways in which he did so. Was it politically understandable?

Thomas Sowell: That was politically--most disasters are politically understandable.

Peter Robinson: Alright. Alan Greenspan, Chairman of the Federal Reserve Bank from 1987 to 2006. You quote him in "The Housing Boom and Bust" as saying, during a television interview, this is Alan Greenspan, "While I was aware a lot of these practices, this lending, were going on, I had no notion of how significant they had become until very late. I really didn't get it until very late in 2005 and 2006." Should Greenspan have gotten it a lot earlier?

Thomas Sowell: A lot of other people got it a lot earlier. But [laughter] on the other hand, I think as compared to members of congress, he was way in advance because, well, he was warning congress that there was problem down the road especially with Fannie Mae
and Freddie Mac, he was saying there's no immediate problem but if this continues on to the end of the decade which is where we're approaching right now, it's gonna be a disaster.

Peter Robinson: Now, Barney Frank, George W. Bush, Alan Greenspan, of those 3, who is the worst actor?

Thomas Sowell: Oh, Barney Frank easily.

Peter Robinson: Okay, and of those 3, whom does the press still listen to and--

Thomas Sowell: Barney Frank.

Peter Robinson: Thank you Tom. Segment 3: The Housing Bust. In Segment 1 you talked about how the House of Cards has grew up, now how it collapse, Thomas Sowell in "The Housing Boom and Bust", "In just one year, home price has fell by 27 percent in San Diego, 28 percent in Los Angeles, and 31 percent in San Francisco. In Dallas, the home price decline was only 3 percent." Why that discrepancy?

Thomas Sowell: Oh, because Dallas wasn't part of the boom and it wasn't part of the bust.

Peter Robinson: How come?

Thomas Sowell: Because in Dallas they don't have the restrictions on building houses that we have in Coastal California. Houston was--is very similar. Houston doesn't even have zoning laws. And so therefore if people wanted more houses in Dallas or Houston, the villages built more houses and the prices didn't rise.
Peter Robinson: Supply is able to adjust to demand.

Thomas Sowell: That's it.

Peter Robinson: Much more easily, much more easily in these markets.

Thomas Sowell: Yes.

Peter Robinson: Alright. Tom Sowell again, "Locally sharp declines in housing prices had national repercussions because the inflated values of houses in these places were accepted by national organizations like Fannie Mae and Freddie Mac and by Wall Street firms that bought such mortgages and then created and sold securities based on the inflated values of these mortgages." Okay, you can argue that the government messes things up by driving up housing prices in certain markets. You can government--argue that the government largely in the person of Barney Frank messes things up by encouraging Fannie Mae and Freddie Mac to make loans--to make a market in loans that shouldn't really have been made in the first place. But then you came to this third part of this sort of triad of absurdity and what you get to is great big financial institutions with extremely well-paid individuals in a presumably free--pure free market and they make mistakes as idiotic as anybody else. They're holding instruments they can't value. How come the market, in other words, I'm a disciple of Milton Friedman I can understand it when the government messes up, it's much harder to understand when the free market messes up.

Thomas Sowell: Oh, well for one thing, the rating companies who rate these bonds, the government restricted them to--there were 3 rating agencies you had to use. And if you cannot use those 3 agencies, then everything would be approved by the regulators. But if you wanted the Joe Smith, and you know, on Silicon Valley who has his own rating agencies that these mortgages aren't worth anything, he may be right, but you can't use him. And so now this happens. But I think--

Peter Robinson: So the government restricted the most important aspect of a free market which is information, pricing information.
Thomas Sowell: Yes, yes.

Peter Robinson: People--there were plenty of people who knew better but largely from, because of government regulations, principle actors in the market had to pretend they didn't know any better.

Thomas Sowell: Well that--I wouldn't say that it [inaudible] and the others who were pretending, they really just didn't know. In other words, there was not enough data on these things. You know, in other words, with conventional mortgages, you had a data covering peace and war, prosperity and depression, and so forth. And you could follow these data back for decades, and you'd have some pretty good idea what different kinds of mortgages behave like over a period of time. There was no such record and so they were going by guessing by golly. But because they had such a strong good reputation on the basis of their ratings or other kinds of securities, people just took them at their word.

Peter Robinson: And--

Thomas Sowell: They could have been more cautious.

Peter Robinson: Right.

Thomas Sowell: They should have been more cautious.

Peter Robinson: So I guess here's what I'm trying to say is at a number of places in the sequence of events that leads to the housing bust, it is very clear to see the hand of government, in effect, messing things up.

