

BOOK REVIEW

ECONOMIC FACTS AND FALLACIES

Thomas Sowell

New York: Basic Books

2008/ 262 pp./ \$26.00 hardcover

Reviewed by **Lay James Gibson**

University Distinguished Outreach Professor, Department of Geography and Regional Development and Director, Economic Development Research Program, University of Arizona, Tucson

Sowell's work is always interesting but given the recent campaign for the U.S. Presidency, the current economic crises, and the challenges facing a new president with a largely sympathetic Congress this book could not be more timely. Sowell favors market solutions over political solutions, but, more to the point, he favors conclusions that are based on facts and objective analysis over assertions based on preconceived notions and prejudices. He makes it clear that he would ordinarily prefer to deal with market risk than the unfortunate "unintended consequences" of economic or social policies intended to promote poorly defined objectives such as "equality" and "social justice." But he also seems to understand implicitly that when individuals or politicians make poor choices, the outcomes represent a nearly irresistible opportunity for new policies to remedy the situation—policies which may also have unintended consequences. Just as surely as free markets depend on failure to clear out the inefficient, politicians will be inclined to intervene to protect the inefficient. Whereas Sowell does not say it in so many words, one can imagine that he might go on to say that markets don't just penalize the inefficient—they provide "teaching moments" for the careless, inept, lazy, and reckless. Further, markets reward diligence, efficiency, and discipline. In short, free markets and not governments and politicians deliver real economic and social justice.

The book's eight chapters are a check-list of the issues that have been before us for years and now take on new meaning given the recent melt-down of the economy. Whereas one can only hope that politicians and policy makers would read this book before developing policy to revivify the distressed national economy, this is probably too much to ask for. A more realistic goal might be to urge the E.D. community to read Sowell's book; it will force believers and non-believers alike to rethink their positions on economic issues. Housing? This is covered in Chapter Two, Urban Facts and Fallacies. Income inequality and executives' pay? See Chapter Five. Race and its impacts on employment, lending discrimination, and consumer discrimination? These and related topics are the subject of Chapter Six. Imperialism and exploitation? Read Chapter Seven, which addresses Third World Facts and Fallacies. Facts and fallacies relating to gender and the academy are discussed in Chapters Three and Four.

Nowhere does Sowell suggest that there is no such thing as race-based or gender-based discrimination. But he does suggest that in many cases discrimination is understandable and appropriate when reasonable and rational people objectively examine the facts and dispassionately assess costs associated with assuming more risk or accepting reduced productivity.

At the end of the day, it is doubtful that Sowell will convert many socialists to free market capitalism, but he will certainly encourage those on either side of the debate to more thoughtfully evaluate the costs and benefits of political intervention into economic issues.

The author

Lay J. Gibson is University Distinguished Outreach Professor, Economic Development Research Program, The University of Arizona

- 520 621 5798
- ljgibson@ag.arizona.edu