Thomas Sowell: Yes.
Peter Robinson: Distorting price signals, making it impossible for the market to respond as it otherwise would have. Got it. At one end of it, though, and that's the Wall Street end, it's much harder to see a direct government interference, and so do we want to say--do you want to argue that that's just one instance of one of those bubbles, one of those manias that takes place even in free market?

Thomas Sowell: Oh, there's no--there's no question.

[ Simultaneous Talking ]

Peter Robinson: There's no question about it.

Thomas Sowell: No question, no question.

Peter Robinson: Okay. So it is not the burden of your argument that markets work almost flawlessly if only the government would get out of the way. In this case, we have an example or even markets, human institutions as they are messed up, right?

Thomas Sowell: Absolutely. But it's also the case that the original--that the original problem went back to the mortgages.

Peter Robinson: Right.

Thomas Sowell: So long as people pay their mortgages, all was well. But when you start lending the people who aren't likely to repay the mortgages, then downstream, the question is that are there any correctors down there, and the answer is there wasn't.
Thomas Sowell – *The Housing Boom and Bust*
This is an unedited transcript of the interview.

Peter Robinson: Right. In March 2008, Bush's Treasury Secretary Hank Paulson intervened to prevent Bear Sterns, a Wall Street investment firm, from collapsing altogether. He arranged a sale, not quite of for sale, but a fire sale let's call it to JPMorgan. So the institution, the accounts remained in--they remain alive. In September 2008, Paulson refuses to arrange any such sale for Lehman Brothers, permitting Lehman Brothers to declare bankruptcy, which of those 2 steps was correct?

Thomas Sowell: Wow! I'd have to know an often a lot more about intricacies of those particular firms to say, but what--but what is quite clear is that it left in the hands of the government the ability to pick winners and losers, and that is a very dangerous power. Not only in terms of the economic decisions that can be made, but also in terms of people being able to throw their weight around and ways that the constitution never authorize them to do.

Peter Robinson: Segment 4: The New Deal Ideal. That you argue in "The Housing Boom and Bust" that a lot of the thinking that implicitly and in times explicitly underlies the Obama administration's approach to the current economic crisis arises from Franklin Roosevelt's new deal, and I quote you. "The advocates of Obama's policies 'cite Franklin Roosevelt's new deal as a model.'" Why? What is it about the new deal that permits people to cite it as a model with a straight face 8 decades after it was an enacted?

Thomas Sowell: Because of the widespread belief that it was the new deal which save the country and got us out of the depression. And in the--

Peter Robinson: You mean it wasn't?

[ Laughter ]

Thomas Sowell: In politics, what matters is not what the facts are, what matters is what people believe because people vote on the basis of what they believe and not on the basis of what the facts are.
Thomas Sowell – *The Housing Boom and Bust*
This is an unedited transcript of the interview.

Peter Robinson: Alright, this is, in my judgment, this is critical. This is one of the most important aspects of this marvelous book "The Housing Boom and Bust". You write Tom, "The larger question that remains as relevant as ever 8 decades after the enactment of the New Deal what is it the failure of the free market that led to the massive unemployment which persisted throughout the 1930s or was the Great Depression prolonged by the government interventions that were intended to shorten it?" And your analysis is as follows.

Thomas Sowell: Well, there are a lot of ways of going at this. One is to look at the sequence of the events. And we can look at the--look at the sequence. In October 1929, the stock market crashed. Two months later, unemployment peaked at 9 percent. Over the next several months, unemployment began to subside irregularly down to 6.3 percent by June of 1930. So 8 months after the stock market crashed, we have not yet hit double digits in unemployment. June 1930, went at 6.3 percent, the government intervenes first--the first rule intervention on a massive scale on the Hoover, the Smoot-Hawley Tariff which were designed to reduce unemployment by restricting imports in the United States so that more of these goods will be built in the United States by American workers. It sounds good. A thousand economists from the leading universities around the country signed a public appeal to Congress and the President not to pass this bill, that it would not do what they said it would do. It would not reduce unemployment. It would in fact lead to retaliation that would make it harder for American to sell their goods in other countries. As often have, no one pay the slightest attention. The bill was passed and within 5 months after the bill was passed, we had double digit unemployment for the first time. This is for the bill design to lower unemployment. And when it hit--in this time it did not subside. It never failed below double digits for the entire remainder of the decade of the '30s, not even for a single month. Not all that was the smooth--smooth holy terror. When FDR came in in '33, he then put in the National Industrial Recovery Act. He put in the Agricultural Adjustment Act. He put in the Wagner Act. He issued more Presidential Executive Orders that all subsequent presidents throughout the remainder of the 20th century, so that government intervene on a massive scale and yet the unemployment never came down below double digits for the entire decade.

Peter Robinson: So we get the stock market crash in '29. Herbert Hoover as president understands that something terrible has happened, but fundamentally the policies in place our those of Calvin Coolidge and every President before, small federal government and we see signs that the market begins to correct itself.

Thomas Sowell: Right.

Peter Robinson: The economy begins to recover and then Herbert Hoover and Congress decide what to do to fix things.
Peter Robinson: And they immediately make things worse and Franklin Roosevelt comes in and keeps fixing it and keeps fixing it and keeps fixing it and it stays bad, bad, bad.

Thomas Sowell: Yes.

Peter Robinson: That's a fair assessment?

Thomas Sowell: Yes.

Peter Robinson: Okay. So then we have to move on to the next question which is well then what did end the Great Depression? If it wasn't the New Deal, it's over by the middle of unemployment is down to close to zero by the middle of the war?

Thomas Sowell: Yes.

Peter Robinson: So what happen?

Thomas Sowell: The war?

Peter Robinson: The war happened.

Thomas Sowell: But the question is what about the war?
Peter Robinson: Well yes right because--go ahead.

Thomas Sowell: Well, well one of the things that the war did that most people seem not to notice is it took 12 million men, what our civilian labor force and put them in uniform.

Peter Robinson: That will help you run employment figures?

Thomas Sowell: Well, yes. FDR actually put his finger on something that other people overlooked and he had this wonderful statement about how would--would the coming of the war--Dr. New Deal was replaced by the Dr. Win-The-War. And what that meant is the war put an end to the New Deal And when you put--and more all the way what the other direction is that it will creating all these uncertainty, which all these interventions does quite aside from the merits of that particular interventions. It gave a tremendous certainty because it began the practice of cause plus contracts for militaries equipment suppliers. And so if you sign the contract with the government for a million dollars, you would guarantee you get your million dollars back plus whatever profit they allowed in the contract. So over 4, you see, because of all the anti-business rhetoric, you never, when once you start intervening, it's not just the question of the merit of the particular intervention, it's the fact that nobody knows when you are going to intervene again. And that's true--true now that, you know, this whole thing about that no one said that you could fire the head of General Motors by giving them this money. But once they decided they gotta do it, they can't do it. And so nobody knows what's gonna happen next.

Peter Robinson: Segment 5. What Obama is up to? Having demolished the New Deal we now turn to President Obama. Thomas Sowell, "Shortly before the Obama administration took office, the man who would become President Obama's Chief of Staff where on the manual said, 'You never want a serious crisis to go to waste.' Why do you find that significant?"

Thomas Sowell: Because it means that the crisis is presenting them with an opportunity do to things they wouldn't be able to do otherwise. And that's how he sees it. And everything that has happened since the new administration indicates that that's how the administration as a whole sees it.
Peter Robinson: So the crisis is providing an opportunity for President Obama and his supporters to do what they've wanted to do.

Thomas Sowell: Yes.

Peter Robinson: But would otherwise have been an able to do.

Thomas Sowell: Just as in the case of the New Deal that the New Deal is most of the key people on the New Deal were for big government intervention long before there was a stock market crash. It's just that the stock market crash gave them an opportunity to step in. Its--another parallel is that people are talking about all these high--these highly intelligent people which whom the President surrounded himself in Washington. FDR surrounded himself with highly intelligent people. That is no guarantee of anything except brilliant rationalization will fail in some cases.

Peter Robinson: Alright. Let me push back a little bit Tom. President Obama took off as the financial system appeared close to collapse serious economists including our colleague at the Hoover Institution, Robert Barro, wrote that there was a significant chance of not just recession but depression. And today, we've got a financial system that functioning. Housing prices are settling rather than crashing. And there seems to be a general consensus that we'll see a recovery within a year to 18 months. So why not take President Obama at his word and simply impute to him the motives that he claims. He came into office, pass the stimulus bill and a rough of other measures because of the financial crisis demanded that he do so, and it seems to have worked.

Thomas Sowell: Well I'm not as optimistic and predicting of how things are gonna be wonderful in a couple of years. But we'll no more in the couple of years. If you look at the Stimulus Package, the one thing it has not done is stimulate. Prior to the bailout money for the banks, the banks were lending us certain amount. After the bailout butt money, the banks were lending less. Suppose--I mean the stimulus means that he's not depending just on the government's own money being spent producing the result, that this will stimulate others in the economy. It is not. Money--money the circulation of money. The speed was money circulates the economy fell to the lowest level in 50 years. It fell during--
Peter Robinson: After the stimulus.

Thomas Sowell: Yes. Business reduced its investment by, oh, something like 25 or more percent. So that if you're looking in terms of what actually happens rather than word that they used. What actually has happened shows no such stimulation as they're talking about.

Peterson Robinson: Let me mention a few administration economic proposals. All couched in terms of controlling cost and spurring growth, all link in one way or another to the economic crisis that was started during the housing bust. You tell me what you believe the American people should understand about each. We've talk about the stimulus. You made it clear you don't believe it's stimulative at all. The cap and trade global warming build that just pass the house in late June and now moved to the senate, the New York Times says, the legislation, "Falls far short of what many European governments and environmentalist have said is needed to avert--don't make me laugh Tom [laughter], to avert the worst effects of global warming." What does Tom Sowell have to say about this cap and trade legislation?

Thomas Sowell: It's a wonderful way to raise money, to raise money without saying that you're taxing people whether it will in fact cut down on the greenhouse gases significantly and whether even--even if it does will that will really be enough, 'cause after all we are only a small part of the world to affect the entire temperature of the earth. It seems quite dubious, despite the sort of notion that it's a proven fact that man-made factors create the global warming. There are literally hundreds of people who spend their lives specialize in this study of climate who say, "No, that is not the case."

Peter Robinson: Healthcare Reform. President Obama said in late June, that he is determined to enact a major reform before the end of the summer from barackobama.com, "A moral imperative by any measure a better health care--by any measure, mark that Dr. Sowell, a better healthcare system is also essential to rebuilding our economy. We want to make health insurance work for people and businesses not just insurance and drug companies."

Thomas Sowell: Oh, my guess is how do you know where to start? It really is. First of all, what I actually reason is that I believe that the government of all institutions can make healthcare less expensive. It can refuse to pay the expenses, which is entirely different.
Other countries have gone that route. They have refused to pay the cost of maintaining the health system. And so in places like Britain or Canada, you don't find the same availability of healthcare that you have in the United States. You have something--something like--recent study showed that 30,000 Canadians have gone to other countries for health treatment. Even though they get it free of charge in Canada and they've got to go pay for it somewhere else and they go, because the quality is not the same, the MRIs per capita in Canada about half within on United States and Britain which also has a government health program. They're about a fourth of what they are in the United States. If you're talking about going in for surgery--I don't have the exact figures right in front of me, but something like a fourth of the people in Canada wait six months or more for surgery. In Britain it's a higher percentage. In United States, only 5 percent wait that long. In Canada you wait 10 weeks for MRI to find out what's wrong with you. Now a lot of things gonna happen in 10 weeks and many of them are very bad. So, if you want something cheaper you can always get something cheaper. It's just that you're not gonna get the same quality. In order for them to bring down the cause of healthcare, the government would have to operate the system more efficiently than the market does. I can't think of anything that the government operates more efficiently than the market does. And if it's to all of these, see the profits of--of the pharmaceutical companies and the hospitals and all that. There are thousands of nonprofit organizations in this country. If the profits are the problem, the nonprofit organizations could go in undercut these people who are making these unwarranted profits and lower the cost to us all. Why don't they do it?

Peter Robinson: Final question Tom and this is from a viewer who sends in the question by twitter to be submitted to you. This is from Andrew Haslett [phonetic] at the occasional. And underlies a great deal of what we've been talking about. Did people on the right of center get lazy and complaisant about defending free markets after 1989? Is that why we've ended up where we are today?

Thomas Sowell: Oh, I don't know. It depends if you've--it depends what you're talking about. If you're talking about politicians, there's no question about it. I mean, when the first--when Bush 41 talked about a kinder and gently economy, I mean, that was the beginning of the downward spiral. When his son starts about compassionate conservatism which does not mean compassion to tax payer by the way, that was a further move on that direction. So lots of folks when they got power, it was easier for the republicans, for example, to do what a democrats has done used that power to do special favors for people here and there and hopes of gaining their political and financial support. Fine, they've now paid the price.

Peter Robinson: Dr. Thomas Sowell author of "The Housing Boom and Bust." Thank you very much. I'm Peter Robinson be sure to follow was on twitter at twitter.com/uncknowledge, that's U-N-C knowledge. Send as your comments, links to
related material, suggestions for guest. We'd love to hear from you. And now for Uncommon Knowledge and the Hoover Institution, thanks for joining us.